

Stock Code: 3515



ASRock Incorporation

**2022 Annual General Shareholders' Meeting**

Procedure Handbook

05/25/2022

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**(Translation – In case of any discrepancy between the Chinese and English versions, the Chinese version shall prevail.)**

# **I. Opening Procedure**

**ASRock Incorporation**  
**Opening of the Regular Session of Shareholders**  
**Meeting 2022**

- I. Announcement for the Session
- II. Opening Address of the Presiding Officer
- III. Report Items
- IV. Proposals Items
- V. Discussion Items
- VI. Extemporaneous motions
- VII. Adjournment of the meeting

## **II. Agenda of the meeting**

# ASRock Incorporation

## Agenda of the 2022 Shareholders Meeting

- I. Convening method: Regular meeting of entity shareholders
- II. Date and time: 05/25/2022 (Wednesday) 9:00 am
- III. Venue: Conference Room 202, Mellow Fields Hotel, Tienmu  
(No. 127, Road Section 7, ZhongShan North, Shilin District, Taipei)
- IV. Opening Address of the Presiding Officer
- V. Reports Items
  1. 2021 Business Report
  2. Auditing Committee's Review Report on the 2021 Financial Statements
  3. 2021 Employees' and Directors' Remuneration Report
  4. 2021 Earnings Distribution Report for Cash Dividend
- VI. Proposals Items
  1. Adoption of the 2021 Financial Statements (Proposed by the Board)
  2. Adoption of the Proposal for Distribution of 2021 Earnings (Proposed by the Board)
- VII. Discussion Items
  1. Amendment to the "Articles of Incorporation" (Proposed by the Board)
  2. Amendment to the "Procedures for Acquisition or Disposal of Assets" (Proposed by the Board)
- VIII. Questions and Motions
- IX. Adjournment of Meeting

# [Reports Items]

## 1. 2021 Business Report

ASRock Incorporation

2021 Business Report

Dear shareholders, it is indeed a great pleasure to have your presence in this regular session of the 2022 Shareholders Meeting. COVID-19 was still the biggest factor affecting the global supply and demand in 2021. Due to the epidemic, the demand for home-related products will continue to be strong. According to an IDC research report, global PC shipments will grow by 14.8% in 2021, the highest growth in the past 10 years. On the other hand, the epidemic has caused an unstable supply chain due to shortage of raw materials, shutdown of factories due to epidemic prevention, and backlog of container ships in ports, etc., which brought extreme challenges to the company's operation and management.

Facing the difficult supply chain challenges with sharp increase in material costs and the continuous strong appreciation of the New Taiwan Dollar, the company has adopted strategies such as increasing foundry partners, raising safety stocks for material, and adjusting product strategies. It has adjusted prices in a timely manner according to the market to provide consumers with the best possible products with best value. The effort of all has not been made in vain. ASRock has performed splendidly with sound results. The annual revenue, operation profit and net profit all set new highs since the establishment.

### Financial and Business Performance

With strong focus on the development of product diversification, the proportion of the motherboard business continues to decline. Thus, as the motherboard business declines in 2021 due to the shutdown of foundries due to epidemic prevention and the shortage of CPU/display cards in the market, the company continues to focus on other products. With the other product lines, the company ensures a sustainable growth in the revenue and profit.

ASRock had consolidated revenue of NT\$19,760 million in 2021, which was an increase of 10.3% from NT\$17,910 million in the same period of 2020. Benefiting from the increase in product combinations and gross profit of individual products, the gross profit margin in 2021 has increased to 28.2% with an increase of 6.7% from the gross profit margin of 21.5% in 2020. With the expansion, ASRock reports a consolidated net income after tax of NT\$ 2.38 billion in 2021, an increase of 75% from NT\$1.36 billion in 2020. Information on the Consolidated Financial Statements of ASRock Inc. is shown in the table below:

Unit: NT\$ 100 million

Item	2021 (consolidated)		2020 (consolidated)	
	Amount	%	Amount	%
Revenue	197.6	100.0%	179.1	100.0%
Gross profit	55.6	28.2%	38.5	21.5%
Operating expenses	25.0	12.7%	19.9	11.1%
Operating income	30.6	15.5%	18.6	10.4%
Pre-tax profit	30.6	15.5%	18.6	10.4%
Net income (Owner of the parent company)	23.8	12.0%	13.6	7.6%
Earnings per share after taxation (NT\$)	19.67		11.3	

Note: No financial forecast was disclosed in 2021. Budget attainment is not applicable here.

## **Gravity of technological development and operation**

The AIOT industry's maturing, the popularity of cloud application, and the upcoming 5G application compelled ASRock to continue the development of in-depth learning, big data analysis, factory automation and cloud computing and related products. In consumer products, through the brand diversification strategy, the company can meet the needs of different consumer groups around the world. Through strategic alliances and continuous development of new product lines, ASRock provides consumers with a full range of professional gaming brand and products to enroot unique and innovative brand identity in consumers in different fields.

## **The prospect**

The pursuit of the product/brand/market diversified development strategy will continue to be the pillar of corporate development. The Company will continue to develop new products/new markets in stable and incremental paces and create growth opportunities to mitigate the fluctuation caused by a particular product line of the Company. The upgrade of the business scale of the products will continue to contribute to the operation and profit of ASRock. The economic outlook in 2022 will still be unpredictable, such as the change in the development of the pandemic and the tight supply of the semiconductor supply chain. ASRock will spare no effort to launch for the growth of the products, maintain the momentum in operation and profit, and create higher value for the shareholders.

May I wish you all

Good health and good luck

ASRock Incorporation

Chairman                      Hsu-Tien, Tung

President                      Lung-Lun, Hsu

Accounting Officer          Hui-Ju, Li

## **Independent Auditors' Report Translated from Chinese**

To ASROCK INC.

### **Opinion**

We have audited the accompanying balance sheets of ASROCK INC.(the “Company”) as of December 31, 2021 and 2020, and the related statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2021 and 2020, and notes to the parent company only financial statements, including the summary of significant accounting policies(collectively “the parent company only financial statements”).

In our opinion, based on our audits and the reports of other auditors (please refer to the Other Matter paragraph), the parent company only financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and its financial performance and cash flows for the years ended December 31, 2021 and 2020, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the “Norm”), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the reports of other auditors, 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 2021 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Investments accounted for using equity method - Inventory of Subsidiary

The net carrying value of inventory as of December 31, 2021 for the Company's investments accounted for using equity method - Inventory of Subsidiary was significant to the parent company only financial statements. ASROCK INC. and subsidiaries' main business, the sale of motherboard products, are affected by market demand and changes. The management measured allowance for inventory obsolescence valuation losses based on market demands. The valuation involved management's significant judgement, we have therefore determined valuation on inventory a key audit matter. The audit procedures we performed regarding inventories valuation included, but not limited to, understanding the program of estimating the allowance for inventory valuation, testing the effectiveness of relevant control. For the raw material and products, we selected samples and checked related certificates, to confirm the correctness of net realizable value that management used. In addition, we obtained and reviewed the full-year purchase and sales details of raw materials and products. For raw materials that are not frequently used and products with low sales volume, we referred to industry information and management to discuss the reasonableness of allowance for inventory valuation and obsolescence losses. We also considered the appropriateness of disclosure of inventories in Notes 5 and 6 of the Company's consolidated financial statements.

### Revenue recognition

The main source of revenue was from the sales of motherboard. Due to diversified pricing strategy, the orders and implied items in contracts usually included quantity discount and warranty, therefore the Company should determine the performance obligation and the timing of revenue recognition. Consequently, we considered that revenue recognition from contracts with customers is key audit matter. For revenue recognition, we have conducted audit procedures including but not limited to evaluating the design and operating effectiveness of internal controls with respect to the revenue cycle, selecting representative samples to conduct test of transactions by inspecting contracts approved by both parties, identifying the performance obligation, evaluating whether the transaction prices were appropriately allocated to all the performance obligations in the contract in proportion to the stand-alone selling prices of each performance obligation, and confirming the correctness of timing when a performance obligation is satisfied. We also considered the appropriation of operating revenue disclosure in Notes 4, 5 and 6 of the parent company only financial statements.

## **Other Matter - Making Reference to the Audits of Component Auditors**

We did not audit the parent company only financial statements of certain investments accounted for using equity method whose statements are based solely on the reports of other auditors. These investments accounted for using equity method amounted to \$829,353 thousand and \$675,353 thousand, representing 7.81% and 6.81% of the parent company only total assets as of December 31, 2021 and 2020, respectively. The related share of profit or loss of subsidiaries, associates and joint ventures accounted for using equity method amounted to \$175,248 thousand and \$155,464 thousand, representing 6.12% and 9.98% of the profit before tax for the years ended December 31, 2021 and 2020.

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

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

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

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

## **Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements**

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company.
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 ability to continue as a going concern of the Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the accompanying notes, and whether the parent company only 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 parent company only 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 2021 parent company only financial statements and are therefore the key audit matters. We describe these matters in our auditor's 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.

Yang, Chih-Huei  
Yu, Chien-Ju

Ernst & Young, Taiwan  
February 23, 2022

Notice to Readers

*The accompanying parent company only financial statements are intended only to present the financial position, results of operations 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 parent company only financial statements are those generally accepted and applied in the Republic of China.*

*Accordingly, the accompanying parent company only financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the parent company only financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.*

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese  
ASROCK INC.  
PARENT COMPANY ONLY BALANCE SHEETS  
December 31, 2021 and 2020  
(Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	As of			
		December 31, 2021	%	December 31, 2020	%
<b>Current assets</b>					
Cash and cash equivalents	4,6(1)	\$1,031,300	10	\$1,508,440	15
Financial assets measured at amortized cost - current	4,6(2),6(12)	860,000	8	486,206	5
Accounts receivable, net	4,5,6(3),6(12)	820,626	8	441,609	4
Accounts receivable - related parties, net	4,5,6(3),6(12),7	879,133	8	1,592,011	16
Inventories, net	4,5,6(4)	1,387,863	13	1,367,370	14
Prepayments	7	839,921	8	53,511	1
Other current assets	7	53,653	1	26,182	-
<b>Total current assets</b>		<b>5,872,496</b>	<b>56</b>	<b>5,475,329</b>	<b>55</b>
<b>Non-current assets</b>					
Investments accounted for using equity method	4,6(5)	4,621,442	44	4,332,169	44
Property, plant and equipment	4,6(6),7	32,300	-	21,405	-
Right-of-use assets	4,6(13)	30,010	-	30,671	-
Intangible assets	4,6(7)	1,544	-	570	-
Deferred tax assets	4,5,6(17)	47,685	-	43,274	1
Guarantee deposits paid		13,997	-	11,326	-
Other non-current assets		-	-	3,824	-
<b>Total non-current assets</b>		<b>4,746,978</b>	<b>44</b>	<b>4,443,239</b>	<b>45</b>
<b>Total assets</b>		<b>\$10,619,474</b>	<b>100</b>	<b>\$9,918,568</b>	<b>100</b>

(Continued)

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese  
ASROCK INC.  
PARENT COMPANY ONLY BALANCE SHEETS  
December 31, 2021 and 2020  
(Expressed in Thousands of New Taiwan Dollars)

Liability and Equity	Notes	As of			
		December 31, 2021	%	December 31, 2020	%
<b>Current liabilities</b>					
Accounts payable		\$72,387	1	\$17,835	-
Accounts payable - related parties	7	527,970	5	2,188,109	22
Other payables	7	691,173	7	410,447	4
Current tax liabilities	4,5,6(17)	453,144	4	198,539	2
Lease liabilities - current	4,6(13)	15,322	-	13,674	-
Other current liabilities	4,7	531,487	5	133,343	1
<b>Total current liabilities</b>		<u>2,291,483</u>	<u>22</u>	<u>2,961,947</u>	<u>29</u>
<b>Non-current liabilities</b>					
Deferred tax liabilities	4,5,6(17)	-	-	228	-
Lease liabilities - non-current	4,6(13)	14,823	-	17,231	-
Net defined benefit liabilities	4,5,6(8)	42,028	-	37,854	1
<b>Total non-current liabilities</b>		<u>56,851</u>	<u>-</u>	<u>55,313</u>	<u>1</u>
<b>Total liabilities</b>		<u>2,348,334</u>	<u>22</u>	<u>3,017,260</u>	<u>30</u>
<b>Equity</b>					
<b>Capital</b>					
Common stock	6(9)	1,229,254	12	1,206,424	12
<b>Capital surplus</b>	6(5),6(9),6(10)	<u>3,332,351</u>	<u>31</u>	<u>3,134,705</u>	<u>32</u>
<b>Retained earnings</b>					
Legal reserve	6(9)	1,345,085	13	1,209,419	12
Special reserve	6(9)	472,656	4	279,336	3
Unappropriated retained earnings	6(5),6(9),6(10)	2,628,386	25	1,544,081	16
Total retained earnings		<u>4,446,127</u>	<u>42</u>	<u>3,032,836</u>	<u>31</u>
<b>Other components of equity</b>	4,6(10)	<u>(736,592)</u>	<u>(7)</u>	<u>(472,657)</u>	<u>(5)</u>
<b>Total equity</b>		<u>8,271,140</u>	<u>78</u>	<u>6,901,308</u>	<u>70</u>
<b>Total liabilities and equity</b>		<u>\$10,619,474</u>	<u>100</u>	<u>\$9,918,568</u>	<u>100</u>

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

## ASROCK INC.

## PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2021 and 2020

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

Accounting Items	Notes	For the years ended December 31,			
		2021	%	2020	%
<b>Operating revenues</b>	4,5,6(11),7	\$14,535,253	100	\$12,577,723	100
<b>Operating costs</b>	6(4),6(14),7	(10,820,676)	(74)	(10,472,888)	(83)
<b>Gross profit</b>		3,714,577	26	2,104,835	17
Unrealized intercompany profit		(108,835)	(1)	(133,313)	(1)
Realized intercompany profit		133,313	1	81,456	-
<b>Net gross profit</b>		3,739,055	26	2,052,978	16
<b>Operating expenses</b>	4,6(7),6(8),6(10) 6(13),6(14),7				
Sales and marketing expenses		(370,005)	(3)	(293,649)	(2)
General and administrative expenses		(243,937)	(2)	(175,545)	(1)
Research and development expenses		(663,826)	(5)	(484,401)	(4)
Expected credit losses	6(12)	(3,688)	-	(345)	-
Total operating expenses		(1,281,456)	(10)	(953,940)	(7)
<b>Net operating income</b>		2,457,599	16	1,099,038	9
<b>Non-operating income and expenses</b>	6(15)				
Interest income		8,503	-	12,009	-
Other income	7	111,510	1	84,963	1
Other gains and losses		(41,259)	-	(48,913)	-
Finance costs		(235)	-	(312)	-
Share of profit or loss of subsidiaries, associates and joint ventures accounted for using equity method	4,6(5)	328,996	2	411,692	3
Total non-operating income and expenses		407,515	3	459,439	4
<b>Profit from continuing operations before tax</b>		2,865,114	19	1,558,477	13
<b>Income tax expenses</b>	4,5,6(17)	(484,054)	(3)	(195,385)	(2)
<b>Profit from continuing operations</b>		2,381,060	16	1,363,092	11
<b>Profit</b>		2,381,060	16	1,363,092	11
<b>Other comprehensive income</b>	4,6(8),6(16)				
<b>Items that will not be reclassified subsequently to profit or loss</b>					
Losses on remeasurements of defined benefit plans		(3,287)	-	(7,364)	-
Income tax related to items that will not be reclassified to profit or loss		657	-	1,473	-
<b>Items that may be reclassified subsequently to profit or loss</b>					
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss		(109,101)	(1)	(193,321)	(2)
<b>Other comprehensive income, net of tax</b>		(111,731)	(1)	(199,212)	(2)
<b>Total comprehensive income</b>		\$2,269,329	15	\$1,163,880	9
<b>Earnings per share(NT\$):</b>	6(18)				
Earnings per share - basic					
Profit from continuing operations		\$19.67		\$11.30	
Earnings per share - diluted	6(18)				
Profit from continuing operations		\$19.53		\$11.22	

