Stock code
2457

Phihong Technology Co., Ltd.

2021 Annual Shareholders' Meeting

Meeting Agenda

Date: 9:00am Wednesday, June 16, 2021

Location: Phihong Technology Co., Ltd. Headquarters (No.568, Fuxing 3rd Rd., Guishan Dist., Taoyuan City 333, Taiwan)

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PHIHONG TECHNOLOGY CO., LTD.

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6. Discussions
7. Extraordinary Motions
8. Meeting Adjourned

Meeting Agenda

PHIHONG TECHNOLOGY CO., LTD.

2021 Annual General Shareholders' Meeting Agendas

1. **Time:** 9:00am Wednesday, June 16, 2021
2. **Venue:** Phihong Technology Co., Ltd. Headquarters (No.568, Fuxing 3rd Rd., Guishan Dist., Taoyuan City 333, Taiwan)
3. **Chairman's Speech**
4. **Reports:**
   (1) The 2020 Operating Status Review & 2021 Business Outlook Report
   (2) The Audit Committee Report on the Review of the 2020 Financial Statements
   (3) The 1st Report on Issues Related to Secured Ordinary Corporate Bonds in 2021
5. **Proposals:**
   (1) Adoption of 2020 Financial Business Report and Financial Statements
   (2) Adoption of the Proposal for 2020 Deficit Compensation
6. **Discussions:**
   (1) Amendment to the "Articles of Incorporation"
   (2) Amendment to the "Procedure for the Acquisition and Disposal of Assets"
7. **Extraordinary Motions**
8. **Meeting Adjourned**

Reports

1.The 2020 Operating Status Review & 2021 Business Outlook Report enclosed herewith. (Please refer to Appendix 1, p.11 ～13 hereof)**.**

2.The Audit Committee Report on the Review of the 2020 Financial Statements enclosed herewith.

PHIHONG TECHNOLOGY CO., LTD.

Audit Committee ‘s Report

The Board of Directors has prepared the Company’s 2020 Business Report, 2020 Individual and Consolidated Financial Statements and the Proposal for Deficit Compensation. The CPA firm of Deloitte & Touche has completed the audit on the 2020 Individual and Consolidated Financial Statements and has issued an audit report accordingly. The 2020 Business Report, 2020 Individual and Consolidated Financial Statements and the Proposal for Deficit Compensation have been reviewed and determined to be adequate and accurate by the Audit Committee. Therefore, we hereby submit this report pursuant to relevant provisions of the Securities and Exchange Act and Company Act.

Yours sincerely,

2021 Annual General Shareholders’ Meeting, PHIHONG TECHNOLOGY CO., LTD.

Convener of the Audit Committee: HUNG, YU-YUAN

March 5, 2021

3.The 1st Report on Issues Related to Secured Ordinary Corporate Bonds in 2021 enclosed herewith.

Explanations:(1) In accordance with Article 246 of the Company Act, the reasons for the Company's raising of corporate bonds and relevant matters are reported.

(2) In order to repay debts and to replenish the medium and long-term working capital while improving the financial structure, the board of directors resolve on March 5, 2021 to raise funds through issuance of the first secured ordinary corporate bond 2021, which has been entered into force, referenced Taipei Exchange Letter Zheng-Gui-Zhai No. 11000015981.

(3) For the main conditions of issuance of the corporate bond, please refer to the table below:

Types of corporate bonds	First issuance of domestic secured ordinary corporate bond in 2021
Issue date	March 25, 2021
Par value	NT$10,000,000
Issue price	Issued by par value
Total	NT$700 million
Interest rate	The annual coupon rate is 0.60%
Term	Five-year term, maturity date: March 25, 2026
Interest accrual method	Simple interest accrues and is paid once a year based on the coupon rate from the issue date
Principal repayment method	The principal will be repaid in a lump sum upon the maturity date.
Guarantee method	The corporate bonds are secured by Hua Nan Commercial Bank, Ltd.
Trustee	Bank Sinopac Co., Ltd.
Debt service agency	Taishin International Bank Co. Ltd.
Underwriter	KGI Securities Co., Ltd.

Proposals

1. **Subject: Adoption of 2020 Financial Business Report and Financial Statements (by the Board of Director).**

Explanations: (1) The Company's 2020 business report and financial statements have been approved by the board of directors on March 5, 2021, and the financial statements were audited by Yi-Min Huang and Ker-Chang Wu, CPAs at Deloitte & Touche.

(2) The various statements of final accounts have been submitted to the Audit Committee of the Company for review, and the review report has been issued.

(3) Enclosed the following reports and statements:

(i) 2020 Business Report (please refer to Appendix 1, p.11～13 hereof).

(ii) 2020 Individual Financial Statement and Consolidated Financial Statements (please refer to Appendix 2 ～ 3, p.14～35 hereof).

Resolutions:

2. **Subject: Adoption of the Proposal for 2020 Deficit Compensation (by the Board of Director).**

Explanations: (1) At the end of the year of 2020, the Company’s accumulated losses to be compensated were NT$154,744,156, and the legal reserve was NT$767,660,082. It is proposed to make up for the losses using the legal reserve. After the losses are compensated, the remaining legal reserve is NT$612,915,926, and the remaining loss to be made up for is NT$0.

(2) The Company's net loss after tax for 2020, so no dividends will be distributed to shareholders.

(3) Enclosed the “2020 Deficit Compensation Statement” (Please refer to Appendix 4, p.36 hereof).

Resolution:

Discussions

1. **Subject: Amendment to the "Articles of Incorporation" (by the Board of Directors).**

   Explanations: To respond to the requirements of amendments to laws and the Company's practical operations, it is proposed to amend some provisions of the Company's Articles of Incorporation, and a comparison table of the provisions before and after the amendments is provided. (please refer to Appendix 5, p.37～39 hereof).

   Resolution:

2. **Subject: Amendment to the " Procedure for the Acquisition and Disposal of Assets" (by the Board of Directors).**

   Explanations: To respond to the Company's practical operations, it is proposed to amend some provisions of the Company's Procedure for the Acquisition and Disposal of Assets, and a comparison table of the provisions before and after the amendments is provided. (please refer to Appendix 6, p.40～41 hereof)

   Resolution:

Extraordinary Motions

Appendix

【Appendix 1】

PHIHONG TECHNOLOGY CO., LTD.

2020 Business Report

Under this wave of trade wars and the COVID-19 pandemic, coupled with the instability of the world's major economies and the challenge of rising component prices, the crisis also represents a turning point. The Company has responded to the problem through solid and advanced technological capabilities and carried out industrial adjustment and planning promptly for the changes in the environment. In recent years, the Company has continued to track and analyze internal problems and market trends through big data analyses and collection of market information to improve problems continuously and instantly while planning ahead to enhance the competitiveness and overall gross income, maintain a stable financial structure and continue to consolidate the Company's position in the power supply industry. The Company's 2020 operating status and 2021 business plan are hereby reported as follows:

I. Business Report for 2020

(I) The implementation results of the business plan and budget execution

The Company’s net operating income for 2020 was NT$9,243,618 thousand, a decrease of approximately 13.6% from the NT$10,694,604 thousand for 2019. The net loss after tax for 2020 was NT$154,594 thousand, an increase of approximately 305.4% from the NT$38,136 thousand in 2019.

The overall revenue and profit failed to achieve the targets set internally.

(II) Analysis of financial income and expenditure and profitability

1. Financial income and expenditure analysis

Item / Year	2019	2020	Increase/Decrease (%)
Non-operating income and expenses	36,311	219,189	503.64

The Company's non-operating income and expenditures in 2020 increased compared with that in 2019, mainly because of the relief subsidies received from the government in response to the impact of the pandemic in 2020, such as government salary and working capital subsidies.

2. Profitability analysis

Item / Year			2019	2020
Profitability	Return on assets (ROA) (%)		(0.20)	(1.37)
	Return on equity (ROE) (%)		(0.76)	(3.20)
	As a percentage of paid-in capital %	Net operating loss	(2.32)	(11.03)
		Net loss before tax	(1.25)	(4.54)
	Profit margin (%)		(0.36)	(1.67)
	Loss per share (NTD) (Note)		(0.11)	(0.46)

Note: The loss per share has been adjusted retrospectively in consideration of the distribution of stock dividends over the years.

(III) Research and development–Marketing Department

1. Electric vehicle (EV) green energy product and technology development

At present, a 30 kW digital power supply module has been developed. It is a power supply product with high efficiency and high power density through the introduction of the latest wide-bandgap SIC materials. In addition, the Company has successfully developed the third-generation EV charging control system CSU3.0, which combines CanBus and PLC communication between the charging system and EV, while integrating the OCPP communication between the charging system and the cloud, with the system control function of power.

The Company has also developed V2G products and technologies, supported ISO15118 and other countries’ charging protocols and Energy Management System (EMS) standards, such as SEP2.0, EEBus, and ECHONET Lite, for the stability of the power supply system in the future. With the continuous growth of EVs, the Company has worked to enable the electric power of vehicles to be shared with the power supply system, to balance the power consumption at all times, reduce the overload of the electric system caused by the EVs in the future, and allow for charging during the low power consumption period. As such, power can be supplied to the grid during the peak power consumption period. EV products have been successfully integrated with the components above, and a series of AC slow charging systems & DC fast charging systems have been developed. 32A, 3-phase 32A, and other AC slow charging systems have been mass-produced; 30KW, 60KW, 120KW–180KW series products, and other DC fast charging systems have been mass-produced. Meanwhile. The Company has obtained safety certificates, including UL from the U.S., CE from the European Union, and CNS from Taiwan, and has also been recognized by customers in many countries.

2. New technology development direction
   (1) Strengthen the research and development of wide bandgap semiconductors GaN and SiC in power supply applications to develop high-frequency and high-efficiency small power supplies in compliance with the latest DoE 6.0 and CoC tier2 energy regulations, to enable the highest efficiency to reach more than 95%, with the power density of $15W/in^3$ or higher.
   (2) Replace traditional analog circuit design methods with digital power supply design to achieve optimized parameter design, integrated functions, and smart communication with the system end so as to increase the flexibility of design and production testing.
   (3) Actively develop medium- and high-power power products and technologies, with built-in high waterproof and dustproof, lightning resistance, low electromagnetic interference, and smart communication functions, in order to enter high-end niche markets, such as e-sports, 5G communications, and power battery charging applications.
   (4) Continue the development of USB power delivery (PD) technology, and design a new product that is thinner and more cost-effective to meet the need for automatic adjustment to different output voltages and currents, while can support mobile phones, tablets, laptops, displays, and other electronic products, so as reduce the number of power products used and thereby reduce the consumption of raw materials.

3. Improve design quality and R&D energy
   (1) Enable the past design projects to be shared through the KM platform, to strengthen relevant design criteria and design checklists, and prevent the recurrence of abnormalities in the past.
   (2) Implement design review meetings to visualize the potential design problems and production problems, and conduct early pre-trial analysis and introduction of countermeasures.
   (3) Keep abreast of and shorten the development timeline by managing the progress of project development flexibly through routine project meetings, thereby ensuring the product design and quality of samples delivered.
   (4) Collect and study customer application needs and market trends prior to product development design or a proposal submitted to improve product performance and customer communication efficiency, thereby increasing the success rate of obtaining a project.
   (5) Review the suitability of existing internal regulations and relevant development processes, establish a friendly R&D platform, and promote the maximization of the use of R&D resources and the enhancement of product competitiveness.
   (6) Early invest in the application of new materials and technologies, study and discuss relevant laws and regulations, and collect needs for products and applications in emerging or niche markets, to stay ahead in terms of R&D capabilities.
   (7) Invest in industrial design talents to enhance more diversified service value in response to the trend of the world.

II. Summary of the 2021 Business Plan

(I) Business policy

1. Continuously improve the competitiveness of quality, price, and delivery time, take profit as the business goal and give back to shareholders.
2. Continue to internally control and manage the operating costs of the head office, revenue, expenditure, and the five major expenditures of the factories to maximize the turnover of working capital.
3. Continue to conduct strategic consensus camps and study sessions for supervisors, review the Company's nine key improvement issues, and formulate short-, medium-, and long-term strategies and goals.
4. Link the nine key improvement issues to the KPIs of each department, establish effective and feasible improvement countermeasures, and implement the performance appraisal system, so as to enhance the action and creativity of each department to achieve the Company's business goals.
5. Strengthen data operation and management, integrate various systems, introduce a data analysis platform to keep abreast of the changes in markets and customer conditions timely, and make timely decisions and respond while, in turn, moving from the establishment of a digital platform towards digital transformation.

(II) Business goals

1. Eliminate deficits and strengthen the overall system of turning losses into profits.
2. Refine the human resources system and product technological capabilities of the product business group in order to increase the number of new customers, new applications, and projects.
3. Improve the design of EV charging products, quality of samples delivered, and product standardization while increasing the revenue and profit of the EV power business group.
4. Reduce the share of orders for low-power/low-gross profit models, and focus on the development of high-power/multi-port fast charging/high-gross profit models.
5. Manage the inventory and amount of products and materials effectively through a data platform, and strike a balance between operational risks and the ability to obtain orders.

(III) Important production and sales policies

1. Formulate essential issues of the group and plan improvement goals.
2. Deepen the supply chain management, keep abreast of the raw material price fluctuations in markets, and standardize design materials in order to reduce product costs and strengthen product price competitiveness.
3. Focus on emerging industries, such as wearable devices, drones, virtual reality (VR), artificial intelligence (AI), Internet of Things (IoT), 5G, foldable smart phones, e-sports notebooks (NBs), EV chargers, and E-Bike products, to start business activities early and expand customer bases and increase revenue of new products.
4. Strengthen the design technology of power battery chargers, high-power/high-density adapters, and PoE power supplies.
5. Increase the revenue of the existing five major customers of each product business group.

