

# Qisda Corporation

## 2022 Annual General Shareholders' Meeting

Time: May 30, 2022

Place: No.200, Sec.I, Daxing W.Rd., Taoyuan Dist., Taoyuan City 330  
/ FULLON HOTELS

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### I. Report Items

#### I. Business Report of 2021

Greetings to all of our Valued Shareholders,

Qisda Group's consolidated revenue for 2021 was NT\$226 billion, a substantial increase of NT\$34.3 billion over the previous year. The consolidated operating income was NT\$7.4 billion. The consolidated net income was NT\$10.5 billion. The consolidated net income attributed to Qisda Corporation was NT\$8.3 billion. The earnings per share after tax was NT\$4.22.

In recent years, Qisda has been active in transforming its business. Together with the Group's core resources as a platform, Qisda consolidates hidden champions to be a grand fleet. Domestic publicly listed companies who identify with this concept joined us. Therefore, Qisda's consolidated revenue hitting new record highs in four consecutive years under the uncertain conditions such as the COVID-19 pandemic, supply chain challenges and rise in global trade conflict. In 2021, The revenue ratio of high value-added businesses reached 50%, and continues to move toward the goal of more than half. We are dedicated to expand Qisda's business under the four major strategies.

- (1) **Optimization on current business operations:** The two major products, flat panel displays and projectors, continuously gain stable results and leading position in the market. The display business outperforms the entire industry and ranks second in the world. Qisda continues to develop high-end, high unit price, professional and medical displays. Qisda also keeps its global leading position in DLP projectors.
- (2) **Fast expansion in medical business:** In 2021, the revenue of two hospitals in Suzhou and Nanjing continued to grow and improved medical quality and management. At the same time, Nanjing Hospital started the second phase of construction, and was committed to build up smart healthcare. In terms of medical appliances and channel expansion, BenQ Qflux Dialyzer produced by BenQ Dialysis expanded into the Mainland China and Indonesian markets, and continued to create a one-stop service from production to distribution of dialyzer, dialysate and disinfectant; through investment, new smart pharmacy and medical management services were added to expand the service base.
- (3) **Acceleration on solution development:** Qisda completed its strategic allocation in Information Technology (IT) and Operational Technology (OT). The purpose is to become a full-fledged total system integration solution services provider. The consolidated revenue of smart solutions in 2021 was NT\$30 billion. Qisda continuously satisfying the six main intelligence vertical markets to meet the needs of contactless and cloud under the epidemic situation. In addition to actively expanding the business opportunities of cloud market and cloud integration, Qisda also assisted the manufacturing industry to improve automation, and created an omni-channel platform solution integrating online and offline in smart catering to meet customer needs.
- (4) **Strategic investment in 5G Network Business:** Qisda look to further increase in network communication in future technological life. Through subsidiaries such as Alpha Networks Inc., Hitron Technologies Inc., Interactive Digital Technologies Inc., to create broadband services that integrate wired and wireless networks.

Prospecting in 2022, while there are uncertainty such as trade conflicts and COVID, it also brings the long-term opportunities to enhance automation and accelerate digital transformation. Qisda will continue to focus on four major operating directions to create long-term values. The plans are listed as follows:

- (1) **Optimization on current business operations:** We will keep consolidating our global leading position in the display and projector market and continuously developing towards high-end, high-resolution and high-valued professional applications.
- (2) **Fast expansion in medical business:** BenQ Medical Center takes on the goal to be the No.1 private hospital in China. Regarding medical devices, we will prioritize the distribution channel, with focus in Asia and developing countries. Meanwhile, we will focus on self-developed products such as ultrasound, hemodialyzer and intraoral scanner, and lay out professional medical management fields. We development products and services in three field, such us smart medical, epidemic prevention, LOHAS and aesthetic medicine. We will also expand the medical industry alliance via win-win merge & acquisition or strategic cooperation model.
- (3) **Acceleration on solution development:** The horizontal integration on internal technology and channels will continue to meet different vertical market demands. We have aggressively accelerated the integration among DFI Inc., Partner Tech Corp. in recent years to exploit synergies. We've also linked the well-known top-tier international brand of SYSAGE in IT field with the brand of ACE PILLAR in OT field to deliver the best smart solution for customers, help them with digital transformation, and meet the needs of cloud and information security protection.

(4) **Strategic investment in 5G Network business:** Provide products and services that meet customers' needs with networking, expand 5G networks business, and create seamless and fast all-round broadband services.

Qisda achieves its sustainable competitive advantages through innovation and technical development. Each year, we make effort in product innovation and development, averagely around 2%-3% of revenue. We have obtained 1,174 patents worldwide.

Qisda has dedicated to the corporate sustainable operation. The ESG indicators on environment, society and governance in 2021 still maintained high information transparency. Qisda led partners to practice ESG together with the concept of grand fleet. Therefore, Qisda Group got eight awards in the "Taiwan Corporate Sustainability Awards (TCSA) and Taiwan Sustainability Action Awards (TSAA)". For the first time, Qisda got the "Social Inclusion Leader Award", and also received the "Taiwan Sustainable Enterprise Performance Awards", three "Sustainability Reporting Awards" and three "Taiwan Sustainability Action Awards (TSAA)". It shows that Qisda and grand fleet partners have implemented lavishly on sustainable development.

At last, we offer our sincerest thanks for your long-term full support and concern. Our management team and all employees will continue to strive and seek for the best interest of the Company and Shareholders.

Finally, we wish everyone good health, good luck and fortune.

Sincerely,

Chairman: Peter Chen



President: Peter Chen



Chief Accountant: Billy Liou



## 2. Audit Committee's Review Report

The Board of Directors has prepared the Company's Financial Statements for the year of 2021. Chang, Huei-Chen and Shi, Wei-Ming Certified Public Accountants of KPMG, have audited the Financial Statements. The 2021 Financial Statements, Business Report, Independent, Auditors Report and the Company's 2021 Earnings Distribution Proposal have been reviewed and determined to be correct and accurate by the Audit Committee of Qisda Corporation. I, as the Chair of the Audit Committee, hereby submit this report according to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Qisda Corporation 2022 Annual General Shareholders' Meeting

Chair of the Audit Committee

范成炬 Cheng-Ju (Allen) Fan

March 07, 2022

## 3. To report the distribution of employees' and directors' remuneration of 2021

Distribution of NT\$682,594,000 and NT\$68,964,000 in cash as remunerations to employees and directors, respectively, have been approved by the meeting of board of directors held on March 07, 2022.

**4. To report the cash dividends distribution of 2021 earnings**

- (1) According to Article 16-1 of the Company's Article of Incorporation, if earnings distribution plan is performed by means of cash dividends, it is proposed the Board of Directors be authorized for resolution. The resolution thereof shall be reported in the Shareholders' Meeting.
- (2) The proposed distribution is allocated from the 2021 earnings available for distribution, and cash dividends amounting to NT\$4,916,954,895 were distributed to shareholders at NT\$2.5 per share. It is approved by the meeting of board of directors held on March 07, 2022, and proposed that the Chairman of the Board of Directors is authorized to determine the ex-dividend date and payment date for the cash dividend distribution and other related matters.
- (3) If the cash dividend distribution ratio is adjusted and need to be modified due to change of the Company's total number of outstanding common shares it is proposed to authorized the Chairman of Board of Directors with full power to adjust the distribution ratio.

**5. To report the issuance of securities in private placement**

- (1) It has been approved by the Annual General Shareholders' Meeting held on August 27, 2021 to authorize the Board of Directors, within the limit of 195,000,000 common shares, depending on the market conditions and the Company's capital needs, to choose appropriate timing and one or more fund raising instruments to issue new common shares for cash to sponsor issuance of the overseas depositary shares and/or new common shares for cash in public offering and/or new preferred shares for cash in public offering and/or new common shares for cash in private placement and/or overseas or domestic convertible bonds in private placement in accordance with the applicable laws and regulations.
- (2) In according to paragraph 7 of Article 43-6 of the Securities and Exchange Act, the private placement may be carried out within one year of the date of the resolution of the shareholders meeting.
- (3) In case the amount of the aforementioned fundraising has not been completed will be cancelled from the date of the 2022 Annual General Shareholders' Meeting.

## II. Recognition and Discussion Items

### 1. To accept 2021 Business Report and Financial Statements (proposed by the Board of Directors)

Explanation:

- (1) The 2021 Financial Statements were audited by the independent auditors, Chang, Hwei-Chen and Shi, Wei-Ming of KPMG.
- (2) For the 2021 Independent Auditors' Report, and the 2021 Financial Statements, please refer to Attachment 1 (pages 10-29).

Resolution:

### 2. To accept the proposal for the distribution of 2021 earnings (proposed by the Board of Directors)

Explanation:

The 2021 Earnings Distribution Proposal please refer to Attachment 2 (page 30).

Resolution:

### 3. To approve issuance of new common shares for cash to sponsor issuance of the overseas depositary shares and/or issuance of new common shares for cash in public offering and/or issuance of new preferred shares for cash in public offering and/or issuance of new common shares for cash in private placement and/or issuance of overseas or domestic convertible bonds in private placement (proposed by the Board of Directors)

Explanation:

- (1) Fund raising purpose and size:

In order to enrich working capital, have sound financial structure, purchase of materials from overseas and support the Company's funding needs for long term development, it is hereby proposed that the shareholders meeting to authorize the Board of Directors ("Board"), within the limit of 195,000,000 common shares and preferred shares, depending on the market conditions and the Company's capital needs, to choose appropriate timing and fund raising instrument(s), to issue new common shares for cash to sponsor DR Offering and/or issue new common shares for cash in public offering and/or issue Private Placement Shares and/or issue Private Placement CB, in accordance with the applicable laws and regulations and the following fund raising principles. For issuance of Private Placement CB, the number of common shares to be converted within the limit of 195,000,000 common shares shall be calculated in accordance with the conversion price determined at the time of issuance of Private Placement CB.

- (2) Fund raising method(s) and handling principles:

A. Issuance of new common shares for cash to sponsor DR Offering:

- a. The issue price of the new common shares will be decided with reference to (a) the closing price of the Company's common shares on the pricing date or (b) the average of the closing price of the Company's common shares for 1, 3 or 5 trading days prior to the pricing date (each of (a) and (b) is referred to hereinafter as the "reference price"). The Chairman of the Company is authorized to coordinate with the foreign lead-underwriter(s) of the DR Offering to determine the actual issue price in accordance with market conditions, provided that, the actual issue price shall not be less than 90% of the reference price after adjustment for shares issued as stock dividends, shares cancelled in connection with capital reduction and the cash dividends. The reference price and the actual issue price will be decided in accordance with market practice and applicable law and regulations. In addition, assuming that the Company issues 195,000,000 common shares which is approximately 9.91% of the Company's total outstanding common shares on the

record date for the Company's 2020 annual shareholders meeting, as the actual issue price shall be no less than 90% of the reference price after adjustment for shares issued as stock dividends, shares cancelled in connection with capital reduction and the cash dividends, it is unlikely that such issuance will have a material dilutive effect on the holding of the current existing shareholders. Thus, determination of the issue price of the new common shares to be issued in connection with the DR Offering should be reasonable and should not have a material adverse effect on the rights and benefits of the current existing shareholders.

b. Except for 10% to 15% of the new common shares shall be allocated for the employees' subscription in accordance with Article 267, Paragraph 1 of the Company Act, it is proposed for the shareholders meeting to approve the rights to subscribe to the remaining shares to be waived by the shareholders and such remaining shares should be offered to the public under Article 28-1 of the Securities and Exchange Act as the underlying shares of the global depository shares to be sold in the DR Offering. Any new common shares not subscribed by employees of the Company shall be determined by the Chairman of the Company, depending on the market needs, to be allocated as underlying shares of the global depository shares or to be subscribed by the designated person(s).

B. Issuance of new common shares for cash in public offering:

a. The par value of the new common shares to be issued per share is NT\$10. It is proposed to authorize the Chairman of the Company to coordinate with the underwriter(s) of the public offering to determine the actual issue price in accordance with the Taiwan Securities Association's Self-regulatory Rules Governing the Provision of Advisory Services by Underwriter Members to Issuing Companies for Offering and Issuing Securities and the market conditions and the issue price shall be reported to, and accepted by the regulatory authority before issuance.

b. Except for 10% to 15% of the new shares must be offered to employees in accordance with Article 267, Paragraph 1 of the Company Act, it is proposed to authorize the Board to choose either of the following methods to sell the new shares in the public offering through the underwriter(s) :

(i) It is proposed for the shareholders meeting to approve the pre-emptive rights to subscribe to the remaining shares to be waived by the shareholders in accordance with Article 28-1 of the Securities and Exchange Act and such remaining shares will be offered to the public via book building. It is proposed that any new common shares not subscribed by employees of the Company will be sold to the person(s) designated by the Chairman of the Company at the issue price.

(ii) It is proposed that 10% of the new shares to be sold to the public through the underwriter(s) in accordance with Article 28-1, Paragraph 2 of the Securities and Exchange Act and the remaining shares will be subscribed to by the existing shareholders of the Company in accordance with their shareholding. It is proposed that any new common shares not subscribed by employees and shareholders of the Company will be sold to the person(s) designated by the Chairman of the Company at the issue price.

C. Issuance of new preferred shares for cash in public offering:

a. The par value of the new preferred shares to be issued per share is NT\$10. It is proposed to authorize the Chairman of the Company to coordinate with the underwriter(s) of the public offering to determine the actual issue price in accordance with the Taiwan Securities Association's Self-regulatory Rules Governing the Provision of Advisory Services by Underwriter Members to Issuing Companies for Offering and Issuing Securities and the market conditions and the issue price shall be reported to, and accepted by the regulatory authority before issuance.

b. Except for 10% to 15% of the new shares must be offered to employees in accordance with Article 267, Paragraph 1 of the Company Act, it is proposed to authorize the Board to choose either of the following methods to sell the new shares in the public offering through the underwriter(s) :

(i) It is proposed for the shareholders meeting to approve the pre-emptive rights to subscribe to the remaining shares to be waived by the shareholders in accordance with Article 28-1 of the Securities and Exchange Act and such remaining shares will be offered to the public via book building. It is proposed that any new preferred shares not subscribed by employees of the Company will be sold to the person(s) designated by the Chairman of the Company at the issue price.

