

ESMT

Elite Semiconductor Microelectronics Technology Inc.

2021 Annual Shareholders' Meeting

Meeting Agenda

(Traslation)

June 16, 2021

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Elite Semiconductor Microelectronics Technology Inc.

2021 Annual Shareholders' Meeting Procedure

- I. Call the Meeting to Order
- II. Chairperson Remarks
- III. Reports
- IV. Proposals
- V. Discussions
- VI. Others and Motions
- VII. Meeting Adjourned

Elite Semiconductor Microelectronics Technology Inc.

2021 Annual Shareholders' Meeting Agenda

Time: 9:00 a.m., June 16, 2021

Place: 2 F Eiffel Banquet Room, Lakeshore Hotel

No. 773, Ming-Hu Road, Hisin Chu, Taiwan,

Chairperson Remarks:

I. Reports:

- (1) 2020 Business Report
- (2) 2020 Audit Committee's review report
- (3) Report on 2020 employees' compensation and remuneration to directors

II. Proposals:

- (1) Adoption of the 2020 Business Report and Financial Statements
- (2) Adoption of the Company's 2020 Earnings Distribution Plan

III. Discussions:

- (1) Amendments to the Company's Articles of Incorporation
- (2) Amendments to the Company's Rules for Election of Directors
- (3) Amendments to the Company's Procedures for Acquisition or Disposal of Assets

IV. Others and Motions

V. Meeting Adjourned

I. Reports

Item 1: 2020 Business Report

Explanation: Please refer to Attachment I .

Item 2: 2020 Audit Committee's review Report

Explanation: Please refer to Attachment II .

Item 3: Report of 2020 employees' compensation and Directors' remuneration

Explanation: Pursuant to the Articles of Incorporation and based on the 2020 profitability, the company has resolved to distribute that the compensation to employees is NT\$66,124,493, and the remuneration to Directors is NT\$13,224,899.

II. Proposals

Item 1: (Proposed by the Board of Directors)

Proposal : Adoption of Year 2020 Business Report and Financial Statements

Explanation: The Company's 2020 financial statements, of which the preparation has completed, together with the Business Report and review report of the unqualified opinions issued by Ya-Hui, Cheng and Tian-I, Li from PwC, was submitted to and reviewed by the Audit Committee, by which unappropriated content was not identified. Submitted for recognition.

1. Business Report (please refer to Attachment I)
2. Financial statements (please refer to Attachment III)

Resolution:

Item 2 (Proposed by the Board of Directors)

Proposal : Adoption of the Company 2020 Earnings Distribution Plan

Explanation: 1. The Company's 2020 earnings distribution is proposed for a cash dividend of NT\$2.0 per share.

2. The current cash dividends are calculated pursuant to distribution ratio and rounded down to the whole dollar amounts; the fractional amounts will be saved and recorded as the Company's other income.
3. The Chairman is authorized to determine the cash dividend record date, payment date, and other related matters upon the approval of the earnings distribution proposal at the Annual Meeting of Shareholders.
4. Where the dividend distribution rate of NT\$2.0 per share is maintained in the proposed appropriation of earnings, if, prior to the ex-dividend date, the number of outstanding shares is affected by any amendment by the competent authorities or by any change in the Company's share capital, such as the conversion of employee stock warrants into common shares, which subsequently results in a change in the earnings distribution, it is intended that the shareholders will authorize the Chairperson of the Board of Directors to exercise his or her full authority to deal with such changes.
5. 2020 Earnings Distribution Table is attached hereto as Attachment IV.

Resolution:

III. Discussions

Item 1(Proposed by the Board of Directors)

Proposal : Amendment to the Company's Articles of Incorporation

Explanation: 1. In order to meet the Company's operation needs, it is proposed to make partial amendments to the "Articles of Incorporation".

2. The Comparison Table for "Articles of Incorporation" Before and After Revision is attached hereto as Attachment V.

Resolution:

Item 2(Proposed by the Board of Directors)

Proposal : Amendment to the Company's Rules for Election of Directors

Explanation: 1. According to The R.O.C. Financial Supervisory Commission No 1080311451 published on April 25,2019, it is proposed to make partial amendments to the "Rules for Election of Directors".

2. The Comparison Table for " Rules for Election of Directors" Before and After Revision is attached hereto as Attachment VI.

Resolution:

Item 3(Proposed by the Board of Directors)

Proposal : Amendments to the Company's Procedures for Acquisition or Disposal of Assets

Explanation: 1. According to Taiwan Stock Exchange No 1091801999 published on April 29,2020 and take internal operation in consideration, it is proposed to make partial amendments to the " Procedures for Acquisition or Disposal of Assets" .

2. The Comparison Table for " Procedures for Acquisition or Disposal of Assets" Before and After Revision is attached hereto as Attachment VII.

IV. Others and Motions

V. Meeting Adjourned

Elite Semiconductor Microelectronics Technology Inc. Business Report

Despite the significant impact of the COVID-19 pandemic on the global economy in 2020, the overall semiconductor market, benefiting from demand for cloud computing, telework, and learning devices, performed better than expected. According to IDC's Worldwide Semiconductor Applications Forecaster, global semiconductor revenue reached US\$442 billion in 2020, an increase of 5.4% from 2019. After underperforming in 2019, the DRAM and NAND markets also recovered in 2020, growing by 4% and 32.9%, respectively. IDC forecasts that the semiconductor market will reach US\$476 billion in 2021, growing at an annual rate of 7.7%, as vaccines become prevalent and the economy begins to open up and recover.

Looking ahead to 2021, we surmise that the speed of the market recovery will depend on how quickly countries can stabilize the global economy with COVID-19 prevention measures and government stimulus programs, and how much consumer confidence rises and changes with the prevalence of the vaccines. Specific markets, such as 5G cellphones, cloud computing, Smart Edge and wafer foundry, remain in the growth mode, which is critical to the recovery of the semiconductor industry this year. Semiconductor technology plays a key role in the recovery of each industry.

Computing systems, such as PCs and server semiconductors, reached US\$152 billion with an annual increase of 10.9% or so in 2020. Working and studying from home boosted purchasing power for PCs in both the corporate and consumer markets. In addition, the decentralization of employees and students from centralized locations has forced cloud service providers, telecoms and corporate IT departments to invest more aggressively in computing infrastructure. IDC forecasts that computing system semiconductor revenue will grow 6.3% to US\$161 billion in 2021.

With the unequivocally accelerated growth of 5G cellphones, smartphones were the second most significant demand driver for semiconductor development in 2020. Although cellphone shipments declined by more than 5% in 2020, cellphone semiconductor revenue grew by approximately 3% as the market shifted to higher ASP 5G cellphones, requiring more memory, sensors and RF support for more frequency bands. The year 2021 will be a particularly important for semiconductor vendors, for 5G cellphones will account for 30% of all cellphone shipments and semiconductors for 5G cellphones will account for nearly 54% of the revenue. IDC forecasts that cellphone semiconductor revenue will grow 11.4% to US\$128 billion by the end of 2021.

In the automotive and industrial semiconductor markets, automotive OEMs experienced manufacturing disruptions due to production allocations from some semiconductor foundries and shortages of semiconductor capacity, despite the sales growth in the third and fourth quarters of 2020. In 2020, automotive sales, including light commercial vehicles, decline by 14.5% to 71

million units, resulting in an 8.4% decrease in automotive semiconductor revenue to US\$37 billion. With the massive demand for semiconductor components from the development of electric vehicles in 2021, non-internal storage automotive semiconductor revenue will grow by 12.6%, rendering the market development worthy of anticipation.

The Memory Business Division expects the market to revive in the first half of 2021, especially for DRAM. The main reason is that the demand for mobile devices and server applications is strong, and that the major memory companies are bullish on the market boom in 2021. Benefiting from the contract price increase in mainstream memory, the price of niche DRAM increased up to 25-30% in January 2021. With the increasing adoption of solid-state drives (SSDs), coupled with the growth of 5G cellphones, the global NAND market will continue to grow in 2021 and in turn spur the demand for and the price of SLC NAND.

Driven by the multi-fold growth of TWS market demand, NOR Flash has come in the limelight. To support Bluetooth 5.0 and active noise reduction, each TWS must be equipped with NOR Flash to assist computing. With the launch of new TWS products by major brands, the quantity and capacity of accompanying NOR Flash will multiply and the market size will grow year by year. It is estimated that the total volume of TWS shipments will have reached 300 million units by 2022. In addition, AMOLED panels and TDDI chips also require NOR Flash. Specifically, AMOLED panels need to be equipped with 4-32Mb NOR Flash for optical compensation, while TDDI chips require external NOR Flash as an aid for parameter adjustment. As the trend in the terminal market continues, it is estimated that the penetration rate of AMOLED panels and TDDI chips in cellphones is expected to exceed 50% in 2022. However, the recent 50/60nm capacity in NOR Flash foundries is already insufficient, and therefore NOR Flash will be in tight supply in the first half of 2021.

The Company has been engaged in niche memory, including niche DRAM, NOR Flash and SLC NAND. Despite the adverse impact of the COVID-19 pandemic in 2020, the Company's revenue reached a record high of \$15.267 billion (consolidated revenue), benefiting from the demand of the stay-at-home economy as a result of the pandemic. The niche memory market will perform well in 2021 thanks to the gradual recovery of the memory market and the demand of the stay-at-home economy, and therefore it will be a year of increased shipments and revenue growth.

As regards power IC and analog IC products, the product line is becoming more and more comprehensive after years of hard work and cultivation. The products have been verified by large customers, and in particular, the market share of audio amplifiers in the TV market has been on the rise. Meanwhile, benefiting from the demand for audio-visual devices in the stay-at-home economy, the smart speaker market expansion has achieved very good results, with related revenue growing by approximately 11.9%. Growth is expected to continue in the TV and smart speaker markets in 2021.

The Company's revenue for 2020 was NT\$15,252,723 thousand, an increase of 27.48% from the revenue of NT\$11,964,770 thousand in 2019, with an annual gross margin of 16.90% and a net profit before tax of NT\$1,243,089 thousand.

I. 2020 Business Result (based on individual financial statement)

1. The Comparison of Business Results from 2020 and 2019 is as Follows:

(In thousands of New Taiwan Dollars)

	2020	2019	Increase (decrease) amount	Increase (decrease) percentage
Operating income	15,252,723	11,964,770	3,287,953	27.48%
Gross profit	2,577,636	1,745,049	832,587	47.71%
Operating expenses	(1,476,503)	(1,166,150)	310,353	26.61%
Operating profit (loss)	1,101,133	578,899	522,234	90.21%
Non-operating income (expenses) - net	141,956	(15,466)	157,422	1,017.86%
Income (loss) before tax	1,243,089	563,433	679,656	120.63%
Income (loss) after tax	1,076,426	497,405	579,021	116.41%

2. Financial Revenue and Expenditure and Profitability Analysis

(1) Financial revenue and expenditure

(In thousands of New Taiwan Dollars)

Items	2020	2019	Increase (decrease) amount	Increase (decrease) percentage
Cash flow from operating activities	445,850	1,949,621	(1,503,771)	(77.13%)
Cash flow from investment activities	(470,315)	(325,130)	(145,185)	(44.65%)
Cash flow from financing activities	926,243	(636,422)	1,562,665	245.54%

(2) Profitability

Items		2020	2019
ROA (%)		9.25	4.85
ROE (%)		13.69	6.71
Percentage of paid-in capital (%)	Operating profit	38.53	20.26
	Net profit before tax	43.50	19.72
Net profit ratio (%)		7.06	4.16
Earnings per share (NT\$)		3.85	1.78

(3) R&D status: The R&D expenditure in 2020 was NT\$935,087 thousand, accounting for approximately 6.13% of operating income.

II. 2021 Business Plan

1. Business strategy

- (1) Expand the R&D team to enhance the potentials and increase relevant equipment expenditures to improve efficiency.
- (2) Expand 25nm low-density niche DRAM memory product lines such as DDR4, DDR3, LP DDR3, DDR2, LP DDR2, etc.
- (3) Accelerate the R&D of 21nm DRAM products to maintain the competitiveness of the cost structure.
- (4) Accelerate mass production of 28nm NAND products.
- (5) Accelerate the development and expansion of MCP (NAND+LP DRAM) and eMCP (controller + NAND + LP DRAM) product lines.
- (6) Expand the 50nm NOR Flash product line and business in full force.
- (7) Research and develop niche memory for automotive applications.
- (8) Accelerate the development of power IC and analog IC product lines.
- (9) Expand the Company's product lines, such as IoT IC, Motor Drive IC, Sensor IC, etc.
- (10) Maintain a stable financial structure..

2. Sales Volume Forecast and Its Basis

Benefiting from the demand of the stay-at-home economy, the PC market, which had been in recession for many years, reported a short supply in 2020 and is expected to continue to grow in 2021. Although the smartphone market declined owing to the impact of COVID-19, the vaccines have started to be administered and market confidence will gradually recover. Moreover, as 5G cellphones become more prevalent, the memory capacity of PCs and smartphones will increase significantly in order to improve their performance. In terms of 3D NAND process conversion, yields are gradually stabilizing, supply is returning to normal, and prices are starting to slide. However, the memory capacity of SSDs and cellphones is expected to increase significantly and take up most of the production capacity. In SLC NAND, therefore, prices are starting to rebound as a result of the dramatic increase in demand but limited production capacity. In terms of NOR Flash, although the production capacity in Mainland China is opening up bit by bit, the demand at the application end is increasing, resulting in price rebound. Revenue growth is expected to continue in 2021.

The Company's revenue reached a record high in 2020, benefiting from the demand of the stay-at-home economy, coupled with the fact that Samsung and Hynix had both shifted production capacity from memory to CIS, resulting in a rare boom in the niche memory market, where demand far exceeded supply. Both revenue and profit are expected to continue to grow in 2021.

3. Policies on Production and Marketing

- (1) Strengthen the partnership with wafer suppliers and post-production outsourcers to maintain stable production capacity and supply.
- (2) Strengthen the promotion of known good die (KGD), NOR, NAND and MCP.
- (3) Provide cost structure and quality superior to peers, and expand the market share in domestic and foreign markets.
- (4) Strengthen the interactive relationship with customers and distributors, and expand the application fields of new products to increase business sales.

III. Future Development Strategies of the Company

Global suppliers of DRAM and NAND Flash tend to consolidate and they are no longer in cut-throat price competition like the past. However, mainland China has enthusiastically supported the semiconductor industry through governmental resources because of the US sanctioned on HAWEI and SMIC, especially the DRAM and NAND memory industry, which has planted a variable to the future memory products market. The new memory Fab will be ready for mass production after 2020. By that time, the memory industry will start a new round of competition and elimination and it will also affect the niche memory market. In this general environment, building technical strengths, accelerating new product development, and continuing to reduce costs are the only ways to cope with future competition.

The application range of low-density niche memory is becoming wider and wider, and it is an indispensable electronic component for technology products. The global demand for niche memory is expected to keep growing in 2020. The Company will continue to increase new product development in response to market demand. Besides focusing on high-integration, high-speed and low-power memory IC products, known good die (KGD), NOR and NAND Flash, and MCP, the Company accelerates the R&D of analog IC, analog and digital mixed integrated circuit product lines to enhance product competitiveness to meet customer needs. The Company will actively strengthen the R&D of new products to improve its competitiveness to have a more robust foundation for the future competition, and create the greatest benefits for the Company.