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

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese  
ASROCK INC.  
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
For the years ended December 31, 2021 and 2020  
(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings					Other components of equity			
	Capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Deferred compensation cost	Treasury stock	Total equity
Balance as of January 1, 2020	\$1,206,472	\$3,129,659	\$1,149,884	\$186,407	\$822,460	\$(279,336)	\$(18,202)	\$-	\$6,197,344
Appropriation and distribution of 2019 retained earnings									
Legal reserve appropriated	-	-	59,535	-	(59,535)	-	-	-	-
Special reserve appropriated	-	-	-	92,929	(92,929)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(482,570)	-	-	-	(482,570)
Profit in 2020	-	-	-	-	1,363,092	-	-	-	1,363,092
Other comprehensive income, net of tax in 2020	-	-	-	-	(5,891)	(193,321)	-	-	(199,212)
Total comprehensive income	-	-	-	-	1,357,201	(193,321)	-	-	1,163,880
Treasury stock acquired	-	-	-	-	-	-	-	(48)	(48)
Treasury stock cancelled	(48)	-	-	-	-	-	-	48	-
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	335	-	-	(27)	-	-	-	308
Changes in subsidiaries' ownership	-	(261)	-	-	-	-	-	-	(261)
Share-based payment transaction	-	4,972	-	-	(519)	-	18,202	-	22,655
Balance as of December 31, 2020	<u>\$1,206,424</u>	<u>\$3,134,705</u>	<u>\$1,209,419</u>	<u>\$279,336</u>	<u>\$1,544,081</u>	<u>\$(472,657)</u>	<u>\$-</u>	<u>\$-</u>	<u>\$6,901,308</u>
Balance as of January 1, 2021	\$1,206,424	\$3,134,705	\$1,209,419	\$279,336	\$1,544,081	\$(472,657)	\$-	\$-	\$6,901,308
Appropriation and distribution of 2020 retained earnings									
Legal reserve appropriated	-	-	135,666	-	(135,666)	-	-	-	-
Special reserve appropriated	-	-	-	193,320	(193,320)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(965,139)	-	-	-	(965,139)
Profit in 2021	-	-	-	-	2,381,060	-	-	-	2,381,060
Other comprehensive income, net of tax in 2021	-	-	-	-	(2,630)	(109,101)	-	-	(111,731)
Total comprehensive income	-	-	-	-	2,378,430	(109,101)	-	-	2,269,329
Changes in subsidiaries' ownership	-	3,581	-	-	-	-	-	-	3,581
Share-based payment transaction	22,830	194,065	-	-	-	-	(154,834)	-	62,061
Balance as of December 31, 2021	<u>\$1,229,254</u>	<u>\$3,332,351</u>	<u>\$1,345,085</u>	<u>\$472,656</u>	<u>\$2,628,386</u>	<u>\$(581,758)</u>	<u>\$(154,834)</u>	<u>\$-</u>	<u>\$8,271,140</u>

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

## English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

## ASROCK INC.

## PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	For the years ended December 31,	
	2021	2020
Cash flows from operating activities:		
Profit before tax	\$2,865,114	\$1,558,477
Adjustments:		
Adjustments to reconcile (profit) loss:		
Depreciation expense	24,325	21,917
Amortization expense	2,461	1,198
Expected credit losses	3,688	345
Interest expenses	235	312
Interest income	(8,503)	(12,009)
Compensation cost arising from employee stock options	39,231	22,655
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	(328,996)	(411,692)
Gain on disposal of property, plant and equipment	(20)	-
Unrealized intercompany profit from sale	108,835	133,313
Realized intercompany profit from sale	(133,313)	(81,456)
Changes in operating assets and liabilities:		
(Increase) Decrease in accounts receivable, net	(382,705)	86,723
Decrease (Increase) in account receivable-related parties	712,878	(334,065)
Increase in inventories, net	(18,768)	(611,562)
(Increase) Decrease in prepayments	(786,410)	12,290
Increase in other current assets	(24,979)	(2,835)
Increase in accounts payable	54,552	3,274
(Decrease) Increase in accounts payables-related parties	(1,660,139)	844,363
Increase in other payables	280,726	113,796
Increase (Decrease) in other current liabilities	398,144	(12,944)
Increase in net defined benefit liabilities	887	909
Cash generated from operations	1,147,243	1,333,009
Income taxes paid	(233,431)	(129,720)
Net cash provided by operating activities	913,812	1,203,289
Cash flows from investing activities:		
(Acquisition) Disposal of financial assets measured at amortized cost	(373,794)	115,794
Acquisition of investments accounted for using equity method	(103,125)	(4,073)
Acquisition of property, plant and equipment	(17,727)	(13,704)
Proceed from disposal of property, plant and equipment	20	11,196
Increase in guarantee deposits paid	(2,671)	(2,009)
Acquisition of intangible assets	(3,435)	(1,122)
Increase in other non-current assets	-	(3,824)
Interest received	6,011	12,601
Dividends received	61,800	-
Net cash (used in) provided by investing activities	(432,921)	114,859
Cash flows from financing activities:		
Cash payments for the principal portion of the lease liability	(15,722)	(14,379)
Cash dividends paid	(965,139)	(482,570)
Issuance of common stock for cash	22,830	-
Treasury stock acquired	-	(48)
Net cash used in financing activities	(958,031)	(496,997)
Net (decrease) increase in cash and cash equivalents	(477,140)	821,151
Cash and cash equivalents, beginning of the year	1,508,440	687,289
Cash and cash equivalents, end of the year	\$1,031,300	\$1,508,440

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

## **Declaration**

Since the companies to be included in the consolidated financial statements 2021 (from January 1 to December 31, 2021) under the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are identical with the companies for inclusion in the consolidated financial statements of parent company and subsidiaries under IFRS 10. The information presented in the consolidated financial statements of affiliates has also been disclosed in the aforementioned consolidated financial statements of parent company and subsidiaries, the Company, therefore, will not prepare the consolidated financial statements of affiliates separately.

Your attention is appreciated

Company Name: ASRock Incorporation

Legal Representative: Hsu-Tien, Tung

Feb. 23, 2022

## **Independent Auditors' Report Translated from Chinese**

To ASROCK INC.

### **Opinion**

We have audited the accompanying consolidated balance sheets of ASROCK INC.(the “Company”) and its subsidiaries (collectively the “Group”) as of December 31, 2021 and 2020, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2021 and 2020, and notes to the consolidated financial statements, including the summary of significant accounting policies (collectively “the consolidated financial statements”).

In our opinion, based on our audits and the reports of other auditors (please refer to the Other Matter paragraph), the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2021 and 2020, and their consolidated financial performance and cash flows for the years ended December 31, 2021 and 2020, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company and its subsidiaries in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the “Norm”), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the reports of other auditors, 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 2021 consolidated financial statements. 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.

### Inventory valuation

The net carrying value of inventory as of December 31, 2021 for ASROCK INC. and its subsidiaries amounted to \$9,719,405 thousand, which accounted for 61% of total assets and was significant to the consolidated financial statements. The Group's main business, the sale of motherboard products, are affected by market demand and changes. The management measured allowance for inventory obsolescence valuation losses based on market demands. The valuation involved management's significant judgement, we have therefore determined valuation on inventory a key audit matter. The audit procedures we performed regarding inventories valuation included but not limited to, understanding the program of estimating the allowance for inventory valuation, testing the effectiveness of relevant control. For the raw material and products, we selected samples and checked related certificates, to confirm the correctness of net realizable value that management used. In addition, we obtained and reviewed the full-year purchase and sales details of raw materials and products. For raw materials that are not frequently used and products with low sales volume, we referred to industry information and management to discuss the reasonableness of allowance for inventory valuation and obsolescence losses. We also considered the appropriateness of disclosure of inventories in Notes 5 and 6 of the Company's consolidated financial statements.

### Revenue recognition

The main source of revenue was from the sales of motherboard. Due to diversified pricing strategy, the orders and implied item in contracts usually included quantity discount and warranty, therefore the Company and its subsidiaries should determine the performance obligation and the timing of revenue recognition. Consequently, we considered that revenue recognition from contracts with customers is key audit matter. For revenue recognition, we have conducted audit procedures including but not limited to evaluating the design and operating effectiveness of internal controls with respect to the revenue cycle, selecting representative samples to conduct test of transactions by inspecting contracts approved by both parties, identifying the performance obligation, evaluating whether the transaction price were appropriately allocated to all the performance obligations in the contract in proportion to the stand-alone selling prices of each performance obligation, and confirming the correctness of timing when a performance obligation is satisfied. We also considered the appropriation of operating revenue disclosure in Notes 4, 5 and 6 of consolidated financial statements.

## **Other Matter - Making Reference to the Audits of Component Auditors**

We did not audit the financial statements of certain consolidated subsidiaries, which statements reflect total assets of \$1,612,326 thousand and \$2,106,436 thousand, constituting 10.14% and 17.98% of consolidated total assets as of December 31, 2021 and 2020, respectively, and total operating revenues of \$9,323,868 thousand and \$7,937,631 thousand, constituting 47.18% and 44.32 % of consolidated operating revenues for the years ended December 31, 2021 and 2020, respectively. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinions expressed herein are based solely on the audit reports of the other auditors.

## **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 requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by 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 ability to continue as a going concern of the Company and its subsidiaries, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee, are responsible for overseeing the financial reporting process of the Company and its subsidiaries.

## **Auditor's 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 auditor's 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 auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiaries.
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 ability to continue as a going concern of the Company and its subsidiaries. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, and whether the consolidated 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 and its subsidiaries 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 2021 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's 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.

## **Other**

We have audited and expressed an unqualified opinion including Other Matter Paragraph on the parent company only financial statements of the Company as of and for the years ended December 31, 2021 and 2020.

Yang, Chih-Huei

Yu, Chien- Ju

Ernst & Young, Taiwan

February 23, 2022

### Notice to Readers

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

*Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.*

English Translation of Consolidated Financial Statements Originally Issued in Chinese  
ASROCK INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
December 31, 2021 and 2020  
(Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	As of			
		December 31, 2021	%	December 31, 2020	%
<b>Current assets</b>					
Cash and cash equivalents	4,6(1)	\$2,213,989	14	\$2,763,147	23
Financial assets measured at amortized cost - current	4,6(2),6(11),8	1,276,355	8	778,959	6
Accounts receivable, net	4,6(3),6(11)	1,858,239	12	1,632,537	14
Accounts receivable - related parties, net	4,6(3),6(11),7	37,642	-	16,629	-
Inventories, net	4,6(4)	9,719,405	61	5,830,442	50
Other current assets	7	317,177	2	204,325	2
<b>Total current assets</b>		<u>15,422,807</u>	<u>97</u>	<u>11,226,039</u>	<u>95</u>
<b>Non-current assets</b>					
Financial assets measured at amortized cost - non-current	4,6(2),6(11),8	2,389	-	41,002	2
Property, plant and equipment	4,6(5)	241,976	2	240,208	2
Right-of-use assets	4,6(12)	90,600	-	78,416	-
Intangible assets	4,6(6),7	5,775	-	6,775	-
Deferred tax assets	4,5,6(16)	96,390	1	99,849	1
Guarantee deposits paid		22,594	-	18,652	-
Other non-current assets		11,419	-	4,870	-
<b>Total non-current assets</b>		<u>471,143</u>	<u>3</u>	<u>489,772</u>	<u>5</u>
<b>Total assets</b>		<u>\$15,893,950</u>	<u>100</u>	<u>\$11,715,811</u>	<u>100</u>

(Continued)

English Translation of Consolidated Financial Statements Originally Issued in Chinese  
ASROCK INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
December 31, 2021 and 2020  
(Expressed in Thousands of New Taiwan Dollars)

Liability and Equity	Notes	As of			
		December 31, 2021	%	December 31, 2020	%
<b>Current liabilities</b>					
Accounts payable		\$4,389,601	28	\$2,695,143	23
Accounts payable - related parties	7	67,237	-	34,447	1
Other payables	7	1,419,344	9	1,073,475	9
Current tax liabilities	4,5,6(16)	538,877	4	270,345	2
Lease liabilities - current	4,6(12),6(14)	42,713	-	38,123	-
Other current liabilities	7	555,828	4	214,134	2
<b>Total current liabilities</b>		<u>7,013,600</u>	<u>45</u>	<u>4,325,667</u>	<u>37</u>
<b>Non-current liabilities</b>					
Deferred tax liabilities	4,5,6(16)	1,169	-	2,222	-
Lease liabilities - non-current	4,6(12),6(14)	48,309	-	40,816	1
Net defined benefit liabilities	4,5,6(7)	42,028	-	37,854	-
Other non-current liabilities		-	-	816	-
<b>Total non-current liabilities</b>		<u>91,506</u>	<u>-</u>	<u>81,708</u>	<u>1</u>
<b>Total liabilities</b>		<u>7,105,106</u>	<u>45</u>	<u>4,407,375</u>	<u>38</u>
<b>Equity attributable to owners of the parent company</b>					
<b>Capital</b>					
Common stock	6(8)	1,229,254	8	1,206,424	10
<b>Capital surplus</b>	6(8),6(9),6(18)	<u>3,332,351</u>	<u>21</u>	<u>3,134,705</u>	<u>27</u>
<b>Retained earnings</b>					
Legal reserve	6(8)	1,345,085	8	1,209,419	10
Special reserve	6(8)	472,656	3	279,336	3
Unappropriated retained earnings	6(8),6(9),6(18)	2,628,386	17	1,544,081	13
Total retained earnings		<u>4,446,127</u>	<u>28</u>	<u>3,032,836</u>	<u>26</u>
<b>Other components of equity</b>	4	<u>(736,592)</u>	<u>(5)</u>	<u>(472,657)</u>	<u>(4)</u>
Non-controlling interests	6(8),6(18)	517,704	3	407,128	3
<b>Total equity</b>		<u>8,788,844</u>	<u>55</u>	<u>7,308,436</u>	<u>62</u>
<b>Total liabilities and equity</b>		<u>\$15,893,950</u>	<u>100</u>	<u>\$11,715,811</u>	<u>100</u>

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese  
ASROCK INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
For the years ended December 31, 2021 and 2020  
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

Accounting Items	Notes	For the years ended December 31,			
		2021	%	2020	%
<b>Operating revenues</b>	4,5,6(10),7	\$19,762,672	100	\$17,911,584	100
<b>Operating costs</b>	6(4),6(6),6(7), 6(12),6(13),7	(14,198,647)	(72)	(14,059,563)	(78)
<b>Gross profit</b>		<u>5,564,025</u>	<u>28</u>	<u>3,852,021</u>	<u>22</u>
<b>Operating expenses</b>	6(6),6(7),6(9) 6(12),6(13),7				
Sales and marketing expenses		(814,882)	(4)	(634,699)	(4)
General and administrative expenses		(423,594)	(2)	(323,138)	(2)
Research and development expenses		(1,263,855)	(7)	(1,039,961)	(6)
Expected credit (losses) gains	6(11)	(3,501)	-	3,853	-
Total operating expenses		<u>(2,505,832)</u>	<u>(13)</u>	<u>(1,993,945)</u>	<u>(12)</u>
<b>Net operating income</b>		<u>3,058,193</u>	<u>15</u>	<u>1,858,076</u>	<u>10</u>
<b>Non-operating income and expenses</b>	6(14)				
Interest income		12,880	-	20,229	-
Other income		43,858	-	52,983	-
Other gains and losses		(54,163)	-	(74,609)	-
Finance costs		(802)	-	(896)	-
Total non-operating income and expenses		<u>1,773</u>	<u>-</u>	<u>(2,293)</u>	<u>-</u>
<b>Profit from continuing operations before tax</b>		3,059,966	15	1,855,783	10
<b>Income tax expenses</b>	4,5,6(16)	(600,028)	(3)	(347,200)	(2)
<b>Profit from continuing operations</b>		<u>2,459,938</u>	<u>12</u>	<u>1,508,583</u>	<u>8</u>
<b>Other comprehensive income</b>	4,6(15)				
<b>Items that will not be reclassified subsequently to profit or loss</b>					
Losses on remeasurements of defined benefit plans		(3,287)	-	(7,364)	-
Income tax related to items that will not be reclassified to profit or loss		657	-	1,473	-
<b>Items that may be reclassified subsequently to profit or loss</b>					
Exchange differences on translation of foreign financial statements		(109,101)	-	(193,321)	(1)
<b>Other comprehensive income, net of tax</b>		<u>(111,731)</u>	<u>-</u>	<u>(199,212)</u>	<u>(1)</u>
<b>Total comprehensive income</b>		<u>\$2,348,207</u>	<u>12</u>	<u>\$1,309,371</u>	<u>7</u>
<b>Profit attributable to:</b>					
Owners of the parent company		\$2,381,060		\$1,363,092	
Non-controlling interests		78,878		145,491	
		<u>\$2,459,938</u>		<u>\$1,508,583</u>	
<b>Comprehensive income attributable to:</b>					
Owners of the parent company		\$2,269,329		\$1,163,880	
Non-controlling interests		78,878		145,491	
		<u>\$2,348,207</u>		<u>\$1,309,371</u>	
<b>Earnings per share(NT\$):</b>	6(17)				
Earnings per share - basic					
Profit from continuing operations		<u>\$19.67</u>		<u>\$11.30</u>	
Earnings per share - diluted					
Profit from continuing operations		<u>\$19.53</u>		<u>\$11.22</u>	

