



## **Microelectronics Technology Inc.**

# **2020 Annual Shareholders' Meeting Handbook**

**(Translation)**

**June 18, 2020**

*Disclaimer: This is translation of the handbook for the annual shareholders' meeting of MTI and is intended solely for reference. MTI hereby disclaims any and all liabilities whatsoever for the translation. In event of discrepancies, the Chinese version shall prevail.*

# Table of Contents

## 1. Meeting Procedure & Agenda

(1) Report Items.....	4
(2) Acknowledgements.....	5
(3) Proposed Resolutions.....	6
(4) Directors Election.....	6
(5) Other Resolution.....	6
(6) Special Motions.....	7

## 2. Attachment

(1) The 2019 Business Report.....	9
(2) The 2019 Audit Committee’s Review Report.....	12
(3) The 2019 Financial Report.....	13
(4) Comparison Table for the “Procedures for Handling Acquisition and Disposal of Assets” Before and After Revision.....	37
(5) The List of Independent Director Candidates.....	37

## 3. Appendix

(1) Rules of Procedure for Shareholders Meetings.....	39
(2) The Articles of Incorporation.....	42
(3) Procedure for Election of Directors.....	48
(4) Shareholding of All Directors.....	50

# **Microelectronics Technology Inc.**

## **2020 Annual Shareholders' Meeting Agenda**

Time: 9:00 a.m., June 18, 2020 (Thursday)

Place: No. 1 Innovation Road II, Hsinchu Science Park, Hsinchu

1. Call meeting to order
2. Opening remarks by the Chairman
3. Report Items
  - (1) The 2019 business report
  - (2) The 2019 Audit Committee's review report
  - (3) The 2019 remuneration to employees and directors
4. Acknowledgements
  - (1) The 2019 business report and financial statements
  - (2) The proposal for the distribution of 2019 earnings
5. Proposed Resolutions
  - (1) The amendment of "Procedures for Handling Acquisition and Disposal of Assets"
6. Directors election
  - (1) An independent director by-election of the Company

Voting by Poll

7. Other resolution
  - (1) The suspension of non-competition restrictions on the Directors and their representatives

Voting by Poll

8. Special Motions
9. Meeting Adjourned

## **Report Items**

### **Subject 1: The 2019 business report**

Explanation: The 2019 business report is attached on page 9~11, Attachment 1.

### **Subject 2: The 2019 Audit Committee's review report**

Explanation: The 2019 Audit Committee's review report is attached on page 12, Attachment 2.

### **Subject 3: The 2019 remuneration to employees and directors**

Explanation: The 2019 remuneration to employees and directors is approved by the Board of Directors on March 17, 2020. According to the company's "Articles of Incorporation" and resolution of the Remuneration Committee dated March 17, 2020, the Company allocates 7% of the pre-tax profit as remuneration to employees totaling NT\$128,158, and NT\$0 is allocated as the remuneration to Directors; the remuneration to employees shall be paid in cash.

## **Acknowledgements**

### **Subject 1: The 2019 business report and financial statements (Proposed by the Board of Directors)**

Explanation: (1) MTI's 2019 financial statements, including the balance sheets, statements of comprehensive income, statement of changes in equity, and statements of cash flows, were audited by the certificated public accountants Ms. Amenda Lin and Mr. Daniel Lee.

(2) The 2019 business report, auditors' report and the aforementioned financial statements are attached on to page 9~11 and 13~36, Attachment 1 and 3.

Resolution:

### **Subject 2: The proposal for the distribution of 2019 earnings (Proposed by the Board of Directors)**

Explanation: (1) The proposal for distribution of 2019 earnings has been approved by the Board of Directors. Please refer to the 2019 earnings distribution table below:

Unit: NTD	
Item	Amount
Unappropriated retained earnings of previous years	5,760,100
Plus: Net income of 2019	1,684,360
Disposal of investments in equity instruments at fair value through other comprehensive income	2,893,280
Less: Re-measurement of defined benefit obligation	(7,924,543)
Earnings in 2019 available for distribution	(3,346,903)
Retained earnings available for distribution as of December 31, 2019	2,413,197
Distribution item:	
Cash dividends to common shareholders	(0)
Unappropriated retained earnings	2,413,197

(2) According to Article 25-1 of the company's "Articles of Incorporation", the Company may pay dividend or not, provided the accumulated disposable earning is less than 5% of outstanding share capital. So there will be no dividend distribution this year.

