

Stock Code: 2458

**ELAN MICROELECTRONICS CORP.
2020 Annual Shareholders' Meeting
Meeting Agenda**

Date: May 27, 2020

1F, No. 12, Innovation 1st Rd., Hsinchu Science Park, Hsinchu
30076, Taiwan
(Elan's meeting room)

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ELAN MICROELECTRONICS CORPORATION

Meeting Procedures of 2020 Annual General Shareholders' Meeting

1. Commence Meeting
2. Chairman's Speech
3. Reports
4. Acknowledgements
5. Discussions
6. Extemporaneous motion
7. Meeting Adjourned

ELAN MICROELECTRONICS CORPORATION

Agenda of 2020 Annual General Shareholders' Meeting

- 1. Time:** May 27, 2020 (Wednesday) 9am
- 2. Venue:** No. 12, Chuangxin 1st Road, Hsinchu Science Park, Hsinchu City (the Company's 1/F conference room)
- 3. Chairman:** Chairman Yeh, I-Hau
- 4. Chairman's Speech**
- 5. Reports**
 1. 2019 Operation Report
 2. The Audit Committee's Review Report for 2019 Financial Statements
 3. 2019 Report on the Distribution of Employee Compensation and Directors' Remuneration
- 6. Acknowledgements**
 1. Acknowledgement of 2019 Financial Statements
 2. Acknowledgement of 2019 Surplus Earning Distribution
- 7. Discussions**
 1. Discussion about the amendment on the Operational Procedures for Endorsements / Guarantees
- 8. Extemporaneous motion**
- 9. Meeting Adjourned**

Reports

1. 2019 Operation Report. Please approve.

Please see Appendix I (P.9) hereof for the Company's 2019 Operation Report.

2. The Audit Committee's report on the review of 2019 financial statements.

Please see Appendix II (P.12) hereof for the Company's 2019 Audit Committee's Review Report.

3. 2019 Report on the distribution of employee compensation and directors' remuneration.

1. Pursuant to Article 29 of the Articles of Association.

2. The Company's profit in 2019 was NT\$3,217,681,991 (i.e. profit before tax less profit before distribution of employee compensation and directors' remuneration). Employee compensation of NT\$339,000,000 (10.54%) and directors' remuneration of NT\$43,500,000 (1.35%) were recognized and paid in cash.

Acknowledgements

Motion 1: (Proposed by Board of Directors)

Subject: 2019 financial statements. Please acknowledge.

Explanation: 1. The Company's 2019 and 2018 Individual Financial Statements, Operating Financial Statements and Consolidated Financial Statements were audited, and an unqualified audit report was issued accordingly by Certified Public Accountant CHOU, PAO-LIEN and TSENG, MEI-YU of KPMG, which was authorized by Board of Directors resolution on March 10, 2020 and delivered to the Audit Committee for verification before recordation.

2. Please see Appendix III (P.13) hereof for the financial statements and consolidated financial statements attached thereto assessed and certified by Certified Public Accountants. Please acknowledge.

Resolution:

Motion 2: (Proposed by Board of Directors)

Subject: The Company's 2019 Surplus Earning Distribution. Please acknowledge.

Explanation: 1. The Company's 2019 Surplus Earning Distribution was authorized by Board of Directors resolution on March 10, 2020.

2. Pursuant to the Articles of Association, NT\$6.5/share cash dividend was proposed to be distributed out of the Company's 2019 Profit After Tax after the statutory profit-seeking enterprise income tax was paid, previous year's losses was made up, and legal reserve was appropriated. 2018 surplus shall be distributed in priority for this Surplus Earning Distribution. This Surplus Earning Distribution was proposed as follows.

3. In the event where adjustment on the number of shares outstanding and payout ratio would be required due to impact and changes thereto arising from any subsequent change in the Company's equity, it is proposed that the shareholders' meeting vest the Chairman with authority to handle the matter

at his/her full discretion.

4. The Company's 2019 Surplus Earning Distribution is listed in Appendix IV (P.29) hereof. Please acknowledge.

Resolution:

Discussions

Motion 1: (Proposed by Board of Directors)

Subject: Discussion about the amendment on the Operational Procedures for Endorsements / Guarantees (presented for approval)

Explanation: 1. Whereas the FSC issued and implemented Order No. Jin-Guan-Zheng-Shen-1080304826 on March 7, 2019, the Company proposed to amend its Operational Procedures for Endorsements / Guarantees in accordance with the laws and regulations related thereto.

2. This amendment had been adopted by the Audit Committee and the Board of Directors, and the amended guideline was named, at the same time, the “Operational Procedures for Endorsements / Guarantees”, which is hereby presented in the shareholders’ meeting for discussion.

Please refer to Annex V (page 30) for the Comparison of the Amended Clauses of the Operational Procedures for Endorsements / Guarantees.

Resolution:

Extemporaneous Motion

Meeting Adjourned

Appendix 1

Elan Microelectronics Corp. 2019 Operation Report

1. 2019 Operation Performance

In 2019, the Company actively introduced high-value-added chip products by improving product performance to effectively increase the average selling prices of module products and the gross profit margin. By providing total solutions and better customer services, the Company's market shares among top-tier laptops increased remarkably. Moreover, with the export growth of chips for touch controllers with stylus support, one of our high value leading-edge products, the Company's revenue and profit have hit record highs since the establishment of the Company.

Although the touch controller industry has entered mature stage, the Company still focuses on strengthening functions of the end-application products through new technologies in order to increase added-value of our product value and boost our market share. Under such strategies, the Company still set substantial growths in revenue, gross profit margin and profitability in the mature industry and new application markets.

The remarkable growths of our touch control and related application products in 2019 were due to our close cooperation with the world's leading standard bearers of advanced specifications and platforms in the U.S., China, and Japan such as Google, Wacom, and Huawei etc. Elan Microelectronics is able to grasp the latest information and technical cooperation, provide international first-tier manufacturers with the latest innovative products at the earliest possible time, and build up customer confidence in the Company. As a result, the competitiveness of our products can be fully realized, and our market penetration can be increased substantially, leading to our dominance in the world's touch control markets -- in both the touch control chips and the touch pad markets. The market shares of both touch control chips and the touch pad products have accounted for more than 50% of the international market. Both products have become the major sources of the Company's revenue and profit.

In addition to cooperating with leading specification standard bearers, the Company's chip products are being used by major standard-setters in their brand name products such as Microsoft's second-generation laptop Surface Go and Google's laptops. Because of the wide-spreading international markets of such standard-bearing companies, it will help the Company increase worldwide sales and lead to our sales growth remarkably.

In 2019, we actively invested in product development and application of fingerprint recognition technology. Because of the severe price competition on the cell phone market, the profit margins of cell phone related products were tapering off. The Company thus adjusted shipment of such products accordingly and focus more on profitable laptop market. As a result, we achieved remarkable success. The overall revenue from fingerprint-related products grew by more than 30% annually. In order to achieving market segmentation and improve profitability, the Company strengthened the payment and encryption functions of the capacitive fingerprint sensor products to enhance products' added value, which helped the Company increase its revenues and profit growth in 2019 considerably. Due to the relatively low penetration rate of the fingerprint recognition products in the laptop market, leading laptop PC manufacturers will be willing to adopt such products. Thus, the increase in the analyzed penetration rate will help further increase the Company's revenues and profitability in 2020.

Despite the severe competition in domestic and international markets, the Company achieved a revenue of NT\$9.31 billion in 2019 (an increase of 10.4% over the previous year), which is a record high since the establishment of the Company. This operation result was made possible through our superior chip design capabilities, cost reduction measures, and optimized product mix. Through continuing product optimization and cost reduction efforts, the Company achieved a gross profit margin growth of 46.8% and a net profit growth of 23.0% with a pretax profit of NT\$2.84 billion.

Due to high saturation of the markets in the developed countries and slowdown in the demand in the developing countries, total shipment of smartphone in 2019 was lower than that of in 2018. According to the research of IDC, global smartphone shipments reached 1.37 billion units in 2019 (an annual decrease of 1.9%); an annual increase of 1.6% in the laptop computer shipment was reported due to the increase in the demand for commercial laptops in 2019. It was estimated that the shipment of laptops in 2019 will be 165 million units.

In terms of the Company's R&D, we will keep on investing in R&D for products with large demand, while keeping an eye on the market trends. In 2019, 15% of our revenue was used on R&D. Thus, we developed the following solutions including low power consumption touch screen solutions; MPP2.0 active pen solution; optical fingerprint recognition chip; high waterproof low power consumption touch pad solution; the SoC solution for integrating active pen and touch control for cell phones; the chip for True Wireless Sensor (TWS)/touch control; intelligent, low power consumption smoke sensor chip; and the solution for optical Lighting Touch Pad.

In 2019, ELAN won many awards. The Company's AI 360 Smart Transportation, a 360-degree fish-eye traffic monitoring technology, garnered the Golden Award in the Best Choice Award at the Taipei Computex Exhibition. The Company was also awarded the Silver Award in the Talent Quality-management System (TTQS) by Ministry of Labor, and the "Smart Park Innovation Application Award" presented by the Hsinchu Science-based Industrial Park of the Ministry of Science and Technology.

2. 2020 Business Plan

Since the COVID-19 pandemic started in early 2020, it quickly spread throughout China and many other countries in the world. The outbreak of COVID-19 caused serious impacts on worldwide tourism, travel, and transportation industries. The traveling of people plummeted sharply. Consumer spending has obviously cooled down. What is more serious is that mainland China is a major manufacturing center of so many commodities in the world. The pandemic has caused labor shortages of factories in all parts of the China. Overall output is insufficient. The control of people from moving freely has caused an impact on the smooth transportation flow. The supply chain is obviously at a risk of breaking, which has caused a major impact on the overall economy. However, it is generally estimated that the overall economic downturn could be relieved by the second quarter of 2020. But there are still variables.

Although the trade war between the U.S. and China has eased slightly, the future trade relations between the two countries still need to be observed. Whether the economic slowdown caused by COVID-19 to China would lead to the transfer of the supply chain to Southeastern Asian countries is a matter with variables. How the British Exit would affect the world economy still needs to be watched closely. As the COVID-19 is continuing in China, the IMF has adjusted downwards the economic growth of China. It is out of question that the pandemic of COVID-19 in China and the world would certainly affect the economic growth of China and the overall economic growth of the world. According to the forecast of the IMF, the annual economic growth of China this year is estimated at 5.6%, an adjustment of 0.4 percentage points lower than its forecast in the previous month. The annual economic growth of the world is forecast to be adjusted downwards by 0.1 percentage point.

Production of the Company's touch modules was previously subcontracted to manufacturers in China. The spread of COVID-19 in China has affected the production in China. The short-term solution is to make such products in Taiwan so that we can meet our commitments to our customers and deliver the orders punctually. In the face of the complicated changes of the overall economic situations, we will fully bolster our R&D capability, and grasp the needs of our customers to cope with the market changes.

The Company faces year 2020 cautiously while maintaining its course of growth. The dynamics for our growth will come from the offering of fingerprint products with high added value for the laptop market. Since the average selling prices of such products are expected to be higher than expected, the further growths of revenue and profit are anticipated. The chip solution featuring touch combined with capacitive stylus functionality is one of our products with the most competitive advantage. In 2019, our shipments of such products have exceeded 10 million sets. Since the screens of smart phones tend to become bigger, the demand for smart phones with stylus feature is expected to grow further. At the same time, the advent of foldable smart phones also foretells the growth opportunity for the chips combining touch control and stylus functions. In 2020, ELAN will go for this market at full tilt.

Touch screen chips used in laptops still enjoys high demand on the global market. Because manufacturers increased production of laptops with dual-screen functionality and the incoming orders for our new products, the Company's total sales quantity is expected to be higher than that of last year. Touch pad modules and chips are among the company's main products, which are used for making laptops. Our sales of such products account for 50% of the market worldwide. With our high-value products such as Lighting Pad and Haptic Pad as well as our increasing market penetration, our total shipments this year are expected to be higher than that of the previous year, becoming the No. 1 supplier on the international market. Our company specializes in providing IC design services. The seamless cooperation with manufacturers in the supply chain is of utmost importance. It is essential for us to maintain close cooperation with domestic and international wafer foundries, IC packaging and testing companies so as to maintain our competitiveness and cost advantage. It is crucial for our company to maintain close relationships with touch control pad makers, LCD panel vendors, smart phone and laptop assembly plants to build up a strong supply chain so that we can guarantee smooth delivery and long-term partnerships with our customers.

Furthermore, the Company's future development strategy will still be affected by the external competitive environment, regulations and overall operating environment. However, we will continue embracing our core technologies by integrating image, audio, and entertainment functionality in our chips with high performance/cost ratio so that we can provide solutions with world-class competitiveness. At the same time, we will build up a network of patent and a development plan, keep on developing new products, enhance chip performance and quality, make full use of our core competitive advantages in order to consolidate the revenue and profitability cornerstones.

Chairman: Yeh, I-Hau

President: Yeh, I-Hau

Chief of Accounting Officer: Chen, YI-Lin

Appendix II

Audit Committee's Review Report

The Board of Directors hereby furnishes and submits the Company's 2019 financial statements and consolidated financial statements, which were audited by Certified Public Accountant CHOU, PAO-LIEN and TSENG, MEI-YU of KPMG. An Audit Report was so issued together with the proposed Operation Report and the Surplus Earnings Distribution, which were reviewed by the Audit Committee and found no discrepancy, thus reported as above pursuant to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act. Please check.

ELAN MICROELECTRONICS CORPORATION

Coordinator of the Audit Committee:

Date: March 10, 2020

Independent Auditors' Report

To the Board of Directors
ELAN MICROELECTRONICS CORPORATION:

Opinion

We have audited the financial statements of ELAN MICROELECTRONICS CORPORATION (“the Company”), which comprise the statement of financial position as of December 31, 2019 and 2018, and the statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, base on our audits and the reports of other auditors (please refer to Other Matter paragraph), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, 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 audit in accordance with the “Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants” and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor’ s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. Base 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.