III. Future development strategies

(I) Establish a global operation and management model, enhance relationships with key customers, develop new niche markets, place customers first, and value feedback from customers.

(II) Establish a high-quality corporate culture, encourage accountability and a sense of ownership, and enhance the competitiveness of the Company's various departments.

(III) Reduce the number of direct assembly line workers through the introduction of automated production, keep abreast of customer needs in the off-peak season and market supply chain fluctuations, establish a sound production and sales platform, to reduce the crisis of manpower shortage in mainland China and stabilize production.

(IV) Enhance the competitiveness of quality, price, and delivery time.

(V) Continuous research and develop advanced technologies and manufacture high value-added green energy products.

(VI) Established a new production site in Vietnam in response to the threat of the China-US trade war and to avoid the risk of concentrated production in Dongguan.

(VII) Form a consistent strategy through the strategy consensus camp and reading sessions for supervisors after management strategies are drawn up by the senior management.

IV. Affected by the external competition environment, legal environment, and overall economic environment, Phihong's management team pays close attention to any external competition, changes in policies and laws and regulations, and the possible impact and effect of the global economic environment on the Company's operations at all times. The Company continues to stay up-to-date with the latest business conditions through data management, deepen supply chain management, track market raw material price fluctuations, effectively control total operating costs, and utilize funds flexibly. Meanwhile, it continues to enhance R&D of advanced technology and introduction of product innovation, continues to introduce production automation systems, and upgrades processes, with the aim of improving the competitiveness of overall product performance, quality, price, and delivery, to respond to changes in the general environment and stride towards the goal of sustainable operation.

Looking ahead to 2021, as the pandemic is slowing down, terminal market demand has gradually recovered, existing business and order opportunities have stabilized, and new business opportunities and new market development have also begun to witness gains because of the endeavor in the past. The business is expected to grow steadily year by year. Phihong will also continue to uphold the business philosophy of "outstanding design, excellent quality, accurate delivery, reasonable prices, satisfactory service, and high-quality corporate culture" to continue to create growth momentum so as to create the maximum value for customers, shareholders, and employees.

I wish you good health and all the best!

Chairman: Peter Lin Managerial Officer: Allan Lin Accounting Officer: Kuei-Chih Chen

【Appendix 2】

Independent Auditors' Report

The Board of Directors and Shareholders
Phihong Technology Co., Ltd.

Opinion

We have audited the accompanying financial statements of Phihong Technology Co., Ltd. (the Company), which comprise the balance sheets as of December 31, 2020 and 2019, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission of the Republic of China on February 25, 2020 and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in the audit of the Company's consolidated financial statements as of and for the year ended December 31, 2020 is as follows.

<u>The Accuracy of Sales Revenue from Telecom Brand Operation</u>

Description of the key audit matter:

Due to the impact of the uncertain trade relation between the US and China on the Company's sales from the telecom brand operation, we identified the accuracy of the sales revenue from the telecom brand operation as a key audit matter. Refer to Note 4 to the accompanying consolidated financial statements for the related disclosures.

Corresponding audit procedures

We understood the internal control related to the Company's recognition of sales revenue and evaluated the design of key control. We determined whether the key control has been implemented and tested the operating effectiveness of key control. We sample tested transactions, reviewed the records of correspondence and reviewed significant subsequent sales returns and allowances of sales revenue from the telecom brand operation to confirm its existence.

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

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or

business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Yi-Min Huang and Ker-Chang Wu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 5, 2021

Notice to Readers

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

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

Phihong Technology Co., Ltd.

Standalone Balance Sheets

December 31, 2020 and 2019

In Thousands of New Taiwan Dollars

Code	Assets	December 31, 2020 Amount	%	December 31, 2019 Amount	%
	Current assets				
1100	Cash and cash equivalents (Notes 4 and 6)	$ 1,109,016	13	$ 1,074,221	14
1150	Notes receivable (Notes 4 and 8)	-	-	2,022	-
1170	Accounts receivable (Notes 4 and 8)	834,166	10	535,126	7
1180	Accounts receivable - related parties (Notes 4, 8 and 25)	356,686	4	95,031	1
1200	Other receivables	12,847	-	28,472	-
1210	Other receivables - related parties (Note 25)	571,224	6	562,052	7
130X	Inventories (Notes 4 and 9)	52,363	1	38,353	1
1479	Other current assets	43,780	-	22,255	-
11XX	Total current assets	2,980,082	34	2,357,532	30
	Non-current assets				
1520	Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 7)	63,671	1	49,513	1
1540	Financial assets at amortized cost - non-current (Notes 4, 6 and 26)	37,100	-	27,100	-
1550	Investments accounted for using equity method (Notes 4 and 10)	4,813,797	55	4,734,023	59
1600	Property, plant, and equipment (Notes 4 and 11)	671,666	8	731,883	9
1755	Right-of-use assets (Notes 4 and 12)	6,987	-	1,619	-
1780	Other intangible assets (Notes 4 and 13)	12,361	-	17,691	-
1840	Deferred income tax assets (Notes 4 and 20)	57,043	1	53,325	1
1990	Other non-current assets	104,097	1	17,095	-
15XX	Total non-current assets	5,766,722	66	5,632,249	70
1XXX	Total assets	$ 8,746,804	100	$ 7,989,781	100
Code	**Liabilities and Equity**				
	Current liabilities				
2100	Short-term borrowings (Note 14)	$ 256,320	3	$ -	-
2170	Accounts payable	11,780	-	11,016	-
2180	Accounts payable - related parties (Note 25)	1,198	-	539	-
2219	Other payables (Notes 16 and 25)	1,857,037	22	1,358,177	17
2230	Current income tax liabilities (Notes 4 and 20)	-	-	11,145	-
2280	Lease liabilities - current (Notes 4 and 12)	3,632	-	572	-
2320	Current portion of long-term borrowings (Notes 14 and 15)	1,064,620	12	-	-
2399	Other current liabilities	85,494	1	59,881	1
21XX	Total current liabilities	3,280,081	38	1,441,330	18
	Non-current liabilities				
2530	Bonds payable (Note 15)	-	-	999,405	12
2540	Long-term borrowings (Note 14)	303,944	3	295,739	4
2570	Deferred income tax liabilities (Notes 4 and 20)	67,820	1	79,832	1
2580	Lease liabilities - non-current (Notes 4 and 12)	3,388	-	1,056	-
2640	Net defined benefit liabilities - non-current (Notes 4 and 17)	94,068	1	102,226	1
2670	Other non-current liabilities (Notes 4 and 10)	243,713	3	146,520	2
25XX	Total non-current liabilities	712,933	8	1,624,778	20
2XXX	Total liabilities	3,993,014	46	3,066,108	38
	Equity (Notes 4 and 18)				
3110	Ordinary shares	3,376,884	38	3,376,884	42
3200	Capital surplus	1,044,017	12	1,044,017	13
	Retained earnings				
3310	Legal reserve	767,660	9	808,806	10
3320	Special reserve	230,859	3	230,859	3
3350	Accumulated losses	(154,744)	(2)	(41,146)	-
3300	Total retained earnings	843,775	10	998,519	13
	Other equity				
3410	Exchange differences on translation of the financial statements of foreign operations	(448,879)	(5)	(416,186)	(5)
3422	Unrealized valuation gain or loss on financial assets at fair value through other comprehensive income	(62,007)	(1)	(79,561)	(1)
3400	Total other equity	(510,886)	(6)	(495,747)	(6)
3XXX	Total equity	4,753,790	54	4,923,673	62
	Total liabilities and equity	$ 8,746,804	100	$ 7,989,781	100

The notes attached are part of the Standalone Financial Statements.

Phihong Technology Co., Ltd.

Standalone Statements of Comprehensive Income

For the Years Ended December 31, 2020 and 2019

In Thousands of New Taiwan Dollars, Except Loss Per Share

Code		2020 Amount	2020 %	2019 Amount	2019 %
4000	Operating revenue (Notes 4 and 25)	$ 6,805,700	100	$ 7,032,682	100
5000	Operating cost (Notes 4 9, and 25)	6,025,528	88	6,216,102	88
5900	Gross profit	780,172	12	816,580	12
5920	(Unrealized) realized gain on transactions with subsidiaries and associates (Note 4)	(37,645)	(1)	7,373	-
5950	Gross profit and realized gain form subsidiaries and associates	742,527	11	823,953	12
	Operating expenses				
6100	Sales and marketing expenses	245,997	4	220,881	3
6200	General and administrative expenses	172,571	2	190,757	3
6300	Research and development expenses	453,762	7	469,538	7
6450	Expected credit loss recognized (reversed)	947	-	(585)	-
6000	Total operating expenses	873,277	13	880,591	13
6900	Loss from operations	(130,750)	(2)	(56,638)	(1)
	Non-operating income and expenses				
7100	Interest income (Note 19)	7,813	-	27,684	-
7010	Other income (Note 19)	201,738	3	53,646	1
7020	Other gains and losses (Note 19)	(41,773)	(1)	(17,370)	-
7050	Finance costs (Note 19)	(21,459)	-	(22,300)	-
7070	Share of profit or loss of equity-accounted subsidiaries and associates (Notes 4 and 10)	(201,237)	(3)	(29,694)	(1)
7000	Total non-operating income and expenses	(54,918)	(1)	11,966	-

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Code		2020 Amount	2020 %	2019 Amount	2019 %
7900	Net loss before income tax	($ 185,668)	(3)	($ 44,672)	(1)
7950	Income tax benefit (Notes 4 and 20)	31,074	1	6,536	-
8200	Net loss for the year	(154,594)	(2)	(38,136)	(1)
	Other comprehensive income(loss)				
8310	Items that will not be reclassified subsequently to profit or loss:				
8311	Remeasurement of defined benefit plans (Note 17)	(188)	-	(3,762)	-
8316	Unrealized loss on investments in equity instruments at fair value through other comprehensive income or loss (Note 18)	(3,842)	-	(595)	-
8320	Share of other comprehensive income of equity-accounted subsidiaries and associates (Note 18)	21,396	-	15,300	-
8349	Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 20)	38	-	752	-
8360	Items that will may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translation of the financial statements of foreign operations (Note 18)	(32,693)	-	(150,579)	(2)
8300	Total other comprehensive loss	(15,289)	-	(138,884)	(2)
8500	Total comprehensive loss for the year	($ 169,883)	(2)	($ 177,020)	(3)
	Loss per share (Note 21)				
9710	Basic	($ 0.46)		($ 0.11)	

The notes attached are part of the Standalone Financial Statements.

Phihong Technology Co., Ltd.

Standalone Statements of Changes in Equity

For the Years Ended December 31, 2020 and 2019

In Thousands of New Taiwan Dollars

Code		Ordinary shares	Capital surplus	Retained earnings: Legal reserve	Retained earnings: Special reserve	Retained earnings: Accumulated losses	Other equity: Exchange differences on translation of the financial statements of foreign operations	Other equity: Unrealized valuation gain or loss on financial assets at fair value through other comprehensive income	Total Equity
A1	Balance as of January 1, 2019	$ 3,376,884	$ 1,044,017	$ 1,113,185	$ 230,859	($ 304,379)	($ 265,607)	($ 94,266)	$ 5,100,693
B13	Legal reserve used to offset deficits	-	-	(304,379)	-	304,379	-	-	-
D1	Net loss for the year ended December 31, 2019	-	-	-	-	(38,136)	-	-	(38,136)
D3	Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	(3,010)	(150,579)	14,705	(138,884)
D5	Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	(41,146)	(150,579)	14,705	(177,020)
Z1	Balance as of December 31, 2019	3,376,884	1,044,017	808,806	230,859	(41,146)	(416,186)	(79,561)	4,923,673
B13	Legal reserve used to offset deficits	-	-	(41,146)	-	41,146	-	-	-
D1	Net loss for the year ended December 31, 2020	-	-	-	-	(154,594)	-	-	(154,594)
D3	Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	(150)	(32,693)	17,554	(15,289)
D5	Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	(154,744)	(32,693)	17,554	(169,883)
Z1	Balance as of December 31, 2020	$ 3,376,884	$ 1,044,017	$ 767,660	$ 230,859	($ 154,744)	($ 448,879)	($ 62,007)	$ 4,753,790

The notes attached are part of the Standalone Financial Statements.

Phihong Technology Co., Ltd.

