

**ELAN MICROELECTRONICS CORP.**  
**2021 Annual Shareholders' Meeting**  
**Meeting Agenda**

Date: June 16, 2021

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

## **TABLE OF CONTENTS**

<b>MEETING PROCEDURE .....</b>	<b>1</b>
<b>MEETING AGENDA .....</b>	<b>2</b>
Report Items .....	3
Acknowledgements .....	4
Discussion .....	5
Election.....	6
Other Matter.....	9
Special Motions.....	12
<b>ATTACHMENTS</b>	
1. Business Report.....	13
2. Audit Committee’s Review Report.....	17
3. Independent Auditors’ Report and Financial Statements.....	18
4. Schedule of Surplus Earning Distribution.....	35
5. Comparison Table for the Rules and Procedures of Shareholders’ Meeting Before and After Revision.....	36
<b>APPENDIX</b>	
1. The Rules and Procedures of Shareholders’ Meeting.....	41
2. Articles of Association.....	45
3. The Rules for Election of Directors .....	52
4. Shareholdings of all Directors.....	54
5. Report on the Distribution of Employee Bonus and Directors’ and Supervisors’ Remuneration .....	55

# **ELAN MICROELECTRONICS CORPORATION**

## **Meeting Procedure of 2021 Annual General Shareholders' Meeting**

1. Call Meeting to Order
2. Chairman's Speech
3. Report Items
4. Acknowledgements
5. Discussion
6. Election
7. Other Matter
8. Motions
9. Meeting Adjourned

# **ELAN MICROELECTRONICS CORPORATION**

## **Meeting Agenda of 2021 Annual General Shareholders' Meeting**

- 1. Time:** 09:00 a.m., June 16, 2021 (Wednesday)
- 2. Venue:** Conference Room, 1F, No. 12, Innovation 1st Road, Hsinchu Science Park
- 3. Chairman:** Mr. I-Hau, Yeh
- 4. Chairman's Speech**
- 5. Report Items**
  - (1) 2020 Business Report
  - (2) The Audit Committee's Review Report for 2020 Financial Statements
  - (3) 2020 Report on the Distribution of Employee Compensation and Directors' Remuneration
- 6. Acknowledgements**
  - (1) Acknowledgement of the 2020 Business Report and Financial Statements
  - (2) Acknowledgement of the 2020 Surplus Earning Distribution
- 7. Discussion**
  - (1) To approve the Amendment of the Rules of Procedures for Shareholders' Meeting
- 8. Election**

To elect the Company's 10th term Board of Directors (including Independent Directors)
- 9. Other Matter**

Release of Restrictions on Competitive Activities of the Company's Directors
- 10. Special Motions**
- 11. Meeting Adjourned**

## **Report Items**

1. To approve the 2020 Business Report.

Please refer to Page 10 of the Attachment 1 for the Company's 2020 Business Report and Financial Statements.

2. The Audit Committee's report on the review of 2020 financial statements.

Please refer to Page 13 of the Attachment 2 for the Company's 2020 Audit Committee's Review Report.

3. The 2020 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 2020 was NT\$ 4,434,478,425 (i.e. profit before tax less profit before distribution of employee compensation and Directors' remuneration). Employee compensation of NT\$ 467,000,000 (10.53%) and Directors' remuneration of NT\$ 60,000,000 (1.35%) were recognized and paid in cash.

## Acknowledgements

Motion 1: (Proposed by the Board of Directors)

To acknowledgement the 2020 Business Report and Financial Statements.

Explanatory Notes:

- (1) The Company's 2020 and 2019 Individual Financial Statements, the Business Report and Consolidated Financial Statements were audited, and an unqualified audit report was issued accordingly by the Certified Public Accountants CHOU, PAO-LIEN and TSENG, MEI-YU of KPMG, which was authorized by the resolution adopted by the Board of Directors on February 17, 2021 and delivered to the Audit Committee for verification before recordation.
- (2) Please refer to Page 14 of the Attachment 3 for the Business Report and Consolidated Financial Statements attached thereto assessed and certified by the Certified Public Accountants. Please acknowledgement.

Resolution:

Motion 2: (Proposed by the Board of Directors)

To acknowledgement the proposal "The Company's 2020 Surplus Earning Distribution"

Explanatory Notes:

- (1) The Company's 2020 Surplus Earning Distribution was authorized by the resolution adopted by the Board of Directors on February 17, 2021.
- (2) Pursuant to the Articles of Association, NT\$ 9/share cash dividend was proposed to be distributed out of the Company's 2020 Profit After Tax after the statutory profit-seeking enterprise income tax was paid, previous year's losses were made up, and legal reserve was appropriated. The 2019 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 2020 Surplus Earning Distribution is listed in Attachment 4 (P.30).

Resolution:

## **Discussion**

Motion 1: (Proposed by the Board of Directors)

To approve the Amendment of the Rules of Procedures for Shareholders' Meeting

### Explanatory Notes:

Based on the improvement of corporate governance and the maintenance of shareholders' rights and the establishment of a good corporate governance system, it is proposed to revise the Rules and Procedures for Shareholders Meetings of our Company in accordance with the Company's internal scale and requirements and with reference to the sample template "The Rules and Procedures of Shareholder's Meeting for Limited Companies", as it was promulgated by the Taiwan Stock Exchange Corporation (TWSE) on its Announcement No. 1100001446 dated January 28, 2021. For further details of the Comparison Table and Procedures of Shareholders' Meeting Before and After Revision and the amended Rules and Procedures of Shareholders' Meeting, please refer to Appendix 5 (page 31)

Resolution:

## Election

Agenda: Election of the 10<sup>th</sup> term of office of Board of Directors (Including Independent Directors)

Explanation:

1. The Company's 9th term of office of Directors will be expired on June 10, 2021. It is proposed to re-elect 9 Directors (including 4 Independent Directors) for a term of 3 years starting from the date of the annual general meeting of shareholders this year.
2. In accordance with the Company's Articles of Association, the Article 192-1 of the Company Act and the Article 5 of the Establishment of Independent Directors of Public Offering Companies and Matters to be followed, the Company adopts a candidate nomination system for Directors. The list of candidates and resumes are as follows and re-election is requested:

Candidates for Directors	Education	Experience	Current Position
YEH, I-Hau,	Master of Science, Institute of Electronics / National Chiao Tung University	1. Engineer, Institute of Electronics/ITRI 2. Manager, Hua Chang Semi-Conductor Co., Ltd. 3. Department Head, Hualon Microelectronics Co., Ltd. 4. Chairman, ELAN Microelectronics	Chairman, ELAN Microelectronics
YEN, Kuo-Lung	Master of Science, Graduate Institute of Electrical Engineering/ National Taiwan University	1. Engineer, Institute of Electronics/ITRI 2. Manager, Hualon Microelectronics Co., Ltd. 3. Director, ELAN Microelectronics	Director, ELAN Microelectronics
Yue Lung Investment Co., Ltd.		1. Director, ELAN Microelectronics	Director, ELAN Microelectronics