Other Matter

We did not audit the financial statements of Top Taiwan X Venture Capital Co. Ltd which represented investment accounted for using the equity method of the Company. These statement was audited by another auditor, whose report has been furnished to us, and our opinion, insofar as it relates to the amount included for Top Taiwan X Venture Capital Co. Ltd, is based solely on the report of another auditor. The investment in Top Taiwan X Venture Capital Co. Ltd accounted for using the equity method constituted 2.57% of the total assets at December 31, 2019, and the related share of profit of associates and joint ventures accounted for using the equity method constituted 1.77% of the total income before tax for the year ended December 31, 2019.

We did not audit the financial statements of Top Taiwan X Venture Capital Co. Ltd and Uniband Electronic Corp, which represented investment accounted for using the equity method of the Company. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as they relate to the amounts included for Top Taiwan X Venture Capital Co. Ltd and Uniband Electronic Corp, is based solely on the reports of other auditors. The investment in Top Taiwan X Venture Capital Co. Ltd and Uniband Electronic Corp accounted for using the equity method constituted 2.56% of the total assets at December 31, 2018, and the related share of profit of associates and joint ventures accounted for using the equity method constituted (0.87)% of the total income before tax for the year ended December 31, 2018.

Key Audit Matters

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

1. Valuation of inventories

Please refer to Notes 4(g) for accounting policy of inventory, Notes 5 for accounting estimations and assumption uncertainty of inventory valuation, and Notes 6(d) for the write-down of inventories to net realizable value.

Description of key audit matter:

The inventories are measured at the lower of cost and net realizable value. Due to the rapid changes in the economy and the environment, and the production technology update, the cost of inventories are in a risk that the inventory cost exceeds its net realizable value.

How the matter was addressed in our audit:

For valuation of the inventories, we reviewed the inventory aging reports, analyzed the inventory turnovers and changes in its aging inventory for each period to assess the reasonableness of the Company's inventory provision rate, evaluated the accounting policy rationality, understood the sales price adopted by the management evaluation, reviewed the sales status and evaluation which was based on the net realizable value used to assess the appropriateness of the Company management's estimation on inventory provision.

2. Revenue recognition

Please refer to Note 4(o) and 6(o) for accounting policy of revenue recognition.

Description of key audit matter:

The major business activities of the Company are the manufacture and sale of integrated circuits. The Company also offers research and development services with respect to the products presented above. Test of revenue recognition is one of the key audit matters in our audit. Revenue is the key performance indicator to evaluate the performance by the investors and management, and thus, needs significant attention in our audit.

How the matter was addressed in our audit:

We tested the effectiveness of the related controls surrounding revenue recognition, reviewed relevant sales documents to evaluate whether the revenue recognition is consistent with the accounting policy; performed trend analysis on the top ten customers and revenue by products, to assess significant exception, if any; tested the sales transactions before and after the end of the year and its relevant documents to evaluate the accuracy of the amount and period of the revenue recognized.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Chou, Pao-Lian and Tseng, May-Yu.

KPMG

Taipei, Taiwan (Republic of China)

March 10, 2020

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)
ELAN MICROELECTRONICS CORPORATION

Balance Sheets

December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

| | | December 31, 2019 | | December 31, 2018 | |
|--|--|----------------------|------------|-------------------|------------|
| | | Amount | % | Amount | % |
| Assets | | | | | |
| Current assets: | | | | | |
| 1100 | Cash and cash equivalents (notes 6(a) and (r)) | \$ 1,020,679 | 9 | 1,685,150 | 18 |
| 1110 | Current financial assets at fair value through profit or loss (notes 6(b) and (r)) | 414,319 | 4 | 426,245 | 4 |
| 1172 | Accounts receivable (notes 6(c) and (r)) | 1,098,287 | 10 | 1,001,958 | 11 |
| 1181 | Accounts receivable due from related parties (notes 6(c), (r) and 7) | 45,575 | - | 42,872 | - |
| 1200 | Other receivables (notes 6(c), (r) and 7) | 829,461 | 8 | 661,640 | 8 |
| 1310 | Inventories, net (note 6(d)) | 1,318,609 | 12 | 1,073,897 | 11 |
| 1410 | Prepayments and other current assets | 13,518 | - | 3,999 | - |
| 1476 | Other current financial assets (notes 6(a) and (r)) | 2,279,650 | 21 | 1,724,850 | 18 |
| | | <u>7,020,098</u> | <u>64</u> | <u>6,620,611</u> | <u>70</u> |
| Non-current assets: | | | | | |
| 1510 | Non-current financial assets at fair value through profit or loss (note 6(b)) | 584,778 | 5 | 583,592 | 6 |
| 1517 | Non-current financial assets at fair value through other comprehensive income (notes 6(e) and (r)) | 85,469 | 1 | 160,994 | 2 |
| 1551 | Investments accounted for using equity method (note 6(f)) | 1,838,378 | 17 | 1,129,348 | 12 |
| 1600 | Property, plant and equipment (notes 6(g)) | 755,686 | 7 | 761,937 | 8 |
| 1755 | Right-of-use assets (note 6(h)) | 188,500 | 2 | - | - |
| 1780 | Intangible assets (note 6(i)) | 223,170 | 2 | 202,743 | 2 |
| 1840 | Deferred tax assets (note 6(l)) | 31,862 | - | 29,821 | - |
| 1900 | Other non-current assets (note 6(r)) | 5,300 | - | 28,901 | - |
| 1960 | Prepayments for investments (note 6(f)) | 170,000 | 2 | - | - |
| | | <u>3,883,143</u> | <u>36</u> | <u>2,897,336</u> | <u>30</u> |
| Total assets | | \$ 10,903,241 | 100 | 9,517,947 | 100 |
| | | | | | |
| Liabilities and Equity | | | | | |
| Current liabilities: | | | | | |
| 2170 | Accounts payable (notes 6(r) and 7) | 1,167,628 | 11 | 961,996 | 10 |
| 2206 | Employee bonus payable (notes 6(q) and (r)) | 382,500 | 4 | 255,000 | 3 |
| 2230 | Current tax liabilities | 267,864 | 2 | 256,922 | 3 |
| 2280 | Current lease liabilities (notes 6(j) and (r)) | 8,667 | - | - | - |
| 2300 | Other current liabilities (notes 6(r) and 7) | 847,102 | 8 | 1,031,125 | 10 |
| | | <u>2,673,761</u> | <u>25</u> | <u>2,505,043</u> | <u>26</u> |
| Non-Current liabilities: | | | | | |
| 2570 | Deferred tax liabilities (note 6(l)) | 2,097 | - | 2,248 | - |
| 2580 | Non-current lease liabilities (notes 6(j) and (r)) | 180,969 | 2 | - | - |
| 2640 | Net defined benefit liability, non-current (note 6(k)) | 367,155 | 3 | 373,240 | 3 |
| 2645 | Guarantee deposits received (note 6(j) and (r)) | 10,328 | - | 10,236 | - |
| | | <u>560,549</u> | <u>5</u> | <u>385,724</u> | <u>3</u> |
| | | <u>3,234,310</u> | <u>30</u> | <u>2,890,767</u> | <u>29</u> |
| Total liabilities | | | | | |
| Equity attributable to owners of parent: (notes 6(m) and (n)) | | | | | |
| 3100 | Capital stock | 3,038,804 | 28 | 3,038,804 | 32 |
| 3200 | Capital surplus | 375,945 | 3 | 444,033 | 5 |
| | Retained earnings: | | | | |
| 3310 | Legal reserve | 1,575,923 | 14 | 1,419,965 | 15 |
| 3350 | Undistributed earnings | 2,577,324 | 24 | 1,585,683 | 17 |
| | | <u>4,153,247</u> | <u>38</u> | <u>3,005,648</u> | <u>32</u> |
| 3400 | Other equity | 129,910 | 1 | 172,023 | 2 |
| 3500 | Treasury shares | (28,975) | - | (33,328) | - |
| | | <u>7,668,931</u> | <u>70</u> | <u>6,627,180</u> | <u>71</u> |
| Total equity | | | | | |
| Total liabilities and equity | | \$ 10,903,241 | 100 | 9,517,947 | 100 |

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

ELAN MICROELECTRONICS CORPORATION**Statements of Comprehensive Income****For the years ended December 31, 2019 and 2018****(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)**

| | | 2019 | | 2018 | |
|------|--|---------------------|-----------|------------------|-----------|
| | | Amount | % | Amount | % |
| 4000 | Operating revenue (notes 6(o) and 7) | \$ 9,309,465 | 100 | 8,432,996 | 100 |
| 5000 | Operating costs (notes 6(d) and 7) | 4,957,908 | 53 | 4,574,425 | 54 |
| 5900 | Gross profit from operations | 4,351,557 | 47 | 3,858,571 | 46 |
| 5920 | Add: Realized profit from sales | 4,476 | - | 88 | - |
| 5950 | Gross profits | 4,356,033 | 47 | 3,858,659 | 46 |
| 6000 | Operating expenses: (notes 6(c), (l) and 12) | | | | |
| 6100 | Selling expenses | 566,053 | 6 | 525,428 | 6 |
| 6200 | Administrative expenses | 255,447 | 3 | 230,654 | 3 |
| 6300 | Research and development expenses | 1,407,080 | 15 | 1,331,429 | 16 |
| 6450 | Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9 | (10,002) | - | 1,572 | - |
| | | 2,218,578 | 24 | 2,089,083 | 25 |
| 6900 | Operating income | 2,137,455 | 23 | 1,769,576 | 21 |
| 7000 | Non-operating income and expenses: | | | | |
| 7010 | Other income (notes 6(p) and 7) | 110,697 | 1 | 71,365 | 1 |
| 7020 | Other gains and losses (notes 6(g) and (p)) | (9,228) | - | (11,906) | - |
| 7050 | Finance costs | (3,070) | - | (8) | - |
| 7590 | Miscellaneous disbursements | (3,083) | - | (1,438) | - |
| 7070 | Share of gain of subsidiaries and associates accounted for using equity method (note 6(f)) | 602,411 | 6 | 57,080 | 1 |
| | | 697,727 | 7 | 115,093 | 2 |
| 7900 | Profit before tax | 2,835,182 | 30 | 1,884,669 | 23 |
| 7950 | Less: Income tax expenses (note 6(l)) | 338,438 | 4 | 325,089 | 4 |
| | Net profit | 2,496,744 | 26 | 1,559,580 | 19 |
| 8300 | Other comprehensive income (loss): | | | | |
| 8310 | Components of other comprehensive income (loss) that will not be reclassified to profit or loss | | | | |
| 8311 | Gains on remeasurements of defined benefit plans | 5,431 | - | 5,422 | - |
| 8316 | Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income | 10,490 | - | 29,727 | - |
| 8330 | Share of other comprehensive income of subsidiaries and associates accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss | 15,339 | - | (5,667) | - |
| 8349 | Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss | - | - | - | - |
| | | 31,260 | - | 29,482 | - |
| 8360 | Components of other comprehensive income (loss) that will be reclassified to profit or loss | | | | |
| 8361 | Exchange differences on translation of foreign financial statements | (1,281) | - | 400 | - |
| 8380 | Share of other comprehensive income of subsidiaries and associates accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss | (37) | - | (559) | - |
| 8399 | Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss | - | - | - | - |
| | Components of other comprehensive income that will be reclassified to profit or loss | (1,318) | - | (159) | - |
| 8300 | Other comprehensive income, net | 29,942 | - | 29,323 | - |
| 8500 | Comprehensive income | \$ 2,526,686 | 26 | 1,588,903 | 19 |
| | Earnings per share (expressed in dollars) (note 6(n)) | | | | |
| 9710 | Basic earnings per share | \$ 8.57 | | 4.16 | |
| 9850 | Diluted earnings per share | \$ 8.44 | | 4.12 | |

See accompanying notes to financial statements.