Standalone Statements of Cash Flows

For the Years Ended December 31, 2020 and 2019

In Thousands of New Taiwan Dollars

Code		2020	2019
	Cash flows from operating activities		
A10000	Net loss before income tax	($ 185,668)	($ 44,672)
A20010	Adjustments for:		
A20100	Depreciation expenses	81,047	83,675
A20200	Amortization expenses	7,403	11,263
A20300	Expected credit loss recognized (reversed)	947	(585)
A20900	Finance costs	21,459	22,300
A21200	Interest income	(7,813)	(27,684)
A21300	Dividend income	-	(500)
A22300	Share of loss of subsidiaries and associates	201,237	29,694
A22500	Gain on disposal of property, plant and equipment	(206)	-
A23700	Losses on inventory valuation loss and obsolescence	2,556	5,931
A23900	Unrealized (realized) gain on transactions with subsidiaries	37,645	(7,373)
A30000	Net changes in operating assets and liabilities		
A31130	Notes receivable	2,022	(2,022)
A31150	Accounts receivable	(299,987)	325,390
A31160	Accounts receivable - related parties	(261,655)	134,783
A31180	Other receivables	15,626	6,485
A31190	Other receivables - related parties	(9,172)	(342,002)
A31200	Inventories	(16,566)	61,608
A31240	Other current assets	(21,499)	72,158
A32150	Accounts payable	764	(456)
A32160	Accounts payable - related parties	659	244
A32180	Other payables	499,669	(379,798)
A32230	Other current liabilities	25,613	(40,606)
A32240	Net defined benefit liability	(8,346)	(552)
A33000	Cash generated from (used in) operating activities	85,735	(92,719)
A33100	Interest received	7,812	34,573
A33300	Interest paid	(18,834)	(20,548)
A33500	Income tax returned (paid)	1,276	(7,157)
AAAA	Net cash generated from (used in) operating activities	75,989	(85,851)

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Code		2020	2019
	Cash flows from investing activities		
B00010	Purchase of financial assets at fair value through other comprehensive income	($ 18,000)	($ 20,586)
B00040	Purchase of financial assets measured at amortized cost	(10,000)	-
B00050	Proceeds from financial assets measured at amortized cost	-	199,463
B01800	Net cash outflow on acquisition of subsidiaries	(298,726)	(308,467)
B02400	Return of capital from investments accounted for using equity method	63,868	8,402
B02700	Payments for property, plant and equipment	(11,067)	(52,144)
B02800	Proceeds from disposal of property, plant and equipment	586	-
B04500	Payments for intangible assets	(2,073)	(8,845)
B03700	Increase in refundable deposits	(785)	(1,048)
B07100	Increase in prepayments for equipment	(7,578)	(22,118)
B07300	Increase in prepayments for land	(84,075)	-
B07600	Dividends received	2,097	20,246
BBBB	Net cash used in from investing activities	(365,753)	(185,097)
	Cash flows from financing activities		
C00100	Proceeds from Short-term borrowings	256,320	-
C01600	Proceeds from Long-term borrowings	566,040	1,624,500
C01700	Repayments of long-term borrowings	(495,000)	(1,510,000)
C03000	Increase in guarantee deposits received	-	40
C04020	Repayment of the principal portion of lease liabilities	(2,801)	(3,232)
CCCC	Net cash generated from financing activities	324,559	111,308
EEEE	Net increase (decrease) in cash and cash equivalents	34,795	(159,640)
E00100	Cash and cash equivalents at the beginning of the year	1,074,221	1,233,861
E00200	Cash and cash equivalents at the end of the period	$ 1,109,016	$ 1,074,221

The notes attached are part of the Standalone Financial Statements.

【Appendix 3】

Independent Auditors' Report

The Board of Directors and Shareholders
Phihong Technology Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Phihong Technology Co., Ltd. (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission of the Republic of China on February 25, 2020 and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in the audit of the Group's consolidated financial statements as of and for the year ended December 31, 2020 is as follows.

The Accuracy of Sales Revenue from Telecom Brand Operation

Description of key audit matter

Due to the impact of the uncertain trade relation between the US and China on the Group's sales from the telecom brand operation, we identified the accuracy of the sales revenue from the telecom brand operation as a key audit matter. Refer to Note 4 to the accompanying consolidated financial statements for the related disclosures.

Our audit procedures performed in respect of the key audit matter include the following:

We understood the internal control of the Company's recognition related to sales revenue and evaluated the design of key control. We determined whether the key control has been implemented and tested the operating effectiveness of key control. We sample tested transactions, reviewed the records of correspondence and reviewed significant subsequent sales returns and allowances of sales revenue from the telecom brand operation to confirm its existence.

Other Matters

We have also audited the parent company only financial statements of the Company as of and for the years ended December 31, 2020 and 2019 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying

transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Yi-Min Huang and Ker-Chang Wu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 5, 2021

<u>*Notice to Readers*</u>

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

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

Phihong Technology Co., Ltd. and Subsidiaries

Consolidated Balance Sheets

December 31, 2020 and 2019

In Thousands of New Taiwan Dollars

		December 31, 2020		December 31, 2019	
Code	Assets	Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Notes 4 and 6)	$ 2,545,804	25	$ 2,150,899	23
1110	Financial assets at fair value through profit or loss - current (Notes 4 and 7)	43,600	-	347,841	4
1150	Notes receivable (Notes 4 and 9)	-	-	2,022	-
1170	Accounts receivable (Notes 4 and 9)	2,019,406	20	2,038,864	21
1200	Other receivables (Note 25)	25,329	-	44,017	-
130X	Inventories (Notes 4 and 10)	2,015,069	20	1,353,930	14
1460	Non-current assets held for sale (Note 11)	245,819	2	-	-
1479	Other current assets	102,907	1	56,759	1
11XX	Total current assets	6,997,934	68	5,994,332	63
	Non-current assets				
1520	Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	65,828	1	57,311	1
1535	Financial assets at amortized cost - non-current (Notes 4, 6 and 29)	37,100	-	27,100	-
1550	Investments accounted for using equity method (Notes 4 and 13)	152,366	1	141,638	1
1600	Property, plant, and equipment (Notes 4 and 14)	2,590,539	25	2,853,417	30
1755	Right-of-use assets (Notes 4 and 15)	282,788	3	302,714	3
1780	Other intangible assets (Notes 4 and 16)	27,679	-	33,216	-
1840	Deferred income tax assets (Notes 4 and 23)	57,043	1	53,325	1
1990	Other non-current assets	151,394	1	69,123	1
15XX	Total non-current assets	3,364,737	32	3,537,844	37
1XXX	Total assets	$ 10,362,671	100	$ 9,532,176	100
Code	Liabilities and Equity				
	Current liabilities				
2100	Short-term borrowings (Note 17)	$ 256,320	2	$ -	-
2170	Accounts payable	2,846,732	27	2,212,547	23
2180	Accounts payable - related parties (Note 28)	82,497	1	69,526	1
2219	Other payables (Note 19)	570,038	6	706,699	8
2230	Current income tax liabilities (Notes 4 and 23)	19,558	-	19,822	-
2280	Lease liabilities - current (Notes 4 and 15)	7,786	-	5,665	-
2320	Current portion of long-term borrowings (Notes 17 and 18)	1,064,620	10	-	-
2399	Other current liabilities (Notes 11 and 19)	291,113	3	110,862	1
21XX	Total current liabilities	5,138,664	49	3,125,121	33
	Non-current liabilities				
2530	Bonds payable (Notes 4 and 18)	-	-	999,405	10
2540	Long-term borrowings (Note 17)	303,944	3	295,739	3
2570	Deferred income tax liabilities (Notes 4 and 23)	67,820	1	79,832	1
2580	Lease liabilities - non-current (Notes 4 and 15)	12,665	-	14,888	-
2640	Net defined benefit liabilities - non-current (Notes 4 and 20)	94,068	1	102,226	1
2670	Other non-current liabilities	629	-	664	-
25XX	Total non-current liabilities	479,126	5	1,492,754	15
2XXX	Total liabilities	5,617,790	54	4,617,875	48
	Equity attributable to owners of the Company (Notes 4 and 21)				
3110	Ordinary shares	3,376,884	33	3,376,884	35
3200	Capital surplus	1,044,017	10	1,044,017	11
	Retained earnings				
3310	Legal reserve	767,660	7	808,806	9
3320	Special reserve	230,859	2	230,859	2
3350	Accumulated losses	(154,744)	(1)	(41,146)	-
3300	Total retained earnings	843,775	8	998,519	11
	Other equity				
3410	Exchange differences on translation of the financial statements of foreign operations	(448,879)	(4)	(416,186)	(4)
3422	Unrealized valuation gain or loss on financial assets at fair value through other comprehensive income	(62,007)	(1)	(79,561)	(1)
3400	Total other equity	(510,886)	(5)	(495,747)	(5)
31XX	Total equity attributable to owners of the Company	4,753,790	46	4,923,673	52
36XX	Non-controlling equity (Note 21)	(8,909)	-	(9,372)	-
3XXX	Total equity	4,744,881	46	4,914,301	52
	Total liabilities and equity	$ 10,362,671	100	$ 9,532,176	100

The notes attached are part of the Consolidated Financial Statements.

Phihong Technology Co., Ltd. and Subsidiaries

Consolidated Statements of Comprehensive Income

For the Years Ended December 31, 2020 and 2019

In Thousands of New Taiwan Dollars, Except Loss Per Share

Code		2020 Amount	2020 %	2019 Amount	2019 %
4000	Operating revenue (Notes 4 and 35)	$ 9,243,618	100	$ 10,694,604	100
5000	Operating cost (Notes 4, 10 and 28)	8,066,422	87	9,168,956	86
5950	Gross profit	1,177,196	13	1,525,648	14
	Operating expenses				
6100	Sales and marketing expenses	442,814	5	437,069	4
6200	General and administrative expenses	474,929	5	517,933	5
6300	Research and development expenses	632,909	7	648,450	6
6450	Expected credit (reversed) loss recognized	(825)	-	646	-
6000	Total operating expenses	1,549,827	17	1,604,098	15
6900	Loss from operations	(372,631)	(4)	(78,450)	(1)
	Non-operating income and expenses				
7100	Interest income (Note 22)	33,113	-	40,749	-
7010	Other income (Notes 22 and 25)	250,596	3	92,917	1
7020	Other gains and losses (Note 22)	(37,358)	(1)	(65,122)	(1)
7050	Finance costs (Note 22)	(22,517)	-	(23,103)	-
7060	Share of profit or loss of equity-accounted associates (Note 13)	(4,645)	-	(9,130)	-
7000	Total non-operating income and expenses	219,189	2	36,311	-

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Code		2020 Amount	2020 %	2019 Amount	2019 %
7900	Net loss before income tax	($ 153,442)	(2)	($ 42,139)	(1)
7950	Income tax (expense) benefit (Notes 4 and 23)	(1,171)	-	3,982	-
8200	Net loss for the year	(154,613)	(2)	(38,157)	(1)
	Other comprehensive income(loss)				
8310	Items that will not be reclassified subsequently to profit or loss:				
8311	Remeasurement of defined benefit plans (Note 20)	(188)	-	(3,762)	-
8316	Unrealized loss on investments in equity instruments at fair value through other comprehensive income or loss (Note 21)	(9,483)	-	(595)	-
8320	Share of other comprehensive income of equity-accounted associates (Note 21)	27,037	-	15,300	-
8349	Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 23)	38	-	752	-
8360	Items that will may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translation of the financial statements of foreign operations (Note 21)	(32,211)	-	(150,339)	(1)
8300	Total other comprehensive loss	(14,807)	-	(138,644)	(1)
8500	Total comprehensive loss for the year	($ 169,420)	(2)	($ 176,801)	(2)

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Code		2020 Amount	2020 %	2019 Amount	2019 %
8600	Net loss attributable to:				
8610	Owners of the Company	($ 154,594)	(2)	($ 38,136)	(1)
8620	Non-controlling interests	(19)	-	(21)	-
	Total	($ 154,613)	(2)	($ 38,157)	(1)
8700	Total comprehensive loss attributable to:				
8710	Owners of the Company	($ 169,883)	(2)	($ 177,020)	(2)
8720	Non-controlling interests	463	-	219	-
	Total	($ 169,420)	(2)	($ 176,801)	(2)
	Loss per share (Note 24)				
9710	Basic	($ 0.46)		($ 0.11)	

The notes attached are part of the Consolidated Financial Statements.

Phihong Technology Co., Ltd. and Subsidiaries

Consolidated Statements of Changes in Equity

For the Years Ended December 31, 2020 and 2019

In Thousands of New Taiwan Dollars

Code		Equity Attributable to Owners of the Company								Non-controlling Interests	Total Equity
							Other Equity				
		Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Accumulated Losses	Exchange differences on translation of the financial statements of foreign operations	Unrealized valuation gain or loss on financial assets at fair value through other comprehensive income	Total		
A1	Balance as of January 1, 2019	$ 3,376,884	$ 1,044,017	$ 1,113,185	$ 230,859	($ 304,379)	($ 265,607)	($ 94,266)	$ 5,100,693	($ 9,591)	$ 5,091,102
F1	Legal reserve used to offset deficits	-	-	(304,379)	-	304,379	-	-	-	-	-
D1	Net loss for the year ended December 31, 2019	-	-	-	-	(38,136)	-	-	(38,136)	(21)	(38,157)
D3	Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	(3,010)	(150,579)	14,705	(138,884)	240	(138,644)
D5	Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	(41,146)	(150,579)	14,705	(177,020)	219	(176,801)
Z1	Balance as of December 31, 2019	3,376,884	1,044,017	808,806	230,859	(41,146)	(416,186)	(79,561)	4,923,673	(9,372)	4,914,301
F1	Legal reserve used to offset deficits	-	-	(41,146)	-	41,146	-	-	-	-	-
D1	Net loss for the year ended December 31, 2020	-	-	-	-	(154,594)	-	-	(154,594)	(19)	(154,613)
D3	Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	(150)	(32,693)	17,554	(15,289)	482	(14,807)
D5	Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	(154,744)	(32,693)	17,554	(169,883)	463	(169,420)
Z1	Balance as of December 31, 2020	$ 3,376,884	$ 1,044,017	$ 767,660	$ 230,859	($ 154,744)	($ 448,879)	($ 62,007)	$ 4,753,790	($ 8,909)	$ 4,744,881

The notes attached are part of the Consolidated Financial Statements.