Resolution:

## **Proposed Resolutions**

### **Subject 1: The amendment of the “Procedures for Handling Acquisition and Disposal of Assets” (Proposed by the Board of Directors)**

Explanation: Based on SEC’s request in 2019 due diligence, MTI proposes to amend the "Procedures for Handling Acquisition and Disposal of Assets". The comparison table for the "Procedures for Handling Acquisition and Disposal of Assets" before and after revision is attached on page 37, Attachment 4.

Resolution:

## **Directors Election**

### **Subject 1: Elect a new independent directors of the Company (Proposed by the Board of Directors)**

Explanation: (1) MTI’s independent director, Ms. Mary Chan, resigned on March 17, 2020 and the effective date will be June 17, 2020. According to MTI’s Article of Incorporation, a candidate nomination system shall be adopted, and the shareholders shall elect an independent director from among the those listed in the slate of the independent director candidate.

(2) The new independent director will be on board after being elected, and the tenure of newly elected independent director is from June 18, 2020 to June 18, 2022.

(3) The list of independent director candidates is attached on page 37, Attachment 5.

Election Result:

## **Other Resolution**

### **Subject 1: Suspension of the non-competition restriction on the directors and their representatives**

#### **(Proposed by the Board of Directors)**

Explanation: (1) In according to Article 209 of the “Company Act”, a director who does anything for himself/herself or on behalf of another person that is within the scopes of the company’s business shall explain the essential contents of such an act to the shareholders’ meeting and secure its approval.

(2) If the director of the Company actually does anything for themselves or on

behalf of another person within the scope of the Company's business, it is proposed to release the non-competition restriction on the directors and their representatives at the 2020 annual shareholders' meeting.

- (3) The list of the suspension of non-competition restrictions on the directors and their representatives is as follows:

Name	Company Name and Current Position	
Mr. Kuoliang Ho	Hon Hai Precision Industry Co., Ltd.	Senior Director
	CyberTAN Technology, Inc.	Board Director ( representative )
	Taiwan Intelligent Fiber Optic Network Consortium (Taifo)	Board Director ( representative )
	BoniO Inc.	Board Director ( representative )
	Omniguider Inc.	Board Director ( representative )
	FU HUA KE PRECISION INDUSTRY (SHENZHEN) CO., LTD.	Chairman
	NUWA Robotics Corp.	Board Director ( representative )
	NUWA Robotics Corp.	Director ( representative )
	FG Innovation IP Company Ltd.	Director ( representative )
	Vossic Technology Co., Ltd.	Board Director ( representative )
	AMBIT MICROSYSTEMS CORP.	Board Director ( representative )
	PCCW International OTT (Cayman Islands) Holdings Limited	Director

Resolution:

### **Special Motions**

### **Meeting Adjourned**

# **Attachment**

## **Attachment 1**

### **Microelectronics Technology Inc.**

#### **2019 Business Report**

First of all, I would very much like to thank the shareholders for their ongoing support and concern for MTI. 2019 was clouded by global economic uncertainty, the US-China trade dispute, which significantly hampered the goals of enterprises in investment. Global economic growth rate was the worst since the financial crisis in 2008. Despite these unfavorable economic factors, MTI has been persistent in strengthening its research and development capacity and product technology, consulting with customers for moving up the price to absorb the cost of tariff and returned to Taiwan for manufacturing with cost control. The consolidated revenue of MTI in 2019 amounted to NT\$5,800,000,000 with gross margin at 16%. Consolidated earnings in the year amounted to NT\$1,680,000 with earnings per share of NT\$0.01.