CHIU, Te-Chen	MBA, Institute of Business Management / National Chengchi University	1. Chairman/Managing Director, TOP TAIWAN VENTURE CAPITAL CO., LTD. / TOP TAIWAN IX VENTURE CAPITAL CO., LTD. / TOP TAIWAN III VENTURE CAPITAL CO., LTD./TOP TAIWAN X VENTURE CAPITAL CO., LTD./ TOP TAIWAN XI VENTURE CAPITAL CO., LTD./ TOP TAIWAN FINANCIAL CONSULTING CO., LTD. 2. Director, ELAN Microelectronics Corp.	Director, ELAN Microelectronics
Zonglong Investment Co., Ltd. Representative: WEI, Chi-Lin,		Director, ELAN Microelectronics	Director, ELAN Microelectronics
	Doctor of Philosophy, Université de Paris  Master of Business, Administration, Imperial College London	1. Chairman, Land Bank of Taiwan 2. Secretary-General, Executive Yuan 3. Director, Institute of International Business/National Taiwan University 4. Director, ELAN Microelectronics	Chairman, Waterland Financial Holdings  Director, ELAN Microelectronics
LIN, Hsien-Ming	Bachelor of Science, Dept. of Electronics Engineering / National Chiao Tung University	1. Chairman & Chief Strategy Officer, Wistron Corp. 2. Managing Director, Acer Inc. 3. Independent Director, ELAN Microelectronics	Chairman & Chief Strategy Officer, Wistron Corp.  Chairman, Wiwynn Corporation  Independent Director, ELAN Microelectronics
TANG, Chuan-Yi	Doctor of Philosophy, Institute of Computer Engineering, National Chiao Tung University	Professor & President, Providence University	President, Providence University

SHAW, Ming-Fu	Doctor of Philosophy, Dept. of Economics/ National Chengchi University	1. Director, Bank of Kaohsiung 2. Associate Professor, Dept. of Economics/ National Chengchi University	Associate Professor, Dept. of Economics/ National Chengchi University
LU, Fang-Cheng	Doctor of Philosophy, Institute of Computer Science/ National Tsing Hua University	Sales Manager, Foreign Sales Department/ Broadweb Corporation	Chairman, Kings Porcelain Co., Ltd  Chairman, Porcelain Luxe Co., Ltd.

**Election Results :**

## Other Matter

Proposed by the Board

Agenda: To approve the Release of Restrictions on Competitive Activities of the Company's Directors

Explanation:

- (1) According to Article 209 of the Company Act, "A Director who does anything for himself or on behalf of another person that is within the scope of the Company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval."
- (2) The Director candidates nominated by the Board of Directors may be found to hold positions in companies with the same or similar business items as the Company. Therefore, the following list of prospective Directors who should be released from restrictions on competitive activities shall be submitted to the general shareholders' meeting for approval in accordance with Article 209 of the Company Act.

Directors	Holding Position in Other Companies
YEH, I-Hau	Director, North Star Venture Capital
	Director, ELAN (HK)
	Director, Power Asia
	Director, TOP TAIWAN XII VENTURE CAPITAL CO., LTD.
	Director, TOP TAIWAN VII VENTURE CAPITAL CO., LTD.
	Director, TOP TAIWAN IX VENTURE CAPITAL CO., LTD.
	Director, TOP TAIWAN VIII VENTURE CAPITAL CO., LTD.
	Director, TOP TAIWAN X VENTURE CAPITAL CO., LTD.
	Director, TOP TAIWAN VI VENTURE CAPITAL CO., LTD.
	Director, TOP TAIWAN XI VENTURE CAPITAL CO., LTD.
	Chairman, Avisonic Technology Corporation
	Chairman, Pixord Corporation
	Chairman, Metanoia Communications Inc.
YEN, Kuo-Lung	Director, Eminent Electronic Technology Corp. Ltd.
	Director, Avisonic Technology Corporation
	Director, Uniband Electronic Corp

CHIU, Te-Chen	Director, TOP TAIWAN VII VENTURE CAPITAL CO., LTD.
	Director, TOP TAIWAN VIII VENTURE CAPITAL CO., LTD.
	Director, TOP TAIWAN IV VENTURE CAPITAL CO., LTD.
	Director, TOP TAIWAN VI VENTURE CAPITAL CO., LTD.
	Chairman, TOP TAIWAN XI VENTURE CAPITAL CO., LTD.
	Chairman, TOP TAIWAN III VENTURE CAPITAL CO., LTD.
	Chairman, TOP TAIWAN IX VENTURE CAPITAL CO., LTD.
	Chairman, TOP TAIWAN FINANCIAL CONSULTING CO., LTD.
	Chairman, TOP TAIWAN XII VENTURE CAPITAL CO., LTD.
	Chairman, TOP TAIWAN X VENTURE CAPITAL CO., LTD.
	Chairman, TOP TAIWAN VENTURE CAPITAL CO., LTD.
	Independent Director, Silitech Technology Corporation
	Independent Director, Chicony Power Technology Co., Ltd
	Representative of Director, Depo Auto Parts Ind. Co., Ltd.
	Representative of Director, Sharehope Medicine Co., Ltd.
	Representative of Director, Radbon Avionics Inc.
	Representative of Director, Shin Kong Financial Holding Co., Ltd.
	Representative of Director, Amicom Electronics Corporation
	Director, Sinbon Electronics
	Director, T- Conn Precision Corporation
	Director, Avatack Co., Ltd.
	Vice-Chairman, Shin Kong Life Insurance Co., Ltd
WEI, Chi-Lin	Director, AcBel Polytech Inc.
	Independent Director, Sinbon Electronics Company Ltd.
	Independent Director, Formosa Plastics Corporation
	Independent Director, Inventec Corporation
	Chairman, Chi Ding International Venture Capital Co., Ltd.
	Chairman, Yuan Ding International Venture Capital Co., Ltd.
LIN, Hsien-Ming	Chairman & Chief Strategy Officer, Wistron Corporation
	Director, Gamania Digital Entertainment
	Independent Director, Taiwan IC Packaging Corporation
	Chairman, Wiwynn Corporation
	Chairman, Wistron Digital Technology Holding Company
	Independent Director, Powerchip Semiconductor Manufacturing Corporation

TANG, Chuan-Yi	Chairman, Boyo Social Welfare Foundation
	Director, Taiwan Populorum Progressio Institute.
	Standing Director, Institute of Information & Computing Machinery
	President, Association for Algorithms and Computation Theory
SHAW, Ming-Fu	CEO, Academic Development Foundation/ National Chengchi University
	Director, Foundation of Taiwan Sugar Association
LU, Fang-Cheng	Chairman, Porcelain Luxe Co., Ltd.
	Chairman, Kings Porcelain Co., Ltd
	Chairman, Rong Chen Investment Co., Ltd.
	Chairman, Zuo Chen Investment Co., Ltd.
	Chairman, Chen Cheng Investment Co., Ltd.

Resolution :

## **Special Motions**

## **Meeting Adjourned**

**Elan Microelectronics Corp.**

**2020 Business Report**

**1. Operating results of 2020**

The outbreak of the corona virus (COVID-19) pandemic in 2020 brought about major changes in lifestyles around the world. To prevent the spread of the COVID-19, the practices of working at home, remote teaching, online learning, and home-delivery business model prevailed. Thus, such lifestyle changes triggered the strong demand for laptop personal microcomputers. As a result, the demands for our Company's major product lines -- laptop touch screen chipsets, touch control modules, and fingerprint modules -- grew substantially, leading to the drastic growth of operating revenue.

The demand for consumer and educational laptops in 2020 skyrocketed with a double-digit 29% growth rate which pushed the 2020 shipment of laptops to 207 million units, breaking the growth pattern of more than ten years. Our Company achieved an annual revenue growth of 58%, outperforming the industry's average performance.

After the first cases of the COVID-19 were reported in China, it spreads to all over the world, leading to the lockdowns of cities and closure of borders, which caused the disruption of supply chains and hardship for procurement of parts and components. ELAN managed to cooperate closely with vendors of the supply chains for securing the supplies of parts and components. Incoming orders have been increasing drastically. Starting from April 2020, the revenue had achieved record highs in six consecutive months, and registered the best performance since the Company's incorporation 27 years ago.

