

ESMT

Elite Semiconductor Microelectronics Technology Inc.

2022 Annual Shareholders' Meeting

Meeting Agenda

(Translation)

June 15, 2022

Table of Contents

1	Meeting Procedure	1
2	Meeting Agenda	2
	I . Reports	3
	II . Proposals	3
	III . Discussions	4
	IV . Elections	4
	V . Other Matters	4
	VI . Extraordinary Motion	5
	VII . Meeting Adjourned	5
3	Attachment	
	I . Business Report	6
	II . Audit Committee's Review Report	11
	III . Independent Audits' Report and Financial Statements	12
	IV . 2021 Earnings Distribution Table	32
	V . Comparison Table for "Articles of Incorporation" Before and After Revision	33
	VI . Comparison Table for " Procedures for Acquisition or Disposal of Assets" Before and After Revision	35
	VII . List of Director and Independent Director Candidates	41
4	Appendix	
	I . Rules of Procedure for Shareholders' Meetings	43
	II . Articles of Incorporation	46
	III . Procedures for Acquisition or Disposal of Assets	51
	IV . Rules for Election of Directors	70
	V . Shareholding of Directors	72
	VI . Relevant Information on the Proposals and Nomination Made by Shareholders Who Hold 1% or More of the Total Issued Shares of the Company	73

Elite Semiconductor Microelectronics Technology Inc.

2022 Annual Shareholders' Meeting Procedure

- I. Call the Meeting to Order
- II. Chairman Remarks
- III. Reports
- IV. Proposals
- V. Discussions
- VI. Elections
- VII. Other Matters
- VIII. Extraordinary Motions
- IX. Meeting Adjourned

The chairman may decide to be voted by poll for one single proposal or to be voted by poll for all or some proposals before the extraordinary motions.

Elite Semiconductor Microelectronics Technology Inc.

2022 Annual Shareholders' Meeting Agenda

Time: 9:00 a.m., June 15, 2022

Place: 2 F Eiffel Banquet Room, Lakeshore Hotel

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

Held by way of: Physical shareholders' meeting

Chairman Remarks:

I. Reports:

(1) 2021 Business Report

(2) Audit Committee's report of 2021

(3) Report on employees' compensation and remuneration to directors of 2021

II. Proposals:

(1) Adoption of the 2021 Business Report and Financial Statements (Proposed by the Board of Directors. The Board of Directors, marked "BOD" bellow)

(2) Adoption of the Company's 2021 Earnings Distribution Plan (Proposed by the BOD)

III. Discussions:

(1) Amendments to the Company's Articles of Incorporation (Proposed by the BOD)

(2) Amendments to the Company's Procedures for Acquisition or Disposal of Assets (Proposed by the BOD)

IV. Elections

Election of the 9th Term of Directors. (Proposed by the BOD)

V. Other Matters

Release the Prohibition on new Directors from Participation in Competitive Business. (Proposed by the BOD)

VI. Extraordinary Motions

VII. Meeting Adjourned

I. Reports

Item 1: 2021 Business Report

Explanation: Please refer to Attachment I (Page 6-10).

Item 2: Audit Committee's review Report of 2021

Explanation: Please refer to Attachment II (Page 11)..

Item 3: Report on employees' compensation and Directors' remuneration of 2021

Explanation: Pursuant to the Articles of Incorporation and based on the 2021 profitability, the company has resolved to distribute that the compensation to employees is NT\$314,318,302, and the remuneration to Directors is NT\$62,863,661.

II. Proposals

Item 1: (Proposed by the BOD)

Proposal : Adoption of 2021 Business Report and Financial Statements

Explanation: The Company's 2021 Financial Statements has completed preparation, 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, found no discrepancy.

1. Business Report (please refer to Attachment I (Page 6-10))
2. Financial Statements (please refer to Attachment III (Page 12-31))

Resolution:

Item 2 (Proposed by the BOD)

Proposal : Adoption of the Company's 2021 Earnings Distribution Plan

- Explanation:
1. The Company's 2021 earnings distribution is proposed with a cash dividend of NT\$8.0 per share.
 2. The current cash dividends are calculated according to the distribution ratio up to yuan, and rounded down for numbers less than one yuan; The total amount of the fractional amount is included into the Company's other income
 3. After the proposal has been approved in the Shareholders' Meeting, the Chairman is authorized by the BOD to determine an ex-dividend basis date, payment date, and other related matters.
 4. Where the dividend distribution rate of NT\$8.0 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 Chairman of the BOD to exercise his or her full authority to deal with such changes.
 5. 2021 Earnings Distribution Table is attached hereto as Attachment IV (Page 32).

Resolution:

III. Discussions

Item 1(Proposed by the BOD)

Proposal : Amendment to the Company’s “Articles of Incorporation” Discussion is respectfully requested.

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 (Page 33-34).

Resolution:

Item 2(Proposed by the BOD)

Proposal : Amendments to the Company’s “Procedures for Acquisition or Disposal of Assets” . Discussion is respectfully requested.

Explanation: 1. According to Taiwan Stock Exchange No 1110380465 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 VI (Page 35-40).

Resolution:

IV. Elections

Proposal : Election of the 9th Term of Directors. (Proposed by the BOD)

Explanation: 1. The tenure of Directors of the 8th Term will expire on June 12, 2022. According to the Company’s Articles #15 regulations, the Company will elect nine directors (including four independent directors); conducted under the “Candidate Nomination System”.

2. Election of new Directors tenure with three years term of office from June 15, 2022 to June 14, 2025. If Annual general meeting convened advance and completed new Directors election, the current Directors term of office will expire by the new directors elected.

3. The election will elect nine directors (including independent directors), conducted under the “candidate nomination system”. The “List of Director and Independent Director candidates is shown as the Attachment VII. (Page 41-42).

Election result:

V. Other Matters

Proposal : Discussion of releasing the Prohibition on new Directors from Participation in Competitive Business (Proposed by the BOD)

Explanation: 1. According to Article #209 of the Company Act, a Director who conducts business with the business scope of the Company for himself or others shall explain the essential contents of such conduct at the shareholders’ meeting and obtain the shareholders’ approval.

2. Company’s new Directors who acting the relevant corporate’s job position,

under without influence the Company business also not damage the Company conflict of interests, will agree to release the prohibition from participation in competitive business.

3. Company Directors concurrently job position who has same business scope companies or similar other companies is listed at the following table.

Name	Concurrently companies name & position
Hsing-Hai Chen	Chairman of the Board, Elite Semiconductor Memory Technology Inc. Chairman of the Board, Elite Memory Technology Inc. Chairman of the Board, Elite Silicon Technology Inc.
Ming-Chien Chang	Director, Elite Silicon Technology Inc. Director, Eon Silicon Solutions, Inc. USA
Chia-Neng Huang	Chairman of the Board & CEO, Chang Wah Electromaterials Inc. Chairman of the Board & CEO, Chang Wah Technology CO.,LTD. Chairman of the Board, JMC ELECTRONICS CO., LTD. Chairman of the Board, Chang Wah Energy Technology Co., Ltd Representative of corporate director of VIZIONFOCUS INC. Corporate Director, How Weih Holding (Cayman) Co., Ltd. Representative Vice-Chairman, Echem Solutions Corp. Representative of corporate director of Silver Contacts Co., Ltd. Representative of corporate director of Silver Tai Co., Ltd. Chairman of the Board, SH Asia Pacific Pte. Ltd. Chairman of the Board, Silver Connection Co., Ltd. Corporate Director, WSP Electromaterials Ltd. Representative Director, CWE Holding Co., Ltd. Director, Broadwell Worldwide Ltd.
William W.Shen	Independent Director of Ennostar Inc. Independent Director of Episil-Precision Inc. Independent Director of UPI Semiconductor Corp.
Tai-Haur Kuo,	Independent Director of Holtek Semiconductor Inc.

4. Respectfully request the shareholders to release the Prohibition on the above new Directors from Participation in Competitive Business.

Resolution:

VI. Extraordinary Motions

VII. Meeting Adjourned

Elite Semiconductor Microelectronics Technology Inc. Business Report

COVID-19 variants continued to impact the world in 2021, causing tremendous influences and changes on human life and the economy. Yet due to cloud computing, remote working, and high demand for learning equipment, the semiconductor industry has benefited greatly from this pandemic, and the company performance was better than expected. According to WSTS, the global sales of semiconductors reached US\$55.3 billion in 2021, a YoY increase of 25.6%. The growth was the most significant one in the most recent 11 years (2010 growth 31.8%). The increase in 2022 is projected to be 8.8% totaling US\$ 60.15 billion. In terms of the memory sector, the demand for DRAM and NAND in 2021 exploded, with a 39.6% and 20.8% rise respectively. WSTS estimated that the memory market will see an 8.5% growth in 2022.

The overall semiconductor industry was not interrupted by the COVID-19. The strong commodity demand pushed a two-digit growth, with the memory products ranking at the top (34.6%), followed by analog IC (30.9%) and logic IC (27.3%). Two-digit growth was also seen in the global market, with the Asia Pacific region reaching 26.7%, Europe 25.6%, America 24.6%, and Japan 19.5%.

Looking forward to 2022, even though the COVID-19 vaccination rate is higher, the breakthrough infection caused by the virus variants still causes many people worldwide ill. To improve the economic problem that arose, QE policy has been adopted to boost the national economy. The impact, however, is severe inflation around the globe. The US inflation rate in March accelerated to 8.5%, the highest in forty years. FED will stop bond purchasing and raise interest rates. Other countries will carry out similar strategies. This not only fueled economic uncertainty, but also weakened consumer trust. Despite the setbacks, 5G communication, cloud computing, smart edge computing, EVs, and metaverse have been substantially growing, and the semiconductor industry has experienced unprecedented demands. The semiconductor is key to every business. That's why many countries put semiconductor techniques and production at their priority, investing a large amount of capital to build factories.