#### **Keeping Abreast of the Trends**

Here comes 2020. Affected by COVID-19, countries all over the world have pursued different levels of quarantine in the affected cities. The majority of human population stayed home under quarantine that they tended to spend more time in watching TV. Yet, the higher demand for streaming services has affected the growth of the LNB business for satellite TV of MTI. Nevertheless, the high-end satellite TV product developed by MTI has successfully penetrated into the markets of North America and Europe. As such, MTI emerged as one among the top few service providers of paid satellite TV and is in pursuit of the newly-emerged markets.

MTI is the first professional maker of Ka band broadband satellite TV transceiver of the world to support customers in Europe and America for its high capacity and high coverage rate of satellite transmission in the new generation. MTI has launched the high-speed broadband satellite and aviation internet access devices for airlines in Europe and America in mass production and will continue to develop HTS Satellite receivers and key modules to further the growth of the VSAT business.

#### **Quest for Growth**

In the advent of 5G, the substantial increase in transmission rate and significant reduction of lagging allows for even higher quality Internet application. The demand for high-density hardware installation provides business opportunities that are better than its predecessor products. The combination of 5G and satellite is recognized as the best solution for coverage of mobile

communication. LEO satellite allows for low cost, low signal transmission loss and transmission delay that market leaders tend to invest in this area, which is promising for the future. MTI has long been a player in the area of satellites and has spared no efforts in the development of the technologies and customers for the end-user devices of LEO satellites and worked in cooperation with market leaders. MTI has passed the field tests, too. In the future, MTI will continue the research and development of technologies and capital spending to keep track of this essential business opportunity.

The R&D team of MTI in USA and Denmark has in its possession the new generation V-RAN/5G NR wireless connection Internet technology and can develop products for base stations complying with the 3GPP and O-RAN specifications. In 2019, MTI joined the OpenRAN Alliance as a member and participated in the Evenstar RRU Program launched by the Telecom Infra Project (TIP) led by giant firms like Facebook, Mavenir, and Vodafone. The objective is to provide 4G and 5G network RU equipment for Chunghwa Telecom under the OpenRAN ecological system. The new generation of RU supports the O-RAN Alliance decomposed framework and allows service providers to upgrade their installations and reduce costs. MTI has already worked in conjunction with a number of customers in the development of the Interoperability Test for the time being. Further to the continued thriving of the BTO business opportunity of 4G/5G, the R&D team of MTI also seeks to develop 5G Internet products to meet the needs of international service providers, which will help to boost the operations of MTI for its further growth.

### **Creation of Advantage**

Ceaseless input in technology remains the ongoing and persistent corporate philosophy and core competence of MTI. In 2019, MTI has acquired several invention patents in the USA, including the new technologies applicable to satellite LNB and RF transmitter. In addition, MTI will also devote further effort in the end-user device technologies of LEO satellites, which have been subsidized and recognized by the Ministry of Economic Affairs under its “Taiwan Industry Innovation Platform Program.”

In responding to the increase in tariff cost under the US-China trade war, MTI has relocated some of its production lines from Mainland China to Taiwan and also invested in production line automation and digital transformation to upgrade production efficiency, reduce production costs and provide the customers with products of higher quality.

The Corporate Governance Evaluation results of 2019 indicated that MTI was rated among the top 6%~20% of all TWSE listed companies. This is the recognition of MTI in its effort of protecting the rights and privileges of its shareholders and stakeholders to improve operating

efficiency and perform corporate social responsibility in its entirety.

### **Prospect**

COVID-19 broke out at the beginning of 2020, which eventually spread all over the world. It was coupled with the US-China trade war triggered since 2018. The global economic situation has become highly uncertain in the short run such that the operating environment for the industries will be harsh. MTI will continue its cautious and professional attitude in concentrating at its core operations with the improvement of production efficiency and research and development capacity at the same time to get hold of the business opportunities of the O-RAN wireless connection network and LEO satellite and get ready to respond to the unpredictable environment and challenges with a view to maximizing value for its shareholders.

May I wish you all good health and good luck

Allen Yen, Chairman & CEO

Eugene Wu, General Manager of MTI

## **Attachment 2**

### **Audit Committee's Review Report**

The Board of Directors has prepared the Company's 2019 business report, financial statements, and proposal for distribution of earnings. The CPAs PwC, Amenda Lin and Daniel Lee have audited the financial statements and issued an audit report. The business report, financial statements, and earnings distribution proposal have been reviewed by the Audit Committee and no irregularities were found. We hereby report as above according to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act. Please kindly approve.