IV. Impacts of the External Competition Environment, Regulatory Environment, and the Overall Business Environment

The memory market has been reviving since 2020. The demand for semiconductor components in the stay-at-home economy has exceeded expectations, but the increase in production capacity is limited, coupled with Samsung and Hynix both shifting memory capacity to CIS production, so the market price will go up gradually in 2021. Since the outbreak of COVID-19, city closures have continued to expand worldwide, generating demand for cloud computing and remote work and learning devices and resulting in better than expected overall semiconductor market performance. This, coupled with the fact that many countries have begun administering vaccines, will lead to a gradual recovery in consumer confidence. Market research firms now expect smartphone sales to pick up and semiconductor components for

cellphones to continue to grow in 2021, which will trigger a severe shortage of foundry capacity and make price increases inevitable.

The COVID-19 pandemic has prompted demand in the stay-at-home economy. The shortage of capacity, materials and labor has been epidemic in the market since the second half of 2020 and is expected to continue in 2021. The trend of upstream original manufacturer-led price increases is still clear, and ensuring production capacity is the paramount issue in 2021. The industry still generally expects price increases in DRAM, NOR and SLC NAND Flash to remain unchanged whereas the impact of geopolitical and economic uncertainties, such as the US-China trade war, is likely to continue.

The Company's current operations are in compliance with the relevant existing laws and regulations of domestic and foreign reinvestment countries. The management team will also continue to pay close attention to any changes in policies and laws that may affect the Company's finances and business, as a reference for operations. In addition, the Company also cooperates with professional organizations, pays close attention to the development of relevant laws and regulations, and adjusts strategies to meet the needs of operations in a timely manner. In other words, the Company is able to timely grasp and respond to important domestic and foreign policy and legal changes.

Chairman: Hsing-Hai, Chen

Manager: Ming-Chien, Chang

Accounting Supervisor: Candy Chu

Audit Committees' Review Report

The Board of Directors has prepared the Company's 2020 Business Report, Financial Statements, and proposal for allocation of earnings. The CPA firm of PricewaterhouseCoopers was retained to audit the ESMT's Financial Statements and have issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and earnings allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee of the Elite Semiconductor Memory Technology Inc. According to the relevant requirements of the Securities and Exchange Act and the Company Law, we hereby submit this report.

To: Elite Semiconductor Microelectronics Technology Inc. 2021 Annual Shareholders' Meeting

Elite Semiconductor Microelectronics Technology Inc.
Convener of the Audit Committee: Shan-Jen, Chow

February 26, 2021

Attachment III Independent Auditors' Report and Financial Statements

(English Translation of a Report Originally Issued in Chinese)

Independent Auditors' Report

(PARENT COMPANY ONLY FINANCIAL STATEMENT)

(2021) Finance-Audit-Letter No.20003729

To the Board of Directors and Shareholders of Elite Semiconductor Microelectronics Technology Inc.,

Opinion

We have audited the accompanying parent company only balance sheets of Elite Semiconductor Microelectronics Technology Inc. as at December 31, 2020 and 2019, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

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

Basis for opinion

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and Generally Accepted Auditing Standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of Elite Semiconductor Microelectronics Technology Inc. in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the audit reports of other independent accountants, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Key audit matters for Elite Semiconductor Microelectronics Technology Inc. parent company only financial statements of the current period are stated as follows:

Evaluation of inventories

Description

Refer to Note 4 (13) for the accounting policies on the evaluation of inventories, Note 5 (2) for the uncertainty of accounting estimations and assumptions for evaluation of inventories, Note 6 (5) for the Details of inventory. As at December 31,2020, the inventory and allowance for inventory valuation loss amounted to NT\$6,068,415 thousand and NT\$98,771 thousand.

Elite Semiconductor Microelectronics Technology Inc is primarily engaged in research, development, production, manufacture, and sales of integrated circuit. Elite Semiconductor Microelectronics Technology Inc evaluates inventories stated at lower of cost and net realizable value. Since the evaluation of net realizable value of the inventories exceed specific period and obsolete inventories is subject to management's judgment and uncertainty of estimations. Consequently, we consider the evaluation of inventories as a key audit matter.

How our audit addressed the matter

We have performed primary audit procedures for the above key audit matter included assessed the rationality of policy and procedure on allowance for inventory valuation loss based on our understanding of Elite Semiconductor Microelectronics Technology Inc.'s operations and industry, the historical data of product marginalization in the market and judged the rationality of obsolete inventories. We inspected the appropriateness of inventory aging report to confirm the consistency of report and policy, selected samples to compare the historical data of product marginalization in the market which determine the net realizable value of the obsolete inventories and net realizable value of the obsolete inventories to assessed the rationality of the allowance for inventory valuation loss.

Responsibilities of management and those charged with governance for the parent company only financial statements

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

In preparing the parent company only financial statements, management is responsible for assessing Elite Semiconductor Microelectronics Technology Inc.'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 Elite Semiconductor Microelectronics Technology Inc. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee, are responsible for overseeing Elite Semiconductor Microelectronics Technology Inc.'s financial reporting process.

Auditor's responsibilities for the audit of the parent company only financial statements

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

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- A. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- B. 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 Elite Semiconductor Microelectronics Technology Inc.'s internal control;
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- D. 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 Elite Semiconductor Microelectronics Technology Inc.'s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Elite Semiconductor Microelectronics Technology Inc. to cease to continue as a going concern;
- E. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and

F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Elite Semiconductor Microelectronics Technology Inc. to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of parent company only audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements of the current year 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.

Cheng, Ya-Huei

Li, Tien-Yi

for and on behalf of PricewaterhouseCoopers, Taiwan

February 26, 2021

Elite Semiconductor Microelectronics Technology Inc.
Parent Company Only Balance Sheets
December 31, 2020 and 2019

Unit: NT\$ thousand

	Assets	Notes	December 31, 2020		December 31, 2019	
			Amount	%	Amount	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 2,719,155	21	\$ 1,817,377	17
1110	Financial assets at fair value through profit or loss - current	6(2)	168,548	1	150,841	2
1136	Financial assets at amortized cost - current		136,704	1	140,906	1
1150	Notes receivable, net		-	-	34	-
1170	Accounts receivable, net	6(4)	1,505,780	12	1,160,173	11
1200	Other receivables	7(2)	94,611	1	79,745	1
130X	Inventories	6(5)	5,969,644	46	4,968,524	48
1410	Prepayments		23,477	-	21,863	-
1470	Other current assets	8	5,183	-	6,602	-
11XX	Total current assets		<u>10,623,102</u>	<u>82</u>	<u>8,346,065</u>	<u>80</u>
Non-current assets						
1517	Financial assets at fair value through other comprehensive income - non-current	6(3)	32,418	-	25,388	-
1550	Investment accounted for under the equity method	6(6)	1,291,337	10	1,225,036	12
1600	Property, plant and equipment	6(7)	776,013	6	695,067	6
1755	Right-of-use assets	6(8)	72,090	-	72,798	1
1760	Investment property, net	6(9)	17,701	-	18,671	-
1780	Intangible assets	6(10)(11)	111,688	1	81,177	1
1840	Deferred income tax assets	6(26)	3,813	-	4,174	-
1900	Other non-current assets	8	77,055	1	10,357	-
15XX	Total non-current assets		<u>2,382,115</u>	<u>18</u>	<u>2,132,668</u>	<u>20</u>
1XXX	Total assets		<u>\$ 13,005,217</u>	<u>100</u>	<u>\$ 10,478,733</u>	<u>100</u>

(Continued)

Elite Semiconductor Microelectronics Technology Inc.
Parent Company Only Balance Sheets
December 31, 2020 and 2019

Unit: NT\$ thousand

Liabilities and equity	Notes	December 31, 2020		December 31, 2019		
		Amount	%	Amount	%	
Current liabilities						
2100	Short-term borrowings	6(12)	\$ 1,340,000	10	\$ 270,000	3
2110	Short-term notes and bills payable		149,756	1	-	-
2130	Contract liabilities - current	6(19)	5,336	-	3,949	-
2150	Notes payable		2,115	-	1,890	-
2170	Accounts payable		2,281,658	18	2,134,680	20
2200	Other payables	6(13)	688,630	5	450,874	4
2230	Current income tax liabilities		147,677	1	39,960	1
2280	Lease liabilities - current		6,368	-	6,695	-
2300	Other current liabilities		9,250	-	4,325	-
21XX	Total current liabilities		<u>4,630,790</u>	<u>35</u>	<u>2,912,373</u>	<u>28</u>
Non-current liabilities						
2550	Provisions - non-current		16,495	-	15,083	-
2570	Deferred income tax liabilities	6(26)	12,442	-	4,731	-
2580	Lease liabilities – non-current		66,561	1	66,540	1
2600	Other non-current liabilities	6(14)	14,886	-	18,546	-
25XX	Total non-current liabilities		<u>110,384</u>	<u>1</u>	<u>104,900</u>	<u>1</u>
2XXX	Total liabilities		<u>4,741,174</u>	<u>36</u>	<u>3,017,273</u>	<u>29</u>
Equity						
Share capital						
3110	Common stock	6(16)	2,857,589	22	2,857,589	27
Capital surplus						
3200	Capital surplus	6(17)	109,677	1	104,305	1
Retained earnings						
3310	Legal reserve	6(18)	1,409,039	11	1,359,235	13
3320	Special reserve		8,524	-	-	-
3350	Unappropriated retained earnings		4,019,327	31	3,286,176	31
Other equity interest						
3400	Other equity interest		5,536	-	(8,524)	-
3500	Treasury shares	6(16)	(145,649)	(1)	(137,321)	(1)
3XXX	Total equity		<u>8,264,043</u>	<u>64</u>	<u>7,461,460</u>	<u>71</u>
Significant Events after the End of the Balance Sheet Date						
3X2X	Total liabilities and equity		<u>\$ 13,005,217</u>	<u>100</u>	<u>\$ 10,478,733</u>	<u>100</u>

The accompanying notes are an integral part of these individual financial statements.

Chairman: Hsing-Hai Chen

Manager: Ming-Chien Chang

Accounting Manager: Candy Chu

Elite Semiconductor Microelectronics Technology Inc.
Parent Company Only Statements of Comprehensive Income
Years ended December 31, 2020 and 2019

Unit: NT\$ thousand
(Except earnings per share)

Items	Note	2020		2019	
		Amount	%	Amount	%
4000 Operating revenue	6(19) 7(2)	\$ 15,252,723	100	\$ 11,964,770	100
5000 Operating costs	6(5) (24) (25) 7(2)	(12,675,087)	(83)	(10,219,721)	(85)
5900 Gross profit		<u>2,577,636</u>	<u>17</u>	<u>1,745,049</u>	<u>15</u>
5950 Gross profit - net		<u>2,577,636</u>	<u>17</u>	<u>1,745,049</u>	<u>15</u>
Operating expenses	6(24) (25)				
6100 Selling expenses	7(2)	(273,154)	(2)	(200,427)	(2)
6200 Administrative expenses		(276,844)	(2)	(228,753)	(2)
6300 Research and development expenses	7(2)	(935,087)	(6)	(726,964)	(6)
6450 Expected credit impairment gain (loss)	12(2)	8,582	-	(10,006)	-
6000 Total operating expenses		<u>(1,476,503)</u>	<u>(10)</u>	<u>(1,166,150)</u>	<u>(10)</u>
6900 Operating profit		<u>1,101,133</u>	<u>7</u>	<u>578,899</u>	<u>5</u>
Non-operating income and expenses					
7100 Interest income	6(20)	17,540	-	27,979	-
7010 Other income	6(21) 7(2)	64,940	-	50,718	-
7020 Other gains or losses	6(22)	(35,218)	-	(55,191)	-
7050 Financial costs	6(23)	(11,308)	-	(8,715)	-
7070 Share of profit (loss) of associates and joint ventures accounted for under equity method	6(6)	106,002	1	(30,257)	-
7000 Total non-operating income and expenses		<u>141,956</u>	<u>1</u>	<u>(15,466)</u>	<u>-</u>
7900 Profit before income tax		<u>1,243,089</u>	<u>8</u>	<u>563,433</u>	<u>5</u>
7950 Income tax expenses	6(26)	(166,663)	(1)	(66,028)	(1)
8200 Profit for the period		<u>\$ 1,076,426</u>	<u>7</u>	<u>\$ 497,405</u>	<u>4</u>
Other comprehensive income (loss) - net					
Items not reclassified to profit or loss					
8311 Gain on remeasurements of defined benefit plans	6(14)	\$ 812	-	\$ 636	-
8316 Unrealized gain (loss) on valuation of equity instruments at fair value through other comprehensive income	6(3)	7,030	-	(4,262)	-
8330 Share of other comprehensive income (loss) of associates and joint ventures accounted for under equity method - items not reclassified to profit or loss		<u>7,030</u>	<u>-</u>	<u>(4,262)</u>	<u>-</u>
8300 Other comprehensive income (loss) - net		<u>\$ 14,872</u>	<u>-</u>	<u>(\$ 7,888)</u>	<u>-</u>
8500 Total comprehensive income for the period		<u>\$ 1,091,298</u>	<u>7</u>	<u>\$ 489,517</u>	<u>4</u>
Basic earnings per share					
9750 Basic earnings per share	6(27)	<u>\$ 3.85</u>		<u>\$ 1.78</u>	
Diluted earnings per share					
9850 Diluted earnings per share	6(27)	<u>\$ 3.83</u>		<u>\$ 1.77</u>	

The accompanying notes are an integral part of these individual financial statements.

Chairman: Hsing-Hai Chen

Manager: Ming-Chien Chang

Accounting Manager: Candy Chu

Elite Semiconductor Microelectronics Technology Inc.
Parent Company Only Statements of Changes in Equity
Years ended December 31, 2020 and 2019

Unit: NT\$ thousand

	Note	Retained earnings				Unappropriated retained earnings	Unrealized gain (loss) on financial assets measured at fair value through other comprehensive income	Treasury share	Total equity
		Common stock	Capital surplus	Legal reserve	Special reserve				
2019									
Balance at January 1, 2019		\$ 2,857,589	\$ 59,072	\$ 1,288,584	\$ 194,377	\$ 3,093,047	\$ -	(\$ 137,321)	\$ 7,355,348
Profit for the period		-	-	-	-	497,405	-	-	497,405
Other comprehensive income for the period		-	-	-	-	636	(8,524)	-	(7,888)
Comprehensive income for the period		-	-	-	-	498,041	(8,524)	-	489,517
Distribution of 2018 earnings	6(18)	-	-	-	-	-	-	-	-
Legal reserve appropriated		-	-	70,651	-	(70,651)	-	-	-
Cash dividends of ordinary share		-	-	-	-	(428,638)	-	-	(428,638)
Reversal of special reserve		-	-	-	(194,377)	194,377	-	-	-
Recognition of effects from change in ownership interests in subsidiaries - cash dividends distribution from subsidiaries	6(17)	-	1,146	-	-	-	-	-	1,146
Disposal of subsidiaries	6(17)	-	35,475	-	-	-	-	-	35,475
Adjustment of capital reserve due to cash dividends that subsidiaries received from parent	6(17)	-	8,438	-	-	-	-	-	8,438
Change in associates and joint ventures accounted for under equity method	6(17)	-	180	-	-	-	-	-	180
Expired cash dividends transferred to capital surplus	6(17)	-	39	-	-	-	-	-	39
Adjustment of payments of expired cash dividends	6(17)	-	(45)	-	-	-	-	-	(45)
Balance at December 31, 2019		<u>\$ 2,857,589</u>	<u>\$ 104,305</u>	<u>\$ 1,359,235</u>	<u>\$ -</u>	<u>\$ 3,286,176</u>	<u>(\$ 8,524)</u>	<u>(\$ 137,321)</u>	<u>\$ 7,461,460</u>
2020									
Balance at January 1, 2020		\$ 2,857,589	\$ 104,305	\$ 1,359,235	\$ -	\$ 3,286,176	(\$ 8,524)	(\$ 137,321)	\$ 7,461,460
Profit for the period		-	-	-	-	1,076,426	-	-	1,076,426
Other comprehensive income for the period		-	-	-	-	812	14,060	-	14,872
Comprehensive income for the period		-	-	-	-	1,077,238	14,060	-	1,091,298
Distribution of 2019 earnings	6(18)	-	-	-	-	-	-	-	-
Legal reserve appropriated		-	-	49,804	-	(49,804)	-	-	-
Cash dividends of ordinary share		-	-	-	-	(285,759)	-	-	(285,759)
Special reserve appropriated		-	-	-	8,524	(8,524)	-	-	-
Acquisition of company's share by subsidiary recognized as treasury share		-	-	-	-	-	-	(8,328)	(8,328)
Recognition of effects from change in ownership interests in subsidiaries - cash dividends distribution from subsidiaries	6(17)	-	1,146	-	-	-	-	-	1,146
Adjustment of capital reserve due to cash dividends that subsidiaries received from parent	6(17)	-	5,925	-	-	-	-	-	5,925
Recognition of effects from change in ownership interests in subsidiaries - subsidiary acquired non-controlling interest	6(17)	-	(1,781)	-	-	-	-	-	(1,781)
Expired cash dividends transferred to capital surplus	6(17)	-	82	-	-	-	-	-	82
Balance at December 31, 2020		<u>\$ 2,857,589</u>	<u>\$ 109,677</u>	<u>\$ 1,409,039</u>	<u>\$ 8,524</u>	<u>\$ 4,019,327</u>	<u>\$ 5,536</u>	<u>(\$ 145,649)</u>	<u>\$ 8,264,043</u>

The accompanying notes are an integral part of these individual financial statements.