- (ii) It is proposed that 10% of the new shares to be sold to the public through the underwriter(s) in accordance with Article 28-1, Paragraph 2 of the Securities and Exchange Act and the remaining shares will be subscribed to by the existing shareholders of the Company in accordance with their shareholding. It is proposed that any new preferred shares not subscribed by employees and shareholders of the Company will be sold to the person(s) designated by the Chairman of the Company at the issue price.

D. Issuance of Private Placement Shares and/or Private Placement CB:

- a. Basis and reasonableness for determination of the subscription price of the Private Placement Shares and issue price of Private Placement CB:
  - (i) The higher of (x) the simple average closing price of the Company's common shares for either 1, 3 or 5 trading days prior to the pricing date, and (y) the simple average closing price of the Company's common shares for 30 trading days prior to the pricing date, after adjustment for shares issued as stock dividends, shares cancelled in connection with capital reduction and the cash dividends, as the reference price of the Private Placement Shares.
  - (ii) The issue price of the Private Placement Shares shall be no less than 80% of the reference price. It is proposed to authorize the Board to decide the actual issue price within the range approved by the shareholders meeting, depending on the status of finding specific investor(s) and market conditions. The issue price of the Private Placement CB shall be no less than 80% of the theoretical price.
  - (iii) As aforementioned, subscription price of the Private Placement Shares and issue price of Private Placement CB will be determined with reference to the price of the Company's common shares and the theoretical price in accordance with the Regulations Governing Public Companies Issuing Securities in Private Placement and which also provide for three years of transfer restrictions thus, the price should be reasonable.
- b. The method, purpose, necessity and projected benefits to determine specific investor(s):
  - (i) The investors to subscribe to the Private Placement Shares and/or Private Placement CB must meet the qualifications listed in Article 43-6 of the Securities and Exchange Act and are limited to strategic investor(s). Priority will be given to the investor(s) who could benefit the Company's long-term development, competitiveness, and existing shareholders' rights.
  - (ii) The purpose, necessity and projected benefits for choosing strategic investor(s) are to accommodate the Company's operation and development needs to have the strategic investor(s) to assist the Company, directly or indirectly, in its finance, business, manufacturing, technology, procurement, management, and strategy development, etc. so to strengthen the Company's competitiveness and enhance its operational efficiency and long term development and positive effect on shareholder's right and interests.
  - (iii) Currently there is no available specific investor and the Board is fully authorized to determine the specific investor(s).
- c. The necessity of issuance of Private Placement Shares and/or Private Placement CB:
 

Considering the effectiveness and convenience for issuance of the Private Placement Shares/Private Placement CB and accommodating the Company's development planning, including inviting the strategic investor(s), it would be necessary to issue the Private Placement Shares and/or Private Placement CB.
- d. For the Private Placement Shares and/or the new common shares to be issued upon conversion of Private Placement CB, after expiration of three years following delivery date of the Private Placement Shares/Private Placement CB, the Board is authorized to apply for approval from the Taiwan Stock Exchange ("TSE") acknowledging that the Private Placement Shares /new common shares to be issued upon conversion of Private Placement CB meet the requirements for TSE listing before the Company submitting application with the Financial Supervisory Commission for retroactive handling of public issuance of such shares and submitting application with TSE for listing such shares on TSE.
- e. The tentative terms and conditions of the Private Placement CB ("Offering Plan") are shown in Attachment 3 (pages 31-32).

## (3) Use of proceeds, the schedule and the projected benefits:

The Company plans to use the funds raised from the DR Offering and/or issuance of the new common shares in public offering and/or issuance of the Private Placement Shares and/or Private Placement CB to invest in equipment and technology of high-end product, enrich working capital, strengthen financial structure and/or support the Company's funding needs for long term development and after completing the fund raising and it is expected that use of such funds will strengthen the Company's competitiveness and improve operational efficiency.

## (4) The new common shares to be issued to sponsor the DR Offering, the new common shares to be issued in public offering, the new preferred shares to be issued in public offering, Private Placement Shares and the new common shares to be issued upon conversion of Private Placement CB will be issued in the script less form. Except that the Private Placement Shares and the new common shares to be issued upon conversion of Private Placement CB are subject to the selling restrictions within three years after the delivery date of the Private Placement Shares/Private Placement CB under Article 43-8 of the Securities and Exchange Act, the new common shares to be issued to sponsor the DR Offering, the new common shares to be issued in public offering, the Private Placement Shares and the new common shares to be issued upon conversion of Private Placement CB will have the same rights and obligations as the Company's existing issued and outstanding common shares. It is proposed to authorize the Board to determine the rights and obligations of the new preferred shares in accordance with the Article of Incorporation and applicable laws and regulations.

## (5) Under the situation where the issue price of the new common shares to be issued to sponsor the DR Offering, the new common shares to be issued in public offering, new preferred shares to be issued in public offering, Private Placement Shares and the conversion price for the Private Placement CB is set at a price less than the par value due to the market change, the reason for the Company not adopt other fund raising method and the reasonableness for such determination: This is mainly based on considerations of the sound operation of the Company and the security of its financial structure and issuing equity related securities for fund raising is more appropriate than pure debt financing. If the Company decides to use the fund raising methods, such as issuing new shares for cash to sponsor the DR Offering, issuing new common shares for cash in public offering, issuing new preferred shares for cash in public offering, and issuing Private Placement Shares, etc. the Company would not incur any interest of the debt in such case not only the Company's financial risk could be reduced, the Company's financial structure could be improved and the flexibility of the Company's treasury management would also be increased. For issuance of Private Placement CB, if investor converts Private Placement CB into the common shares, such would improve the Company's financial structure and would benefit the Company's long-term development. Thus, it should be reasonable for the Company to issue the equity related securities. If the issue price and the conversion price is less than the par value, such would be expected to cause decrease of the Company's capital surplus and retained earnings in which case the Company will, depending on the actual operating conditions in the future, make up for the losses. As the issue price and the conversion price will be determined in accordance with the relevant regulations, thus, after realization of the benefits of the capital increase, the Company's financial structure will be effectively improved which would be favorable to the Company's long-term development and would not have adverse impact on the rights and benefits of the shareholders.

## (6) After the shareholders meeting approves issuance of new common shares to sponsor the DR Offering, new common shares in public offering, new preferred shares in public offering, the Private Placement Shares and the Private Placement CB, it is proposed for the shareholders meeting to authorize the Board to determine and amend, at the Board's sole discretion, the terms and condition of the new common shares to be issued for the DR Offering and/or in public offering and/or terms and condition of the Private Placement Shares and/or Offering Plan of the Private Placement CB, the plan for the use of proceeds, the schedule and projected benefits and all matters in connection therewith, in accordance with the Company's actual needs, market conditions and relevant regulations and if any amendment thereto is required due to any change of the regulations or as requested by the regulator's order or based on the Company's operation evaluation or change of the market conditions, the Board is authorized to make the required amendments at the Board's sole discretion.



- (7) To complete the fund raising, the Chairman or the Chairman's designee is authorized, on behalf of the Company, to handle all matters relating to, and sign all agreements and documents in connection with, issuance of the new common shares to sponsor the DR Offering, issuance of new common shares in public offering, issuance of new preferred shares in public offering, and issuance of the Private Placement Shares and/or Private Placement CB.
- (8) The Board is authorized to handle all matters at the Board's sole discretion which are not addressed herein in accordance with the applicable laws and regulations.

Resolution:

#### **4. To approve the amendment to the Articles of Incorporation (Proposed by the Board of Directors)**

Explanation:

- (1) To comply with the article of the "Company Act" amended order No. 11000115851 on December 29, 2020, it is proposed to amend the Articles of Incorporation.
- (2) The comparison table for the Articles of Incorporation before and after amendment is attached hereto as Attachment 4 (pages 33-34).

Resolution:

#### **5. To approve the amendment to Handling Procedures for Acquisition (Proposed by the Board of Directors)**

Explanation:

- (1) The Amendment is based on the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" promulgated by SFC on January 28, 2022 (Ref. 1110380465) and comply with the articles and meet actual needs, it is proposed to amend the Handling Procedures for Acquisition or Disposal of Assets.
- (2) The comparison table for before and after the amendment are attached hereto as Attachment 5 (pages 35-40).

Resolution:

#### **6. To lift non-competition restrictions on current directors and their representatives (proposed by the Board of Directors)**

Explanation:

- (1) According to Article 209 of the Company Act, any Director conducting business for himself/herself/itself or on another's behalf, the scope of which business is within the scope of the Company's business, shall explain at the Shareholders' Meeting the essential contents of such conduct, and obtain approval from shareholders in the Meeting.
- (2) It is proposed for the 2022 annual shareholders meeting to approve lifting non-competition restrictions on directors as who may invest or operate a business which is similar to the business scope of the Company.
- (3) The list of non-competition restrictions proposed to be lifted by the Company on each Director is attached hereto as Attachment 6 (page 41).

Resolution:

### **III. Extraordinary Motions**

#### **IV. Meeting Adjourn**

# Independent Auditors' Report and 2021 Financial Statements

## 2021 Consolidated Financial Statements

### Independent Auditors' Report

The Board of Directors of Qisda Corporation:

#### Opinion

We have audited the consolidated financial statements of Qisda Corporation and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to the paragraph on Other Matter of our report), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Qisda Corporation and its subsidiaries as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the International Financial Reporting Standards, International Accounting Standards, interpretations, as well as related guidance endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

#### Basis for Opinion

We conducted our audits of the consolidated financial statements in accordance with the Regulations Governing Auditing and Certification 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 paragraph on the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements of our report. We are independent of Qisda Corporation and its subsidiaries in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. 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 of our opinion.

#### Key Audit Matters

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

Key audit matters for Qisda Corporation and its subsidiaries' consolidated financial statements for the year ended December 31, 2021 are stated as follows:

##### I. Revenue recognition

Please refer to notes 4(r) and 6(y) for the accounting policy on revenue recognition and "Revenue" for the related disclosures, respectively, of the notes to the consolidated financial statements.

##### Description of key audit matter:

Qisda Corporation and its subsidiaries has several operating segments. Each segment engages in different business activities. In addition, Qisda Corporation and its subsidiaries has operations spread globally. Qisda Corporation and its subsidiaries recognizes its revenue depending on the various trade terms in each individual sale transaction, which are considered to be complex in determining the timing of revenue recognition. Therefore, revenue recognition has been identified as one of the key audit matters.

##### How the matter was addressed in our audit:

In relation to the key audit matters above, our principal audit procedures included performing a sample test on testing the design and operating effectiveness of Qisda Corporation and its subsidiaries' internal controls over financial reporting in

the sales and collection cycle; assessing whether revenue is recognized based on the trade terms with customers through reviewing the related sales contracts or other trade documents; performing a sample test on sales transactions that took place before and after the balance sheet date to determine whether the performance obligation has been satisfied by transferring control over the goods to a customer; and assessing the accuracy of the timing of revenue recognition; reviewing and analyzing the reason for significant sales returns and allowances that took place after the balance sheet date, as well as assessing the reasonableness of the revenue and related accrued sales returns and allowances.

## 2. Valuation of inventories

Please refer to notes 4(h), 5 and 6(f) for the inventory accounting policy, “Critical accounting judgments and key sources of estimation uncertainty” for estimation uncertainty of inventory valuation, and “Inventories” for the related disclosures, respectively, of the notes to the consolidated financial statements.

### Description of key audit matter:

Inventories are measured at the lower of cost and net realizable value. Due to the rapid technological innovations and highly competitive environments in the electronic industry, the life cycle of certain products of Qisda Corporation and its subsidiaries are short and their market prices fluctuate rapidly, which could possibly result in a price decline and obsolescence of inventory, wherein the inventory cost may exceed its net realizable value. Therefore, the valuation of inventories has been identified as one of the key audit matters.

### How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included reviewing the inventory of aging report and analyzing the fluctuation of inventory aging; selecting samples to verify the accuracy of the net realizable value of inventories and inventory aging report prepared by Qisda Corporation and its subsidiaries; evaluating whether valuation of inventories was accounted for in accordance with Qisda Corporation and its subsidiaries’ accounting policies; and assessing the historical reasonableness of management’s estimates on inventory provisions.

## 3. Impairment of goodwill

Please refer to notes 4(p), 5 and 6(m) for the accounting policy on impairment of non-financial assets, “Critical accounting judgments and key sources of estimation uncertainty”, for estimation uncertainty of impairment of goodwill, and “Intangible assets”, and for the related disclosures, respectively, of the notes to the consolidated financial statements.

### Description of key audit matter:

Goodwill arising from acquisition of subsidiaries are annually subject to impairment test or when there are indications that goodwill may have been impaired. The assessment of the recoverable amount of goodwill involves management’s judgment and estimation. Accordingly, the assessment of impairment of goodwill has been identified as one of the key audit matters.

### How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included obtaining the assessment of goodwill impairment provided by the management; assessing the appropriateness of the valuation model and key assumptions, including the discount rate, expected growth rate and future cash flow projections, used by the management in measuring the recoverable amount; performing a sensitivity analysis of key assumptions and results; and assessing the adequacy of Qisda Corporation and its subsidiaries’ disclosures with respect to the related information.

## **Other Matter**

We did not audit the financial statements of certain subsidiaries of Qisda Corporation and its subsidiaries. Those financial statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those subsidiaries, is based solely on the report of other auditors. The financial statements of those subsidiaries reflect the total assets amounting to NT\$9,990,395 thousand and NT\$11,354,280 thousand, respectively, constituting 5.34% and 6.65%, respectively, of the consolidated total assets as of December 31, 2021 and 2020, and the total operating revenues amounting to NT\$9,383,428 thousand and NT\$10,841,023 thousand, respectively, constituting 4.15% and 5.66%, respectively, of the consolidated total operating revenues for the years ended December 31, 2021 and 2020.

Qisda Corporation has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2021 and 2020, on which we have issued an unmodified opinion with other matter section.

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

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

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

Those charged with governance (including members of the Audit Committee) are responsible for overseeing Qisda Corporation and its subsidiaries' financial reporting process.