To Microelectronics Technology Inc. 2020 Annual Shareholder's Meeting

Microelectronics Technology Inc.

Chairman of Audit Committee: Yun Lin

March, 17, 2020

## Attachment 3

### REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

#### ***Opinion***

We have audited the accompanying consolidated balance sheets of Microelectronics Technology Inc. and subsidiaries (the “Group”) as at December 31, 2019 and 2018, 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, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

#### ***Basis for opinion***

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## ***Key audit matters***

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

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2019 are stated as follows:

### **Intangible assets - assessment of goodwill impairment**

#### Description

As of December 31, 2019, goodwill amounted to NT\$ 273,741 thousand. For information on evaluation of goodwill impairment, please refer to Note 6(10), impairment of non-financial assets. The Group estimates recoverable amount utilizing the future cash flows of goodwill's cash generating unit and appropriate discount rates in order to determine whether goodwill is impaired. The estimation of future cash flows involves various assumptions, which may have significant effects on the estimation of recoverable amount. Thus, it has been identified as a key audit matter.

#### How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Interviewed with management in order to obtain an understanding of the procedures in relation to identifying cash-generating units and estimating the future cash flows. Compared the financial forecast for the year ended December 31, 2020 with the budget approved by the Board of Directors to ensure they are consistent.
2. Interviewed with management in order to obtain an understanding of development plans and schedules of the projects.
3. Assessed the key assumption that management used to estimate future cash flows, including operating revenue growth rate and gross margin, and evaluated the parameters used in determining the discount rate, including the risk-free rate of return that was used to calculate cost of equity, industry's risk coefficient and long-term market return.

## **Allowance for inventory valuation losses**

### Description

Please refer to Note 6(6) for the details of inventories. As of December 31, 2019, the balances of inventories and allowance for inventory valuation losses amounted to NT\$1,015,990 thousand and NT\$158,746 thousand, respectively. Since inventory is material to the financial statements and the determination of net realisable value of the obsolete inventory usually involves management's subjective judgement, therefore, we determined valuation of inventories that are over a certain age and individually identified as obsolete or slow-moving as a key audit matter.

### How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Obtained an understanding of management policies on obsolete or slow-moving inventories, and verified the reasonableness of determining the obsolescence of inventory.
2. Tested the movements of inventories, and sampled individual inventory item numbers to check whether the classification of inventory aging is correct.
3. For obsolete or slow-moving inventories, sampled individual inventory item numbers to check progress of inventory clearance and evaluated the reasonableness of determining the allowance for inventory valuation losses

### ***Other matter – Parent company only financial reports***

We have audited and expressed an unqualified opinion on the parent company only financial statements of Microelectronics Technology Inc. as at and for the years ended December 31, 2019 and 2018.

### ***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 the audit committee, are responsible for overseeing the Group's financial reporting process.

### ***Auditor's responsibilities for the audit of the consolidated financial statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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.
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 period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