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

ELAN MICROELECTRONICS CORPORATION**Statements of Changes in Equity****For the years ended December 31, 2019 and 2018****(Expressed in Thousands of New Taiwan Dollars)**

| | Ordinary shares | Capital surplus | Retained earnings | | Total other equity interest | | Treasury shares | Total equity |
|---|---------------------|--------------------|-------------------|-------------------------------------|--|---|-----------------|------------------|
| | | | Legal reserve | Unappropriated retained earnings | Exchange differences on translation of foreign financial statements | Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | | |
| Balance at January 1, 2018 | \$ 4,341,148 | 536,328 | 1,312,585 | 1,109,748 | (4,060) | 151,839 | (91,111) | 7,356,477 |
| Effects of retrospective application | - | - | - | 17,120 | - | - | - | 17,120 |
| Balance at January 1, 2018 after adjustments | 4,341,148 | 536,328 | 1,312,585 | 1,126,868 | (4,060) | 151,839 | (91,111) | 7,373,597 |
| Net profit | - | - | - | 1,559,580 | - | - | - | 1,559,580 |
| Other comprehensive income | - | - | - | 5,079 | (159) | 24,403 | - | 29,323 |
| Total comprehensive income | - | - | - | 1,564,659 | (159) | 24,403 | - | 1,588,903 |
| Appropriation and distribution of retained earnings: | | | | | | | | |
| Legal reserve appropriated | - | - | 107,380 | (107,380) | - | - | - | - |
| Cash dividends of ordinary share | - | - | - | (998,464) | - | - | - | (998,464) |
| Other changes in capital surplus: | | | | | | | | |
| Cash dividends from capital surplus | - | (121,552) | - | - | - | - | - | (121,552) |
| Capital reduction | (1,302,344) | - | - | - | - | - | 52,812 | (1,249,532) |
| Adjustments of capital surplus for company's cash dividends received by subsidiaries | - | 40,834 | - | - | - | - | 4,971 | 45,805 |
| Changes in ownership interests in subsidiaries | - | (11,577) | - | - | - | - | - | (11,577) |
| Balance at December 31, 2018 | 3,038,804 | 444,033 | 1,419,965 | 1,585,683 | (4,219) | 176,242 | (33,328) | 6,627,180 |
| Net profit | - | - | - | 2,496,744 | - | - | - | 2,496,744 |
| Other comprehensive income | - | - | - | 5,118 | (1,318) | 26,142 | - | 29,942 |
| Total comprehensive income | - | - | - | 2,501,862 | (1,318) | 26,142 | - | 2,526,686 |
| Appropriation and distribution of retained earnings: | | | | | | | | |
| Legal reserve appropriated | - | - | 155,958 | (155,958) | - | - | - | - |
| Cash dividends of ordinary share | - | - | - | (1,413,044) | - | - | - | (1,413,044) |
| Other changes in capital surplus: | | | | | | | | |
| Cash dividends from capital surplus | - | (106,358) | - | - | - | - | - | (106,358) |
| Adjustments of capital surplus for company's cash dividends received by subsidiaries | - | 57,838 | - | - | - | - | 4,353 | 62,191 |
| Changes in ownership interests in subsidiaries | - | (19,568) | - | (8,156) | - | - | - | (27,724) |
| Disposal of investments in equity instruments designated at fair value through other comprehensive income | - | - | - | 66,937 | - | (66,937) | - | - |
| Balance at December 31, 2019 | \$ 3,038,804 | 375,945 | 1,575,923 | 2,577,324 | (5,537) | 135,447 | (28,975) | 7,668,931 |

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)
ELAN MICROELECTRONICS CORPORATION

Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

| | <u>2019</u> | <u>2018</u> |
|--|----------------------------|-------------------------|
| Cash flows from operating activities: | | |
| Profit before tax | \$ 2,835,182 | 1,884,669 |
| Adjustments: | | |
| Adjustments to reconcile profit: | | |
| Depreciation expense | 59,847 | 43,962 |
| Amortization expense | 37,720 | 43,239 |
| Expected credit loss (gain) | (10,002) | 1,572 |
| Net (loss) gain on financial assets at fair value through profit or loss | (20,142) | 20,912 |
| Interest expense | 3,070 | 8 |
| Interest income | (40,583) | (43,172) |
| Dividend income | (13,029) | (8,479) |
| Share of profit of subsidiaries and associates accounted for using equity method | (602,411) | (57,080) |
| Loss on disposal of property, plant and equipment | 428 | 388 |
| Impairment loss | - | 25,808 |
| Difference between net pension liability and actual appropriations | 749 | 1,638 |
| Impairment loss and disposal loss on inventory | 110,809 | 89,337 |
| Others | (4,489) | (87) |
| Total adjustments to reconcile profit | <u>(478,033)</u> | <u>118,046</u> |
| Changes in operating assets and liabilities: | | |
| Increase in notes and accounts receivable (including related parties) | (89,030) | (168,867) |
| Increase in inventories | (355,521) | (96,524) |
| Decrease (increase) in prepayments and other current assets | (2,656) | 34,872 |
| Increase in other receivables | (167,843) | (123,391) |
| Increase in notes and accounts payable | 205,632 | 71,077 |
| Increase (decrease) in other current liabilities | (54,856) | 183,338 |
| Total adjustments | <u>(942,307)</u> | <u>18,551</u> |
| Cash inflow generated from operations | 1,892,875 | 1,903,220 |
| Interest received | 40,605 | 43,499 |
| Dividends received | 14,421 | 8,489 |
| Interest paid | (3,070) | (8) |
| Income taxes paid | (329,687) | (218,944) |
| Net cash flows from operating activities | <u>1,615,144</u> | <u>1,736,256</u> |
| Cash flows from (used in) investing activities: | | |
| Proceeds from disposal of financial assets at fair value through other comprehensive income | 86,015 | - |
| Acquisition of financial assets at fair value through profit or loss | (34,967) | (29,450) |
| Proceeds from capital reduction of financial assets at fair value through other comprehensive income | 51,338 | 48,065 |
| Decrease in financial assets at fair value through profit or loss | 14,511 | 116,168 |
| Acquisition of investments accounted for using equity method | (78,343) | (97,732) |
| Increase in prepayments for investments | (170,000) | - |
| Proceeds from disposal of subsidiaries | 22,908 | - |
| Acquisition of property, plant and equipment | (50,262) | (240,084) |
| Decrease in refundable deposits | 1,110 | 670 |
| Acquisition of intangible assets | (58,147) | (15,878) |
| Decrease in other non-current assets | 22,492 | 23,868 |
| Decrease (increase) in time deposit with maturity longer than three months | (554,800) | 814,350 |
| Net cash flows from (used in) investing activities | <u>(748,145)</u> | <u>619,977</u> |
| Cash flows used in financing activities: | | |
| Increase in guarantee deposits received | 92 | 252 |
| Payment of lease liabilities | (12,160) | - |
| Cash dividends paid | (1,519,402) | (1,120,016) |
| Capital reduction | - | (1,302,344) |
| Net cash flows used in financing activities | <u>(1,531,470)</u> | <u>(2,422,108)</u> |
| Net decrease in cash and cash equivalents | (664,471) | (65,875) |
| Cash and cash equivalents at the beginning of period | <u>1,685,150</u> | <u>1,751,025</u> |
| Cash and cash equivalents at the end of period | <u>\$ 1,020,679</u> | <u>1,685,150</u> |

See accompanying notes to financial statements.

Independent Auditors' Report

To the Board of Directors

ELAN MICROELECTRONICS CORPORATION:

Opinion

We have audited the consolidated financial statements of ELAN MICROELECTRONICS CORPORATION ("the Company"), and its subsidiaries (together referred to as the "Group"), which comprise the consolidated statement of financial position as of December 31, 2019 and 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, base on our audits and the reports of other auditors (please refer to Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation developed by International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("ISIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit in accordance with the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the 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. Base 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.

Other Matter

We did not audit the financial statements of Top Taiwan X Venture Capital Co. Ltd which represented investment accounted for using the equity method of the Group. These statement was audited by another auditor, whose report has been furnished to us, and our opinion, insofar as it relates to the amount included for Top Taiwan X Venture Capital Co. Ltd, is based solely on the report of another auditor. The investment in Top Taiwan X Venture Capital Co. Ltd accounted for using the equity method constituted 2.50% of the consolidated total assets at December 31, 2019, and the related share of profit of associates and joint ventures accounted for using the equity method constituted 1.79% of the consolidated total income before tax for the year ended December 31, 2019.

We did not audit the financial statements of Top Taiwan X Venture Capital Co. Ltd and Uniband Electronic Corp, which represented investment accounted for using the equity method of the Group. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as they relate to the amounts included for Top Taiwan X Venture Capital Co. Ltd and Uniband Electronic Corp, are based solely on the reports of other auditors. The investment in Top Taiwan X Venture Capital Co. Ltd and Uniband Electronic Corp accounted for using the equity method constituted 2.49% of the consolidated total assets at December 31, 2018, and the related share of profit of associates and joint ventures accounted for using the equity method constituted (0.88)% of the consolidated total income before tax for the year ended December 31, 2018.

The Company has prepared its parent-company-only financial statements as of and for the years ended December 31, 2019 and 2018, on which we have issued an unmodified opinion with other matter paragraph.

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.

1. Valuation of inventories

Please refer to Notes 4(h) for accounting policy of inventory, Notes 5 for accounting estimations and assumption uncertainty of inventory valuation, and Notes 6(d) for the write-down of inventories to net realizable value.

Description of key audit matter:

The inventories are measured at the lower of cost and net realizable value. Due to the rapid changes in the economy and the environment, and the production technology update, the cost of inventories are in a risk that the inventory cost exceeds its net realizable value.

How the matter was addressed in our audit:

For valuation of the inventories, we reviewed the inventory aging reports, analyzed the inventory turnovers and changes in its aging inventory for each period to assess the reasonableness of the Group's inventory provision rate, evaluated the accounting policy rationality, understood the sales price adopted by the management evaluation, reviewed the sales status and evaluation which was based on the net realizable value used to assess the appropriateness of the Group management's estimation on inventory provision.

2. Revenue recognition

Please refer to Note 4(o) and 6(p) for accounting policy of revenue recognition.

Description of key audit matter:

The major business activities of the Group are the manufacture and sale of integrated circuits. The Group also offers research and development services with respect to the products presented above. Test of revenue recognition is one of the key audit matters in our audit. Revenue is the key performance indicator to evaluate the performance by the investors and management, and thus, needs significant attention in our audit.

How the matter was addressed in our audit:

We tested the effectiveness of the related controls surrounding revenue recognition, reviewed relevant sales documents to evaluate whether the revenue recognition is consistent with the accounting policy; performed trend analysis on the top ten customers and revenue by products, to assess significant exception, if any; tested the sales transactions before and after the end of the year and its relevant documents to evaluate the accuracy of the amount and period of the revenue recognized.

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 Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Chou, Pao-Lian and Tseng, May-Yu.

KPMG

Taipei, Taiwan (Republic of China)

March 10, 2020

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)
ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

| | | <u>December 31, 2019</u> | | <u>December 31, 2018</u> | | | | <u>December 31, 2019</u> | | <u>December 31, 2018</u> | |
|------|---|--------------------------|------------|--------------------------|------------|------|--|--------------------------|------------|--------------------------|------------|
| | Assets | <u>Amount</u> | % | <u>Amount</u> | % | | Liabilities and Equity | <u>Amount</u> | % | <u>Amount</u> | % |
| | Current assets: | | | | | | Current liabilities: | | | | |
| 1100 | Cash and cash equivalents (notes 6(a) and (s)) | \$ 1,502,121 | 13 | 2,075,773 | 21 | 2100 | Short-term borrowings (notes 6(j) and (s)) | \$ 241,000 | 2 | 243,000 | 2 |
| 1110 | Current financial assets at fair value through profit or loss (notes 6(b) and (s)) | 778,442 | 7 | 655,238 | 7 | 2170 | Accounts payable (notes 6(s) and 7) | 1,169,761 | 10 | 975,578 | 10 |
| 1170 | Notes and accounts receivable, net (notes 6(c), (s) and 7) | 1,195,296 | 11 | 1,104,734 | 11 | 2206 | Employee bonus payable (notes 6(r) and (s)) | 382,500 | 3 | 255,000 | 3 |
| 1200 | Other receivables (notes 6(c), (s) and 7) | 835,141 | 7 | 658,085 | 7 | 2230 | Current tax liabilities | 278,873 | 2 | 269,983 | 3 |
| 1310 | Inventories, net (note 6(d)) | 1,386,202 | 12 | 1,156,253 | 12 | 2280 | Current lease liabilities (notes 6(k) and (s)) | 21,279 | - | - | - |
| 1410 | Prepayments and other current assets | 20,323 | - | 38,222 | - | 2300 | Other current liabilities (note 6(s)) | 964,528 | 10 | 1,085,084 | 10 |
| 1476 | Other current financial assets (notes 6(a) and (s)) | 2,289,450 | 21 | 1,759,480 | 18 | | | 3,057,941 | 27 | 2,828,645 | 28 |
| | | 8,006,975 | 71 | 7,447,785 | 76 | | Non-Current liabilities: | | | | |
| | Non-current assets: | | | | | 2570 | Deferred tax liabilities | 2,097 | - | 2,248 | - |
| 1510 | Non-current financial assets at fair value through profit or loss (notes 6(b) and (s)) | 1,360,622 | 12 | 808,068 | 8 | 2580 | Non-current lease liabilities (notes 6(k) and (s)) | 200,563 | 2 | - | - |
| 1517 | Non-current financial assets at fair value through other comprehensive income (note 6(e) and (s)) | 191,833 | 2 | 252,100 | 3 | 2640 | Net defined benefit liability, non-current (note 6(l)) | 372,373 | 3 | 378,819 | 4 |
| 1551 | Investments accounted for using equity method (note 6(f)) | 330,837 | 3 | 246,562 | 3 | 2645 | Guarantee deposits received (note 6(s)) | 10,766 | - | 10,677 | - |
| 1600 | Property, plant and equipment (notes 6(g) and 7) | 760,537 | 7 | 767,874 | 8 | | | 585,799 | 5 | 391,744 | 4 |
| 1755 | Right-of-use assets (note 6(h)) | 220,483 | 2 | - | - | | Total liabilities | 3,643,740 | 32 | 3,220,389 | 32 |
| 1780 | Intangible assets (note 6(i)) | 304,219 | 3 | 225,319 | 2 | | Equity attributable to owners of parent: (notes 6(n) and (o)) | | | | |
| 1840 | Deferred tax assets | 31,862 | - | 29,821 | - | 3100 | Capital stock | 3,038,804 | 27 | 3,038,804 | 31 |
| 1900 | Other non-current assets (note 6(s)) | 19,524 | - | 25,618 | - | 3200 | Capital surplus | 375,945 | 3 | 444,033 | 5 |
| 1960 | Prepayments for investments (note 6(s)) | 20,000 | - | - | - | | Retained earnings: | | | | |
| | | 3,239,917 | 29 | 2,355,362 | 24 | 3310 | Legal reserve | 1,575,923 | 14 | 1,419,965 | 14 |
| | | | | | | 3350 | Undistributed earnings | 2,577,324 | 24 | 1,585,683 | 16 |
| | | | | | | | | 4,153,247 | 38 | 3,005,648 | 30 |
| | | | | | | 3400 | Other equity | 129,910 | 1 | 172,023 | 2 |
| | | | | | | 3500 | Treasury shares | (28,975) | - | (33,328) | - |
| | | | | | | | Total equity attributable to owners of parent: | 7,668,931 | 69 | 6,627,180 | 68 |
| | | | | | | 36XX | Non-controlling interests | (65,779) | (1) | (44,422) | - |
| | | | | | | | Total equity | 7,603,152 | 68 | 6,582,758 | 68 |
| | Total assets | \$ 11,246,892 | 100 | 9,803,147 | 100 | | Total liabilities and equity | \$ 11,246,892 | 100 | 9,803,147 | 100 |