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 exercised professional judgment and maintained 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 Qisda Corporation and its subsidiaries' internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Qisda Corporation and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Qisda Corporation 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 disclosures, 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 Qisda Corporation 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 remained solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' audit report are Huei-Chen Chang and Wei-Ming Shih.

KPMG

Taipei, Taiwan (Republic of China)

March 7, 2022

#### **Notes to Readers**

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

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**QISDA CORPORATION AND SUBSIDIARIES****Consolidated Balance Sheets****December 31, 2021 and 2020****(Expressed in Thousands of New Taiwan Dollars)**

	<b>December 31, 2021</b>		<b>December 31, 2020</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>Assets</b>				
<b>Current assets:</b>				
I100 Cash and cash equivalents	\$ 17,781,480	10	22,540,418	13
I110 Financial assets at fair value through profit or loss—current	133,212	-	389,043	-
I120 Financial assets at fair value through other comprehensive income — current	102,037	-	96,281	-
I170 Notes and accounts receivable, net	29,999,477	16	33,221,557	19
I181 Notes and accounts receivable from related parties	3,007,620	2	3,280,369	2
I200 Other receivables	852,087	-	675,888	-
I210 Other receivables from related parties	304,166	-	302,399	-
I30X Inventories	50,147,906	27	35,139,333	21
I470 Other current assets	3,069,555	2	3,076,818	2
I476 Other financial assets—current	4,046,389	2	2,709,546	2
I461 Non-current assets held for sale	476,511	-	892,117	1
<b>Total current assets</b>	<b>109,920,440</b>	<b>59</b>	<b>102,323,769</b>	<b>60</b>
<b>Non-current assets:</b>				
I510 Financial assets at fair value through profit or loss—non-current	354,333	-	173,731	-
I517 Financial assets at fair value through other comprehensive income — non-current	18,047,059	10	1,381,399	1
I550 Investments accounted for using the equity method	4,067,106	2	16,308,434	10
I600 Property, plant and equipment	33,037,041	18	30,188,228	18
I755 Right-of-use assets	4,613,883	2	4,706,556	3
I760 Investment property	3,408,285	2	3,561,030	2
I780 Intangible assets	10,538,787	6	9,118,895	5
I840 Deferred income tax assets	1,733,297	1	1,727,832	1
I900 Other non-current assets	386,454	-	358,923	-
I980 Other financial assets—non-current	1,103,910	-	963,152	-
<b>Total non-current assets</b>	<b>77,290,155</b>	<b>41</b>	<b>68,488,180</b>	<b>40</b>
<b>Total assets</b>	<b>\$ 187,210,595</b>	<b>100</b>	<b>170,811,949</b>	<b>100</b>

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**QISDA CORPORATION AND SUBSIDIARIES****Consolidated Balance Sheets****December 31, 2020 and 2019****(Expressed in Thousands of New Taiwan Dollars)**

		<b>December 31, 2021</b>		<b>December 31, 2020</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>Liabilities and Equity</b>					
<b>Current liabilities:</b>					
2100	Short-term borrowings	\$ 24,295,022	13	21,131,930	12
2120	Financial liabilities at fair value through profit or loss – current	78,178	-	139,661	-
2130	Contract liabilities – current	2,431,400	1	1,862,107	1
2170	Notes and accounts payable	39,319,708	21	38,398,784	23
2180	Accounts payable to related parties	1,465,399	1	2,127,536	1
2200	Other payables	12,863,465	7	12,015,217	7
2220	Other payables to related parties	27,307	-	16,151	-
2230	Current tax liabilities	1,540,749	1	1,316,090	1
2260	Liabilities related to non-current assets held for sale	-	-	358,207	-
2300	Other current liabilities	878,646	-	796,592	1
2365	Refund liabilities—current	2,884,556	2	2,340,052	1
2321	Current portion of bonds payable	461,471	-	526,507	-
2322	Current portion of long-term debt	714,857	-	536,537	-
2280	Lease liabilities – current	466,245	-	455,040	-
2250	Provisions – current	906,468	1	808,823	1
	<b>Total current liabilities</b>	<b>88,333,471</b>	<b>47</b>	<b>82,829,234</b>	<b>48</b>
<b>Non-current liabilities:</b>					
2503	Financial liabilities at fair value through profit or loss – non-current	97,986	-	78,123	-
2540	Long-term debt	26,702,353	14	22,366,798	13
2580	Lease liabilities – non-current	1,524,736	1	1,565,596	1
2550	Provisions – non-current	743,366	1	687,601	-
2570	Deferred income tax liabilities	2,355,169	1	1,674,510	1
2670	Other non-current liabilities	1,290,751	1	2,646,867	2
	<b>Total non-current liabilities</b>	<b>32,714,361</b>	<b>18</b>	<b>29,019,495</b>	<b>17</b>
	<b>Total liabilities</b>	<b>121,047,832</b>	<b>65</b>	<b>111,848,729</b>	<b>65</b>
<b>Equity attributable to shareholders of the Company:</b>					
3110	Common stock	19,667,820	11	19,667,820	12
3260	Capital surplus	1,844,310	1	1,879,501	1
3300	Retained earnings	20,777,515	11	15,742,825	9
3400	Other equity	(833,222)	(1)	(1,264,645)	(1)
	<b>Total equity attributable to shareholders of the Company</b>	<b>41,456,423</b>	<b>22</b>	<b>36,025,501</b>	<b>21</b>
36XX	Non-controlling interests	24,706,340	13	22,937,719	14
	<b>Total equity</b>	<b>66,162,763</b>	<b>35</b>	<b>58,963,220</b>	<b>35</b>
	<b>Total liabilities and equity</b>	<b>\$187,210,595</b>	<b>100</b>	<b>170,811,949</b>	<b>100</b>

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**QISDA CORPORATION 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)

	2021		2020	
	Amount	%	Amount	%
4000 <b>Operating revenues</b>	\$ 225,961,031	100	191,701,702	100
5000 <b>Operating costs</b>	<u>(193,404,414)</u>	<u>(86)</u>	<u>(164,874,913)</u>	<u>(86)</u>
<b>Gross profit</b>	<u>32,556,617</u>	<u>14</u>	<u>26,826,789</u>	<u>14</u>
<b>Operating expenses :</b>				
6100 Selling expenses	(12,974,544)	(6)	(10,666,420)	(6)
6200 Administrative expenses	(5,964,924)	(2)	(4,682,842)	(2)
6300 Research and development expenses	(6,260,312)	(3)	(4,920,678)	(3)
6450 Reversal of impairment loss (expected credit loss)	4,129	-	56,005	-
<b>Total operating expenses</b>	<u>(25,195,651)</u>	<u>(11)</u>	<u>(20,213,935)</u>	<u>(11)</u>
<b>Operating income</b>	<u>7,360,966</u>	<u>3</u>	<u>6,612,854</u>	<u>3</u>
<b>Non-operating income and loss:</b>				
7100 Interest income	269,105	-	292,609	-
7010 Other income	451,927	-	183,320	-
7020 Other gains and losses—net	3,991,284	2	1,382,283	1
7050 Finance costs	(688,562)	-	(757,999)	-
7060 Share of profits (losses) of associates and joint ventures	1,607,626	1	499,569	-
<b>Total non-operating income and loss</b>	<u>5,631,380</u>	<u>3</u>	<u>1,599,782</u>	<u>1</u>
<b>Income before income tax</b>	12,992,346	6	8,212,636	4
7950 <b>Less: Income tax expense</b>	<u>(2,509,489)</u>	<u>(1)</u>	<u>(1,846,075)</u>	<u>(1)</u>
<b>Net income</b>	<u>10,482,857</u>	<u>5</u>	<u>6,366,561</u>	<u>3</u>
<b>Other comprehensive income (loss):</b>				
8310 <b>Items that will not be reclassified subsequently to profit or loss</b>				
8311 Remeasurements of defined benefit plans	(77,520)	-	(51,838)	-
Unrealized gains (losses) from investments in equity instruments				
8316 measured at fair value through other comprehensive income	1,254,833	-	176,109	-
8320 Share of other comprehensive income (loss) of associates	22,669	-	287,056	-
8349 Less: income tax related to items that will not be reclassified subsequently to profit or loss	158,363	-	-	-
	<u>1,041,619</u>	<u>-</u>	<u>411,327</u>	<u>-</u>
8360 <b>Items that may be reclassified subsequently to profit or loss</b>				
8361 Exchange differences on translation of foreign operations	(265,093)	-	(652,622)	-
8370 Share of other comprehensive loss of associates and joint ventures	(103,275)	-	(86,899)	-
8399 Less: income tax related to items that may be reclassified subsequently to profit or loss	-	-	-	-
	<u>(368,368)</u>	<u>-</u>	<u>(739,521)</u>	<u>-</u>
<b>Other comprehensive income (loss) for the year, net of income tax</b>	<u>673,251</u>	<u>-</u>	<u>(328,194)</u>	<u>-</u>
<b>Total comprehensive income (loss) for the year</b>	<u>\$ 11,156,108</u>	<u>5</u>	<u>6,038,367</u>	<u>3</u>
<b>Net income attributable to:</b>				
8610 Shareholders of the Company	\$ 8,307,546	4	4,988,479	2
8620 Non-controlling interests	2,175,311	1	1,378,082	1
	<u>\$ 10,482,857</u>	<u>5</u>	<u>6,366,561</u>	<u>3</u>
<b>Total comprehensive income attributable to:</b>				
8710 Shareholders of the Company	\$ 9,051,873	4	4,630,462	2
8720 Non-controlling interests	2,104,235	1	1,407,905	1
	<u>\$ 11,156,108</u>	<u>5</u>	<u>6,038,367</u>	<u>3</u>
<b>Earnings per share (in New Taiwan Dollars):</b>				
9750 Basic earnings per share	<u>\$ 4.22</u>		<u>2.54</u>	
9850 Diluted earnings per share	<u>\$ 4.17</u>		<u>2.51</u>	



(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Consolidated Statements of Changes in Equity**  
**For the years ended December 31, 2021 and 2020**  
(Expressed in Thousands of New Taiwan Dollars)

	Attributable to shareholders of the Company														
	Retained earnings						Other equity interest								
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total retained earnings	Foreign currency translation differences	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income			Remeasurements of defined benefit plans	Total other equity interest	Total equity of the Company	Non-controlling interests	Total equity
								comprehensive income	benefit plans	equity interest					
<b>Balance at January 1, 2020</b>	\$ 19,667,820	2,220,653	1,826,479	168,422	10,669,093	12,663,994	(657,512)	410,052	(361,048)	(608,508)	33,943,959	14,091,635	48,035,594		
Net income in 2020	-	-	-	-	4,988,479	4,988,479	-	-	-	-	4,988,479	1,378,082	6,366,561		
Other comprehensive income (loss) in 2020	-	-	-	-	-	-	(756,355)	459,397	(61,059)	(358,017)	(358,017)	29,823	(328,194)		
Total comprehensive income (loss) in 2020	-	-	-	-	4,988,479	4,988,479	(756,355)	459,397	(61,059)	(358,017)	4,630,462	1,407,905	6,038,367		
Appropriation of earnings:															
Legal reserve	-	-	357,505	-	(357,505)	-	-	-	-	-	-	-	-		
Special reserve	-	-	-	440,086	(440,086)	-	-	-	-	-	-	-	-		
Cash dividends distributed to shareholders	-	-	-	-	(1,475,086)	(1,475,086)	-	-	-	-	(1,475,086)	-	(1,475,086)		
Changes in equity of associates and joint ventures accounted for using the equity method	-	(124,813)	-	-	-	-	-	-	-	-	(124,813)	3,279	(121,534)		
Distribution of cash dividend by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(953,794)	(953,794)		
Capital injection from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	163,598	163,598		
Difference between consideration and carrying amount arising from acquisition or disposal of shares in subsidiaries	-	(168,911)	-	-	(732,682)	(732,682)	-	-	-	-	(901,593)	(2,331,395)	(3,232,988)		
Changes in ownership interests in subsidiary	-	(47,428)	-	-	-	-	-	-	-	-	(47,428)	47,428	-		
Stock option compensation cost of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	9,381	9,381		
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	10,499,682	10,499,682		
Disposal of financial assets at fair value through other comprehensive income	-	-	-	-	298,120	298,120	-	(298,120)	-	(298,120)	-	-	-		
<b>Balance at December 31, 2020</b>	<b>19,667,820</b>	<b>1,879,501</b>	<b>2,183,984</b>	<b>608,508</b>	<b>12,950,333</b>	<b>15,742,825</b>	<b>(1,413,867)</b>	<b>571,329</b>	<b>(422,107)</b>	<b>(1,264,645)</b>	<b>36,025,501</b>	<b>22,937,719</b>	<b>58,963,220</b>		
Net income in 2021	-	-	-	-	8,307,546	8,307,546	-	-	-	-	8,307,546	2,175,311	10,482,857		
Other comprehensive income (loss) in 2021	-	-	-	-	-	-	(309,370)	1,120,142	(66,445)	744,327	744,327	(71,076)	673,251		
Total comprehensive income (loss) in 2021	-	-	-	-	8,307,546	8,307,546	(309,370)	1,120,142	(66,445)	744,327	9,051,873	2,104,235	11,156,108		
Appropriation of earnings:															
Legal reserve	-	-	455,392	-	(455,392)	-	-	-	-	-	-	-	-		
Special reserve	-	-	-	656,137	(656,137)	-	-	-	-	-	-	-	-		
Cash dividends distributed to shareholders	-	-	-	-	(2,950,173)	(2,950,173)	-	-	-	-	(2,950,173)	-	(2,950,173)		
Changes in equity of associates and joint ventures accounted for using the equity method	-	(43,560)	-	-	-	-	-	-	-	-	(43,560)	(2,038)	(45,598)		
Distribution of cash dividend by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(1,255,076)	(1,255,076)		
Capital injection from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	77,547	77,547		
Difference between consideration and carrying amount arising from acquisition or disposal of shares in subsidiaries	-	-	-	-	(635,587)	(635,587)	-	-	-	-	(635,587)	(1,328,653)	(1,964,240)		
Changes in ownership interests in subsidiaries	-	8,369	-	-	-	-	-	-	-	-	8,369	(8,369)	-		
Stock option compensation cost of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	7,754	7,754		
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	2,173,221	2,173,221		
Disposal of financial assets measured at fair value through other comprehensive income	-	-	-	-	312,904	312,904	-	(312,904)	-	(312,904)	-	-	-		
<b>Balance at December 31, 2021</b>	<b>\$ 19,667,820</b>	<b>1,844,310</b>	<b>2,639,376</b>	<b>1,264,645</b>	<b>16,873,494</b>	<b>20,777,515</b>	<b>(1,723,237)</b>	<b>1,378,567</b>	<b>(488,552)</b>	<b>(833,222)</b>	<b>41,456,423</b>	<b>24,706,340</b>	<b>66,162,763</b>		