Automotive manufacturers were faced with chip shortages in 2021, causing manufacturing suspension. This forced more countries to invest in the semiconductor industry. 2021 was the year that EVs started to thrive, which made the semiconductor need more pressing. With more vehicle vendors putting EVs into their main product roadmap, the semiconductor market is promising. The first quarter of 2022 was the slack season for the semiconductor industry due to the material supply and the pandemic. However, the increasing memory demand brought by data centers, servers, cloud computing, edge computing, 5G mobile phones, notebooks, and other commodity products is expected to bring 15-20% of DRAM growth, and 30% of NAND growth. Thus many memory chip suppliers are positive about the semiconductor market, and expect strong momentum in the DRAM market and rising price. Additionally, as more notebooks are designed with SSDs, and 5G mobile phones are prominent, the NAND market in 2022 will grow, leading to higher SLC NAND demand

and rising prices.

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 2022.

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 2021, the Company's revenue reached a record high of \$23.845 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 2022 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 33.6%. Growth is expected to continue in the TV and smart speaker markets in 2022.

The Company's revenue for 2021 was NT\$23,844,898 thousand, an increase of 56.33% from the revenue of NT\$15,252,723 thousand in 2020, with an annual gross margin of 36.4% and a net profit before tax of NT\$5,909,183 thousand.

I. 2021 Business Result (based on individual financial statement)

1. The Comparison of Business Results from 2021 and 2020 is as Follows:

(In thousands of New Taiwan Dollars)

	2021	2020	Increase (decrease) amount	Increase (decrease) percentage
Operating income	23,844,898	15,252,723	8,592,175	56.33%
Gross profit	8,679,125	2,577,636	6,101,489	236.71%

Operating expenses	(2,821,980)	(1,476,503)	(1,345,477)	(91.13%)
Operating profit (loss)	5,857,145	1,101,133	4,756,012	431.92%
Non-operating income (expenses) - net	52,038	141,956	(89,918)	(63.34%)
Income (loss) before tax	5,909,183	1,243,089	4,666,094	375.36%
Income (loss) after tax	4,976,211	1,076,426	3,899,785	362.29%

2. Financial Revenue and Expenditure and Profitability Analysis

(1) Financial revenue and expenditure

(In thousands of New Taiwan Dollars)

Items	2021	2020	Increase (decrease) amount	Increase (decrease) percentage
Cash flow from operating activities	8,125,798	445,850	7,679,948	1,722.54%
Cash flow from investment activities	(1,749,731)	(470,315)	(1,279,416)	(272.03%)
Cash flow from financing activities	(345,983)	926,243	(1,272,226)	(137.35%)

(2) Profitability

Items	2021	2020
ROA (%)	30.12	9.25
ROE (%)	47.43	13.69
Percentage of paid-in capital (%)	Operating profit	204.68
	Net profit before tax	43.50
Net profit ratio (%)	20.87	7.06
Earnings per share (NT\$)	17.76	3.85

(3) R&D status: The R&D expenditure in 2021 was NT\$1,777,702 thousand, accounting for approximately 7.46% of operating income.

II. 2022 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 by 20% in 2021 and is expected to have a short-term correction in 2022. 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 2021, 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 2022.

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 sanctions 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 2022. 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

As the home economy and digital life advance, the demand for semiconductor components is higher than expected. Because of limited production, and Samsung and SK Hynix turned to CIS production instead of memory chips, the price of memory chips in 2021 went to a high point, while the demand remained burgeoning. Since the outbreak of COVID-19, people's lives have encountered never-before-seen challenges. Governments in many countries have imposed QE policies and money printing to solve economic problems. Yet inflation started to appear in many countries, which affects consumers' trust. Central banks around the world will raise interest rate in 2022, leading to high economic uncertainty. On top of that, the trade war between China and the US, and the conflict between Ukraine and Russia caused the oil price to surge to an unprecedented high point. In short, the semiconductor market is in a growing state. The business result in 2022 is worth expecting.

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.

Audit Committees' Review Report

The BOD has prepared Business Report, Financial Statements, and proposal for earnings distribution of the Company for the year 2021. The Certified Public Accountant firm of PricewaterhouseCoopers has audited the Financial Statements and issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and proposal for earnings distribution have been reviewed and determined to be correct and accurate by the Audit Committee of the Elite Semiconductor Microelectronics Technology Inc. We hereby report to the shareholders as described above in accordance with relevant requirements of the Securities and Exchange Act and the Company Act.

To: 2022 Annual General Shareholders' Meeting of Elite Semiconductor Microelectronics Technology Inc.

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

April 28, 2022

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)

(2022) Finance-Audit-Letter No.21003672

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, 2021 and 2020, 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, 2021 and 2020, 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, 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 31,2021, the inventory and allowance for inventory valuation loss amounted to NT\$5,388,195 thousand and NT\$24,886 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:

unicate 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 25, 2022

Elite Semiconductor Microelectronics Technology Inc.
Parent Company Only Balance Sheets
December 31, 2021 and 2020

Unit: NT\$ thousand

Assets	Note	December 31, 2021		December 31, 2020	
		Amount	%	Amount	%
Current assets					
1100	Cash and cash equivalents	\$ 8,749,239	43	\$ 2,719,155	21
1110	Financial assets at fair value through profit or loss - current	173,513	1	168,548	1
1136	Financial assets at amortized cost - current	110,720	1	136,704	1
1170	Accounts receivable, net	1,910,845	9	1,505,780	12
1200	Other receivables	115,503	1	94,611	1
130X	Inventories	5,363,309	27	5,969,644	46
1410	Prepayments	60,776	-	23,477	-
1470	Other current assets	170	-	5,183	-
11XX	Total current assets	<u>16,484,075</u>	<u>82</u>	<u>10,623,102</u>	<u>82</u>
Non-current assets					
1517	Financial assets at fair value through other comprehensive income - non-current	17,697	-	32,418	-
1550	Investment accounted for under the equity method	1,385,929	7	1,291,337	10
1600	Property, plant and equipment	1,237,536	6	776,013	6
1755	Right-of-use assets	69,562	-	72,090	-
1760	Investment property, net	16,731	-	17,701	-
1780	Intangible assets	83,825	1	111,688	1
1840	Deferred income tax assets	3,116	-	3,813	-
1900	Other non-current assets	857,372	4	77,055	1
15XX	Total non-current assets	<u>3,671,768</u>	<u>18</u>	<u>2,382,115</u>	<u>18</u>
1XXX	Total assets	<u>\$ 20,155,843</u>	<u>100</u>	<u>\$ 13,005,217</u>	<u>100</u>

(Continued)

Elite Semiconductor Microelectronics Technology Inc.
Parent Company Only Balance Sheets
December 31, 2021 and 2020

Unit: NT\$ thousand

Liabilities and equity	Note	December 31, 2021		December 31, 2020		
		Amount	%	Amount	%	
Current liabilities						
2100	Short-term borrowings	6(13)	\$ 1,700,000	8	\$ 1,340,000	10
2110	Short-term notes and bills payable		-	-	149,756	1
2130	Contract liabilities - current	6(20)	21,399	-	5,336	-
2150	Notes payable		2,205	-	2,115	-
2170	Accounts payable		2,799,845	14	2,281,658	18
2180	Accounts payable-related party	7(2)	52,939	-	-	-
2200	Other payables	6(14)	1,830,027	9	688,630	5
2230	Current income tax liabilities		904,582	5	147,677	1
2280	Lease liabilities - current		7,509	-	6,368	-
2300	Other current liabilities		5,611	-	9,250	-
21XX	Total current liabilities		<u>7,324,117</u>	<u>36</u>	<u>4,630,790</u>	<u>35</u>
Non-current liabilities						
2550	Provisions - non-current		18,040	-	16,495	-
2570	Deferred income tax liabilities	6(27)	15,455	-	12,442	-
2580	Lease liabilities – non-current		63,328	1	66,561	1
2600	Other non-current liabilities	6(15)	13,488	-	14,886	-
25XX	Total non-current liabilities		<u>110,311</u>	<u>1</u>	<u>110,384</u>	<u>1</u>
2XXX	Total liabilities		<u>7,434,428</u>	<u>37</u>	<u>4,741,174</u>	<u>36</u>
Equity						
Share capital						
3110	Common stock	6(17)	2,861,570	14	2,857,589	22
Capital surplus						
3200	Capital surplus	6(18)	181,329	1	109,677	1
Retained earnings						
3310	Legal reserve	6(19)	1,516,762	8	1,409,039	11
3320	Special reserve		-	-	8,524	-
3350	Unappropriated retained earnings		8,323,076	41	4,019,327	31
Other equity interest						
3400	Other equity interest		(23,906)	-	5,536	-
3500	Treasury shares	6(17)	(137,416)	(1)	(145,649)	(1)
3XXX	Total equity		<u>12,721,415</u>	<u>63</u>	<u>8,264,043</u>	<u>64</u>
Significant Contingent Liabilities and 9 Unrecognized Contractual Commitments						
Significant Events after the End of 11 the Balance Sheet Date						
3X2X	Total liabilities and equity		<u>\$ 20,155,843</u>	<u>100</u>	<u>\$ 13,005,217</u>	<u>100</u>

The accompanying notes are an integral part of these parent company only 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, 2021 and 2020