In 2020, ELAN experienced significant growths in both revenue and profit in touch product lines as related application products mainly because the company maintains close cooperation relationships with major world leaders which define product specifications and platforms. These companies include Microsoft, Wacom, Google, and Huawei. As a result, ELAN is capable of accessing the latest market information, arranging technical cooperation with these world leaders, and supplying the products which they need as soon as they need these products. By doing so, our company builds up customers' confidence, and the competitive edge of our touch and control products could be fully exploited. The competitiveness of our products helped boost the penetration rate of our products at separate customers, and boost remarkably our market share of touch products on the market worldwide. The annual revenue growth of our laptop screen chips in 2020 was a hefty 98%, and that of touch control models was 62%. Both growth rates were impressive.

At present, three laptop products including touch panel modules, touch screen chips, and pointing

devices are leading the laptop parts industry. The market shares of the three products accounted for more than 60%. The next star product will be fingerprint recognition products, and the goal is to achieve the leading position in the laptop market. In 2020, the Company's fingerprint recognition products focused on the laptop applications. The revenue growth of fingerprint recognition products in 2020 was 152%, the highest in our product lines. Since the penetration rate of fingerprint recognition products in the laptop market was relatively low, more major brand name laptop vendors tend to incorporate fingerprint recognition applications into their products. Therefore, it is estimated that the penetration rate will continue to rise in the next few years.

Currently the domestic and international competition is fierce, ELAN, based on its advantage in chip design and engineering prowess, is capable of lowering its costs and optimizing its product mix, resulting in a revenue of NT\$ 14.7 billion and a revenue increase of 58%. Both figures were record high since ELAN's incorporation. Because of the continuing cost reduction and product mix optimization, the gross profit of 2020 was 46.9%, net profit 28.1%, and pretax earnings NT\$ 3.91 billion.

In terms of product research and development, we continue to deepen the R&D of various products that are in high demand in the market and respond to the development trend of the end market. The R&D expenditure in 2020 accounted for 11% of the revenue. In 2020, ELAN completed the development of low-power smart card fingerprint recognition solutions, anti-spoofing fingerprint recognition solutions, touch solutions with active pens, the highly integrated pointing device solution, a low-power-consumption touch screen solution (>15.6 inches), a large-size FHD touch display integration (LTDI) solution, and a gaming mouse control chip, the laptop keycap fingerprint solution, and the active pen control chip.

In 2020, ELAN ranked the seventh in the "Top 100 High Value Enterprises in 2019" by Digital Times and garnered the Award of Excellence of the Green Beautification Competition sponsored by the Hsinchu Science-based Industrial Park.

## **2.Business Plan for Fiscal Year 2021**

Since the beginning of 2021, the chaos caused by the COVID-19 has continued, leading to the decoupling of the economy and the stock market. The global semiconductor and automobile manufacturing industries are growing rapidly and recovering significantly. The foundry production capacity has been regarded as severely insufficient, and the prices of semiconductor-related industries including semiconductor packaging and testing, chip design industries and general consumer products are expected to go up. It looks inflation is at hand.

However, from another perspective, service industries such as travel and catering have not been out of trouble due to COVID-19. The price trend is obviously perplexing. On one hand, the global monetary



easing policy has brought about a rapid rise of stock prices. However, the bullish stock market shows a deviation from the actual economic situation. It looks inflation and deflation coexist, and the future of the overall economy deserves close observation.

According to the (Organization for Economic Cooperation and Development) OECD, the global gross domestic product (GDP) in 2020 is -4.2%, and major economies including the United States, Japan, and the European Union are all showing negative values. Only China has a growth rate of 1.8%, and the G20 overall economy shrank by 3.8%. According to the OECD, major global economic bodies will recover in 2021, but the recovery is quite lopsided. The shares of Europe and North America in the world economy will further decline, which may have a long-term impact on the world economy. In contrast, China's GDP growth in 2021 is expected to reach 8%, which is much better than the global average of 4.2%, and China may become the driving force of global growth. Since the semiconductor industry is closely linked to global GDP, in the face of the overall world economic recovery, the growth prospect of the global semiconductor industry is optimistic.

In the face of the complexity and changes of world economy, ELAN's focus is to keep on strengthening its R&D capability and fully grasp the demands of customers in order to cope with the changes. Based on the information about the worldwide brand name laptop vendors, the laptop industry will continue to grow in 2021. We are cautiously optimistic about the market and will keep on pursuing our goal of fast growth. We foresee that our main growth momentum will come from the application of high-value-added fingerprint products for use in laptops. Due to better-than-expected demands, shipments in 2020 grew by 139% compared to 2019. In 2021, it is expected that the penetration rate of fingerprints in laptops will increase again, and the growth is expected.

Capacitive touch chip solutions with pen functions are one of the Company's most competitive products. In 2020, shipments grew by more than 60% annually, showing outstanding performance. In 2021, in anticipation to the advent of foldable smartphones, we feel the ample growth opportunities of touch-capacitive stylus chips. In 2021, we will keep on push sales of such product lines which have huge business potential.

The touch screen chips used in laptop computers still account for a high global market share. Because of the strong worldwide demand for laptops and the rising penetration rate of touch control chips on the laptop market, the total sales of ELAN grew 104% in 2020 over that of the previous year. The total sales are expected to keep on growing. The market share of ELAN's touch control modules in 2020 was 60%, taking the lion's share of the market, and the shipment growth of that product line was 67%. Sales this year are expected to grow further due to the rising demands for higher-priced lighting pads, haptic pads, and larger size touch control modules owing to the switch from 16:9 screens to 16:10 screens. As a result, the total shipment this year will outpace that of the last year, capturing the top position in terms of market share.

ELAN is a professional IC design Company for which the smooth cooperation provided by supply chains is of utmost importance no matter in the year of 2020 or 2021. Our products are totally provided by contract IC makers. At a time when the production capacity of semiconductor makers is insufficient, we have to maintain good cooperation relationships with IC contract manufacturers, IC packaging and testing plants, as other upstream and downstream vendors in order to build up our own capacity and fulfill customers' missions. Moreover, ELAN also maintains smooth and close cooperation relationships with manufacturers specializing in touch panels, liquid crystal display panels, smart phones, laptops, tablet and other assembly factories in order to ensure smooth product shipments, and to maintain a longer-term and close partnership with customers.

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

Managing Director: YEH, I-Hau

Chief of Accounting Officer: CHEN, YI-Lin

**Attachment 2****Audit Committee's Review Report**

The Board of Directors hereby furnishes and submits the Company's 2020 Business Report and the Consolidated Financial Statements, which were audited by the Certified Public Accountants CHOU, PAO-LIEN and TSENG, MEI-YU of KPMG. An Audit Report was so issued together with the proposed Business 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: February 17, 2021

## 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, 2020 and 2019, 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, based 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, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### Basis for Opinion

We conducted our 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. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

### 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 2.23% and 2.57% of the total assets at December 31, 2020 and 2019, and the related share of profit of associates and joint ventures accounted for using the equity method constituted 0.79% and 1.77% of the total income before tax for the year ended December 31, 2020 and 2019, respectively.