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

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

	<u>2021</u>	<u>2020</u>
<b>Cash flows from operating activities:</b>		
Income before income tax	\$ 12,992,346	8,212,636
<b>Adjustments for:</b>		
<b>Adjustments to reconcile profit or loss:</b>		
Depreciation	3,803,113	3,231,959
Amortization	993,130	643,665
Reversal of impairment loss	(4,129)	(56,005)
Interest expense	688,562	757,999
Interest income	(269,105)	(292,609)
Dividend income	(284,449)	(71,863)
Share-based compensation cost	7,754	9,381
Share of losses (profits) of associates and joint ventures	(1,607,626)	(499,569)
Loss on disposal of property, plant and equipment	41,746	138
Gain on disposal of non-current assets and the related liabilities held for sale	(545,594)	-
Gain on disposal of investments	(3,050,616)	(690,884)
Gain on bargain purchase	(99)	-
Impairment loss on intangible assets	-	6,585
Impairment loss on investments accounted for using the equity method	6,632	-
Total adjustments to reconcile profit	<u>(220,681)</u>	<u>3,038,797</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Increase in financial assets at fair value through profit or loss	(40,017)	(74,056)
Decrease in notes and accounts receivable	3,998,156	1,516,316
Decrease (increase) in notes and accounts receivable from related parties	272,749	(884,563)
Increase in other receivables	(51,154)	(68,086)
Increase in other receivables from related parties	(1,767)	(17,949)
Decrease (increase) in inventories	(13,426,265)	329,998
Decrease (increase) in other current assets	88,483	(353,054)
Decrease (increase) in other non-current assets	2,840	(113,240)
Net changes in operating assets	<u>(9,156,975)</u>	<u>335,366</u>
Changes in operating liabilities:		
Increase (decrease) in financial liabilities at fair value through profit or loss	(64,918)	62,902
Increase (decrease) in notes and accounts payable	(330,743)	2,820,049
Increase (decrease) in accounts payable to related parties	(662,137)	283,246
Increase (decrease) in other payables to related parties	11,156	(1,237)
Increase in provisions	146,905	241,706
Increase (decrease) in contract liabilities	523,207	(167,797)
Increase in other payables and other current liabilities	722,183	856,091
Decrease in other non-current liabilities	(79,023)	(62,441)
Net changes in operating liabilities	<u>266,630</u>	<u>4,032,519</u>
Total changes in operating assets and liabilities	<u>(8,890,345)</u>	<u>4,367,885</u>
Total adjustments	<u>(9,111,026)</u>	<u>7,406,682</u>
Cash provided by operations	3,881,320	15,619,318
Interest received	212,973	277,138
Dividends received	475,319	367,769
Interest paid	(700,190)	(833,269)
Income taxes paid	(1,754,567)	(862,207)
<b>Net cash provided by operating activities</b>	<u>2,114,855</u>	<u>14,568,749</u>

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**QISDA CORPORATION AND SUBSIDIARIES**  
**Consolidated Statements of Cash Flows (Continued)**  
**For the years ended December 31, 2021 and 2020**  
**(Expressed in Thousands of New Taiwan Dollars)**

	2021	2020
<b>Cash flows from investing activities:</b>		
Purchase of financial assets at fair value through other comprehensive income	\$ (69,187)	(61,500)
Proceeds from disposal of financial assets at fair value through other comprehensive income	388,905	259,792
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	-	49,878
Purchase of financial assets at fair value through profit or loss	(100,000)	(579,752)
Proceeds from disposal of financial assets at fair value through profit or loss	192,935	953,451
Purchase of investments accounted for using the equity method	(226,672)	(635,525)
Proceeds from disposal of investments accounted for using the equity method	1,231,460	20,000
Proceeds from disposal of subsidiaries	46,246	-
Proceeds from capital reduction of investments accounted for using the equity method	2,372	-
Proceeds from disposal of non-current assets and related liabilities held for sale	1,353,374	-
Cash decrease in disposal groups classified as held for sale	-	(107,704)
Additions to property, plant and equipment	(6,099,493)	(4,722,802)
Proceeds from disposal of property, plant and equipment	384,198	137,680
Additions to intangible assets	(614,706)	(232,477)
Additions to investment property	-	(6,148)
Decrease (increase) in other financial assets	(1,253,318)	1,695,224
Net cash received (paid) for acquisition of subsidiaries	(975,093)	1,952,767
<b>Net cash flows used in investing activities</b>	<b>(5,738,979)</b>	<b>(1,277,116)</b>
<b>Cash flows from financing activities:</b>		
Increase in short-term borrowings	15,186,600	5,549,460
Repayments of short-term borrowings	(12,281,227)	(7,384,732)
Increase in long-term debt	15,306,462	16,566,501
Repayments of long-term debt	(10,897,134)	(10,878,626)
Increase (decrease) in guarantee deposits received	(1,342,457)	15,579
Payment of lease liabilities	(541,109)	(505,312)
Cash dividends distributed to shareholders	(2,950,173)	(1,475,086)
Cash dividends paid to non-controlling interests	(1,255,076)	(953,794)
Acquisition of subsidiary's interests from non-controlling interests	(1,969,456)	(3,232,988)
Proceeds from disposal of subsidiary's interests (without losing control)	5,216	-
Capital injection from non-controlling interests	77,547	163,598
<b>Net cash used in financing activities</b>	<b>(660,807)</b>	<b>(2,135,400)</b>
<b>Effects of foreign exchange rate changes</b>	<b>(474,007)</b>	<b>603,678</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(4,758,938)</b>	<b>11,759,911</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>22,540,418</b>	<b>10,780,507</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 17,781,480</b>	<b>22,540,418</b>

**2021 Parent Company Only Financial Statements****Independent Auditors' Report**

The Board of Directors of Qisda Corporation:

**Opinion**

We have audited the parent-company-only financial statements of Qisda Corporation (the "Company"), which comprise the parent-company-only balance sheets as of December 31, 2021 and 2020, and the parent-company-only statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent-company-only financial statements, including a summary of significant accounting policies.

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

**Basis for Opinion**

We conducted our audits of the parent-company-only financial statements in accordance with the Regulations Governing Auditing and Certification 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 paragraph on the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. 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 of our opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent-company-only financial statements of the current period. These matters were addressed in the context of our audit of the parent-company-only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Company's parent-company-only financial statements for the year ended December 31, 2021 are stated as follows:

**I. Revenue recognition**

Please refer to notes 4(p) and 6(u) for the accounting policy on revenue recognition and "Revenue" for the related disclosures, respectively, of the notes to the parent-company-only financial statements.

**Description of key audit matter:**

The Company recognizes its revenue depending on the various trade terms in each individual sale transaction, which are considered to be complex in determining the timing of revenue recognition. Therefore, revenue recognition has been identified as one of the key audit matters.

**How the matter was addressed in our audit:**

In relation to the key audit matters above, our principal audit procedures included performing a sample test on testing the design and operating effectiveness of the Company's internal controls over financial reporting in the sales and collection cycle; assessing whether revenue is recognized based on the trade terms with customers through reviewing the related sales contracts or other trade documents; performing a sample test on the sales transactions that took place before and after the balance sheet date to determine whether the performance obligation has been satisfied by transferring control over the goods to a customer; and assessing the accuracy of the timing of revenue recognition; reviewing and analyzing the reason for significant sales returns and allowances that took place after the balance sheet date, as well as assessing the reasonableness of the revenue and related accrued sales returns and allowances.

## 2. Valuation of inventories

Please refer to notes 4(g), 5 and 6(f) for the inventory accounting policy, “Critical accounting judgments and key sources of estimation uncertainty” for estimation uncertainty of inventory valuation, and “Inventories” for the related disclosures, respectively, of the notes to the parent-company-only financial statements.

### Description of key audit matter:

Inventories are measured at the lower of cost and net realizable value. Due to the rapid technological innovations and highly competitive environments in the electronic industry, the life cycle of certain products of the Company are short and their market prices fluctuate rapidly, which could possibly result in a price decline and obsolescence of inventory, wherein the inventory cost may exceed its net realizable value. Therefore, the valuation of inventories has been identified as one of the key audit matters.

### How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included reviewing the inventory of aging report and analyzing the fluctuation of inventory aging; selecting samples to verify the accuracy of the net realizable value of inventories and inventory aging report prepared by the Company; evaluating whether valuation of inventories was accounted for in accordance with the Company’s accounting policies; and assessing the historical reasonableness of management’s estimates on inventory provisions.

## 3. Assessment of impairment of goodwill from investments in subsidiaries

Please refer to notes 4(n), 5 and 6(g) for the accounting policy on impairment of non-financial assets, “Critical accounting judgments and key sources of estimation uncertainty”, for the estimation uncertainty of impairment of goodwill, and “Investments accounted for using the equity method,” and for the related disclosures, respectively, of the notes to the parent-company-only financial statements.

### Description of key audit matter:

Goodwill arising from acquisition of subsidiaries, which are included in the carrying amount of investments accounted for using the equity method. Goodwill are annually subject to impairment test or when there are indications that goodwill may have been impaired. The assessment of the recoverable amount of goodwill involves management’s judgment and estimation. Accordingly, the assessment of impairment of goodwill has been identified as one of the key audit matters.

### How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included obtaining the assessment of goodwill impairment provided by the management; assessing the appropriateness of the valuation model and key assumptions, including the discount rate, expected growth rate and future cash flow projections, used by the management in measuring the recoverable amount; performing a sensitivity analysis of key assumptions and results; and assessing the adequacy of the Company’s disclosures with respect to the related information.

## **Other Matter**

We did not audit the financial statements of certain investees accounted for using the equity method of the Company. Those financial statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those investees, is based solely on the report of other auditors. Those investments accounted for using the equity method amounted to NT\$1,992,489 thousand and NT\$5,666,505 thousand, respectively, constituting 2.05% and 6.27%, respectively, of the total assets as of December 31, 2021 and 2020, and the related shares of profit of subsidiaries, associates and joint ventures amounted to NT\$206,959 thousand and NT\$260,766 thousand, respectively, constituting 2.45% and 4.97%, respectively, of the total income before income 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 Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of parent-company-only financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Company's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the parent-company-only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 exercised professional judgment and maintained professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent-company-only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 disclosures, and whether the parent-company-only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the investees accounted for using the equity method to express an opinion on the parent-company-only financial statements. We are responsible for the direction, supervision and performance of the audit. We remained solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent-company-only financial statements for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Huei-Chen Chang and Wei-Ming Shih.

KPMG

Taipei, Taiwan (Republic of China)

March 7, 2022

#### **Notes to Readers**

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

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

(English Translation of Financial Statements Originally Issued in Chinese)

**QISDA CORPORATION**  
**Parent-Company-Only Balance Sheets**  
**December 31, 2021 and 2020**  
(Expressed in Thousands of New Taiwan Dollars)

	<b>December 31, 2021</b>		<b>December 31, 2020</b>		
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	
<b>Assets</b>					
<b>Current assets:</b>					
I100	Cash and cash equivalents	\$ 794,594	1	865,308	1
I110	Financial assets at fair value through profit or loss—current	7,618	-	56,157	-
I170	Notes and accounts receivable, net	7,335,535	8	9,073,131	10
I181	Notes and accounts receivable from related parties	12,802,517	13	14,017,651	16
I200	Other receivables	89,702	-	1	-
I210	Other receivables from related parties	4,179	-	2,531	-
I30X	Inventories	5,872,381	6	4,433,192	5
I470	Other current assets	<u>156,757</u>	-	<u>109,930</u>	-
	<b>Total current assets</b>	<u>27,063,283</u>	<u>28</u>	<u>28,557,901</u>	<u>32</u>
<b>Non-current assets:</b>					
	Financial assets at fair value through other comprehensive income				
I517	— non-current	15,253,712	16	37,438	-
I550	Investments accounted for using the equity method	51,223,148	53	58,752,284	65
I600	Property, plant and equipment	1,949,691	2	1,513,839	2
I755	Right-of-use assets	473,693	-	550,191	1
I760	Investment property	221,622	-	262,739	-
I780	Intangible assets	225,918	-	12,327	-
I840	Deferred income tax assets	494,584	1	436,876	-
I900	Other non-current assets	27,333	-	101,771	-
I980	Other financial assets—non-current	<u>276,900</u>	-	<u>122,110</u>	-
	<b>Total non-current assets</b>	<u>70,146,601</u>	<u>72</u>	<u>61,789,575</u>	<u>68</u>
	<b>Total assets</b>	<u><b>\$ 97,209,884</b></u>	<u><b>100</b></u>	<u><b>90,347,476</b></u>	<u><b>100</b></u>



(English Translation of Financial Statements Originally Issued in Chinese)

**QISDA CORPORATION****Parent-Company-Only Balance Sheets****December 31, 2021 and 2020****(Expressed in Thousands of New Taiwan Dollars)**