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese  
ASROCK INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANG IN STOCKHOLDERS' EQUITY  
For the years ended December 31, 2021 and 2020  
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent company											
	Retained earnings					Other components of equity				Total equity attributable to owners of the parent company	Non-controlling interests	Total equity
	Capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Deferred compensation cost	Treasury stock				
Balance as of January 1, 2020	\$1,206,472	\$3,129,659	\$1,149,884	\$186,407	\$822,460	\$(279,336)	\$(18,202)	\$-	\$6,197,344	\$257,123	\$6,454,467	
Appropriation and distribution of 2019 retained earnings												
Legal reserve appropriated	-	-	59,535	-	(59,535)	-	-	-	-	-	-	
Special reserve appropriated	-	-	-	92,929	(92,929)	-	-	-	-	-	-	
Cash dividends of common stock	-	-	-	-	(482,570)	-	-	-	(482,570)	-	(482,570)	
Profit in 2020	-	-	-	-	1,363,092	-	-	-	1,363,092	145,491	1,508,583	
Other comprehensive income, net of tax in 2020	-	-	-	-	(5,891)	(193,321)	-	-	(199,212)	-	(199,212)	
Total comprehensive income	-	-	-	-	1,357,201	(193,321)	-	-	1,163,880	145,491	1,309,371	
Treasury stock acquired	-	-	-	-	-	-	-	(48)	(48)	-	(48)	
Treasury stock cancelled	(48)	-	-	-	-	-	-	48	-	-	-	
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	335	-	-	(27)	-	-	-	308	(308)	-	
Changes in subsidiaries' ownership	-	(261)	-	-	-	-	-	-	(261)	261	-	
Share-based payment transaction	-	4,972	-	-	(519)	-	18,202	-	22,655	1,785	24,440	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	2,776	2,776	
Balance as of December 31, 2020	\$1,206,424	\$3,134,705	\$1,209,419	\$279,336	\$1,544,081	\$(472,657)	\$-	\$-	\$6,901,308	\$407,128	\$7,308,436	
Balance as of January 1, 2021	\$1,206,424	\$3,134,705	\$1,209,419	\$279,336	\$1,544,081	\$(472,657)	\$-	\$-	\$6,901,308	\$407,128	\$7,308,436	
Appropriation and distribution of 2020 retained earnings												
Legal reserve appropriated	-	-	135,666	-	(135,666)	-	-	-	-	-	-	
Special reserve appropriated	-	-	-	193,320	(193,320)	-	-	-	-	-	-	
Cash dividends of common stock	-	-	-	-	(965,139)	-	-	-	(965,139)	-	(965,139)	
Profit in 2021	-	-	-	-	2,381,060	-	-	-	2,381,060	78,878	2,459,938	
Other comprehensive income, net of tax in 2021	-	-	-	-	(2,630)	(109,101)	-	-	(111,731)	-	(111,731)	
Total comprehensive income	-	-	-	-	2,378,430	(109,101)	-	-	2,269,329	78,878	2,348,207	
Changes in subsidiaries' ownership	-	3,581	-	-	-	-	-	-	3,581	(3,581)	-	
Share-based payment transaction	22,830	194,065	-	-	-	-	(154,834)	-	62,061	3,517	65,578	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	31,762	31,762	
Balance as of December 31, 2021	\$1,229,254	\$3,332,351	\$1,345,085	\$472,656	\$2,628,386	\$(581,758)	\$(154,834)	\$-	\$8,271,140	\$517,704	\$8,788,844	

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese  
ASROCK INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the years ended December 31, 2021 and 2020  
(Expressed in Thousands of New Taiwan Dollars)

	For the years ended December 31,	
	2021	2020
Cash flows from operating activities:		
Profit before tax	\$3,059,966	\$1,855,783
Adjustments:		
Adjustments to reconcile (profit) loss:		
Depreciation expense	84,062	72,865
Amortization expense	7,710	5,176
Expected credit losses and gains	3,501	(3,853)
Interest expenses	802	896
Interest income	(12,880)	(20,229)
Compensation cost arising from employee stock options	42,748	24,440
(Gain) Loss on disposal of property, plant and equipment	(20)	177
Property, plant and equipment charged to expenses	-	78
Changes in operating assets and liabilities:		
Increase in accounts receivable, net	(228,812)	(55,927)
(Increase) Decrease in account receivable-related parties	(21,013)	32,169
Increase in inventories, net	(3,887,237)	(838,731)
(Increase) Decrease in other current assets	(87,032)	62,313
Increase in accounts payable	1,694,458	247,171
Increase (Decrease) in accounts payable-related parties	32,790	(54,715)
Increase in other payables	345,869	230,180
Increase in other current liabilities	341,694	17,131
Increase in net defined benefit liabilities	887	909
(Decrease) Increase in other non-current liabilities	(816)	816
Cash generated from operations	<u>1,376,677</u>	<u>1,576,649</u>
Income taxes paid	(352,385)	(224,625)
Net cash provided by operating activities	<u>1,024,292</u>	<u>1,352,024</u>
Cash flows from investing activities:		
(Acquisition) Disposal of financial assets measured at amortized cost	(459,514)	100,323
Acquisition of property, plant and equipment	(46,392)	(34,884)
Proceed from disposal of property, plant and equipment	20	20
Increase in guarantee deposits paid	(3,942)	(5,902)
Acquisition of intangible assets	(6,710)	(8,959)
(Increase) Decrease in other non-current assets	(10,373)	1,565
Interest received	10,071	21,308
Net cash (used in) provided by investing activities	<u>(516,840)</u>	<u>73,471</u>
Cash flows from financing activities:		
Cash payments for the principal portion of the lease liability	(42,686)	(35,750)
Cash dividends paid	(965,139)	(482,570)
Issuance of common stock for cash	22,830	-
Treasury stock acquired	-	(48)
Changes in non-controlling interests	31,762	2,776
Net cash used in financing activities	<u>(953,233)</u>	<u>(515,592)</u>
Effect of exchange rate fluctuations on cash held	<u>(103,377)</u>	<u>(182,907)</u>
Net (decrease) increase in cash and cash equivalents	(549,158)	726,996
Cash and cash equivalents, beginning of the year	<u>2,763,147</u>	<u>2,036,151</u>
Cash and cash equivalents, end of the year	<u>\$2,213,989</u>	<u>\$2,763,147</u>

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

## 2. Auditing Committee's Review Report on the 2021 Financial Statements

ASRock Incorporation  
Auditing Committee Review Report

This is to approve

The Board has prepared the Business Reports, Financial Statements (including separate and consolidated financial statements), and the proposal of earnings for 2021. The financial statements have been audited by Yang, Chih-Hui and Yu, Chien-Ju, CPAs of Ernst & Young, with the issuance of Auditor's Report. We have reviewed the aforementioned Business Reports, Financial Statements, and Proposals for Distribution of Earnings, confirming the requirements. We hereby present this report pursuant to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

To

ASRock General Meeting of Shareholders

Convener of Auditing Committee: Ai, Wei

Feb. 23, 2022

### 3. 2021 Employees' and Directors' Remuneration Report

- Description:
1. According to Article 24 of the Articles of Incorporation of ASRock, the Company shall appropriate for covering loss carried forward from its earnings of the year (the EBT before deduction of remuneration to the employees and the Directors), followed by the appropriation of at least 5% as remuneration to the employees and no more than 1% as remuneration to the Directors from the remainder, if there is still a balance.
  2. The remuneration to the employees and the Directors in 2021 under the Articles of Incorporation of ASRock is shown below:
    - (1) Remuneration to employees: NT\$237,954,352
    - (2) Remuneration to Directors: NT\$23,795,435
    - (3) The aforementioned amount will be paid in cash in whole, which is relevant with the amount of expense presented for recognition in 2021.

### 4. 2021 Earnings Distribution Report for Cash Dividend

- Description:
1. According to Article 24-1 of the Articles of Incorporation of ASRock, the Board is authorized to pay cash dividends to the shareholders amounting to NT\$1,598,030,577 at NT\$13/share.
  2. The dividend will be paid in cash in the proportion of shareholding rounded to the nearest NT Dollar. The fraction falling below NT\$1 will be recognized as other incomes of the Company. The Board shall set the dividend day and handle related matters.
  3. In the event of a change in the quantity of the outstanding shares of the Company in the future, to the effect that the ratio of dividend payment to the shareholders shall be subject to adjustment, the Board is expected to have full discretion in adjusting within the aforementioned amount for dividend payment.

## [Proposals Items]

Motion no. 1: (Proposed by the Board)

Cause of motion: The 2021 financial statements of ASRock presented for recognition.

Description: The 2021 financial statements and consolidated financial statements have been audited by Yang, Chih-Hui and Yu, Chien-Ju, CPAs of Ernst & Young, which have been referred to the Auditing Committee together with the 2021 Business Report for review. The Business Report, Auditor's Report, and the aforementioned financial statements were presented for your reference. The detail is exhibited on page 7 to 28.

Resolution:

Motion no. 2: (Proposed by the Board)

Cause of motion: The 2021 distribution of earnings of ASRock presented for recognition.

Description: 

1. The Company had a net income of NT\$2,381,060,393 in 2021 and plans to pay out to shareholders in accordance with the Articles of Incorporation.
2. The proposal for distribution of earnings in 2021. (Please refer to page 33 of Appendix I of This Handbook)

Resolution:

## **[Discussion Items]**

Motion no. 1: (Proposed by the Board)

Cause of motion: Amendment to the “Articles of Incorporation” of ASRock presented for decision.

Description: 1. Amendment to the “Articles of Incorporation” in part that the shareholders’ meeting of the Company can be held by means of visual communication network or other methods promulgated by the central competent authority, in order to make the company's method of convening shareholders' meetings more flexible in accordance with Article 172-2 paragraph 1 of the Company Law. The Articles of Incorporation and its comparison table are attached. (Please refer to page 34 to 38 of Appendix II of This Handbook)

Resolution:

Motion no. 2: (Proposed by the Board)

Cause of motion: Amendment to the “Procedures for Acquisition or Disposal of Assets” of ASRock presented for decision.

Description: 1. Amendment to the “Procedures for Acquisition or Disposal of Assets” in part in accordance with Letter no. 1110380465 issued by Financial Supervisory Commission on January 28, 2022. The Procedures and its comparison table are attached. (Please refer to page 39 to 76 of Appendix III of This Handbook)

Resolution:

## **[Extemporary Motions]**

## **III. Appendix**

# Appendix I: Proposal for Distribution of Earnings 2021

ASRock Incorporation  
 Proposal for Distribution of Earnings  
 2021

Unit: NT\$

Title	Amount	Remark
<b>Undistributed earnings at the beginning of the period</b>	<b>\$249,955,512</b>	
<b>Earnings in 2021 available for distribution:</b>		
Net income in 2021	2,381,060,393	
Add (less): Changes in the remeasurement of the defined benefit plan	(2,629,606)	
Items for recognition:		
Appropriation of legal reserve	(237,843,079)	
Appropriation of special reserve	(109,101,343)	
<b>Subtotal of earnings in 2021 available for distribution</b>	<b>2,031,486,365</b>	
Items for distribution:		
Shareholder dividend - cash	(1,598,030,577)	NT\$13/share
<b>Undistributed earnings at the ending of the period</b>	<b>684,411,300</b>	

Note: the earnings in 2021 available for distribution will be allocated for distribution of shareholder dividend in the first place (the balance of the appropriation of net income for legal reserve, a reversal of special reserve and adjustment of undistributed earnings of the year), the undistributed earnings at the beginning of the period will be allocated to cover the amount short, where applicable.

**The year of cash dividend payment:**

Year of earnings	Amount
2021	1,598,030,577
1998 -2020	-
Total	1,598,030,577

Chairman: Hsu-Tien, Tung      President: Lung-Lun, Hsu      Accounting Officer: Hui-Ju, Li

## Appendix II: Articles of Incorporation and Comparison Table Before and After Revision

### **ASRock Incorporation**

#### **Articles of Incorporation**

##### **Chapter I General Provision**

- Article 1: The Company is duly incorporated in accordance with the Company Act and bears the title of ASROCK Incorporation.
- Article 2: The Company is engaged in the following business:
- (1) CC01110 Computer and Peripheral Equipment Manufacturing
  - (2) F113050 Wholesale of Computers and Clerical Machinery Equipment
  - (3) F118010 Wholesale of Computer Software
  - (4) F213030 Retail Sale of Computers and Clerical Machinery Equipment
  - (5) F401021 Restrained Telecom Radio Frequency Equipments and Materials Import
  - (6) I301010 Information Software Services
  - (7) ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.
- Article 3: The Company may act as guarantor for a third party as dictated by business.
- Article 4: The Company may make a direct investment in excess of 40% of the paid-in capital to be executed by the Board under authorization.
- Article 5: The Company is headquartered in Taipei and may establish branches at appropriate locations at home and overseas at the resolution of the Board where necessary.
- Article 6: The Company shall make announcements in accordance with Article 28 of the Company Act.

##### **Chapter II Equity Shares**

- Article 7: The Company has stated capital of NT\$1,500,000,000 equally split into 150,000,000 shares at NT\$10/shares. The Board is authorized to offer the shares in tranches of which NT\$40,000,000 equally split into 4,000,000 shares at NT\$10/share will be reserved for the issuance of Employee Stock Options (ESO).
- Article 8: The Company shall issue stocks pursuant to Article 161-1 of the Company Act.
- Article 9: Transfer of shares shall be prohibited in the period of 60 days prior to a scheduled date of the General Meeting of Shareholders and in the period of 30 days prior to the scheduled date of a special session of the Shareholders Meeting, or the period of 5 days prior to the dividend day or any other day of benefit payment. The aforementioned period shall start from the date of the session or the standard day in retrospect.
- Article 9-1: The Company issues registered shares. Each share certificate shall be affixed with the authorized signatures/seals of at least 3 Directors and subject to certification before offering under law. After the Company has become a public company, the shares may be offered not in the form of physical share certificate and offered through the system of TDCC.

##### **Chapter III Shareholders Meeting**

- Article 10: The shareholders may convene in regular session (General Meeting of Shareholders)

and special session. The General Meeting of Shareholders will be held once annually within 6 months after the end of the fiscal year. The shareholders may convene in special sessions at any time where necessary.

The Shareholders Meeting as mentioned shall be called by the Board unless the Company Act specified otherwise.

Article 10-1: The shareholders' meeting of the Company can be held by means of visual communication network or other methods promulgated by MOEA.

Article 11: If a specific shareholder cannot attend a session of the Shareholders Meeting, such shareholder may appoint a proxy to attend by using a power of attorney prepared by the Company and specify the scope of authorization. For the commissioning of legitimate proxies to attend Shareholders Meeting, the attendance of proxies to the meeting shall be governed by Article 177 of the Company Act.

Article 12: The shareholders are entitled to one voting right for the holding of each share except restricted shares or shares bearing no voting rights under the Company Act.

Article 13: Resolutions of the Shareholders Meeting shall be made by a session with shareholders representing more than half of the voting rights and a simple majority of the shareholders in session unless the Company Act specified otherwise.

Article 14: The Presiding Officer of the session of Shareholders Meeting shall be governed by Article 182 -1 and Paragraph 3 of Article 208 of the Company Act.

Article 15: If the Company has only 1 institutional shareholder as the shareholder, the Board shall perform the function of the Shareholders Meeting where the regulations governing Shareholders Meeting in this context will not be applicable.

Article 15-1: If the Company has a motion for revocation of a public offering of its shares, it shall be referred to resolution by the Shareholders Meeting. Accordingly, the Company shall not alter this provision in the duration of trading at the Emerging Stock Market or listing at TWSE (TPEX).

#### **Chapter IV The Board and Audit Committee**

Article 16: The Company shall establish 7 seats of Directors and each shall have tenure of 3 years. The Directors shall be elected under the candidate nomination system from a list of prospective candidates by the Shareholders Meeting. Directors may assume a second term of office if reelected.

Article 16-1: As required by Article 183 of the Securities and Exchange Act, the Company shall reserve at least 3 of the aforementioned seats for Independent Directors. The Independent Directors shall be elected under the candidate nomination system from the list of candidates to the seats of Independent Director by the Shareholders Meeting. The tenure, professional qualification, quantity of shareholding, restriction of holding additional posts, the method of nomination and election, and other particulars to be observed are governed by the rules and regulations of the competent authority of securities.

Article 16-2: The Company shall establish the Auditing Committee under law, which shall be staffed with all Independent Directors of whom 1 shall act as the convener and at least 1 shall be specialized in accounting or finance. The functions, organization code, authority of the Auditing Committee and other particulars to be observed shall be conforming to the requirements of the competent authority.