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018

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

| | | 2019 | | 2018 | |
|------|--|---------------------|-----------|------------------|-----------|
| | | Amount | % | Amount | % |
| 4000 | Operating revenue (notes 6(p), 7 and 14) | \$ 9,487,977 | 100 | 8,651,332 | 100 |
| 5000 | Operating costs (notes 6(d), (l) and 7) | 5,074,045 | 53 | 4,709,457 | 54 |
| 5900 | Gross profit from operations | 4,413,932 | 47 | 3,941,875 | 46 |
| 5920 | Add: Realized profit from sales | 2,756 | - | 2,302 | - |
| 5950 | Gross profits | 4,416,688 | 47 | 3,944,177 | 46 |
| 6000 | Operating expenses: (notes 6(c), (l) and 12) | | | | |
| 6100 | Selling expenses | 399,234 | 4 | 349,848 | 4 |
| 6200 | Administrative expenses | 347,521 | 4 | 331,042 | 4 |
| 6300 | Research and development expenses | 1,596,392 | 17 | 1,531,009 | 18 |
| 6450 | Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9 | (7,885) | - | 1,990 | - |
| | | 2,335,262 | 25 | 2,213,889 | 26 |
| 6900 | Operating income | 2,081,426 | 22 | 1,730,288 | 20 |
| 7000 | Non-operating income and expenses: | | | | |
| 7010 | Other income (note 6(q)) | 121,354 | 1 | 71,152 | 1 |
| 7020 | Other gains and losses (notes 6(q) and 7) | 573,834 | 6 | 114,339 | 1 |
| 7050 | Finance costs | (9,467) | - | (4,651) | - |
| 7590 | Miscellaneous disbursements | (3,169) | - | (1,674) | - |
| 7770 | Share of gain (loss) of associates accounted for using equity method (note 6(f)) | 45,682 | 1 | (39,386) | - |
| | | 728,234 | 8 | 139,780 | 2 |
| 7900 | Profit before tax | 2,809,660 | 30 | 1,870,068 | 22 |
| 8110 | Less: Income tax expenses (note 6(m)) | 344,918 | 4 | 338,366 | 4 |
| | Net profit | 2,464,742 | 26 | 1,531,702 | 18 |
| 8300 | Other comprehensive income (loss): | | | | |
| 8310 | Components of other comprehensive income (loss) that will not be reclassified to profit or loss | | | | |
| 8311 | Gains on remeasurements of defined benefit plans | 4,968 | - | 4,904 | - |
| 8316 | Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income | 26,142 | - | 25,782 | - |
| 8320 | Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss | - | - | (1,379) | - |
| 8349 | Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss | - | - | - | - |
| | | 31,110 | - | 29,307 | - |
| 8360 | Components of other comprehensive income (loss) that will be reclassified to profit or loss | | | | |
| 8361 | Exchange differences on translation of foreign financial statements | (1,281) | - | (139) | - |
| 8370 | Share of other comprehensive income of associates accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss | (37) | - | (20) | - |
| 8399 | Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss | - | - | - | - |
| | Components of other comprehensive income that will be reclassified to profit or loss | (1,318) | - | (159) | - |
| 8300 | Other comprehensive income, net | 29,792 | - | 29,148 | - |
| 8500 | Comprehensive income | \$ 2,494,534 | 26 | 1,560,850 | 18 |
| | Net profit attributable to: | | | | |
| 8610 | Owners of parent | \$ 2,496,744 | 26 | 1,559,580 | 18 |
| 8620 | Non-controlling interests | (32,002) | - | (27,878) | - |
| | | \$ 2,464,742 | 26 | 1,531,702 | 18 |
| | Comprehensive income attributable to: | | | | |
| 8710 | Owners of the parent | \$ 2,526,686 | 26 | 1,588,903 | 18 |
| 8720 | Non-controlling interests | (32,152) | - | (28,053) | - |
| | | \$ 2,494,534 | 26 | 1,560,850 | 18 |
| | Earnings per share (expressed in dollars) (note 6(o)) | | | | |
| 9710 | Basic earnings per share | \$ 8.57 | | 4.16 | |
| 9850 | Diluted earnings per share | \$ 8.44 | | 4.12 | |

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

| | Equity attributable to owners of parent | | | | | | | | | | | |
|---|---|--------------------|------------------|--|--|--|--|------------------------------------|--|--------------------|--|------------------------------|
| | Retained earnings | | | | Total other equity interest | | | Total equity | | | | |
| | | | | | Exchange differences on translation of | Unrealized gains (losses) from financial assets measured at fair value | Unrealized gains (losses) on available-for-sa le financial assets | | | | | |
| | Ordinary shares | Capital surplus | Legal reserve | Unappropriated retained earnings | | | | foreign financial statements | through other comprehensive income | Treasury shares | attributable to owners of parent | Non-controlling interests |
| | | | | | | | | | | | | |
| Balance at January 1, 2018 | \$ 4,341,148 | 536,328 | 1,312,585 | 1,109,748 | (4,060) | - | 151,839 | (91,111) | 7,356,477 | (33,014) | 7,323,463 | |
| Effects of retrospective application | - | - | - | 17,120 | - | 151,839 | (151,839) | - | 17,120 | - | 17,120 | |
| Balance at January 1, 2018 after adjustments | 4,341,148 | 536,328 | 1,312,585 | 1,126,868 | (4,060) | 151,839 | - | (91,111) | 7,373,597 | (33,014) | 7,340,583 | |
| Net profit | - | - | - | 1,559,580 | - | - | - | - | 1,559,580 | (27,878) | 1,531,702 | |
| Other comprehensive income | - | - | - | 5,079 | (159) | 24,403 | - | - | 29,323 | (175) | 29,148 | |
| Total comprehensive income | - | - | - | 1,564,659 | (159) | 24,403 | - | - | 1,588,903 | (28,053) | 1,560,850 | |
| Appropriation and distribution of retained earnings: | | | | | | | | | | | | |
| Legal reserve appropriated | - | - | 107,380 | (107,380) | - | - | - | - | - | - | - | |
| Cash dividends of ordinary share | - | - | - | (998,464) | - | - | - | - | (998,464) | - | (998,464) | |
| Other changes in capital surplus: | | | | | | | | | | | | |
| Cash dividends from capital surplus | - | (121,552) | - | - | - | - | - | - | (121,552) | - | (121,552) | |
| Adjustments of capital surplus for company's cash dividends received by subsidiaries | - | 40,834 | - | - | - | - | - | 4,971 | 45,805 | - | 45,805 | |
| Capital reduction | (1,302,344) | - | - | - | - | - | - | 52,812 | (1,249,532) | - | (1,249,532) | |
| Issuance of shares for non-controlling interests | - | - | - | - | - | - | - | - | - | 860 | 860 | |
| Changes in non-controlling interests | - | (11,577) | - | - | - | - | - | - | (11,577) | 15,785 | 4,208 | |
| Balance at December 31, 2018 | 3,038,804 | 444,033 | 1,419,965 | 1,585,683 | (4,219) | 176,242 | - | (33,328) | 6,627,180 | (44,422) | 6,582,758 | |
| Net profit | - | - | - | 2,496,744 | - | - | - | - | 2,496,744 | (32,002) | 2,464,742 | |
| Other comprehensive income | - | - | - | 5,118 | (1,318) | 26,142 | - | - | 29,942 | (150) | 29,792 | |
| Total comprehensive income | - | - | - | 2,501,862 | (1,318) | 26,142 | - | - | 2,526,686 | (32,152) | 2,494,534 | |
| Appropriation and distribution of retained earnings: | | | | | | | | | | | | |
| Legal reserve appropriated | - | - | 155,958 | (155,958) | - | - | - | - | - | - | - | |
| Cash dividends of ordinary share | - | - | - | (1,413,044) | - | - | - | - | (1,413,044) | - | (1,413,044) | |
| Other changes in capital surplus: | | | | | | | | | | | | |
| Cash dividends from capital surplus | - | (106,358) | - | - | - | - | - | - | (106,358) | - | (106,358) | |
| Adjustments of capital surplus for company's cash dividends received by subsidiaries | - | 57,838 | - | - | - | - | - | 4,353 | 62,191 | - | 62,191 | |
| Issuance of shares for non-controlling interests | - | - | - | - | - | - | - | - | - | 5,377 | 5,377 | |
| Changes in non-controlling interests | - | (19,568) | - | (8,156) | - | - | - | - | (27,724) | 5,418 | (22,306) | |
| Disposal of investments in equity instruments designated at fair value through other comprehensive income | - | - | - | 66,937 | - | (66,937) | - | - | - | - | - | |
| Balance at December 31, 2019 | \$ 3,038,804 | 375,945 | 1,575,923 | 2,577,324 | (5,537) | 135,447 | - | (28,975) | 7,668,931 | (65,779) | 7,603,152 | |

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
ELAN MICROELECTRONICS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows
For the years ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

| | <u>2019</u> | <u>2018</u> |
|--|----------------------------|-------------------------|
| Cash flows from operating activities: | | |
| Profit before tax | \$ 2,809,660 | 1,870,068 |
| Adjustments: | | |
| Adjustments to reconcile profit: | | |
| Depreciation expense | 76,557 | 46,353 |
| Amortization expense | 47,023 | 49,845 |
| Expected credit loss (gain) | (7,885) | 1,990 |
| Net gain on financial assets at fair value through profit or loss | (601,235) | (100,218) |
| Interest expense | 9,467 | 4,651 |
| Interest income | (41,410) | (43,857) |
| Dividend income | (25,688) | (11,434) |
| Share of loss (gain) of associates accounted for using equity method | (45,682) | 39,386 |
| Loss on disposal of property, plant and equipment | 678 | 387 |
| Impairment loss | - | 25,808 |
| Difference between net pension liability and actual appropriations | (1,478) | (12,483) |
| Impairment loss and disposal loss on inventory | 123,050 | 93,385 |
| Others | (2,115) | 612 |
| Total adjustments to reconcile profit | <u>(468,718)</u> | <u>94,425</u> |
| Changes in operating assets and liabilities: | | |
| Increase in notes and accounts receivable | (82,676) | (168,951) |
| Increase in inventories | (352,999) | (95,835) |
| Decrease in prepayments and other current assets | 24,810 | 33,645 |
| Increase in other receivables | (177,086) | (118,934) |
| Increase in notes and accounts payable | 194,183 | 79,604 |
| Increase in other current liabilities | <u>10,662</u> | <u>219,914</u> |
| Cash inflow generated from operations | 1,957,836 | 1,913,936 |
| Interest received | 41,440 | 44,173 |
| Dividends received | 27,473 | 11,443 |
| Interest paid | (9,403) | (4,629) |
| Income taxes paid | <u>(338,220)</u> | <u>(226,737)</u> |
| Net cash flows from operating activities | <u>1,679,126</u> | <u>1,738,186</u> |
| Cash flows from (used in) investing activities: | | |
| Acquisition of investment accounted for using equity method | (62,201) | - |
| Proceeds from disposal of financial assets at fair value through other comprehensive income | 86,015 | - |
| Proceeds from capital reduction of financial assets at fair value through other comprehensive income | 51,338 | 48,065 |
| Acquisition of financial assets at fair value through profit or loss | (31,887) | (37,989) |
| Proceeds from disposal of financial assets at fair value through profit or loss | 237,201 | 62,647 |
| Decrease (increase) in financial assets at fair value through profit or loss | (331,175) | 77,168 |
| Acquisition of property, plant and equipment | (50,908) | (240,827) |
| Increase in refundable deposits | 461 | (518) |
| Acquisition of intangible assets | (125,924) | (18,891) |
| Decrease in other non-current assets | 5,633 | 3,831 |
| Increase in prepayments for investments | (20,000) | - |
| Decrease (increase) in time deposit with maturity longer than three months | <u>(529,970)</u> | <u>779,720</u> |
| Net cash flows from (used in) investing activities | <u>(771,417)</u> | <u>673,206</u> |
| Cash flows used in financing activities: | | |
| Increase in short-term loans | 616,000 | 373,000 |
| Decrease in short-term loans | (618,000) | (370,000) |
| Increase in guarantee deposits received | 89 | 251 |
| Payment of lease liabilities | (27,616) | - |
| Cash dividends paid | (1,457,211) | (1,074,211) |
| Capital reduction | - | (1,249,532) |
| Change in non-controlling interests | <u>5,377</u> | <u>860</u> |
| Net cash flows used in financing activities | <u>(1,481,361)</u> | <u>(2,319,632)</u> |
| Net increase (decrease) in cash and cash equivalents | (573,652) | 91,760 |
| Cash and cash equivalents at the beginning of period | <u>2,075,773</u> | <u>1,984,013</u> |
| Cash and cash equivalents at the end of period | <u>\$ 1,502,121</u> | <u>2,075,773</u> |

See accompanying notes to financial statements.

Appendix IV

Schedule of Surplus Earning Distribution For the year of 2019

Unit: NT\$

| | | |
|--|---------------|-----------------------------|
| Beginning Balance | | 16,680,442 |
| Less: Effect on Long-term Equity Investment Not Recognized by Shareholding Percentage | (8,156,776) | |
| Add: Actuarial Pension Gains and Losses Effects (including subsidiaries) | 5,118,288 | |
| Add: Disposal of Equity Instruments Measured at Fair Value Through Other Comprehensive Income | 66,937,469 | |
| Beginning Accumulated Surplus (losses) | | <u>80,579,423</u> |
| Add: Net Profit After Tax of the Year | 2,496,744,135 | |
| Subtotal: | | <u>2,577,323,558</u> |
| Less: Legal Reserve Recognized | 249,674,414 | |
| Distributable Surplus | | <u>2,327,649,144</u> |
| Distributed Items: | | |
| Shareholders Bonus — Cash (NT\$6.5/share) | 1,975,222,548 | |
| Ending Undistributed Earnings | | <u>352,426,596</u> |
| Note: The cash dividend was calculated to full NT\$ without any decimal point based on the distribution ratio, and the sum of all decimal points was recognized in the Company's Other Income. | | |

- Note: 1. The Chairman is authorized, upon resolution of the shareholders' meeting, to decide the ex-dividend date and the dividend distribution date.
2. The 2019 Surplus Earning Distribution shall be recognized in priority out of the 2018 surplus.
3. The Chairman is vested with full authority to handle other matters not covered herein.