		<b>December 31, 2021</b>		<b>December 31, 2020</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>Liabilities and Equity</b>					
<b>Current liabilities:</b>					
2100	Short-term borrowings	\$ 3,417,200	4	6,227,600	7
2120	Financial liabilities at fair value through profit or loss—current	20,375	-	8,744	-
2130	Contract liabilities—current	556,308	1	305,119	-
2170	Notes and accounts payable	1,508,326	2	1,311,156	2
2180	Accounts payable to related parties	23,589,792	24	23,527,390	26
2200	Other payables	2,147,452	2	1,735,355	2
2220	Other payables to related parties	725	-	5,865	-
2230	Current tax liabilities	217,329	-	241,607	-
2322	Current portion of long-term debt	495,733	-	425,226	-
2280	Lease liabilities—current	125,831	-	118,054	-
2250	Provisions—current	24,329	-	26,371	-
2300	Other current liabilities	79,548	-	81,721	-
2365	Refund liabilities—current	1,800,075	2	1,247,436	2
	<b>Total current liabilities</b>	<b>33,983,023</b>	<b>35</b>	<b>35,261,644</b>	<b>39</b>
<b>Non-current liabilities:</b>					
2540	Long-term debt	20,556,869	21	17,819,303	20
2580	Lease liabilities—non-current	637,277	1	753,499	1
2550	Provisions—non-current	82,479	-	75,259	-
2570	Deferred income tax liabilities	50,727	-	21,745	-
2600	Other non-current liabilities	443,086	-	390,525	-
	<b>Total non-current liabilities</b>	<b>21,770,438</b>	<b>22</b>	<b>19,060,331</b>	<b>21</b>
	<b>Total liabilities</b>	<b>55,753,461</b>	<b>57</b>	<b>54,321,975</b>	<b>60</b>
<b>Equity:</b>					
3110	Common stock	19,667,820	20	19,667,820	22
3200	Capital surplus	1,844,310	2	1,879,501	2
3300	Retained earnings	20,777,515	22	15,742,825	17
3400	Other equity	(833,222)	(1)	(1,264,645)	(1)
	<b>Total equity</b>	<b>41,456,423</b>	<b>43</b>	<b>36,025,501</b>	<b>40</b>
	<b>Total liabilities and equity</b>	<b>\$ 97,209,884</b>	<b>100</b>	<b>90,347,476</b>	<b>100</b>

(English Translation of Financial Statements Originally Issued in Chinese)

**QISDA CORPORATION****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)**

	2021		2020	
	Amount	%	Amount	%
4000 <b>Operating revenues</b>	\$ 104,634,583	100	92,411,291	100
5000 <b>Operating costs</b>	(100,446,928)	(96)	(87,422,698)	(95)
<b>Gross profit</b>	4,187,655	4	4,988,593	5
5910 Unrealized profit or loss on sales to subsidiaries, associated and joint ventures	303,439	-	100,943	-
<b>Realized or loss gross profit</b>	4,491,094	4	5,089,536	5
<b>Operating expenses :</b>				
6100 Selling expenses	(1,178,455)	(1)	(1,089,249)	(1)
6200 Administrative expenses	(959,555)	(1)	(861,008)	(1)
6300 Research and development expenses	(2,274,898)	(2)	(2,161,744)	(2)
6450 Reversal of impairment loss (expected credit losses)	(14,877)	-	3,876	-
<b>Total operating expenses</b>	(4,427,785)	(4)	(4,108,125)	(4)
<b>Operating income</b>	63,309	-	981,411	1
<b>Non-operating income and loss:</b>				
7100 Interest income	2,618	-	11,344	-
7010 Other income	351,975	-	169,874	-
7020 Other gains and losses—net	2,103,115	2	705,622	1
7050 Finance costs	(371,194)	-	(362,091)	-
7375 Share of profit of subsidiaries, associates and joint ventures	6,293,736	6	3,744,772	4
<b>Total non-operating income and loss</b>	8,380,250	8	4,269,521	5
<b>Income before income tax</b>	8,443,559	8	5,250,932	6
7950 <b>Income tax expense</b>	(136,013)	-	(262,453)	(1)
<b>Net income</b>	8,307,546	8	4,988,479	5
<b>Other comprehensive income:</b>				
8310 <b>Items that will not be reclassified subsequently to profit or loss</b>				
8311 Remeasurements of defined benefit plans	(44,539)	-	(84,860)	-
8316 Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(842,812)	(1)	(11,000)	-
8320 Share of other comprehensive income of subsidiaries, associates and joint ventures	1,941,048	2	494,198	-
8349 Less: income tax related to items that will not be reclassified subsequently to profit or loss	-	-	-	-
	1,053,697	1	398,338	-
8360 <b>Items that may be reclassified subsequently to profit or loss</b>				
8361 Exchange differences on translation of foreign operations	(309,370)	-	(756,355)	-
8399 Less: income tax related to items that may be reclassified subsequently to profit or loss	-	-	-	-
	(309,370)	-	(756,355)	-
<b>Other comprehensive income for the year, net of income tax</b>	744,327	1	(358,017)	-
<b>Total comprehensive income for the year</b>	\$ 9,051,873	9	4,630,462	5
<b>Earnings per share (in New Taiwan dollars) :</b>				
9750 Basic earnings per share	\$ 4.22		2.54	
9850 Diluted earnings per share	\$ 4.17		2.51	

(English Translation of Financial Statements Originally Issued in Chinese)

QISDA CORPORATION

Parent-Company-Only Statements of Changes in Equity

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings					Total other equity interest					Total equity
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total retained earnings	Foreign currency translation differences	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total other equity interest	
<b>Balance at January 1, 2020</b>	\$ 19,667,820	2,220,653	1,826,479	168,422	10,669,093	12,663,994	(657,512)	410,052	(361,048)	(608,508)	33,943,959
Net income in 2020	-	-	-	-	4,988,479	4,988,479	-	-	-	-	4,988,479
Other comprehensive income (loss) in 2020	-	-	-	-	-	-	(756,355)	459,397	(61,059)	(358,017)	(358,017)
Total comprehensive income (loss) in 2020	-	-	-	-	4,988,479	4,988,479	(756,355)	459,397	(61,059)	(358,017)	4,630,462
Appropriation of earnings:											
Legal reserve	-	-	357,505	-	(357,505)	-	-	-	-	-	-
Special reserve	-	-	-	440,086	(440,086)	-	-	-	-	-	-
Cash dividends distributed to shareholders	-	-	-	-	(1,475,086)	(1,475,086)	-	-	-	-	(1,475,086)
Changes in equity of subsidiaries, associates and joint ventures accounted for using the equity method	-	(172,241)	-	-	-	-	-	-	-	-	(172,241)
Difference between consideration and carrying amount arising from acquisition or disposal of shares in subsidiaries	-	(168,911)	-	-	(732,682)	(732,682)	-	-	-	-	(901,593)
Disposal of financial assets measured at fair value through other comprehensive income by subsidiaries	-	-	-	-	298,120	298,120	-	(298,120)	-	(298,120)	-
<b>Balance at December 31, 2020</b>	19,667,820	1,879,501	2,183,984	608,508	12,950,333	15,742,825	(1,413,867)	571,329	(422,107)	(1,264,645)	36,025,501
Net income in 2021	-	-	-	-	8,307,546	8,307,546	-	-	-	-	8,307,546
Other comprehensive income (loss) in 2021	-	-	-	-	-	-	(309,370)	1,120,142	(66,445)	744,327	744,327
Total comprehensive income (loss) in 2021	-	-	-	-	8,307,546	8,307,546	(309,370)	1,120,142	(66,445)	744,327	9,051,873
Appropriation of earnings:											
Legal reserve	-	-	455,392	-	(455,392)	-	-	-	-	-	-
Special reserve	-	-	-	656,137	(656,137)	-	-	-	-	-	-
Cash dividends distributed to shareholders	-	-	-	-	(2,950,173)	(2,950,173)	-	-	-	-	(2,950,173)
Changes in equity of subsidiaries, associates and joint ventures accounted for using the equity method	-	(35,191)	-	-	-	-	-	-	-	-	(35,191)
Difference between consideration and carrying amount arising from acquisition or disposal of shares in subsidiaries	-	-	-	-	(635,587)	(635,587)	-	-	-	-	(635,587)
Disposal of financial assets measured at fair value through other comprehensive income by associates and subsidiaries	-	-	-	-	312,904	312,904	-	(312,904)	-	(312,904)	-
<b>Balance at December 31, 2021</b>	\$ 19,667,820	1,844,310	2,639,376	1,264,645	16,873,494	20,777,515	(1,723,237)	1,378,567	(488,552)	(833,222)	41,456,423

(English Translation of Financial Statements Originally Issued in Chinese)

**QISDA CORPORATION****Parent-Company-Only Statements of Cash Flows****For the years ended December 31, 2021 and 2020****(Expressed in Thousands of New Taiwan Dollars)**

	<u>2021</u>	<u>2020</u>
<b>Cash flows from operating activities:</b>		
Income before income tax	\$ 8,443,559	5,250,932
<b>Adjustments for:</b>		
<b>Adjustments to reconcile profit or loss:</b>		
Depreciation	235,420	221,622
Amortization	32,838	19,553
Expected credit loss (reversal of impairment loss)	14,877	(3,876)
Interest expense	371,194	362,091
Interest income	(2,618)	(11,344)
Dividend income	(200,467)	(1,750)
Share of profits of subsidiaries, associates and joint ventures	(6,293,736)	(3,744,772)
Loss on disposal of property, plant and equipment	2,786	-
Gain on disposal of investments	(1,979,741)	(460,696)
Unrealized profit or loss on sales to subsidiaries, associates and joint ventures	(303,439)	(100,943)
Total adjustments to reconcile profit	<u>(8,122,886)</u>	<u>(3,720,115)</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease (increase) in financial assets at fair value through profit or loss	48,539	(18,716)
Decrease in notes and accounts receivable	1,722,719	1,857,396
Decrease in notes and accounts receivable from related parties	1,215,134	760,376
Decrease (increase) in other receivable	(89,701)	818
Increase in other receivable from related parties	(1,648)	(1,083)
Decrease (increase) in inventories	(1,439,189)	712,540
Decrease in other current assets	21,706	26,675
Increase in other non-current assets	(12,633)	(85,538)
Net changes in operating assets	<u>1,464,927</u>	<u>3,252,468</u>
Changes in operating liabilities:		
Increase in financial liabilities at fair value through profit or loss	11,631	8,744
Increase (decrease) in notes and accounts payable	197,170	(3,771)
Increase (decrease) in accounts payable to related parties	62,402	(2,214,023)
Decrease in other payable to related parties	(5,140)	(4,066)
Increase (decrease) in provisions	5,178	(1,895)
Increase in contract liabilities	251,189	52,216
Increase in other payables and other current liabilities	943,925	247,495
Increase (decrease) in other non-current liabilities	8,024	(9,362)
Net changes in operating liabilities	<u>1,474,379</u>	<u>(1,924,662)</u>
Total changes in operating assets and liabilities	<u>2,939,306</u>	<u>1,327,806</u>
Total adjustments	<u>(5,183,580)</u>	<u>(2,392,309)</u>
Cash provided by operations	3,259,979	2,858,623
Interest received	2,618	11,344
Dividends received	2,907,725	906,838
Interest paid	(363,252)	(359,873)
Income taxes paid	(256,599)	(85,397)
<b>Net cash provided by operating activities</b>	<u>5,550,471</u>	<u>3,331,535</u>

(English Translation of Financial Statements Originally Issued in Chinese)  
**QISDA CORPORATION**  
**Parent-Company-Only Statements of Cash Flows (Continued)**  
**For the years ended December 31, 2021 and 2020**  
**(Expressed in Thousands of New Taiwan Dollars)**

	<u>2021</u>	<u>2020</u>
<b>Cash flows from investing activities:</b>		
Purchase of investments accounted for using the equity method	(1,699,394)	(7,591,175)
Additions to property, plant and equipment	(571,497)	(88,425)
Proceeds from disposal of property, plant and equipment	24,124	-
Additions to intangible assets	(168,513)	(21,029)
Increase in other financial assets	<u>(154,790)</u>	<u>(81,888)</u>
<b>Net cash flows used in investing activities</b>	<u>(2,570,070)</u>	<u>(7,782,517)</u>
<b>Cash flows from financing activities:</b>		
Decrease in short-term borrowings	(2,810,400)	(962,400)
Increase in long-term debt	8,257,776	9,238,864
Repayments of long-term debt	(5,429,852)	(2,421,590)
Payment of lease liabilities	(118,466)	(116,354)
Cash dividends distributed to shareholders	<u>(2,950,173)</u>	<u>(1,475,086)</u>
<b>Net cash provided by (used in) financing activities</b>	<u>(3,051,115)</u>	<u>4,263,434</u>
<b>Net decrease in cash and cash equivalents</b>	(70,714)	(187,548)
<b>Cash and cash equivalents at beginning of year</b>	<u>865,308</u>	<u>1,052,856</u>
<b>Cash and cash equivalents at end of year</b>	<u><b>\$ 794,594</b></u>	<u><b>865,308</b></u>

## The 2021 Earnings Distribution Proposal

Unit: NT\$

Net income of 2021	<b>8,307,546,460</b>
Less: Provisioned as Legal reserve	(798,486,204)
Less: Reserved as Special reserve	431,423,014
Retained earnings available for distribution in 2021	<b>7,940,483,270</b>
Add: Unappropriated retained earnings from previous years	8,888,631,984
Add: Disposal of financial assets measured at fair value through other comprehensive income by investment accounted for using the equity method and subsidiaries	312,904,305
Less: Difference between consideration and carrying amount arising from acquisition or disposal of shares in subsidiaries	(635,588,729)
Retained earnings available for distribution as of December 31, 2021	<b>16,506,430,830</b>
Distributable Items	
Cash Dividend ( NT\$2,500 for every 1,000 common shares )	<b>(4,916,954,895)</b>
Unappropriated retained earnings after earnings distribution	<b>11,589,475,935</b>

**Note:**

The cash dividend distribution to each shareholder will be paid to the rounded-down full NT dollar. Amounts less than one whole NT dollar are rounded-down to the nearest NT dollar. The aggregate unpaid cash dividend resulting from the above rounded-down, will be distributed to shareholders in the descending order of decimal point and the ascending order of shareholder account numbers, until the total amount of the approved cash dividend has been fully distributed.

## Qisda Corporation

### Terms and Conditions for Issuance of Overseas or Domestic Convertible Bonds in Private Placement (Tentative)

#### 1. Issuer

Qisda Corporation (“Issuer” or “Qisda”).

#### 2. Issuance Size

The Board of Directors (“Board”) is authorized, within the limit of 195,000,000 common shares and preferred shares to issue new common shares for cash to sponsor issuance of the overseas depositary shares (“DRs”) and/or issue new common shares for cash in public offering and/or issue new preferred shares for cash in public offering and/or issue new common shares in private placement and/or issue overseas or domestic convertible bonds in private placement (“Private Placement CB”). For issuance of Private Placement CB, the number of common shares to be converted within the limit of 195,000,000 common shares shall be calculated in accordance with the conversion price determined at the time of issuance of Private Placement CB.