Article 17: The Directors shall be organized into a Board of Directors (The Board). A chairman shall be elected among the Directors in a session with at least 2/3 of the Directors and a simple majority of the Directors in session for consent. The Chairman shall act on behalf of and in the name of the Company externally.

Article 17-1: The Board shall convene with 7 days in advance of notice to the Directors

specifying the reasons for the session and may convene at any time in case of emergency. The notice of the Board meeting may be sent by E-mail or by fax in lieu of correspondence.

- Article 18: The Chairman of the Company shall preside over all meetings of the Board. In the absence of the Chairman due to leave or for whatever reasons, the proxy of the Chairman shall be governed by Article 208 of the Company.
- Article 19: Directors may authorize another Director in writing to attend the meeting of the Board by specifying the scope of authorization in a power of attorney. A Director may only act as the proxy of one other Director.
- Article 20: The remuneration to the Directors shall be determined by the Board under authorization in commensuration with the level of participation in the operation of the Company and the contribution value to the Company.
- Article 20-1: The Company shall take liability insurance for the protection of the Directors for the duties they performed within their term of office.

### **Chapter V Managers**

- Article 22: The Company may establish the position of managers and the appointment, dismissal and remuneration of whom shall be governed by Article 29 of the Company Act.

### **Chapter VI Accounting**

- Article 23: At the end of the fiscal year, the Board of the Company shall prepare (1) Business Report; (2) Financial Statements; and (3) Proposal for Distribution of Earnings or Covering loss carried forward, and present to the Audit Committee 30 days prior to the scheduled day of General Meeting of Shareholders, and present to the General Meeting of Shareholders for recognition.
- Article 24: If the Company has earnings of the year after account settlement, appropriate for the remuneration to the employees and the Directors specified as follows. If there is loss carried forward, the Company shall appropriate its earnings for covering loss carried forward. I At least 5% as remuneration to the employees in cash or stock. If payment is made in stock, employees of subsidiaries meeting specific conditions shall also be entitled to the payment. The Board shall set forth the condition for entitlement. II. No more than 1% as remuneration to the Directors. Earnings as previously mentioned, shall be the earnings before taxation and deduction of remuneration to the employees and the Directors. The remuneration to the employees and the Directors shall be reported to the General Meeting of Shareholders.

The employees of the Company entitled to the remuneration to the employees, the issuance of restricted shares, the issuance of ESO, and subscription of new shares and takeover the assigned shares shall also include the employees of the controlled entities or subsidiaries of the Company meeting the conditions set forth by the Board.

- Article 24-1: If the Company has a net income of the year after account settlement, appropriate for the covering of loss carried forward (including the adjustment of the amount in undistributed earnings), and 10% for legal reserve as required by law. If the amount of legal reserve is equivalent to the total paid-in capital, no further appropriation for legal reserve will be necessary. It will be followed by the appropriation or reversal of special reserve. If there is still a balance, it will be pooled up the undistributed earnings at the beginning of the period (including the adjustment of the amount in undistributed earnings). The Board shall plan for the distribution of earnings. If the stock dividend and bonus are paid in cash in whole or in part, the Board shall be authorized to make a decision in a session attended by more than 2/3 of the Directors and a simple majority of the Directors in session and reported to the General Meeting of Shareholders. If a dividend is paid in stock in part, it will be necessary to present to the General Meeting of Shareholders for resolution.

Article 24- 2: The Company shall pay a stock dividend with reference to the profit status of the year for dividend stability as the principle. The Company runs its operation in an unpredictable environment and is at the stage of growth of its life span. In consideration of long-term financial planning and meeting the needs of cash inflows of the shareholders, the Company adopts a balanced dividend policy. Thereby, the stock dividend payable to shareholders as stated in Article 24-1 shall not fall below 10% of the distributable income of the year. Cash dividend paid for each year shall not fall below 10% of the total dividend in cash and in stock.

## **Chapter VII    Miscellaneous**

Article 25: Anything not mentioned in the Articles of Incorporation shall be governed by the Company Act and other applicable laws.

Article 26: The Articles of Incorporation was instituted on 05/06/2002.

Amended for the 1st instance on 06/05/2003.

Amended for the 2nd instance on 06/30/2004.

Amended for the 3rd instance on 07/12/2004.

Amended for the 4th instance on 06/30/2005.

Amended for the 5th instance on 06/19/2006.

Amended for the 6th instance on 12/20/2006.

Amended for the 7th instance on 06/26/2007.

Amended for the 8th instance on 06/13/2008.

Amended for the 9th instance 06/16/2009.

Amended for the 10th instance on 06/15/2010.

Amended for the 11th instance on 06/18/2012.

Amended for the 12th instance on 06/06/2016.

Amended for the 13th instance on 06/07/2017.

Amended for the 14th instance on 06/12/2019.

Amended for the 15th instance on 05/29/2020.

Amended for the 16th instance on 05/25/2022.

ASRock Incorporation

Chairman                      Hsu-Tien, Tung

**Comparison Table of Articles of Incorporation  
Before and After Revision**

Before The Revision	After The Revision	Explanation
	<p><u>Article 10-1: The shareholders' meeting of the Company can be held by means of visual communication network or other methods promulgated by MOEA.</u></p>	<p>I. Added provision.            II. Amended Article 172-2 of the Company Act promulgated on December 29, 2021 allows that a public company may hold its shareholders' meeting by means of visual communication network. Accordingly, in response to Paragraph 1 of said amended provision, the Articles of Incorporation provides that the shareholders' meeting of the Company can be held by means of visual communication network or other methods promulgated by the central competent authority, namely MOEA.            In response to the policy for convention of a shareholders' meeting by means of visual communication network promoted by the competent authority, and in order to cope with the need for the digital era to provide shareholders with a convenient channel to attend a shareholders' meeting, Article 10-1 was added accordingly.</p>
<p>Article 26: The Articles of Incorporation was instituted on 05/06/2002. (omitted)            Amended for the 15th instance on 05/29/2020.</p>	<p>Article 26: The Articles of Incorporation was instituted on 05/06/2002. (omitted)            Amended for the 15th instance on 05/29/2020.  <u>Amended for the 16th instance on 05/25/2022.</u></p>	<p>Addition of the date of this amendment.</p>

# Appendix III: Procedures for Acquisition or Disposal of Assets and Comparison Table Before and After Revision

## **ASRock Incorporation Procedures for Acquisition or Disposal of Assets**

### Article 1: Purpose

The Procedure is enacted in order to protect assets and implement the information disclosure.

### Article 2: Legal basis

The Procedure is enacted in accordance with Article 36-1 of the Securities and Exchange Act, and related requirements under the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”.

### Article 3: Scope of Assets

- I. Marketable securities: including investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.
- II. Real property (including land, houses and buildings, investment property, and construction enterprise inventory) and equipment.
- III. Memberships.
- IV. Intangible assets: including patents, copyrights, trademarks, franchise rights, and other intangible assets.
- V. Right-of-use assets.
- VI. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).
- VII. Derivatives.
- VIII. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.
- IX. Other major assets.

### Article 4: Definitions

- I. 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.
- II. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, 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 “transfer of shares”) under Article 156-3 of the Company Act.
- III. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- IV. Professional appraiser: Refers to a real property appraiser or other person duly

authorized by law to engage in the value appraisal of real property or equipment.

- V. Date of occurrence: Date of execution of contract, date of payment, dates of Board of Directors resolutions, or other date that can confirm the counterparty and monetary amount of the loan of funds or endorsement/guarantee for any transaction, whichever date is earlier; provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.
- VI. Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.
- VII. Securities exchange: “Domestic securities exchange” refers to the Taiwan Stock Exchange Corporation; “foreign securities exchange” refers to any organized securities exchange market that is regulated by the competent securities authorities of the jurisdiction where it is located.
- VIII. Over-the-counter venue (“OTC venue,” “OTC”): “Domestic OTC venue” refers to a venue for OTC trading provided by a securities firm in accordance with the Regulations Governing Securities Trading on the Taipei Exchange; “foreign OTC venue” refers to a venue at a financial institution that is regulated by the foreign competent authority and that is permitted to conduct securities business.
- IX. Latest financial statements: The Company’s financial statements disclosed by the Company to the public and audited, certified or reviewed by a CPA prior to acquisition or disposal of assets.

Article 5: Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide public companies with appraisal reports, certified public accountant’s opinions, attorney’s opinions, or underwriter’s opinions shall meet the following requirements:

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

When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the self-discipline standards of affiliated associations and the following:

- I. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.
- II. When executing a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.
- III. They shall undertake an item-by-item evaluation of the adequacy and reasonableness of the sources of data used, the parameters, and the information, as the basis for

issuance of the appraisal report or the opinion.

- IV. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is adequate and reasonable, and that they have complied with applicable laws and regulations.

Article 6: Enforcement and Amendment

The Procedure shall be submitted to the Board of Directors for resolution after being approved by the Audit Committee, and then to a Shareholders' Meeting for approval. The same shall apply where the Procedure is amended.

When the Company submits the Procedure for discussion by the Board of Directors pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors Meeting.

If the approval of one-half or more of all Audit Committee members as required in Paragraph I is not obtained, the Operational Procedures may be implemented if approved by two-thirds or more of all directors, and the resolution of the audit committee shall be recorded in the minutes of the Board of Directors Meeting.

The terms "all Audit Committee members" referred to herein and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.

Article 7: Limit of investment in real property for non-operating purpose, and right-of-use assets thereof or securities

The limits of said assets to be acquired by the Company and each subsidiary individually are specified as following:

- I. The total amount of acquisition of real estate for non-operating purpose shall be no more than 20% of the Company's net worth.
- II. The total amount of all security investments shall be no more than 150% of the Company's net worth. Meanwhile, the total amount of investments in the financial assets at fair value through profit or loss, available-for-sale financial assets and financial assets measured at cost shall be no more than 100% of the Company's net worth.
- III. The amount of individual security investments shall be no more than 100% of the Company's net worth. Meanwhile, the amount of individual investment in the financial assets at fair value through profit or loss, available-for-sale financial assets and financial assets measured at cost shall be no more than 50% of the Company's net worth.

Article 8: With respect to the Company's acquisition or disposal of assets that is subject to the approval of the Board of Directors under the Company's procedures or other laws or regulations, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors Meeting.

Any transaction involving major assets or derivatives shall be approved by one-half or more of all audit committee members and submitted to the Board of Directors for a resolution, and Paragraphs III and IV of Article 6 herein shall apply mutatis mutandis.

Article 9: The procedures for acquisition or disposal of real estate or equipment, or the right-of-use assets thereof

- I. Evaluation and Operating Procedure

The Company's acquisition or disposal of real estate, equipment, or right-of-use

assets thereof follows the property, plant and equipment cycle under the Company's internal control system.

## II. Procedure for determination of trading conditions and level of authority

- (I) To resolve the trading conditions and price of the acquisition or disposal of real estate or the right-of-use assets thereof, it is necessary to take into account the publicly announced current value, assessed value, and actual transaction price for the real estate in the neighborhood, and subject to the Company's level of authority. The relevant unit supervisor is in charge of it under the job-division system. A transaction amounting to more than 20% of the Company's paid-in capital shall be subject to the prior approval of the Board of Directors.
- (II) The acquisition or disposal of equipment shall be done in any of the manners including price inquiry, price comparison, bargain process and tender process. Subject to the Company's level of authority, the related unit supervisor is in charge of it under the job-division system. A transaction amounting to more than NT\$10 million shall be subject to the prior approval of the Chairman. A transaction amounting to more than 20% of the Company's paid-in capital or NT\$20 million shall be subject to the prior approval of the Board of Directors.

## III. Execution Unit

The Company's acquisition or disposal of real estate, equipment, or right-of-use assets thereof shall be executed by the requesting department and administrative department subject to approval given under the Company's level of authority.

## IV. Appraisal report on real estate, equipment, or right-of-use assets thereof

In acquiring or disposing of real property, equipment, or right-of-use assets thereof where the transaction amount reaches 20% of the company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof held for operating purpose, 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:

- (I) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the Board of Directors; the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction.
- (II) Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
- (III) Where any one 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 certified public accountant shall be engaged to render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:
  - 1. The discrepancy between the appraisal result and the transaction amount is 20% or more of the transaction amount.
  - 2. The discrepancy between the appraisal results of two or more professional appraisers is 10% or more of the transaction amount.
- (IV) No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date, provided

that, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.

- (V) 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 CPA opinion.

#### Article 10: Procedure for acquisition or disposal of securities

##### I. Evaluation and Operating Procedure

The Company's subscription for or sale of securities follows the investment cycle under the Company's internal control system.

##### II. Procedure for determination of trading conditions and level of authority

(I) The securities trading conducted at centralized securities exchange market or at the place of business of a securities firm shall be subject to the decision made by the responsible unit based on the market quotation. Subject to the Company's level of authority, the relevant unit supervisor is in charge of it under the job-division system. A transaction amounting to more than 20% of the Company's net worth shall be subject to the prior approval of the Board of Directors.

(II) With respect to the securities trading conducted at any premises other than centralized securities exchange market or the place of business of a securities firm, the Company shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and take into account its net worth per share, profitability and development potential. Subject to the Company's level of authority, the relevant unit supervisor is in charge of it under the job-division system. A transaction amounting to more than 20% of the Company's net worth, or more than 40% of the Company net worth in the case of bond funds and RP/RS, shall be subject to the prior approval of the Board of Directors.

(III) The long-term equity investment under equity method shall be subject to the prior approval of the Board of Directors.

##### III. Execution Unit

The Company's acquisition or disposal of securities shall be executed by Financial Accounting Dept. subject to approval given under the Company's level of authority.

##### IV. Expert's opinion

(I) For acquisition or disposal of securities shall, the Company shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is 20% of the Company's paid-in capital or NT\$300 million or more, the Company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. This requirement does not apply, however, to the publicly quoted price of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (FSC).

(II) 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 CPA opinion.

Article 11: The procedures for acquisition or disposal of intangible assets or right-of-use assets thereof, or memberships

I. Evaluation and Operating Procedure

The Company's acquisition or disposal of intangible assets follows the property management operation under the Company's internal control system.

II. Procedure for determination of trading conditions and level of authority

(I) In order to resolve the trading conditions and price of the acquisition or disposal of memberships, it is necessary to take the market fair value into account and prepare specific analysis report and submit the same to the president. A transaction amounting to 1% of the Company's paid-in capital or less than NT\$3 million shall be subject to prior approval of the president and reported to the latest Board of Directors Meeting, while the transaction amounting to more than NT\$3 million shall be subject to prior approval of the Board of Directors.

(II) In order to resolve the trading conditions and price of the acquisition or disposal of intangible assets, it is necessary to take the expert's appraisal report or market fair value into account, and prepare specific analysis report and submit the same to the Chairman. A transaction amounting to 10% of the Company's paid-in capital or less than NT\$20 million shall be subject to prior approval of the Chairman and reported to the latest Board of Directors Meeting, while the transaction amounting to more than NT\$20 million shall be subject to prior approval of the Board of Directors.

III. Execution Unit

The Company's acquisition or disposal of intangible assets or right-of-use assets thereof, or memberships shall be executed by the requesting department or administrative department subject to approval given under the Company's level of authority referred to in the preceding paragraph.

IV. Expert's appraisal opinion and report on intangible assets or right-of-use assets thereof, or memberships

(I) When the transaction amount of the Company's acquisition or disposal of memberships reaches more than NT\$3 million, the Company shall obtain an appraisal report from an expert.

(II) When the transaction amount of the Company's acquisition or disposal of intangible assets or right-of-use assets thereof reaches more than NT\$20 million, the Company shall obtain an appraisal report from an expert.

(III) When the transaction amount of the Company's acquisition or disposal of intangible assets or right-of-use assets thereof or memberships reaches 20% of the Company's paid-in capital or NT\$300 million or more, except in transactions with a domestic government agency, the Company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price.

Article 12: The calculation of the transaction amounts referred to in the preceding three articles shall be done in accordance with subparagraph (VII), Paragraph I of Article 17 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained pursuant to the Procedure need not be counted toward the transaction amount.

Article 13: Procedure for transaction with related party

I. When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and

the reasonableness of the transaction terms is appraised pursuant to said requirements, if the transaction amount reaches more than 10% of the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion.

II. The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Article 12 herein. When judging whether a trading counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.

III. Evaluation and Operating Procedure

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

- (I) The purpose, necessity and anticipated benefit of the acquisition or disposal of movable property.
- (II) The reason for choosing the related party as a trading counterparty.
- (III) With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms under subparagraphs (I)-(IV), Paragraph VII of this provision.
- (IV) The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the Company and the related party.
- (V) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
- (VI) An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding two paragraphs.
- (VII) Restrictive covenants and other important stipulations associated with the transaction.