## 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)

February 17, 2021

#### **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, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2020		December 31, 2019				December 31, 2020		December 31, 2019	
Assets		Amount	%	Amount	%	Liabilities and Equity		Amount	%	Amount	%
<b>Current assets:</b>						<b>Current liabilities:</b>					
1100	Cash and cash equivalents (notes 6(a) and (r))	\$ 1,056,566	8	1,020,679	9	2170	Accounts payable (notes 6(r) and 7)	1,811,241	13	1,167,628	11
1110	Current financial assets at fair value through profit or loss (notes 6(b) and (r))	488,811	4	414,319	4	2206	Employee bonus payable (notes 6(q) and (r))	527,000	4	382,500	4
1172	Notes and accounts receivable, net (notes 6(c) and (r))	2,070,680	15	1,098,287	10	2230	Current tax liabilities	768,135	6	267,864	2
1181	Accounts receivable due from related parties (notes 6(c), (r) and 7)	55,199	-	45,575	-	2280	Current lease liabilities (notes 6(j) and (r))	8,335	-	8,667	-
1200	Other receivables (notes 6(c), (r) and 7)	1,456,679	10	829,461	8	2300	Other current liabilities (notes 6(r) and 7)	1,178,610	8	847,102	8
1310	Inventories, net (note 6(d))	1,679,128	12	1,318,609	12			4,293,321	31	2,673,761	25
1410	Prepayments and other current assets	8,173	-	13,518	-		<b>Non-Current liabilities:</b>				
1476	Financial assets at amortized cost (notes 6(a) and (r))	2,703,250	20	2,279,650	21	2570	Deferred tax liabilities (note 6(l))	1,244	-	2,097	-
		9,518,486	69	7,020,098	64	2580	Non-current lease liabilities (notes 6(j) and (r))	177,421	1	180,969	2
<b>Non-current assets:</b>						2640	Net defined benefit liability, non-current (note 6(k))	382,275	3	367,155	3
1510	Non-current financial assets at fair value through profit or loss (note 6(b))	587,275	4	584,778	5	2645	Guarantee deposits received (note 6(r))	10,889	-	10,328	-
1517	Non-current financial assets at fair value through other comprehensive income (notes 6(e) and (r))	256,562	2	85,469	1	2650	Credit balance of investments accounted for using equity method (note 6(f))	12,814	-	-	-
1551	Investments accounted for using equity method (note 6(f))	2,186,027	16	1,838,378	17			584,643	4	560,549	5
1600	Property, plant and equipment (notes 6(g))	836,016	6	755,686	7		<b>Total liabilities</b>	4,877,964	35	3,234,310	30
1755	Right-of-use assets (note 6(h))	183,096	1	188,500	2	3100	<b>Equity attributable to owners of parent:</b> (notes 6(m) and (n))				
1780	Intangible assets (note 6(i))	310,651	2	223,170	2	3200	Capital stock	3,038,804	22	3,038,804	28
1840	Deferred tax assets (note 6(l))	33,221	-	31,862	-		Capital surplus	519,638	4	375,945	3
1900	Other non-current assets (note 6(r))	17,252	-	5,300	-		Retained earnings:				
1960	Prepayments for investments (note 6(f))	-	-	170,000	2	3310	Legal reserve	1,825,597	13	1,575,923	14
		4,410,100	31	3,883,143	36	3350	Undistributed earnings	3,692,218	26	2,577,324	24
								5,517,815	39	4,153,247	38
						3400	Other equity	3,340	-	129,910	1
						3500	Treasury shares	(28,975)	-	(28,975)	-
							<b>Total equity</b>	9,050,622	65	7,668,931	70
<b>Total assets</b>		<b>\$ 13,928,586</b>	<b>100</b>	<b>10,903,241</b>	<b>100</b>	<b>Total liabilities and equity</b>		<b>\$ 13,928,586</b>	<b>100</b>	<b>10,903,241</b>	<b>100</b>



(English Translation of Financial Statements Originally Issued in Chinese)

**ELAN MICROELECTRONICS CORPORATION****Statements of Comprehensive Income****For the years ended December 31, 2020 and 2019****(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)**

		<b>2020</b>		<b>2019</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
4000	<b>Operating revenue</b> (notes 6(o) and 7)	\$ 14,678,422	100	9,309,465	100
5000	<b>Operating costs</b> (notes 6(d) and 7)	7,789,061	53	4,957,908	53
5900	<b>Gross profit from operations</b>	6,889,361	47	4,351,557	47
5920	Add: Realized profit from sales	1,234	-	4,476	-
5950	<b>Gross profits</b>	6,890,595	47	4,356,033	47
6000	<b>Operating expenses:</b> (notes 6(c), 7, 9 and 12)				
6100	Selling expenses	831,305	6	566,053	6
6200	Administrative expenses	340,840	2	255,447	3
6300	Research and development expenses	1,582,695	11	1,407,080	15
6450	Impairment gain and loss determined in accordance with IFRS 9	7,604	-	(10,002)	-
		2,762,444	19	2,218,578	24
6900	<b>Operating income</b>	4,128,151	28	2,137,455	23
7000	<b>Non-operating income and expenses:</b>				
7100	Interest income (note 6(p))	26,198	-	40,583	-
7010	Other income (notes 6(p) and 7)	39,511	-	70,114	1
7020	Other gains and losses (note 6(p))	(96,707)	(1)	(12,311)	-
7050	Finance costs	(3,006)	-	(3,070)	-
7070	Share of gain of subsidiaries and associates accounted for using equity method (note 6(f))	(186,668)	(1)	602,411	6
		(220,672)	(2)	697,727	7
7900	<b>Profit before tax</b>	3,907,479	26	2,835,182	30
7950	Less: Income tax expenses (note 6(l))	661,668	5	338,438	4
	<b>Net profit</b>	3,245,811	21	2,496,744	26
8300	<b>Other comprehensive income (loss):</b>				
8310	<b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>				
8311	Gains (losses) on remeasurements of defined benefit plans	(15,399)	-	5,431	-
8316	Unrealized gains (loss) from investments in equity instruments measured at fair value through other comprehensive income	(21,116)	-	10,490	-
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	4,985	-	15,339	-
8349	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
		(31,530)	-	31,260	-
8360	<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>				
8361	Exchange differences on translation of foreign financial statements	(1,078)	-	(1,281)	-
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	18	-	(37)	-
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	(1,060)	-	(1,318)	-
8300	<b>Other comprehensive income, net</b>	(32,590)	-	29,942	-
8500	<b>Comprehensive income</b>	<b>\$ 3,213,221</b>	<b>21</b>	<b>2,526,686</b>	<b>26</b>
	<b>Earnings per share (expressed in dollars) (note 6(n))</b>				
9710	Basic earnings per share	<b>\$ 11.14</b>		<b>8.57</b>	
9850	Diluted earnings per share	<b>\$ 10.97</b>		<b>8.44</b>	

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, 2020 and 2019****(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		
<b>Balance at January 1, 2019</b>	\$ 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)	-	-
<b>Balance at December 31, 2019</b>	3,038,804	375,945	1,575,923	2,577,324	(5,537)	135,447	(28,975)	7,668,931
Net profit	-	-	-	3,245,811	-	-	-	3,245,811
Other comprehensive income	-	-	-	(16,339)	(1,060)	(15,191)	-	(32,590)
Total comprehensive income	-	-	-	3,229,472	(1,060)	(15,191)	-	3,213,221
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	249,674	(249,674)	-	-	-	-
Cash dividends of ordinary share	-	-	-	(1,975,223)	-	-	-	(1,975,223)
Other changes in capital surplus:								
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	80,848	-	-	-	-	-	80,848
Changes in ownership interests in subsidiaries	-	62,845	-	-	-	-	-	62,845
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	58,245	-	(58,245)	-	-
Disposal of investments in equity instruments designated at fair value through other comprehensive income by subsidiaries	-	-	-	52,074	-	(52,074)	-	-
<b>Balance at December 31, 2020</b>	<b>\$ 3,038,804</b>	<b>519,638</b>	<b>1,825,597</b>	<b>3,692,218</b>	<b>(6,597)</b>	<b>9,937</b>	<b>(28,975)</b>	<b>9,050,622</b>

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, 2020 and 2019****(Expressed in Thousands of New Taiwan Dollars)**