Chairman:
YEH, I-HAU

General Manager:
YEH, I-HAU

Accounting Supervisor:
CHEN, YI-LIN

Appendix V

ELAN MICROELECTRONICS CORPORATION

Comparison of the Amended Clauses of the Operational Procedures for Endorsements / Guarantees

| Operational Procedures for Endorsements / Guarantees (post-amendment clause) | Operational Procedures for Endorsements / Guarantees (pre-amendment clause) | |
|--|--|--|
| <p><u>Article 1 — Purpose and Basis</u></p> <p>1. The Operational Procedures are hereby formulated pursuant to Article 36-1 of the Securities Exchange Act (hereinafter referred to as the Act) in order to protect the rights and interests of shareholders, strengthen the Company's financial management on the endorsement / guarantee operations, and reduce the Company's operating risks.</p> <p>2. The Company shall, when providing endorsement / guarantee for others, handle the matter thereof pursuant to the provisions of the Operational Procedures.</p> | <p>1. The Operational Procedures is applicable to the handling of the Company's endorsement/guarantee affairs.</p> <p>If the Company and its subsidiary intend to make endorsements or guarantees for others, the Company shall instruct the subsidiary to establish Operational Procedures for Endorsements / Guarantees in accordance with the provisions hereof and handle thereof in accordance with the prescribed Operation Procedures.</p> | <p>1. Amend the original “Endorsement / Guarantee Guidelines” as the “Operational Procedures for Endorsements / Guarantees”.</p> <p>2. Add new provisions for any creation of guarantee by chattel or real property.</p> |
| <p><u>Article 2 — Definition</u></p> <p>1. “Subsidiary” and “parent company” as referred to in the Operational Procedures shall be as determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> <p>2. Where the Company’s financial reports are prepared according to the International Financial Reporting Standards, “net worth” referred herein means the balance sheet equity attributable to the owners of the parent company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> | <p>2. Scope</p> <p>The term “endorsement / guarantee” as used in the Operation including the following:</p> <p>1. Financing endorsement / guarantee, including:</p> <p>(1) Bill discount financing.</p> <p>(2) Endorsement or guarantee made to meet the financing needs of another company.</p> <p>(3) Issuance of a separate negotiable instrument to a non-financial enterprise as security to meet the financing needs of the company itself.</p> <p>2. Customs duty endorsement /</p> | |

| | | |
|---|---|--|
| <p><u>3. The term “announce and report” as used in the Operational Procedures means the process of entering data to the information reporting website designated by the Financial Supervisory Commission (FSC).</u></p> <p><u>4. The date of occurrence of the event referred to in the Operational Procedures means the date of contract signing, date of payment, date of a resolution of the board of directors, or other date that can confirm the counterpart and monetary amount of the endorsement / guarantee, whichever date is earlier.</u></p> <p><u>5. The term “endorsement / guarantee” as used in the Operational Procedures refers to the following:</u></p> <ol style="list-style-type: none"> 1. Financing endorsement / guarantee, including: <ol style="list-style-type: none"> (1) Bill discount financing. (2) Endorsement or guarantee made to meet the financing needs of another company. (3) Issuance of a separate negotiable instrument to a non-financial enterprise as security to meet the financing needs of the company itself. 2. Customs duty endorsement/guarantee. <u>refers to the endorsement / guarantee made for customs matters related to the Company or other companies.</u> <p><u>6. Other endorsement / guarantees. referred to endorsement / guarantee that cannot be classified in Item 1-1 and 1-2 of Article 5.</u></p> | <p>guarantee.</p> <p>3. Other endorsement / guarantees.</p> | |
|---|---|--|

| | | |
|--|---|--|
| <p>7. <u>Any creation by the Company of a pledge or mortgage on its chattel or real property as security for the loans of another company shall also comply with the Operational Procedures.</u></p> | | |
| <p><u>Article 3 — Counterpart of Endorsement / Guarantee</u></p> <p>1. The Company may make endorsement / guarantee to the following companies:</p> <p>1. A company with which it does business.</p> <p>2. A company in which the public company directly and indirectly holds more than 50 percent of the voting shares.</p> <p>3. A company that directly and indirectly holds more than 50 percent of the voting shares in the public company.</p> <p>2. Companies in which the public company holds, directly or indirectly, 90% or more of the voting shares may make endorsement / guarantee for each other, and the amount of endorsement / guarantee may not exceed 10% of the net worth of the public company, provided that this restriction shall not apply to endorsement / guarantee made between companies in which the public company holds, directly or indirectly, 100% of the voting shares.</p> <p>3. <u>Where the Company fulfills its contractual obligations by providing mutual endorsement / guarantee for another company in the same industry or for joint builders for purposes of undertaking a construction project,</u></p> | <p>4. Companies in which the public company holds, directly or indirectly, 90% or more of the voting shares may make endorsement / guarantee for each other, and the amount of endorsement / guarantee may not exceed 10% of the net worth of the public company, provided that this restriction shall not apply to endorsement / guarantee made between companies in which the public company holds, directly or indirectly, 100% of the voting shares.</p> <p>Company / organization related to the Company's business which needs the Company's endorsement / guarantee (as well as collateral, if necessary) may so apply for it. Provided that, the Company shall not endorsement / guarantee under the following circumstances:</p> <ol style="list-style-type: none"> 1. There is act against the interest of the Company. 2. The endorsement / guarantee has exceeded the prescribed limit. 3. There are records of bad loans or debt disputes. 4. There is poor credit reputation. | <p>Add new mutual endorsement / guarantee provisions for construction project.</p> |

| | | |
|--|---|-----------------------------------|
| <p><u>or where all capital contributing shareholders make endorsements / guarantees for their jointly invested company in proportion to their shareholding percentages.</u></p> <p><u>4. Capital contribution referred to in the preceding paragraph shall mean capital contribution directly by the public company, or through a company in which the public company holds 100% of the voting shares.</u></p> | | |
| <p><u>Article 4 — Effect and Amend</u></p> <p><u>1. If the Company intends to make endorsements or guarantees for others, it shall formulate the Operational Procedures for Endorsements / Guarantees pursuant to the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, which shall be sent to the audit committee and presented to the shareholders’ meeting for approval after being adopted by the board of directors. Shall there be any director raises any objection with record or written statement, the Company shall send the objection to the audit committee and present to the shareholders’ meeting for discussion. The same shall apply to any amendment.</u></p> <p><u>2. Whereas the Company has established an audit committee, the adoption or amendment to its Operational Procedures shall require the approval of one-half or more of all audit committee members, and furthermore shall be submitted for a resolution by the</u></p> | <p>16. If counterpart of endorsement / guarantee is a subsidiary in which the Company holds, directly or indirectly, 90% or more of the voting shares may make endorsement / guarantee after submitting for a resolution by the board of directors, provided that this restriction shall not apply to endorsement / guarantee made between companies in which the Company holds, directly or indirectly, 100% of the voting shares.</p> <p>The Operating Guideline is subject to the approval of one-half or more of all audit committee members, and furthermore shall be submitted for a resolution by the board of directors and to the shareholders’ meeting for approval. Shall there be any director raises any objection with record or written statement, the Company shall send the objection to the audit committee and present to the shareholders’ meeting for discussion. The same shall apply to any amendment.</p> <p>When the Company submits the</p> | <p>Line by line explanations.</p> |

| | | |
|--|---|--|
| <p><u>board of directors.</u></p> <p>3. <u>If the approval of one-half or more of all audit committee members as required in the preceding paragraph is not obtained, the Operational Procedures may be implemented if approved by two-thirds or more of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.</u></p> <p>4. <u>The terms “all audit committee members” in paragraph 4 and “all directors” in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.</u></p> | <p>Operating Guideline to the board of directors for discussion in accordance with the preceding paragraph, it shall take into full consideration each independent director's opinions; independent directors’ opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the board of directors’ meeting.</p> | |
| <p><u>Article 5 — Assessment Criteria and Procedures for Making Endorsements / Guarantees</u></p> <p>1. <u>Where an endorsement/guarantee is made due to needs arising from business dealings, evaluation standards shall be specified for determining whether the amount of an endorsement / guarantee is commensurate the total amount of trading between the two companies. The Finance & Accounting Department shall conduct credit investigation and risk assessment on the entity for which the endorsement / guarantee is made. The detailed review procedures, including:</u></p> <p>1. <u>The necessity of and reasonableness of endorsements/guarantees.</u></p> <p>2. <u>Assess whether the endorsement amount is necessary based on the financial condition of the entity</u></p> | <p>5. Endorsement / Guarantee Application Procedures</p> <p>1. Any company that is qualified for the Company's endorsement / guarantee shall fill out the “Endorsement / Guarantee Application Form” and submit it to the supervisor in charge for review and approval when applying for the endorsement / guarantee.</p> <p>2. After the endorsement / guarantee application is reviewed and approved and the endorsement / guarantee is either approved or reduced in amount, the supervisor in charge shall authorize the undertaking personnel to fill out a notice to notify the applicant company in accordance with the result of the resolution, while notifying the Finance Unit to process various procedures and</p> | <p>Add assessment criteria and risk assessment</p> |

| | | |
|---|--|--|
| <p>for which the endorsement / guarantee is made.</p> <p>3. Whether the cumulative endorsement / guarantee amount is still within the limit.</p> <p>4. Assess whether the endorsement / guarantee amount and the business transaction amount are within the limit.</p> <p>5. Impact on the company's business operations, financial condition, and shareholders' equity.</p> <p>6. Whether collateral must be obtained and appraisal of the value thereof.</p> <p>7. Annex credit status and risk assessment of the endorsement / guarantee.</p> <p>2. <u>When the Company is engaged in endorsement / guarantee activities, the entity for which the endorsement / guarantee is made shall issue application to the Company's Finance & Accounting Department to apply therefor, and the Finance & Accounting Department shall conduct credit investigation on the entity for which the endorsement / guarantee is made to assess its risk and prepare an assessment record before the endorsement / guarantee is made upon approval by the Chairman (or the board of directors). Collateral shall be obtained when necessary.</u></p> | <p>notifying the Accounting Unit to document thereof.</p> <p>3. When the entity applying for the endorsement / guarantee receives the review notice that approves the endorsement / guarantee, it shall immediately provide guarantee in accordance with contents of the application, or process the procedures at the Finance Unit after completing the pledge or mortgage.</p> <p>The Finance and Accounting Department shall conduct credit investigation and risk assessment on the entity for which the endorsement / guarantee is made. The assessment items, including:</p> <p>(1) The necessity of and reasonableness of endorsements/guarantees.</p> <p>(2) Assess whether the endorsement amount is necessary based on the financial condition of the entity for which the endorsement / guarantee is made.</p> <p>(3) Whether the cumulative endorsement / guarantee amount is still within the limit.</p> <p>(4) Where an endorsement/guarantee is made due to needs arising from business dealings, assess whether the endorsement / guarantee amount and the business transaction amount are within the limit.</p> | |
|---|--|--|

| | | |
|---|--|--|
| | <p>(5) Impact on the company's business operations, financial condition, and shareholders' equity.</p> <p>(6) Whether collateral must be obtained and appraisal of the value thereof.</p> <p>(7) Annex credit status and risk assessment of the endorsement / guarantee.</p> | |
| <p><u>Article 6 —</u> Endorsement / Guarantee Amount and Approval Authority</p> <p><u>1.</u> The Company's total external endorsement / guarantee shall not exceed 40 percent of the Company's current net worth.</p> <p><u>2.</u> Endorsement / guarantee amount to any single entity shall not exceed 10% of the Company's current net worth.</p> <p><u>3.</u> The aggregate amount of endorsements / guarantees that is set as the ceiling for the Company and its subsidiaries as a whole shall not exceed 50% of the current net worth of the Company.</p> <p><u>4.</u> If the aggregate amount of endorsements / guarantees that is set as the ceiling for the Company and its subsidiaries, as a whole, reaches 50% or more of the net worth of the Company, an explanation of the necessity and reasonableness thereof shall be given at the shareholders meeting. The "net worth" shall be based on the most current CPA audited and certified financial statements.</p> <p><u>5.</u> Where the Company made an endorsement / guarantee due to needs arising from business dealings, each endorsement /</p> | <p>4. Endorsement / Guarantee Amount and Approval Authority</p> <p>1. The Company's total external endorsement / guarantee shall not exceed 40 percent of the Company's current net worth, among which, the endorsement / guarantee amount to any single entity shall not exceed 10% of the Company's current net worth (in the case of subsidiary in which the Company directly holds 90% or more of its common equity, shall not exceed 20% of the Company's current net worth).</p> <p>The aggregate amount of endorsements / guarantees that is set as the ceiling for the Company and its subsidiaries as a whole shall not exceed 50% of the current net worth of the Company; The Company and subsidiary's endorsement / guarantee amount to any single entity shall not exceed 20% of the Company's current net worth. If the aggregate amount of endorsements / guarantees that is set as the ceiling for the Company and its subsidiaries,</p> | |

| | | |
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| <p>guarantee amount shall not, in addition to the above limits, exceed the total amount of trading between the parties. The “total amount of trading” means the higher of the purchase or sales amount between the parties.</p> <p>6. The Chairman is empowered to grant (endorsement / guarantee) under NT\$30 million, provided that subsequent submission to and ratification by the next board of directors’ meeting is required; those (endorsement / guarantee) reaching NT\$30 million or more is subject to the approval of the board of directors before granting. Operations relating to the endorsement / guarantee authority and the amount shall be clearly defined and adopted by the board of directors before implementation.</p> | <p>as a whole, reaches 50% or more of the net worth of the Company, an explanation of the necessity and reasonableness thereof shall be given at the shareholders meeting. The “net worth” shall be based on the most current CPA audited and certified financial statements.</p> <p>2. Where the Company made an endorsement / guarantee due to needs arising from business dealings, each endorsement / guarantee amount shall not, in addition to the above limits, exceed the total amount of trading between the parties. The “total amount of trading” means the higher of the purchase or sales amount between the parties.</p> <p>The Chairman is empowered to grant (endorsement / guarantee) under NT\$30 million, provided that subsequent submission to and ratification by the next board of directors’ meeting is required; those (endorsement / guarantee) reaching NT\$30 million or more is subject to the approval of the board of directors before granting. Operations relating to the endorsement / guarantee authority and the amount shall be clearly defined and adopted by the board of directors before implementation.</p> | |
|---|---|--|