Chairman: Hsing-Hai Chen

Manager: Ming-Chien Chang

Accounting Manager: Candy Chu

Elite Semiconductor Microelectronics Technology Inc.
Parent Company Only Statements of Cash Flows
Years ended December 31, 2020 and 2019

Unit: NTS thousand

	Note	2020	2019
<u>Cash flows from operating activities</u>			
Profit before income tax for the period		\$ 1,243,089	\$ 563,433
Adjustments			
Income and expenses having no effect on cash flows			
Depreciation	6(7) (8) (9) (24)	306,407	392,093
Amortization	6(10) (24)	111,401	84,226
Expected credit impairment loss (gain)	12(2)	(8,582)	10,006
Net loss (gain) on financial assets at fair value through			
profit or loss	6(2) (22)	(17,707)	19,145
Interest expenses	6(23)	11,308	8,715
Interest income	6(20)	(17,540)	(27,979)
Dividend income	6(21)	(3,473)	(11,498)
Impairment loss	6(10) (11) (22)	25,352	12,057
Share of (loss) profit of associates and joint ventures			
accounted for under equity method		(106,002)	30,257
Gains arising from lease modifications	6(22)	(91)	-
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Financial assets at fair value through profit and loss		-	40,915
Notes receivable		34	(34)
Accounts receivable		(337,025)	(110,776)
Other receivables		(15,468)	(6,889)
Inventories		(1,001,120)	796,007
Prepayments		(1,614)	52,706
Other current assets		(2,550)	(3,844)
Net changes in liabilities relating to operating activities			
Notes payable		225	90
Accounts payable		146,978	283,737
Contract liabilities - current		1,387	1,509
Other payables		148,355	(53,299)
Other current liabilities		4,925	509
Other non-current liabilities		386	392
Cash inflow generated from operations		488,675	2,081,478
Interest received		18,142	27,053
Interest paid		(10,093)	(7,388)
Income taxes paid		(50,874)	(151,522)
Net cash flows from operating activities		445,850	1,949,621

(Continued)
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Elite Semiconductor Microelectronics Technology Inc.
Parent Company Only Statements of Cash Flows
Years ended December 31, 2020 and 2019

Unit: NTS thousand

	Note	2020	2019
<u>Cash flows from investing activities</u>			
Acquisition of financial assets at amortized cost		(\$ 140,157)	(\$ 140,906)
Disposal of financial assets at amortized cost		144,359	-
Proceeds from capital withdrawal from liquidation of subsidiaries		19,408	42,782
Acquisition of property, plant and equipment	6(28)	(291,692)	(268,048)
(Increase) decrease in prepayments for equipment		(62,673)	52,996
Acquisition of intangible assets	6(10)	(167,264)	(44,832)
(Increase) Decrease in guarantee deposit paid		(56)	340
Dividends received		27,760	32,538
Net cash flows from investing activities		(470,315)	(325,130)
<u>Cash flows from financing activities</u>			
Increase (decrease) in short-term borrowings	6(28)	1,070,000	(100,000)
Increase (decrease) in short-term notes and bills payable	6(28)	150,476	(99,932)
Lease principal repayment	6(28)	(5,320)	(7,956)
(Decrease) Increase in guarantee deposit received	6(28)	(3,236)	110
Cash dividends paid	6(18)	(285,759)	(428,638)
Expired cash dividends	6(17)	82	39
Payments of expired cash dividends	6(17)	-	(45)
Net cash flows from (used in) financing activities		926,243	(636,422)
Net (decrease) increase in cash and cash equivalents		901,778	988,069
Cash and cash equivalents at beginning of period	6(1)	1,817,377	829,308
Cash and cash equivalents at end of period	6(1)	\$ 2,719,155	\$ 1,817,377

The accompanying notes are an integral part of these individual financial statements.

Chairman: Hsing-Hai Chen

Manager: Ming-Chien Chang

Accounting Manager: Candy Chu

(English Translation of a Report Originally Issued in Chinese)

Independent Auditors' Report

(CONSOLIDATED FINANCIAL STATEMENT)

(2021)Finance-Audit-Letter No.20003747

To the Board of Directors and Shareholders of Elite Semiconductor Microelectronics Technology Inc.

Opinion

We have audited the accompanying consolidated balance sheets of Elite Semiconductor Microelectronics Technology Inc. and its subsidiaries (the“ Group”) as at December 31, 2020 and 2019, and the related consolidated statements of comprehensive income, of changes in equity and 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, 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 the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and Generally Accepted Auditing Standards in the Republic of China (ROC GAAS). 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 Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements 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, we do not provide a separate opinion on these matters.

Key audit matters for the Group’s consolidated financial statements of the current period are stated as follows:

Evaluation of inventories

Description

Refer to Note 4 (13) for the accounting policies on the evaluation of inventories, Note 5 (2) for the uncertainty of accounting estimations and assumptions for evaluation of inventories, Note 6 (5) for the Details of inventory. As at December 31,2020, the inventory and allowance for inventory valuation loss amounted to NT\$6,068,804 thousand and NT\$99,474 thousand.

The Group is primarily engaged in research, development, production, manufacture, and sales of integrated circuit. The Group evaluates inventories stated at lower of cost and net realizable value. Since the evaluation of net realizable value of the inventories exceed specific period and obsolete inventories is subject to management's judgment and uncertainty of estimations. Consequently, we consider the evaluation of inventories as a key audit matter.

How our audit addressed the matter

We have performed primary audit procedures for the above key audit matter included assessed the rationality of policy and procedure on allowance for inventory valuation loss based on our understanding of the Group's operations and industry, the historical data of product marginalization in the market and judged the rationality of obsolete inventories. We inspected the appropriateness of inventory aging report to confirm the consistency of report and policy, selected samples to compare the historical data of product marginalization in the market which determine the net realizable value of the obsolete inventories and net realizable value of the obsolete inventories to assessed the rationality of the allowance for inventory valuation loss.

Other matter–Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of Elite Semiconductor Microelectronics Technology Inc. as at and for the years ended December 31, 2020 and 2019.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, 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 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 ROC GAAS 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 ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- A. 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;
- B. 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;
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- D. 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;
- E. 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; and
- F. 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 remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year 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.

Cheng, Ya-Huei

Li, Tien-Yi

for and on behalf of PricewaterhouseCoopers, Taiwan

February 26, 2021

Elite Semiconductor Microelectronics Technology Inc. and Subsidiaries
Consolidated Balance Sheets
December 31, 2020 and 2019

Unit: NT\$ thousand

Assets	Notes	December 31, 2020		December 31, 2019		
		Amount	%	Amount	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 3,597,917	28	\$ 2,757,003	26
1110	Financial assets at fair value					
	through profit or loss - current	6(2)	365,474	3	252,593	3
1136	Financial assets at amortized cost					
	- current		136,704	1	140,906	1
1150	Notes receivable, net		-	-	34	-
1170	Accounts receivable, net	6(4)	1,633,993	12	1,256,938	12
1200	Other receivables		95,830	1	82,741	1
130X	Inventories	6(5)	5,969,330	46	4,972,552	48
1410	Prepayments		27,602	-	27,444	-
1470	Other current assets	8	5,197	-	6,866	-
11XX	Total current assets		<u>11,832,047</u>	<u>91</u>	<u>9,497,077</u>	<u>91</u>
Non-current assets						
1517	Financial assets at fair value					
	through other comprehensive					
	income - non-current	6(3)	64,836	-	50,776	-
1550	Investment accounted for under					
	the equity method	6(6)	33,883	-	33,210	-
1600	Property, plant and equipment	6(7)	776,598	6	696,328	7
1755	Right-of-use assets	6(8)	80,782	1	86,367	1
1760	Investment property, net	6(9)	17,701	-	18,671	-
1780	Intangible assets	6(10)(11)	111,688	1	81,593	1
1840	Deferred income tax assets	6(26)	3,813	-	4,174	-
1900	Other non-current assets	8	79,000	1	12,124	-
15XX	Total non-current assets		<u>1,168,301</u>	<u>9</u>	<u>983,243</u>	<u>9</u>
1XXX	Total assets		<u>\$ 13,000,348</u>	<u>100</u>	<u>\$ 10,480,320</u>	<u>100</u>

(Continued)

Elite Semiconductor Microelectronics Technology Inc. and Subsidiaries
Consolidated Balance Sheets
December 31, 2020 and 2019

Liabilities and equity		Notes	December 31, 2020		December 31, 2019	
			Amount	%	Amount	%
Unit: NT\$ thousand						
Current liabilities						
2100	Short-term borrowings	6(12)	\$ 1,340,000	10	\$ 274,000	3
2110	Short-term notes and bills payable		149,756	1	-	-
2130	Contract liabilities - current	6(19)	5,346	-	3,959	-
2150	Notes payable		2,115	-	1,981	-
2170	Accounts payable		2,396,158	19	2,225,909	21
2200	Other payables	6(13)	694,001	5	462,523	5
2230	Current income tax liabilities		147,948	1	40,046	-
2280	Lease liabilities - current		10,356	-	11,447	-
2300	Other current liabilities		10,478	-	6,080	-
21XX	Total current liabilities		<u>4,756,158</u>	<u>36</u>	<u>3,025,945</u>	<u>29</u>
Non-current liabilities						
2550	Provisions - non-current		16,495	-	15,083	-
2570	Deferred income tax liabilities	6(26)	12,442	-	4,731	-
2580	Lease liabilities – non-current		71,281	1	75,440	1
2600	Other non-current liabilities	6(14)	14,689	-	18,342	-
25XX	Total non-current liabilities		<u>114,907</u>	<u>1</u>	<u>113,596</u>	<u>1</u>
2XXX	Total liabilities		<u>4,871,065</u>	<u>37</u>	<u>3,139,541</u>	<u>30</u>
Equity attributable to owners of the parent						
Share capital 6(16)						
3110	Common stock		2,857,589	22	2,857,589	27
Capital surplus 6(17)						
3200	Capital surplus		109,677	1	104,305	1
Retained earnings 6(18)						
3310	Legal reserve		1,409,039	11	1,359,235	13
3320	Special reserve		8,524	-	-	-
3350	Unappropriated retained earnings		4,019,327	31	3,286,176	31
Other equity interest						
3400	Other equity interest		5,536	-	(8,524)	-
3500	Treasury shares	6(16)	(145,649)	(1)	(137,321)	(1)
31XX	Total equity attributable to owners of the parent		<u>8,264,043</u>	<u>64</u>	<u>7,461,460</u>	<u>71</u>
36XX	Non-controlling interest		<u>(134,760)</u>	<u>(1)</u>	<u>(120,681)</u>	<u>(1)</u>
3XXX	Total equity		<u>8,129,283</u>	<u>63</u>	<u>7,340,779</u>	<u>70</u>
Significant Events after the End of the Balance Sheet Date 11						
3X2X	Total liabilities and equity		<u>\$ 13,000,348</u>	<u>100</u>	<u>\$ 10,480,320</u>	<u>100</u>

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

Chairman: Hsing-Hai Chen

Manager: Ming-Chien Chang

Accounting Manager: Candy Chu

Elite Semiconductor Microelectronics Technology Inc. and Subsidiaries

Consolidated Statements of Comprehensive Income

Years ended December 31, 2020 and 2019

Unit: NT\$ thousand
(Except earnings per share)

Items	Notes	2020		2019		
		Amount	%	Amount	%	
4000	Operating revenue	6(19)	\$ 15,267,139	100	\$ 11,983,479	100
5000	Operating costs	6(5) (24) (25)	(12,618,097)	(83)	(10,181,271)	(85)
5950	Gross profit		<u>2,649,042</u>	<u>17</u>	<u>1,802,208</u>	<u>15</u>
	Operating expenses	6(24) (25)				
6100	Selling expenses		(271,045)	(2)	(234,342)	(2)
6200	Administrative expenses		(290,943)	(2)	(243,035)	(2)
6300	Research and development expenses		(940,851)	(6)	(739,881)	(6)
6450	Expected credit impairment gain (loss)	12(2)	<u>8,582</u>	<u>-</u>	(10,007)	<u>-</u>
6000	Total operating expenses		(1,494,257)	(10)	(1,227,265)	(10)
6900	Operating profit		<u>1,154,785</u>	<u>7</u>	<u>574,943</u>	<u>5</u>
	Non-operating income and expenses					
7100	Interest income	6(20)	27,412	-	49,666	-
7010	Other income	6(21)	26,505	-	40,500	-
7020	Other gains or losses	6(22)	55,852	1	(66,895)	-
7050	Financial costs	6(23)	(11,527)	-	(8,840)	-
7060	Share of profit (loss) of associates and joint ventures accounted for under equity method	6(6)	<u>673</u>	<u>-</u>	(13,194)	<u>-</u>
7000	Total non-operating income and expenses		<u>98,915</u>	<u>1</u>	<u>1,237</u>	<u>-</u>
7900	Profit before income tax		<u>1,253,700</u>	<u>8</u>	<u>576,180</u>	<u>5</u>
7950	Income tax expenses	6(26)	(169,259)	(1)	(70,569)	(1)
8200	Profit for the period		<u>\$ 1,084,441</u>	<u>7</u>	<u>\$ 505,611</u>	<u>4</u>
	Other comprehensive income (loss) - net					
	Items not reclassified to profit or loss					
8311	Gain on remeasurements of defined benefit plans	6(14)	\$ 812	-	\$ 636	-
8316	Unrealized gain (loss) on valuation of equity instruments at fair value through other comprehensive income	6(3)	<u>14,060</u>	<u>-</u>	(8,524)	<u>-</u>
8300	Other comprehensive income (loss) - net		<u>\$ 14,872</u>	<u>-</u>	<u>(\$ 7,888)</u>	<u>-</u>
8500	Total comprehensive income for the period		<u>\$ 1,099,313</u>	<u>7</u>	<u>\$ 497,723</u>	<u>4</u>
	Profit (loss) attributable to:					
8610	Owners of the parent		<u>\$ 1,076,426</u>	<u>7</u>	<u>\$ 497,405</u>	<u>4</u>
8620	Non-controlling interest		<u>\$ 8,015</u>	<u>-</u>	<u>\$ 8,206</u>	<u>-</u>
	Comprehensive income (loss) attributable to:					
8710	Owners of the parent		<u>\$ 1,091,298</u>	<u>7</u>	<u>\$ 489,517</u>	<u>4</u>
8720	Non-controlling interest		<u>\$ 8,015</u>	<u>-</u>	<u>\$ 8,206</u>	<u>-</u>
	Earnings per share	6(27)				
9750	Basic earnings per share		<u>\$ 3.85</u>		<u>\$ 1.78</u>	
9850	Diluted earnings per share		<u>\$ 3.83</u>		<u>\$ 1.77</u>	