IV. With respect to the types of transactions listed below, when to be conducted between the Company and its parent or subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100% of the issued shares or authorized capital, the Company's Board of Directors may pursuant to subparagraph (II), Paragraph II of Article 9 delegate the board chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next Board of Directors Meeting:

- (I) Acquisition or disposal of equipment or right-of-use assets thereof held for operating purpose.
- (II) Acquisition or disposal of the right-of-use assets of real property held for operating purpose.

V. When transactions pursuant to Paragraph III of this provision are to be conducted between the Company and its subsidiary, which is not a domestic public company,

and the transaction amount reaches more than 10% of the Company's total assets, the Company may not proceed to enter into a transaction contract or make a payment until the matters prescribed have been approved by the Shareholders' Meeting; However, this requirement does not apply to transactions between the Company and its parent or subsidiaries, or between its subsidiaries.

VI. The calculation of the transaction amounts referred to in the Paragraph III and Paragraph V of this provision shall be done in accordance with subparagraph (VII), Paragraph I of Article 17 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained pursuant to the Procedure, and approved by the Audit Committee and resolved by the Board of Directors need not be counted toward the transaction amount.

VII. Evaluation on reasonableness of transaction costs

- (I) When acquiring real property or right-of-use assets thereof from a related party, the Company shall evaluate the reasonableness of the transaction costs by the following means:
1. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. The "necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the company purchases the property, provided it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
  2. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan, provided that the actual cumulative amount loaned by the financial institution shall have been more than 70% of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the trading counterparties.
- (II) 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 subparagraph (I), Paragraph VII of this provision.
- (III) When acquiring real property or right-of-use assets thereof from a related party, the Company shall appraise the cost of the real property or right-of-use assets thereof in accordance with the subparagraphs (I) and (II) of Paragraph VII of this provision and also engage a CPA to check the appraisal and render a specific opinion.
- (IV) Where the Company acquires real property or right-of-use assets thereof from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with the evaluation requirements and operating procedures referred to in Paragraphs III–VI of this provision, and the requirements about evaluation on reasonableness of the transaction costs referred to in subparagraphs (I)–(III), Paragraph VII of this provision do not apply:
1. The related party acquired the real property or right-of-use assets thereof through inheritance or as a gift.
  2. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property or right-of-use assets thereof to the signing date for the current transaction.

3. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.
  4. The real property right-of-use assets for business use are acquired by the Company with its parent or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100% of the issued shares or authorized capital.
- (V) When the results of the Company's appraisal conducted on the real estate or right-of-use assets thereof acquired from a related party in accordance with subparagraphs (I) and (II) of Paragraph VII of this provision are both lower than the transaction price, the matter shall be handled in compliance with subparagraph (VI), Paragraph VII of this provision. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:
1. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
    - (1) Where undeveloped land is appraised in accordance with the means in the preceding provision, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
    - (2) Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market sale or leasing practices.
  2. Where the Company, upon acquiring real property or obtaining the right-of-use assets of real property 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 the preceding year. Said completed transactions involving neighboring or closely valued parcels of land 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% of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property or obtainment of the right-of-use assets thereof.
- (VI) When the results of the Company's appraisal conducted on the real estate or right-of-use assets thereof acquired from a related party in accordance with subparagraphs (I)-(V) of Paragraph VII of this provision are both lower than the transaction price, the following requirements shall be satisfied. Meanwhile, the Company and any public company evaluating the investment in the Company under equity method, after having set aside a special reserve under

the preceding paragraph, may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased or leased at a premium, or they have been disposed of, or the leasing contract has been terminated, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.

1. A special reserve shall be set aside in accordance with Paragraph I of Article 41 of the Securities and Exchange Act against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where the investor using the equity method to account for its investment in the Company is a public company, then the special reserve called for under Paragraph I of Article 41 of the Act shall be set aside pro rata in a proportion consistent with the share of the public company's equity stake in the Company.
2. The Audit Committee shall comply with Article 218 of the Company Act.
3. Actions taken pursuant to Points 1 and 2 of subparagraph (VI), Paragraph VII of this provision shall be reported to a shareholders' meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.

(VII) When the Company obtains real property or right-of-use assets thereof from a related party, it shall also comply with the subparagraph (VI), Paragraph VII of this provision if there is other evidence indicating that the acquisition was not an arm's length transaction.

#### Article 14: Procedure for acquisition or disposal of claims of financial institutions

In principle, the Company doesn't engage in acquisition or disposal of claims of financial institutions. Notwithstanding, if the Company wishes to do so in the future, it will report the same to the Board of Directors for approval, and then establish the relevant evaluation and operating procedures.

#### Article 15: Procedure for acquisition or disposal of derivatives

##### I. Trading principles and policies

##### (I) Type of transaction

1. The financial derivatives which the Company engages in refer to the forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.
2. The margin trading related to bonds shall be governed by the relevant requirements defined to the Procedure. The same shall not apply to the RP transactions.

##### (II) Business (hedging) strategies

The Company shall engage in financial derivatives trading for hedging, and choose the trading instruments that may evade the risk resulting from the Company's business management as much as it is possible. The denominated currency must satisfy the requirements for the foreign currency applied to the Company's actual import/export, in order to pursue the offset of internal

positions (foreign exchange revenue and expenditure) throughout the Company on a voluntary basis, in principle, and to mitigate the Company's overall foreign exchange rate risk and also save the costs in foreign exchange operations. The other transactions for particular purposes shall be evaluated thoroughly, and carried out only upon approval of the Board of Directors.

(III) Division of authority and responsibility

1. Financial Accounting Dept.

(1) Traders

- A. Responsible for setting forth the strategies of financial product trading throughout the Company.
- B. Traders shall calculate the positions periodically per two weeks, collect related market information, judge trends and assess risk, and set forth the operating strategies, which shall serve as the basis for transactions after being approved subject to the level of authority.
- C. Execute the transactions subject to the level of authority and existing strategies.
- D. In the event of material changes in the financial markets and traders' judgement that the existing strategies should not be applied any longer, the traders shall propose the evaluation report at any time, and re-draft the strategies as the basis for transactions after they are approved by the president.

(2) Accounting personnel

- A. Execute confirmation of the transactions.
- B. Review whether the transactions are carried out subject to the level of authority and existing strategies.
- C. Perform the evaluation on a monthly basis, and submit the evaluation report to the president.
- D. Accounting treatment.
- E. Regulatory filing and announcement per the FSC's requirements

(3) Delivery personnel: Execute the delivery operations.

(4) Level of authority for derivatives trading

A. Level of authority for transactions for hedging

Approver	Authority of net accumulated position trading
Director of Finance and Accounting managerDept	US\$10 million or less
President	US\$20 million or less
Board of Directors	More than US\$20 million

- B. The other transactions for particular purposes shall be carried out only upon approval of the Board of Directors.

2. Internal Audit Dept.

It shall periodically make a determination of the suitability of internal controls on derivatives and conduct a monthly audit of how faithfully derivatives trading by the trading department adheres to the procedures for engaging in derivatives trading, and prepare an audit report. If any material violation is discovered, the Audit Committee shall be notified in writing.

### 3. Performance assessment

#### (1) Transactions for hedging

A. The performance assessment shall be conducted based on the Company's carrying foreign exchange cost, and the income generated from financial derivatives trading.

B. In order to completely control and express the valuation risk over trading, the Company assesses the income on a monthly evaluation basis.

C. The Finance Dept. shall provide the president with the report on foreign exchange positions and foreign exchange market movement, as well as the market analysis, for reference.

#### (2) Transactions for particular purposes

Assess performance based on the income generated actually, and accounting personnels prepare the report on positions periodically to submit the same to the management for reference.

### 4. Total contract amount and determination of the limit of loss

#### (1) Total contract amount

##### A. Limit of transaction for hedging

The Finance Dept. shall control the Company's overall positions to evade trading risk. The amount of any transaction for hedging shall be no more than the operating revenue generated by the Company in the latest quarter.

##### B. Transactions for particular purposes

Based on the forecast about changes in the market, Finance Dept. may set forth some trading plan, if necessary, and submit the same to the president or Chairman for approval before conducting any transaction. The total contract amount for the net accumulated positions of the Company's transactions for particular purposes shall be no more than 5% of the Company's operating revenue generated in the latest quarter.

#### (2) Determination of the limit of loss

A. As the transaction for hedging is carried out in order to evade risk, there is no need to set any limit of loss.

B. In the case of transaction contract for particular poses, it is necessary to set the stop-loss point to prevent excess loss. The stop-loss point shall be set as no more than US\$200,000. The loss exceeding US\$200,000, if any, shall be reported to the president immediately, and also to the Board of Directors for resolution on the necessary responsive measures.

C. The maximum loss limit for each individual contract shall be no more than US\$50,000.

D. The maximum limit of loss in the year in which any transaction for particular purposes takes place shall be US\$500,000.

## II. Risk management measures

### (I) Credit risk management:

Considering that the market varies subject to various factors and thereby causes risk over operations of financial derivatives easily, the risk management shall be performed in the following manners:

Trading counterparty: Primarily the domestic/foreign renowned financial institutions.

Traded instruments: Primarily the instruments provided by domestic/foreign renowned financial institutions.

Transaction amount: Uncovered transaction amount for the same trading counterparty shall be no more than 10% of the total authorized limit, unless otherwise approved by the president.

(II) Market risk management:

Primarily the public market provided by any financial institution, and no futures markets to be considered for the time being.

(III) Liquidity risk management:

To ensure the market liquidity, the financial instruments with higher market liquidity (to be offset on the market at any time) will be the first priority. The financial institution commissioned to trade shall keep sufficient information and may be able to engage in trading in any market at any time.

(IV) Cash flow risk management

To ensure stability of the Company's working capital, the Company engages in derivatives trading with the capital sourcing from its own fund only. Meanwhile, the funding need identified based on the cash revenue and expenditure forecast for next three months shall be taken into consideration during operation of the funds.

(V) Operational risk management

1. To strictly comply with the Company's authorized limit and operating procedures, and include it into the internal audit to prevent any operational risk.
2. Personnel engaged in derivatives trading may not serve concurrently in other operations such as confirmation and settlement.
3. Risk measurement, monitoring, and control personnel shall be assigned to a different department than the personnel in the preceding subparagraph and shall report to the Board of Directors or senior management personnel with no responsibility for trading or position decision-making.
4. Derivatives trading positions held shall be evaluated at least once per week; however, positions for transactions for hedging required by business shall be evaluated at least twice per month. Evaluation reports shall be submitted to senior management personnel authorized by the Board of Directors.

(VI) Product risk management

The internal traders shall possess complete and correct professional knowledge about financial instruments, and also ask financial institutions to fully disclose relevant risks, in order to prevent the risk over misuse of financial instruments.

(VII) Legal risk management:

The documents entered into with any financial institutions shall be executed officially after being reviewed by the dedicated personnel, such as personnel dedicated to foreign exchange and legal affairs, or legal advisors, in order to evade the legal risk.

III. Periodic assessment

- (I) The Board of Directors shall authorize senior management personnel to supervise and assess whether the derivatives trading complies with the

procedures defined by the Company, and whether the risk borne by it falls within the tolerable extent. When any abnormality is found in the market value appraisal report (e.g. positions as held more than the limit of loss), the same shall be reported to the Board of Directors immediately for resolution on the responsive action to be taken.

- (II) Derivatives trading positions held shall be evaluated at least once per week; however, positions for hedge trades required by business shall be evaluated at least twice per month. Evaluation reports shall be submitted to senior management personnel authorized by the Board of Directors.
- IV. The supervision and management policy adopted by the Board of Directors with respect to derivatives trading
- (I) Designate senior management personnel to pay continuous attention to supervision and control of derivatives trading risk in the following manners:
    - 1. Periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with these Regulations and the procedures for engaging in derivatives trading formulated by the Company.
    - 2. When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, appropriate measures shall be adopted and a report immediately made to the Board of Directors, and independent directors shall be present at the meeting and express an opinion.
  - (II) Periodically evaluate whether derivatives trading performance is consistent with established operational strategy and whether the risk undertaken is within the Company's permitted scope of tolerance.
  - (III) The Company shall report to the latest Board of Directors Meeting after it authorizes the relevant personnel to handle derivatives trading in accordance with its procedures for engaging in derivatives trading.
  - (IV) The Company, when engaging in derivatives trading, shall establish a logbook in which details of the types and amounts of derivatives trading engaged in, Board of Directors approval dates, and the matters required to be carefully evaluated under subparagraph (II), Paragraph III, and subparagraphs (I) and (II), Paragraph IV of this provision shall be recorded in detail in the logbook.

Article 16: Procedure for participation in merger, demerger, acquisition or transfer of shares

I. Evaluation and Operating Procedure

- (I) When participating in merger, demerger, acquisition or transfer of shares, the Company is advised to engage in an attorney, CPA or underwriter to research with each other to prepare the schedule for completion of statutory procedures, and also organize a project team to execute the procedures. The Company shall, prior to convening the Board of Directors Meeting to resolve on the matter, also engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share 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 the Company of a subsidiary in which the Company directly or indirectly holds 100% of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the Company directly or indirectly holds 100% of the respective subsidiaries' issued shares or authorized capital.
- (II) The Company shall prepare a public report to shareholders detailing important contractual contents 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 subparagraph (I), Paragraph I of this provision when sending shareholders notification of the shareholders' meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts the Company from convening a shareholders' meeting to approve the merger, demerger, or acquisition, this restriction shall not apply. Further, where the shareholders' meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders' meeting, the companies participating in the merger, demerger or acquisition shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders' meeting.

II. Other requirements to be noted

- (I) Date of Board of Directors Meeting: A company participating in a merger, demerger, or acquisition shall convene a Board of Directors Meeting and shareholders' meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent. A company participating in a transfer of shares shall call a Board of Directors Meeting on the day of the transaction, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.
- (II) When participating in a merger, demerger, acquisition, or transfer of another company's shares, a 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 5 years for reference:
  - 1. Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or execution of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.
  - 2. Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a Board of Directors Meeting.
  - 3. Important documents and minutes: Including merger, demerger, acquisition, and transfer of shares plans, any letter of intent or memorandum of understanding, material contracts, and minutes of Board of Directors Meetings.
- (III) When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall, within 2 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 Points 1 and 2 of subparagraph (II), Paragraph II of this provision to the FSC for future reference.
- (IV) Where any of the companies participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the company (companies) so listed or traded shall sign an agreement with such company whereby the latter is required to abide by subparagraphs (II) and (III), Paragraph II of this provision.
- (V) Written undertaking of confidentiality: Every person participating in or privy to

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

(VI) The principles for changes in share swap ratio or acquisition price: The company participating in a merger, demerger, acquisition, or transfer of shares shall, prior to convention of the Board of Directors Meeting by both parties to resolve on the matter, engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share swap ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to a shareholders' meeting for deliberation and passage. The share swap ratio or acquisition price, unless under the following circumstances, shall not be changed discretionarily, and the circumstances permitting alteration shall be specified in the contract for the merger, demerger, acquisition, or transfer of shares:

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

(VII) 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 exchange ratio, and the principles for handling thereof.
4. The manner of handling changes in the number of participating entities or companies.
5. Preliminary progress schedule for plan execution, and anticipated completion date.
6. Scheduled date for convening the legally mandated shareholders' meeting if the plan exceeds the deadline without completion, and relevant procedures.

(VIII) In the case of changes in the number of companies participating in the merger,

demerger, acquisition, or transfer of shares: If, after public disclosure of the information, any company participating in the merger, demerger, acquisition, or transfer of shares intends further to carry out a merger, demerger, acquisition, or transfer of shares with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or transfer of shares; except where the number of participating companies is decreased and a participating company's shareholders' meeting has adopted a resolution authorizing the Board of Directors to alter the limits of authority, such participating company may be exempted from calling another shareholders' meeting to resolve on the matter anew.

- (IX) 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 whereby the latter is required to abide by subparagraphs (I)-(V) and subparagraph (VIII), Paragraph II of this provision.

#### Article 17: Public information disclosure procedure

- I. Scope and standards of regulatory filing and announcement
- (I) Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party where the transaction amount reaches more than 20% of the Company's paid-in capital, more 10% of the Company's total assets, or more than NT\$300 million; provided, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.
- (II) Merger, demerger, acquisition, or transfer of shares.
- (III) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the company.
- (IV) Where equipment or right-of-use assets thereof for operating purpose are acquired or disposed of, and furthermore the trading counterparty is not a related party, and the transaction amount meets any of the following criteria:
1. For a public company whose paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.
  2. For a public company whose paid-in capital is NT\$10 billion or more, the transaction amount reaches NT\$1 billion 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 trading counterparty is not a related party, and the amount the company expects to invest in the transaction reaches NT\$500 million.
- (VI) Where an asset transaction other than any of those referred to in the preceding five subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20% or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:
1. Trading of domestic government bonds, or international bonds issued by a foreign central government with a sovereign rating not lower than the sovereign rating of the ROC.

2. Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.

(VII) Said transaction amount is calculated in the following manners, and “within the preceding year” as used herein refers to the year preceding the date of occurrence of the current transaction. Items duly announced as required need not be counted toward the transaction amount.

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

## II. Time limit for regulatory filing and announcement

Where the Company’s acquisition or disposal of assets shall be subject to the regulatory filing and announcement, and the transaction amount satisfies the standards of regulatory filing and announcement herein, it shall be made public in the prescribed format within 2 days counted inclusively from the date of occurrence of the event. All matters related to the announcement shall be handled in accordance with related laws and regulations.

## III. Procedures for regulatory filing and announcement

- (I) The Company shall disclose the related information on the website designated by FSC.
- (II) 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 10<sup>th</sup> day of each month.
- (III) When the Company at the time of 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.
- (IV) The Company shall, upon acquisition or disposal of assets shall keep all relevant contracts, meeting minutes, logbooks, appraisal reports and CPA, attorney, and securities underwriter opinions at the company, where they shall be retained for 5 years except where another act provides otherwise.
- (V) Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with this provision, a public report of relevant information shall be made on the information reporting website designated by the FSC within 2 days counting inclusively from the date of occurrence of the event:
  1. Change, termination, or rescission of a contract signed in regard to the original transaction.
  2. The merger, demerger, acquisition, or transfer of shares is not completed by

the scheduled date set forth in the contract.

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

Article 18: The Company's subsidiaries shall comply with the following requirements:

- I. The Company's subsidiaries shall also establish their "procedures for the acquisition or disposal of assets" in accordance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies," and report such procedures to their shareholders' meetings upon approval of their Board of Directors. The same shall apply when the procedures are amended.
- II. Any subsidiary's acquisition or disposal of assets shall be governed by such procedure set forth by it, and also the Company's requirements.
- III. Where the subsidiary, which is not a public company, needs to disclose its acquisition or disposal of assets to the public in accordance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies," the Company may do so on behalf of the subsidiary.
- IV. For information disclosure purpose,. the paid-in capital or total assets referred to in the "relevant provisions on paid-in capital or total assets" refer to the parent company's (Company's) paid-in capital or total assets.

Article 19: For the calculation of 10% of total assets to the Procedure, the total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.

Article 20: Penalty

Any of the Company's employees who undertakes the acquisition or disposal of assets in violation of the Procedure shall be subject to periodical performance assessment in accordance with the Company's personnel management regulations and employee handbook, and disciplined subject to the materiality of the case.

Article 21: Supplementary Provisions

- I. Any matters not covered to the Procedure shall be governed by related laws and regulations.
- II. 1<sup>st</sup> amendments to the Procedure were made and approved on May 30, 2003.  
2<sup>nd</sup> amendments to the Procedure were made and approved on June 19, 2006.  
3<sup>rd</sup> amendments to the Procedure were made and approved on June 26, 2007.  
4<sup>th</sup> amendments to the Procedure were made and approved on June 18, 2012.  
5<sup>th</sup> amendments to the Procedure were made and approved on June 11, 2014.  
6<sup>th</sup> amendments to the Procedure were made and approved on June 1, 2018.  
7<sup>th</sup> amendments to the Procedure were made and approved on June 12, 2019.  
8<sup>th</sup> amendments the Procedure were made and approved on May 25, 2022.

## Comparison Table of Articles of Incorporation

### Before and After Revision

Before The Revision	After The Revision	Explanation
<p>Article 2: Legal basis The Procedure is established in accordance with Article 36-1 of the Securities and Exchange Act, <u>and the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” via the order of the Securities and Futures Commission, MOF under Tai-Cai-Zheng-1-Zi No. 0910006105 dated December 10, 2002.</u></p>	<p>Article 2: Legal basis The Procedure is enacted in accordance with Article 36-1 of the Securities and Exchange Act, and <u>related</u> requirements under the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”.</p>	<p>1. The descriptions about legal basis are streamlined, in response to the multiple amendments to the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” per the decree or order. 2. The others refer to text corrections.</p>
<p>Article 4: Definitions I–VI (omitted) VII. <u>Investment professional: Refers to financial holding companies, banks, insurance companies, bill finance companies, trust enterprises, securities firms operating proprietary trading or underwriting business, futures commission merchants operating proprietary trading business, securities investment trust enterprises, securities investment consulting enterprises, and fund management companies, that are lawfully incorporated and are regulated by the competent financial authorities of the jurisdiction where they are located.</u> VIII. (omitted) IX. (omitted) X. <u>“Within the preceding year” as used herein refers to the year preceding the date of the current acquisition or disposal of assets. Items already announced need not be counted toward the transaction amount.</u> XI. (omitted)</p>	<p>Article 4: Definitions I–VI. (omitted)</p> <p>VII. (omitted) VIII. (omitted)</p> <p>IX. (omitted)</p>	<p>1. The original Paragraph VII of Article 4 is deleted, as it is not applicable to the Company. 2. The definition of the term, “within the preceding year,” referred to in Paragraph X of Article 4 initially is deleted, as the definitions of such term that vary depending on the type of acquired asset are provided in the following provisions. 3. Adjust the item number in response to deletion of Paragraph VII and Paragraph X.</p>
<p>Article <u>6</u>: Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide public companies with appraisal reports, certified public accountant’s opinions, attorney’s opinions, or underwriter’s opinions shall meet</p>	<p>Article <u>5</u>: Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide public companies with appraisal reports, certified public accountant’s opinions, attorney’s opinions, or underwriter’s opinions shall meet</p>	<p>1. Adjust the Article No. 2. In order to clarify the procedures and responsibility that external experts shall follow, it expressly states that professional appraisers and their</p>

Before The Revision	After The Revision	Explanation
<p>the following requirements: I–III. (omitted) When issuing an appraisal report or opinion, the personnel referred to in the preceding <u>paragraph</u> shall comply with the following:</p> <p>I. (omitted) II. When <u>examining</u> a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers. III. They shall undertake an item-by-item evaluation of the <u>comprehensiveness, accuracy, and reasonableness</u> of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion. IV. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is <u>reasonable and accurate</u>, and that they have complied with applicable laws and regulations.</p>	<p>the following requirements: I–III. (omitted) When issuing an appraisal report or opinion, the personnel referred to in the preceding <u>paragraph</u> shall comply with <u>the self-discipline standards of affiliated associations</u> and the following: I. (omitted) II. When <u>executing</u> a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers. III. They shall undertake an item-by-item evaluation of the <u>adequacy</u> and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion. IV. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is <u>adequate and reasonable</u>, and that they have complied with applicable laws and regulations.</p>	<p>officers, certified public accounts, attorneys, and securities underwriters that provide the appraisal report and their own opinions shall comply with the relevant requirements applicable when they are undertaking and executing cases, as well as the self-discipline standards of their affiliated associations. 3. Considering that the expert’s provision of appraisal report or written opinion on reasonableness is not considered as an audit on financial reports in nature, the “examining” is amended into “executing” accordingly. Further, in line with the assessment made by the expert based on the source of data and parameters, the “comprehensiveness, accuracy, and reasonableness” is amended into “adequacy and reasonableness.”</p>
<p>Article 17: Enforcement and Amendment <u>After the “procedures for the acquisition or disposal of assets” have been approved by the Board of Directors, they shall be submitted to each supervisor, and then to a Shareholders’ Meeting for approval; the same applies when the procedures are amended. 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</u></p>	<p>Article 6: Enforcement and Amendment The Procedure shall be <u>submitted to the Board of Directors for resolution</u> after being approved by the <u>Audit Committee</u>, and then to a Shareholders’ Meeting for approval. The same shall apply where the Procedure is amended.</p>	<p>1. Adjust the Article No. 2. As the Company has already appointed independent directors and Audit Committee, the provisions are streamlined accordingly. 3. The others refer to text corrections.</p>

Before The Revision	After The Revision	Explanation
<p><u>supervisor.</u></p> <p><u>Where the position of independent director has been created in accordance with the provisions of the Act, when the “procedures for the acquisition or disposal of assets” are submitted for discussion by the Board of Directors, the Board of Directors shall take into full consideration each independent director’s opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors Meeting.</u></p> <p><u>Where an audit committee has been established in accordance with the Securities and Exchange Act, when the “procedures for the acquisition or disposal of assets” are adopted or amended, they shall be approved by one-half or more of all audit committee members and submitted to the Board of Directors for a resolution.</u></p> <p>If the approval of one-half or more of all audit committee members as required in the preceding paragraph is not obtained, the Operational Procedures may be implemented if approved by two-thirds or more of all directors, and the resolution of the audit committee shall be recorded in the minutes of the Board of Directors Meeting. The terms “all audit committee members” in <u>paragraph III</u> and “all directors” <u>in the preceding paragraph</u> shall be counted as the actual number of persons currently holding those positions.</p>	<p><u>When the Company submits the Procedure for discussion by the Board of Directors pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each independent director’s opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors Meeting.</u></p> <p>If the approval of one-half or more of all Audit Committee members as required in Paragraph I is not obtained, the Operational Procedures may be implemented if approved by two-thirds or more of all directors, and the resolution of the audit committee shall be recorded in the minutes of the Board of Directors Meeting. The terms “all Audit Committee members” <u>referred to herein</u> and “all directors” in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.</p>	
Article 5: (the rest omitted)	Article 7: (the rest omitted)	Adjust the Article No.
<p>Article 6-1</p> <p>With respect to the Company’s acquisition or disposal of assets that is subject to the approval of the Board of Directors under the company’s procedures or other laws or regulations, <u>if a director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the director’s</u></p>	<p>Article 8:</p> <p>With respect to the Company’s acquisition or disposal of assets that is subject to the approval of the Board of Directors under the Company’s procedures or other laws or regulations, the Board of Directors shall take into full consideration each independent director’s opinions. If an independent director objects to or</p>	<p>1. As the Company has already appointed independent directors and Audit Committee, the provisions are streamlined accordingly.</p> <p>2. Identify the provisions that apply mutatis mutandis, and adjust Paragraph No.</p>

Before The Revision	After The Revision	Explanation
<p><u>dissenting opinion to each supervisor.</u>  <u>Where the position of independent director has been created in accordance with the provisions of the Act, when a transaction involving the acquisition or disposal of assets is submitted for discussion by the Board of Directors pursuant to the preceding paragraph,</u> the Board of Directors shall take into full consideration each independent director’s opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors Meeting.  <u>Where an audit committee has been established in accordance with the Securities and Exchange Act, when the procedures for the acquisition or disposal of assets are adopted or amended,</u> they shall be approved by one-half or more of all audit committee members and submitted to the Board of Directors for a resolution. The provisions set out in Paragraphs <u>IV</u> and <u>V</u> of Article <u>17</u> herein shall apply mutatis mutandis.</p>	<p>expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors Meeting.  <u>Any transaction involving major assets or derivatives</u> shall be approved by one-half or more of all audit committee members and submitted to the Board of Directors for a resolution, and Paragraphs <u>III</u> and <u>IV</u> of Article <u>6</u> herein shall apply <u>mutatis mutandis</u>.</p>	<p>3. The others refer to text corrections.</p>
<p>Article <u>7</u>: The procedures for acquisition or disposal of real estate or equipment, or the right-of-use assets thereof  I. Evaluation and Operating Procedure  The Company’s acquisition or disposal of real estate, equipment, or right-of-use assets thereof follows <u>the fixed assets</u> cycle under the Company’s internal control system.  II–IV.(II) (omitted)  IV.(III) Where any one 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 certified</p>	<p>Article <u>9</u>: The procedures for acquisition or disposal of real estate or equipment, or the right-of-use assets thereof  I. Evaluation and Operating Procedure  The Company’s acquisition or disposal of real estate, equipment, or right-of-use assets thereof follows <u>the property, plant and equipment</u> cycle under the Company’s internal control system.  II–IV.(II) (omitted)  IV.(III) Where any one 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 certified</p>	<p>1. Adjust the Article No.  2. Amend in response to the Company’s internal control system name.  3. In order to clarify the procedures and responsibility that external experts shall follow, it expressly states that professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the appraisal report and their own opinions shall comply with the relevant requirements applicable when they</p>

Before The Revision	After The Revision	Explanation
<p>public accountant shall be engaged to perform the appraisal <u>in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF)</u> and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price: (the rest omitted)</p>	<p>public accountant shall be engaged to render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price: (the rest omitted)</p>	<p>are undertaking and executing cases, as well as the self-discipline standards of their affiliated associations. The text indicating CPAs' compliance with the Statements of Auditing Standards is deleted accordingly.</p>
<p>Article <u>9</u>: Procedure for acquisition or disposal of securities I–II.(I) (omitted) II.(II) With respect to the securities trading conducted at any premises other than centralized securities exchange market or the place of business of a securities firm, the Company shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant for reference in appraising the transaction price, <u>and if the dollar amount of the transaction is 20% of the company's paid-in capital or NT\$300 million or more, the company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</u> and take into account its net worth per share, profitability and development potential. Subject to the Company's level of authority, the relevant unit supervisor is in charge of it under the job-division system. A transaction amounting to more than 20% of the Company's net worth, or more than 40% of the Company net worth in the case of bond funds and RP/RS, shall be</p>	<p>Article <u>10</u>: Procedure for acquisition or disposal of securities I–II.(I) (omitted) II.(II) With respect to the securities trading conducted at any premises other than centralized securities exchange market or the place of business of a securities firm, the Company shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and take into account its net worth per share, profitability and development potential. Subject to the Company's level of authority, the relevant unit supervisor is in charge of it under the job-division system. A transaction amounting to more than 20% of the Company's net worth, or more than 40% of the Company net worth in the case of bond funds and RP/RS, shall be subject to the prior approval of the Board of Directors.</p>	<ol style="list-style-type: none"> <li>1. Adjust the Article No.</li> <li>2. In order to clarify the procedures and responsibility that external experts shall follow, it expressly states that professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the appraisal report and their own opinions shall comply with the relevant requirements applicable when they are undertaking and executing cases, as well as the self-discipline standards of their affiliated associations. The text indicating CPAs' compliance with the Statements of Auditing Standards is deleted accordingly.</li> <li>4. The others refer to text corrections.</li> </ol>

Before The Revision	After The Revision	Explanation
<p>subject to the prior approval of the Board of Directors.</p> <p>II.(III) (omitted)</p> <p>III. Execution Unit</p> <p>The Company’s <u>investments</u> of securities shall be executed by Financial Accounting Dept. subject to approval given under the Company’s level of authority.</p> <p>IV. Expert’s opinion</p> <p>(I) For acquisition or disposal of securities shall, the Company shall <u>first</u> obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is 20% of the Company’s paid-in capital or NT\$300 million or more, the Company shall additionally engage a certified public accountant to provide an opinion regarding the reasonableness of the transaction price. This requirement does not apply, however, to the publicly quoted price of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (FSC).</p> <p>(the rest omitted)</p>	<p>II.(III) (omitted)</p> <p>III. Execution Unit</p> <p>The Company’s <u>acquisition or disposal</u> of securities shall be executed by Financial Accounting Dept. subject to approval given under the Company’s level of authority.</p> <p>IV. Expert’s opinion</p> <p>(I) For acquisition or disposal of securities shall, the Company shall, <u>prior to the date of occurrence of the event</u>, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is 20% of the Company’s paid-in capital or NT\$300 million or more, the Company shall additionally engage a certified public accountant <u>prior to the date of occurrence of the event</u> to provide an opinion regarding the reasonableness of the transaction price. This requirement does not apply, however, to the publicly quoted price of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (FSC).</p> <p>(the rest omitted)</p>	
<p>Article <u>10</u>: The procedures for acquisition or disposal of intangible assets or right-of-use assets thereof, or memberships I–IV.(II) (omitted)</p> <p>IV.(III)</p> <p>Where the Company acquires or disposes of intangible assets or right-of-use assets thereof or memberships and the transaction amount reaches 20% or more of the Company’s paid-in capital or NT\$300 million or more, except in transactions with a domestic government agency, the Company shall engage a certified public accountant prior to the date of</p>	<p>Article <u>11</u>: The procedures for acquisition or disposal of intangible assets or right-of-use assets thereof, or memberships I–IV.(II) (omitted)</p> <p>IV.(III)</p> <p>When the transaction amount of the Company’s acquisition or disposal of intangible assets or right-of-use assets thereof or memberships reaches 20% of the Company’s paid-in capital or NT\$300 million or more, except in transactions with a domestic government agency, the Company shall engage a certified public accountant prior to the date of occurrence of the</p>	<p>1. Adjust the Article No.</p> <p>2. In order to clarify the procedures and responsibility that external experts shall follow, it expressly states that professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the appraisal report and their own opinions shall comply with the</p>