#### 3. Issuance Date

The Private Placement CB will be issued in one tranche within one year after the 2022 annual general shareholders’ meeting.

#### 4. Issuance Method

The Private Placement CB will be issued in accordance with Article 43-6 of the Securities and Exchange Act and the regulations of the jurisdiction where the Private Placement CB is issued. The investors subscribing to the Private Placement CB must meet the qualifications listed in Article 43-6 of the Securities and Exchange Act and are limited to strategic investor(s). Priority will be given to the investor(s) who could benefit the Company’s long-term development, competitiveness, and existing shareholders’ rights. The Board is fully authorized to determine the specific investor(s). The purpose, necessity and projected benefits for having strategic investor(s) are to accommodate the Company’s operation and development needs to have the strategic investor(s) to assist the Company, directly or indirectly, in its finance, business, manufacturing, technology, procurement, management, and strategy development, etc. so to strengthen the Company’s competitiveness and enhance its operational efficiency and long-term development.

#### 5. Form, Denomination and Issuance Price

The Private Placement CB will be issued in registered form in denomination of US\$10,000 or multiples thereof or NT\$100,000 or multiples thereof and the issue price shall be no less than 80% of the theoretical price.

#### 6. Coupon Rate

To be determined by the Board based on the dynamics of the financial market.

#### 7. Term

The term of the Private Placement CB shall not exceed seven years.

#### 8. Redemption

Unless previously redeemed, converted, or purchased and cancelled, the Private Placement CB will be redeemed by the Issuer at the maturity date in cash at a price equal to the par value or the par value plus interest.

#### 9. Conversion Securities

The Private Placement CB will be convertible into Qisda’s common shares.

#### 10. Conversion

##### (I) Conversion Period:

Unless previously redeemed, purchased, cancelled or converted, except during the closed period the holders are not permitted to convert under the Indenture, a holder of the Private Placement CB may request the Issuer to convert the Private Placement CB into Qisda’s common shares at any time after a designated period of time following the issuance date of the Private Placement CB and until certain days prior to the maturity date in accordance with applicable rules and regulations and terms of the Indenture.

(2) Conversion Procedure:

To exercise the relevant conversion rights attached to the Private Placement CB, the holder thereof must deposit with the Issuer a notice of conversion together with the Private Placement CB and any other documents or certificates required by R.O.C. laws.

(3) Conversion Price Determination:

The conversion price of the Private Placement CB shall be no less than 80% of (x) the simple average closing price of the Issuer's common shares for either 1, 3 or 5 trading days prior to the pricing date, after adjustment for shares issued as stock dividends, shares cancelled in connection with capital reduction and the cash dividends, or (y) the simple average closing price of the Issuer's common shares for 30 trading days prior to the pricing date, after adjustment for shares issued as stock dividends, shares cancelled in connection with capital reduction and the cash dividends. It is proposed for the shareholders meeting to authorize the Board to determine and adjust the actual conversion price in accordance with applicable rules and regulations.

(4) Dividend Entitlement at Conversion

Prior to conversion of the Private Placement CB, holders are not entitled to receive any dividend distribution. Following the conversion of the Private Placement CB, the rights to receive dividend payments will be the same as the other common shareholders of the Issuer.

(5) Rights and Obligations after Conversion

Except that the Private Placement CB is subject to a three-year holding period after the delivery date of the Private Placement CB under Article 43-8 of the Securities and

Exchange Act, the new common shares to be issued upon conversion of Private Placement CB will have the same rights and obligations as the common shares.

11. Early Redemption at the Option of the Issuer

To be determined by the Board.

12. Holders' Put Option

The Issuer may elect not to grant holders' put option, or after expiry of a designated period following issuance of the Private Placement CB, holders may require the Issuer to redeem all or part of the Private Placement CB at a price that would result in certain annual yield on the Private Placement CB.

13. Others

The Board is authorized to determine and amend, at its sole discretion, the terms and conditions of the Private Placement CB and other matters which are not addressed herein.



### Comparison table for the Articles of Incorporation before and after amendment

Article No	After amendment	Before amendment	Reason for Amendments
Article 2	<p>The lines of business of the Company shall include the following:</p> <p>I. CC01030 Electric Appliance and Audiovisual Electric Products Manufacturing</p> <p>II. CC01110 Computers and Computing Peripheral Equipment Manufacturing</p> <p>III. CC01070 Telecommunication Equipment and Apparatus Manufacturing</p> <p>IV. CC01101 Retrained Telecom Radio Frequency Equipment and Materials Manufacturing</p> <p>V. CC01040 Lighting Facilities Manufacturing</p> <p>VI. CF01011 Medical Materials and Equipment Manufacturing</p> <p>VII. F108031 Wholesale of Drugs, Medical Goods</p> <p>VIII. F208031 Retail Sale of Medical Equipment</p> <p>IX. F401010 International Trade</p> <p>X. ZZ99999 All business items that are not prohibited or restricted by law, except those are subject to special approval</p>	<p>The lines of business of the Company shall include the following:</p> <p>I. CC01030 Electric Appliance and Audiovisual Electric Products Manufacturing</p> <p>II. CC01110 Computers and Computing Peripheral Equipment Manufacturing</p> <p>III. CC01070 Telecommunication Equipment and Apparatus Manufacturing</p> <p>IV. CC01101 Retrained Telecom Radio Frequency Equipment and Materials Manufacturing</p> <p><del>V. F401021 Retrained Telecom Radio Frequency Equipment and Materials Import</del></p> <p>VI. CC01040 Lighting Facilities Manufacturing</p> <p>VII. CF01011 Medical Materials and Equipment Manufacturing</p> <p>VIII. F108031 Wholesale of Drugs, Medical Goods</p> <p>IX. F208031 Retail Sale of Medical Equipment</p> <p>X. F401010 International Trade</p> <p>XI. ZZ99999 All business items that are not prohibited or restricted by law, except those are subject to special approval</p>	amend according to actual need
Article 5-3	<p>The rights and obligations of the Company's preferred share and related issuing conditions are as follows:</p> <p>I. If after the annual closing of books there is a profit, the Company shall, after having provided for taxes and offset the accumulated losses of previous years, appropriate legal reserve and recognize or reverse special reserve return earnings in accordance with Article 16-1 of the Company's Articles of Incorporation and applicable laws and regulations. If there is a residual amount after provisions are set aside, the residual shall be distributed as the year's dividend for preferred share first.</p> <p>(Ignored.)</p>	<p>The rights and obligations of the Company's preferred share and related issuing conditions are as follows:</p> <p>I. If after the annual closing of books there is a profit, the Company shall, after having provided for taxes and offset the accumulated losses of previous years, appropriate legal reserve and recognize or reverse special reserve return earnings in accordance with Article 16 of the Company's Articles of Incorporation and applicable laws and regulations. If there is a residual amount after provisions are set aside, the residual shall be distributed as the year's dividend for preferred share first.</p> <p>(Ignored.)</p>	Adjustment line
Article 8	<p>(Ignored.)</p> <p>The preferred shareholders' meeting may be convened when it deemed necessary in accordance with applicable laws and regulations.</p> <p>The company's shareholders' meeting is held, it may be held by means of visual communication network or other methods promulgated by the central competent authority</p>	<p>(Ignored.)</p> <p>The preferred shareholders' meeting may be convened when it deemed necessary in accordance with applicable laws and regulations.</p> <p>(New)</p>	amend according to laws
Article 11	<p>The Company shall have seven to <u>eleven</u> directors. The term for which a Director will</p>	<p>The Company shall have seven to nine directors. The term for which a Director will</p>	amend according to

Article No	After amendment	Before amendment	Reason for Amendments
	<p>hold office shall be three (3) years. The directors shall be elected from among the list of candidates for directors by the Shareholders' Meeting and are eligible for re-election. The total shares held by the entire body of either directors shall not be less than a specified percentage in accordance with the regulation prescribed by the Competent Authority. A company shall have at least three Independent Directors. Regulations governing the professional qualifications, restrictions on shareholdings and concurrent positions held, assessment of independence, methods of nomination and election, and other matters for compliance with respect to Independent Directors shall be followed in accordance with the Rules for election of Directors and relevant laws.</p>	<p>hold office shall be three (3) years. The directors shall be elected from among the list of candidates for directors by the Shareholders' Meeting and are eligible for re-election. The total shares held by the entire body of either directors shall not be less than a specified percentage in accordance with the regulation prescribed by the Competent Authority. A company shall have at least three Independent Directors. Regulations governing the professional qualifications, restrictions on shareholdings and concurrent positions held, assessment of independence, methods of nomination and election, and other matters for compliance with respect to Independent Directors shall be followed in accordance with the Rules for election of Directors and relevant laws.</p>	actual need
Article 19	<p>These Articles of Incorporation were enacted on March 23, 1984, and amended on March 29, 1984 for the first time, (Ignored.) amended on August 27, 2021 for the forty-three time. <u>amended on May 30, 2022 for the forty-four time.</u></p>	<p>These Articles of Incorporation were enacted on March 23, 1984, and amended on March 29, 1984 for the first time, (Ignored.) amended on August 27, 2021 for the forty-three time.</p>	Added amendment date

## Comparison table for the Handling Procedures for Acquisition or Disposal of Assets before and after amendment

Article No	After amendment	Before amendment	Reason for Amendments
Article 4	<p><b>Public disclosure of information</b></p> <p>I. Under any of the following circumstances, the Company and its subsidiaries acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event.</p> <p>(Ignored.)</p> <p>(6) Where an asset transaction other than any of those referred to in the preceding five subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of the Company's paid-in capital or NT\$300 million. Provided, this shall not apply to the following circumstances:</p> <p>a. Trading of bonds under repurchase/resale agreements or subscription or redemption of domestic money market funds issued by securities investment trust enterprises.</p> <p>b. Trading of domestic government bonds <u>or foreign public bonds with a credit rating must not lower than sovereign of mine</u></p>	<p><b>Public disclosure of information</b></p> <p>I. Under any of the following circumstances, the Company and its subsidiaries acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event.</p> <p>(Ignored.)</p> <p>(6) Where an asset transaction other than any of those referred to in the preceding five subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of the Company's paid-in capital or NT\$300 million. Provided, this shall not apply to the following circumstances:</p> <p>a. Trading of bonds under repurchase/resale agreements or subscription or redemption of domestic money market funds issued by securities investment trust enterprises.</p> <p>b. Trading of domestic government bonds.</p>	amend according to laws
Article 5	<p><b>Acquisition or devices or their use rights assets should be valued</b></p> <p>(Ignored.)</p> <p>(3) 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 rendering a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <p>a. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.</p> <p>b. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount</p> <p>(Ignored.)</p>	<p><b>Acquisition or devices or their use rights assets should be valued</b></p> <p>(Ignored.)</p> <p>(3) 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, <del>a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF) and</del> render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <p>a. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.</p> <p>b. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount</p> <p>(Ignored.)</p>	amend according to laws
Article 6	<p><b>The CPA's opinion shall be obtained for acquisition or disposal of securities, membership and intangible assets or right-of-use assets thereof.</b></p> <p>I. The Company acquiring or disposing of</p>	<p><b>The CPA's opinion shall be obtained for acquisition or disposal of securities, membership and intangible assets or right-of-use assets thereof.</b></p> <p>I. The Company acquiring or disposing of</p>	amend according to laws

Article No	After amendment	Before amendment	Reason for Amendments
	<p>securities 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 percent 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. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or were otherwise provided by regulations of the Financial Supervisory Commission (FSC).</p> <p>II. When acquiring or disposing of intangible assets or right-of-use assets thereof or memberships and the transaction amount reaches 20 percent or more of 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.</p> <p>(Ignored.)</p>	<p>securities 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 percent 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, <del>the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</del> This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or were otherwise provided by regulations of the Financial Supervisory Commission (FSC).</p> <p>II. When acquiring or disposing of intangible assets or right-of-use assets thereof or memberships and the transaction amount reaches 20 percent or more of 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; <del>the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</del></p> <p>(Ignored.)</p>	
Article 7	<p><b>Related Party Exclusion</b> Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the Companies with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements: (Ignored.) When issuing an appraisal report or opinion, the personnel <u>shall comply with the self-discipline regulations of the trade associations to which it belongs and</u> referred to in the preceding paragraph shall comply with the following:</p> <p>I. Prior to accepting a case, the personnel shall prudently assess their own professional capabilities, practical experience, and independence.</p> <p>II. When <u>executing</u> a case, the personnel 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.</p>	<p><b>Related Party Exclusion</b> Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the Companies with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements: (Ignored.) When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following:</p> <p>I. Prior to accepting a case, the personnel shall prudently assess their own professional capabilities, practical experience, and independence.</p> <p>II. When examining a case, the personnel 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.</p>	amend according to laws and actual need.