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

Items	Notes	2021		2020	
		Amount	%	Amount	%
4000 Operating revenue	6(20)7(2)	\$ 23,844,898	100	\$ 15,252,723	100
5000 Operating costs	6(5)(25)(26)7(2)	(15,165,773)	(63)	(12,675,087)	(83)
5900 Gross profit		8,679,125	37	2,577,636	17
5950 Gross profit - net		8,679,125	37	2,577,636	17
Operating expenses	6(25)(26)				
6100 Selling expenses	7(2)	(486,325)	(2)	(273,154)	(2)
6200 Administrative expenses		(563,666)	(2)	(276,844)	(2)
6300 Research and development expenses	7(2)	(1,777,702)	(8)	(935,087)	(6)
6450 Expected credit impairment gain	12(2)	5,713	-	8,582	-
6000 Total operating expenses		(2,821,980)	(12)	(1,476,503)	(10)
6900 Operating profit		5,857,145	25	1,101,133	7
Non-operating income and expenses					
7100 Interest income	6(21)	27,254	-	17,540	-
7010 Other income	6(22)7(2)	56,853	-	64,940	-
7020 Other gains or losses	6(23)	(75,268)	-	(35,218)	-
7050 Financial costs	6(24)	(20,341)	-	(11,308)	-
7070 Share of profit (loss) of associates and joint ventures accounted for under equity method	6(6)	63,540	-	106,002	1
7000 Total non-operating income and expenses		52,038	-	141,956	1
7900 Profit before income tax		5,909,183	25	1,243,089	8
7950 Income tax expenses	6(27)	(932,972)	(4)	(166,663)	(1)
8200 Profit for the period		\$ 4,976,211	21	\$ 1,076,426	7
Other comprehensive income (loss) - net					
Items not reclassified to profit or loss					
8311 (Loss)Gain on remeasurements of defined benefit plans	6(15)	(\$ 949)	-	\$ 812	-
8316 Unrealized gain (loss) on valuation of equity instruments at fair value through other comprehensive income	6(3)	(14,721)	-	7,030	-
8330 Share of other comprehensive income (loss) of associates and joint ventures accounted for under equity method - items not reclassified to profit or loss		(14,721)	-	7,030	-
8300 Other comprehensive income (loss) - net		(\$ 30,391)	-	\$ 14,872	-
8500 Total comprehensive income for the period		\$ 4,945,820	21	\$ 1,091,298	7
Basic earnings per share	6(28)				
9750 Basic earnings per share		\$	17.76	\$	3.85
Diluted earnings per share	6(28)				
9850 Diluted earnings per share		\$	17.63	\$	3.83

The accompanying notes are an integral part of these parent company only 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, 2021 and 2020

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				
<u>2020</u>									
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(19)	-	-	-	-	-	-	-	-
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(18)	-	1,146	-	-	-	-	-	1,146
Adjustment of capital reserve due to cash dividends that subsidiaries received from parent	6(18)	-	5,925	-	-	-	-	-	5,925
Recognition of effects from change in ownership interests in subsidiaries - subsidiary acquired non-controlling interests	6(18)	-	(1,781)	-	-	-	-	-	(1,781)
Expired cash dividends transferred to capital surplus	6(18)	-	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>
<u>2021</u>									
Balance at January 1, 2021		\$ 2,857,589	\$ 109,677	\$ 1,409,039	\$ 8,524	\$ 4,019,327	\$ 5,536	(\$ 145,649)	\$ 8,264,043
Profit for the period		-	-	-	-	4,976,211	-	-	4,976,211
Other comprehensive income for the period		-	-	-	-	(949)	(29,442)	-	(30,391)
Comprehensive income for the period		-	-	-	-	4,975,262	(29,442)	-	4,945,820
Distribution of 2020 earnings	6(19)	-	-	-	-	-	-	-	-
Legal reserve appropriated		-	-	107,723	-	(107,723)	-	-	-
Cash dividends of ordinary share		-	-	-	-	(572,314)	-	-	(572,314)
Reversal of special reserve		-	-	-	(8,524)	8,524	-	-	-
Disposal of company's share by subsidiary recognized as treasury share	6(18)	-	40,089	-	-	-	-	8,233	48,322
Recognition of effects from change in ownership interests in subsidiaries - cash dividends distribution from subsidiaries	6(18)	-	1,146	-	-	-	-	-	1,146
Adjustment of capital reserve due to cash dividends that subsidiaries received from parent	6(18)	-	11,739	-	-	-	-	-	11,739
Recognition of effects from change in ownership interests in subsidiaries - subsidiary acquired non-controlling interests	6(18)	-	(27)	-	-	-	-	-	(27)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	6(18)	-	(311)	-	-	-	-	-	(311)
Issue new shares due to employee stock options exercised	6(16) (17) (18)	3,981	18,946	-	-	-	-	-	22,927
Expired cash dividends transferred to capital surplus	6(18)	-	70	-	-	-	-	-	70
Balance at December 31, 2021		<u>\$ 2,861,570</u>	<u>\$ 181,329</u>	<u>\$ 1,516,762</u>	<u>\$ -</u>	<u>\$ 8,323,076</u>	<u>(\$ 23,906)</u>	<u>(\$ 137,416)</u>	<u>\$ 12,721,415</u>

The accompanying notes are an integral part of these parent company only 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, 2021 and 2020

Unit: NT\$ thousand
2020

	Notes	2021	2020
<u>Cash flows from operating activities</u>			
Profit before income tax for the period		\$ 5,909,183	\$ 1,243,089
Adjustments			
Income and expenses having no effect on cash flows			
Depreciation	6(7) (8) (9) (25)	401,657	306,407
Amortization	6(10) (25)	116,866	111,401
Expected credit impairment gain	12(2)	(5,713)	(8,582)
Net gain on financial assets at fair value through profit or loss	6(2) (23)	(52,007)	(17,707)
Interest expenses	6(24)	20,341	11,308
Interest income	6(21)	(27,254)	(17,540)
Dividend income	6(22)	(3,155)	(3,473)
Impairment loss	6(10) (11) (23)	18,302	25,352
Share of (loss) profit of associates and joint ventures accounted for under equity method		(63,540)	(106,002)
Gains arising from lease modifications	6(23)	(4)	(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		47,042	-
Notes receivable		-	34
Accounts receivable		(400,325)	(337,025)
Accounts receivable - related parties		973	-
Other receivables		(17,200)	(15,468)
Inventories		606,335	(1,001,120)
Prepayments		(37,299)	(1,614)
Other current assets		5,013	(2,550)
Net changes in liabilities relating to operating activities			
Notes payable		90	225
Accounts payable		518,187	146,978
Accounts payable - related parties		52,939	-
Contract liabilities		16,063	1,387
Other payables		1,193,033	148,355
Other current liabilities		(3,639)	4,925
Other non-current liabilities		(2,049)	386
Cash inflow (outflow) generated from operations		8,293,839	488,675
Interest received		23,562	18,142
Interest paid		(19,246)	(10,093)
Income taxes paid		(172,357)	(50,874)
Net cash flows from operating activities		<u>8,125,798</u>	<u>445,850</u>

(Continued)

Elite Semiconductor Microelectronics Technology Inc.
Parent Company Only Statements of Cash Flows
Years ended December 31, 2021 and 2020

Unit: NT\$ thousand
2020

	Notes	2021	2020
<u>Cash flows from investing activities</u>			
Acquisition of financial assets at amortized cost		(\$ 144,324)	(\$ 140,157)
Disposal of financial assets at amortized cost		170,308	144,359
Proceeds from capital withdrawal from liquidation of subsidiaries		-	19,408
Acquisition of property, plant and equipment	6(29)	(850,539)	(354,365)
Acquisition of intangible assets	6(29)	(106,876)	(167,264)
Increase in guarantee deposit paid		(836,550)	(56)
Dividends received		18,250	27,760
Net cash flows from investing activities		<u>(1,749,731)</u>	<u>(470,315)</u>
<u>Cash flows from financing activities</u>			
Increase in short-term borrowings	6(29)	360,000	1,070,000
Increase (decrease) in short-term notes and bills payable	6(29)	(148,869)	150,476
Lease principal repayment	6(29)	(7,499)	(5,320)
Decrease in guarantee deposit received	6(29)	(298)	(3,236)
Employee exercised stock options		22,927	-
Cash dividends paid	6(19)	(572,314)	(285,759)
Expired cash dividends	6(18)	70	82
Net cash flows from (used in) financing activities		<u>(345,983)</u>	<u>926,243</u>
Net increase in cash and cash equivalents		6,030,084	901,778
Cash and cash equivalents at beginning of period	6(1)	2,719,155	1,817,377
Cash and cash equivalents at end of period	6(1)	<u>\$ 8,749,239</u>	<u>\$ 2,719,155</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

(English Translation of a Report Originally Issued in Chinese)

Independent Auditors' Report

(CONSOLIDATED FINANCIAL STATEMENT)

(2022) Finance-Audit-Letter No.21003671

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, 2021 and 2020, 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, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, 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 Group's 2021 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's 2021 consolidated financial statements 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, 2021, the inventory and allowance for inventory valuation loss amounted to NT\$5,401,972 thousand and NT\$26,287 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, 2021 and 2020.