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| <p><u>Article 7 — Procedures for Controlling and Managing Endorsements / Guarantees by Subsidiaries</u></p> <ol style="list-style-type: none"> 1. For circumstances in which an entity for which the Company makes any endorsement / guarantee is a subsidiary whose net worth is lower than half of its paid-in capital, the Company shall not make further endorsement / guarantee to it and shall report to the board of directors. 2. In the case of a subsidiary with shares having no par value or a par value other than NT\$10, for the paid-in capital in the calculation under the preceding paragraph, the sum of the share capital plus paid-in capital in excess of par shall be substituted. 3. Where a subsidiary of the Company intends to make endorsements or guarantees for others, the Company shall instruct it to formulate its own Operational Procedures for Endorsements / Guarantees in compliance with the Regulations Governing Loaning of Funds and Making of Endorsements / Guarantees by Public Companies, and it shall comply with the Operational Procedures when making endorsements / guarantees. | | |
| <p><u>Article 8 — Procedures for Use and Custody of Corporate Chops</u></p> <p>The Company shall use the corporate chop registered with the Ministry of Economic Affairs as the dedicated chop for endorsements / guarantees. The chop shall be kept in the custody of a designated person approved by</p> | | |

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| <p>the board of directors and may be used to seal or issue negotiable instruments only in prescribed procedures.</p> | | |
| <p><u>Article 9 — Hierarchy of Decision-Making Authority and Delegation Thereof</u></p> <p>1. Before making endorsements or guarantees for others, the Company shall carefully evaluate whether it is in compliance with the Regulations Governing Loaning of Funds and Making of Endorsements / Guarantees by Public Companies and the Company's the Operational Procedures for Endorsements / Guarantees. The Company may make endorsements or guarantees for others only after the evaluation results under this paragraph and Article 5, paragraph 1 have been submitted to and resolved upon by the board of directors, or the board of directors may empower the Chairman to grant (endorsement / guarantee) under NT\$30 million with subsequent submission to and ratification by the next board of directors' meeting.</p> <p>2. Before making any endorsement / guarantee pursuant to Article 3, paragraph 2, a subsidiary in which the Company holds, directly or indirectly, 90% or more of the voting shares shall submit the proposed endorsement / guarantee to the Company's board of directors for a resolution, provided that this restriction shall not apply to endorsements / guarantees made between companies in which the Company holds, directly or</p> | | |

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| <p>indirectly, 100% of the voting shares.</p> <p>3. Where the Company has appointed independent directors, when it makes endorsements / guarantees for others, it shall take into full consideration each independent director's opinions; independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the board of directors' meeting.</p> <p>4. When making a guarantee for an overseas company, the Company shall have the Guarantee Agreement signed by a person authorized by the board of directors.</p> <p>5. Where the Company needs to exceed the limits set out in the Operational Procedures for Endorsements / Guarantees to satisfy its business requirements, and where the conditions set out in the Operational Procedures for Endorsements / Guarantees are complied with, it shall obtain approval from the board of directors and half or more of the directors shall act as joint guarantors for any loss that may be caused to the Company by the excess endorsement / guarantee. It shall also amend the Operational Procedures for Endorsements / Guarantees accordingly and submit the same to the shareholders' meeting for ratification after the fact. If the shareholders' meeting does not give consent, the Company shall</p> | | |
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| <p>adopt a plan to discharge the amount in excess within a given time limit.</p> <p>6. Where the Company has appointed independent directors, when it submits for discussion by the board of directors under the preceding paragraph, the board of directors shall take into full consideration each independent director's opinion. If an independent director expresses any dissent or reservation, it shall be noted in the minutes of the board of directors meeting.</p> | | |
| <p><u>Article 10 — Announcing and Reporting Procedures</u></p> <p><u>1.</u> The Company shall announce and report the previous month's endorsement / guarantee balances of its head office and subsidiaries by the 10th day of each month.</p> <p><u>2.</u> If the Company's endorsement / guarantee reach one of the following levels, the Company shall announce and report such event within two days commencing immediately from the date of occurrence:</p> <ol style="list-style-type: none"> 1. The aggregate balance of endorsements / guarantees by the Company and its subsidiaries reaches 50 percent or more of the Company's net worth as stated in its latest financial statement. 2. The balance of endorsements / guarantees by the Company and its subsidiaries to a single enterprise reaches 20 percent or more of the Company's net worth as stated in its latest financial statement. | <p>14. Regarding the Company's endorsement / guarantee matters, the Company shall announce and report the previous month's endorsement / guarantee balances of its head office and subsidiaries by the 10th day of each month; if the endorsement / guarantee reach one of the following levels, the Company shall announce and report such event within two days commencing immediately from the date of occurrence:</p> <ol style="list-style-type: none"> 1. The aggregate balance of endorsements / guarantees by the Company and its subsidiaries reaches 50 percent or more of the Company's net worth as stated in its latest financial statement. 2. The balance of endorsements / guarantees by the Company and its subsidiaries to a single enterprise reaches 20 percent or more of the Company's net worth as stated in its latest financial statement. 3. The balance of endorsements / | |

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| <p>3. The balance of endorsements / guarantees by the Company and its subsidiaries for a single enterprise reaches NT\$10 millions or more and the aggregate amount of all endorsements / guarantees for, carrying value of equity method investment in, and balance of loans to, such enterprise reaches 30 percent or more of Company's net worth as stated in its latest financial statement.</p> <p>4. The amount of new endorsements / guarantees by the Company or its subsidiaries reaches NT\$30 million or more, and reaches 5 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p><u>3.</u> The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to subparagraph 4 of the preceding paragraph.</p> <p><u>4.</u> The Company's Finance & Accounting Department shall evaluate or record the contingent loss for endorsements / guarantees, and shall adequately disclose information on endorsements / guarantees in its financial reports and provide certified public accountants with relevant information for implementation of necessary audit procedures.</p> | <p>guarantees by the Company and its subsidiaries for a single enterprise reaches NT\$10 millions or more and the aggregate amount of all endorsements / guarantees for, long-term investment in, and balance of loans to, such enterprise reaches 30 percent or more of Company's net worth as stated in its latest financial statement.</p> <p>4. The amount of new endorsements / guarantees by the Company or its subsidiaries reaches NT\$30 million or more, and reaches 5 percent or more of the Company's net worth as stated in its latest financial statement. The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to subparagraph 4 of the preceding paragraph.</p> | |
| <p><u>Article 11 — Internal Control and Penalties</u></p> | <p>13. Internal Control</p> <p>1. The Company's internal</p> | <p>Update the heading</p> |

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| <p>1. The Company's internal auditors shall audit the Operational Procedures for Endorsements / Guarantees and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify all audit committee members in writing of any material violation found.</p> <p>2. The Company shall comply with the prescribed procedures when making endorsements / guarantees, and shall punish the manager(s) and organizer(s) in case of any material violation.</p> <p>3. If, as a result of a change in circumstances, an entity for which an endorsement / guarantee is made does not meet the requirements of the Regulations Governing Loaning of Funds and Making of Endorsements / Guarantees by Public Companies or the balance exceeds the limit, the Company shall adopt rectification plans and submit the rectification plans to all audit committee members, and shall complete the rectification according to the timeframe set out in the plan.</p> | <p>auditors shall audit the Operational Procedures for Endorsements / Guarantees and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify all audit committee members in writing of any material violation found.</p> <p>2. The Company shall comply with the prescribed procedures when making endorsements / guarantees, and shall punish the manager(s) and organizer(s) in case of any material violation.</p> <p>3. If, as a result of a change in circumstances, an entity for which an endorsement / guarantee is made does not meet the requirements of the Regulations Governing Loaning of Funds and Making of Endorsements / Guarantees by Public Companies or the balance exceeds the limit, the Company shall adopt rectification plans and submit the rectification plans to all audit committee members, and shall complete the rectification according to the timeframe set out in the plan.</p> | |
| <p><u>Article 12 — Cancellation of Endorsement / Guarantee</u></p> <p>1. If the endorsement / guarantee related documents or bills need to be cancelled due to debt settlement or renewal, the entity for which the endorsement / guarantee is made shall prepare an official letter to deliver the</p> | | <p>Add cancellation operation</p> |

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| <p>original endorsement / guarantee related documents to the Company's Finance & Accounting Department to affix a "cancellation" seal before return, while the letter thereof shall be kept for recordation.</p> <p>2. The Finance & Accounting Department shall, at any time, record the cancelled endorsement / guarantee in the memorandum book for endorsement / guarantee to reduce the endorsement / guarantee amount.</p> | | |
| <p><u>Article 13 — Other Matters</u></p> <p>1. The Finance Unit shall safeguard the collateral, notes and other documents after the entity for which the endorsement / guarantee is made has created the pledge or mortgage.</p> <p>2. If the entity for which the endorsement / guarantee is made sent the original endorsed note to the Company's Finance Department due to debt settlement or renewal, the Company's Finance Department shall stamp "revoked" or "void" before returning the endorsed note, while retaining the letter for future reference.</p> <p>3. The Accounting Unit shall record relevant entries based on the "Endorsement / Guarantee Application Form", and the same shall apply when the endorsement / guarantee is expired / cancelled.</p> <p>4. If the endorsement / guarantee is declined, the supervisor in charge shall authorize the undertaking personnel to fill out the review notice stating the reasons and sent</p> | | <p>Add new explanations</p> |

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| <p>to the applicant together with the returning application.</p> <p>5. The seal used for external guarantee shall be the corporate chop registered with the Ministry of Economic Affairs as the dedicated chop, and dedicated personnel shall be assigned to safeguard the corporate chop and cheque.</p> <p>6. Dedicated personnel shall be available to deal with, make written records and processing procedures of, the Company's commitments and contingent matters such as credit loans, leases, litigation, non-litigation, etc., in order to take control over the development of the matter and track any impact on the Company.</p> <p>7. Set up a memorandum book to record any commitment / guarantee, the name, amount, cancellation conditions, board approval (or Chairman's decision) date, endorsement / guarantee date, etc. of the entity for which any endorsement / guarantee is made.</p> <p>8. Any matters not covered herein shall be handled pursuant to relevant laws and regulations and relevant regulations of the Company.</p> | | |
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Annex I

ELAN MICROELECTRONICS CORPORATION Rules Governing the Proceedings of Shareholders Meeting

1. The shareholders' meeting of the Company shall be subject to the Rules unless otherwise provided by the rules and regulation or the Articles of Association.
2. The "shareholder" mentioned in the Rules shall refer to the shareholder itself and the proxy who attend on behalf of the shareholder.
3. The Company shall specify the time and venue to accept shareholders' registration and other precautions in the notice of the meeting.

The aforementioned time to accept shareholders' registration shall be at least 30 minutes before commencement of the meeting; the registration location shall be clearly marked and equipped with adequate personnel.

The voting rights are calculated according to the attendance list bearing the signatures of shareholders present at the meeting that was submitted at the time the shareholder registered. The shareholder (or proxy) listed on the attendance list submitted to the Company shall be deemed to be present in personal, and the Company shall not be held accountable for the verification thereof. The attendance and voting at the shareholders' meeting shall be based on the shares.

4. The place where the shareholders' meeting of the company is held shall be the place where the Company is located or where it is convenient for the shareholders to attend and suitable for holding the shareholders' meeting. The meeting shall commence no earlier than 9:00 am or no later than 3 pm.
5. The Company may assign lawyer(s), CPA(s) or related personnel to attend the shareholders' meeting. Staff who attend the shareholders' meeting shall wear an identification card or armband.
6. The Company shall, since the time of accepting shareholders' registration, record and video tape the entire shareholders' registration process, the meeting process, and the ballot counting process.

The aforementioned audio-video materials shall be kept for at least one year. However, if a shareholder filed a litigation pursuant to Article 189 of the Company Act, the said audio-video materials shall be kept until the end of the litigation.

7. The chairman shall announce the commencement of the meeting at the meeting time, provided that, if the number of shareholders present failed to represent at least half of the total number of issued shares, the chairman may announce the postponement of the meeting, the number of which shall be limited to two times and the total time of postponement shall not exceed one hour; if the number of shareholders present still does

not constitute the quorum, but those present represent one-third (or more) of the total number of issued shares, a tentative resolution may be passed by a majority of those present pursuant to Paragraph 1 Article 175 of the Company Act; provided that, if the number of shareholders present reached at least half of the total number of issued shares prior to the end of the meeting, the tentative resolution so made shall be re-proposed for resolution of the meeting pursuant to Article 174 of the Company Act.

8. For a shareholders' meeting convened by the Board of Directors, its agenda shall be set by the Board of Directors; the meeting thereof shall be held in accordance with the scheduled agenda and shall not be changed without resolution of the shareholders' meeting. For a shareholders' meeting convened by convener other than the Board of Directors, the provision prescribed in the preceding paragraph shall apply; the chairman may not announce meeting adjourned prior to the end of the scheduled agenda mentioned in the preceding two paragraphs without a resolution.

If the chairman violated the rules of procedure and announced meeting adjourned, a shareholder may be elected as an acting chairman upon consent of a majority of the shareholders present and continue the meeting.