Before The Revision	After The Revision	Explanation
<p>occurrence of the event to render an opinion on the reasonableness of the transaction price. <u>The CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</u></p>	<p>event to render an opinion on the reasonableness of the transaction price.</p>	<p>relevant requirements applicable when they are undertaking and executing cases, as well as the self-discipline standards of their affiliated associations. The text indicating CPAs' compliance with the Statements of Auditing Standards is deleted accordingly.</p>
<p>Article <u>10-1</u>: <u>The calculation of the transaction amounts of acquisition or disposal of real estate, equipment, or right-of-use assets thereof, securities, intangible assets or right-of-use assets thereof, or memberships shall be done in accordance with Point 8, Paragraph I of Article 14 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained pursuant to the Procedure need not be counted toward the transaction amount.</u></p>	<p>Article <u>12</u>: The calculation of the transaction amounts referred to in the <u>preceding three articles</u> shall be done in accordance with subparagraph (VII), Paragraph 1 of Article <u>17</u> herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained pursuant to <u>the Procedure</u> need not be counted toward the transaction amount.</p>	<ol style="list-style-type: none"> <li>1. Adjust the Article No.</li> <li>2. Identify the provisions that apply mutatis mutandis, and adjust Paragraph (subparagraph) No.</li> <li>3. The others refer to text corrections.</li> </ol>
<p>Article <u>9</u>: Transaction with related party  I. When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised pursuant to Article 7. <u>The procedures for acquisition or disposal of real estate or equipment, or the right-of-use assets thereof, if the transaction amount reaches more than 10% of the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in accordance with the requirements about acquisition or disposal of assets.</u>  The calculation of the transaction</p>	<p>Article <u>13</u>: <u>Procedure for transaction with related party</u>  I. When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised pursuant to said requirements, if the transaction amount reaches more than 10% of the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion.  II. The calculation of the</p>	<ol style="list-style-type: none"> <li>1. Adjust Article No. and Paragraph (subparagraph) No.</li> <li>2. Identify the provisions that apply mutatis mutandis, and adjust Paragraph (subparagraph) No.</li> <li>3. Add Paragraph V in order to improve the management of transactions with related parties, in reference to the international major capital market regulations.</li> <li>4. As the Company has already appointed independent directors and Audit Committee, the provisions are streamlined</li> </ol>

Before The Revision	After The Revision	Explanation
<p>amount referred to in the preceding paragraph shall be made in accordance with Article <u>10-1</u> herein. When judging whether a trading counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.</p> <p><u>II. Evaluation and Operating Procedure</u></p> <p>When a public company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or right-of-use assets thereof from or to a related party and the transaction amount reaches 20% or more of paid-in capital, 10% or more of the company's total assets, or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the company may not proceed to enter into a transaction contract or make a payment until the following matters <u>have been approved by the Board of Directors and recognized by the supervisors:</u></p> <p>(I) The purpose, necessity and anticipated benefit of the acquisition of movable property.</p> <p>(II) (omitted)</p> <p>(III) With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms under subparagraphs (I) <u>and</u> (IV), Paragraph <u>III</u> of this provision.</p> <p>(IV)–(V) (omitted)</p> <p>(VI) An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance</p>	<p>transaction amount referred to in the preceding paragraph shall be made in accordance with Article <u>12</u> herein. When judging whether a trading counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.</p> <p><u>III. Evaluation and Operating Procedure</u></p> <p>When the Company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire <u>or</u> dispose of assets other than real property or right-of-use assets thereof from or to a related party and the transaction amount reaches more than 20% of the Company's paid-in capital, more than 10% of the Company's total assets, or more than NT\$300 million, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been <u>approved by the Audit Committee and resolved by the Board of Directors:</u></p> <p>(I) The purpose, necessity and anticipated benefit of the acquisition <u>or disposal of</u> movable property.</p> <p>(II) (omitted)</p> <p>(III) With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms under subparagraphs (I)–(IV), Paragraph <u>VII</u> of this provision.</p> <p>(IV)–(V) (omitted)</p> <p>(VI) An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance</p>	<p>accordingly.</p> <p>5. The others refer to text corrections.</p>

Before The Revision	After The Revision	Explanation
<p>with the preceding <u>Article</u>. (VII) (omitted) <u>The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Point 8, Paragraph I of Article 14 herein, and “within the preceding year” as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the Board of Directors and recognized by the supervisors as required need not be counted toward the transaction amount.</u> With respect to the types of transactions listed below, when to be conducted between the Company and its parent or subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100% of the issued shares or authorized capital, the company’s Board of Directors may pursuant to subparagraph (II), Paragraph II of Article 7 delegate the board chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next Board of Directors Meeting: (I)–(II) (omitted) <u>Where an audit committee has been established in accordance with the provisions of the Act, the matters for which paragraph I requires recognition by the supervisors shall first be approved by one-half or more of all audit committee members and then submitted to the Board of Directors for a resolution, and shall be subject to mutatis mutandis application in Paragraphs IV and V of Article 17.</u></p>	<p>with the preceding <u>two paragraphs</u>. (VII) (omitted) <u>IV. With respect to the types of transactions listed below, when to be conducted between the Company and its parent or subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100% of the issued shares or authorized capital, the company’s Board of Directors may pursuant to subparagraph (II), Paragraph II of Article 9 delegate the board chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next Board of Directors Meeting:</u>  <u>(I)–(II) (omitted)</u> <u>V. When transactions pursuant to Paragraph III of this provision are to be conducted between the Company and its subsidiary, which is not a domestic public company, and the transaction amount reaches more than 10% of the Company’s total assets, the Company may not proceed to enter into a transaction contract or make a payment until the matters prescribed have been approved by the Shareholders’ Meeting; However, this requirement does not apply to transactions between the Company and its parent or subsidiaries, or between its subsidiaries.</u> <u>VI. The calculation of the transaction amounts referred to in the Paragraph III and Paragraph V</u></p>	

Before The Revision	After The Revision	Explanation
<p>III. Evaluation on reasonableness of transaction costs</p> <p>(I) (omitted)</p> <p>(II) 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 <u>preceding paragraph</u>.</p> <p>(III) When acquiring real property or right-of-use assets thereof from a related party, the Company shall appraise the cost of the real property or right-of-use assets thereof in accordance with the subparagraphs (I) and (II) of Paragraph III of this provision and also engage a CPA to check the appraisal and render a specific opinion.</p> <p>(VI) Where the Company acquires real property or right-of-use assets thereof from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with the evaluation requirements and operating procedures referred to in Paragraphs I and II of this provision, and the requirements about evaluation on reasonableness of the transaction costs referred to in subparagraphs (I), (II) and (III), Paragraph III of this provision do not apply:</p>	<p><u>of this provision shall be done in accordance with subparagraph (VII), Paragraph I of Article 17 herein, and “within the preceding year” as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA’s opinion has been obtained pursuant to the Procedure, and approved by the Audit Committee and resolved by the Board of Directors need not be counted toward the transaction amount.</u></p> <p>VII. Evaluation on reasonableness of transaction costs</p> <p>(I) (omitted)</p> <p>(II) 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 <u>subparagraph (I), Paragraph VII of this provision</u>.</p> <p>(III) When acquiring real property or right-of-use assets thereof from a related party, the Company shall appraise the cost of the real property or right-of-use assets thereof in accordance with the subparagraphs (I) and (II) of Paragraph VII of this provision and also engage a CPA to check the appraisal and render a specific opinion.</p> <p>(IV) Where the Company acquires real property or right-of-use assets thereof from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with the evaluation requirements and operating procedures referred to in Paragraphs III–VI of this provision, and the requirements about evaluation on reasonableness of the transaction costs referred to in subparagraphs (I)–(III), Paragraph VII of this provision do not apply:</p>	

Before The Revision	After The Revision	Explanation
<p>1–3. (omitted)</p> <p>4. The real property right-of-use assets for business use are acquired by the <u>public company</u> with <u>its</u> parent or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100% of the issued shares or authorized capital.</p> <p>(IV) When the results of the Company’s appraisal conducted on the real estate or right-of-use assets thereof acquired from a related party in accordance with subparagraphs (I) <u>and</u> (II) of Paragraph III of this provision are both lower than the transaction price, the matter shall be handled in compliance with subparagraph (V), Paragraph III of this provision. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:</p> <p>1–2. (omitted)</p> <p>(V) When the results of the Company’s appraisal conducted on the real estate or right-of-use assets thereof acquired from a related party in accordance with subparagraphs (I) <u>and</u> (II) of Paragraph III of this provision are both lower than the transaction price, the following requirements shall be satisfied. Meanwhile, the Company and any public company evaluating the investment in the Company under equity method, after having set aside a special reserve under the preceding paragraph, may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased or leased at a premium, or they have been disposed of, or the leasing contract has been terminated, or adequate compensation has been made, or the status quo ante has been</p>	<p>1–3. (omitted)</p> <p>4. The real property right-of-use assets for business use are acquired by <u>the Company</u> with its parent or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100% of the issued shares or authorized capital.</p> <p>(V) When the results of the Company’s appraisal conducted on the real estate or right-of-use assets thereof acquired from a related party in accordance with subparagraphs (I) <u>and</u> (II) of Paragraph VII of this provision are both lower than the transaction price, the matter shall be handled in compliance with subparagraph (VI), Paragraph VII of this provision. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:</p> <p>1–2. (omitted)</p> <p>(VI) When the results of the Company’s appraisal conducted on the real estate or right-of-use assets thereof acquired from a related party in accordance with subparagraphs (I)–(V) of Paragraph VII of this provision are both lower than the transaction price, the following requirements shall be satisfied. Meanwhile, the Company and any public company evaluating the investment in the Company under equity method, after having set aside a special reserve under the preceding paragraph, may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased or leased at a premium, or they have been disposed of, or the leasing contract has been terminated, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence</p>	

Before The Revision	After The Revision	Explanation
<p>restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.</p> <p>1. (omitted)</p> <p>2. <u>Supervisors</u> shall comply with Article 218 of the Company Act. <u>Where an audit committee has been established in accordance with the provisions of the Securities and Exchange Act, the preceding part of this subparagraph shall apply mutatis mutandis to the independent director members of the audit committee.</u></p> <p>3. Actions taken pursuant to Points 1 and 2 of subparagraph (V), Paragraph III of this provision shall be reported to a Shareholders' Meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.</p> <p>(VII) When the Company obtains real property or right-of-use assets thereof from a related party, it shall also comply with subparagraph (V), Paragraph III of this provision if there is other evidence indicating that the acquisition was not an arm's length transaction.</p>	<p>confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.</p> <p>1. (omitted)</p> <p>2. The <u>Audit Committee</u> shall comply with Article 218 of the Company Act.</p> <p>3. Actions taken pursuant to Points 1 and 2 of subparagraph (VI), Paragraph VII of this provision shall be reported to a Shareholders' Meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.</p> <p>(VII) When the Company obtains real property or right-of-use assets thereof from a related party, it shall also comply with subparagraph (VI), Paragraph VII of this provision if there is other evidence indicating that the acquisition was not an arm's length transaction.</p>	
<p>Article 11: Procedure for acquisition or disposal of claims of financial institutions (the rest omitted)</p>	<p>Article 14: Procedure for acquisition or disposal of claims of financial institutions (the rest omitted)</p>	<p>Adjust the Article No.</p>
<p>Article 12: Procedure for acquisition or disposal of derivatives</p> <p>I. Trading principles and policies (I) Type of transaction</p> <p>1. The financial derivatives which the Company engages in refer to the transaction contracts whose value is derived from <u>assets, interest rate, foreign exchange rate, index or other interests (e.g. forward contracts, options contracts, futures contracts, interest or foreign exchange rate contracts, or swap contracts, and hybrid contracts combining the above contracts).</u></p>	<p>Article 15: Procedure for acquisition or disposal of derivatives</p> <p>I. Trading principles and policies (I) Type of transaction</p> <p>1. The financial derivatives which the Company engages in refer to <u>the 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</u></p>	<p>1. Adjust the Article No.</p> <p>2. Amend the definition of financial derivatives in line with Paragraph I of Article 4 of the Regulations.</p> <p>3. As the Company has already appointed independent directors and Audit Committee, the provisions are streamlined accordingly.</p>

Before The Revision	After The Revision	Explanation
<p>2. (omitted)  (II)–(III)1. (omitted)  (III)2. Audit Dept.  It shall periodically make a determination of the suitability of internal controls on derivatives and conduct a monthly audit of how faithfully derivatives trading by the trading department adheres to the procedures for engaging in derivatives trading, and prepare an audit report. If any material violation is discovered, <u>each supervisor</u> shall be notified in writing.  <u>Where independent directors have been appointed in accordance with the provisions of the Act, for matters for which notice shall be given to the supervisors under the preceding paragraph, written notice shall also be given to the independent directors.</u>  <u>Where an audit committee has been established in accordance with the provisions of the Act, the provisions relating to supervisors shall apply mutatis mutandis to the audit committee.</u>  I.(III)3–IV.(I)1. (omitted)  (I)2. When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, appropriate measures shall be adopted and a report immediately made to the Board of Directors; <u>where a company has independent directors</u>, an independent director shall be present at the meeting and express an opinion.</p>	<p><u>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.</u>  2. (omitted)  (II)–(III)1. (omitted)  (III)2. Audit Dept.  It shall periodically make a determination of the suitability of internal controls on derivatives and conduct a monthly audit of how faithfully derivatives trading by the trading department adheres to the procedures for engaging in derivatives trading, and prepare an audit report. If any material violation is discovered, the <u>Audit Committee</u> shall be notified in writing.   I.(III)3–IV.(I)1. (omitted)  (I)2. When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, appropriate measures shall be adopted and a report immediately made to the Board of Directors, and independent directors shall be present at the meeting and express an opinion.</p>	
<p>Article 13: Procedure for participation in merger, demerger, acquisition or transfer of shares  I. (omitted)  II. Other requirements to be noted</p>	<p>Article 16: Procedure for participation in merger, demerger, acquisition or transfer of shares  I. (omitted)  II. Other requirements to be noted</p>	<p>1. Adjust Article No. and Paragraph (subparagraph) No.  2. Identify the provisions that apply</p>

Before The Revision	After The Revision	Explanation
<p>(I) (omitted)</p> <p>(VII) (omitted)</p> <p>(VIII) When participating in a merger, demerger, acquisition, or transfer of another company’s shares, a company that is listed on an exchange or has its shares traded on an OTC market shall, within 2 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 Points 1 and 2 of subparagraph (VII) to the FSC for future reference.</p> <p>(IX) Where any of the companies participating in a merger, demerger, acquisition, or transfer of another company’s shares is neither listed on an exchange nor has its shares traded on an OTC market, the company (companies) so listed or traded shall sign an agreement with such company whereby the latter is required to abide by subparagraphs (VII) and (VIII).</p> <p>(II) (omitted)</p> <p>(III) The principles for <u>determination of</u> and changes in share swap ratio or acquisition price: The company participating in a merger, demerger, acquisition, or transfer of shares shall, prior to convention of the Board of Directors Meetings by both parties to resolve on the matter, engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share swap ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to a Shareholders’ Meeting for deliberation and passage. <u>In principle, the share swap ratio or acquisition price, unless the circumstances permitting alteration specified in the contract has been disclosed to the public,</u> shall not be changed</p>	<p>(I) (omitted)</p> <p>(II) (omitted)</p> <p>(III) When participating in a merger, demerger, acquisition, or transfer of another company’s shares, a company that is listed on an exchange or has its shares traded on an OTC market shall, within 2 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 Points 1 and 2 of subparagraph (II), <u>Paragraph II of this provision</u> to the FSC for future reference.</p> <p>(IV) Where any of the companies participating in a merger, demerger, acquisition, or transfer of another company’s shares is neither listed on an exchange nor has its shares traded on an OTC market, the company (companies) so listed or traded shall sign an agreement with such company whereby the latter is required to abide by subparagraphs (II) and (III), <u>Paragraph II of this provision.</u></p> <p>(V) (omitted)</p> <p>(VI) The principles for changes in share swap ratio or acquisition price: The company participating in a merger, demerger, acquisition, or transfer of shares shall, prior to convention of the Board of Directors Meeting by both parties to resolve on the matter, engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share swap ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to a Shareholders’ Meeting for deliberation and passage. The share swap ratio or acquisition price, <u>unless under the following circumstances,</u> shall not be changed discretionarily, and the circumstances permitting alteration shall be specified in the contract for the merger, demerger,</p>	<p>mutatis mutandis, and adjust Paragraph (subparagraph) No. 3. The others refer to text corrections.</p>