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:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We 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 25, 2022

Elite Semiconductor Microelectronics Technology Inc. and Subsidiaries
Consolidated Balance Sheets
December 31, 2021 and 2020

Unit: NT\$ thousand

Assets	Note	December 31, 2021		December 31, 2020	
		Amount	%	Amount	%
Current assets					
1100	Cash and cash equivalents	\$ 9,790,722	48	\$ 3,597,917	28
1110	Financial assets at fair value through profit or loss - current	359,686	2	365,474	3
1136	Financial assets at amortized cost - current	110,720	-	136,704	1
1170	Accounts receivable, net	1,989,419	10	1,633,993	12
1200	Other receivables	116,462	1	95,830	1
130X	Inventories	5,375,685	27	5,969,330	46
1410	Prepayments	69,113	-	27,602	-
1470	Other current assets	170	-	5,197	-
11XX	Total current assets	<u>17,811,977</u>	<u>88</u>	<u>11,832,047</u>	<u>91</u>
Non-current assets					
1517	Financial assets at fair value through other comprehensive income - non-current	35,394	-	64,836	-
1550	Investment accounted for under the equity method	51,812	-	33,883	-
1600	Property, plant and equipment	1,302,287	7	776,598	6
1755	Right-of-use assets	73,549	-	80,782	1
1760	Investment property, net	16,731	-	17,701	-
1780	Intangible assets	83,825	1	111,688	1
1840	Deferred income tax assets	3,116	-	3,813	-
1900	Other non-current assets	858,688	4	79,000	1
15XX	Total non-current assets	<u>2,425,402</u>	<u>12</u>	<u>1,168,301</u>	<u>9</u>
1XXX	Total assets	<u>\$ 20,237,379</u>	<u>100</u>	<u>\$ 13,000,348</u>	<u>100</u>

(Continued)

Elite Semiconductor Microelectronics Technology Inc. and Subsidiaries
Consolidated Balance Sheets
December 31, 2021 and 2020

Unit: NT\$ thousand

Liabilities and equity		Note	December 31, 2021		December 31, 2020	
			Amount	%	Amount	%
Current liabilities						
2100	Short-term borrowings	6(13)	\$ 1,700,000	8	\$ 1,340,000	10
2110	Short-term notes and bills payable		-	-	149,756	1
2130	Contract liabilities - current	6(20)	21,399	-	5,346	-
2150	Notes payable		2,205	-	2,115	-
2170	Accounts payable		2,980,701	15	2,396,158	19
2200	Other payables	6(14)	1,832,840	9	694,001	5
2230	Current income tax liabilities		911,140	5	147,948	1
2280	Lease liabilities - current		11,501	-	10,356	-
2300	Other current liabilities		7,919	-	10,478	-
21XX	Total current liabilities		<u>7,467,705</u>	<u>37</u>	<u>4,756,158</u>	<u>36</u>
Non-current liabilities						
2550	Provisions - non-current		18,040	-	16,495	-
2570	Deferred income tax liabilities	6(27)	15,455	-	12,442	-
2580	Lease liabilities – non-current		63,328	-	71,281	1
2600	Other non-current liabilities	6(15)	13,291	-	14,689	-
25XX	Total non-current liabilities		<u>110,114</u>	<u>-</u>	<u>114,907</u>	<u>1</u>
2XXX	Total liabilities		<u>7,577,819</u>	<u>37</u>	<u>4,871,065</u>	<u>37</u>
Equity attributable to owners of the parent						
Share capital						
3110	Common stock	6(17)	2,861,570	14	2,857,589	22
Capital surplus						
3200	Capital surplus	6(18)	181,329	1	109,677	1
Retained earnings						
3310	Legal reserve	6(19)	1,516,762	8	1,409,039	11
3320	Special reserve		-	-	8,524	-
3350	Unappropriated retained earnings		8,323,076	41	4,019,327	31
Other equity interest						
3400	Other equity interest		(23,906)	-	5,536	-
3500	Treasury shares	6(17)	(137,416)	(1)	(145,649)	(1)
31XX	Total equity attributable to owners of the parent		<u>12,721,415</u>	<u>63</u>	<u>8,264,043</u>	<u>64</u>
36XX	Non-controlling interest		<u>(61,855)</u>	<u>-</u>	<u>(134,760)</u>	<u>(1)</u>
3XXX	Total equity		<u>12,659,560</u>	<u>63</u>	<u>8,129,283</u>	<u>63</u>
Significant Contingent Liabilities and Unrecognized Contractual Commitments						
Significant Events after the End of the Balance Sheet Date						
3X2X	Total liabilities and equity		<u>\$ 20,237,379</u>	<u>100</u>	<u>\$ 13,000,348</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, 2021 and 2020

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

	Items	Notes	2021		2020	
			Amount	%	Amount	%
4000	Operating revenue	6(20)	\$ 23,844,898	100	\$ 15,267,139	100
5000	Operating costs	6(5)(25)(26)	(15,128,779)	(63)	(12,618,097)	(83)
5950	Gross profit		<u>8,716,119</u>	<u>37</u>	<u>2,649,042</u>	<u>17</u>
	Operating expenses	6(25)(26)				
6100	Selling expenses		(483,319)	(2)	(271,045)	(2)
6200	Administrative expenses		(576,825)	(2)	(290,943)	(2)
6300	Research and development expenses		(1,786,681)	(8)	(940,851)	(6)
6450	Expected credit impairment gain	12(2)	5,713	-	8,582	-
6000	Total operating expenses		<u>(2,841,112)</u>	<u>(12)</u>	<u>(1,494,257)</u>	<u>(10)</u>
6900	Operating profit		<u>5,875,007</u>	<u>25</u>	<u>1,154,785</u>	<u>7</u>
	Non-operating income and expenses					
7100	Interest income	6(21)	33,234	-	27,412	-
7010	Other income	6(22)	48,630	-	26,505	-
7020	Other gains or losses	6(23)	26,526	-	55,852	1
7050	Financial costs	6(24)	(20,432)	-	(11,527)	-
7060	Share of profit (loss) of associates and joint ventures accounted for under equity method	6(6)	<u>17,929</u>	<u>-</u>	<u>673</u>	<u>-</u>
7000	Total non-operating income and expenses		<u>105,887</u>	<u>-</u>	<u>98,915</u>	<u>1</u>
7900	Profit before income tax		<u>5,980,894</u>	<u>25</u>	<u>1,253,700</u>	<u>8</u>
7950	Income tax expenses	6(27)	(940,874)	(4)	(169,259)	(1)
8200	Profit for the period		<u>\$ 5,040,020</u>	<u>21</u>	<u>\$ 1,084,441</u>	<u>7</u>
	Other comprehensive income (loss) - net					
	Items not reclassified to profit or loss					
8311	(Loss)Gain on remeasurements of defined benefit plans	6(15)	(\$ 949)	-	\$ 812	-
8316	Unrealized gain (loss) on valuation of equity instruments at fair value through other comprehensive income	6(3)	<u>(29,442)</u>	<u>-</u>	<u>14,060</u>	<u>-</u>
8300	Other comprehensive income (loss) - net		<u>(\$ 30,391)</u>	<u>-</u>	<u>\$ 14,872</u>	<u>-</u>
8500	Total comprehensive income for the period		<u>\$ 5,009,629</u>	<u>21</u>	<u>\$ 1,099,313</u>	<u>7</u>
	Profit (loss) attributable to:					
8610	Owners of the parent		<u>\$ 4,976,211</u>	<u>21</u>	<u>\$ 1,076,426</u>	<u>7</u>
8620	Non-controlling interest		<u>\$ 63,809</u>	<u>-</u>	<u>\$ 8,015</u>	<u>-</u>
	Comprehensive income (loss) attributable to:					
8710	Owners of the parent		<u>\$ 4,945,820</u>	<u>21</u>	<u>\$ 1,091,298</u>	<u>7</u>
8720	Non-controlling interest		<u>\$ 63,809</u>	<u>-</u>	<u>\$ 8,015</u>	<u>-</u>
	Earnings per share	6(28)				
9750	Basic earnings per share		<u>\$ 17.76</u>		<u>\$ 3.85</u>	
9850	Diluted earnings per share		<u>\$ 17.63</u>		<u>\$ 3.83</u>	

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

Chairman: Hsing-Hai Chen

Manager: Ming-Chien Chang
~28~

Accounting Manager: Candy Chu

Elite Semiconductor Microelectronics Technology Inc. and Subsidiaries
Consolidated Statements of Changes in Equity
Years ended December 31, 2021 and 2020

Unit: NT\$ thousand

	Note	Equity attributable to owners of the parent							Non-controlling interest	Total equity	
		Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Unrealized gain (loss) on financial assets measured at fair value through other comprehensive income	Treasury share			Total
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(19)	-	-	-	-	-	-	-	-	-	-
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(18)	-	1,146	-	-	-	-	-	1,146	(10,396)	(9,250)
Adjustment of capital reserve due to cash dividends that subsidiaries received from parent	6(18)	-	5,925	-	-	-	-	-	5,925	-	5,925
Recognition of effects from change in ownership interests in subsidiaries - subsidiary acquired non-controlling interests	6(18) (29)	-	(1,781)	-	-	-	-	-	(1,781)	(132)	(1,913)
Expired cash dividends transferred to capital surplus	6(18)	-	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
2021											
Balance at January 1, 2021		\$ 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
Profit for the period		-	-	-	-	4,976,211	-	-	4,976,211	63,809	5,040,020
Other comprehensive income for the period		-	-	-	-	(949)	(29,442)	-	(30,391)	-	(30,391)
Comprehensive income for the period		-	-	-	-	4,975,262	(29,442)	-	4,945,820	63,809	5,009,629
Distribution of 2020 earnings	6(19)	-	-	-	-	-	-	-	-	-	-
Legal reserve appropriated		-	-	107,723	-	(107,723)	-	-	-	-	-
Cash dividends of ordinary share		-	-	-	-	(572,314)	-	-	(572,314)	-	(572,314)
Reversal of special reserve		-	-	-	(8,524)	8,524	-	-	-	-	-
Disposal of company's share by subsidiary recognized as treasury share	6(18)	-	40,089	-	-	-	-	8,233	48,322	11,435	59,757
Recognition of effects from change in ownership interests in subsidiaries - cash dividends distribution from subsidiaries	6(18)	-	1,146	-	-	-	-	-	1,146	(7,233)	(6,087)
Adjustment of capital reserve due to cash dividends that subsidiaries received from parent	6(18)	-	11,739	-	-	-	-	-	11,739	-	11,739
Recognition of effects from change in ownership interests in subsidiaries - subsidiary acquired non-controlling interests	6(18) (29)	-	(27)	-	-	-	-	-	(27)	(1)	(28)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	6(18)	-	(311)	-	-	-	-	-	(311)	4,895	4,584
Issue new shares due to employee stock options exercised	6(16) (17) (18)	3,981	18,946	-	-	-	-	-	22,927	-	22,927
Expired cash dividends transferred to capital surplus	6(18)	-	70	-	-	-	-	-	70	-	70
Balance at December 31, 2021		\$ 2,861,570	\$ 181,329	\$ 1,516,762	\$ -	\$ 8,323,076	(\$ 23,906)	(\$ 137,416)	\$ 12,721,415	(\$ 61,855)	\$ 12,659,560