---

Lin, Yu-Kuan

---

Li, Tien-Yi

For and on behalf of PricewaterhouseCoopers, Taiwan  
March 17, 2020

---

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

**MICROELECTRONICS TECHNOLOGY, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2019 AND 2018**  
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2019		December 31, 2018		
		AMOUNT	%	AMOUNT	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 1,057,733	21	\$ 1,086,499	18
1110	Financial assets at fair value through profit or loss - current	6(2)	2,671	-	383	-
1136	Current financial assets at amortised cost	6(4)	28,235	1	48,913	1
1150	Notes receivable	6(5)	9,024	-	68,362	1
1170	Accounts receivable, net	6(5)	1,040,925	21	1,603,870	27
1180	Accounts receivable - related parties	6(5) and 7	74,209	1	41,793	1
1200	Other receivables		126,629	3	132,576	2
1210	Other receivables - related parties	7	385	-	789	-
130X	Inventories	6(6)	857,244	17	1,324,868	23
1410	Prepayments		48,217	1	74,994	1
11XX	<b>Total current assets</b>		<u>3,245,272</u>	<u>65</u>	<u>4,383,047</u>	<u>74</u>
<b>Non-current assets</b>						
1510	Financial assets at fair value through profit or loss-non-current	6(2)	5,996	-	6,143	-
1517	Financial assets at fair value through other comprehensive income-non-current	6(3)	224,207	4	242,486	4
1600	Property, plant and equipment	6(7)	495,226	10	540,951	9
1755	Right-of-use assets	6(8)	335,400	7	-	-
1780	Intangible assets	6(9)(10)	302,120	6	301,060	5
1840	Deferred income tax assets		410,469	8	405,836	7
1900	Other non-current assets		5,534	-	38,665	1
15XX	<b>Total non-current assets</b>		<u>1,778,952</u>	<u>35</u>	<u>1,535,141</u>	<u>26</u>
1XXX	<b>Total Assets</b>		<u>\$ 5,024,224</u>	<u>100</u>	<u>\$ 5,918,188</u>	<u>100</u>

(Continued)

**MICROELECTRONICS TECHNOLOGY, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2019 AND 2018**

(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2019		December 31, 2018		
		AMOUNT	%	AMOUNT	%	
<b>Current Liabilities</b>						
2100	Short-term borrowings	6(11)(31)	\$ 396,748	8	\$ 559,660	9
2120	Financial liabilities at fair value through profit or loss - current	6(12)	273	-	95	-
2130	Current contract liabilities	6(21)	55,824	1	7,519	-
2170	Accounts payable		919,456	18	1,811,502	31
2180	Accounts payable - related parties	7	-	-	229	-
2200	Other payables	6(13)	358,092	7	411,044	7
2250	Provisions for liabilities - current	6(16)	10,935	-	32,152	1
2280	Current lease liabilities	6(31)	31,712	1	-	-
2300	Other current liabilities		5,942	-	11,397	-
21XX	<b>Total current liabilities</b>		<u>1,778,982</u>	<u>35</u>	<u>2,833,598</u>	<u>48</u>
<b>Non-current liabilities</b>						
2540	Long-term loans	6(14)(31)	125	-	-	-
2550	Provisions for liabilities - non-current	6(16)	1,665	-	5,732	-
2570	Deferred income tax liabilities		102,055	2	106,562	2
2580	Non-current lease liabilities	6(31)	279,320	6	-	-
2600	Other non-current liabilities	6(15)	206,622	4	212,739	3
25XX	<b>Total non-current liabilities</b>		<u>589,787</u>	<u>12</u>	<u>325,033</u>	<u>5</u>
2XXX	<b>Total Liabilities</b>		<u>2,368,769</u>	<u>47</u>	<u>3,158,631</u>	<u>53</u>
<b>Equity</b>						
<b>Equity attributable to owners of parent</b>						
<b>Share capital</b>						
3110	Common stock	6(17)	2,280,283	45	2,280,283	39
<b>Capital Reserves</b>						
3200	Capital surplus	6(18)	402,937	8	402,937	7
<b>Retained Earnings</b>						
3310	Legal reserve	6(19)	24,972	1	19,761	-
3320	Special reserve		193,426	4	83,446	1
3350	Unappropriated retained earnings		2,413	-	166,556	3
<b>Other Equity Interest</b>						
3400	Other equity interest		(248,576)	(5)	(193,426)	(3)
31XX	<b>Equity attributable to owners of the parent</b>		<u>2,655,455</u>	<u>53</u>	<u>2,759,557</u>	<u>47</u>
3XXX	<b>Total equity</b>		<u>2,655,455</u>	<u>53</u>	<u>2,759,557</u>	<u>47</u>
<b>Significant contingent liabilities and unrecognised contract commitments</b>						
<b>Significant events after the balance sheet date</b>						
3X2X	<b>Total Liabilities and Equity</b>		<u>\$ 5,024,224</u>	<u>100</u>	<u>\$ 5,918,188</u>	<u>100</u>

**MICROELECTRONICS TECHNOLOGY, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**  
(Expressed in thousands of New Taiwan dollars, except earnings per share)