Except for the circumstances prescribed in the preceding paragraph, the shareholders may not elect an acting chairman to continue the meeting at the original venue or another place after the meeting is adjourned.

9. When a shareholder wishes to speak, he/she must first submit request slip stating his/her attendance card number (or shareholder number), name and subject of the speech, and the chairman shall arrange the order of his/her speech. The attending shareholders who submitted the request slip but did not speak shall be deemed as have not spoken. If the content of the speech is inconsistent with the contents of the request slip, the content of the speech shall prevail. When the attending shareholder is speaking, other shareholders shall not, unless agreed by the chairman and the speaking shareholder, interfere; the chairman shall request those who so violate to stop such behavior.

10. Each shareholder speak in the same motion shall be limited to two times and not exceed five minutes each time unless consent by the chairman otherwise. Shareholder whose speech violates the provisions thereof or exceeds the scope of the motion, the chairman may stop his/her speech.
11. When a legal person attends a shareholders' meeting, it may assign only one proxy to attend on its behalf. If a legal person shareholder assigns more than two proxies to attend a shareholders meeting, only one person may speak in a motion.
12. After the attending shareholder made his/her speech, the chairman may reply in person or designate a relevant person to make a reply.
13. If the chairman thinks that a motion is ready to enter voting process after the discussion, he may declare ending the discussion and call for a vote.
14. A shareholder may appoint a proxy to attend a shareholders' meeting in his/her/its behalf by executing a power of attorney printed by the company stating therein the scope of power authorized to the proxy.

A shareholder may only execute one power of attorney and appoint one proxy only, and shall serve such written proxy to the Company no later than 5 days prior to the meeting date of the shareholders' meeting. In case two or more written proxies are received from one shareholder, the first one received by the Company shall prevail; unless an explicit statement to revoke the previous written proxy is made in the proxy which comes later.

After the service of the power of attorney of a proxy to the Company, in case the shareholder issuing the said proxy intends to attend the shareholders' meeting in person, a proxy rescission notice shall be filed with the Company two days prior to the date of the shareholders' meeting as scheduled in the shareholders' meeting notice so as to rescind the proxy at issue, otherwise, the voting power exercised by the authorized proxy at the meeting shall prevail.

15. The chairman may, at his/her own discrete, determine the time to call for a break during the meeting.
16. Except subject to restriction or in the circumstances set forth in Item 32, Article 179 of the Company Act, a shareholder shall have one voting power in respect of each share in his/her/its possession.

The voting power of the Company may be exercised at a shareholders' meeting, and a resolution of which shall, unless otherwise provided for in the Company Act and the Articles of the Company, be adopted by a majority vote of the shareholders present.

If there is an amendment or alternative proposal to the same motion, the chairman shall arrange the order of voting along with the original proposal. If one of the proposals is authorized, the other proposals shall be deemed to be vetoed and no further votes are required.

The inspector and ballot clerk for the voting of a motion shall be appointed by the

chairman, provided that the inspector must be a shareholder.

The ballots operation at a shareholders' meeting for voting or election motion shall be counted at the public location in the venue where the shareholders' meeting is held, and the result (including the total number of the voting rights) of which shall be announced on the spot and documented.

Election of a director at shareholders' meeting shall be handled according to the Company's rules governing relevant appointment, and the result (including the list of elected directors and independent directors and the votes received) of the election shall be announced on the spot.

17. If there is an amendment or alternative proposal to the same motion, the chairman shall arrange the order of voting along with the original proposal. If one of the proposals is authorized, the other proposals shall be deemed to be vetoed and no further votes are required.
18. The chairman may direct the pickets (or security personnel) to help maintain order of the venue. The pickets (or security personnel) shall wear "PICKET" arm badge when maintaining order on site.
19. Resolutions adopted at a shareholders' meeting shall be recorded in the minutes of the meeting, which shall be affixed with the signature or seal of the chairman of the meeting and shall be distributed to all shareholders of the Company within twenty (20) days after the close of the meeting. The preparation and distribution of the minutes of shareholders' meeting as required in the preceding Paragraph may be affected by means of electronic transmission.

The Company may distribute the minutes as required in the preceding Paragraph by means announcing on public information observatory.

The minutes of shareholders' meeting shall record the date and place of the meeting, the name of the chairman, the method of adopting resolutions, and a summary of the essential points of the proceedings and the results of the meeting. The minutes shall be kept persistently throughout the life of the Company.

20. The Rules shall be implemented upon approval of the shareholders' meeting, and the same shall apply upon the amendments.

Annex II

ELAN MICROELECTRONICS CORPORATION

Articles of Association

Chapter I General Provision

Article 1: The Company was incorporated pursuant to the Company Act and namely as ELAN MICROELECTRONICS CORPORATION.

Article 2: The Company is engaged in the following businesses:

1. CC01080 Electronic Parts and Components Manufacturing.
2. CC01110 Computers and Computing Peripheral Equipments Manufacturing.
3. CA02990 other Other Fabricated Metal Products Manufacturing Not Elsewhere Classified (non-domestic only).
4. F401010 International Trade.
5. F401021 Restrained Telecom Radio Frequency Equipments and Materials Import.

(Research, development, production and sales of the following products:

1. Neural-Fuzzy IC
2. Digital Signal Processor
3. 8-Bit DISC Micro-Controller
4. ASIC
5. Concurrently engage in import and export business related to the Company's businesses.)

If the Company shift in investment to be a shareholder of a limited liability company, its total investment shall exceed 40% of the paid-in capital of the Company. In addition, the Company shall provide external guarantees to related peers for business needs and endorse for loan guarantee to relevant institutions and financial institutions.

Article 3: The Company's head office is located in Hsinchu Science Park. Branch(es) or office(s) may be established domestically and/or aboard, if necessary, upon resolution of the Board of Directors.

Chapter II Shares

Article 5: Total capital of the Company is NT\$4,800,000,000, which are divided into 480,000,000 shares at NT\$10 par value to be issued in installments. The Board of Directors is authorized to issue the unissued shares based on actual needs upon resolution. Among the aforementioned total shares, 45,000,000 shares must be reserved for call options exercised by corporate bond with warrants, preferred stocks with warrants, and stock option certificates.

Article 5-1: If the Company intends to buy-back shares for the purpose of transferring to its employees at a price lower than the average price of the actual buy-back shares in accordance with the law and regulations, it may do so upon consent of more than two-thirds of the attending shareholders who present at least half of the total number of shares issued.

If the Company intends to issue employees stock option certificates at a price lower than the closing price of the Company's stock at the date of issuance in accordance with the law and regulations, it may do so upon consent of more than two-thirds of the attending shareholders who present at least half of the total number of shares issued.

Article 5-2: The transferee of shares that the Company bought back pursuant to the Company Act may include the employees of the holding company or subsidiaries of the Company meeting certain specific requirements.

The subject of employee share subscription warrant issuance of the Company may include the employees of the holding company or subsidiaries of the Company meeting certain specific requirements.

Employees who are entitled to subscribe new shares when the Company issues new shares may include the employees of the holding company or subsidiaries of the Company meeting certain specific requirements.

The Company may include the employees of the holding company or subsidiaries of the Company meeting certain specific requirements as the subject of issuing restricted stock for employees.

Article 6: The stocks issued by the Company are exempt from printing, provided that it shall be registered with the centralized securities custody institution.

Article 7: Shareholders shall report the name and address and submit signature card to the Company for recordation. If the seal is lost, a guarantor is required when reporting the loss to the Company in writing, and the shareholder is required to post on the Company's local daily newspaper announcing that the said seal is invalidated before it is being replaced with a new seal.

Article 8: Except as otherwise provided by the decree or the competent authority of securities, the Company handles the share-related operations for the shareholders pursuant to the Company Act and Regulations Governing the Administration of Shareholder Services of Public Companies.

Article 9: —

Article 10: The transfer of stocks will be suspended within 60 days prior to the shareholders' meeting, or within 30 days prior to the special shareholders' meeting, or within 5 days prior to the date the Company determined to distributed dividends, bonus or other benefits.

Chapter III Shareholders' meeting

Article 11: Meetings of shareholders are classified into general meeting and special meeting. The general meeting shall be convened once a year within six months after end of each fiscal year, while the special meeting shall be convened in compliance with the laws and regulations when necessary.

Article 12: The Chairman shall preside the shareholders' meeting as the chairman thereof when the shareholders' meeting is held. In case the Chairman is absent, the Chairman shall appoint a director to act on his behalf. In case nobody was appointed, an acting chairman shall be elected among the directors.

Article 13: A shareholder who's unable to attend a shareholders' meeting may appoint a proxy to attend in his/her/its behalf by executing a power of attorney pursuant to Article 177 of the Company Act.

Article 13-1: A shareholder's voting power may be exercised in writing or by way of electronic transmission when the Company convenes Shareholders' meeting. A shareholder who exercises voting power in writing or way of electronic transmission shall be deemed to have attended the said shareholders' meeting in person, but shall be deemed to have waived his/her/its voting power in respective of any extemporary motion(s) and/or the amendment(s) to the contents of the original proposal(s) at the said shareholders' meeting. The declarations of its intention shall be made pursuant to Article 177-2 of the Company Act.

Article 14: Each shareholder of the Company shall have one voting power in respect of each share in his/her/its possession. However, those shares held pursuant to Article 179 of the Company Act shall have no voting power.

Article 15: Resolutions at a shareholders' meeting shall, unless otherwise provided for in the relevant laws and regulations, be adopted by a majority vote of the shareholders present, who represent more than one-half of the total number

of voting shares.

Article 16: Resolutions adopted at a shareholders' meeting shall be recorded in the minutes of the meeting, which shall be affixed with the signature or seal of the chairman of the meeting and shall be distributed to all shareholders of the company within twenty (20) days after the close of the meeting. The the aforementioned distribution of the minutes of shareholders' meeting may be effected by means of a public notice. The minutes of shareholders' meeting shall record the date and place of the meeting, the name of the chairman, the method of adopting resolutions, and a summary of the essential points of the proceedings and the results of the meeting. The minutes, along with the attendance list bearing the signatures of shareholders present at the meeting and the powers of attorney of the proxies, shall be kept at the Company.

Chapter IV Directors and Supervisors

Article 17: The Company shall have 7~9 competent directors elected by the shareholders' meeting, whose term shall be 3 years, and the re-elected one may continue serving the office. The aforementioned number of directors shall include at least three independent directors and no less than one-fifth of total number of directors.

A candidate nomination system is adopted for the election of directors pursuant to Article 192-1 of the Company Act. Relevant matters such as the acceptance method and announcement of the nomination of director candidate shall be handled in accordance with the relevant laws and regulations of the Company Act and the Securities and Exchange Act. Independent directors and non-independent directors shall be elected at the same time and calculate the number of elected seats respectively.

Article 17-1: The Company's Board of Directors may set up a Remuneration Committee or other functional committee for the needs of business operations.

Article 17-2: The Company shall set up an Audit Committee pursuant to the Securities and Exchange Act.

Article 18: When the number of vacancies in the Board of Directors equals to one third of the total number of directors, the Board of Directors shall, within 60 days, call a special meeting of shareholders to elect succeeding directors to fill the vacancies; provided that, the term of office shall be limited to the term of the original director.

Article 19: In case no election of new directors is effected after expiration of the term of office of existing directors, the term of office of out-going directors shall be extended until new directors have been elected and assumed their office.

Article 20: In case the directors organized a Board of Directors, it shall elect a chairman among the directors by a majority vote at a meeting attended by over two-thirds of the directors, who shall execute all businesses of the Company in accordance with the laws and regulation, the Articles of Association, and the resolutions of the shareholders' meeting and the Board of Directors. The Board of Directors may notify the directors in writing, by e-mail or by fax when convening a meeting. The Board of Directors may take part in visual communication meeting, and the directors who taking part in such a visual communication meeting shall to have attended the meeting in person.

Article 21: The following business policies of the Company shall be authorized by resolution of the Board of Directors before implementation:

- Changing Articles of Association.
- Establishment or abolition of a branch.
- Review budget and closing.
- The appointment and discharge of the Company's certified public accountants and lawyer.
- The approval of the Company's shift in investment or other business, or transfer of its shares that exceeds 20% of the Company's paid-in capital (or authorize the Chairman to take charge if it is less than 20% of the paid-in capital, provided that it shall be subsequently reported to the earliest Board meeting for recordation).
- Review of major capital expenditure plans.
- Proposal of capital increase and decrease.
- Approval of major transactions between the Company and related parties.
- Approval of major contracts or other significant matters.
- Other authorities to be vested by the laws and regulations and shareholders' meetings.

Except for the first meeting of each term of the Board of Directors which shall be convened by the director pursuant to Article 203 of the Company Act, the rest shall be convened and presided by the Chairman. If the Chairman is unable to perform his/her duties for any reason, he/she shall appoint one of the directors to act as the agent. In case nobody was appointed, an acting chairman shall be elected among the directors.