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 Cash Flows
Years ended December 31, 2021 and 2020

	Notes	2021	2020
Unit: NT\$ thousand			
<u>Cash flows from operating activities</u>			
Profit before income tax for the period		\$ 5,980,894	\$ 1,253,700
Adjustments			
Income and expenses having no effect on cash flows			
Depreciation	6(7) (8) (9) (25)	409,566	312,334
Amortization	6(10) (25)	116,858	111,556
Expected credit impairment gain	12(2)	(5,713)	(8,582)
Net gain on financial assets at fair value through profit or loss	6(2) (23)	(114,844)	(132,628)
Interest expenses	6(24)	20,432	11,527
Interest income	6(21)	(33,234)	(27,412)
Share of (loss) profit of associates and joint ventures accounted for under equity method	6(6)	(17,929)	(673)
Dividend income	6(22)	(22,184)	(13,053)
Impairment loss	6(10) (11) (23)	18,302	25,352
Gains on disposals of property, plant and equipment	6(22)	(10)	-
Gains arising from lease modifications	6(23)	(37)	(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		120,632	19,747
Notes receivable		-	34
Accounts receivable		(350,686)	(367,741)
Accounts receivable - related parties		973	(732)
Other receivables		(16,889)	(16,458)
Inventories		593,645	(996,778)
Prepayments		(37,468)	(158)
Other current assets		5,027	(2,300)
Net changes in liabilities relating to operating activities			
Notes payable		90	134
Accounts payable		584,543	170,249
Contract liabilities		16,053	1,387
Other payables		1,190,428	142,077
Other current liabilities		(2,984)	4,398
Other non-current liabilities		(2,049)	395
Cash inflow (outflow) generated from operations		8,453,416	486,164
Interest received		29,491	30,782
Interest paid		(19,336)	(10,313)
Income taxes paid		(173,972)	(53,285)
Net cash flows from operating activities		8,289,599	453,348

(Continued)

Elite Semiconductor Microelectronics Technology Inc. and Subsidiaries
Consolidated Statements of Cash Flows
Years ended December 31, 2021 and 2020

Unit: NTS thousand
2020

	Notes	2021	2020
<u>Cash flows from investing activities</u>			
Acquisition of financial assets at amortized cost		(\$ 144,324)	(\$ 140,157)
Disposal of financial assets at amortized cost		170,308	144,359
Acquisition of property, plant and equipment	6(30)	(917,073)	(354,308)
Proceeds from disposal of financial assets at fair value through profit or loss		10	-
Acquisition of intangible assets	6(30)	(106,868)	(167,003)
Increase in guarantee deposit paid		(835,542)	(234)
Dividends received	6(22)	22,184	13,053
Net cash flows from investing activities		(1,811,305)	(504,290)
<u>Cash flows from financing activities</u>			
Increase in short-term borrowings	6(30)	360,000	1,066,000
Increase (decrease) in short-term notes and bills payable	6(30)	(148,869)	150,476
Lease principal repayment	6(30)	(12,386)	(10,575)
Decrease in guarantee deposit received	6(30)	(298)	(3,236)
Cash dividends paid	6(19)	(572,314)	(285,759)
Employee exercised stock options		22,927	-
Subsidiaries paid cash dividends to non-controlling interests		(6,087)	(9,250)
Subsidiaries received cash dividends from parent	6(18)	11,739	5,925
Disposal of treasury share	6(18)	48,322	-
Disposal of treasury share – increase of non-controlling interests		11,435	-
Expired cash dividends	6(18)	70	82
Acquisition of ownership interests from non-controlling interests	6(29)	(28)	(1,913)
Treasury share acquired		-	(19,894)
Net cash flows from (used in) financing activities		(285,489)	891,856
Net increase in cash and cash equivalents		6,192,805	840,914
Cash and cash equivalents at beginning of period	6(1)	3,597,917	2,757,003
Cash and cash equivalents at end of period	6(1)	\$ 9,790,722	\$ 3,597,917

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. 2021 Earnings Distribution Table

Unit: NT\$

Items	Amount	Remarks
I. Earnings available for distribution		
1. Undistributed earnings of previous year	3,347,813,377	
2. Less: Actuarial loss of defined benefit plan	(948,871)	
3. Add: Net income of 2021	4,976,211,520	
4. Less: Appropriated for Legal Reserve	(497,526,265)	
5. Less: Appropriated for Special Reserve	(23,905,278)	
Total	7,801,644,483	
II. Distribution item:		
1. Cash Dividend to Shareholders	(2,289,255,624)	NT\$8.0per share
III. Unappropriated retained earnings transferred to the following year	5,512,388,859	

Note : 2021 cash dividend was NT\$8.0 per share.

The cash dividend distribution is calculated temporarily based on the Company's outstanding common shares of 286,156,953 shares as of February 25, 2022. Where the dividend distribution rate of NT\$8.0 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 Chairman of the BOD 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 24	<p>The Company’s annual profit, if any, shall be distributed in the following order:.</p> <p>(I) Pay taxes (II) Offset the losses (III) Appropriate 10% as legal reserve (IV) Appropriate for special reserve if necessary (V) The remaining earnings 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.</p> <p>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 in cash and the remaining shall be distributed in shares.</p>	<p>The Company’s annual profit, if any, shall be distributed in the following order:.</p> <p>(I) Pay taxes (II) Offset the losses (III) Appropriate 10% as legal reserve, <u>excepting for the accumulated legal reserve that has reached total paid-in capital of the Company</u> (IV) <u>Appropriate or reversal for special reserve by law</u> (V) <u>The remaining earnings, together with the accumulated undistributed earnings from the previous period, shall be allocated as dividends for shareholders and will be distributed according to the shareholders' meeting.</u></p> <p>The Company is still at the growth stage of <u>related</u> industry life cycle. <u>In response to future capital needs, long-term financial plans, and shareholders' demand for cash dividends, the distributable earnings in the current year can all be allocated. The allocation plan is made by the BOD according to regulations and should be resolved by the shareholders' meeting. The Company may distribute dividends to shareholders in cash or stocks. The ratio of cash dividends shall be no less than 50% of the total dividends of the shareholders.</u></p> <p><u>Where earnings, legal reserve, and capital reserve are distributed entirely or partially in cash, the BOD shall be authorized, pursuant to Articles 240 and 241 of the Company Act, to approve the distribution by a resolution adopted by a majority of the Directors at a meeting attended by over two-thirds of the total number of BOD. The distribution by a resolution of BOD shall be reported to the Shareholders' Meeting..</u></p>	Amended in accordance with the operation needs of the Company.

Article 24-1	<p>Based on the profit of the year, the Company shall <u>distribute</u> no less than 5% of the profit as compensation to employees, and 1% of the profit as remuneration to Directors. However, profits must first be taken to offset against cumulative losses if any. The compensation of employees shall be distributed in stock or cash, and the recipients of shares or cash may include the subsidiary company employees who meet certain conditions.</p> <p>“The profit of the year” referred in the preceding paragraph means earnings before tax, after deduction the compensation to employees and the remuneration to Directors.</p> <p>The distribution of the compensation to employees and the remuneration to Directors shall be approved by a majority of the Directors at a meeting attended by over two-thirds of the total number of BOD, and then should be reported to the Shareholders’ Meeting.</p>	<p>Based on the profit of the year, the Company shall <u>appropriate</u> no less than 5% of the profit as compensation to employees, and <u>no more than</u> 1% of the profit as remuneration to Directors. However, profits must first be taken to offset against cumulative losses if any. The compensation of employees shall be distributed in stock or cash, and the recipients of shares or cash may include the subsidiary company employees who meet certain conditions.</p> <p>“The profit of the year” referred in the preceding paragraph means earnings before tax, after deduction the compensation to employees and the remuneration to Directors.</p> <p>The distribution of the compensation to employees and the remuneration to Directors shall be approved by a majority of the Directors at a meeting attended by over two-thirds of the total number of BOD, and then should be reported to the Shareholders’ Meeting.</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 21th amendment was made on Jul. 12, 2021.</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>The 21th amendment was made on Jul. 12, 2021.</p> <p><u>The 22th amendment was made on Jun. 15, 2022..</u></p>	Added the date of amendment