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

Chairman: Hsing-Hai Chen

Manager: Ming-Chien Chang

Accounting Manager: Candy Chu

Elite Semiconductor Microelectronics Technology Inc. and Subsidiaries
Consolidated Statements of Changes in Equity
Years ended December 31, 2020 and 2019

Unit: NT\$ thousand

	Note	Equity attributable to owners of the parent					Unrealized gain (loss) on financial assets measured at fair value through other comprehensive income	Treasury share	Total	Non-controlling interest	Total equity
		Common stock	Capital surplus	Legal reserve	Special reserve	Retained earnings					
2019											
Balance at January 1, 2019		\$ 2,857,589	\$ 59,072	\$ 1,288,584	\$ 194,377	\$ 3,093,047	\$ -	(\$ 137,321)	\$ 7,355,348	(\$ 110,910)	\$ 7,244,438
Profit for the period		-	-	-	-	497,405	-	-	497,405	8,206	505,611
Other comprehensive income for the period		-	-	-	-	636	(8,524)	-	(7,888)	-	(7,888)
Comprehensive income for the period		-	-	-	-	498,041	(8,524)	-	489,517	8,206	497,723
Distribution of 2018 earnings	6(18)	-	-	-	-	-	-	-	-	-	-
Legal reserve appropriated		-	-	70,651	-	(70,651)	-	-	-	-	-
Cash dividends of ordinary share		-	-	-	-	(428,638)	-	-	(428,638)	-	(428,638)
Reversal of special reserve		-	-	-	(194,377)	194,377	-	-	-	-	-
Recognition of effects from change in ownership interests in subsidiaries - cash dividends distribution from subsidiaries	6(17)	-	1,146	-	-	-	-	-	1,146	(15,444)	(14,298)
Disposal of subsidiaries	6(17) (28)	-	35,475	-	-	-	-	-	35,475	(2,533)	32,942
Adjustment of capital reserve due to cash dividends that subsidiaries received from parent	6(17) (28)	-	8,438	-	-	-	-	-	8,438	-	8,438
Change in associates and joint ventures accounted for under equity method	6(17)	-	180	-	-	-	-	-	180	-	180
Expired cash dividends transferred to capital surplus	6(17)	-	39	-	-	-	-	-	39	-	39
Adjustment of payments of expired cash dividends	6(17)	-	(45)	-	-	-	-	-	(45)	-	(45)
Balance at December 31, 2019		\$ 2,857,589	\$ 104,305	\$ 1,359,235	\$ -	\$ 3,286,176	(\$ 8,524)	(\$ 137,321)	\$ 7,461,460	(\$ 120,681)	\$ 7,340,779
2020											
Balance at January 1, 2020		\$ 2,857,589	\$ 104,305	\$ 1,359,235	\$ -	\$ 3,286,176	(\$ 8,524)	(\$ 137,321)	\$ 7,461,460	(\$ 120,681)	\$ 7,340,779
Profit for the period		-	-	-	-	1,076,426	-	-	1,076,426	8,015	1,084,441
Other comprehensive income for the period		-	-	-	-	812	14,060	-	14,872	-	14,872
Comprehensive income for the period		-	-	-	-	1,077,238	14,060	-	1,091,298	8,015	1,099,313
Distribution of 2019 earnings	6(18)	-	-	-	-	-	-	-	-	-	-
Legal reserve appropriated		-	-	49,804	-	(49,804)	-	-	-	-	-
Cash dividends of ordinary share		-	-	-	-	(285,759)	-	-	(285,759)	-	(285,759)
Special reserve appropriated		-	-	-	8,524	(8,524)	-	-	-	-	-
Acquisition of company's share by subsidiary recognized as treasury share		-	-	-	-	-	-	(8,328)	(8,328)	(11,566)	(19,894)
Recognition of effects from change in ownership interests in subsidiaries - cash dividends distribution from subsidiaries	6(17)	-	1,146	-	-	-	-	-	1,146	(10,396)	(9,250)
Adjustment of capital reserve due to cash dividends that subsidiaries received from parent	6(17)	-	5,925	-	-	-	-	-	5,925	-	5,925
Recognition of effects from change in ownership interests in subsidiaries - subsidiary acquired non-controlling interest	6(17) (28)	-	(1,781)	-	-	-	-	-	(1,781)	(132)	(1,913)
Expired cash dividends transferred to capital surplus	6(17)	-	82	-	-	-	-	-	82	-	82
Balance at December 31, 2020		\$ 2,857,589	\$ 109,677	\$ 1,409,039	\$ 8,524	\$ 4,019,327	\$ 5,536	(\$ 145,649)	\$ 8,264,043	(\$ 134,760)	\$ 8,129,283

The accompanying notes are an integral part of these consolidated financial statements.
Chen Manager: Ming-Chien Chang

Chairman: Hsing-Hai

Accounting Manager: Candy Chu

Elite Semiconductor Microelectronics Technology Inc. and Subsidiaries
Consolidated Statements of Cash Flows
Years ended December 31, 2020 and 2019

	Note	2020	Unit: NT\$ thousand 2019
<u>Cash flows from operating activities</u>			
Profit before income tax for the period		\$ 1,253,700	\$ 576,180
Adjustments			
Income and expenses having no effect on cash flows			
Depreciation	6(7)(8)(9)(24)	312,334	398,674
Amortization	6(10)(24)	111,556	85,108
Expected credit impairment loss (gain)	12(2)	(8,582)	10,006
Net loss (gain) on financial assets at fair value through profit or loss	6(2)(22)	(132,628)	8,727
Interest expenses	6(23)	11,527	8,840
Interest income	6(20)	(27,412)	(49,666)
Share of (loss) profit of associates and joint ventures accounted for under equity method	6(6)	(673)	13,194
Dividend income	6(21)	(13,053)	(26,570)
Impairment loss	6(10)(11)(22)	25,352	12,057
Gains arising from lease modifications	6(22)	(211)	-
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Financial assets at fair value through profit and loss		19,747	(18,850)
Notes receivable		34	(34)
Accounts receivable		(367,741)	(161,164)
Accounts receivable - related parties		(732)	-
Other receivables		(16,458)	(15,256)
Inventories		(996,778)	795,104
Prepayments		(158)	52,384
Other current assets		(2,300)	(3,946)
Net changes in liabilities relating to operating activities			
Notes payable		134	(764)
Accounts payable		170,249	331,538
Contract liabilities		1,387	388
Other payables		142,077	(54,781)
Other current liabilities		4,398	1,742
Other non-current liabilities		395	384
Cash inflow generated from operations		486,164	1,963,295
Interest received		30,782	50,064
Interest paid		(10,313)	(7,837)
Income taxes paid		(53,285)	(156,102)
Net cash flows from operating activities		<u>453,348</u>	<u>1,849,420</u>

(Continued)

Elite Semiconductor Microelectronics Technology Inc. and Subsidiaries
Consolidated Statements of Cash Flows
Years ended December 31, 2020 and 2019

	Note	2020	Unit: NT\$ thousand 2019
<u>Cash flows from investing activities</u>			
Acquisition of financial assets at amortized cost		(\$ 140,157)	(\$ 140,906)
Disposal of financial assets at amortized cost		144,359	-
Proceeds from disposal of financial assets at fair value through profit or loss		-	63,905
Acquisition of investments accounted for under the equity method		-	(2,387)
Acquisition of property, plant and equipment	6(29)	(291,635)	(268,041)
(Increase) decrease in prepayments for equipment		(62,673)	52,996
Acquisition of intangible assets	6(10)	(167,003)	(44,783)
Cash outflows from disposal of subsidiaries		-	(11,607)
(Increase) Decrease in guarantee deposit paid		(234)	185
Dividends received	6(21)	13,053	26,570
Net cash flows from investing activities		<u>(504,290)</u>	<u>(324,068)</u>
<u>Cash flows from financing activities</u>			
Increase (decrease) in short-term borrowings	6(29)	1,066,000	(96,000)
Increase (decrease) in short-term notes and bills payable	6(29)	150,476	(99,417)
Lease principal repayment	6(29)	(10,575)	(12,525)
(Decrease) Increase in guarantee deposit received	6(29)	(3,236)	269
Cash dividends paid	6(18)	(285,759)	(428,638)
Subsidiaries paid cash dividends to minority share interests		(9,250)	(14,298)
Subsidiaries received cash dividends from parent	6(17)	5,925	8,438
Expired cash dividends	6(17)	82	39
Payments of expired cash dividends	6(17)	-	(45)
Treasury share acquired		(19,894)	-
Acquisition of ownership interests in subsidiaries	6(28)	(1,913)	-
Net cash flows from (used in) financing activities		<u>891,856</u>	<u>(642,177)</u>
Net (decrease) increase in cash and cash equivalents		840,914	883,175
Cash and cash equivalents at beginning of period	6(1)	<u>2,757,003</u>	<u>1,873,828</u>
Cash and cash equivalents at end of period	6(1)	<u>\$ 3,597,917</u>	<u>\$ 2,757,003</u>

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

Chairman: Hsing-Hai Chen

Manager: Ming-Chien Chang

Accounting Manager: Candy Chu

Elite Semiconductor Microelectronics Technology Inc. 2020 Earnings Distribution Table

Unit: NT\$

Items	Amount	Remarks
I. Earnings available for distribution		
1. Undistributed earnings of previous year	2,942,089,234	
2. Actual gain on defined benefit plan	811,210	
3. Add: Reversal of Special Reserve	8,524,134	
4. Add: Net income of 2020	1,076,426,473	
5. Less: Appropriated for Legal Reserve	(107,723,768)	
Total	3,920,127,283	
II. Distribution item:		
1. Cash Dividend to Shareholders	(571,736,548)	NT\$2.0 per share
III. Unappropriated retained earnings transferred to the following year	3,348,390,735	

Note : 2020 cash dividend was NT\$2.0 per share.

The cash dividend distribution is calculated temporarily based on the ESMT's outstanding common shares of 285,868,274 shares as of February 26, 2021. Where the dividend distribution rate of NT\$2.0 per share is maintained in the proposed appropriation of earnings, if, prior to the ex-dividend date, the number of outstanding shares is affected by any amendment by the competent authorities or by any change in the Company's share capital, such as the conversion of employee stock warrants into common shares, which subsequently results in a change in the earnings distribution, it is intended that the shareholders will authorize the Chairperson of the Board of Directors to exercise his or her full authority to deal with such changes.

Elite Semiconductor Microelectronics Technology Inc.
Comparison Table for “Articles of Incorporation” Before and After Revision

Articles	Articles before Amendments	Articles after Amendments	Description
Article 15	<p>The Board of Directors of the Company shall appoint seven to nine Directors with a three-year term by means of a candidate nomination system, and the shareholders shall elect Directors from among the nominees and Directors may be re-elected after the term.</p> <p>Amongst the Directors' number mentioned above, there shall be no fewer than three independent Directors and they must not represent less than one-fifth of the Board. Independent Directors and Non-Independent Directors shall be elected at the same time and the quota shall be calculated separately.</p> <p>The Company may purchase liability insurance policies to insure itself against liabilities that arise due to operational decisions made by Directors during their terms of service.</p>	<p>The Board of Directors of the Company shall appoint seven to eleven Directors with a three-year term by means of a candidate nomination system, and the shareholders shall elect Directors from among the nominees and Directors may be re-elected after the term.</p> <p>Amongst the Directors' number mentioned above, there shall be no fewer than three independent Directors and they must not represent less than one-fifth of the Board. Independent Directors and Non-Independent Directors shall be elected at the same time and the quota shall be calculated separately.</p> <p>The Company may purchase liability insurance policies to insure itself against liabilities that arise due to operational decisions made by Directors during their terms of service.</p>	Amended in accordance with the operation needs of the Company.
Article 26	<p>The Articles of Incorporation was instituted on May 20, 1998.</p> <p>The first amendment was made on May 28, 1999.</p> <p>The second amendment was made on Feb. 25, 2000.</p> <p>The third amendment was made on Mar 31, 2000.</p> <p>The fourth amendment was made on Jun. 18, 2001.</p> <p>The fifth amendment was made on Jun. 19, 2002.</p> <p>The sixth amendment was made on Feb. 18, 2003.</p> <p>The seventh amendment was made on Jun. 6, 2003.</p> <p>The eighth amendment was made on Jun. 25, 2004.</p> <p>The ninth amendment was made on Jun. 13, 2005.</p> <p>The tenth amendment was made on Jun. 23, 2006.</p> <p>The 11th amendment was made on Jun. 15, 2007.</p> <p>The 12th amendment was made on Jun. 13, 2008.</p> <p>The 13th amendment was made on Jun. 18, 2010.</p> <p>The 14th amendment was made on Jun. 15, 2017.</p> <p>The 15th amendment was made on Jun. 15, 2012.</p> <p>The 16th amendment was made on Jun. 11, 2013.</p> <p>The 17th amendment was made on Jun. 2, 2015.</p> <p>The 18th amendment was made on Jun. 14, 2018.</p> <p>The 19th amendment was made on Jun. 13, 2019.</p> <p>The 20th amendment was made on Jun. 15, 2020.</p>	<p>The Articles of Incorporation was instituted on May 20, 1998.</p> <p>The first amendment was made on May 28, 1999.</p> <p>The second amendment was made on Feb. 25, 2000.</p> <p>The third amendment was made on Mar 31, 2000.</p> <p>The fourth amendment was made on Jun. 18, 2001.</p> <p>The fifth amendment was made on Jun. 19, 2002.</p> <p>The sixth amendment was made on Feb. 18, 2003.</p> <p>The seventh amendment was made on Jun. 6, 2003.</p> <p>The eighth amendment was made on Jun. 25, 2004.</p> <p>The ninth amendment was made on Jun. 13, 2005.</p> <p>The tenth amendment was made on Jun. 23, 2006.</p> <p>The 11th amendment was made on Jun. 15, 2007.</p> <p>The 12th amendment was made on Jun. 13, 2008.</p> <p>The 13th amendment was made on Jun. 18, 2010.</p> <p>The 14th amendment was made on Jun. 15, 2017.</p> <p>The 15th amendment was made on Jun. 15, 2012.</p> <p>The 16th amendment was made on Jun. 11, 2013.</p> <p>The 17th amendment was made on Jun. 2, 2015.</p> <p>The 18th amendment was made on Jun. 14, 2018.</p> <p>The 19th amendment was made on Jun. 13, 2019.</p> <p>The 20th amendment was made on Jun. 15, 2020.</p> <p><u>The 21th amendment was made on Jun. 16, 2021.</u></p>	Added the date of amendment

Elite Semiconductor Microelectronics Technology Inc.