- Article 22: Unless otherwise provided by the Company Act, a Board meeting shall require attendance of more than half of the directors, and any action shall require consent of majority of the directors. A director who's unable to attend a Board meeting may appoint other director as a proxy (one proxy per director only) to attend the Board meeting in his/her/its behalf by executing a power of attorney, listing the scope of authorization for the subject matter of the convened meeting.
- Article 23: Minutes shall be taken of the proceedings of the meeting of the board of directors, which shall be affixed with the signature or seal of the chairman of the meeting and shall be distributed to all shareholders of the company within twenty (20) days after the close of the meeting. The preparation and distribution of the minutes of shareholders' meeting as required in the preceding Paragraph may be affected by means of electronic transmission. The minutes shall record a summary of the essential points of the proceedings and the results of the meeting. The minutes, along with the attendance list bearing signatures of the directors present at the meeting and the powers of attorney of the proxies, shall be kept at the Company.
- Article 24: —
- Article 24-1: Remuneration of the Company's director (including independent director) is subject to be assessed by the Remuneration Committee based on its degree of participation and contribution in the Company's operations, and the Board of Directors is authorized to grant approval based on the assessment of the Remuneration Committee and the usual level of remuneration offered by the peers.
- The Company may purchase liability insurance for the directors covering the term of their employment based on the legal liability of their business scope, and the Board of Directors is authorized to resolve the scope of the said insurance.
- Chapter V Manager and staff
- Article 25: The Company may, upon resolution of the Board of Directors, set up one chief executive, one general manager and several vice presidents who shall be appointed and discharged pursuant to Article 29 of the Company Act.
- Chapter VI Closing
- Article 28: At the end of the Company's fiscal year, the Board of Directors shall furnish the following statements and submit them to the shareholders' meeting for

acknowledgement:

1. Operation Report.
2. Financial statements.
3. Surplus earnings distribution or loss make-up proposal.

Article 29: If the Company incurred profit in a year, it shall appropriate no less than 10% as employee compensation and no more than 2% as directors' remuneration; provided that, if the Company still has accumulated losses, it shall reserve amount to make-up for losses.

Article 29-1: If there is any surplus at the Company's annual closing, it shall first pay taxes and make up for accumulated losses before appropriate 10% as legal reserve; however, this does not apply if the legal reserve has reached the Company's paid-in capital amount. In addition, special reserves would be required depending on the Company's operational needs and the laws and regulations. Any remaining surplus shall be combined with the beginning undistributed earnings for the Board of Directors to propose Surplus Earning Distribution to the shareholders' meeting for resolution. The dividend payout ratios are as follows:

The amount of surplus to be distributed in the year shall not be less than 50% of the accumulated distributable surplus; the cash dividend shall not be less than 10% of the total dividend.

The subject of distribution of employees' compensation in the form of shares or in cash may include the employees of the holding company or subsidiaries of the Company meeting certain specific requirements.

Chapter VII Supplemental Provisions

Article 30: The Company's organization and rules of practice are subject to separate stipulations.

Article 31: Any matters not specified in the Articles shall be subject to the Company Act and other rules and regulations.

Article 32: The Articles was established on April 28, 1994.
The 1st amendment was made on July 14, 1994.
The 2nd amendment was made on June 14, 1997.
The 3rd amendment was made on May 18, 1998.
The 4th amendment was made on June 23, 1999.
The 5th amendment was made on March 30, 2000.
The 6th amendment was made on June 20, 2001.

The 7th amendment was made on June 26, 2002.
The 8th amendment was made on June 3, 2003.
The 9th amendment was made on June 1, 2004.
The 10th amendment was made on June 12, 2006.
The 11th amendment was made on June 11, 2007.
The 12th amendment was made on June 13, 2008.
The 13th amendment was made on June 9, 2010.
The 14th amendment was made on June 12, 2012.
The 15th amendment was made on June 13, 2013.
The 16th amendment was made on June 24, 2014.
The 17th amendment was made on June 2, 2015.
The 18th amendment was made on June 8, 2016.
The 19th amendment was made on June 20, 2017.
The 20th amendment was made on June 11, 2018.
The 21th amendment was made on June 10, 2019.

ELAN MICROELECTRONICS CORPORATION

Chairman Yi Hao Yeh

Annex III

ELAN MICROELECTRONICS CORPORATION Endorsement / Guarantee Guidelines (pre-amendment)

1. The Operational Procedures is applicable to the handling of the Company's endorsement/guarantee affairs.

If the Company and its subsidiary intend to make endorsements or guarantees for others, the Company shall instruct the subsidiary to establish Operational Procedures for Endorsements / Guarantees in accordance with the provisions hereof and handle thereof in accordance with the prescribed Operation Procedures.

2. Scope

The term “endorsement / guarantee” as used in the Operation including the following items:

1. Financing endorsement / guarantee, including:
 - (1) Bill discount financing.
 - (2) Endorsement or guarantee made to meet the financing needs of another company.
 - (3) Issuance of a separate negotiable instrument to a non-financial enterprise as security to meet the financing needs of the company itself.
2. Customs duty endorsement/guarantee..
3. Other endorsement / guarantees..
4. Companies in which the public company holds, directly or indirectly, 90% or more of the voting shares may make endorsement / guarantee for each other, and the amount of endorsement / guarantee may not exceed 10% of the net worth of the public company, provided that this restriction shall not apply to endorsement / guarantee made between companies in which the public company holds, directly or indirectly, 100% of the voting shares.

3. Conditions

Company / organization related to the Company's business which needs the Company's endorsement / guarantee (as well as collateral, if necessary) may so apply for it. Provided that, the Company shall not endorsement / guarantee under the following circumstances:

1. There is act against the interest of the Company.
2. The endorsement / guarantee has exceeded the prescribed limit.
3. There are records of bad loans or debt disputes.
4. There is poor credit reputation.

4. Endorsement / Guarantee Amount and Approval Authority

1. The Company's total external endorsement / guarantee shall not exceed 40

percent of the Company's current net worth, among which, the endorsement / guarantee amount to any single entity shall not exceed 10% of the Company's current net worth (in the case of subsidiary in which the Company directly holds 90% or more of its common equity, shall not exceed 20% of the Company's current net worth).

The aggregate amount of endorsements / guarantees that is set as the ceiling for the Company and its subsidiaries as a whole shall not exceed 50% of the current net worth of the Company; The Company and subsidiary's endorsement / guarantee amount to any single entity shall not exceed 20% of the Company's current net worth. If the aggregate amount of endorsements / guarantees that is set as the ceiling for the Company and its subsidiaries, as a whole, reaches 50% or more of the net worth of the Company, an explanation of the necessity and reasonableness thereof shall be given at the shareholders meeting. The "net worth" shall be based on the most current CPA audited and certified financial statements.

2. Where the Company made an endorsement / guarantee due to needs arising from business dealings, each endorsement / guarantee amount shall not, in addition to the above limits, exceed the total amount of trading between the parties. The "total amount of trading" means the higher of the purchase or sales amount between the parties.

The Chairman is empowered to grant (endorsement / guarantee) under NT\$30 million, provided that subsequent submission to and ratification by the next board of directors' meeting is required; those (endorsement / guarantee) reaching NT\$30 million or more is subject to the approval of the board of directors before granting. Operations relating to the endorsement / guarantee authority and the amount shall be clearly defined and adopted by the board of directors before implementation.

5. Endorsement / Guarantee Application Procedures

1. Any company that is qualified for the Company's endorsement / guarantee shall fill out the "Endorsement / Guarantee Application Form" and submit it to the supervisor in charge for review and approval when applying for the endorsement / guarantee.
2. After the endorsement / guarantee application is reviewed and approved and the endorsement / guarantee is either approved or reduced in amount, the supervisor in charge shall authorize the undertaking personnel to fill out a notice to notify the applicant company in accordance with the result of the resolution, while notifying the Finance Unit to process various procedures and notifying the Accounting Unit to document thereof.
3. When the entity applying for the endorsement / guarantee receives the review

notice that approves the endorsement / guarantee, it shall immediately provide guarantee in accordance with contents of the application, or process the procedures at the Finance Unit after completing the pledge or mortgage.

The Finance and Accounting Department shall conduct credit investigation and risk assessment on the entity for which the endorsement / guarantee is made. The assessment items, including:

- (1) The necessity of and reasonableness of endorsements/guarantees.
 - (2) Assess whether the endorsement amount is necessary based on the financial condition of the entity for which the endorsement / guarantee is made.
 - (3) Whether the cumulative endorsement / guarantee amount is still within the limit.
 - (4) Where an endorsement/guarantee is made due to needs arising from business dealings, assess whether the endorsement / guarantee amount and the business transaction amount are within the limit.
 - (5) Impact on the company's business operations, financial condition, and shareholders' equity.
 - (6) Whether collateral must be obtained and appraisal of the value thereof.
 - (7) Annex credit status and risk assessment of the endorsement / guarantee.
6. The Finance Unit shall safeguard the collateral, notes and other documents after the entity for which the endorsement / guarantee is made has created the pledge or mortgage.
 7. If the entity for which the endorsement / guarantee is made sent the original endorsed note to the Company's Finance Department due to debt settlement or renewal, the Company's Finance Department shall stamp "revoked" or "void" before returning the endorsed note, while retaining the letter for future reference.
 8. The Accounting Unit shall record relevant entries based on the "Endorsement / Guarantee Application Form", and the same shall apply when the endorsement / guarantee is expired / cancelled.
 9. If the endorsement / guarantee is declined, the supervisor in charge shall authorize the undertaking personnel to fill out the review notice stating the reasons and sent to the applicant together with the returning application.
 10. The seal used for external guarantee shall be the corporate chop registered with the Ministry of Economic Affairs as the dedicated chop, and dedicated personnel shall be assigned to safeguard the corporate chop and cheque.
 11. Dedicated personnel shall be available to deal with, make written records and

processing procedures of, the Company's commitments and contingent matters such as credit loans, leases, litigation, non-litigation, etc., in order to take control over the development of the matter and track any impact on the Company.

12. Set up a memorandum book to record any commitment / guarantee, the name, amount, cancellation conditions, board approval (or Chairman's decision) date, endorsement / guarantee date, etc. of the entity for which any endorsement / guarantee is made.
13. Internal Control
 1. The Company's internal auditors shall audit the Operational Procedures for Endorsements / Guarantees and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify all audit committee members in writing of any material violation found.
 2. The Company shall comply with the prescribed procedures when making endorsements / guarantees, and shall punish the manager(s) and organizer(s) in case of any material violation.
 3. If, as a result of a change in circumstances, an entity for which an endorsement / guarantee is made does not meet the requirements of the Regulations Governing Loaning of Funds and Making of Endorsements / Guarantees by Public Companies or the balance exceeds the limit, the Company shall adopt rectification plans and submit the rectification plans to all audit committee members, and shall complete the rectification according to the timeframe set out in the plan.
14. Regarding the Company's endorsement / guarantee matters, the Company shall announce and report the previous month's endorsement / guarantee balances of its head office and subsidiaries by the 10th day of each month; if the endorsement / guarantee reach one of the following levels, the Company shall announce and report such event within two days commencing immediately from the date of occurrence:
 1. The aggregate balance of endorsements / guarantees by the Company and its subsidiaries reaches 50 percent or more of the Company's net worth as stated in its latest financial statement.
 2. The balance of endorsements / guarantees by the Company and its subsidiaries to a single enterprise reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.
 3. The balance of endorsements / guarantees by the Company and its subsidiaries for a single enterprise reaches NT\$10 millions or more and the aggregate amount of all endorsements / guarantees for, long-term investment in, and balance of loans to, such enterprise reaches 30 percent or more of Company's net worth as stated in its latest financial statement.
 4. The amount of new endorsements / guarantees by the Company or its subsidiaries reaches NT\$30 million or more, and reaches 5 percent or more of the Company's net worth as stated in its latest financial statement.

The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to subparagraph 4 of the preceding paragraph.

15. Any matters not covered herein shall be handled pursuant to relevant laws and regulations and relevant regulations of the Company.
16. If counterpart of endorsement / guarantee is a subsidiary in which the Company holds, directly or indirectly, 90% or more of the voting shares may make endorsement / guarantee after submitting for a resolution by the board of directors, provided that this restriction shall not apply to endorsement / guarantee made between companies in which the Company holds, directly or indirectly, 100% of the voting shares.

The Operating Guideline is subject to the approval of one-half or more of all audit committee members, and furthermore shall be submitted for a resolution by the board of directors and to the shareholders' meeting for approval. Shall there be any director raises any objection with record or written statement, the Company shall send the objection to the audit committee and present to the shareholders' meeting for discussion. The same shall apply to any amendment.

When the Company submits the Operating Guideline to the board of directors for discussion in accordance with the preceding paragraph, it shall take into full consideration each independent director's opinions; independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the board of directors' meeting.

Annex IV

Shareholding Status of All Directors

- Pursuant to Article 26 of the Securities and Exchange Law and the Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies:
 - The Company's paid-in capital is 303,880,392 shares.
 - The total shares held by all directors of the Company shall not be less than 12,155,215 shares of the Company's issued shares.
- The number of shares held by the Company's directors listed in the shareholders roster as of the share transfer suspension date of the shareholders' meeting are as follows:

| Title | Name | Apointment date | Term | Shareholders roster as of the share transfer suspension date | |
|----------------------|---|-----------------|---------|--|------------|
| | | | | Number of shares held | Proportion |
| Chairman | Yulong Investment Co., Ltd. Representative: YEH, I-HAU | June 11, 2018 | 3 years | 7,083,059 | 2.33% |
| Director | YEN, KUO-LUNG | June 11, 2018 | 3 years | 2,002,555 | 0.66% |
| Director | Zonglong Investment Co., Ltd. Representative: WEI, CHI-LIN | June 11, 2018 | 3 years | 3,078,903 | 1.01% |
| Director | CHIU, TE-CHENG | June 11, 2018 | 3 years | 0 | 0 |
| Independent director | LIN, HSIEN-MING | June 11, 2018 | 3 years | 0 | 0 |
| Independent director | CHEN, HOU-MING | June 11, 2018 | 3 years | 0 | 0 |
| Independent director | CHUNG,RONG-DAR | June 10, 2019 | 2 years | 0 | 0 |
| Total | | | | 12,164,517 | 4.00% |

Note: The share transfer suspension date of the current general meeting of shareholders is March 29, 2020 to May 27, 2020.

Annex V

Employee Bonus and Directors and Supervisors' Remuneration

The Company's 2019 Surplus Earning Distribution has been authorized by the Board of Directors, and the employee compensation and directors' remuneration to be distributed are as follows:

1. The amount of employee compensation and directors' remuneration to be distributed:
 - 1) Employee compensation: NT\$339,000,000.
 - 2) Directors' remuneration: NT\$43,500,000.
2. There is no difference between the Board's proposed amount of distribution of employee compensation and directors' remuneration of directors with that of recognized in the estimated expenditure of the year.