		Year ended December 31			
Items		2019		2018	
		AMOUNT	%	AMOUNT	%
4000	<b>Operating revenue</b>	\$ 5,798,880	100	\$ 7,969,155	100
5000	<b>Operating costs</b>	( 4,846,603)	( 84)	( 6,902,794)	( 86)
5900	<b>Gross profit</b>	<u>952,277</u>	<u>16</u>	<u>1,066,361</u>	<u>14</u>
	<b>Operating expenses</b>				
6100	Selling expenses	( 303,175)	( 5)	( 272,904)	( 3)
6200	General and administrative expenses	( 129,067)	( 2)	( 122,788)	( 2)
6300	Research and development expenses	( 507,214)	( 9)	( 617,422)	( 8)
6450	Gain on reversal of expected credit impairment	( 40)	-	1,945	-
6000	<b>Total operating expenses</b>	<u>( 939,496)</u>	<u>( 16)</u>	<u>( 1,011,169)</u>	<u>( 13)</u>
6900	<b>Operating profit</b>	<u>12,781</u>	<u>-</u>	<u>55,192</u>	<u>1</u>
	<b>Non-operating income and expenses</b>				
7010	Other income	34,464	-	38,439	-
7020	Other gains and losses	( 13,927)	-	5,839	-
7050	Finance costs	( 22,793)	-	( 17,800)	-
7000	<b>Total non-operating income and expenses</b>	<u>( 2,256)</u>	<u>-</u>	<u>26,478</u>	<u>-</u>
7900	<b>Profit before income tax</b>	<u>10,525</u>	<u>-</u>	<u>81,670</u>	<u>1</u>
7950	Income tax expense	( 8,841)	-	( 29,561)	( 1)
8200	<b>Profit for the year</b>	<u>\$ 1,684</u>	<u>-</u>	<u>\$ 52,109</u>	<u>-</u>
	<b>Other comprehensive income (loss)</b>				
	<b>Components of other comprehensive loss that will not be reclassified to profit or loss</b>				
8311	Losses on remeasurements of defined benefit plans	( \$ 7,925)	-	( \$ 13,957)	-
8316	Unrealised loss from financial assets measured at fair value through other comprehensive income	( 7,119)	-	( 3,238)	-
	<b>Components of other comprehensive income that will be reclassified to profit or loss</b>				
8361	Currency translation differences of foreign operations	( 56,420)	( 1)	139	-
8399	Income tax relating to the components of other comprehensive income that will be reclassified to profit or loss	<u>11,284</u>	<u>-</u>	<u>( 36)</u>	<u>-</u>
8300	<b>Total other comprehensive loss for the year</b>	<u>( \$ 60,180)</u>	<u>( 1)</u>	<u>( \$ 17,092)</u>	<u>-</u>
8500	<b>Total comprehensive (loss) income for the year</b>	<u>( \$ 58,496)</u>	<u>( 1)</u>	<u>\$ 35,017</u>	<u>-</u>
	<b>Profit attributable to:</b>				
8610	Owners of the parent	\$ 1,684	-	\$ 52,109	-
8620	Non-controlling interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<b>Comprehensive income (loss) attributable to:</b>	<u>\$ 1,684</u>	<u>-</u>	<u>\$ 52,109</u>	<u>-</u>
8710	Owners of the parent	( \$ 58,496)	( 1)	\$ 35,073	-
8720	Non-controlling interest	<u>-</u>	<u>-</u>	<u>( 56)</u>	<u>-</u>
		<u>( \$ 58,496)</u>	<u>( 1)</u>	<u>\$ 35,017</u>	<u>-</u>
	<b>Earnings per share ( in dollars )</b>				
9750	<b>Basic</b>	<u>\$ 0.01</u>		<u>\$ 0.23</u>	
9850	<b>Diluted</b>	<u>\$ 0.01</u>		<u>\$ 0.23</u>	

**MICROELECTRONICS TECHNOLOGY, INC. AND SUBSIDIARIES,**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY,**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018,**  
 (Expressed in thousands of New Taiwan dollars).