Comparison Table for " Rules for Election of Directors" Before and After Revision

Articles	Articles before Amendments	Articles after Amendments	Description
Article 3	The candidate nomination system is adopted for election of directors of this Company. All directors shall be elected by shareholders from the candidate list. According to the Company's articles of incorporation specified seats available, candidates who acquire more votes should win the seats of directors. If two or more persons acquire the same number of votes and the number of such persons exceeds the specified seats available, such persons acquiring the same votes shall draw lots to decide who should win the seats available, and the Chairman shall draw lots on behalf of the candidate who is not present. <u>According to this rule, the elect-to-be shall decide whether they would like to be board directors or not, and the vacancy would be filled by the person who has the second most votes.</u>	The candidate nomination system is adopted for election of directors of this Company. All directors shall be elected by shareholders from the candidate list. According to the Company's articles of incorporation specified seats available, candidates who acquire more votes should win the seats of directors. If two or more persons acquire the same number of votes and the number of such persons exceeds the specified seats available, such persons acquiring the same votes shall draw lots to decide who should win the seats available, and the Chairman shall draw lots on behalf of the candidate who is not present.	Amended in accordance with the operation needs of the Company.
Article 7	<u>If the candidate is a shareholder of this Company, voters shall fill in the "candidate" column of the ballot the candidate's name and shareholder's number. If the candidate is not a shareholder of this Company, voters shall fill in the "candidate" column of the ballot the candidate's name, the candidate's ID number.</u> However, when the candidate is a government agency or legal entity, the name of the government agency or legal entity shall be filled in the column, or both the name of the government agency or legal entity and the name of its representative may be filled. When there are multiple representatives, the names of each representative shall be filled, respectively.	Voters shall fill in the "candidate" column of the ballot the candidate's <u>name or account name</u> . However, when the candidate is a government agency or legal entity, the name of the government agency or legal entity shall be filled in the column, or both the name of the government agency or legal entity and the name of its representative may be filled. When there are multiple representatives, the names of each representative shall be filled, respectively.	Amended because of the The R.O.C. Financial Supervisory Commission No 1080311451 published on April 25,2019.

<p>Article 8</p>	<p>A ballot is invalid under any of the following circumstances:</p> <p>(I) A ballot complying with the Rules is not used;</p> <p>(II) A blank ballot is placed in the ballot box;</p> <p>(III) Illegible writing;</p> <p>(IV) 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;</p> <p>(V) Ballots with other written characters in addition to candidate's name, <u>shareholder's number or ID number</u> for the candidate;</p> <p>(VI) <u>The name of the candidates filled in the ballots being the same as another candidate's name and the respective shareholder's numbers or ID numbers not being indicated to distinguish them;</u></p> <p>(VII) There are more than two candidates' names entered in the ballot.</p>	<p>A ballot is invalid under any of the following circumstances:</p> <p>(I) A ballot complying with the Rules is not used;</p> <p>(II) A blank ballot is placed in the ballot box;</p> <p>(III) Illegible writing;</p> <p>(IV) The candidate whose name is entered in the ballot does not conform to the director candidate list.</p> <p>(V) Ballots with other written characters in addition to candidate's name <u>or account name</u> for the candidate;</p> <p>(VI) There are more than two candidates' names entered in the ballot</p>	
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Elite Semiconductor Microelectronics Technology Inc.

Comparison Table for " Procedures for Acquisition or Disposal of Assets" Before and After Revision

Articles	Articles before Amendments	Articles after Amendments	Description
Article 8	<p>Procedures for Acquisition or Disposal of Marketable Securities</p> <p>I. Appraisal and procedures</p> <p>The Company's acquisition or disposal of marketable securities shall accord with the investment cycling procedure of the Company's internal control system.</p> <p>II. Procedures for determining the transaction conditions and authorized amounts</p> <p>(I) The acquisition or disposal of marketable securities traded at the securities exchange or on an OTC market shall be decided by the responsible unit based on market conditions. <u>For amount equals or is less than NT\$300 million or twenty percent (20%) of the Company's paid-in capital, the transaction shall be approved by the Chairman of the Board</u> and notified to the nearest Board meeting together with an analysis report on the unrealized profit or loss derived from short-term and long-term marketable securities. For amounts exceeding NT\$300 million or twenty percent (20%) of the Company's paid-in capital, the transaction may be conducted only if it has been firstly reported to and approved by the Audit Committee, and then by the Board of Directors.</p> <p>(II) The acquisition or disposal of marketable securities not traded at the securities exchange or on an OTC market shall take into consideration the net worth per share, profitability ability, and further potentials. <u>For amount equals or is less than NT\$300 million or twenty percent (20%) of the Company's paid-in capital, the transaction shall be approved by the Chairman of the Board</u> and notified to the nearest Board meeting together with an analysis report on the unrealized profit or loss derived from short-term and long-term marketable securities. For amounts exceeding NT\$300 million or twenty percent (20%) of the Company's paid-in capital, the transaction may be conducted only if it has been firstly reported to and approved by the Audit Committee, and then by the Board of Directors.</p> <p>(III) Omit.</p>	<p>Procedures for Acquisition or Disposal of Marketable Securities</p> <p>I. Appraisal and procedures</p> <p>The Company's acquisition or disposal of marketable securities shall accord with the investment cycling procedure of the Company's internal control system.</p> <p>II. Procedures for determining the transaction conditions and authorized amounts</p> <p>(I) The acquisition or disposal of marketable securities traded at the securities exchange or on an OTC market shall be decided by the responsible unit based on market conditions. <u>For amount equals or is less than NT\$100 million or twenty percent (20%) of the Company's paid-in capital, the transaction shall be approved by the President; for amount above NT\$100 million but equals or less than NT\$300 million, the transaction shall be approved by the Board of Directors</u> and notified to the nearest Board meeting together with an analysis report on the unrealized profit or loss derived from short-term and long-term marketable securities. For amounts exceeding NT\$300 million or twenty percent (20%) of the Company's paid-in capital, the transaction may be conducted only if it has been firstly reported to and approved by the Audit Committee, and then by the Board of Directors.</p> <p>(II) The acquisition or disposal of marketable securities not traded at the securities exchange or on an OTC market shall take into consideration the net worth per share, profitability ability, and further potentials. <u>For amount equals or is less than NT\$100 million or twenty percent (20%) of the Company's paid-in capital, the transaction shall be approved by the President; for amount above NT\$100 million but equals or less than NT\$300 million, the transaction shall be approved by the Board of Directors</u> and notified to the nearest Board meeting together with an analysis report on the unrealized profit or loss derived from short-term and long-term marketable securities; for amounts exceeding NT\$300 million or twenty percent (20%) of the Company's paid-in capital, the transaction may be conducted only if it has been firstly reported to and approved by the</p>	Amended to suit the needs of the Company's internal operation

		Audit Committee, and then by the Board of Directors. (III) Omit.	
Article 12	<p>Procedures for Acquisition or Disposal of Derivative Products</p> <p>I. Trading principles and strategies</p> <p>(I) Transaction type (omit)</p> <p>(II) Operating (hedging) strategies (omit)</p> <p>(III) Segregation of Powers and Duties</p> <p>Finance and Accounting units (omit)</p> <p>Trading Department (omit)</p> <p>Performance evaluation (omit)</p> <p>Total contract amount and limit on maximum loss:</p> <p>(1) Total contract amount (omit)</p> <p>(2) Limit on maximum loss</p> <p>A. <u>The purpose of hedging trades is to avoid risk, so there is no need for setting up a loss limit.</u></p> <p>B. If the transaction is entered for a specific purpose, a stop-loss point shall be established to avoid over loss after the position is created. The stop-loss point shall be ten percent (10%) of the transaction contract value. Once the amount of losses exceeds the stop-loss point, the situation shall be promptly reported to the President and the Board of Directors, who shall then devise an action plan.</p> <p>C. Loss limits on individual contracts shall be set within US\$200 thousand.</p> <p>D. The maximum annual loss for the Company's specific purpose trade operations is US\$300 thousand. (omit)</p>	<p>Procedures for Acquisition or Disposal of Derivative Products</p> <p>I. Trading principles and strategies</p> <p>(I) Transaction type (omit)</p> <p>(II) Operating (hedging) strategies (omit)</p> <p>(III) Segregation of powers and duties</p> <p>1. Finance and Accounting Units (omit)</p> <p>2. Auditing Department (omit)</p> <p>3. Performance evaluation (omit)</p> <p>4. Total contract amount and limit on maximum loss:</p> <p>(1) Total contract amount (omit)</p> <p>(2) Limit on maximum loss</p> <p>A. <u>The loss of hedging transaction contract shall not exceed twenty percent (20%) of the contract value. This restriction applies to individual contract and all contracts.</u></p> <p>B. If the transaction is entered for a specific purpose, a stop-loss point shall be established to avoid over loss after the position is created. The stop-loss point shall be ten percent (10%) of the transaction contract value. Once the amount of losses exceeds the stop-loss point, the situation shall be promptly reported to the President and the Board of Directors, who shall then devise an action plan.</p> <p>C. Loss limits on individual contracts shall be set within US\$200 thousand.</p> <p>D. The maximum annual loss for the Company's specific purpose trade operations is US\$300 thousand. (omit)</p>	

Article 15	<p>The Company's subsidiaries shall take actions in accordance with the following provisions:</p> <p>I. Subsidiaries shall, in accordance with the requirements of the law and the actual needs, formulate and implement the "Procedures for the Acquisition or Disposal of Assets" in accordance with the relevant provisions of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies". Such Procedures, after being passed by the subsidiary's Board of Directors, shall be reported to the shareholders' meeting of both parties. This rule applies to any amendment thereafter.</p> <p>II. Subsidiaries of the Company shall follow the Company's Procedures for Acquisition or Disposal of Assets.</p> <p>III. If the subsidiary is not a public-offering company and the value of its acquisition or disposal of assets reaches the announcement standard set out in Article 30 of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies", the parent company (i.e. the Company) shall also make an announcement and reporting on behalf of the subsidiary.</p> <p>The provisions in a subsidiary's announcement and reporting standards concerning total paid-in capital or assets shall be based on the total paid-in capital or assets of the Company.</p>	<p><u>Supervision on Subsidiaries</u></p> <p><u>I. Subsidiaries shall formulate and implement the Procedures for Acquisition or Disposal of Assets in accordance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies", which Procedures shall first be passed by their Board of Directors, and then by their shareholders' meeting. This rule applies to any amendment thereafter.</u></p> <p><u>II. Subsidiaries shall, at least once a year, check the compliance of their Procedures for Acquisition or Disposal of Assets with relevant laws and regulations, as well as whether their conduct of acquisition or disposal of assets complies with their established procedures.</u></p> <p><u>III. The internal audit unit of the Company shall review the self-inspection report of the subsidiary, and track the improvement of the deficiencies and abnormalities specified in the report.</u></p> <p><u>IV. Where a subsidiary is not a public company and its acquisition or disposal of assets amounts to the value that requires announcement and reporting as specified in the Procedures, the Company shall make the announcement and reporting on behalf of the subsidiary.</u></p>	<p>Amended to suit the Company's practice of supervision over subsidiaries, and to comply with the provisions of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies and the FAQs thereof</p>
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Appendix I

Elite Semiconductor Microelectronics Technology Inc. Rules and Procedure of Shareholders' Meetings

Approved at the Annual Shareholders' Meeting on Jun. 2, 2015

- Article 1. Unless otherwise provided by laws or regulations, the Company's shareholders' meetings shall be regulated according to the Rules.
- Article 2. The attending shareholders shall be furnished with an attendance book to sign, or attending shareholders may hand in a sign-in card in lieu of signing in. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards handed in.
- Article 3. Attendance and voting at a shareholders' meeting shall be calculated based the number of shares.
- Article 4. The venue for the Company's shareholders' meeting shall be the premises of the Company, or a place accessible to shareholders and suitable for a shareholders' meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m.
- Article 5. If a shareholders' meeting is convened by the Board of Directors, the meeting shall be chaired by the Chairperson of the Board. When the Chairperson of the Board is on leave or for any reason unable to exercise the powers of the Chairperson, the Vice-Chairperson shall act in place of the Chairperson; if there is no Vice-Chairperson or the Vice-Chairperson is also on leave or for any reason unable to exercise the powers of the Vice-Chairperson, the Chairperson shall appoint one of the Managing Directors to act as chair. If there are no Managing Directors, one of the Directors shall be appointed to act as chair. Where the Chairperson does not make such a designation, the Managing Directors or the Directors shall select from among themselves one person to serve as chair.
- If a shareholders' meeting is convened by a party with powers to convene but other than the Board of Directors, the convening party shall chair the meeting.
- Article 6. The Company may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders' meeting in a non-voting capacity.
- Staff handling administrative affairs of a shareholders' meeting shall wear identification cards or arm bands.
- Article 7. The Company shall make an uninterrupted audio or video recording of the meeting and the recorded materials shall be retained for at least 1 year.
- Article 8. The chair 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

chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than one hour, may be made. If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act.

When, prior to the conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the shareholders' meeting pursuant to Article 174 of the Company Act.

Article 9. 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.

The provisions of the preceding paragraph apply *mutatis mutandis* to a shareholders' meeting convened by a party with the power to convene that is not the board of Directors.

The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda (including extempore motions) mentioned in the preceding two paragraphs, except by a resolution of the shareholders' meeting. If the chair declares the meeting adjourned in violation of the rules of procedure, a new chair shall be promptly elected by agreement of a majority of the votes represented by the attending shareholders, and then continue the meeting. After the meeting is adjourned, shareholders shall not elect another Chairperson to continue the meeting at the same place or at any other place.

Article 10. Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chair.

A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail.

When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chair and the shareholder that has the floor; the chair shall stop any violation.

Article 11. Except with the consent of the chair, a shareholder may not speak more than twice on the same motion, and a single speech may not exceed five minutes.

If the shareholder's speech violates the rules in the preceding paragraph or exceeds the scope of the agenda item, the chair may terminate the speech.

Article 12. When a juristic person is appointed to attend as a proxy, the juristic person may designate only one person to represent him/her in the meeting. When a juristic person shareholder

appoints two or more representatives to attend a shareholders' meeting, one of the representatives so appointed may speak on the same motion.

Article 13. After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond.

Article 14. When the Chairperson assumes the opinion that the discussion for a motion has been discussed sufficiently to put it to a resolution, the chair may announce discontinuance of the discussion and call for resolution.

Article 15. Vote monitoring and counting personnel for the voting on a motion shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of the Company. The results of the resolution(s) shall be announced in the meeting and recorded in the meeting minutes.

Article 16. During a meeting, the Chairperson may announce for a break based on time considerations.

Article 17. Except as otherwise provided in the Company Act or in the Company's Articles of Incorporation, the resolution of a motion shall require the vote of a majority of the voting rights represented by the attending shareholders.

When the Company holds a shareholders' meeting, it may allow the shareholders to exercise voting rights by correspondence or electronic means, and method of execution and the declaration of intent thereof shall be handled in accordance with Article 177-1 and 177-2 of the Company Act. At the time of a vote, the chair or a person designated by the chair shall first announce the total number of voting rights represented by the attending shareholders, followed by a poll of the shareholders. After the conclusion of the meeting, on the same day it is held, the results for each proposal shall be updated to the MOPS.