Phihong Technology Co., Ltd. and Subsidiaries

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2020 and 2019

In Thousands of New Taiwan Dollars

Code		2020	2019
	Cash flows from operating activities		
A10000	Net loss before income tax	($ 153,442)	($ 42,139)
A20010	Adjustments for:		
A20100	Depreciation expenses	308,178	336,392
A20200	Amortization expenses	12,595	16,176
A20300	Expected credit (reversed) loss recognized	(825)	646
A20400	Net gain on fair value changes of financial assets designated as at fair value through profit or loss	(3)	(3,845)
A20900	Finance costs	22,517	23,103
A21200	Interest income	(33,113)	(40,749)
A21300	Dividend income	-	(500)
A22300	Share of loss of associates	4,645	9,130
A22500	Loss on disposal of property, plant and equipment	2,637	55,048
A22800	Loss on disposal of intangible assets	194	401
A23100	Gain on disposal of investment	(10,274)	(4,468)
A23700	Losses on inventory valuation loss and obsolescence	48,139	40,371
A30000	Net changes in operating assets and liabilities		
A31130	Notes receivable	2,022	(2,022)
A31150	Accounts receivable	20,355	165,311
A31180	Other receivables	19,666	6,904
A31200	Inventories	(709,278)	714,881
A31240	Other current assets	(22,702)	137,075
A31990	Other operating assets	-	(26,845)
A32150	Accounts payable	634,185	(751,926)
A32160	Accounts payable - related parties	12,971	(7,320)
A32180	Other payables	(133,777)	(114,968)
A32230	Other current liabilities	180,251	(20,026)
A32240	Net defined benefit liability	(8,346)	(552)
A33000	Cash generated from operating activities	196,595	490,078

(Continued on next page)

(Continued from previous page)

Code		2020	2019
A33100	Interest received	$ 31,757	$ 46,434
A33300	Interest paid	(19,833)	(21,129)
A33500	Income tax paid	(24,516)	(4,087)
AAAA	Net cash generated from operating activities	184,003	511,296
	Cash flows from investing activities		
B00010	Purchase of financial assets at fair value through other comprehensive income	(18,000)	(20,586)
B00020	Proceeds from sale of financial assets at fair value through other comprehensive income	-	395
B00040	Purchase of financial assets measured at amortized cost	(10,000)	-
B00050	Proceeds from financial assets measured at amortized cost	-	199,463
B00100	Purchase of financial assets at fair value through profit or loss	(171,925)	(1,751,293)
B00200	Proceeds from sale of financial assets at fair value through profit or loss	484,970	1,706,415
B02400	Proceeds from capital reduction of investments accounted for using equity method	9,567	8,402
B02700	Payments for property, plant and equipment	(237,926)	(376,005)
B02800	Proceeds from disposal of property, plant and equipment	29,806	788
B04500	Payments for intangible assets	(7,196)	(14,413)
B05350	Payment for right-of-use assets	-	(198,327)
B03700	Increase in refundable deposits	(747)	-
B03800	Decrease in refundable deposits	-	1,669
B07100	Increase in prepayments for equipment	(81,381)	(96,382)
B07300	Increase in prepayments for land	(84,075)	-
B07600	Dividends received	2,097	6,746
B09900	Receive government grants	6,820	7,286
BBBB	Net cash used in from investing activities	(77,990)	(525,842)
	Cash flows from financing activities		
C00100	Proceeds from Short-term borrowings	256,320	-
C01600	Proceeds from long-term borrowings	566,040	1,624,500
C01700	Repayments of long-term borrowings	(495,000)	(1,519,237)
C03100	Decrease in guarantee deposits received	(35)	(3,693)
C04020	Repayment of the principle portion of lease liabilities	(8,641)	(8,887)
CCCC	Net cash generated from financing activities	318,684	92,683
DDDD	Effects of exchange rate changes on the balance of cash held in foreign currencies	(29,792)	(40,464)

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Code		2020	2019
EEEE	Net increase in cash and cash equivalents	$ 394,905	$ 37,673
E00100	Cash and cash equivalents at the beginning of the year	2,150,899	2,113,226
E00200	Cash and cash equivalents at the end of the year	$ 2,545,804	$ 2,150,899

The notes attached are part of the Consolidated Financial Statements.

【Appendix 4】

PHIHONG TECHNOLOGY CO., LTD.

2020 Deficit Compensation Statement

Unit: NT$

Item	Amount	
	Subtotal	Total
Accumulated losses at the beginning of year	-	
Less:		
Remeasurment of the defined benefit plans recognized in retained earnings	(150,544)	
Loss after tax for the year	(154,593,612)	
Accumulated losses to be compensated for the year		(154,744,156)
Item available for loss compensation		
Legal reserve		154,744,156
Accumulated losses to be compensated at the end of year		-

Note: The accumulated losses to be compensated for this year is NT$154,744,156, and the legal reserve is NT$767,660,082. It is proposed to make up for the losses using the legal reserve. After compensation, the legal reserve is NT$612,915,926, and the loss to be made up for is NT$0.

【Appendix 5】

PHIHONG TECHNOLOGY CO., LTD.

Comparison Table for Amended "Articles of Incorporation"

No.	Pre-amendment	Post-amendment	Explanation
Article 1:	The Company, PHIHONG TECHNOLOGY CO., LTD., was incorporated pursuant to provisions of the Company Act.	The Company is incorporated in accordance with the provisions of the Company Act; the Chinese name is 飛宏科技股份有限公司, and English name is Phihong Technology Co. Ltd.	The Company Act encourages (non-mandatorily) companies to have English names in response to the needs for internationalization.
Article 2:	The Company is engaged in the following business operations: 1.CC01010 Electric Power Supply, Electric Transmission and Power Distribution Machinery Manufacturing. 2.CC01020 Electric Wires and Cables Manufacturing. 3.CC01030 Electric Appliance and Audiovisual Electric Products Manufacturing. 4.CC01060 Wired Communication Equipment and Apparatus Manufacturing. 5.CC01080 Electronic Parts and Components Manufacturing. 6.CC01110 Computers and Computing Peripheral Equipment Manufacturing. 7.CC01990 Electrical Machinery, Supplies Manufacturing. 8.CD01030 Automobiles and Parts Manufacturing. 9.CD01040 Motor Vehicles and Parts Manufacturing. 10.F108031 Wholesale of Drugs, Medical Goods. 11.F113020 Wholesale of Household Appliance. 12.F113070 Wholesale of Telecom Instruments. 13.F114030 Wholesale of Motor Vehicle Parts and Supplies. 14.F119010 Wholesale of Electronic Materials. 15.F208031 Retail sale of Medical Equipment. 16.F401010 International Trade. 17.F401021 Restrained Telecom Radio Frequency Equipment and Materials Import. 18.ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.	The Company is engaged in the following business operations: 1.CC01010 Electric Power Supply, Electric Transmission and Power Distribution Machinery Manufacturing. 2.CC01020 Electric Wires and Cables Manufacturing. 3.CC01030 Electric Appliance and Audiovisual Electric Products Manufacturing. 4.CC01060 Wired Communication Equipment and Apparatus Manufacturing. 5.CC01080 Electronic Parts and Components Manufacturing. 6.CC01110 Computers and Computing Peripheral Equipment Manufacturing. 7.CC01990 Electrical Machinery, Supplies Manufacturing. 8.CD01030 Automobiles and Parts Manufacturing. 9.CD01040 Motor Vehicles and Parts Manufacturing. 10.F113020 Wholesale of Household Appliance. 11.F113070 Wholesale of Telecom Instruments. 12.F114030 Wholesale of Motor Vehicle Parts and Supplies. 13.F119010 Wholesale of Electronic Materials. 14.F401010 International Trade. 15. F213060 Retail Sale of Telecommunication Apparatus. 16.ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.	The scope of business in line with business needs and laws and regulations

No.	Pre-amendment	Post-amendment	Explanation
Article 5:	The Company is headquartered in Taoyuan City, Taiwan. Branches, offices and business premises may be set up at home and abroad, if necessary.	The Company is headquartered in Taoyuan City. Branches, offices and business premises may be set up at home and abroad, if necessary.	In response to Taoyuan City's promotion to a special municipality
Article 5-1:	The Company's funds may be loaned to others under the following circumstances, provided that the financing amount must not exceed 40% of the company's net worth: 1. For intercompany or inter-branch businesses. 2. Where intercompany or inter-branch short-term financing is necessary.	(Deleted)	The competent authorities and the Company set out the procedures for handling fund loaned to others
Article 6:	The Company's registered capital is NT$6 billion, divided into 600 million shares, with a par value of NT$10 per share. The board of directors is authorized to issue in tranches according to actual needs. The Company may, within the range of total capital thereof, reserve 80 million shares to be issued as employee stock option certificates, bond with warrant and preferred shares with warrants.	The Company's total registered capital is NT$6 billion, divided into 600 million shares, with a par value of NT$10 per share. The board of directors is authorized to issue in tranches according to actual needs. The Company may, within the range of total capital thereof, reserve 80 million shares to be issued as employee stock option certificates, bond with warrant and preferred shares with warrants. The Company's employee treasury stocks, employee stock warrants, employees' acquisition of new shares, and employee restricted shares are also available to employees of subordinate companies that meet certain conditions.	Amendment is made in line with the law
Article 7:	The share certificate of the Company shall bear the true name of the shareholder and affixed with the signatures or personal seals of three or more directors of the Company and duly certified or authenticated by the competent authority or a certifying institution appointed by the competent authority before issuance thereof. The Company may be exempted from printing share certificates for the shares issued, which, however, shall be registered with a centralized securities depository enterprise.	The company's shares are registered shares and issued after signed or stamped by the director on behalf of the Company and after attested by the bank that is authorized to act as the attester for the issuance of the stock according to the law. The Company may be exempted from printing share certificates for the shares issued, which, however, shall be registered with a centralized securities depository enterprise.	Correction is made in line with the law
Article 11:	A shareholder shall have one voting power in respect of each share in his/her/its possession, but the shares held by the Company itself in accordance with the laws have no voting power.	Unless otherwise provided by law, the shareholders of the Company is entitled to one vote per share.	Correction is made in line with the law
Article 13:	The Company has established 7 ~11 directors and for a term of 3 years with disposing capacity and eligible for reelection. After the Company publicly	The Company has engaged seven to 12 directors, with a term of three years, all of whom may have the term renewed if elected.	In line with the Company's plan to increase the number of independent directors

No.	Pre-amendment	Post-amendment	Explanation
	issues shares, the percentage of total number of shares held by all of its directors shall be subject to the regulations of the securities regulatory authority.		
Article 14-1:	The Company shall, pursuant to Article 204 of the Company Act, calling a meeting of the board of directors. The notice set forth in the preceding Paragraph may be effected by means of electronic transmission (E-mail), after obtaining a prior consent from the recipient(s) thereof.	The convening of a board meeting shall specify the reason for convening and notify the directors seven days in advance. In case of emergency, a board meeting may be called at any time. The notice set forth in the preceding Paragraph may be effected by means of electronic transmission (E-mail), after obtaining a prior consent from the recipient(s) thereof.	Correction is made in line with the law
Article 18-1:	The Company will purchase liability insurance for the directors and Remuneration Committee to cover the legally required compensation liability for their scope of business during their terms of office.	(Deleted)	It has explicitly specified that all directors shall be covered by liability insurance in line with the requirements of competent authorities
Article 6-1: Article 17-1:	Article 6-1 Article 17-1	Article 6-1 Article 17-1	The article number is adjusted for consistency
Article 23:	The Articles of Incorporation was enacted on December 7, 1972. 1st amendment on May 1, 1973. . . 31st amendment on June 8, 2016. 32st amendment on June 13, 2018.	The Articles of Incorporation was enacted on December 7, 1972. 1st amendment on May 1, 1973. . . 32st amendment on June 13, 2018. 33st amendment on June 16, 2021.	Add amendment date and delete transitional provisions

【Appendix 6】

PHIHONG TECHNOLOGY CO., LTD.

Comparison Table for Amended "Procedure for the Acquisition and Disposal of Assets"

<table>
<tr><th>Pre-amendment</th><th>Post-amendment</th><th>Explanation</th></tr>
<tr>
<td>
14. Trading principles and policy:
(1) Type of trading: The types of derivatives that the Company may trade are currently limited to foreign currency forward, foreign exchange options, interest rate options (IRO), index option, equity derivatives, cross currency swap, interest rate swap, asset swap, interest futures, index futures, and commodity futures, warrants, and other structured derivatives.
(2) Operation or hedging strategy: The Company engages in derivatives trading for hedging purposes. The strategy shall aim to circumvent operating risks, and the choice of trading products shall focus on circumventing risks of foreign exchange revenue, expenditure, assets, or liabilities arising from the Company's business operations.
(3) Total amount of transaction contract:
In principle, the foreign exchange position (including the position expected to be generated in the future) after assets and liabilities are offset shall be the upper limit for hedging.
(4) The upper limit of losses for all and individual contracts
The upper limit of total contract loss shall not exceed 20% of the total contract amount, and is applicable to the upper limit of each individual contract loss.
(5) Division of responsibilities and authorized transaction limits
I. Authorized transaction limit
<table>
<tr><td rowspan="2">Authorized level</td><td colspan="2">Daily limit</td></tr>
<tr><td>Spot transaction</td><td>Derivative—non-spot</td></tr>
<tr><td>Financial manager</td><td>US$2 million or less</td><td>-</td></tr>
<tr><td>Vice General Manager, Finance and Administration Center</td><td>US$2 million–US$5 million (inclusive)</td><td>US$ 5 million or less</td></tr>
<tr><td>General Manager</td><td>More than US$ 5 million</td><td>US$5 million–US$10 million (inclusive)</td></tr>
<tr><td>Chairman</td><td>-</td><td>More than US$10 million</td></tr>
</table>
Daily transactions must be authorized by the responsible supervisor before conducted.
II. Trading personnel: The executive personnel of the Company's derivatives trading, with the
</td>
<td>
14. Trading principles and policy:
(1) Type of trading: The types of derivatives that the Company may trade are currently limited to foreign currency forward, foreign exchange options, interest rate options (IRO), index option, equity derivatives, cross currency swap, interest rate swap, asset swap, interest futures, index futures, and commodity futures, warrants, and other structured derivatives.
(2) Operation or hedging strategy: The Company engages in derivatives trading for hedging purposes. The strategy shall aim to circumvent operating risks, and the choice of trading products shall focus on circumventing risks of foreign exchange revenue, expenditure, assets, or liabilities arising from the Company's business operations.
(3) Total amount of transaction contract:
In principle, the foreign exchange position (including the position expected to be generated in the future) after assets and liabilities are offset shall be the upper limit for hedging.
(4) The upper limit of losses for all and individual contracts
The upper limit of total contract loss shall not exceed 20% of the total contract amount, and is applicable to the upper limit of each individual contract loss.
(5) Division of responsibilities and authorized transaction limits
I. Authorized transaction limit
<table>
<tr><td rowspan="2">Authorized level</td><td colspan="2">Daily limit</td></tr>
<tr><td>Spot transaction</td><td>Derivative—non-spot</td></tr>
<tr><td>Financial manager</td><td>US$2 million or less</td><td>-</td></tr>
<tr><td>Top officer of the financial and accounting unit</td><td>US$2 million–US$5 million (inclusive)</td><td>US$ 5 million or less</td></tr>
<tr><td>General Manager</td><td>More than US$ 5 million</td><td>US$5 million–US$10 million (inclusive)</td></tr>
<tr><td>Chairman</td><td>-</td><td>More than US$10 million</td></tr>
</table>
Daily transactions must be authorized by the responsible supervisor before conducted.
II. Trading personnel: The executive personnel of the Company's derivatives trading, with the approval of the board of directors, shall be responsible for the formulation of trading
</td>
<td>Amended in line with the Company's practices.</td>
</tr>
</table>