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 6	<p>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:</p> <p>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.</p> <p>II. May not be a related party or de facto related party of any party to the transaction.</p> <p>III. If the Company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.</p> <p>When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following:</p> <p>I. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.</p> <p>II. When conducting 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.</p> <p>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.</p>	<p>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:</p> <p>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.</p> <p>II. May not be a related party or de facto related party of any party to the transaction.</p> <p>III. If the Company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.</p> <p><u>When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the self-regulatory rules of the industry associations to which they belong and with the following provisions:</u></p> <p>I. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.</p> <p>II. When conducting 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.</p> <p>III. They shall undertake an item-by-item evaluation of the <u>appropriateness</u> and reasonableness of the sources of data used,</p>	Amended to comply with the provisions of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies

	<p>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.</p>	<p>the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.</p> <p>IV. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is <u>appropriate</u> and reasonable, and that they have complied with applicable laws and regulations.</p>	
Article 7	<p>Procedures for acquisition or disposal of real property, equipment or the right-of-use assets thereof</p> <p>I. Appraisal and procedures (Omit)</p> <p>II. Procedures for determining the transaction conditions and authorized amounts (Omit)</p> <p>III. Execution unit (Omit)</p> <p>IV. Appraisal report of real property, equipment or the right-of-use assets thereof</p> <p>In acquiring or disposing of real property, other fixed assets or the right-of-use assets thereof where the transaction amount reaches NT\$300 million or 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:</p> <p>(I) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the BOD; the same procedure shall also be followed whenever there is any subsequent change to the conditions of the transaction.</p> <p>(II) Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.</p> <p>(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 <u>engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No.20 published by the ROC Accounting</u></p>	<p>Procedures for acquisition or disposal of real property, equipment or the right-of-use assets thereof</p> <p>I. Appraisal and procedures (Omit)</p> <p>II. Procedures for determining the transaction conditions and authorized amounts (Omit)</p> <p>III. Execution unit (Omit)</p> <p>IV. Appraisal report of real property, equipment or the right-of-use assets thereof</p> <p>In acquiring or disposing of real property, other fixed assets or the right-of-use assets thereof where the transaction amount reaches NT\$300 million or 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:</p> <p>(I) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the BOD; the same procedure shall also be followed whenever there is any subsequent change to the conditions of the transaction.</p> <p>(II) Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.</p> <p>(III) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p>	Amended to comply with the provisions of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies

	<p><u>Research and Development Foundation (ARDF)</u> and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <p>1. The discrepancy between the appraisal result and the transaction amount is 20% or more of the transaction amount.</p> <p>2. The discrepancy between the appraisal results of two or more professional appraisers is 10% or more of the transaction amount.</p> <p>(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.</p> <p>(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 certified public accountant's opinion.</p> <p>(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.</p>	<p>1. The discrepancy between the appraisal result and the transaction amount is 20% or more of the transaction amount.</p> <p>2. The discrepancy between the appraisal results of two or more professional appraisers is 10% or more of the transaction amount.</p> <p>(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.</p> <p>(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 certified public accountant's opinion.</p> <p>(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.</p>	
Article 8	<p>Procedures for Acquisition or Disposal of Marketable Securities</p> <p>I. Appraisal and procedures (Omit)</p> <p>II. Procedures for determining the transaction conditions and authorized amounts (Omit)</p> <p>III. Execution unit (Omit)</p> <p>IV. Acquire expert opinion</p> <p>The Company acquiring or disposing of securities 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 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. <u>If the certified public accountant needs to use expert report as evidence, he/she shall</u></p>	<p>Procedures for Acquisition or Disposal of Marketable Securities</p> <p>I. Appraisal and procedures (Omit)</p> <p>II. Procedures for determining the transaction conditions and authorized amounts (Omit)</p> <p>III. Execution unit (Omit)</p> <p>IV. Acquire expert opinion</p> <p>The Company acquiring or disposing of securities 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 20% of the Company's paid-in capital or NT\$300 million or more, the Company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. This requirement does not apply, however, to securities that have publicly</p>	Amended to comply with the provisions of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies

	<p><u>do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</u> 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).</p>	<p>quoted prices in an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (FSC).</p>	
Article 9	<p>Procedures for related party transactions</p> <p>I. When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised, if the transaction amount reaches 10% or more 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 compliance with the provisions of this Article, Article 7, Article 8, and Article 10. The calculation of the transaction amount shall be made in accordance with Article 10-1 herein. Furthermore, when judging whether a transaction counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.</p> <p>II. Appraisal and procedures</p> <p>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 20% or more of the Company's paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the Audit Committee, and then by the BOD; the portion that has been approved by the Audit Committee and then by the BOD needs not to be counted toward the transaction amount.</p> <p>(I) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.</p> <p>(II) The reason for choosing the related party as a transaction counterparty.</p> <p>(III) With respect to the acquisition of real property or right-of-use assets thereof from a related party, information</p>	<p>Procedures for related party transactions</p> <p>I. When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised, if the transaction amount reaches 10% or more 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 compliance with the provisions of this Article, Article 7, Article 8, and Article 10. The calculation of the transaction amount shall be made in accordance with Article 10-1 herein. Furthermore, when judging whether a transaction counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.</p> <p>II. Appraisal and procedures</p> <p>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 20% or more of the Company's paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the Audit Committee, and then by the BOD; the portion that has been approved by the Audit Committee and then by the BOD needs not to be counted toward the transaction amount.</p> <p>(I) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.</p> <p>(II) The reason for choosing the related party as a transaction counterparty.</p> <p>(III) With respect to the acquisition of real property or right-of-use assets thereof from a related party, information</p>	<p>Amended to comply with the provisions of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies</p>

	<p>regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Sub-paragraph (I) and (IV) of Paragraph 3 of this Article.</p> <p>(IV) The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the Company and the Company's related parties.</p> <p>(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.</p> <p>(VI) An appraisal report from a professional appraiser or a certified public accountant 's opinion obtained in compliance with this Article.</p> <p>(VII) Restrictive covenants and other important stipulations associated with the transaction.</p> <p>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 in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, the BOD may pursuant to Sub-Paragraph (II) of Paragraph II of Article 7 delegate 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 by the next BOD.</p> <p>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 BOD pursuant to preceding regulations, the BOD 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 BOD.</p> <p>III. Evaluation of the reasonableness of transaction cost (Omit)</p>	<p>regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Sub-paragraph (I) and (IV) of Paragraph 3 of this Article.</p> <p>(IV) The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the Company and the Company's related parties.</p> <p>(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.</p> <p>(VI) An appraisal report from a professional appraiser or a certified public accountant 's opinion obtained in compliance with this Article.</p> <p>(VII) Restrictive covenants and other important stipulations associated with the transaction.</p> <p>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 in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, the BOD may pursuant to Sub-Paragraph (II) of Paragraph II of Article 7 delegate 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 by the next BOD.</p> <p>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 BOD pursuant to preceding regulations, the BOD 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 BOD.</p> <p><u>If the Company or a subsidiary thereof that is not a domestic public company will have a transaction set out in paragraph 2 of this Article and the transaction amount will reach 10 % or more of the public company's total assets, the public company shall submit the materials in all the subparagraphs to the shareholders meeting for approval before the transaction contract may be entered into and any payment made. However, this restriction does not apply to transactions between the public company and its parent company or subsidiaries or between its subsidiaries.</u></p>	
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		<p><u>The calculation of the transaction amounts in the preceding paragraph shall be made in accordance with paragraph 1 of Article 10 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the shareholders meeting or BOD and recognized by the supervisors need not be counted toward the transaction amount.</u></p> <p>III. Evaluation of the reasonableness of transaction cost (Omit)</p>	
Article 10	<p>Procedures for acquiring or disposing of memberships or intangible assets or the right-of-use assets thereof</p> <p>(I) Appraisal and procedures (Omit)</p> <p>(II) Procedures for determining the transaction conditions and authorized amounts (Omit)</p> <p>(III) Execution unit (Omit)</p> <p>(IV) Professional assessment reports of the memberships or intangible assets or the right-of-use assets thereof</p> <p>1. Professional appraisal institutes shall be invited to issue appraisal reports, when the transaction amount of acquisition or disposal of the membership reaches 1% of the paid-in capital or NT\$3 million or more.</p> <p>2. Professional appraisal institutes shall be invited to issue appraisal reports, when the transaction amount of acquisition or disposal of intangible assets and the right-of-use assets reaches 10% of the paid-in-capital or NT\$150 million or more.</p> <p>3. When the Company acquires or disposes of membership or intangible assets or the right-of-use assets and the transaction amount reaches 20% 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; <u>the certified public accountant shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</u></p>	<p>Procedures for acquiring or disposing of memberships or intangible assets or the right-of-use assets thereof</p> <p>(I) Appraisal and procedures (Omit)</p> <p>(II) Procedures for determining the transaction conditions and authorized amounts (Omit)</p> <p>(III) Execution unit (Omit)</p> <p>(IV) Professional assessment reports of the memberships or intangible assets or the right-of-use assets thereof</p> <p>1. Professional appraisal institutes shall be invited to issue appraisal reports, when the transaction amount of acquisition or disposal of the membership reaches 1% of the paid-in capital or NT\$3 million or more.</p> <p>2. Professional appraisal institutes shall be invited to issue appraisal reports, when the transaction amount of acquisition or disposal of intangible assets and the right-of-use assets reaches 10% of the paid-in-capital or NT\$150 million or more.</p> <p>3. When the Company acquires or disposes of membership or intangible assets or the right-of-use assets and the transaction amount reaches 20% or more of paid-in capital or NT\$300 million or more, except in transactions with a domestic government agency, the Company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price.</p>	Amended to comply with the provisions of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies

Attachment VII.