Article 18. If there shall be an amendment or alternative to a motion, the Chairperson may combine the amendment or alternative into the original motion, and determine their orders for resolution.

When any one among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required.

Article 19. The chair may direct the proctors (or security personnel) to help maintain order at the meeting place. When proctors (or security personnel) help maintain order at the meeting place, they shall wear an armband that reads "Proctor".

Article 20. Any matters that are not addressed in the Rules shall be governed by the Articles of Incorporation.

Article 21. The Rules, and any amendments hereto, shall be implemented after adoption at the shareholders' meetings.

Appendix II

Elite Semiconductor Microelectronics Technology Inc. Articles of Incorporation

Approved at the Annual Shareholders' Meeting on Jun. 15, 2020

Chapter 1. General Provision

- Article 1. The Corporation shall be incorporated as a company limited by shares under the Company Law of the Republic of China, and its name shall be 晶豪科技股份有限公司 in the Chinese language, and ELITE SEMICONDUCTOR MICROELECTRONICS TECHNOLOGY INC. in the English language.
- Article 2. The Company is engaged in the following business:
- (I) CC01080 Electronic Parts and Components Manufacturing
 - (II) I301010 Software Design Services
 - (III) F401030 Manufacture Export
- The Company is engaged in the research, development, production, manufacture, and sales of the following products:
- 1. DRAM manufactured under 0.21 micron (incl.) process and all SRAM and Flash Memory manufactured under 0.25 micron (incl.) process.
 - 2. Analog integrated circuit
 - 3. Analog and digital mixed integrated circuit
 - 4. Technical services related to product design and R&D related to the Company's business.
 - 5. Import and export trade business related to the Company's business.
- Article 3. The Company may act as a guarantor for others due to business requirements.
- Article 4. The total amount of the Company's reinvestment shall not be subject to the restriction of not more than forty percent of the Company's paid-up capital as provided in Article 13 of the Company Act. Any matters regarding the reinvestment shall be resolved in accordance with the resolutions of the Board of Directors.
- Article 5. The Company shall be based in Hsinchu Science Park and shall be free, upon resolution of the Board of Directors and approval of competent authority, to set up branches or offices at various locations within and without the territory of ROC.
- Article 6. The Company shall make public announcements in accordance with Article 28 of the Company Act.

Chapter 2. Shares

- Article 7. The capital sum of the Company is NT\$3,500,000,000 to be divided for 350,000,000 shares at par value of NT\$10 per share. For shares not yet issued are to be issued in tranches by the Board under authorization in installments. 20,000,000 shares are reserved for the subscription of subscription warrants, preference shares with subscription warrants,

or corporate bonds with warrants.

The Company's bough-back treasury shares are assigned or transferred to subsidiary company employees who fulfill specific requirements.

The Company's share subscription warrants are entitled to employees, who meet specific requirements, of subordinate companies.

When the Company issues new share, the obtaining of new shares is entitled to subsidiary company employees meeting specific requirements.

The Company's restricted stocks are entitled to subsidiary company employees meeting specific requirements.

Article 8. The Company issues registered shares and each stock certificate shall be duly certified or authenticated in accordance with the law before issuance thereof. A company may issue shares without printed certificates. However, those shares shall be registered with Taiwan Depository & Clearing Corp., or the company may in a new issue prepare a printed consolidated certificate representing the total number of shares of that issue.

Article 8-1. The shares issued by the Company may be merged and reissued in large denominations at the request of Taiwan Depository & Clearing Corp.

Article 9. The rename for transfer of shares shall be suspended by 60 days before an annual shareholders' meeting, or 30 days before a temporary shareholders' meeting, or five days before the Company decides to distribute stock dividends or other interests.

Chapter 3. Shareholders' Meetings

Article 10. Shareholders' meetings are of two kinds: (1) annual meetings and (2) special meetings. Annual meetings will be convened by the Board in accordance with the law once a year within six months after the close of each fiscal year. Special meetings will be called for at any time under law as necessary.

Article 11. Shareholders who are unable to attend the shareholders' meetings in person may appoint a proxy to attend the meeting by providing a signed and sealed proxy form issued by the Company stating the scope of the proxy's authorization. The attendance of shareholders shall be handled not only in accordance with Article 177 of the Company Act but also the provisions in "Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies" stipulated by competent authorities.

Article 12. A shareholder shall have one voting right in respect of each share in his/her possession.

Article 13. At a shareholders' meeting, the meeting shall be presided over by the Chairperson of the Board of Directors. Under circumstances where the Chairperson is unable to perform his/her duty for any reason, the meetings shall be presided over in accordance with Paragraph 3, Article 208 of the Company Act. If the shareholders' meetings are convened by a party with power to convene but other than the Board of Directors, the convening party shall chair the meeting. When there are two or more such convening parties, they shall mutually select a chair from among themselves.

Article 13-1. Matters relating to the resolutions of a shareholders' meeting shall be recorded in the

meeting minutes. The meeting minutes shall be signed or sealed by the chair of the meeting and a copy distributed to each shareholder within 20 days after the conclusion of the meeting. The aforementioned meeting minutes may be distributed and announced.

Article 14. Except otherwise regulated by the Company Act, a shareholders' meeting resolution is passed when more than 50% of all outstanding shares are represented in the meeting and voted in favor by more than 50% of all voting rights represented at the meeting.

Chapter 4. Directors and Supervisors

Article 15. The Board of Directors of the Company shall appoint seven to nine Directors with a three-year term by means of a candidate nomination system, and the shareholders shall elect Directors from among the nominees and Directors may be re-elected after the term. Amongst the Directors' number mentioned above, there shall be no fewer than three independent Directors and they must not represent less than one-fifth of the Board. Independent Directors and Non-Independent Directors shall be elected at the same time and the quota shall be calculated separately.

The Company may purchase liability insurance policies to insure itself against liabilities that arise due to operational decisions made by Directors during their terms of service.

Article 15-1. The Company has set up an Audit Committee pursuant to Article 14-4 of the Securities and Exchange Act. The Audit Committee consists of all Independent Directors. The duties and other related matters of the Audit Committee shall be performed as stipulated by the Company Act, Securities and Exchange Act, and other regulations.

Article 15-2. In calling a meeting of the Board of Directors, a notice stating the cause of the meeting shall be given to each Director no later than seven days prior to the scheduled meeting date. Under emergent circumstances, however, a meeting may be called for on shorter notice.

The Company Board meeting advices may be delivered via written documents, fax or email.

Article 16. The Board shall be organized by Directors. The Board shall elect a Chairperson from among the Directors by a majority vote at a meeting attended by over two-thirds of the Directors. The Chairperson shall represent the Company externally.

Article 17. In case the Chairperson is on leave or absent or cannot exercise his/her power and authority for any cause, the designation of a person acting on the Chairperson's behalf shall be conducted in accordance with Article 208 of the Company Act.

Article 18. Unless otherwise regulated by the Company Act, the Board's resolutions are passed only if more than half of the Board members are present in a meeting, and with more than half of attending Directors voting in favor. In case a Director is unable to attend the Board Meeting in person, he/she may appoint another Director to attend the meeting on his/her behalf; he/she shall issue a written proxy and state therein the scope of authority with reference to the subjects to be discussed at the meeting. A Director may accept the appointment to act as the proxy of one other Director only. If a Board Meeting is

convened by way of a video conference, those who participate in the meeting using video conferencing are considered to have attended the meeting in person.

Article 19. Any significant matters regarding the Company's operation and policies, other than those which shall be bylaw or approved by resolution at a shareholders' meeting, shall be approved by resolution at a Board meeting.

Article 19-1. The Board of Directors shall be authorized to determine the remuneration to the Company's Directors based on the standard generally adhered to by other firms of the same trade.

Article 20. Deleted

Chapter 5. Managerial Personnel

Article 21. The Company shall have a President and several Vice Presidents. The appointment, discharge and the remuneration shall be done in accordance with Article 29 of the Company Act.

Chapter 6. Accounting

Article 22. The fiscal year of the Company shall start from January 1 to December 31, and the Company makes final accounts at the end of each fiscal year.

Article 23. The Board of Directors shall prepare the following statements at the end of each accounting period and submitted them to the annual shareholders' meeting for ratification.

(I) Business Report

(II) Financial Statements

(III) Proposal Concerning Earnings Distribution or Recovery of Losses

Article 24. The Company's annual profit, if any, shall be distributed in the following order:

(I) Pay taxes

(II) Set off deficits

(III) Appropriate 10% as legal reserve

(IV) Appropriate for special reserve if necessary

(V) The remaining shall be allocated as dividends for shareholders and will be distributed according to the ratio of shareholdings or withheld as accumulated earnings pursuant to the resolution from the shareholders' meeting.

The Company is still at the growth stage of the industry life cycle. If more than 5% of the total surplus is determined to be distributed as dividends, it shall be distributed by cash and the remaining shall be distributed by shares.

Article 24-1. Based on the profit of the year, the Company shall appropriate no less than 5% of the profit as remuneration to employees, and no more than 1% of the profit as remuneration to Directors. However, profits must first be taken to offset against cumulative losses if any. The remuneration shall be distributed, in stock or in cash, to the employees of the Company or the qualified employees of the affiliated companies.

The profit for the year referred in the preceding paragraph means earnings before tax, employee compensation, and remuneration to Directors.

The distribution of remuneration to employees and Directors shall be determined by a majority of the Directors at a meeting attended by two-thirds or more of the total number of Directors and then reported to the Shareholders' Meeting.

Chapter 7. Supplementary Provisions

Article 25. Any matters that are not addressed in the Articles of Incorporation shall be governed by the Company Act and relevant laws and regulations.

Article 26. The Articles of Incorporation was instituted on May 20, 1998.

The first amendment was made on May 28, 1999.

The second amendment was made on Feb. 25, 2000.

The third amendment was made on Mar 31, 2000.

The fourth amendment was made on Jun. 18, 2001.

The fifth amendment was made on Jun. 19, 2002.

The sixth amendment was made on Feb. 18, 2003.

The seventh amendment was made on Jun. 6, 2003.

The eighth amendment was made on Jun. 25, 2004.

The ninth amendment was made on Jun. 13, 2005.

The tenth amendment was made on Jun. 23, 2006.

The 11th amendment was made on Jun. 15, 2007.

The 12th amendment was made on Jun. 13, 2008.

The 13th amendment was made on Jun. 18, 2010.

The 14th amendment was made on Jun. 15, 2017.

The 15th amendment was made on Jun. 15, 2012.

The 16th amendment was made on Jun. 11, 2013.

The 17th amendment was made on Jun. 2, 2015.

The 18th amendment was made on Jun. 14, 2018.

The 19th amendment was made on Jun. 13, 2019.

The 20th amendment was made on Jun. 15, 2020.

Appendix III

Elite Semiconductor Microelectronics Technology Inc. Rules for Election of Directors

Amended at the Annual Shareholders' Meeting on Jun. 13, 2019

- Article1. The directors of this Company shall be elected in accordance with the rules specified herein.
- Article2. The cumulative voting method shall be adopted for the election of the Company's directors. It is possible to print the attendance card number on the ballot instead of the name of the candidate. Each share will have voting rights in number equal to the directors of the Company to be elected, and may be cast for one single candidate or split among multiple candidates. Independent and non-independent directors shall be elected at the same time, but in separately calculated numbers.
- Article3. The candidate nomination system is adopted for election of directors of this Company. All directors shall be elected by shareholders from the candidate list. According to the Company's articles of incorporation specified seats available, candidates who acquire more votes should win the seats of directors. If two or more persons acquire the same number of votes and the number of such persons exceeds the specified seats available, such persons acquiring the same votes shall draw lots to decide who should win the seats available, and the Chairman shall draw lots on behalf of the candidate who is not present. According to this rule, the elect-to-be shall decide whether they would like to be board directors or not, and the vacancy would be filled by the person who has the second most votes.
- Article4. The Board of Directors shall prepare separate ballots for directors in numbers corresponding to the directors or supervisors to be elected. The number of voting rights associated with each ballot shall be specified on the ballots, which shall then be distributed to the attending shareholders at the shareholders meeting.
- Article5. At the beginning of the election, the Chairman shall appoint several persons each to check and record the ballots.
- Article6. The ballot box used for voting shall be prepared by the Board of Directors and checked in public by the person to check the ballots before voting.
- Article7. If the candidate is a shareholder of this Company, voters shall fill in the "candidate" column of the ballot the candidate's name and shareholder's number. If the candidate is not a shareholder of this Company, voters shall fill in the "candidate" column of the ballot the candidate's name, the candidate's ID number. However, when the candidate is a government agency or legal entity, the name of the government agency or legal entity shall be filled in the column, or both the name of the government agency or legal entity and the name of its representative may be filled. When there are multiple representatives, the names of each representative shall be filled, respectively.
- Article8. A ballot is invalid under any of the following circumstances:
(I) A ballot complying with the Rules is not used;

- (II) A blank ballot is placed in the ballot box;
- (III) Illegible writing;
- (IV) 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;
- (V) Ballots with other written characters in addition to candidate's name, shareholder's number or ID number for the candidate;
- (VI) The name of the candidates filled in the ballots being the same as another candidate's name and the respective shareholder's numbers or ID numbers not being indicated to distinguish them;
- (VII) There are more than two candidates' names entered in the ballot.

Article9. 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.

Article10. The matters not addressed in the Rules shall be handled in accordance with the Company Law and relevant law and regulations.

Article11. These Rules and any revision thereof shall become effective after approval at the shareholders' meeting.

Article 1: Purpose

The Procedures for Acquisition or Disposal of Assets (“the Procedures”) are specially formulated to protect assets and implement information disclosure.

Article 2: Governing law

The Procedures are formulated in accordance with Article 36-1 of the Securities and Exchange Act and relevant provisions of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies.

Article 3: Scope of assets

The term "assets" in the Procedures includes the following items:

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

Article 4: Definition of terms

- I. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term “forward contracts” does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.
- II. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed of through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act, and other acts, or transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter “Share Transfer”) under Article 156-3 of the Company Act.
- III. “Related Party” and “Subsidiary” : As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- IV. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property, equipment or the

right-of-use assets thereof.

- V. Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of Board of Directors resolutions, or other date that can confirm the counterparty and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval from the competent authority shall apply.
- VI. Investment in China: Refers to investments made in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area promulgated by the Investment Commission of the Ministry of Economic Affairs, R.O.C..

Article 5: Limits of the acquisition of real property and the right-of-use assets thereof, and securities not held for business use

The followings are the limits on the above assets that the Company and its subsidiaries acquire individually:

- I. The total amount of real property and the right-of-use assets thereof acquired not for business use shall not exceed thirty percent (30%) of the equity attributable to owners of the parent company as stated in the latest financial statements of the parent company that have been reviewed, or audited and certified, by a certified public accountant.
- II. The total amount of investment in short-term and long-term marketable securities shall not exceed the equity attributable to owners of the parent company in the latest financial statements of the parent company that have been reviewed, or audited and certified, by a certified public accountant.
- III. The total amount of investment in individual marketable securities shall not exceed thirty percent (30%) of the equity attributable to owners of the parent company in the latest financial statements of the parent company that have been reviewed, or audited and certified, by a certified public accountant.

Article 6: Professional appraisers and their officers, certified public accountants, attorneys, and securities underwriters that provide the Company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements:

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

When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following:

- I. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.
- II. When examining a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for

issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.