Pre-amendment	Post-amendment	Explanation
approval of the board of directors, shall be responsible for the formulation of trading strategies within the authorized scope, execution of trading instructions, disclosure of future trading risks, and provision of real-time information to relevant departments for reference. III. Accounting unit: It shall account for trading, retain the trading data, regularly evaluate the fair market value of the positions held for the trading personnel, and disclose the relevant matters of the derivatives in the financial statements in accordance with relevant regulations. IV. Financial unit: It is responsible for the confirmation of trading and the settlement of derivatives trading. (6) Essentials of performance evaluation I. Hedging transactions: The performance evaluation is based on the cost of exchange (interest) rate on the Company's book and the profit and loss generated from the derivatives trading. The evaluation shall be conducted at least twice a month, and the results shall be submitted to the management for reference. II. Purpose-specific transactions: The performance evaluation is based on the actual profit and loss generated, and shall be conducted at least once a week, and the results shall be submitted to the management for reference.	strategies within the authorized scope, execution of trading instructions, disclosure of future trading risks, and provision of real-time information to relevant departments for reference. III. Accounting unit: It shall account for trading, retain the trading data, regularly evaluate the fair market value of the positions held for the trading personnel, and disclose the relevant matters of the derivatives in the financial statements in accordance with relevant regulations. IV. Financial unit: It is responsible for the confirmation of trading and the settlement of derivatives trading. (6) Essentials of performance evaluation I. Hedging transactions: The performance evaluation is based on the cost of exchange (interest) rate on the Company's book and the profit and loss generated from the derivatives trading. The evaluation shall be conducted at least twice a month, and the results shall be submitted to the management for reference. II. Purpose-specific transactions: The performance evaluation is based on the actual profit and loss generated, and shall be conducted at least once a week, and the results shall be submitted to the management for reference.	
27. The first amendment was made on June 16, 1997 The second amendment was made on June 18, 1998 The third amendment was made on November 25, 1999 The fourth amendment was made on June 9, 2003 The fifth amendment was made on June 14, 2005 The sixth amendment was made on June 9, 2006 The seventh amendment was made on June 13, 2007 The eighth amendment was made on June 15, 2011 The ninth amendment was made on June 19, 2012 The 10th amendment was made on June 19, 2014 The 11th amendment was made on June 14, 2017 The 12th amendment was made on June 19, 2019 The 13th amendment was made on June 10, 2020	27. The first amendment was made on June 16, 1997 The second amendment was made on June 18, 1998 The third amendment was made on November 25, 1999 The fourth amendment was made on June 9, 2003 The fifth amendment was made on June 14, 2005 The sixth amendment was made on June 9, 2006 The seventh amendment was made on June 13, 2007 The eighth amendment was made on June 15, 2011 The ninth amendment was made on June 19, 2012 The 10th amendment was made on June 19, 2014 The 11th amendment was made on June 14, 2017 The 12th amendment was made on June 19, 2019 The 13th amendment was made on June 10, 2020 The 14th amendment was made on June 16, 2021	Add amendment date and delete transitional provisions

Annex

【Annex 1】

PHIHONG TECHNOLOGY CO., LTD.

Articles of Incorporation

Chapter 1 – General Provisions

Article 1 The Company, PHIHONG TECHNOLOGY CO., LTD., was incorporated pursuant to provisions of the Company Act.

Article 2 The Company is engaged in the following business operations:

1. CC01010 Electric Power Supply, Electric Transmission and Power Distribution Machinery Manufacturing.
2. CC01020 Electric Wires and Cables Manufacturing.
3. CC01030 Electric Appliance and Audiovisual Electric Products Manufacturing.
4. CC01060 Wired Communication Equipment and Apparatus Manufacturing.
5. CC01080 Electronic Parts and Components Manufacturing.
6. CC01110 Computers and Computing Peripheral Equipment Manufacturing.
7. CC01990 Electrical Machinery, Supplies Manufacturing.
8. CD01030 Automobiles and Parts Manufacturing.
9. CD01040 Motor Vehicles and Parts Manufacturing.
10. F108031 Wholesale of Drugs, Medical Goods.
11. F113020 Wholesale of Household Appliance.
12. F113070 Wholesale of Telecom Instruments.
13. F114030 Wholesale of Motor Vehicle Parts and Supplies.
14. F119010 Wholesale of Electronic Materials.
15. F208031 Retail sale of Medical Equipment.
16. F401010 International Trade.
17. F401021 Restrained Telecom Radio Frequency Equipment and Materials Import.
18. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

Article 3 The Company is required to provide external guarantee due to the business needs.

Article 4 The Company’s means of announcement shall be in accordance with Article 28 of the Company Act.

Article 5 The Company is headquartered in Taoyuan City, Taiwan. Branches, offices and business premises may be set up at home and abroad, if necessary.

Article 5-1 The Company’s funds may be loaned to others under the following circumstances, provided that the financing amount must not exceed 40% of the company’s net worth:

1. For intercompany or inter-branch businesses;
2. Where intercompany or inter-branch short-term financing is necessary.

Article 5-2 The Company may invest in other business(es) for its business needs and may be authorized to be shareholder of a limited liability company upon resolution of the board of directors, and the investment amount shall not be subject to the constraint “not exceed 40 percent of the company's share capital” prescribed in Article 13 of the Company Act.

Chapter 2 – Shares

Article 6 The Company’s capital is rated at NT$6 billion, which is divided into 600 million shares at NT$10 per share; the Company authorizes the board of directors to issue the shares in batches when necessary.
The Company may, within the range of total capital thereof, reserve 80 million shares to be issued as employee stock option certificates, bond with warrant and preferred shares with warrants.

Article 6-1 The Company shall, when issuing employee stock option certificates with a subscription price that is lower than the closing price of the Company’s common stocks on the date of such issuance, apply for an approval by a resolution adopted, at a shareholders' meeting, by a majority of the shareholders present who represent two-thirds or more of the total number of its outstanding shares.
The Company shall, when transferring the stocks to employees at a price lower than the average repurchase price, prior to the transfer, apply for an approval by a resolution adopted, at a shareholders' meeting, by a majority of the shareholders present who represent two-thirds or more of the total number of its outstanding shares.

Article 7 The share certificates of the Company shall be in registered form, and before they are issued, shall be affixed with the signatures or personal seals of three or more directors of the issuing company, and shall be duly certified or authenticated by the competent authority or a certifying institution appointed by the competent authority before issuance thereof pursuant to the law. The Company is exempted from printing any share certificate for the shares to be issued to the public, provided that the Company shall appoint a centralized securities custody enterprise/ institution to make recordation of the issue of such shares.

Article 8 Registration for transfer of shares shall be suspended for a period of 60 days prior to the annual general meeting, thirty days before the convening date of a special shareholders meeting, or within five days before the date on which dividends, bonus, or other benefits are scheduled to be paid by the Company, pursuant to the relevant laws and regulations and the regulations of the competent authority.

Chapter 3 – Shareholders' Meeting

Article 9 Shareholders' meeting shall be of the following two kinds: regular meeting of shareholders and special meeting of shareholders. Regular meeting of shareholders, which shall be held at least once every year and convened by the board of directors within six months after close of each fiscal year, while special meeting of shareholders shall be held when necessary.

Article 10 A shareholder may, when unable to attend the shareholders’ meeting for any reason, appoint a proxy pursuant to the Company Act and the “Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies” announced by the competent authority to attend in his/her/its behalf by executing a power of attorney printed by the Company stating therein the scope of power authorized to the proxy with the shareholder’s signature and/or seal affixed thereto.

The aforesaid power of attorney shall be delivered to the company five days prior to the shareholders’ meeting.

Article 11 A shareholder shall have one voting power in respect of each share in his/her/its possession, but the shares held by the Company itself in accordance with the laws have no voting power.

Article 12 Resolutions at a shareholders' meeting shall, unless otherwise provided for in the Company Act and Securities and Exchange Act, be adopted by a majority vote of the shareholders present, who represent more than one-half of the total number of voting shares. And, pursuant to the competent authority’s regulations, the Company’s shareholders may exercise his/her/its voting power by way of electronic transmission. A shareholder who exercises his/her/its voting power at a shareholders meeting by way of electronic transmission shall be deemed to have attended the said shareholders' meeting in person and processed pursuant to laws and regulations.

Chapter 4 – Board of Directors

Article 13 The Company has established 7 ~11 directors and for a term of 3 years with disposing capacity and eligible for reelection. After the Company publicly issues shares, the percentage of total number of shares held by all of its directors shall be subject to the regulations of the securities regulatory authority.

Article 13-1 The Board of Directors of the Company, at least 3 independent directors have been established and added to the aforesaid number of directors.

The election of directors of the Company adopts the nomination system for candidates pursuant to Article 192-1 of the Company Act. The relevant matters concerning the acceptance and announcements of the nomination of director candidates shall be subject to the provisions of the Company Act, the Securities and Exchange Act and other relevant laws and regulations.

Article 13-2 The Company has, pursuant to Article 14-4 of the Securities and Exchange Act, established the Audit Committee to perform the duty of a supervisor prescribed by the Company Act, the Securities and Exchange Act and other relevant laws and regulations

Article 14 The board of directors shall, pursuant to Article 208 of the Company Act, elect a chairman to externally represent the company.

Article 14-1 The Company shall, pursuant to Article 204 of the Company Act, calling a meeting of the board of directors.

The notice set forth in the preceding Paragraph may be effected by means of electronic transmission (E-mail), after obtaining a prior consent from the recipient(s) thereof.

Article 15 (Deleted)

Article 16 (Deleted)

Article 17 When the Chairman takes leave or fails to exercise his authority for any reason, his proxy shall deal with the situation pursuant to Article 208 of the Company Act.

Article 17-1 In case a director is unable to attend a meeting of the board of directors, he/she may appoint another director to attend the meeting in his/her behalf, where he/she shall, in each time, issue a written proxy and state therein the scope of authority with reference to the subjects to be discussed at the meeting.

A director may accept the appointment to act as the proxy referred to in the preceding Paragraph of one other director only.

Article 18 The remuneration of all directors is subject to be authorized by the Board of Directors, which shall be determined based on the degree of participation and contributions of the directors to the Company's operations as well as the level of remuneration normally paid among the industry.

Article 18-1 The Company will purchase liability insurance for the directors and Remuneration Committee to cover the legally required compensation liability for their scope of business during their terms of office.

Chapter 5 – Managerial Personnel

Article 19 The Company has established managerial personnel but its appointment is exempted from the provisions provided in Article 29 of the Company Act.

Chapter 6 – Accounting

Article 20 At the close of each fiscal year, the Company's board of directors shall prepare the following statements and records and present in the annual general shareholders' meeting pursuant to the regulatory procedures.

1. The business report;
2. The financial statements; and
3. The Surplus Earning Distribution or Loss Off-Setting Proposals.

Article 21 The Company shall distribute no less than 10% of its profit for the year as employee compensation, which may be distributed by stock or cash upon resolution adopted by a majority vote at a meeting of board of directors. The target of distribution includes employees of the Company's subordinate companies who meet certain conditions; the Company may, upon resolution adopted by a majority vote at a meeting of board of directors, distribute no more than 2% of its profit for the year as the directors' remuneration. The distribution of employee compensation and the directors' remuneration shall be proposed in the shareholders' meeting.

However, the Company shall, if it still has accumulated losses, retain the off-setting amount first, before distribute the employee compensation and the directors' remuneration according to the aforesaid ratio.

Article 21-1 The Company shall, if there is surplus earning upon annual closing, pay regulatory taxes and off-set accumulated losses before listing 10% to the statutory surplus reserve, provided that, the statutory surplus reserve will no longer need to be listed if it has reached the amount equal to that of the Company's paid-in capital, and the remaining balance shall be listed or reverse special reserve pursuant to law. The Board of Directors shall consolidate any remaining balance with the accumulated undistributed earnings into a Surplus Earning Distribution Proposal and present it in the shareholders' meeting for a resolution on the distribution of dividends.

The Company's dividend policy is based on the consideration of future cashflow requirements and long-term financial planning. The distribution of dividends will not be less than 50% of the after-tax surplus earning of the year, and cash dividend will not be less than 10% of the total amount of dividends distributed each year.

Chapter 7 – Supplemental Provisions

Article 22 The matters that are not covered in the Articles of Incorporation shall be subject to the provisions of the Company Act and the Securities and Exchange Act.

Article 23 The Articles of Incorporation was enacted on December 7, 1972.