	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities:</b>		
<b>Profit before tax</b>	\$ 3,907,479	2,835,182
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit:</b>		
Depreciation expense	67,178	59,847
Amortization expense	65,683	37,720
Expected credit loss (gain)	7,604	(10,002)
Net gain on financial assets at fair value through profit or loss	(16,838)	(20,142)
Interest expense	3,006	3,070
Interest income	(26,198)	(40,583)
Dividend income	(27,805)	(13,029)
Share of (profit) loss of subsidiaries and associates accounted for using equity method	186,668	(602,411)
Loss (gain) on disposal of property, plant and equipment	(13)	428
Gain on disposal of investment properties	(13,754)	-
Difference between net pension liability and actual appropriations	(278)	749
Impairment loss and disposal loss on inventory	93,969	110,809
Others	(1,233)	(4,489)
<b>Total adjustments to reconcile profit</b>	<u>337,989</u>	<u>(478,033)</u>
<b>Changes in operating assets and liabilities:</b>		
Increase in notes and accounts receivable	(989,621)	(89,030)
Increase in inventories	(454,488)	(355,521)
Increase in other receivables	(634,213)	(167,843)
Decrease (increase) in other current assets	5,345	(2,656)
Increase in notes and accounts payable	643,613	205,632
Increase (decrease) in other current liabilities	<u>479,014</u>	<u>(54,856)</u>
<b>Total adjustments</b>	<u>(612,361)</u>	<u>(942,307)</u>
Cash inflow generated from operations	3,295,118	1,892,875
Interest received	26,351	40,605
Interest paid	(3,006)	(3,070)
Income taxes paid	<u>(163,610)</u>	<u>(329,687)</u>
<b>Net cash flows from operating activities</b>	<u>3,154,853</u>	<u>1,600,723</u>
<b>Cash flows from (used in) investing activities:</b>		
Dividends received	54,077	14,421
Acquisition of financial assets at amortized cost	(423,600)	(554,800)
Acquisition of financial assets at fair value through profit or loss	(1,966,148)	(34,967)
Proceeds from disposal of current financial assets at fair value through profit or loss	1,898,138	14,511
Acquisition of financial assets at fair value through profit or loss-non current	(29,755)	-
Proceeds from capital reduction of financial assets at fair value through profit or loss	44,456	51,338
Acquisition of financial assets at fair value through other comprehensive income-non current	(268,800)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income-non current	76,592	86,015
Acquisition of investments accounted for using equity method	(215,170)	(78,343)
Increase in prepayments for investments	-	(170,000)
Proceeds from disposal of subsidiaries	-	22,908
Acquisition of property, plant and equipment	(136,484)	(50,262)
Proceeds from disposal of property, plant and equipment	60	-
Acquisition of intangible assets	(153,164)	(58,147)
Decrease (increase) in refundable deposits	(11,952)	1,110
Decrease in other non-current assets	<u>-</u>	<u>22,492</u>
<b>Net cash flows used in investing activities</b>	<u>(1,131,750)</u>	<u>(733,724)</u>
<b>Cash flows used in financing activities:</b>		
Increase in guarantee deposits received	561	92
Payment of lease liabilities	(12,554)	(12,160)
Cash dividends paid	<u>(1,975,223)</u>	<u>(1,519,402)</u>
<b>Net cash flows used in financing activities</b>	<u>(1,987,216)</u>	<u>(1,531,470)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	35,887	(664,471)
<b>Cash and cash equivalents at the beginning of period</b>	<u>1,020,679</u>	<u>1,685,150</u>
<b>Cash and cash equivalents at the end of period</b>	<u><u>\$ 1,056,566</u></u>	<u><u>1,020,679</u></u>

See accompanying notes to financial statements.

## **Representation Letter**

The entities that are required to be included in the combined financial statements of ELAN MICROELECTRONICS CORPORATION as of and for the year ended December 31, 2020 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 "Consolidated Financial Statements." endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, ELAN MICROELECTRONICS CORPORATION and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: ELAN MICROELECTRONICS CORPORATION

Chairman: Yeh, Yi-Hao

Date: February 17, 2021

## **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, 2020 and 2019, 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, based 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, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and 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. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

### **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 2.15% and 2.50% of the consolidated total assets at December 31, 2020 and 2019, respectively, and the related share of profit of associates and joint ventures accounted for using the equity method constituted 0.80% and 1.79% of the consolidated total income before tax for the year ended December 31, 2020 and 2019, respectively.

The Company has prepared its parent-company-only financial statements as of and for the years ended December 31, 2020 and 2019, 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(n) 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, 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)  
February 17, 2021

#### **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, 2020 and 2019**

(Expressed in Thousands of New Taiwan Dollars)

		<u>December 31, 2020</u>		<u>December 31, 2019</u>				<u>December 31, 2020</u>		<u>December 31, 2019</u>	
<b>Assets</b>		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>Liabilities and Equity</b>		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>Current assets:</b>						<b>Current liabilities:</b>					
1100	Cash and cash equivalents (notes 6(a) and (t))	\$ 2,030,341	14	1,502,121	13	2100	Short-term borrowings (notes 6(k) and (t))	\$ 40,000	-	241,000	2
1110	Current financial assets at fair value through profit or loss (notes 6(b) and (t))	969,808	8	778,442	7	2170	Accounts payable (notes 6(t))	1,826,667	13	1,169,761	10
1170	Notes and accounts receivable, net (notes 6(c), (t) and 7)	2,162,216	15	1,195,296	11	2206	Employee bonus payable (notes 6(s) and (t))	527,000	4	382,500	3
1200	Other receivables (notes 6(c), (t))	1,474,775	10	835,141	7	2230	Current tax liabilities	802,401	6	278,873	2
1310	Inventories, net (note 6(d))	1,782,653	12	1,386,202	12	2280	Current lease liabilities (notes 6(l) and (t))	21,858	-	21,279	-
1410	Prepayments and other current assets	23,348	-	20,323	-	2300	Other current liabilities (note 6(t))	1,343,720	9	964,528	10
1476	Financial assets at amortized cost (notes 6(a) and (t))	2,742,850	19	2,289,450	21			4,561,646	32	3,057,941	27
		11,185,991	78	8,006,975	71		<b>Non-Current liabilities:</b>				
<b>Non-current assets:</b>						2570	Deferred tax liabilities (note 6(n))	1,244	-	2,097	-
1510	Non-current financial assets at fair value through profit or loss (notes 6(b) and (t))	1,023,849	8	1,360,622	12	2580	Non-current lease liabilities (notes 6(l) and (t))	187,361	1	200,563	2
1517	Non-current financial assets at fair value through other comprehensive income (note 6(e) and (t))	304,352	2	191,833	2	2640	Net defined benefit liability, non-current (note 6(m))	389,456	3	372,373	3
1551	Investments accounted for using equity method (note 6(f))	319,622	2	330,837	3	2645	Guarantee deposits received (note 6(t))	39,427	-	10,766	-
1600	Property, plant and equipment (notes 6(h) and 7)	872,781	6	760,537	7			617,488	4	585,799	5
1755	Right-of-use assets (note 6(i))	205,921	1	220,483	2		<b>Total liabilities</b>	5,179,134	36	3,643,740	32
1780	Intangible assets (note 6(j))	449,557	3	304,219	3		<b>Equity attributable to owners of parent:</b> (notes 6(o) and (p))				
1840	Deferred tax assets (note 6(n))	33,221	-	31,862	-	3100	Capital stock	3,038,804	20	3,038,804	27
1900	Other non-current assets (note 6(t))	56,896	-	19,524	-	3200	Capital surplus	519,638	4	375,945	3
1960	Prepayments for investments	-	-	20,000	-		Retained earnings:				
		3,266,199	22	3,239,917	29	3310	Legal reserve	1,825,597	13	1,575,923	14
						3350	Undistributed earnings	3,692,218	25	2,577,324	24
								5,517,815	38	4,153,247	38
						3400	Other equity	3,340	-	129,910	1
						3500	Treasury shares	(28,975)	-	(28,975)	-
							<b>Total equity attributable to owners of parent:</b>	9,050,622	62	7,668,931	69
						36XX	Non-controlling interests	222,434	2	(65,779)	(1)
							<b>Total equity</b>	9,273,056	64	7,603,152	68
<b>Total assets</b>		<b>\$ 14,452,190</b>	<b>100</b>	<b>11,246,892</b>	<b>100</b>		<b>Total liabilities and equity</b>	<b>\$ 14,452,190</b>	<b>100</b>	<b>11,246,892</b>	<b>100</b>