- III. They shall undertake an item-by-item evaluation of the comprehensiveness, accuracy, and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.
- IV. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is reasonable and accurate, and that they have complied with applicable laws and regulations.

Article 7: Procedures for acquisition or disposal of real property, equipment or the right-of-use assets thereof

I. Appraisal and procedures

The Company's acquisition or disposal of real property, equipment or the right-of-use assets thereof shall accord with the fixed assets cycling procedures of the Company's internal control system.

II. Procedures for determining the transaction conditions and authorized amounts

(I) In acquiring or disposing of real property or the right-of-use assets thereof, the Company shall take publicly-announced current value, appraisal value, real transaction price of nearby real property into consideration to determine the transaction conditions and price. The above information shall be compiled into an analysis report and submitted to the Chairman of the Board. If the transaction amount equals or is less than NT\$300 million or twenty percent (20%) of the Company's paid-in capital, such transaction shall be submitted to the Chairman of the Board for approval and shall then be reported to the nearest Board of Directors meeting for notification purpose. If the transaction amount is greater than NT\$300 million or twenty percent (20%) of the Company's paid-in capital, such transaction may be conducted only after it has been priorly approved by the Audit Committee and then by the Board of Directors.

(II). Acquisition or disposal of real property or equipment, or the right-of-use assets of equipment shall be conducted by means of price inquiry, price comparison, price bargaining, or bidding; where the transaction amount equals or is less than NT\$300 million or twenty percent (20%) of the Company's paid-in capital, such transaction shall be approved through each authorization level; where the transaction amount is greater than NT\$300 million or twenty percent (20%) of the Company's paid-in capital, such transaction may be conducted only after it has obtained approval firstly from the President, then from the Audit Committee, and last from the Board of Directors.

(III). When submitting the transaction of acquisition or disposal of assets to the Board of Directors for deliberation in accordance with regulations, the opinion of the Independent Directors shall be fully considered, and their consent and dissent and the reason therefor shall be documented in the meeting minutes.

III. Execution unit

When the Company acquires or disposes of real property, equipment or the right-of-use assets thereof, the Finance Department, Accounting Department, or related authorized unit shall execute the operation after acquiring approval from corresponding authorization level.

IV. Appraisal report of real property, equipment or the right-of-use assets thereof

In acquiring or disposing of real property, fixed assets or the right-of-use assets thereof where the transaction amount reaches NT\$300 million or twenty percent (20%) of the Company's paid-in capital or more, the Company, unless transacting with a government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of machinery equipment or the right-of-use assets thereof held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:

- (I). Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted to the Board of Directors for approval in advance; the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction.
- (II). Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
- (III). Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No.20 published by the ROC Accounting Research and Development Foundation (ARDF) and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:
 1. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.
 2. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.
- (IV) No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.
- (V) Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or the CPA's opinion.
- (VI) The appraisal agency and its appraisers who have been consulted shall have no formal or substantive relationship with the parties to the transaction as set out in Financial Accounting Standards Bulletin No. 6.

Article 8: Procedures for acquisition or disposal of marketable securities

I. Appraisal and procedures

The Company's acquisition or disposal of marketable securities shall accord with the investment cycling procedure of the Company's internal control system.

II. Procedures for determining the transaction conditions and authorized amounts

- (I) The acquisition or disposal of marketable securities traded at the securities exchange or on an OTC market shall be decided by the responsible unit based on market conditions. For amount equals or is less than NT\$300 million or twenty percent (20%) of the Company's paid-in capital, the transaction shall be approved by the

Chairman of the Board and submitted to the nearest Board meeting together with an analysis report on the unrealized profit or loss derived from short-term and long-term marketable securities. For amounts exceeding NT\$300 million or twenty percent (20%) of the Company's paid-in capital, the transaction may be conducted only if it has been firstly reported to and approved by the Audit Committee, and then by the Board of Directors.

- (II) The acquisition or disposal of marketable securities not traded at the securities exchange or on an OTC market shall take into consideration the net worth per share, profitability ability, and further potentials. For amount equals or is less than NT\$300 million or twenty percent (20%) of the Company's paid-in capital, the transaction shall be approved by the Chairman of the Board and notified to the nearest Board meeting together with an analysis report on the unrealized profit or loss derived from short-term and long-term marketable securities. For amounts exceeding NT\$300 million or twenty percent (20%) of the Company's paid-in capital, the transaction may be conducted only if it has been firstly reported to and approved by the Audit Committee, and then by the Board of Directors.
- (III). When submitting the transaction of acquisition or disposal of assets to the Board of Directors for deliberation in accordance with regulations, the opinion of the Independent Directors shall be fully considered, and their consent and dissent and the reason therefor shall be documented in the meeting minutes.

III. Execution unit

The Company's investment in marketable securities shall be approved through the corresponding authorization level as stated above, and then shall be implemented by the financial unit and accounting unit.

IV. Professional appraisal

When acquiring or disposing of securities, the Company shall, prior to the date of occurrence of the event, obtain financial statements of the target company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is twenty percent (20%) of the Company's paid-in capital or NT\$300 million or more, the Company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the certified public accountant needs to use the report of an expert as evidence, he/she shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. This requirement does not apply, however, to securities that have publicly quoted prices in an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (FSC).

Article 9: Procedures for related party transactions

- I. In the event that the Company engages in any acquisition or disposal of assets from or to a related party, in addition to following the resolution procedures and evaluating the reasonableness of the terms of the transaction in accordance with this Article, Article 7, Article 8, and Article 10, if the transaction amount reaches 10% of the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or the opinion of a certified public accountant in accordance with the relevant provisions. The calculation of the transaction amount shall be made in accordance with Article 10-1 herein In addition, when judging whether a transaction counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.

II. Appraisal and procedures

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

- (I). The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
- (II). The reason for choosing the related party as a transaction counterparty.
- (III). Relevant information for evaluating the reasonableness of the terms of the anticipated transaction pursuant to the provisions of Sub-paragraph (I) and (IV) of Paragraph 3 of this Article.
- (IV). Information such as the date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the Company and the Company's related parties.
- (V). Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
- (VI). An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with this Article.
- (VII). Restrictive covenants and other important stipulations associated with the transaction.

With respect to the acquisition or disposal of real property, equipment or right-of-use assets thereof held for business use between the Company and the parent company or subsidiaries, or between subsidiaries of the Company whose current outstanding shares or total capital are directly or indirectly wholly owned by the Company, the Board of Directors may, in accordance with Sub-Paragraph (II) of Paragraph II of Article 7, authorize the Chairman of the Board to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified in the next Board of Directors meeting.

In addition, where the position of Independent Director has been created in accordance with the provisions of the Securities and Exchange Act, when a matter is submitted for discussion by the Board of Directors pursuant to preceding regulations, the Board of Directors shall take into full consideration each Independent Director's opinions. If an Independent Director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors meeting.

III. Evaluation of the reasonableness of transaction cost

- (I) When acquiring real property or right-of-use assets thereof from a related party, the

Company shall evaluate the reasonableness of the transaction costs by the following means:

1. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
 2. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the transaction counterparties
- (II) Where land and structures thereupon are combined as a single property purchased or leased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.
- (III) When the Company acquires real property or right-of-use assets thereof from a related party, the Company shall appraise the costs of the real property or the right-of-use assets thereof in accordance with Subparagraph (I) and (II) of Paragraph III of this Article, and shall engage a certified public accountant to check the appraisal and render a specific opinion.
- (IV) Where the Company acquires real property or right-of-use assets thereof from a related party and the results of appraisals conducted in accordance with Sub-Paragraph (I) and (II) of Paragraph III of this Article are uniformly lower than the transaction price, the Company shall conduct matters as prescribed in Sub-Paragraph (V) of Paragraph III of this Article. However, where the following circumstances exist, and objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a certified public accountant, this restriction shall not apply.
1. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
 - (1). Where undeveloped lands are appraised in accordance with the preceding Article and where buildings are appraised according to the related party's construction costs plus reasonable construction profit, the cumulative value exceeds the actual transaction price. The Reasonable construction profit shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
 - (2). Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market sale or leasing practices.

- (3) Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market sale or leasing practices.
 2. Where the Company acquiring real property, or leasing real property right-of-use assets from a related party provides evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year. Completed transactions involving neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transactions involving similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property or obtainment of the right-of-use assets thereof.
- (V) Where the Company acquires real property or right-of-use assets thereof from a related party and the results of appraisals conducted in accordance with Sub-Paragraph (I) and (II) of Paragraph III of this Article are uniformly lower than the transaction price, the following steps shall be taken. In addition, the Company and the public company that accounts for its investment in the Company using equity method who have set aside a special reserve under the previous paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased or leased at a premium, or they have been disposed of, or the leasing contract has been terminated, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.
 1. A special reserve shall be set aside in accordance with Paragraph 1 of Article 41 of the Securities and Exchange Act against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where a public company uses the equity method to account for its investment in the Company, then the special reserve called for under Paragraph 1 of Article 41 of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of the public company's equity stake in the Company.
 2. The Independent Director members of the Audit Committee shall deal with the matter in accordance with Article 218 of the Company Act. (exercise of investigation power).
 3. The Company shall report to the Shareholders' Meeting on the status of transaction processed in accordance with Item 1 and 2 of Sub-Paragraph (V) of Paragraph III of this Article, and shall disclose the details of the transaction on the annual report and the prospectus.
- (VI) Where the Company acquires real property or right-of-use assets thereof from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with Paragraph I and II of this Article which govern the

appraisal and appraisal procedures, and Sub-Paragraph (I), (II), and (III) of Paragraph III of this Article which govern the evaluation of reasonableness of transaction cost do not apply.

1. The related party acquired the real property or right-of-use assets thereof through inheritance or as a gift.
2. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property or right-of-use assets thereof to the signing date for the current transaction.
3. The real property or the right-of-use assets thereof are acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property or the right-of-use assets thereof, either on the Company's own land or on rented land.
4. The real property right-of-use assets for business use are acquired by the Company from/to its parent or subsidiaries, or by its subsidiaries in which the Company directly or indirectly holds 100 percent of the issued shares or authorized capital.

(VII) When the Company acquires real property or right-of-use assets thereof from a related party, the Company shall also comply with Sub-Paragraph (V) of Paragraph III of this Article if there is other evidence indicating that the acquisition was not an arms length transaction.

Article 10: Procedures for acquiring or disposing of memberships or intangible assets or the right-of-use assets thereof

(I). Appraisal and procedures

The Company shall acquire or dispose of memberships or intangible assets or the right-of-use assets thereof in accordance with the fixed assets cycling procedures of the Company's internal control system.

(II). Procedures for determining the transaction conditions and authorized amounts

1. In acquiring or disposing of memberships, the Company shall take the fair market price into consideration to determine the transaction terms and conditions and price. The above information shall be compiled into an analysis report and submitted to the President. If the transaction amount equals or is less than one percent (1%) of the Company's paid-in capital or NT\$3 million, such transaction amount shall be submitted to the President for approval and shall then be reported to the nearest Board of Directors meeting for notification purpose. If the transaction amount is greater than NT\$3 million, an additional approval from the Board of Directors is required.
2. In acquiring or disposing of intangible assets and the right-of-use assets thereof, the Company shall take the professional appraisal report or fair market price into consideration to determine the transaction terms and conditions and price. The above information shall be compiled into an analysis report and submitted to the Chairman of the Board. If the transaction amount equals or is less than ten percent (10%) of the paid-in-capital or NT\$150 million, such transaction amount shall be submitted to the Chairman of the Board for approval and shall then be reported to the nearest Board of Directors meeting for notification purpose, provided, however, that if the transaction amount is greater than ten percent (10%) of the paid-in-capital or NT\$150 million, an additional approval from the Board of Directors is required.
3. When submitting the transaction of acquisition or disposal of assets to the Board of Directors for deliberation in accordance with regulations, the opinion of the

Independent Directors shall be fully considered, and their consent and dissent and the reason therefor shall be documented in the meeting minutes.

(III) Execution unit

When the Company acquires or disposes of the memberships or intangible assets or the right-of-use assets thereof, the use department and the Finance Department or the Administrative Department shall execute the operation after acquiring approval from corresponding authorization level.

(IV). Professional assessment reports of the memberships or intangible assets or the right-of-use assets thereof

1. Professional appraisal institutes shall be invited to issue appraisal reports before any acquisition or disposal of memberships when the transaction amount reaches 1% of the paid-in capital or NT\$3 million or more.
2. Professional appraisal institutes shall be invited to issue appraisal reports before any acquisition or disposal of intangible assets and the right-of-use assets thereof when the transaction amount reaches ten percent (10%) of the paid-in-capital or NT\$150 million or more.
3. Where the Company acquires or disposes of memberships or intangible assets or the right-of-use assets thereof and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a domestic government agency, the Company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the certified public accountant shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.

Article 10-1: The amount that has obtained an appraisal report from a professional appraiser or a CPA's opinion needs not to be counted towards the calculation if such calculation of the transaction amounts referred to in Article 7, 8, and 10 herein are conducted by means of either of the following and the term "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction:

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

Article 11: Procedures for acquisition or disposal of financial institutions' claims

In principle, the Company does not engage in the acquisition or disposal of claims of financial institutions. If the Company intends to engage in the acquisition or disposal of claims of financial institutions in the future, the Company will report such intension to the Board of Directors. If such intension is approved by the Board of Directors, the Company will formulate the appraisal and operating procedures.

Article 12: Procedures for acquisition or disposal of derivative products

I. Trading principles and strategies

(I) Transaction type

1. The derivative financial products engaged by the Company refer to transaction contracts whose value is derived from commodities such as assets, interest rates, exchange rates, indices or other interests (such as forward contracts, options, futures contract, interest rates or exchange rates contracts, exchanges, and a combination contract of the above products, etc.).
2. Transactions in bond deposits shall also be governed by the Procedures. Trading of repo bonds needs not to apply the Procedures.

(II) Operating (hedging) strategies:

The Company shall engage in derivative financial products trading solely for hedging purpose. The trading commodities should be selected to avoid the risks arising from the business operations of the Company. The currency held must match the foreign currency demand of the Company's actual import and export transactions, so as to balance the Company's overall internal position (only foreign currency income and expenses), thereby reducing the Company's overall foreign exchange risk and saving foreign exchange operating costs. Transactions with other specific purposes may be conducted only after they have been prudently evaluated, and been submitted to and approved by the Board of Directors.

(III) Segregation of Powers and Duties

1. Finance and Accounting Units

(1) Trading Personnel

- A. Solely responsible for formulating the Company's strategy for financial products transaction.
- B. Trading personnel shall calculate the position regularly every two weeks, collect market information, conduct trend judgment and risk assessment, and formulate operational strategies. The approval granted by corresponding authorization level shall be the basis for trading.
- C. Execute transaction in accordance with existing strategies and scope of authority.
- D. When there is a significant change in the financial market and the trading personnel judges that the established strategy is not applicable, the assessment report shall be submitted at any time, and the strategy shall be re-planned. The approval by the President shall be the basis for trading.

(2) Accounting personnel

- A. Perform transaction confirmation.
- B. Review whether the transaction is based on the designated scope of authority and the established strategies.
- C. Carry out evaluation monthly, and submit evaluation report to the President for approval.
- D. Conduct the accounting treatment.
- E. Make declaration and announcement in accordance with the provisions of the Securities and Futures Commission.

(3) Settlement personnel: settle trades.