List of Director and Independent Director Candidates

Director/ Independent Director	Name	Education	Working Experience	Shares
Director	Hsing-Hai Chen	Master of Applied Physics, National Tsing Hua University	Chairman of the Board, Elite Semiconductor Microelectronics Technology Inc.	8,411,629
Director	Ming-Chien Chang	Master Degree from the Institute of Electronics, National Chiao Tung University	Elite Semiconductor Microelectronics Technology Inc. director & President	5,523,825
Director	Chih-Hong Ho	PhD in Mechanical Engineering, North Carolina State University, USA	Elite Semiconductor Microelectronics Technology Inc. director & Deputy General Manager	619,172
Director	Yeong-Wen Daih	Master Degree from the Institute of Electronics, National Chiao Tung University	Elite Semiconductor Microelectronics Technology Inc. director & Deputy General Manager	581,205
Director	Chia-Neng Huang	Department of Mechanical Engineering, Chung Yuan Christian University	Chairman of the Board & CEO, Chang Wah Electromaterials Inc. Chairman of the Board & CEO, Chang Wah Technology CO.,LTD. Chairman of the Board, JMC ELECTRONICS CO., LTD. Chairman of the Board, Chang Wah Energy Technology Co., Ltd Representative of corporate director of VIZIONFOCUS INC. Director, eChem Solutions Corp. Corporate Director, How Weih Holding (Cayman) Co., Ltd. Representative Representative of corporate director of Silver Contacts Co., Ltd. Representative of corporate director of Silver Tai Co., Ltd. Chairman of the Board, SH Asia Pacific Pte.Ltd. Chairman of the Board, Silver Connection Co., Ltd. Corporate Director, WSP Electromaterials Ltd. Representative Director, CWE Holding Co., Ltd. Director, Broadwell Worldwide Ltd.	0

Independent Director	William W. Shen	Ph.D. in Accounting, Purdue University, USA	Professor of Taxation and Public Finance Department, National Taichung University Independent Director of ENNOSTAR Inc. Independent Director of EPISIL-PRECISION INC. Independent Director of UPI Semiconductor Corp.	0
Independent Director	Tai-Haur Kuo,	Ph.D., Electrical Engineering Department, University of Maryland	Professor, Electrical Engineering Department, National Cheng Kung University Holtek Semiconductor Inc. Independent director	0
Independent Director	Bing-Yue Tsui,	Ph.D., Institute Electronics, National Chiao Tung University	Professor, Institute Electronics, National Yang Ming Chiao Tung University	0
Independent Director	Cheng-Yan Chien	Emory University, USA Master of Business Management	Elite Semiconductor Microelectronics Technology Inc. Independent director	0

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("BOD"), the meeting shall be chaired by the Chairman of the Board. When the Chairman of the Board is on leave or for any reason unable to exercise the powers of the Chairman, the Vice-Chairman shall act in place of the Chairman; if there is no Vice-Chairman or the Vice-Chairman is also on leave or for any reason unable to exercise the powers of the Vice-Chairman, the Chairman 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 Chairman 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 BOD, 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 Chairman shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the Chairman may announce a postponement, provided that no more than two such postponements, for a combined total of no more than 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.

Before the end of current meeting, when the attending shareholders represent a majority of the total number of issued shares, the chairman 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 BOD, the meeting agenda shall be set by the BOD. 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 BOD.

The chairman may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda (including extraordinary motions) mentioned in the preceding two paragraphs, except by a resolution of the shareholders' meeting. If the chairman declares the meeting adjourned in violation of the rules of procedure, a new chairman 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 chairman 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 chairman.

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 chairman and the shareholder that has the floor; the chairman shall stop any violation.

Article 11. Except with the consent of the chairman, 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 chairman 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 chairman may respond in person or direct relevant personnel to respond.
- Article 14. When the chairman assumes the opinion that the discussion for a motion has been discussed sufficiently to put it to a resolution, the chairman 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 chairman, 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 chairman 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 chairman 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 chairman 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 to be rejected, and no further voting shall be required.
- Article 19. The chairman 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 July 12, 2021

Chapter 1. General Provision

Article 1. The Corporation shall be incorporated as a company limited by shares under the Company Act 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 BOD.

Article 5. The Company set up head offices in Hsinchu Science Park, upon resolution of the BOD 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. Unissued shares may be issued in installments in accordance with the resolution of the BOD. 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 meet certain conditions.

The Company's share subscription warrants are entitled to subsidiary company employees who meet certain conditions

When the Company issues new share, the obtaining of new shares is entitled to subsidiary company employees who meet certain conditions.

The Company's restricted stocks are entitled to subsidiary company employees who meet certain conditions.

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

Chapter 3. Shareholders' Meetings

Article 10. Shareholders' meetings are of two types: (1) annual meetings and (2) special meetings. Annual meetings will be convened by the BOD in accordance with the law once a year within six months after the close of each fiscal year. Special meetings will be called for 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 held.

Article 13. At a shareholders' meeting, it shall be presided over by the chairman of the BOD. Under circumstances where the chairman is unable to perform his/her duty for any reason, the shareholders' 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 BOD, the convening party shall host the meeting. When there are two or more such convening parties, they shall mutually select a chairman from among themselves.

Article 13-1. Matters related to the resolutions of a shareholders' meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the chairman of the

shareholders' 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 half of all outstanding shares are represented in the meeting and voted in favor by more than half of all voting rights represented at the meeting.

Chapter 4. Directors and Supervisors

Article 15. The BOD 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.

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 BOD, 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 at any time.

The Company's BOD advices may be delivered via written documents, fax or email.

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

Article 17. In case the Chairman is on leave or absent or cannot exercise his/her power and authority for any cause, his/her representative shall be selected according to Article 208 of the Company Act.

Article 18. Unless otherwise regulated by the Company Act, the BOD's resolutions are passed only when 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 BOD's 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. BOD can be convened by a video conference, and 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 by law or approved by resolution at a shareholders' meeting, shall be approved by resolution at a Board meeting.

Article 19-1. The BOD 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 industry.

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 BOD 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 Covering of Losses.

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

(I) Pay taxes

(II) Offset the losses.

(III) Appropriate 10% as legal reserve

(IV) Appropriate for special reserve if necessary

(V) The remaining earnings 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 in cash and the remaining shall be distributed in shares.

Article 24-1. Based on the profit of the year, the Company shall appropriate no less than 5% of the profit as compensation 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 compensation of employees shall be distributed in stock or cash, and the recipients of shares or cash may include the subsidiary company employees who meet certain conditions.

"The profit of the year" referred in the preceding paragraph means earnings before tax, after deduction the compensation to employees and the remuneration to Directors.

The distribution of the compensation to employees and the remuneration to Directors

shall be approved by a majority of the Directors at a meeting attended by over two-thirds of the total number of BOD, and then be 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.

The 21th amendment was made on Jul. 12, 2021.

Appendix III Elite Semiconductor Microelectronics Technology Inc.

Procedures for Acquisition or Disposal of Assets

Approved at the Annual Shareholders' Meeting on July 12, 2021

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 through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act, and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter “transfer of shares”) under Article 156-3 of the Company Act.

- III. “Related Party” or “Subsidiary”: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- IV. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property, 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 BOD 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 by the competent authority shall apply.
- VI. Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.

Article 5: Limits of the investment 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 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 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 de facto related party of any party to the transaction.
- III. If the Company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.

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

- I. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.
- II. When conducting 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) 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 when acquiring or disposing real property or the right-of-use assets thereof. 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 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 BOD for notification purpose. If the transaction amount is greater than NT\$300 million or 20% of the Company's paid-in capital, such transaction may be conducted only after it has been first approved by the Audit Committee and then by the BOD.
- (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 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 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 BOD.
- (III) When submitting the transaction of acquisition or disposal of assets to the BOD 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, other fixed assets or the right-of-use assets thereof where the transaction amount reaches NT\$300 million or 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 for approval in advance by the BOD; the same procedure shall also be followed whenever there is any subsequent change to the 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% or more of the transaction amount.
 2. The discrepancy between the appraisal results of two or more professional appraisers is 10% or more of the transaction amount.
- (IV) No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, 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 certified public accountant'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 shall be decided by the responsible unit based on market conditions. For amount equals or is less than NT\$100 million or 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 Chairman of the Board and notified to the nearest BOD 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 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 BOD.

(II) The acquisition or disposal of marketable securities not traded at the securities exchange or on an OTC shall take into consideration the book value per share, profitability ability, and potential of future development. For amount equals or is less than NT\$100 million or 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 Chairman of the Board and notified to the nearest BOD 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 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 BOD.

(III) When submitting the transaction of acquisition or disposal of assets to the BOD 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. Acquire expert opinion

The Company acquiring or disposing of securities 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 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 expert report 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. When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised, if the transaction amount reaches 10% or more 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 compliance with the provisions of this Article, Article 7, Article 8, and Article 10. The calculation of the transaction amount shall be made in accordance with Article 10-1 herein. Furthermore, 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 20% or more of the Company's paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the Audit Committee, and then by the BOD; the portion that has been approved by the Audit Committee and then by the BOD 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) With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Sub-paragraph (I) and (IV) of Paragraph 3 of this Article.
- (IV) The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the Company and the 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 certified public accountant'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 in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, the BOD may pursuant to Sub-Paragraph (II) of Paragraph II of Article 7 delegate 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 by the next BOD.

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 BOD pursuant to preceding regulations, the BOD 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 BOD.

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 % 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 and appraises 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 shall also 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 matter shall be handled in compliance with 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 land is appraised in accordance with the means in the preceding Article and structures according to the related party's construction costs plus reasonable construction profit are valued in excess of the actual transaction price. The Reasonable construction profit shall be deemed the average gross operating profit margin of the related party's

construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.