Before The Revision	After The Revision	Explanation
<p>discretionarily. <u>Circumstances permitting alteration of the share swap ratio or acquisition price are stated as following:</u></p> <p>1–6. (omitted)</p> <p>(IV) The contract shall specify that the contract for merger, demerger, acquisition, or transfer of shares <u>shall comply with Article 317-1 of the Company Act and Article 22 of the Business Mergers and Acquisitions Act</u>, in addition to the following requirements.</p> <p>1–6. (omitted)</p> <p>(V) In the case of changes in the <u>number</u> of companies participating in the merger, demerger, acquisition, or transfer of shares: If, after public disclosure of the information, any company participating in the merger, demerger, acquisition, or transfer of shares intends further to carry out a merger, demerger, acquisition, or transfer of shares with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or transfer of shares; except that where the number of participating companies is decreased and a participating company’s Shareholders’ Meeting has adopted a resolution authorizing the Board of Directors to alter the limits of authority, such participating company may be exempted from calling another Shareholders’ Meeting to resolve on the matter anew.</p> <p>(VI) 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 it whereby the latter is required to abide by subparagraph (I) <u>“convene a Board of Directors meeting date,”</u> subparagraph (II) <u>“written undertaking of confidentiality,”</u> and subparagraph (V) <u>“changes in the number of</u></p>	<p>acquisition, or transfer of shares:</p> <p>1–6. (omitted)</p> <p>(VII) The contract shall <u>record the rights and obligations</u> of the companies participating in the merger, demerger, acquisition, or transfer of shares, and shall also record the following:</p> <p>1–6. (omitted)</p> <p>(VIII) In the case of changes in the <u>number</u> of companies participating in the merger, demerger, acquisition, or transfer of shares: If, after public disclosure of the information, any company participating in the merger, demerger, acquisition, or transfer of shares intends further to carry out a merger, demerger, acquisition, or transfer of shares with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or transfer of shares; except that where the number of participating companies is decreased and a participating company’s Shareholders’ Meeting has adopted a resolution authorizing the Board of Directors to alter the limits of authority, such participating company may be exempted from calling another Shareholders’ Meeting to resolve on the matter anew.</p> <p>(IX) 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 whereby the latter is required to abide by subparagraphs (I)–(V) and (VIII), Paragraph II of this provision.</p>	

Before The Revision	After The Revision	Explanation
<p><u>companies participating in the merger, demerger, acquisition, or transfer of shares.” Paragraph II of this provision.</u></p>		
<p>Article 14: Public information disclosure procedure  I.(I)–(III) (omitted)  (IV) Where equipment or right-of-use assets thereof for operating purpose are acquired or disposed of, and furthermore the trading counterparty is not a related party, and the transaction amount meets any of the following criteria:  1. For a public company whose paid-in capital is less than NT\$10 billion, the transaction amount is <u>less than</u> NT\$500 million or more.  2. (omitted)  <u>(V) Acquisition or disposal by the Company in the construction business of real property or right-of-use assets thereof for construction use, and furthermore the trading counterparty is not a related party, and the transaction amount is less than NT\$500 million; among such cases, if the Company has paid-in capital of NT\$10 billion or more, and it is disposing of real property from a completed construction project that it constructed itself, and furthermore the trading counterparty is not a related party, then the threshold shall be a transaction amount reaching NT\$1 billion or more.</u>  (VI) 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 is <u>less than</u> NT\$500 million.  (VII) Where an asset transaction other than any of those referred to</p>	<p>Article 17: Public information disclosure procedure  I.(I)–(III) (omitted)  (IV) Where equipment or right-of-use assets thereof for operating purpose are acquired or disposed of, and furthermore the trading counterparty is not a related party, and the transaction amount meets any of the following criteria:  1. For a public company whose paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.  2. (omitted)    (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 trading counterparty is not a related party, and the amount the company expects to invest in the transaction reaches NT\$500 million.  (VI) Where an asset transaction other than any of those referred to</p>	<ol style="list-style-type: none"> <li>1. Adjust Article No. and Paragraph (subparagraph) No.</li> <li>2. The original subparagraph (V) and Point 2 of subparagraph (VI), Paragraph I of Article 14 are deleted, as they are not applicable to the Company.</li> <li>3. Adjust the serial number in response to deletion of subparagraph (V) and Point 2 of subparagraph (VI), Paragraph I of Article 14.</li> <li>4. Considering that a public company engaged in trading of domestic government bonds may be exempted from the regulatory filing and announcement for the time being, the company is also exempted from the regulatory filing and announcement with respect to its trading of international bonds issued by a foreign central government with a sovereign rating not lower than the sovereign rating of the ROC.</li> <li>5. The others refer to text corrections.</li> </ol>

Before The Revision	After The Revision	Explanation
<p>in the preceding <u>six</u> subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20% or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:</p> <p>1. Trading of domestic government bonds.</p> <p>2. <u>Where done by professional investors—securities trading on securities exchanges or OTC markets, or subscription of ordinary corporate bonds or general bank debentures without equity characteristics (excluding subordinated debt) that are offered and issued by securities firms in the domestic primary market, or subscription or redemption of securities investment trust funds or futures trust funds, or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.</u></p> <p>3. (omitted) (VIII) (omitted)</p> <p>II. Time limit for regulatory filing and announcement Where the Company’s acquisition or disposal of assets shall be subject to the regulatory filing and announcement, and the transaction amount satisfies the standards of regulatory filing and announcement herein, it shall be made public in the prescribed format within 2 days counted inclusively from the date of occurrence of the event.</p> <p>III. Procedures for regulatory filing and announcement (I) (omitted) (II) The Company shall compile monthly reports on the status of</p>	<p>in the preceding <u>five</u> subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20% or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:</p> <p>1. Trading of domestic government bonds, <u>or international bonds issued by a foreign central government with a sovereign rating not lower than the sovereign rating of the ROC.</u></p> <p>2. (omitted) (VII) (omitted)</p> <p>II. Time limit for regulatory filing and announcement Where the Company’s acquisition or disposal of assets shall be subject to the regulatory filing and announcement, and the transaction amount satisfies the standards of regulatory filing and announcement herein, it shall be made public in the prescribed format within 2 days counted inclusively from the date of occurrence of the event. <u>All matters related to the announcement shall be handled in accordance with related laws and regulations.</u></p> <p>III. Procedures for regulatory filing and announcement (I) (omitted) (II) The Company shall compile monthly reports on the status of</p>	

Before The Revision	After The Revision	Explanation
<p>derivatives trading engaged in up to the end of the preceding month by the Company and <u>its</u> 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 10<sup>th</sup> day of each month. (III)–(IV) (omitted)  (V) Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with the <u>preceding</u> Article, a public report of relevant information shall be made on the information reporting website designated by the FSC within 2 days counting inclusively from the date of occurrence of the event:  (the rest omitted)</p>	<p>derivatives trading engaged in up to the end of the preceding month by the Company and any <u>public companies</u> and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10<sup>th</sup> day of each month. (III)–(IV) (omitted)  (V) Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with this provision, a public report of relevant information shall be made on the information reporting website designated by the FSC within 2 days counting inclusively from the date of occurrence of the event:  (the rest omitted)</p>	
<p>Article 15: The Company’s subsidiaries shall comply with the following requirements:  I. (omitted)  II. Any subsidiary’s acquisition or disposal of assets shall be governed by the Company’s requirements.  (the rest omitted)</p>	<p>Article 18: The Company’s subsidiaries shall comply with the following requirements:  I. (omitted)  II. Any subsidiary’s acquisition or disposal of assets <u>shall be governed by such procedure set forth by it</u>, and also the Company’s requirements.  (the rest omitted)</p>	<p>1. Adjust the Article No.  2. The others refer to text corrections.</p>
<p>Article 17-1  For the calculation of 10% of total assets to the Procedure, the total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.  <u>For the Company’s shares having no par value or having a par value other than NT\$10, under the requirements about the calculation of transaction amounts of 20% of paid-in capital herein, 10% of equity attributable to owners of the parent shall be substituted; under the requirements about the calculations of transaction amounts relative to paid-in capital of NT\$10</u></p>	<p>Article 19  For the calculation of 10% of total assets to the Procedure, the total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.</p>	<p>1. Adjust the Article No.  2. Not applicable, and deleted, as the Company doesn’t retain any shares having no par value or having par value other than NT\$10.</p>

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<u>billion herein, NT\$20 billion of equity attributable to owners of the parent shall be substituted.</u>		
Article <u>16</u> : Penalty	Article <u>20</u> : Penalty	1. Adjust the Article No.
Article <u>18</u> : Supplementary Provisions I. (omitted) II. 1 <sup>st</sup> amendments to <u>the Regulations</u> were made and approved on May 30, 2003. (omitted) 7 <sup>th</sup> amendments to <u>the Regulations</u> were made and approved on June 12, 2019.	Article <u>21</u> : Supplementary Provisions I. (omitted) II. 1 <sup>st</sup> amendments to <u>the Procedure</u> were made and approved on May 30, 2003. (omitted) 7 <sup>th</sup> amendments to <u>the Procedure</u> were made and approved on June 12, 2019. <u>8<sup>th</sup> amendments hereto were made and approved on May 25, 2022.</u>	1. Adjust the Article No. 2. Add the date of this amendment. 3. The others refer to text corrections.

# Appendix IV: Parliamentary Procedure for the Shareholders Meeting

## ASRock Incorporation

### Parliamentary Procedure for the Shareholders Meeting

- Article 1: Shareholders Meeting shall be governed by this Regulations unless the law provides otherwise.
- Article 2: A sign-in registry shall be prepared for the shareholders' meeting to sign in for the meeting. Shareholders may also surrender their sign-in cards instead. The number of shares represented by the shareholders shall be counted based on the sign-in record or the sign-in cards surrendered.
- Article 3: The attendance and voting of the Shareholders Meeting shall be based on the quantity of shares represented.
- Article 4: Shareholders Meeting shall be held at the locality where the Company is located, or a place for the convenience of the shareholders and also appropriate for such purpose. The meeting shall be held no earlier than 9:00 am or later than 3:00 pm.
- Article 5: If the Shareholders Meeting is called by the Board, the Chairman shall act as the Presiding Officer. In the absence of the Chairman due to leave or for other reasons, the Vice Chairman shall act as the proxy. If there is no position of a Vice Chairman or also in the absence of the Vice Chairman due to leave or for other reasons, the Chairman shall appoint 1 Executive Director to preside over the meeting. If there is no seat for Executive Director, 1 Director shall be appointed as proxy. If the Chairman has not appointed any person as a proxy, the Directors shall nominate one among themselves to preside over the meeting. If the Shareholders Meeting is called by a third party entitled to call for the meeting other than the Board, such party shall preside over the meeting.
- Article 6: The Company may appoint the commissioned lawyers, certified public accountants or related personnel to attend the meeting as observers. The administrative staff of Shareholders Meeting shall wear proper ID or arm badge for identification.
- Article 7: The Company shall keep track of the entire procedure of the Shareholders Meeting by voice recording or videotaping and keep the record for at least 1 year.
- Article 8: The Presiding Officer shall announce for the session of the Shareholders Meeting when the time is due. However, the Presiding Officer shall announce for the postponement of the meeting if the attendance of shareholders cannot represent more than half of the outstanding shares at that point in time. The Presiding Officer may announce to postpone the meeting twice and the total time lapse shall not be more than 1 hour. If the attendance of shareholders by then can represent more than 1/3 of the outstanding shares, provisional resolution may be made pursuant to Paragraph 1 of Article 175-1 of the Company Act.
- If the attendance of shareholders can represent more than half of the outstanding shares before the adjournment of the meeting, the Presiding Officer may make a provisional resolution and present to the Shareholders Meeting for resolution again pursuant to Article 174 of the Company Act.
- Article 9: If the Shareholders Meeting is held to the call of the Board, the Board shall prepare the agenda, and the meeting shall be unfolded in accordance with the agenda, which cannot be modified without the resolution of the Shareholders Meeting.
- The Shareholders Meeting may be called for by an entitled third party other than the Board and shall be governed by the same rules as stated in the preceding paragraph.
- The meeting shall be continued in accordance with the agenda as stated in the preceding 2 paragraphs (including the extemporary motions). The Presiding Officer cannot announce the adjournment of the meeting without the resolution of the shareholders.

Shareholders cannot nominate another Presiding Officer to continue the meeting at the same place or in another place after the meeting is adjourned.

- Article 10: Shareholders in session may express their opinions but shall put down the summary on the message slip specifying the subject of the speech, shareholder account number (or attendance pass number) and account title in advance. The Presiding Officer shall set the priority for the shareholders to express opinions. Shareholders who just present the message slip without actually taking the floor to express their opinions shall be construed as no expression of opinion. If the content of the speech is irrelevant to the content of the message slip, the latter shall prevail.
- If a particular shareholder is giving a speech, other shareholders shall not interfere unless at the consent of the Presiding Officer and the shareholder who is giving the speech or the Presiding Officer shall stop the interference.
- Article 11: Each shareholder may express an opinion on a particular motion no more than two times unless at the consent of the Presiding Officer, and no more than 5 minutes would be allowed for each instance of expression of opinion. If the content of opinion expressed by a specific shareholder is in defiance of the aforementioned rules or goes beyond the scope of the topic for discussion, the Presiding Officer shall stop such expression of opinion.
- Article 12: Institutions commissioned to attend the Shareholders Meeting may appoint only 1 representative to the meeting. If specific institutional shareholders appoint more than 2 representatives to the meeting, only 1 may express an opinion on the same motion.
- Article 13: The Presiding Officer may personally respond to a specific shareholder after expressing an opinion or appoint related personnel to respond.
- Article 14: If the discussion on a particular motion is deemed sufficient and should be referred to voting, the Presiding Officer may announce the conclusion of the discussion and proceed to voting.
- Article 15: If the Presiding Officer acts in defiance of the procedure by announcing for the adjournment of the meeting, the shareholders in session may nominate 1 person to act as the Presiding Officer with the consent of a simple majority to continue the meeting.
- Article 16: The Presiding Officer shall appoint a number of scrutineers and tallying clerks and these personnel must also be shareholders. The voting result shall be announced on the scene and tracked on record.
- Article 17: The Presiding Officer may announce a break in the duration of the meeting.
- Article 18: Resolution of the motions shall be made by a session attended by shareholders representing more than half of the voting rights and the consent of a simple majority of the shareholders in session unless the Company Act or the Articles of Incorporation provide otherwise.
- Article 19: If there is an amendment to or substitute for a particular motion, the Presiding Officer shall combine the amendment and the substitute with the original motion and set the priority for voting. If either the original motion or the amendment /substitute has been passed, it shall be construed as the veto of the others and no further voting will be necessary.
- Article 20: The Presiding Officer shall command the prefects (or security guards) to keep the order of the meeting place. The prefects (or security guards) shall wear arm badge marking "Prefect" in performing their duties of keeping the order of the meeting place.
- Article 21: The Regulations shall come into force at the resolution of the Shareholders Meeting. The same procedure is applicable to any amendment thereto.

## Appendix V: Shareholding by Directors

1. The Company has paid-in capital amounting to NT\$1,229,254,290 and has issued 122,925,429 outstanding shares.
2. According to Article 26 of the Securities and Exchange Act, all Directors shall hold a minimum of 8,000,000 shares in totality.
3. The holding of shares by all Directors in totality and individually as stated in the shareholders roster as of the day of transaction of shares was prohibited prior to the General Meeting of Shareholders:

03/27/2022

Title	Name	Date of election to office	Quantity of shareholding	Proportion of shareholding (%)
Chairman	Hsu-Tien, Tung	08/20/2021	-	-
Director	Asus Investment Inc. Representative: Tzu-Hsien, Tung	08/20/2021	57,217,754	46.55
Director	Asus Investment Inc. Representative: Kuang-Chin, Cheng	08/20/2021	57,217,754	46.55
Director	Asus Investment Inc. Representative: Lung-Lun, Hsu	08/20/2021	57,217,754	46.55
Independent Director	Chin-Jung, Wu	08/20/2021	-	-
Independent Director	Ai, Wei	08/20/2021	-	-
Independent Director	Yang-Ming, Ou	08/20/2021	-	-
Total quantity of shares held by all Directors			57,217,754	46.55

## Appendix VI: Additional Information

Motions presented to the General Meeting of Shareholders:

1. According to Article 172-1 of the Company Act, shareholders holding more than 1% of the outstanding shares issued by the Company may present a motion to the General Meeting of Shareholders in writing. Still, only 1 motion is allowed for each shareholder and the content shall be limited to 300 words.
2. The period opened for motions for the General Meeting of Shareholders this year starts on 03/18/2022 and ends on 03/28/2022. The content of the motions has been disclosed at MOPS as required by law.
3. The Company has not received any motion proposed by the shareholders.