- (4) Level of authorization for derivative transactions
 - A. Level of authorization for hedging transactions

Authority	Daily transaction amount limit	Net cumulative position
Principal Financial Officer or Principal Accounting Officer	Not greater than US\$1M	Equal or less than US\$3M
President	US\$1M-3M	Equal or less than US\$5M
Chairman of the Board	Greater than US\$3M	Equal or less than US\$30M

B. Transactions for other specific purposes may be conducted only after they have been submitted to and approved by the Board of Directors.

C. When submitting the transaction of acquisition or disposal of assets to the Board of Directors for deliberation in accordance with regulations, the opinion of the Independent Directors shall be fully considered, and their consent and dissent and the reason therefor shall be documented in the meeting minutes.

2. Auditing Department

Responsible for understanding the appropriateness of internal control in derivative commodity transactions and checking the compliance of the trading department with the operating procedures, analyzing the transaction cycle, making an audit report, and submitting it to the Independent Directors for inspection before delivery at the end of the month following the month when the audit project is completed; in addition, if the internal auditors find serious irregularities or that the Company is at risk of heavy losses, they should immediately make a report and submit it for review, and inform the Audit Committee.

3. Performance evaluation

(1) Hedging transactions

A. The basis for performance evaluation depends on the profit/loss resulted from the difference between the Company's book value of exchange rate costs and the Company's engagement in the financial transactions.

B. To fully control and express the evaluation risk of the transaction, the Company evaluates the profit and loss by employing the monthly evaluation method.

C. The Finance and Accounting Department shall provide foreign exchange position evaluation, foreign exchange market trends and market analysis to the President as a management reference and instructions.

(2) Specific-purpose transaction:

Performance shall be evaluated based on the profits and losses actually incurred. The accounting personnel shall incorporate position into a statement, and shall submit such statement to the management for their reference.

4. Total contract amount and limit on maximum loss:

(1) Total contract amount

A. Limit on hedging transactions

The Finance and Accounting Department shall master the overall position of the Company to avoid transaction risks. The amount of hedging transactions shall not exceed two thirds of the overall net position of the

Company. If the amount exceeds two thirds, it shall be reported to the President for approval.

B. Specific-purpose transactions

The Finance Department must draft needs-oriented strategies based on the forecasts made on market changes, and report the same to the President and Chairman of the Board, and implement the same only after they are approved. The Company's specific-purpose transactions are subject to a total contract amount of US\$10 million. Any amount exceeding US\$10 million is subject to policy directives and the approval of the Board of Directors.

(2) Limit on maximum loss

A. The purpose of hedging trades is to avoid risk, so there is no need for setting up a loss limit.

B. If the transaction is entered for a specific purpose, a stop-loss point shall be established to avoid over loss after the position is created. The stop-loss point shall be ten percent (10%) of the transaction contract value. Once the amount of losses exceeds the stop-loss point, the situation shall be promptly reported to the President and the Board of Directors, who shall then devise an action plan.

C. Loss limits on individual contracts shall be set within US\$200 thousand.

D. The maximum annual loss for the Company's specific purpose trade operations is US\$300 thousand.

II. Risk management measures

(I) Credit risk management:

Because various factors may impose impact on the market, derivative transactions are inclined to operation risks. To manage market risks, the following principles are followed:

Counterparty: only limited to famous domestic and foreign financial institutions.

Trading commodities: only limited to commodities provided by famous domestic and foreign financial institutions.

Transaction amount: the uncovered transaction amount of one single trading counterparty shall not exceed 10% of total authorized transaction amount. But transactions that have been approved by the President need not follow this constraint.

(II) Market risk management:

The open foreign exchange market provided by banks shall be the primary target, and the futures market shall not be considered at this time.

(III) Liquidity risk management:

In order to ensure market liquidity, The Company only selects financial products with high liquidity (i.e., products which can be settled in the market at any time). Commissioned financial institutions must have sufficient information and be capable to trade in any market at any time.

(IV) Cash flow risk management

In order to ensure stable turnover of the Company's working capital, the Company shall engage in derivative transactions with its own capital, and shall take the capital demands resulted from the anticipated revenues and expenses within the following three months into consideration.

- (V) Operational risk management
 - 1 The Company's authorized transaction amount and operating procedures shall be complied with, and internal audit shall be undertaken to avoid operational risk.
 - 2 Personnel engaged in derivatives trading may not serve concurrently in other operations such as confirmation and settlement.
 - 3 Risk measurement, monitoring, and control personnel shall be assigned to a different department other than the department of the personnel in the preceding subparagraph and shall report to the Board of Directors or senior management personnel with no responsibility for trading or position decision-making
 - 4 Derivatives trading positions held shall be evaluated at least once per week; however, positions for hedge trades required by business shall be evaluated at least twice per month. Evaluation reports shall be submitted to senior management personnel authorized by the Board of Directors.
- (VI) Commodity risk management
Internal trading personnel shall have complete and correct professional knowledge of financial products and shall require banks to disclose risks to avoid the risk of financial products.
- (VII) Legal risk management:
Any legal documents in respect of financial derivative transactions shall first be reviewed by inhouse and/or outside exchange and legal counsel before being signed in order to control legal risk.

III. Internal audit system

- (I) The internal audit personnel shall periodically make a determination of the suitability of internal controls on derivatives, conduct a monthly audit of how faithfully derivatives trading by the trading department adheres to the procedures for engaging in derivatives trading, analyze the trading cycle, and prepare an audit report. If any material violation is discovered, the Audit Committee shall be notified in writing.
- (II) Audit report and the status of internal audit work of the current year shall be reported to the Financial Supervisory Committee (FSC) before the end of the February in the following year in accordance with FSC regulations; rectifications of the abnormalities shall be submitted to the FSC for verification before the end of May of the following year in accordance with FSC regulations.

IV. Periodic evaluation method

- (I) The Board of Directors shall authorize the senior executives to regularly supervise and evaluate whether the transactions in the derivative commodities are actually handled in accordance with the Company's trading procedures, and whether the risks assumed are within the scope of the allowable undertaking. If they spot any abnormal circumstances (such as over loss of the holding position), they shall report to the Board of Directors immediately and take the appropriate measures.
- (II) Derivatives trading positions held shall be evaluated at least once per week; however, positions for hedge trades required by business shall be evaluated at least twice per month. Evaluation reports shall be submitted to senior management personnel authorized by the Board of Directors.

V. Board of Directors' principles for supervision and management when the Company engages in derivatives trading

- (I) The Board of Directors shall designate senior executives to follow the following principles to supervise and control the risks of derivatives transaction:
 1. Periodically evaluate whether the risk management measures currently employed are appropriate and are faithfully conducted in accordance with the Procedures and the Company's procedures for engaging in derivatives trading.
 2. When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, appropriate measures shall be adopted and a report immediately made to the Board of Directors; where the Company has Independent Directors, an Independent Director shall be present at the meeting and express an opinion.
- (II) Periodically evaluate whether derivatives trading performance is consistent with established operational strategy and whether the risk undertaken is within the Company's permitted scope of tolerance.
- (III) The Company shall report to the soonest meeting of the Board of Directors after it authorizes the relevant personnel to handle derivatives trading in accordance with the Company's procedures for engaging in derivatives trading.
- (IV) In trading of derivative products, the Company shall draft verification documents, in which the types, amounts, approval date from the Board, and matters requiring a prudent evaluation as prescribed in Sub-Paragraph (II) of Paragraph IV and Sub-Paragraph (I) and (II) of Paragraph V of this Article shall be included in details for verification.

Article 13: Procedures for handling merger, demerger, acquisition, or transfer of shares

I. Appraisal and procedures

- (I) In conducting a merger, demerger, acquisitions or transfer of shares, the Company shall engage an attorney, a CPA, and securities underwriter to jointly discuss and establish the schedule for the legal procedures which the project team shall implement. Prior to convening the Board of Directors meeting to resolve on the matter, the Company shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and shall submit it to the Board of Directors for deliberation and passage. However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case that the Company merges a subsidiary in which the Company directly or indirectly holds 100 percent of the issued shares or authorized capital, and in the case that a merger occurs between subsidiaries in which the Company directly or indirectly holds 100 percent of the respective subsidiaries' issued shares or authorized capital.
- (II) The Company participating in a merger, demerger, or acquisition shall prepare a

public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the Shareholders' Meeting and include it along with the expert opinion referred to in Sub-Paragraph (I) of Paragraph I of this Article when sending shareholders notification of the Shareholders Meeting for reference as to whether the merger, demerger, or acquisition should be approved. Provided, where a provision of another act exempts the Company from convening a shareholders meeting to approve the merger, demerger, or acquisition, this restriction shall not apply. In addition, where the shareholders meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders meeting, the companies participating in the merger, demerger or acquisition shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders meeting.

II. Other matters needing attention

- (I) Board of Directors meeting date: A company participating in a merger, demerger, or acquisition shall convene a Board of Directors meeting and shareholders meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent. A company participating in a transfer of shares shall call a Board of Directors meeting on the day of the transaction, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.
- (II) Prior undertaking of confidentiality: Every person participating in or privy to the plan for merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, any stock or other equity security of any company related to the plan for merger, demerger, acquisition, or transfer of shares.
- (III) Principles for establishing or changing the share exchange ratio or acquisition price: Prior to convening the Board of Directors meeting to resolve on the matter, both parties to the merger, demerger, acquisition, or transfer of shares shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and shall submit it to the Board of Directors for deliberation and passage. In principle, share exchange ratio or acquisition price shall not be changed at discretion, except for the conditions where the conditions for change have been specified on the contract and disclosed to the public. Share exchange ratio or acquisition price may be changed in one of the following circumstances:
 1. Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities.

2. An action, such as a disposal of major assets, that affects the Company's financial operations.
 3. An event, such as a major disaster or major change in technology, that affects shareholder equity or share price.
 4. An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock.
 5. An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
 6. Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.
- (IV) The contents required to be presented in the contract: the contract of the company participating in the merger, demerger, acquisition, or transfer of shares shall be subject to the following matters, in addition to the provisions of Article 317-1 of the Company Act and Article 22 of the Business Mergers and Acquisitions Act.
1. Handling of breach of contract.
 2. Principles for the handling of equity-based securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.
 3. The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.
 4. The manner of handling changes in the number of participating entities or companies.
 5. Preliminary progress schedule for plan execution, and anticipated completion date.
 6. Scheduled date for convening the legally mandated shareholders meeting if the plan is not completed within the scheduled time frame, and relevant procedures.
- (V) Change in the number of companies participating in the merger, demerger, acquisition, or transfer of shares: After public disclosure of the information, if any company participating in the merger, demerger, acquisition, or share transfer intends further to carry out a merger, demerger, acquisition, or share transfer with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except that where the number of participating companies is decreased and a participating company's shareholders meeting has adopted a resolution authorizing the board of directors to alter the limits of authority, such participating company may be exempted from calling another shareholders meeting to resolve on the matter anew.
- (VI) Retention of relevant material: When participating in a merger, demerger, acquisition, or transfer of shares, the Company shall prepare a fully written record of the following information and retain it for 5 years for reference:
1. Basic information of personnel: including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of

any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.

2. Date of important event: including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a Board of Directors meeting.
3. Material documents and meeting minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of Board of Directors meetings

When participating in a merger, demerger, acquisition, or transfer of shares, the Company shall, within 2 days commencing immediately from the date of passage of a resolution by the Board of Directors, report (in the prescribed format and via the Internet-based information system) the personnel basic information and date of material event to the Financial Supervisory Commission for recordation.

Where any of the companies participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the Company shall sign an agreement with such a company in accordance with this Sub-Paragraph.

- (VII) Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the Company shall sign an agreement with the non-public company in accordance with Paragraph II of this Article for the Board of Directors meeting date in the Subparagraph (I), the prior confidentiality undertaking in the Subparagraph (II), and changes in the number of companies participating in merger, demerger, acquisition or transfer of shares in Subparagraph (V).

Article 14: The time limit and content requiring announcement and reporting are as follows:

The announcement and reporting standards, items, time limits and formats should be announced and handled in accordance with the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” and related laws and regulations.

Article 15: The Company's subsidiaries shall take actions in accordance with the following provisions:

- I. Subsidiaries shall, in accordance with the requirements of the law and the actual needs, formulate and implement the “Procedures for the Acquisition or Disposal of Assets” in accordance with the relevant provisions of the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”. Such Procedures, after being passed by the subsidiary’s Board of Directors, shall be reported to the shareholders’ meeting of both parties. This rule applies to any amendment thereafter.
- II. Subsidiaries of the Company shall follow the Company’s Procedures for Acquisition or Disposal of Assets.
- III. If the subsidiary is not a public-offering company and the value of its acquisition or disposal of assets reaches the announcement and reporting standard set out in Article 30 of the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”, the parent company (i.e. the Company) shall also make an announcement and reporting on behalf of the subsidiary.
- IV. The provisions in a subsidiary’s announcement and reporting standards concerning total paid-in capital or assets shall be based on the total paid-in capital or assets of the Company.

Article 16: Penalty

In the event that any of the Company's employees dealing with acquisition and disposal of assets violates the Procedures, the employee shall be periodically evaluated in accordance with the Company's Employee Management Regulations and shall be punished based on the seriousness of the violation.

Article 17: Enactment and amendment

The Company's "Procedures for Acquisition or Disposal of Assets" shall be firstly approved by the Audit Committee, then by the Board of Directors, and last by the Shareholder's Meeting. This rule shall apply to any amendment thereafter. When submitting the Procedures for Acquisition or Disposal of Assets to the Board of Directors for deliberation in accordance with regulations, the opinion of the Independent Directors shall be fully considered, and their consent and dissent and the reason therefor shall be documented in the meeting minutes.

The revision of these Procedures by the Audit Committee, the resolution manner adopted the Audit Committee, and other compliance matters shall be governed by Article 14-5 of the Securities and Exchange Act and other relevant regulations.

Article 18: Additional provisions

Matters not provided in the Procedures shall be conducted in accordance with relevant laws and regulations.

Appendix V

Elite Semiconductor Microelectronics Technology Inc.

Shareholdings of All Directors

- I. As of the book closure date for the 2021 AGM, the issued shares were 286,129,503.
- II. The statutory number of shares held by the Directors of the Company is 12,000,000 shares.
- III. The Company has established Audit Committee, and the minimum shareholding requirement for supervisors do not apply.
- IV. As of the book closure date for the 2021 AGM, the shareholding of individual director and all directors recorded in the shareholders' register is as follows, which comply with the percentage as stipulated in Article 26 of the Securities and Exchange Act.

As of April 18, 2021

Position	Name	Shares	Shareholding ratio
Chairman	Hsing-Hai, Chen	8,411,629	2.94%
Director	Ming-Chien, Chang	5,523,825	1.93%
Director	Chih-Hong, Ho	628,172	0.22%
Director	Yeong-Wen, Daih	581,205	0.20%
Director	Shin Xin Investment Co., Ltd. Rep.: Chia-Neng, Huang	255,000	0.09%
Independent Director	Shan-Jen, Chow	-	-
Independent Director	Tsin-Fu Jiang	-	-
Independent Director	Cheng-Yan Chien	-	-
Shareholdings of All Directors		15,399,831	5.38%

Appendix VI

Information on the proposals by shareholders holding one percent or more of the total number of issued shares

- I. Pursuant to Article 172-1 of the Company Act, a shareholder holding one percent or more of the total number of issued shares may submit to the Company a written proposal for discussion at the 2021 Annual Shareholders' Meeting. The submission period is from April 10, 2021, to April 20, 2021.

- II. Proposals by shareholders holding one percent or more of the total number of issued shares at the 2021 Annual Shareholders' Meeting: None.