1st amendment on May 1, 1973.
2nd amendment on March 29, 1974.
3rd amendment on November 17, 1977.
4th amendment on November 17, 1977.
5th amendment on September 18, 1979.
6th amendment on December 15, 1980.
7th amendment on June 15, 1981.
8th amendment on June 15, 1981.
9th amendment on October 29, 1983.
10th amendment on September 25, 1985.
11th amendment on November 10, 1987.
12th amendment on November 14, 1989.
13th amendment on June 17, 1990.
14th amendment on May 26, 1991.
15th amendment on January 31, 1994.
16th amendment on June 18, 1998.
17th amendment on April 26, 2000.

18th amendment on April 27, 2001.
19th amendment d on June 10, 2002.
20th amendment on June 10, 2002.
21st amendment d on June 9, 2003.
22nd amendment d on June 9, 2003.
23rd amendment on June 14, 2005.
24th amendment on June 13, 2008.
25th amendment on June 10, 2009.
26th amendment on June 15, 2010.
27th amendment on June 15, 2011.
28th amendment on June 19, 2012.
29th amendment on June 14, 2013.
30th amendment on June 11, 2015.
31st amendment on June 8, 2016.
32st amendment on June 13, 2018.

【Annex 2】

PHIHONG TECHNOLOGY CO., LTD.

Rules and Procedures of Shareholders' Meeting

1. Unless relevant laws and regulations or the Company's Articles of Incorporation provide otherwise, the Company's Shareholders' Meeting (hereinafter referred to as the "Meeting") shall be conducted in accordance with the Rules and Procedures of Shareholders' Meetings.
2. The Company shall provide a sign-in book allowing attending Shareholders or their appointed proxies to sign in or require attending Shareholders to submit attendance cards in lieu of signing in. The number of shares represented by shareholders attending the Meeting shall be calculated in accordance with the signing booklet or the attendance cards submitted by the shareholders.
3. Voting at the Meeting shall be based on the number of Shares.
4. The Meeting shall be held at the head office of the Company or at any other appropriate place that is convenient for the shareholders to attend. The time for commencing the said meeting shall not be earlier than 9 o'clock in the morning or later than 3 o'clock local time in the afternoon.
5. The Chairman of the Board of Directors shall be the chairperson presiding at the Meeting in the case that the Meeting is convened by the Board of Directors. If, for any reason, the Chairman of the Board of Directors cannot preside at the Meeting, the Vice Chairman shall preside at the Meeting; if there is no Vice Chairman or the Vice Chairman is also absent or, for any reason, is unable to exercise his/her authority, the Chairman shall designate the Executive Directors to act on his/her behalf; if there is no Executive Director, one of the Directors shall be designated to act on his/her behalf; if the Chairman did not assign any proxy, the Executive Director or the Directors shall elect one person to act on his/her behalf.
6. The Company may appoint designated counsel, CPA or other related persons to attend the Meeting.
7. The process of the Meeting shall be tape-recorded or videotaped and these tapes shall be preserved for at least one year.
8. The chairperson shall call the Meeting to order at the time scheduled for the Meeting. If the number of shares represented by the shareholders present at the Meeting has not yet constituted the quorum at the time scheduled for the Meeting, the chairperson may postpone the time for the Meeting. The postponements shall be limited to two times at the most and Meeting shall not be postponed for longer than one hour in the aggregate. If after two postponements the number of shareholders present does not constitute the quorum, but those present represent one-third or more of the total number of issued shares, a tentative resolution may be passed pursuant to Article 175 (1) of the Company Act.

   Before the end of such a meeting, if the number of Shares represented by the attending Shareholders has already constituted more than an aggregate of one-half (1/2) of all Shares in issue, the chairperson may put the tentative resolution(s) already passed to the Shareholders' resolution again in accordance with Article 174 of the Company Act.
9. The agenda of the Meeting shall be set by the Board of Directors if the Meeting is convened by the Board of Directors. Unless otherwise resolved at the Meeting, the Meeting shall proceed in accordance with the agenda.

   The above provision applies mutatis mutandis to cases where the Meeting is convened by any person, other than the Board of Directors, entitled to convene such Meeting.

   Unless otherwise resolved at the Meeting, the chairperson cannot announce adjournment of the Meeting before all the discussion items (including extraordinary motions) listed in the agenda are resolved. The shareholders cannot designate any other person as chairperson and continue the Meeting in the same or other place after the Meeting is adjourned. However, in the event that the chairperson adjourns the Meeting in violation of these Rules and Procedures, the shareholders may designate, by a majority of votes represented by shareholders attending the Meeting, one person as chairperson to continue the Meeting.

10. When a shareholder present at the Meeting wishes to speak, a Speech Note should be filled out with summary of the speech, the shareholder's number (or the number of Attendance Card) and the name of the shareholder. The sequence of speeches by shareholders should be decided by the chairperson.

    If any shareholder present at the Meeting submits a Speech Note but does not speak, no speech should be deemed to have been made by such shareholder. In case the contents of the speech of a shareholder are inconsistent with the contents of the Speech Note, the contents of actual speech shall prevail.

    Unless otherwise permitted by the chairperson and the shareholder in speaking, no shareholder shall interrupt the speeches of the other shareholders; otherwise the chairperson shall stop such interruption.

11. Unless otherwise permitted by the chairperson, each shareholder shall not, for each discussion item, speak more than two times (each time not exceeding 5 minutes). In case the speech of any shareholder violates the above provision or exceeds the scope of the discussion item, the chairperson may stop the speech of such shareholder.

    When a proxy attends the Meeting on behalf of a corporate shareholder, the said corporate may only assign one representative for attendance. If a corporate shareholder designates two or more representatives to attend the Meeting, only one representative can speak for each discussion item.

    After the speech of a shareholder, the chairperson may respond himself/herself or appoint an appropriate person to respond.

12. The chairperson may announce to end the discussion of any resolution and go into voting if the chairperson deems it appropriate for voting.

    The chairperson shall appoint person(s) to monitor the voting process and person(s) to count the ballots; and the person(s) appointed to monitor the voting process should be a shareholder. The result of voting shall be announced at the meeting and placed on record.

13. Except otherwise specified in relevant laws or in the Articles of Incorporation of the Company, a resolution shall be adopted by a majority of the votes represented by the shareholders present at the Meeting. Resolutions shall be deemed adopted if no objection is voiced by any of the attending shareholders after solicitation by the chairperson.

14. During the Meeting, the chairperson may, at his discretion, set time for intermission.

15. If there is amendment to or substitute for a discussion item, the chairperson shall decide the sequence of voting for such discussion item, the amendment or the substitute. If any one of them has been adopted, the others shall be deemed vetoed and no further voting is necessary.

    The chairperson may conduct the disciplinary officers or the security guard to assist in keeping order of the Meeting place. Such disciplinary officers or security guards shall wear badges marked “Disciplinary Officers” for identification purpose.

16. These Rules and Procedures shall be effective from the date it is approved by the Shareholders' Meeting. The same applies in case of revision.

【Annex 3】

Phihong Technology Co., Ltd.

Procedure for the Acquisition and Disposal of Assets

Chapter 1 General Provisions

1. Purpose and basis of law:
   In order to strengthen asset management and implement information disclosure, the Procedure is formulated in accordance with Article 36-1 of the Securities and Exchange Act and the Regulations Governing the Acquisition and Disposal of Assets by Public Companies.
2. The scope of assets:
   (1) Investments in stocks, government bonds, corporate bonds, debentures, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficiary securities, and asset-backed securities.
   (2) Real estate (including land, property and buildings, investment property, and construction enterprise inventory) and equipment.
   (3) Memberships.
   (4) Patents, copyrights, trademarks, franchise rights, and other intangible assets.
   (5) Right-of-use assets
   (6) Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).
   (7) Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.
   If the Company engages in bond margin trading, it will also handle it in accordance with the provisions of the Procedure.
   (8) Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, the Financial Holding Company Act, the Financial Institution Merger Act, and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter referred to as "transfer of shares") under Article 156-3 of the Company Act.
   (9) Other major assets.
3. Evaluation procedure:
   (1) When the Company acquires or disposes of financial product investment (including transactions of derivatives), the financial and accounting departments shall analyze the relevant benefits and evaluate possible risks, while for the acquisition or disposal of real estate and other assets, each relevant unit shall draw up a capital expenditure plan in advance, and conduct a feasibility assessment on the purpose of the acquisition or disposal, expected benefits, etc. If it is a transaction with a related party, they shall assess the reasonableness of the transaction conditions in accordance with the provisions of Chapter 2 of the Procedure.
   (2) When acquiring or disposing of securities, the Company shall first obtain the most recent financial statements or other relevant information of the companies that issue said securities, which have been certified or audited by certified public accountants (CPAs), as a reference for evaluating the trading price. In the case of acquisition or disposal of securities not in a centralized securities exchange market or over-the-counter (OTC) market, privately placed securities and memberships, intangible assets, or their right -of-use assets, with the transaction amount reaches 20% of the Company's paid-in capital or NT$300 million or more, except with a domestic government agency, shall engage a CPA to express an opinion of the reasonableness of the transaction price prior to the occurrence of the fact. If the CPA needs to adopt an expert's report, it shall be handled in accordance with the provisions of Statement of Auditing Standards No. 20 published by the Accounting Research and Development Foundation (ARDF). This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (FSC).
   (3) In the case of acquisition or disposal of real estate, equipment, or right-of-use assets thereof, and the transaction amount reaches 20 percent or more of the Company's paid-in capital or NT$300 million or more, the Company shall engage a professional and impartial appraiser to issue an appraisal report prior to the date of occurrence of the fact in accordance with the asset valuation procedure in the Procedure.
   (4) The Company's merger, demerger, acquisition, or transfer of shares shall be handled in accordance with

Article 18 of the Procedure.

(5) The method and reference basis for determining the price of assets acquired or disposed of by the Company shall be handled based on the following circumstances, in addition to referring to said appraisal report and opinions of CPAs and other relevant experts in accordance with the aforementioned provisions:

I. The acquisition or disposal of securities that have been traded in a centralized securities exchange market or over-the-counter market shall be determined based on the prevailing price of the equity or bonds.

II. In the case of the acquisition or disposal of securities that are not traded in a centralized securities exchange market or over-the-counter market, the net value per share, technology and profitability, future development potential, market interest rates, bond coupon rates, and debtors' credit ratings shall be considered, while with reference to the latest trading prices at the time.

III. In the case of the acquisition or disposal of membership, the benefits that it can produce shall be considered, while with reference to the latest transaction price at the time. In the case of the acquisition or disposal of intangible assets, such as patents, copyrights, trademarks, franchise rights, etc., reference shall be made to international or market practices, the number of useful years, and the impact on the Company's technology and business.

IV. In the case of the acquisition or disposal of real estate and equipment, reference shall be made to the present value announced, present value assessed, actual transaction price or book value of the neighboring real estate, and supplier quotations. In the case of purchase of real estate from a related party, it shall be calculated on trial basis according to the method specified in Chapter 2 of the Procedure to assess whether the transaction price is reasonable.

V. In the case of purchase of derivatives transactions, reference shall be made to the futures market transaction status, exchange rates, and interest rate trends, etc.

VI. In the case of mergers, demergers, acquisitions, or transfer of shares, reference shall be made to the nature of business, net value per share, asset value, technology and profitability, production capacity, and future growth potential.

4. Operating procedures:

(1) Upper limit authorized and authorization level

I. Securities: The General Manager is authorized to trade within the limit set in Article 7 of the Procedure. If a transaction meets the requirements of Article 5 regarding public announcement, it must be reported to the Chairman for reference on the next day and to the next board meeting for ratification. However, in the case of the acquisition or disposal of stocks, corporate bonds, and privately placed securities that are not traded in the a centralized securities exchange market or over-the-counter market, with the transaction amount reaches the standard for public announcement, it must be approved by the board of directors before execution. In addition, investment in mainland China can only be carried out after the approval of the shareholders' meeting or conducted by the board of directors after authorized by the shareholders' meeting, while with the approval of the Investment Commission, Ministry of Economic Affairs.

II. Derivatives trading

The Company engages in derivatives trading only for hedging purposes. Based on changes in the Company's revenue and risk positions, the division of responsibilities and the amount authorized for such transactions shall be handled in accordance with Paragraph 5, Article 14 of the Procedure.

III. Related party transactions: Relevant information shall be prepared in accordance with the provisions of Chapter 2 of the Procedure and submitted to the Audit Committee and the board of directors for approval.

IV. Mergers, demergers, acquisitions, or transfer of shares: Relevant procedures and materials shall be prepared in accordance with the provisions of Chapter 4 of the Procedure. Mergers, demergers, and acquisitions must be conducted only after approved by the shareholders' meeting, except for those that are exempted from the approval by the shareholders' meeting in accordance with other laws and regulations. In addition, the transfer of shares shall be conducted after the approval of the board of directors.

V. Others: It shall be handled in accordance with the operating procedures stipulated by the internal control system and the regulations on authority. If the transaction amount reaches the standard for public announcement as in Article 5, except for the acquisition or disposal of equipment or right-of-use assets thereof held for business use that may be reported to the board of directors for ratification afterwards, it shall be approved by the board of directors first before execution. In the case of any circumstances stipulated in Article 185 of the Company Act, it shall be approved by the shareholders' meeting first before execution.

(2) Execution unit and transaction process

As for the execution unit of the Company's financial product investment (including derivatives trading), the accounting department and the personnel designated by the chairman is responsible for securities and derivatives trading; the user department and relevant responsible units are in charge of transactions of real estate and other assets, while mergers, demergers, acquisitions, or transfer of shares shall be handled by the execution unit designated by the chairman. After an asset to be acquired or disposed of is assessed and approved in accordance with regulations, the execution unit shall proceed to conduct the transaction procedures, from contracting, receipt and payment, delivery to acceptance, and comply with operating procedures related to the internal control system based on the nature of the asset. In addition, the acquisition of real estate or right-of-use assets thereof from a related party, trading of derivatives, mergers, demergers, acquisitions, or transfer of share shall be handled in accordance with the provisions of Chapters 2 to 4 of the Procedure.