	Equity attributable to owners of the parent.												
	Retained Earnings	Other equity interest.									Total.	Non-controlling interest.	Total equity.
Notes.	Share capital - common stock.	Capital surplus, additional paid-in capital.	Legal reserve.	Special reserve.	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income.	Unrealized gain or loss on available-for-sale financial assets.					
<b>2018<sup>42</sup></b>													
Balance at January 1, 2018 <sup>42</sup>		\$ 2,280,283	\$ 402,937	\$ 5,372	\$ 21,052	\$ 143,892	(\$ 59,093)	\$ -	(\$ 24,353)	\$ 2,770,090	\$ 56	\$ 2,770,146	
Effects of retrospective application <sup>42</sup>		-	-	-	-	106,011	-	(130,364)	24,353	-	-	-	
Balance at January 1, 2018 after adjustments <sup>42</sup>		<u>2,280,283</u>	<u>402,937</u>	<u>5,372</u>	<u>21,052</u>	<u>249,903</u>	<u>(59,093)</u>	<u>(130,364)</u>	<u>-</u>	<u>2,770,090</u>	<u>56</u>	<u>2,770,146</u>	
Profit for the year <sup>42</sup>		-	-	-	-	52,109	-	-	-	52,109	-	52,109	
Other comprehensive income (loss) for the year <sup>6(3)+2</sup>		-	-	-	-	(13,957)	159	(3,238)	-	(17,036)	(56)	(17,092)	
Total comprehensive income (loss) <sup>42</sup>		-	-	-	-	<u>38,152</u>	<u>159</u>	<u>(3,238)</u>	<u>-</u>	<u>35,073</u>	<u>(56)</u>	<u>35,017</u>	
Appropriation of 2017 earnings <sup>42</sup>		-	-	-	-	-	-	-	-	-	-	-	
Legal reserve <sup>6(19)+2</sup>		-	-	14,389	-	(14,389)	-	-	-	-	-	-	
Special reserve <sup>6(19)+2</sup>		-	-	-	62,394	(62,394)	-	-	-	-	-	-	
Cash dividends <sup>6(19)+2</sup>		-	-	-	-	(45,606)	-	-	-	(45,606)	-	(45,606)	
Disposal of financial assets at fair value through other comprehensive income (loss) <sup>6(3)+2</sup>		-	-	-	-	890	-	(890)	-	-	-	-	
Balance at December 31, 2018 <sup>42</sup>		<u>\$ 2,280,283</u>	<u>\$ 402,937</u>	<u>\$ 19,761</u>	<u>\$ 83,446</u>	<u>\$ 166,556</u>	<u>(\$ 58,934)</u>	<u>(\$ 134,492)</u>	<u>\$ -</u>	<u>\$ 2,759,557</u>	<u>\$ -</u>	<u>\$ 2,759,557</u>	
<b>2019<sup>42</sup></b>													
Balance at January 1, 2019 <sup>42</sup>		<u>\$ 2,280,283</u>	<u>\$ 402,937</u>	<u>\$ 19,761</u>	<u>\$ 83,446</u>	<u>\$ 166,556</u>	<u>(\$ 58,934)</u>	<u>(\$ 134,492)</u>	<u>\$ -</u>	<u>\$ 2,759,557</u>	<u>\$ -</u>	<u>\$ 2,759,557</u>	
Profit for the year <sup>42</sup>		-	-	-	-	1,684	-	-	-	1,684	-	1,684	
Other comprehensive income (loss) for the year <sup>42</sup>		-	-	-	-	(7,925)	(45,136)	(7,119)	-	(60,180)	-	(60,180)	
Total comprehensive loss <sup>42</sup>		-	-	-	-	<u>(6,241)</u>	<u>(45,136)</u>	<u>(7,119)</u>	<u>-</u>	<u>(58,496)</u>	<u>-</u>	<u>(58,496)</u>	
Appropriation of 2018 earnings <sup>42</sup>		-	-	-	-	-	-	-	-	-	-	-	
Legal reserve <sup>6(19)+2</sup>		-	-	5,211	-	(5,211)	-	-	-	-	-	-	
Special reserve <sup>6(19)+2</sup>		-	-	-	109,980	(109,980)	-	-	-	-	-	-	
Cash dividends <sup>6(19)+2</sup>		-	-	-	-	(45,606)	-	-	-	(45,606)	-	(45,606)	
Disposal of financial assets at fair value through other comprehensive income (loss) <sup>6(3)+2</sup>		-	-	-	-	2,895	-	(2,895)	-	-	-	-	
Balance at December 31, 2019 <sup>42</sup>		<u>\$ 2,280,283</u>	<u>\$ 402,937</u>	<u>\$ 24,972</u>	<u>\$ 193,426</u>	<u>\$ 2,413</u>	<u>(\$ 104,070)</u>	<u>(\$ 144,506)</u>	<u>\$ -</u>	<u>\$ 2,655,455</u>	<u>\$ -</u>	<u>\$ 2,655,455</u>	