(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, 2020 and 2019**

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

		<b>2020</b>		<b>2019</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
4000	<b>Operating revenue</b> (notes 6(q), 7 and 14)	\$ 15,099,690	100	9,487,977	100
5000	<b>Operating costs</b> (notes 6(d), (m) and 7)	8,045,231	53	5,074,045	53
5900	<b>Gross profit from operations</b>	7,054,459	47	4,413,932	47
5920	Add: Realized profit (loss) from sales	(263)	-	2,756	-
5950	<b>Gross profits</b>	7,054,196	47	4,416,688	47
6000	<b>Operating expenses:</b> (notes 6(c), (m) and 12)				
6100	Selling expenses	535,271	4	399,234	4
6200	Administrative expenses	436,498	3	347,521	4
6300	Research and development expenses	1,858,343	12	1,596,392	17
6450	Impairment gain and loss determined in accordance with IFRS 9	6,885	-	(7,885)	-
		2,836,997	19	2,335,262	25
6900	<b>Operating income</b>	4,217,199	28	2,081,426	22
7000	<b>Non-operating income and expenses:</b>				
7100	Interest income (note 6(r))	31,480	-	41,410	-
7010	Other income (note 6(r))	72,652	-	79,944	1
7020	Other gains and losses (notes 6(r) and 7)	(445,033)	(3)	570,665	6
7050	Finance costs	(5,712)	-	(9,467)	-
7770	Share of gain of associates accounted for using equity method (note 6(f))	23,106	-	45,682	1
		(323,507)	(3)	728,234	8
7900	<b>Profit before tax</b>	3,893,692	25	2,809,660	30
8110	Less: Income tax expenses (note 6(n))	700,654	5	344,918	4
	<b>Net profit</b>	3,193,038	20	2,464,742	26
8300	<b>Other comprehensive income (loss):</b>				
8310	<b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>				
8311	Gains on remeasurements of defined benefit plans	(17,150)	-	4,968	-
8316	Unrealized gains (loss) from investments in equity instruments measured at fair value through other comprehensive income	(15,191)	-	26,142	-
8349	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
		(32,341)	-	31,110	-
8360	<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>				
8361	Exchange differences on translation of foreign financial statements	(1,078)	-	(1,281)	-
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	18	-	(37)	-
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	(1,060)	-	(1,318)	-
8300	<b>Other comprehensive income (loss), net</b>	(33,401)	-	29,792	-
8500	<b>Comprehensive income</b>	<b>\$ 3,159,637</b>	<b>20</b>	<b>2,494,534</b>	<b>26</b>
	<b>Net profit attributable to:</b>				
8610	Owners of parent	\$ 3,245,811	20	2,496,744	26
8620	Non-controlling interests	(52,773)	-	(32,002)	-
		<b>\$ 3,193,038</b>	<b>20</b>	<b>2,464,742</b>	<b>26</b>
	<b>Comprehensive income attributable to:</b>				
8710	Owners of the parent	\$ 3,213,221	20	2,526,686	26
8720	Non-controlling interests	(53,584)	-	(32,152)	-
		<b>\$ 3,159,637</b>	<b>20</b>	<b>2,494,534</b>	<b>26</b>
	<b>Earnings per share (expressed in dollars) (note 6(p))</b>				
9710	Basic earnings per share	<b>\$ 11.14</b>		<b>8.57</b>	
9850	Diluted earnings per share	<b>\$ 10.97</b>		<b>8.44</b>	

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, 2020 and 2019  
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent									
	Ordinary shares	Capital surplus	Retained earnings		Total other equity interest		Treasury shares	Total equity attributable to owners of parent	Non-controlling interests	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, 2019	\$ 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
Net profit	-	-	-	3,245,811	-	-	-	3,245,811	(52,773)	3,193,038
Other comprehensive income	-	-	-	(16,339)	(1,060)	(15,191)	-	(32,590)	(811)	(33,401)
Total comprehensive income	-	-	-	3,229,472	(1,060)	(15,191)	-	3,213,221	(53,584)	3,159,637
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	249,674	(249,674)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	(1,975,223)	-	-	-	(1,975,223)	-	(1,975,223)
Other changes in capital surplus:										
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	80,848	-	-	-	-	-	80,848	-	80,848
Issuance of shares for non-controlling interests	-	-	-	-	-	-	-	-	319,267	319,267
Changes in non-controlling interests	-	62,845	-	-	-	-	-	62,845	22,530	85,375
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	110,319	-	(110,319)	-	-	-	-
Balance at December 31, 2020	\$ 3,038,804	519,638	1,825,597	3,692,218	(6,597)	9,937	(28,975)	9,050,622	222,434	9,273,056

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, 2020 and 2019**  
**(Expressed in Thousands of New Taiwan Dollars)**

	2020	2019
<b>Cash flows from operating activities:</b>		
Profit before tax	\$ 3,893,692	2,809,660
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	98,775	76,557
Amortization expense	92,525	47,023
Expected credit loss (gain)	6,885	(7,885)
Net loss (gain) on financial assets at fair value through profit or loss	308,507	(601,235)
Interest expense	5,712	9,467
Interest income	(31,480)	(41,410)
Dividend income	(44,985)	(25,688)
Share of gains of associates accounted for using equity method	(23,106)	(45,682)
Loss on disposal of property, plant and equipment	3,030	678
Gain on disposal of investment properties	(13,754)	-
Difference between net pension liability and actual appropriations	(67)	(1,478)
Impairment loss and disposal loss on inventory	83,388	123,050
Others	(1,662)	(2,115)
<b>Total adjustments to reconcile profit</b>	<b>483,768</b>	<b>(468,718)</b>
<b>Changes in operating assets and liabilities:</b>		
Increase in notes and accounts receivable	(926,791)	(82,676)
Increase in inventories	(460,186)	(352,999)
Decrease in prepayments and other current assets	1,757	24,810
Increase in other receivables	(646,574)	(177,086)
Increase in notes and accounts payable	626,260	194,183
Increase in other current liabilities	486,872	10,662
Cash inflow generated from operations	3,458,798	1,957,836
Interest received	31,627	41,440
Interest paid	(5,934)	(9,403)
Income taxes paid	(179,339)	(338,220)
<b>Net cash flows from operating activities</b>	<b>3,305,152</b>	<b>1,651,653</b>
<b>Cash flows used in investing activities:</b>		
Dividends received	46,657	27,473
Increase in financial assets at amortized cost	(453,400)	(529,970)
Acquisition of investment accounted for using equity method	-	(62,201)
Acquisition of financial assets at fair value through profit or loss	(2,253,236)	(363,062)
Proceeds from disposal of current financial assets at fair value through profit or loss	2,052,473	237,201
Proceeds from capital reduction of financial assets at fair value through profit or loss	44,456	51,338
Acquisition of financial assets at fair value through other comprehensive income	(268,800)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	140,691	86,015
Increase in prepayments for investments	-	(20,000)
Net cash inflows from business combination	123,128	-
Acquisition of property, plant and equipment	(149,835)	(50,908)
Proceeds from disposal of property, plant and equipment	1,060	-
Acquisition of intangible assets	(234,722)	(125,924)
Decrease (increase) in refundable deposits	-	461
Decrease (increase) in other non-current assets	(35,793)	5,633
<b>Net cash flows used in investing activities</b>	<b>(987,321)</b>	<b>(743,944)</b>
<b>Cash flows used in financing activities:</b>		
Increase in short-term loans	98,000	616,000
Decrease in short-term loans	(299,000)	(618,000)
Increase in guarantee deposits received	13,366	89
Payment of lease liabilities	(26,869)	(27,616)
Cash dividends paid	(1,894,375)	(1,457,211)
Change in non-controlling interests	319,267	5,377
<b>Net cash flows used in financing activities</b>	<b>(1,789,611)</b>	<b>(1,481,361)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>528,220</b>	<b>(573,652)</b>
<b>Cash and cash equivalents at the beginning of period</b>	<b>1,502,121</b>	<b>2,075,773</b>
<b>Cash and cash equivalents at the end of period</b>	<b>\$ 2,030,341</b>	<b>1,502,121</b>