5. Public announcement procedure

(1) Where the Company's acquisition or disposal of assets in line with any of the following circumstances, relevant information shall be announced on the website designated by the FSC based on the nature and in the specified format within two days after the date of occurrence of the fact.

I. The transaction amount of the acquisition of real estate from a related party, or disposal of real estate or right-of-use assets thereof to a related party, or acquisition or disposal of other assets other than real estate or right-of-use assets thereof from/to a related party reaches 20% of the Company's paid-in capital, 10% of the Company's total assets, or amounts to more than NT$300 million. However, this does not apply to the purchase or sales of domestic government bonds or bonds under repurchase and reverse repurchase agreements, subscription or redemption of money market funds issued by domestic securities investment trust enterprises.

II. Mergers, demergers, acquisitions, or transfer of shares is conducted.

III. The losses from derivatives trading reaches the upper limit of all or individual contract losses as stipulated in Paragraph 4, Article 14 of Chapter 3 of the Procedure.

IV. The transaction amount of the equipment or right-of-use assets thereof held for business use acquired and disposed of from/to a non-related party reaches NT$500 million or more.

V. Where land is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and furthermore the transaction counterparty is not a related party, and the amount the Company expects to invest in the transaction reaches NT$500 million or more.

VI. In the case of asset transactions other than the ones specified in the preceding five paragraphs or financial institutions disposing of claims or engaging in investment in mainland China, the amount of each transaction, the cumulative transaction amount of acquisitions and disposals of the same type of assets with the same transaction counterparty within a year, the cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real estate or right-of-use assets thereof for the same development project within a year, or the cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within a year reaches 20% of the Company's paid-in capital or NT$300 million or more. "Within a year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with the Regulations Governing the Acquisition and Disposal of Assets by Public Companies need not be counted toward the transaction amount. However the following circumstances are not subject to this requirement:

(i) Trading of domestic government bonds.

(ii) Where done by professional investors—securities trading on Stock Exchange or OTC markets, or subscription of ordinary corporate bonds or general bank debentures without equity characteristics (excluding subordinated debt) that are offered and issued in the primary market, or subscription or redemption of securities investment trust funds or futures trust funds, or subscription by a securities firm of securities as necessitated by its underwriting business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.

(iii) Purchase or sales of bonds under repurchase or reverse repurchase agreements, subscription or redemption of money market funds issued by domestic securities investment trust enterprises.

(2) The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by the Company and any subsidiaries that are not domestic public companies, and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.

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

(4) Where the transactions that have been announced publicly in accordance with the provisions of (1), relevant information shall be announced, in the case of any of the following circumstances, on the website designated by the FSC based on the nature and in the specified format within 2 days counting inclusively from the date of occurrence of the event.

I. Change, termination, or rescission of a contract signed with regard to the original transaction.

II. A merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.

III. Change to the information originally publicly announced and reported.

6. Asset valuation procedure

In acquiring or disposing of real estate, equipment, or right-of-use assets thereof where the transaction amount reaches 20 percent of the Company's paid-in capital or NT$300 million or more, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof held for business use, the Company shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions: However, where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPAs' opinion.

(1) Where due to special circumstances, it is necessary to adopt a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors; the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction.

(2) Where the transaction amount is NT$1 billion or more, appraisals from two or more professional appraisers shall be obtained.

(3) In any of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a CPA shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF and express a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:

I. The discrepancy between the appraisal result and the transaction amount is 20% or more.

II. The discrepancy between the appraisal results of two or more professional appraisers is 10% or more.

(4) No more than three months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced present value for the same period is used and not more than six months have elapsed, an opinion may still be issued by the original professional appraiser.

7. Investment scope and limit:

In addition to acquiring assets for business use, the Company and its subsidiaries may invest in real estate and its right-of-use assets thereof or securities that are not for business use. The respective limits are as follows. When calculating the limits as in subparagraphs (IV) and (V), the investments made by those who participate in the establishment of the investments or serve as directors or supervisors and intend to hold them on a long term may not be included in the calculation.

(1) The total amount of real estate not for business use shall not exceed 50% of the net value of the Company's latest financial statements, while shall not exceed 30% of the net value of its latest financial statements for any of its subsidiaries.

(2) The total amount of real estate not for business use shall not exceed 50% of the net value of the Company's latest financial statements, while shall not exceed 30% of the net value of its latest financial statements for any of its subsidiaries.

(3) The total amount of each security invested shall not exceed 30% of the net value of the Company's latest financial statements, while shall not exceed 20% of the net value of its latest financial statements for any of its subsidiaries.

(4) The respective net investment by the Company and its subsidiaries in a single publicly listed company shall not exceed 10% of the net value of their respective latest financial statements.

(5) The total investment by the Company and its subsidiaries in a single publicly listed company shall not exceed 10% of the total issued shares of said company.

(Note: For provisions as in (1)–(3), please regulate the proportion or amount, such as a certain percentage of the share capital; the provisions as in (4)–(5) are Taiwan Stock Exchange's and Taipei Exchange's requirements for companies applying for listing)

(6) Securities investments, asset purchases, or mergers made for strategic purposes are not subject to the above-mentioned limit of amount or percentage; however, the board of directors' prior approval or afterwards approval is required.

8. Control and management of assets acquired or disposed of by subsidiaries:

(1) Subsidiaries of the Company shall also formulate a procedure for the acquisition or disposal of assets in accordance with the Regulations Governing the Acquisition and Disposal of Assets by Public Companies, which shall be approved by the Audit Committee and the board of directors of the Company, and the same applies to any amendment thereto.

(2) The acquisition or disposal of assets by any of the subsidiaries of the Company shall be handled in accordance with the internal control system and the procedure for the acquisition or disposal of assets, established by each subsidiary, and the subsidiaries shall report the status of their derivatives trading as of the end of the previous month to the Company in a written summary by the 5th day of each month.

(3) If a subsidiary of the Company is not a publicly listed company, and the assets acquired or disposed of by it meet the standard for public announcement, it shall notify the Company within the day when the event occurs, and the Company shall conduct the announcement on the website designated in accordance with the regulations.

The standard for public announcement as in Article 5 regarding the amount of paid-in capital or total assets applies to the subsidiary in the preceding paragraph, and the amount of paid-in capital or total assets of the Company shall prevail.

9. Penalty:

When the relevant handling personnel involved in the Company's acquisition or disposal of assets violate the FSC's Regulations Governing the Acquisition and Disposal of Assets by Public Companies or the Procedure, the violation shall be handled in accordance with the following regulations depending on the circumstances. The violation will be recorded and used as a reference for the annual personal performance evaluation.

(1) Violation of the regulations on authority: The first-time violator shall be given an verbal warning, the personnel who violate the regulations again shall be given a written warning and participate mandatorily in the internal control system training classes. Repeat violators or those with serious circumstances shall be transferred from the original job.

(2) Violation of the regulations on authority: The first-time violator shall be given an verbal warning; the personnel who violate the regulations again shall be given a written warning and participate mandatorily in the internal control system training classes. Repeat violators or those with serious circumstances shall be transferred from the original job.

(3) Violation of the regulations on public announcement: The first-time violator shall be given an verbal warning; the personnel who violate the regulations again shall be given a written warning. Repeat violators or those with serious circumstances shall be transferred from the original job.

(4) The supervisor of said violator shall also receive disciplinary action except for those who can reasonably explain that they have taken preventive measures beforehand.

(5) Where the board of directors or directors violate relevant regulations and the resolutions of the shareholders' meeting when performing duties, the Audit Committee shall notify the board of directors or directors to stop the violation in accordance with Article 218-2 of the Company Act.

Chapter 2 Related-party Transactions

10. Basis for identification:

If the Company obtains or disposes of assets from a related party and the transaction amount reaches more than 10% of the Company's total assets, an appraisal report issued by a professional appraiser or CPA's opinion shall also be obtained in accordance with the provisions of the preceding section.

The calculation of the transaction amount in the preceding paragraph shall be carried out in accordance with Article 12 of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies.

11. Resolution procedure:

Where the transaction amount of the Company's acquisition of real estate from a related party, or disposal of real estate or right-of-use assets thereof to a related party, or acquisition or disposal of other assets other than real estate or right-of-use assets thereof from/to a related party reaches 20% of the Company's paid-in capital, 10% of the Company's total assets, or amounts to more than NT$300 million, the executive unit shall submit the following documents to the Audit Committee and the Board of Directors for approval before signing the transaction contract and making payment:

(1) The purpose, necessity, and expected benefits of acquiring or disposing of the assets.

(2) Reasons for selecting the related party as the transaction counterparty.

(3) Relevant materials regarding the acquisition of the real estate or right-of-use assets thereof from the related party and the evaluation of the reasonableness of the scheduled transaction conditions in accordance with the escape clause as specified in Article 12 or Article 13.

(4) Matters regarding the date and price and the transaction counterparty in the original acquisition by the related party, and the relationship between said counterparty, the Company, and the related party.

(5) The forecast of cash revenue and expenditures for each month of the coming year starting from the month in which the contract is signed, and evaluation of the necessity of transaction and the reasonableness of the fund utilized.

(6) An appraisal report issued by a professional appraiser or a CPAs' opinion obtained in accordance with the provisions of the preceding article.

(7) Restrictions on this transaction and other important agreed matters.

The calculation of the transaction amount in the preceding paragraph shall be conducted in accordance with Paragraph 2, Article 31 of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies, and the "within a year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been submitted to the Audit Committee and the board of directors for approval in accordance with the provisions of said regulations need not be counted toward the transaction amount.

Where the Company, its subsidiaries, or its subsidiaries in which the Company directly or indirectly holds 100% of the issued shares or total share capital engage in the following transactions with each other, the board of directors may authorize the chairman to make decisions for a transaction amounting to no more than NT$500 million and then to report to the next board meeting for ratification.

I. Acquisition or disposal of equipment or right-of-use assets thereof held for business use.

II. Acquisition or disposal of real estate right-of-use assets held for business use.

Where the Company's acquisition or disposal of assets from/to a related party is submitted for discussion by the board of directors, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board meeting.

12. Evaluation of the reasonableness of transaction conditions:

Where the Company acquires real estate or right-of-use assets thereof from a related party, except that the related party acquires real property or right-to-use assets thereof (1) through inheritance or as a gift; (2) with more than five years having elapsed from the time the related party signed the contract to obtain the real estate or right-of-use assets thereof to the signing date for the current transaction; (3) through signing of a joint development contract with the related party, or through engaging a related party to build real estate, either on the Company's own land or on rented land; or (4) the real estate right-of-use assets for business use are acquired between the Company and its subsidiaries or subsidiaries in which it directly or indirectly holds 100% of the issued shares or total share capital, the Company shall evaluate the reasonableness of transaction costs according to the following methods, and engage a CPA to review and express a specific opinions.

(1) Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the Company purchases the asset; provided that it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.

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

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

13. Matters to be conducted when the transaction cost is assumed to be lower than the transaction price:

When the results of the Company's appraisal conducted in accordance with the preceding Article are uniformly lower than the transaction price, the matter shall be handled in compliance with Article 3. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real estate appraiser and a CPA have been obtained, this restriction shall not apply:

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

I. Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "reasonable construction profit" shall be deemed the average operating profit margin of the related party's construction division over the most recent three years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.

II. Completed transactions by unrelated parties within a year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market sale or leasing practices.

(2) Where the Company that acquires real estate or obtains real estate right-of-use assets through leasing from a related party provides evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within a year.

The completed transactions involving neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transactions involving similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in said transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real estate or obtainment of right-of-use assets thereof.

(3) Where the Company acquires real estate or right-of-use assets thereof from a related party and the results of appraisals conducted in accordance with the preceding article are uniformly lower than the transaction price, the following steps shall be taken:

I. A special reserve shall be set aside in accordance with Paragraph 1, Article 41 of the Securities and Exchange Act against the difference between the real estate transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where a public company uses the equity method to account for its investment in another company, then the special reserve called for under Paragraph 1, Article 4 of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of the company's equity stake in the other company.

II. The Audit Committee shall handle it in accordance with Article 278 of the Company Act.

III. The handling status with regard to the preceding two paragraphs shall be reported to the shareholders' meeting, and the details of the transaction shall be disclosed in the annual report and the prospectus.

Chapter 3 Control and Management of Derivatives Trading

14. Trading principles and policy:

(1) Type of trading: The types of derivatives that the Company may trade are currently limited to foreign currency forward, foreign exchange options, interest rate options (IRO), index option, equity derivatives, cross currency swap, interest rate swap, asset swap, interest futures, index futures, and commodity futures, warrants, and other structured derivatives.

(2) Operation or hedging strategy: The Company engages in derivatives trading for hedging purposes. The strategy shall aim to circumvent operating risks, and the choice of trading products shall focus on circumventing risks of foreign exchange revenue, expenditure, assets, or liabilities arising from the Company's business operations.

(3) Total amount of transaction contract:

In principle, the foreign exchange position (including the position expected to be generated in the future) after assets and liabilities are offset shall be the upper limit for hedging.

(4) The upper limit of losses for all and individual contracts

The upper limit of total contract loss shall not exceed 20% of the total contract amount, and is applicable to the upper limit of each individual contract loss.

(5) Division of responsibilities and authorized transaction limits

I. Authorized transaction limit

Authorized level	Daily limit	
	Spot transaction	Derivative—non-spot
Financial manager	US$2 million or less	-
Vice General Manager, Finance and Administration Center	US$2 million–US$5 million (inclusive)	US$ 5 million or less
General Manager	More than US$ 5 million	US$5 million–US$10 million (inclusive)
Chairman	-	More than US$10 million

Daily transactions must be authorized by the responsible supervisor before conducted.