- (2) Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market sale or leasing practices.
 - (3) Completed transactions of leasing by unrelated parties within the preceding year involving other floors of the same property, where the transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property or right-of-use assets thereof market 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% 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 right of investigation).
 3. Actions taken pursuant to the Item 1 and 2 of Sub-Paragraph (V) of Paragraph III of this Article shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment 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 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 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 arm's length transaction.

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

- (I) Appraisal and procedures
The Company acquire or dispose of membership or intangible assets or the right-of-use assets shall be handled 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 membership, the Company shall take the fair market price into consideration to determine the transaction 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 1% of the Company's paid-in capital or NT\$3 million, such transaction shall be submitted to the President for approval and then be reported to the nearest BOD for notification purpose. If the transaction amount is greater than NT\$3 million, an additional approval from the BOD is required.

2. In acquiring or disposing of intangible assets and the right-of-use assets, the Company shall take the professional appraisal report or fair market price 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 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 then be reported to the nearest BOD for notification purpose. If the transaction amount is greater than 10% of the paid-in-capital or NT\$150 million, an additional approval from the BOD is required.
3. When submitting the transaction of acquisition or disposal of assets to the BOD for deliberation in accordance with regulations, the opinion of the independent directors shall be fully considered, and their consent and dissent and the reason shall be documented in the meeting minutes.

(III) Execution unit

When the Company acquires or disposes of the membership or intangible assets or the right-of-use assets, 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 membership or intangible assets or the right-of-use assets

1. Professional appraisal institutes shall be invited to issue appraisal reports, when the transaction amount of acquisition or disposal of the membership reaches 1% of the paid-in capital or NT\$3 million or more.
2. Professional appraisal institutes shall be invited to issue appraisal reports, when the transaction amount of acquisition or disposal of intangible assets and the right-of-use assets reaches 10% of the paid-in-capital or NT\$150 million or more.
3. When the Company acquires or disposes of membership or intangible assets or the right-of-use assets and the transaction amount reaches 20% 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 transaction amounts referred to in Article 7, 8, and 10 herein are conducted by means 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, the amount that has obtained an appraisal report from a professional appraiser or a certified public accountant’s opinion not to be counted towards:

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 (acquisitions and disposals are accumulated separately) 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 (acquisitions and disposals are accumulated separately) of the same marketable security within the preceding year.

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

In principle, the Company shall not engage in the acquisition or disposal of claims against financial institutions. If the Company intends to acquire or dispose of claims against financial institutions in the future, it shall promulgate assessment and operating procedures after obtaining approval by the BOD.

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, swap, 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 BOD.

(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 and 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 and approved by the BOD.
 - C. When submitting the transaction of acquisition or disposal of assets to the BOD for deliberation in accordance with regulations, the opinion of the Independent Directors shall be fully considered, and their consent and dissent and the reason shall be documented in the meeting minutes.
2. Auditing Department
- Responsible for understanding the appropriateness of internal control in transaction of derivative commodity and checking the compliance of the trading department with the operating procedures, and analyzing the transaction cycle to make an audit report, and submitting it to the Independent Directors for inspection 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 the Company is at risk of material 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 reference and instructions of management.
- (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 regularly, and submit such statement to the management for 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 to the President and Chairman of the Board, and implement 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 BOD.
 - (2) Limit on maximum loss
 - A. The loss of hedging transaction contract shall not exceed 20% of the contract value. This restriction applies to individual contract and all contracts.
 - 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 no more than 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 BOD, 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. Personnel who engaged in measurement, monitoring, and control of risk shall be assigned to a different department other than the department of the personnel in the preceding subparagraph and shall report to the BOD 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 BOD.

(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 be reviewed by foreign exchange professional and legal professional or legal counsel before being signed in order to control legal risk.

III. Internal audit system

- (I) The internal audit personnel shall periodically check 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 BOD 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 are within the scope of tolerance. If there are any abnormal circumstances in assessment report of market value (such as over loss of the holding position), they shall report to the BOD 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 BOD.

V. BOD's principles for supervision and management when the Company engages in derivatives trading

- (I) The BOD 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 BOD; if the Company has Independent Directors, an Independent Director shall be present at the meeting and express opinions.
- (II) Periodically evaluate whether derivatives trading performance is consistent with established operational strategy and whether the risk undertaken is within the Company's scope of tolerance.
- (III) The Company shall report to the soonest meeting of BOD 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 of BOD, 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 documents.

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 certified public accountant, and securities underwriter to jointly discuss and establish the schedule for the legal procedures which the project team shall implement. Before convening the BOD, the Company shall engage a certified public accountant, 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 BOD for deliberation and approval. However, the requirement of obtaining an opinion on reasonableness issued by an expert which aforementioned may be exempted in the case that the Company merges a subsidiary 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 subsidiaries' issued shares or authorized capital.

(II) The Company 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. 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, when 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) Date of BOD: A company participating in a merger, demerger, or acquisition shall convene a BOD 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 convene a BOD 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 cannot disclose the content of the plan prior to public disclosure of the information and cannot trade any stock or other equity security of any company related to the plan for merger, demerger, acquisition, or transfer of shares in their own name or under the name of another person.
- (III) Principles for establishing or changing the share exchange ratio or acquisition price: Prior to convening the BOD to resolve on the matter, both parties of the merger, demerger, acquisition, or transfer of shares shall engage a certified public accountant, 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 shareholders meeting 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, issuance of bonus shares, issuance of corporate bonds with share warrant, preferred shares with share warrant, share warrant, or other equity-based securities.
 2. An action, such as a disposal of major assets, which affects the Company's financial operations.
 3. An event, such as a major disaster or major change in technology, which affects shareholder equity or share price.
 4. An adjustment which any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock according to law.
 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 of participating companies which permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling.
 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 the number of participating companies is decreased and a participating company's shareholders meeting has adopted a resolution authorizing the BOD to alter the limits of authority, such participating company may be exempted from calling another shareholders meeting to anew make a resolution on the matter.

(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: 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 letter of intent or memorandum, the hiring of a financial or legal advisor, the date of signing contract, the date of BOD, etc.
3. Material documents and meeting minutes: Including plans of merger, demerger, acquisition, and share transfer, any letter of intent or memorandum, material contracts, minutes of BOD, etc.

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

When any of the companies participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed stock 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) When 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 BOD 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: Supervision on Subsidiaries

- 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 shall first be passed by their BOD, and then by their shareholders' meeting. This rule applies to any amendment thereafter.
- II. Subsidiaries shall 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 at least once a year.
- 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.

- IV. Where a subsidiary is not a public company and it acquire or dispose assets that requires announcement and reporting as specified in the Procedures, the Company shall make the announcement and reporting on behalf of the subsidiary.

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 BOD, 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 BOD for deliberation, the opinion of the independent directors shall be fully considered, and their consent or dissent and the reason shall be documented in the meeting minutes.

The revision of these Procedures made by the Audit Committee, the resolution manner, 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 IV

Elite Semiconductor Microelectronics Technology Inc. Rules for Election of Directors

Approved at the Annual Shareholders' Meeting on July 12, 2021

- 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 used together to elect 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
- Article4. The Board of Directors("BOD") shall prepare separate ballots for directors in numbers corresponding to the directors 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. Before the start of the election, the Chairman shall designate several persons each to check and record the ballots.
- Article6. The ballot box used for voting shall be prepared by the BOD and checked in public by the person who check the ballots before voting.
- Article7. Voters must clearly fill the candidate's name or shareholder's name in the "candidate" column of the ballot. However, when the candidate is a government agency or legal entity, the name of the government agency or legal entity must be clearly filled in the candidate column of the ballot, 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 if any of the following circumstances occur:
- (I) A ballot complying with the Rules is not used;
 - (II) A blank ballot is cast in the ballot box;
 - (III) Illegible writing or the writing has been altered;
 - (IV) The candidate whose name is entered in the ballot does not conform to the director candidate list.

(V) Ballots with other written characters in addition to candidate's name or shareholder's name for the candidate;

(VI) There are more than two candidates' names entered in the ballot

Article9. The ballots should be calculated during the meeting after completion of the vote 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 Act and relevant law and regulations.

Article11. These Rules and any revision shall become effective after approved by the shareholders' meeting.

Appendix V

Elite Semiconductor Microelectronics Technology Inc.

Shareholdings of All Directors

- I. As of the book closure date for the 2022 AGM, the issued shares were 286,156,953.
- 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 2022 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 17, 2022

Position	Name	Book closure date	
		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	619,172	0.22%
Director	Yeong-Wen, Daih	581,205	0.20%
Director	Shin Xin Investment Co., Ltd. Rep.: Chia-Neng, Huang	185,000	0.06%
Independent Director	Shan-Jen, Chow	-	-
Independent Director	Tsin-Fu Jiang	-	-
Independent Director	Cheng-Yan Chien	-	-
Shareholdings of All Directors		15,320,831	5.35%

Appendix VI

Relevant information on the proposals and nomination made by shareholders who hold 1% or more of the total issued shares of the Company

- I. In accordance with Article 172-1 and Article 192-1 of the Company Act, the proposal and nomination accepting period of 2022 AGM is from April 9, 2022 to April 19, 2022.
- II. Proposals made by shareholders who hold 1% or more of the total issued shares of the Company at the 2022 AGM: None.
- III. Nomination of director (including independent director) made by shareholders who hold 1% or more of the total issued shares of the Company at the 2022 AGM: Other than the nomination at candidates of 9 directors (including 4 independent directors) by BOD, no any nomination made by other shareholder.