Article No	After amendment	Before amendment	Reason for Amendments
	<p>III. The personnel shall undertake an item-by-item evaluation of the <u>appropriateness</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.</p> <p>IV. The personnel 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 accurate <u>and appropriate</u>, and that they have complied with applicable laws and regulations.</p>	<p>III. The personnel shall undertake an item-by-item evaluation of the <u>comprehensiveness</u>, <u>accuracy</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.</p> <p>IV. The personnel 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 reasonable <u>and accurate</u>, and that they have complied with applicable laws and regulations.</p>	
Article 9	<p><b>Related Party Transactions</b></p> <p>I. he Company acquiring or disposing of assets from the related party, in addition to conduct relevant resolution procedures and evaluating the reasonableness of the transaction conditions in accordance with Article 5 to 8 and the provisions of this Article, for the transactions with amount exceeding 10% of the Company's total assets, the Company shall also obtain an appraisal report issued by professional appraisers or the opinions of CPAs in accordance with Article 5 to 8. The calculation of the transaction amount in the previous provision is conducted in accordance with Article 6, paragraph 3 herein.</p> <p>II. 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 percent or more of paid-in capital, 10 percent 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 have been the audit committee and recognized by the Board of Directors. If an position of independent director has been created in accordance with the provisions, when a matter is submitted for discussion by 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 an audit committee has been established in accordance with the provisions of the Act, shall be approved by more than half of all</p>	<p><b>Related Party Transactions</b></p> <p>I. The Company acquiring or disposing of assets from the related party, in addition to conduct relevant resolution procedures and evaluating the reasonableness of the transaction conditions in accordance with Article 5 to 8 and the provisions of this Article , for the transactions with amount exceeding 10% of the Company's total assets, the Company shall also obtain an appraisal report issued by professional appraisers or the opinions of CPAs in accordance with Article 5 to 8. The calculation of the transaction amount in the previous provision is conducted in accordance with Article 6, paragraph 3 herein.</p> <p>II. 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 percent or more of paid-in capital, 10 percent 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 have been the audit committee and recognized by the Board of Directors. If an position of independent director has been created in accordance with the provisions, when a matter is submitted for discussion by 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 an audit committee has been established in accordance with the provisions of the Act, shall be approved by more than half of all</p>	amend according to laws

Article No	After amendment	Before amendment	Reason for Amendments
	<p>audit committee members and submitted to the board of directors for a resolution, and shall be subject to mutatis mutandis application of Article 15, paragraphs 4 and 5:</p> <ol style="list-style-type: none"> <li>(1) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.</li> <li>(2) The reason for choosing the related party as a transaction counterparty.</li> <li>(3) 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 conditions in accordance with the provisions of Paragraphs <u>4</u> to <u>7</u> of this Article.</li> <li>(4) The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the company and the related party.</li> <li>(5) Monthly cash flow forecasts for the year commencing from the anticipated month of the signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</li> <li>(6) An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the <u>paragraph 1</u> of this article.</li> <li>(7) Restrictive covenants and other important stipulations associated with the transaction.</li> </ol> <p>(Moved to the last paragraph of the third paragraph of the amended provision.)</p> <p>(Ignored.) (Delete.)</p> <p><u>III. The company or its subsidiary that is not a domestic public offering company has a transaction in the second paragraph of this article, and the transaction amount is more than 10% of the company's total assets, the company shall submit the materials listed in the second paragraph of this article to the shareholders' meeting after the agreement is reached, the transaction contract can be signed and the payment can be made. However, the transaction between the</u></p>	<p>audit committee members and submitted to the board of directors for a resolution, and shall be subject to mutatis mutandis application of Article 15, paragraphs 4 and 5:</p> <ol style="list-style-type: none"> <li>(1) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.</li> <li>(2) The reason for choosing the related party as a transaction counterparty.</li> <li>(3) 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 conditions in accordance with the provisions of Paragraphs <u>3</u> to <u>6</u> of this Article.</li> <li>(4) The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the company and the related party.</li> <li>(5) Monthly cash flow forecasts for the year commencing from the anticipated month of the signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</li> <li>(6) An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the <u>preceding</u> article.</li> <li>(7) Restrictive covenants and other important stipulations associated with the transaction.</li> </ol> <p><del>The calculation of the transaction amounts referred to the procedures shall be made in accordance with Article 4, paragraph 2 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 audit committee need not be counted toward the transaction amount.</del></p> <p>(Ignored.)</p> <p><del>With respect to the types of transactions engaged in the preceding transaction, when to be conducted between the Company's subsidiaries and their parent or subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, the Company's board of directors may delegate to decide such matters when the transaction is within NT\$250 million and have the decisions subsequently submitted to and ratified by the next board of directors meeting.</del></p> <p>(New)</p>	

Article No	After amendment	Before amendment	Reason for Amendments
	<p><u>company and its parent company, subsidiaries, or its subsidiaries is not limited to this. The calculation of the transaction amounts in paragraph 2 of this article and this paragraph referred to the procedures shall be made in accordance with Article 4, paragraph 2 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 shareholders' meeting, board of directors and recognized by the audit committee need not be counted toward the transaction amount</u></p> <p>IV. The Company acquiring real property or right-of-use assets thereof from a related party, the following means for appraising the reasonableness of transaction costs shall be taken (Where land and structures thereupon are combined as a single property purchased or leased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph): (Ignored.)</p> <p>V. The Company acquiring real property or right-of-use assets thereof from a related party and appraises the cost of the real estate or right-of-use assets in accordance with <u>the paragraph 4 of this article</u> shall 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 paragraphs 2 <u>of this article</u>, and the paragraphs 4 and 5 <u>of this article</u> do not apply: (Ignored.)</p> <p>VII. Where the event that the results of the appraisal conducted in accordance with Paragraph 4 of this Article are uniformly lower than the transaction price, the company shall carry out the acquisition in accordance with Paragraph 8 of this Article. 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: (Ignored.)</p> <p><u>This item "completed transactions for adjacent area" 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 to the latest official land price promulgated by the government. The term "the area of the property thereof are similar" in principle refers to transactions completed</u></p>	<p>III. The Company acquiring real property or right-of-use assets thereof from a related party, the following means for appraising the reasonableness of transaction costs shall be taken (Where land and structures thereupon are combined as a single property purchased or leased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph): (Ignored.)</p> <p>IV. The Company acquiring real property or right-of-use assets thereof from a related party and appraises the cost of the real estate or right-of-use assets in accordance with <u>the provisions of 3 preceding paragraphs</u> shall also engage a CPA to check the appraisal and render a specific opinion.</p> <p>V. 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 paragraphs 2, and the paragraphs 3 and 4 do not apply: (Ignored.)</p> <p>VI. Where the event that the results of the appraisal conducted in accordance with Paragraph 3 of this Article are uniformly lower than the transaction price, the company shall carry out the acquisition in accordance with Paragraph 7 of this Article. 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: (Ignored.)</p> <p><u>The aforementioned item "completed transactions for adjacent area" 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 to the latest official land price promulgated by the government. The term "the area of the property thereof are similar" in principle</u></p>	

Article No	After amendment	Before amendment	Reason for Amendments
	<p>by unrelated parties for parcels with a land area of no less than 50% of the property in the planned transaction. The term “within the preceding year” refers to the year retrospectively preceding the date of occurrence of the acquisition of the real property.</p> <p><u>VIII.</u> Where the Company acquires real property or right-of-use assets thereof from a related party and the results of appraisals conducted in accordance with the preceding article of this article are uniformly lower than the transaction price, the following steps shall be taken: (Ignored.)</p>	<p>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. The term “within the preceding year” refers to the year retrospectively preceding the date of occurrence of the acquisition of the real property.</p> <p><u>VII.</u> Where the Company acquires real property or right-of-use assets thereof from a related party and the results of appraisals conducted in accordance with the preceding article of this article are uniformly lower than the transaction price, the following steps shall be taken: (Ignored.)</p>	
Article 17	<p>The Procedures were adopted on June 7, 1991. ..... The 13<sup>th</sup> amended was made on August 27, 2021. <u>The 14<sup>th</sup> amended was made on May 30, 2022.</u></p>	<p>The Procedures were adopted on June 7, 1991. ..... The 13<sup>th</sup> amended was made on August 27, 2021.</p>	Added amendment date



**List of non-competition restrictions on current directors and their representatives proposed to be lifted**

Director	Released restriction items
AU Optronics Corp.	Director , Sintrones Technology Corp.
Joe Huang , Representative of BenQ Foundation	Chairman , DIVA LABORATORIES, LTD. Chairman , ACTION STAR TECHNOLOGY CO., LTD.
Independent Director Jyuo-Min Shyu	Independent Director , FAR EASTONE TELECOMMUNICATIONS CO., LTD. Director , Alpha Ring Asia Inc.

## Rules and Procedures for Shareholders' Meeting

Enacted on May 15, 1990

The 1st amendment was made on June 19, 1993.

The 2nd amendment was made on April 16, 1998.

1. Qisda Corporation (the "Company") shall convene the shareholders' meeting in accordance with these Rules of Procedures (the "Rules")
2. Shareholders or their proxies attending the shareholders' meeting (the "Meeting") shall submit the attendance card for the purpose of signing in. The number of shares represented by shareholders or their proxies attending the Meeting shall be calculated in accordance with the attendance cards submitted by the shareholders or their proxies plus the number of shares exercised by correspondence or electronic means.
3. The attendance and the voting shall be calculated based on the number of shares represented by the shareholders attending the shareholders' meeting.
4. The shareholders' meeting shall be convened at a venue where the Company is located or a venue convenient for shareholders' attendance and suitable for the convention. The shareholders' meeting shall not begin earlier than 9:00 a.m. or later than 3:00 p.m.
5. The Chairman of the Company shall preside as the chairperson at a shareholders' meeting if the meeting is convened by the Board of the Directors of the Company. In the situation where the Chairman is on leave or unavailable to perform his or her duty and power for any cause, the Vice Chairman of the Company shall act as the chairperson for the meeting. In the situation where there is no vice chairman or the Vice Chairman of the Company is on leave or unavailable to perform his or her duty and power for any cause, the Chairman shall designate a Managing Director to act as the chairperson on his or her behalf. In the situation where there is no managing director, the Chairman shall designate one Director from the Board of Directors to act as the chairperson for the meeting. In the absence of such designation, the Managing Directors or Directors of the Board shall elect one from among themselves an acting chairperson for the shareholders' meeting. Where the shareholders' meeting is convened by a person who is entitled to convene the meeting but is not a member of the Board of Directors, such person shall perform the duty as the chairperson for the shareholders' meeting. In the situation where there are two or more people who are entitled to convene the meeting, a chairperson shall be elected from among themselves.
6. The Company may appoint its lawyers, accountants or any other people relevant to the meeting to be present at the shareholders' meeting.  
The supporting staff for the proceeding of a shareholders' meeting shall wear an identification badge or armband.
7. The Company shall video-tape or audio-tape the entire proceeding of a shareholders' meeting, and the recording shall be kept for at least one year.
8. The chairperson of a shareholders' meeting shall call the meeting to order at the time when the meeting is scheduled to commence. If the number of shares represented by the attending shareholders has not yet constituted more than an aggregate of one-half of the total outstanding shares issued, the chairperson may postpone the time for the meeting. The postponements shall only reach two times at most, and the meeting shall not be postponed for more than one hour in total. If after two postponements the shares represented by attending shareholders has not reached the quorum but has constituted more than one third of the total of outstanding shares issued, a tentative resolution may be passed in accordance with the Article 175-1 of the Company Act. Before the end of such meeting, if the shares represented by the attending shareholders has constituted more than one half of the total of outstanding shares issued, the chairperson may bring the already passed resolution for voting again in accordance with the Article 174 of the Company Act.
9. The agenda of a shareholders' meeting shall be established by the Board of Directors if the meeting is convened by the Board of Directors of the Company. Unless otherwise approved in the shareholders' meeting, the meeting shall proceed in accordance with the pre-arranged agenda.  
The preceding paragraph applies in the situation where a shareholders' meeting is convened by a person, other than a member of the Board of Directors, entitled to convene such a meeting.  
Unless otherwise resolved at the shareholders' meeting, the chairperson shall not announce adjournment until the agenda prescribed in the preceding two paragraphs (including extraordinary motions) are resolved.  
After the meeting is adjourned, shareholders shall not elect a chairperson and resume the meeting at the same or another venue.

In the situation where the chairperson adjourns the meeting in violation of the Rules, a new chairperson may be elected by more than half of the votes from the shares represented by the attending shareholders so that the meeting is able to be continued.

10. When a shareholder attending a shareholders' meeting wishes to speak, he or she should fill out a speech note with a summary of the speech, shareholder's account number (or the number of attendance card) and the account name of the shareholder in advance. The sequence of speeches shall be determined by the chairperson.  
If any attending shareholder at the shareholders' meeting submits a speech note but does not speak, no speech shall be deemed to have been made by such shareholder. In case content of the speech of a shareholder are inconsistent with the content of the speech note, the content of actual speech shall be considered.  
The speech of a shareholder shall remain concrete, clear, and relevant to the agenda otherwise the chairperson may stop the speech of such shareholder.  
Unless otherwise permitted by the chairperson and the speaking shareholder, no shareholder shall interrupt the speech of other shareholders. The chairperson shall stop such interruption.
11. No shareholder shall speak more than twice regarding the same item without the chairperson's consent, and the time of each speech shall not exceed five minutes. Nevertheless, the speech may extend for three minutes if permitted by the chairperson.  
In case the speech of any shareholder violates the preceding paragraph or exceeds the scope of the agenda item, the chairperson may stop the speech of such shareholder
12. A corporate shareholder should only appoint one person as its representative to attend a shareholders' meeting.  
In the situation where a corporate shareholder has appointed two or more representatives to attend the shareholders' meeting, an appointment letter shall be provided and only one representative can speak for each agenda item.
13. After the speech of a shareholder, the chairperson may make responses by him or herself or appoint an appropriate person to respond.
14. The chairperson may announce end of discussion of an item listed in the agenda and submit the item for voting if the chairperson deems that the item is ready for voting.
15. With respect to the voting of each proposal, the people who conduct ballot examination and counting shall be designated by the chairperson. At the same time, the ballot examiners also have to be shareholders.  
The result of each vote shall be announced at the meeting immediately and shall be recorded into the minute.
16. Unless otherwise provided for under the Company Act, the Articles of Incorporation and other applicable laws and regulations, a proposal put to vote shall be approved by consent of a majority of shares represented by attending shareholders at the meeting. During the voting process, a proposal which proves to meet no objection from the attending shareholders after the inquiry made by the chairperson shall be deemed passed in the validity same as a proposal resolved through balloting process.
17. In the case of an amendment or alternative to an original proposal, the chairperson shall decide on the order of voting together with the original proposal. However, if one of such proposals has been approved, the others shall be deemed overruled and no further vote is required.
18. The chairperson may request picketers (or security guards) to assist in maintaining the order at the meeting venue.  
Members of the picket (or security guards) shall wear armbands with the word "Picket" when maintaining the order at the meeting venue.
19. In case of incident due to force majeure, the chair may rule the meeting temporarily suspended or resume the meeting at another venue.
20. Any matters which are not adequately provided for herein shall be subject to the Company Act, the Articles of Incorporation.
21. The Rules and any amendment shall take effect after being approved at the shareholders' meeting.