See accompanying notes to financial statements.

### Schedule of Surplus Earning Distribution for the year of 2020

Unit: NT\$

<b>Beginning Balance</b>		<b>352,426,596</b>
Less: Actuarial Pension Gains and Losses Effects (including subsidiaries)	(16,339,141)	
Add: Disposal of Equity Instruments Measured at Fair Value Through Other Comprehensive Income (including subsidiaries)	110,319,678	
<b>Beginning Accumulated Surplus (losses)</b>		<b><u>446,407,133</u></b>
Add: Net Profit After Tax of the Year	3,245,810,720	
Subtotal:		<b><u>3,692,217,583</u></b>
Less: Legal Reserve Recognized	333,979,126	
<b>Distributable Surplus</b>		<b><u>3,358,238,727</u></b>
Distributed Items:		
Shareholders Bonus - Cash (NT\$ 9/share)	2,734,923,528	
<b>Ending Undistributed Earnings</b>		<b><u>623,315,199</u></b>
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 2020 Surplus Earning Distribution shall be recognized in priority out of the 2019 surplus.

3. The Chairman is vested with full authority to handle other matters not covered herein.

Chairman:  
YEH, I-Hau

Managing Director:  
YEH, I-Hau

Chief of Accounting Officer:  
CHEN, YI-Lin

**ELAN MICROELECTRONICS CORPORATION**

**Comparison Table for the Rules and Procedures of Shareholders' Meeting  
Before and After Revision**

Amended Articles	Current Articles	Explanation
<p>Article 7: Chairman shall call the meeting to order at the appointed meeting time, <u>and promulgate at the same time the related information about both numbers of non-voting shares and shares attending on the meeting.</u> However, when the attending shareholders do not represent a majority of the total number of issued shares, the chairman may announce a postponement, provided that no more than two such postponements, for a combined total of no more than 1 hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of issued shares, <u>the chairman shall declare the meeting adjourned.</u></p>	<p>Article 7 Chairman shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chairman may announce a postponement, provided that no more than two such postponements, for a combined total of no more than 1 hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of issued shares, a tentative resolution may be passed by a majority of those present in accordance with the provision of Paragraph 1, Article 175 of the Company Act, and the chairman shall submit such tentative resolution to shareholders meeting for votes according to the stipulation of Article 174, Company act.</p>	<p>Coordinate with the article norm to adjust the mode of promulgation.</p>

<p>Article 8</p> <p>Unless otherwise prescribed by laws or regulation, the shareholders meeting shall be convened by Board of Directors. The Company shall prepare electronic versions of the shareholders meeting notice, proxy forms, and the origin of and explanatory materials relating to all proposals, including proposals for ratification, matters for deliberation, or the election or dismissal of Directors, and upload them to the Market Observation Post System (MOPS) before 30 days before the date of a regular shareholders meeting or before 15 days before the date of a special shareholders meeting. The Company shall prepare electronic versions of the shareholders meeting agenda handbook and supplemental meeting materials and upload them to the MOPS before 21 days prior to the date of the regular shareholders meeting or before 15 days prior to the date of the special shareholders meeting. In addition, before 15 days prior to the date of the shareholders meeting, agenda handbook and supplemental meeting materials shall be made available for review by shareholders at any time. The shareholders meeting agenda handbook and supplemental materials shall also be displayed at the Company and the professional shareholder services agent designated thereby as well as being distributed on-site at the meeting place. The reasons for convening a Shareholders Meeting shall be specified in the meeting notice and public announcement. With the consent of the addressee, the meeting notice may be given in electronic form.</p>	<p>Article 8</p> <p>If a shareholders meeting is convened by the Board of Directors, the meeting agenda shall be set by the Board of Directors. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders meeting. If a shareholders meeting is convened by the Board of Directors, the meeting agenda shall be set by the Board of Director. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders meeting; the preceding provision applies mutatis mutandis. The chairman may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including provisional motion), except by a resolution of the shareholders meeting. If the chairman declares the meeting adjourned in violation of the rules of procedure, the other members of the Board of Directors, shall promptly assist the attending shareholders in electing a new chairman in accordance with statutory procedures, by agreement of a majority of the votes represented by the attending shareholders, and then continue the meeting.</p> <p>After the meeting adjourned, in addition to preceding circumstances, shareholders shall not otherwise elect a chairman or find another place to continue the meeting.</p>	<p>Coordinate with the article norm to adjust the mode of promulgation</p>
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<p>Election or dismissal of Directors, alteration of Article of Association, capital reduction, application for approval of ceasing its status as a public Company, approval of competing with the Company by Directors, surplus profit distributed in the form of new shares, reserve distributed in the form of new shares, dissolution, merger, spin-off, or any matters as set forth in Paragraph 1, Article 185 of the Company act, Article 26- and 43-6 of the Taiwan Securities and Exchange Act, or Article 56-1 and 60-2 of the Taiwan Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be explained in the notice of the reasons to convene the shareholders meeting, and shall not be brought up as provisional motion; the essential content abovementioned may be post onto the website designated by competent authority in charge of securities affairs or the Company, and such website shall be indicated in the notice.</p> <p>The reasons to convene the Shareholders Meeting have stated to re-elect all Directors, and prescribed the date for new Directors, to assume office. Upon completion of this Shareholders Meeting, no provisional motion or otherwise is allowed at the same meeting to change the date for new Directors, to assume office.</p> <p>A shareholder holding 1 percent or more of the total number of issued shares may submit to the Company a written proposal for discussion at a regular shareholders meeting. Such proposals, however, are limited to one item only, and no proposal containing more than one item will be included in the meeting agenda.</p>		
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<p>In addition, when any one of the circumstances provided by Paragraph 4, Article 172-1 of the Taiwan Company Act applies to the proposal put forward by a shareholder, the Board of Directors, may exclude it from the agenda. A shareholder proposal proposed for urging a Company to promote public interests or fulfill its social responsibilities may still be limited on one item only according to the related provision of Article 172-1 thereof; any proposal more than one item shall be excluded in the agenda.</p> <p>Prior to the date on which share transfer registration is suspended before the convention of a regular shareholders' meeting, the Company shall give a public notice announcing acceptance of proposal in writing or by ways of electronic transmission, the place and the period for shareholders to submit proposals to be discussed at the meeting; and the period for accepting such proposals shall not be less than ten (10) days. The number of words of a proposal to be submitted by a shareholder shall be limited to not more than three hundred (300) words, and any proposal containing more than 300 words shall not be included in the agenda of the shareholders' meeting. The shareholder who has submitted a proposal shall attend, in person or by a proxy, the regular shareholders' meeting whereat his proposal is to be discussed and shall take part in the discussion of such proposal. The Company shall, prior to preparing and delivering the shareholders' meeting notice, inform, by a notice, all the proposal submitting shareholders of the proposal screening results, and shall list in the shareholders' meeting notice the proposals conforming to the requirements set out in this Article. With regard to the proposals submitted by shareholders but not</p>		
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included in the agenda of the meeting, the cause of exclusion of such proposals and explanation shall be made by the board of Directors, at the shareholders' meeting to be convened.		
<p>Article 10</p> <p>Except with the consent of the chairman, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 2 minutes. If the shareholder's speech violates the rules or exceeds the scope of the agenda item the chairman may terminate the speech.</p>	<p>Article 10</p> <p>Except with the consent of the chairman, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes. If the shareholder's speech violates the rules or exceeds the scope of the agenda item the chairman may terminate the speech.</p>	<p>The shareholders' speech time is amended to enhance efficacy of the proceedings,</p>
<p>Article 16</p> <p>Delete Item 1, 2, 3, 4, and 5.</p> <p>The election of Directors or Supervisors at a shareholders meeting shall be held in accordance with the applicable election and appointment rules adopted by the Company, and the voting results shall be announced on-site immediately, including the names of those elected as Directors, the list of Independent Directors, and the number of votes with which they were elected, <u>as well as the names of Directors, and Supervisors who fail to be elected, and the number of votes they obtained.</u></p>	<p>Article 16</p> <p>Delete Item 1, 2, 3, 4, and 5.</p> <p>The election of Directors or Supervisors at a shareholders meeting shall be held in accordance with the applicable election and appointment rules adopted by the Company, and the voting results shall be announced on-site immediately, including the names of those elected as Directors, the list of Independent Directors, and the number of votes with which they were elected.</p>	<p>Article 6 is amended to upgrade the Company's administration and maintain shareholders' equity.</p>