II. Trading personnel: The executive personnel of the Company's derivatives trading, with the approval of the board of directors, shall be responsible for the formulation of trading strategies within the authorized scope, execution of trading instructions, disclosure of future trading risks, and provision of real-time information to relevant departments for reference.

III. Accounting unit: It shall account for trading, retain the trading data, regularly evaluate the fair market value of the positions held for the trading personnel, and disclose the relevant matters of the derivatives in the financial statements in accordance with relevant regulations.

IV. Financial unit: It is responsible for the confirmation of trading and the settlement of derivatives trading.

(6) Essentials of performance evaluation

I. Hedging transactions: The performance evaluation is based on the cost of exchange (interest) rate on the Company's book and the profit and loss generated from the derivatives trading. The evaluation shall be conducted at least twice a month, and the results shall be submitted to the management for reference.

II. Purpose-specific transactions: The performance evaluation is based on the actual profit and loss generated, and shall be conducted at least once a week, and the results shall be submitted to the management for reference.

15. Risk management measures:

For the derivatives trading by the Company, the scope of its risk management and risk management measures to be adopted are as follows:

(1) Credit risk: The Company chooses financial institutions and futures brokers that have a good reputation and can provide professional information as the trading counterparties.

(2) Market risk: As the possible losses caused by future market price fluctuations of derivatives are uncertain, the stop-loss points set shall be strictly adhered to after a position is created.

(3) Liquidity risk: In order to ensure the liquidity of products traded, the institutions the Company trades with must have sufficient equipment, information, and trading capabilities and be able to trade in any market.

(4) Operational risk: The authorized limit and operating process must be strictly observed to avoid operational risks.

(5) Legal risk: For any contractual documents signed with financial institutions, international standardized documents shall be adopted as much as possible to avoid any legal risk.

(6) Commodity risk: Internal traders shall have complete and correct professional knowledge of the derivative commodities traded, so as to avoid misuse of derivative commodities leading to losses.

(7) Risk of settlement in cash: Authorized traders shall strictly abide by the regulations on the authorized limit, and shall also pay attention to the Company's cash flow regularly, to ensure that there is sufficient cash for settlement.

(8) Trading, confirmation, and settlement personnel shall not be served by the same personnel concurrently.

(9) Confirmation personnel should regularly verify and confirm statements with the correspondent bank, and inspect whether the total transaction amount exceeds the upper limit stipulated in the Procedure at any time.

(10) The risk evaluation, supervisory, and control personnel shall belong to different departments from the personnel as in (I), and shall report to the board of directors or to senior executives who are not responsible for making decisions on trading or positions.

(11) The positions held shall be evaluated at least once a week, but the transactions for hedging conducted for the business needs shall be evaluated at least twice a month, and the evaluation report shall be submitted to a senior executive authorized by the board of directors (Note: The senior executive designated shall not from an execution unit).

16. Internal audit system:

(1) The internal auditors of the Company shall regularly examine the adequacy of the internal control of derivatives trading, conduct a monthly audit of the trading department’s compliance with the operating procedures for derivatives trading, and prepare an audit report. If they discover a material violation, they shall report to the chairman and the senior executives designated by the board of directors immediately, while informing the Audit Committee in writing.

(2) The Company’s auditors shall include derivatives trading in the audit plan, and report on the implementation of the previous year’s annual audit plan to the competent authority by the end of February in the following year, while reporting on the improvement of anomalies to the competent authority no later than the end of May in the following year for future reference.

17. Regular assessment methods and anomaly handling:

(1) The trading of derivatives shall be evaluated on a monthly or weekly basis, and the profit and loss for the current month or week shall be summarized and submitted to the chairman and the senior executives authorized by the board of directors as a reference for management performance evaluation and risk evaluation.

(2) The senior executives designated by the board of directors of the Company shall always pay attention to the supervision and control of derivatives trading risks. The board of directors shall also assess whether the performance of derivatives trading is in line with the established business strategy and whether such risks are within the Company’s range of risk tolerance.

(3) Senior executives authorized by the board of directors shall manage derivatives trading in accordance with the following principles:

I. Regularly evaluate whether the risk management measures currently adopted are appropriate and are indeed handled in accordance with the Regulations Governing the Acquisition and Disposal of Assets by Public Companies and the relevant provisions of the Procedure.

II. Supervise the trading and the profit and loss situation, and if any anomaly is found, the senior executives shall take necessary countermeasures and report to the board of directors immediately. The company has engaged independent directors, and the board of directors shall have independent directors present and express their opinions.

III. The Company is engaged in derivatives trading and authorizes relevant personnel to handle it in accordance with the provisions of the Procedure, who shall report to the next board meeting afterwards.

(4) The Company shall establish a log book, in which details of the types and amounts of derivatives trading engaged in, board of directors approval dates, monthly or weekly periodic evaluation reports, and periodic evaluations by the senior executives authorized by the board of directors shall be recorded in detail.

Chapter 4 Mergers, demergers, acquisitions, or transfer of shares

18. The Company that conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the stock swap ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage. However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by a subsidiary, in which the Company directly or indirectly holds 100% of the issued shares or total share capital, or in the case of a merger between subsidiaries in which the Company directly or indirectly holds 100% of the respective subsidiaries' issued shares or total share capital.
19. The Company participating in a merger, demerger, acquisition, or transfer of shares shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders' meeting and include it along with the expert opinion referred to in the preceding article when sending shareholders the notice of the shareholders' meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts the Company from convening a shareholders' meeting to approve the merger, demerger, or acquisition, this restriction shall not apply. Where the shareholders' meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution for some reason, or the proposal is rejected by the shareholders' meeting, the companies participating in the merger, demerger, or acquisition shall immediately publicly explain the reason, the subsequent measures, and the scheduled date of the next shareholders' meeting.
20. The Company participating in a merger, demerger, or acquisition shall convene a board meeting and shareholders' meeting on the same day as other participating companies to resolve matters relevant to the merger, demerger, or acquisition, while convening a board meeting on the same day as the other participating companies for transfer of shares unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.

    In the case of a merger, demerger, acquisition, or transfer of shares, a participating company that is listed on an exchange or has its shares traded on an OTC market shall prepare a full written record of the following information and retain it for five years for reference:

    (1) Basic identification data of personnel: It shall include the job title, name, and national ID number (or passport number in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of shares prior to disclosure of the information.
    (2) Dates of material events: It shall include the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a board meeting.
    (3) Important documents and minutes: It shall include merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board meetings.
21. Stock swap ratio or acquisition price

    The Company participating in a merger, demerger, acquisition, or transfer of shares may not arbitrarily alter the stock swap ratio or acquisition price unless under any of the circumstances below:

    (1) Cash capital increase, issuance of convertible corporate bonds, or the issuance of stock dividends, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity-based securities.
    (2) An action, such as a disposal of major assets, that affects the company's financial operations.
    (3) An event, such as a major disaster or major change in technology, that affects shareholders' equity or share price.
    (4) An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares, buys back treasury stock.
    (5) An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
    (6) Other terms/conditions that may be changed as stipulated in the contract and have been publicly disclosed.
22. Items that contracts shall record:

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

    (1) Handling of breach of contract.
    (2) Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.
    (3) The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share swap ratio, and the principles for handling thereof.
    (4) The manner of handling changes in the number of participating entities or companies.

(5) Progress scheduled for plan execution and anticipated completion date.
(6) Scheduled date for convening the legally mandated shareholders’ meeting if the plan exceeds the deadline without completion, and relevant procedures.

23. Other matters to be noted when the Company participates in a merger, demerger, acquisition, or transfer of shares:
(1) Those who participate in or know about the merger, demerger, acquisition, or transfer of shares shall be required to issue a written confidentiality commitment. Before the information is disclosed, the content of the plan shall not be disclosed to any third party, nor may they buy or sell all participating companies’ stocks and other equity-based securities in the name of their own or others.
(2) After the information on the merger, demerger, acquisition, or transfer of shares is disclosed, if the Company is planned to engaged in another merger, demerger, acquisition, or transfer of shares with other companies, except for a decreasing number of participating companies or when the shareholders' meeting has resolved and authorized the board of directors to change the authority, it shall convene a shareholders’ meeting again to adopt the resolution and implement the procedures or legal actions that have been completed in the original project again.
(3) When participating in a merger, demerger, acquisition, or transfer of shares, a company that is listed on an exchange or has its shares traded on an OTC market shall, within two days counting inclusively from the date of passage of a resolution by the board of directors, report (in the prescribed format and via the Internet-based information system) the information set out in Subparagraphs 1 and 2 of the preceding paragraph to the FSC for review.
Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the Company shall sign an agreement with the non-public company and proceed in accordance with Article 20 of the Procedure and the provisions of the two preceding subparagraphs.

Chapter 5 Other Important Matters

24. The Company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports, as well as the opinions of CPAs, attorney, and securities underwriter at the Company, where they shall be retained for five years except where another act provides otherwise.
25. The appraisal reports from professional appraisers or the opinions of CPAs, attorney, or securities underwriter obtained by the Company shall be handled in compliance with Article 5 of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies.
26. The Procedure shall be approved by the Audit Committee, passed by the board of directors, and adopted by the shareholders’ meeting before implemented, and the same applies for any amendment thereto.
If any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the director's dissenting opinion to each independent director Each independent director's opinions shall be fully considered. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board meeting.
If the said matter in the first paragraph is not approved by a majority of all members of the Audit Committee, it may be implemented with the approval of more than two-thirds of all directors, and the resolution of the Audit Committee shall be specified in the minutes of the board meeting.
27. The first amendment was made on June 16, 1997
The second amendment was made on June 18, 1998
The third amendment was made on November 25, 1999
The fourth amendment was made on June 9, 2003
The fifth amendment was made on June 14, 2005
The sixth amendment was made on June 9, 2006
The seventh amendment was made on June 13, 2007
The eighth amendment was made on June 15, 2011
The ninth amendment was made on June 19, 2012
The 10th amendment was made on June 19, 2014
The 11th amendment was made on June 14, 2017
The 12th amendment was made on June 19, 2019
The 13th amendment was made on June 10, 2020

【Annex 4】

The impact of the stock grants on the company's business performance, earnings per share and shareholder's return on investment to be proposed in this shareholders' meeting

Unit: NT$

<table>
<tr><th colspan="3">Year
Item</th><th>Year 2021
(estimated)</th></tr>
<tr><td colspan="3">Paid-in capital, beginning of year</td><td>3,376,884,160</td></tr>
<tr><td rowspan="3">Share / divided allocation of the year</td><td colspan="2">Cash dividend per share</td><td>Note 1</td></tr>
<tr><td colspan="2">Retained Earnings Transferred to common stock</td><td>Note 2</td></tr>
<tr><td colspan="2">Capital surplus transferred to common stock</td><td>Note 2</td></tr>
<tr><td rowspan="7">Changes in operating performance</td><td colspan="2">Operating income</td><td rowspan="13">Note 3</td></tr>
<tr><td colspan="2">Changes in operating profit over the same periods</td></tr>
<tr><td colspan="2">Net profit after tax</td></tr>
<tr><td colspan="2">Changes in net profit after tax over the same periods</td></tr>
<tr><td colspan="2">Earnings per share</td></tr>
<tr><td colspan="2">Changes in earnings per share over the same periods</td></tr>
<tr><td colspan="2">average annual return on investment (average annual P/E ratio)</td></tr>
<tr><td rowspan="6">Proposed earnings per share and P/E ratio</td><td rowspan="2">If cash dividend is adopted in replacement of retained earnings transferred to common stock</td><td>Proposed earnings per share</td></tr>
<tr><td>Proposed average annual return on investment</td></tr>
<tr><td rowspan="2">If no capital surplus transferred to common stock is adopted</td><td>Proposed earnings per share</td></tr>
<tr><td>Proposed average annual return on investment</td></tr>
<tr><td rowspan="2">If no capital surplus transferred to common stock is adopted and cash dividend is adopted in replacement of retained earnings transferred to common stock</td><td>Proposed earnings per share</td></tr>
<tr><td>Proposed average annual return on investment</td></tr>
</table>

Note: 1. The Company's net loss after tax for 2020, so no dividends will be distributed to shareholders.

Note: 2. There are no retained earnings transferred to common stock or capital surplus transferred to common stock adopted for the period.

Note: 3. This is not applicable because, according to "Regulations Governing the Publication of Financial Forecasts of Public Companies", the Company did not submit 2021 Financial Forecast.

【Annex 5】

PHIHONG TECHNOLOGY CO., LTD.

Status of the Number of Shares Held by Directors

As of the book closure date of the shareholders' meeting (April 18, 2021), the Company has issued a total of 337,688,416 shares. The number of shares held by individual and all directors is listed in the table below:

Title	Name	Shareholding (shares)	Proportion to total number of shares issued (%)
Chairman	LIN, CHUNG-MING	51, 703, 063	15. 31%
Director	Kuan Feng Investment Ltd. Representative: LIN, YANG-HUNG	3, 034, 905	0. 90%
Director	LIN, FEI-HUNG	3, 376, 000	1. 00%
Director	WANG, CHIA-KOUN	0	0. 00%
Director	CHOU, DAH-JEN	0	0. 00%
Director	CHIANG, WEI-FENG	0	0. 00%
Director	CHOU, MING-CHIH	0	0. 00%
Independent Director	HUNG, YU-YUAN	0	0. 00%
Independent Director	LIN, KUEI-HUNG	20, 578	0. 01%
Independent Director	CHANG, HSIEN-TA	0	0. 00%
Total number of directors		**58,134,546**	**17. 22%**

Note 1: The number of authorized shares held by all directors is13,507,536 shares. The number of shares held as of the book closure date of the shareholders' meeting was 58,113,968 shares (excluding the shares held by independent directors), at a ratio which has already met the standard as stipulated in Article 26 of the Securities and Exchange Act.

Note 2: The Company has set up an Audit Committee, so the number of shares that shall be held by supervisors does not apply.