## Articles of Incorporation (Before the amendments)

### Chapter 1 General Provisions

- Article 1 The Company is organized in accordance with the Company Act of R.O.C. and named Qisda Corporation (the "Company"). The Company Name in English shall be Qisda Corporation.
- Article 2 The lines of business of the Company shall include the following:
- 1 ∙ CC01030 Electric Appliance and Audiovisual Electric Products Manufacturing
  - 2 ∙ CC01110 Computers and Computing Peripheral Equipment Manufacturing
  - 3 ∙ CC01070 Telecommunication Equipment and Apparatus Manufacturing
  - 4 ∙ CC01101 Retrained Telecom Radio Frequency Equipment and Materials Manufacturing
  - 5 ∙ F401021 Retrained Telecom Radio Frequency Equipment and Materials Import
  - 6 ∙ CC01040 Lighting Facilities Manufacturing
  - 7 ∙ CF01011 Medical Materials and Equipment Manufacturing
  - 8 ∙ F108031 Wholesale of Drugs, Medical Goods
  - 9 ∙ F208031 Retail Sale of Medical Equipment
  - 10 ∙ F401010 International Trade
  - 11 ∙ ZZ99999 All business items that are not prohibited or restricted by law, except those are subject to special approval
- Article 3 The head office of the Company is located in Taoyuan, Taiwan. The Company may, as approved by the resolution of the Board of Directors, set up branch offices or factories in compliance with applicable laws and regulations in Taiwan or abroad when necessary.
- Article 4 The Company may, in line with its business needs, provide guarantees externally.  
The total amount of the Company's investment is not subject to the restriction of Article 13 of the Company Act.

### Chapter 2 Shares

- Article 5 The total capital of the Company is Fifty Billion New Taiwan Dollars (NT\$50,000,000,000), divided into Five Billion (5,000,000,000) shares with a par value of Ten New Taiwan Dollars (NT\$10) each. The Board of Directors is authorized to issue in installments.  
The Company may issue preferred shares amount the above total capital and a total of 200,000,000 shares among the above total capital stock should be reserved for issuing employee stock options. The Company may issue employee stock options at a price that is lower than the market price or the Company may transfer treasury stock to employees at a price that is lower than the average actual share repurchase price pursuant to a resolution approved by the majority (at least 50%) of total issued shares represented at the shareholders' meeting and the consent of more than two-thirds of the attending shareholders' voting rights.
- Article 5-1 (Cancel)
- Article 5-2 Regarding the Shares purchased by the Company pursuant to Securities and Exchange Act, the transferee shall include certain qualified employees of the Company's Subsidiaries. The recipients of employee stock warrants of the Company shall include certain qualified employees of the Company's Subsidiaries.  
In the issuance of new shares by the Company, the recipients of new shares for subscription shall include certain qualified employees of the Company's Subsidiaries.  
In the issuance of restricted employee stock by the Company, the recipients of such shares shall include certain qualified employees of the Company's Subsidiaries.
- Article 5-3 The rights and obligations of the Company's preferred share and related issuing conditions are as follows:
1. If after the annual closing of books there is a profit, the Company shall, after having provided for taxes and offset the accumulated losses of previous years, appropriate legal reserve and recognize or reverse special reserve return earnings in accordance with Article 16 of the Company's Articles of Incorporation and applicable laws and regulations. If there is a residual amount after provisions are set aside, the residual shall be distributed as the year's dividend for preferred share first.
  2. Dividend on preferred share is limited to an annual rate of 8%, calculated based on the issuing price of each share. The dividend can be issued in a cash lump sum each year. After the annual shareholders' meeting recognizes the financial report and earnings distribution, the board of directors shall set a benchmark date

to issue the previous year's dividend. The issuing of the issuing year and the recovery year dividend is based on the calculation of the current year's actual issuing days. The issuing date is defined as the benchmark date to issue the preferred share.

3. The Company's preferred share dividend distribution has autonomous discretion. If this Company's annual final account shows no earnings or the earnings are insufficient for distribution, the preferred share dividend or others must be considered. If the shareholder's meeting decides not to distribute preferred share dividend, this is not a violation of the contract. If the issued preferred share is of the non-cumulative type, and the resolution is not to distribution or to distribute insufficient dividend, this is not accumulated as deferred payment in future earnings years.
4. In addition to receiving dividend described in Item one, the holder of preferred share shall not participate in the distribution of common share earnings, capital reserve for cash, and capitalization.
5. The holder of this Company's preferred share has priority over holders of common share in the distribution of this Company's remaining asset. Holders of preferred share also have the same payment priority sequence as the holder of other preferred share issued by the Company, and are only second to ordinary creditors. However, this is limited to the amount calculated based on the number of circulating preferred share and the issuing price.
6. The holders of preferred share do not have voting or election rights in the shareholder's meeting. However, holders of preferred share have voting rights in the preferred share shareholder's meeting and regarding issues in the shareholders' meeting that is related to the rights and obligations of preferred shareholders.
7. Preferred share cannot be converted to common share.
8. Preferred share has no expiration date. Holders of preferred stock cannot request this Company to buy back their preferred share. However, the Company can buy back part or all preferred share on the following day of the five-year anniversary of the issuing based on the actual issuing price. The unrecovered preferred share will continue to have the aforementioned issuing conditions and rights and obligations. If the Company decides to issue dividend for the current year, the dividend that should be issued up to the recovery date shall be calculated according to the current year's actual number of issuing days.
9. The paid-in-capital that the preferred share premium is issued from shall not be used for capitalization during the preferred share issuing period other than to make up for losses.
10. The Board is authorized to determine the name, issuance date and terms of the preferred share in accordance with market conditions and investors' expectation, in accordance with the Company's Articles of Incorporation and applicable laws and regulations.

Article 6 The Company may, pursuant to the applicable laws and regulations, deliver shares or other securities in book-entry form, instead of delivering physical certificates evidencing shares or other securities.

Article 7 Registration for transfer of shares shall be suspended for a period of sixty days before the convention of an annual general meeting of shareholders, thirty days before an extraordinary general meeting of shareholders, or within five days before the base date on which the dividends, bonuses, or other interests to be paid out by the Company.

### **Chapter 3 Shareholders' Meetings**

Article 8 Shareholders' meeting shall be of two types, namely the annual and extraordinary general meeting of shareholders, with the former convened by the Board of Directors, in accordance with the law, regularly once a year within six months after the close of each fiscal year, and the later convened, in accordance with the law, when necessary.

The preferred shareholders' meeting may be convened when it deemed necessary in accordance with applicable laws and regulations.

Article 9 Unless otherwise provided in applicable law and regulations, a resolution shall be adopted at a meeting attended by the shareholders holding and representing a majority of the total issued and outstanding shares and at which meeting a majority of the attending shareholders shall vote in favor of the resolution. In case a shareholder is unable to attend a shareholders' meeting, such shareholder may issue a proxy in the form issued by the Company, setting forth the scope of authorization by signing and affixing such shareholder's seal on the proxy form for the representative to be present on such shareholder's behalf. Except for trust enterprises or other stock transfer agencies approved by the securities authorities, if a person is designated as proxy by more

than two shareholders, any of such person's voting rights representing in excess of 3% of the total issued and outstanding shares shall not be considered. The relevant matters related to the use and rescission of the proxy shall be conducted in accordance with the Company Act.

Article 10 Directors shall be elected by adopting candidates' nomination system. In these articles, the directors mean including independent directors.

Each shareholder of the Company is entitled to one vote per share, unless otherwise provided by applicable law or regulation or the preferred share with no voting rights issued by the Company.

#### **Chapter 4 Directors and Audit Committees**

Article 11 The Company shall have seven to nine directors. The term for which a Director will hold office shall be three (3) years. The directors shall be elected from among the list of candidates for directors by the Shareholders' Meeting and are eligible for re-election. The total shares held by the entire body of either directors shall not be less than a specified percentage in accordance with the regulation prescribed by the Competent Authority. A company shall have at least three Independent Directors. Regulations governing the professional qualifications, restrictions on shareholdings and concurrent positions held, assessment of independence, methods of nomination and election, and other matters for compliance with respect to Independent Directors shall be followed in accordance with the Rules for election of Directors and relevant laws.

Article 11-1 The Company may take out liability insurance for the directors with respect to the liabilities resulting from exercising their duties during their terms of office. The Board is authorized to determine the compensation for the directors, taking into account the extent and value of the services provided for the Company's operation and with reference to the standards of local and overseas industry.

Article 11-2 The Company shall set up the Audit Committee organized by all of the independent directors in accordance with the Securities and Exchange Act. The composition of the audit committee, duties, rules of meeting procedure and other compliance matters shall comply with the regulations prescribed by the securities supervisory authorities

Article 12 The Board of Directors is organized by directors. The Chairman of the Board of Directors shall be elected from among the attending directors by a majority vote and with the attendance over two thirds of the seats in a meeting of the Board of Directors. As necessary, a Vice Chairman may be elected among the attending directors in the same manner. The Chairman of the Board shall externally have the authority to represent the Company.

Article 13 In case the Chairman of the Board asks for leave or for other reason cannot exercise his power and authority, he may appoint another director to represent him by proxy in accordance with Article 208 of the Company Act. Where a director is unable to attend a meeting of the Board, he may appoint another director to represent him by proxy. Each director may act as a proxy for one other director only. The meeting of the Board of Directors shall be convened in accordance with the Company Act. In calling a meeting of the Board of Directors, a notice may be given to each director by means of electronic mail or facsimile.

#### **Chapter 5 Managerial Officer**

Article 14 The Company may appoint a multiple number of managerial officers whose appointment, dismissal and compensations shall be conducted in accordance with the Company Act.

#### **Chapter 6 Accounting**

Article 15 After the close of each fiscal year, the Board of Directors shall provide and submit the following reports to the shareholders' meeting for acceptance in accordance with the legal procedures.

1. Business Report 2. Financial Statement 3. Proposals regarding earning distribution or loss offsetting

It shall be not later than the 30th day prior to the ordinary shareholders meeting and the Audit Committee submit the report to the shareholders at the ordinary shareholders meeting for their acceptance.

Article 16 The Company, if profitable in the year, shall set aside 5~20% of the profit as compensation for the employees and no higher than 1% as remuneration for the directors. However, the Company, when accumulated losses remain on the account, shall reserve a portion of its earnings to offset the losses first.

The Company may allocate employees' remuneration prescribed in the preceding paragraph in the form of stock or cash to employees of an affiliated company meeting certain conditions. The Board or the person duly designated by the Board is authorized to decide the conditions and allocation method.

- Article 16-1 If after the annual closing of books there is a profit, the Company shall, after having provided for taxes and offset the accumulated losses of previous years, appropriate the 10% legal reserve and recognize or reverse special reserve return earnings in accordance with laws and regulations.  
The Board may set aside certain percentage of the proposal for retained earnings distribution. Where there is remainder balance, together with the undistributed profits of previous years, as the earnings available for distributing to common and preferred shareholders, the Board shall propose the earnings distribution plan and submit to the Shareholders' Meeting for approval by resolution before the distribution.  
The rights, obligations and distribution sequence of the Company's preferred share is executed in accordance with the Company's Articles of Incorporation and applicable laws and regulations.  
Where the aforesaid earnings distribution plan or dividend on preferred share is performed by means of cash dividends, it is proposed the Board of Directors be authorized for resolution. The resolution thereof shall be reported in the Shareholders' Meeting.
- Article 16-2 The Company may distribute new shares or cash by way of legal reserve or capital reserve in accordance with Article 241 of the Company Act.  
Where the means of cash is performed in the preceding paragraph, it is proposed the Board of Directors be authorized for resolution. The resolution thereof shall be reported in the Shareholders' Meeting.
- Article 17 The Company is in a technology-intensive and capital-intensive technology industry at a developing stage coordinating with long-term capital planning and taking into account the shareholders' cash flow requirement, the Company's dividend policy is to pay dividends from surplus considering factors to improve the growth and sustainable operation of the Company.  
Dividend distribution is to consider the expanding the scale of operations and cash flow requirements in the future. When the Company has a profit at the end of each fiscal year and the retained earnings available for distribution of the current year reaches 2% of the paid in capital of the Company, no less than 10% of the retained earnings available for distribution of the current year shall be distributed as dividend. Every year the cash portion of the dividend shall not be less than 10% of the total dividend in the form of cash and stock.

## Chapter 7 Supplementary Provisions

- Article 18 With regard to the matters not provided for in these Articles of Incorporations, the Company Act shall govern.
- Article 19 These Articles of Incorporation were enacted on March 23, 1984, and amended on March 29, 1984 for the first time, amended on April 1, 1984 for the second time, amended on November 5, 1984 for the third time, amended on October 16, 1986 for the fourth time, amended on May 10, 1987 for the fifth time, amended on June 19, 1987 for the sixth time, amended on March 24, 1989 for the seventh time,  
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.....  
amended on June 15, 2016 for the Fortieth time,  
amended on June 21, 2019 for the Forty-first time.  
amended on June 19, 2020 for the Forty-second time.  
amended on August 27, 2021 for the forty-third time.

**Appendix 3:****Shareholding of Directors**

The Company has issued capital of the Company is NT\$19,667,819,580 representing 1,966,781,958 common shares. According to Article 26 of the Securities and Exchange Act, the minimum number of shares that shall be held by all directors of the company is 47,202,766.

As of April 01, 2022, the number of shares held by all directors is 345,967,256 shares. The actual collective shareholding of directors was shown as below:

Title	Name	No. of Shareholding	Shareholding %
Honorary Chairman	Kuen-Yao (K.Y.) Lee	9,719,540	0.49
Chairman	Chi-Hong (Peter) Chen	409,123	0.02
Director	AU Optronics Corp. (Representative: Shuang-Lang (Paul) Peng)	335,230,510	17.04
Director	BenQ Foundation (Representative: Han-Chou (Joe) Huang)	608,083	0.03
Independent Director	Cheng-Ju (Allen) Fan	0	0
Independent Director	Lo-Yu Yen	0	0
Independent Director	Jyuo-Min Shyu	0	0
Total		345,967,256	17.59

**Appendix 4:****Influence of Proposed Stock Dividend Distribution upon 2022 Operating Performance, Earnings Per Share, and Return on Investment**

Not applicable because the Company's Board of Directors did not propose stock dividend distribution for the year of 2021.