## **ELAN MICROELECTRONICS CORPORATION**

### **The Rules and Procedures of Shareholders' Meeting**

1. The Shareholders' Meeting of the Company shall be in conformity with these Rules and Procedures 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.

## 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 Equipment Manufacturing.
  3. CA02990-  
Other Fabricated Metal Products Manufacturing Not Elsewhere Classified (non-domestic only).
  4. F401010 -  
International Trade.
  5. F401021-  
Restrained Telecom Radio Frequency Equipment 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 annual general meeting and special meeting. The annual 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 aforementioned distribution of the minutes of shareholders' meeting may be carried out 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 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: When the term of office of the director expires before the re-election, their duties shall be extended and performed until the time the re-elected director takes office.

Article 20: The Board of Directors shall be organized by the Directors and a chairman shall be elected 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 officer (CEO), one managing director and several vice managing directors who shall be appointed and discharged pursuant to

## **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 of Association shall be subject to the Company Act and other rules and regulations.
- Article 32:      The Articles of Association 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: I-Hau, Yeh

## **Appendix 3**

# **ELAN MICROELECTRONICS CORPORATION**

## **The Rules for Election of Directors**

### **Article 1**

Unless otherwise provided in the Company Act, the Securities Exchange Act, the Articles of Association of this Company and in relevant laws and regulations, the Directors of this Company shall be elected in accordance with the rules and regulations specified herein.

### **Article 2**

The Election of Directors of this Company shall be held at the shareholders' meeting. This Company shall prepare ballots and note the number of voting rights. Shareholders can exercise their voting rights in writing or electronically, and the method of exercise is specified in the notice of shareholders meeting

### **Article 3**

In the election of Directors of this Company, the names of voters may be represented by shareholders' numbers.

### **Article 4**

The election of Independent Directors of the Company shall adopt a candidate nomination system in accordance with Article 192-1 of the Company Act. The methods for accepting the nomination of Director, candidates, announcements and other related matters shall be handled in accordance with the relevant laws and regulations of the Company Act and the Securities Exchange Law.

### **Article 5**

The election of the Company's Directors (including Independent Directors) adopts the cumulative voting method. Each share has the same voting rights as the number of people to be elected, and one person can be elected collectively or a number of people can be distributed. The Independent Directors and the non-Independent Directors shall be elected together, and the number of elected positions shall be calculated separately.

### **Article 6**

For the election of the Company's Directors, the votes obtained shall represent those with more voting rights. If there are two or more people with the same number of votes and exceed the specified number, the number of votes will be determined by the person with the same number of votes. The chairman will draw lots for those who do not attend.

### **Article 7**

At the beginning of the election, the chairman appoints two ballot examiners (scrutineers, poll-watchers) and several tellers with shareholder status to perform various related duties.

### **Article 8**

The ballot box used for voting shall be prepared by this Company and checked in public by the person to check the ballots before voting.

### **Article 9**

If the candidate is a shareholder of this Company, voters shall fill in the "candidate" column the candidate's name and shareholder's number, and the number of votes cast for such candidate. If the

candidate is not a shareholder of this Company, voters shall fill in the "candidate" column the candidate's name, the candidate's ID number, and the number of votes cast for such candidate. If the candidate is a government agency or a legal entity, the full name of the government agency or the legal entity or the name(s) of their representative(s) should be filled in the column.

#### Article 10

Ballots shall be deemed void under the following conditions:

- (1) Ballots not placed in the ballot box;
- (2) Ballots not prepared by this Company;
- (3) Blank ballots not completed by the voter;
- (4) If the candidate is a shareholder of this Company, the name or shareholder's number of the candidate filled in the ballot inconsistent with the shareholders' register. If the candidate is not a shareholder of this Company, the name or ID number of the candidate filled in the ballot is incorrect;
- (5) Ballots with other written characters or symbols in addition to candidate's name, shareholder's number (ID number) and the number of votes cast for the candidate;
- (6) Illegible writing which is unreadable;
- (7) Any of the candidate's name, shareholder's number (ID number) or the number of votes cast for such candidate being erased or changed;
- (8) The name of the candidates filled in the ballots being the same as another candidate's name and the respective shareholder's numbers (ID numbers) not being indicated to distinguish them;
- (9) The total votes cast by the voter exceeding the total voting rights of such voter; or
- (10) The number of candidates filled in the ballot exceeding the number of the seats to be elected.

#### Article 11

The ballots should be calculated during the meeting right after the vote casting and the results of the election should be announced by the Chairman at the meeting.

#### Article 12

These Rules and any revision thereof shall become effective after approval at the shareholders' meeting.

## Appendix 4

### Shareholdings of all Directors

1. Pursuant to Article 26 of the Securities and Exchange Law and the Rules and the Review Procedures for Director, and Supervisor Share Ownership Ratios at Public Companies:
  - (1) The Company's paid-in capital is 303,880,392 shares.
  - (2) 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.
2. 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	Appointment 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-Chen	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-Da	June 10, 2019	2 years	0	0
Total				12,164,517	4.00%

Note: The share transfer suspension date of the current annual general meeting of shareholders is from April 18, 2021 to June 16, 2021.



## **Appendix 4**

### **Employee Bonus and Directors' and Supervisors' Remuneration**

The Company's 2020 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\$ 467,000,000.
  - 2) Directors' remuneration: NT\$ 60,000,000.
2. There is no difference between the amount of distribution of employee compensation and Directors' remuneration of Directors proposed by then Board of Directors with that of the recognized in the estimated expenditure of the year.