MICROELECTRONICS TECHNOLOGY, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2019 AND 2018  
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2019	2018
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Profit before tax		\$ 10,525	\$ 81,670
Adjustments			
Adjustments to reconcile profit (loss)			
Loss (gain) on reversal of expected credit impairment		40	( 1,945 )
Depreciation	6(7)(8)(25)	108,343	66,484
Amortization (amortization for 2018 included amortization of land use right)	6(9)(25)	29,787	29,130
Net (gain) loss on financial assets at fair value through profit or loss	6(2)(23)	( 2,288 )	1,307
Net loss (gain) on financial liabilities at fair value through profit or loss	6(12)(23)	178	( 3,734 )
Interest income	6(22)	( 8,439 )	( 8,168 )
Dividend income		( 342 )	( 556 )
Interest expense	6(24)	22,793	17,800
Gain on disposal of property, plant and equipment	6(23)	( 16,482 )	( 5,147 )
Expenses recognized from prepayment for equipment		-	6,124
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		59,338	( 59,082 )
Accounts receivable		401,344	( 84,470 )
Other receivables		558	110,176
Inventories		534,127	( 33,491 )
Prepayments		25,821	( 9,566 )
Changes in operating liabilities			
Accounts payable		( 875,636 )	223,203
Other payables		( 37,182 )	37,474
Provisions for liabilities		( 24,900 )	( 7,521 )
Contract liabilities-current		48,308	4,012
Other current liabilities		( 25,479 )	( 50,371 )
Accrued pension liabilities		( 14,042 )	( 16,779 )
Cash inflow generated from operations		236,372	296,550
Interest received		8,423	8,180
Dividend received		342	556
Interest paid		( 17,343 )	( 17,794 )
Income taxes paid		( 8,693 )	( 31,472 )
Net cash flows from operating activities		<u>219,101</u>	<u>256,020</u>

(Continued)

**MICROELECTRONICS TECHNOLOGY, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**  
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2019	2018
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Acquisition of financial assets at fair value through profit or loss		\$ -	(\$ 6,143 )
Acquisition of financial assets at fair value through other comprehensive income		-	( 60,360 )
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(3)	5,953	1,934
Proceeds from disposal of acquisition of financial assets at amortized cost		19,969	( 47,814 )
Acquisition of property, plant and equipment	6(30)	( 41,916 )	( 106,414 )
Proceeds from disposal of property, plant and equipment		60,932	16,823
Acquisition of intangible assets	6(9)	( 34,270 )	( 22,027 )
Increase in guarantee deposits paid		-	( 2,109 )
Decrease in guarantee deposits paid		4,964	648
Decrease in restricted financial assets		-	21,916
Net cash flows from (used in) investing activities		<u>15,632</u>	<u>( 203,546 )</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Increase in short-term borrowings		2,298,841	3,308,979
Decrease in short-term borrowings		( 2,462,139 )	( 3,299,438 )
Repayment of principal portion of lease liabilities		( 38,552 )	-
Increase in long-term borrowings		125	-
Cash dividends paid		( 45,606 )	( 45,606 )
Net cash flows used in financing activities		<u>( 247,331 )</u>	<u>( 36,065 )</u>
Effects due to changes in exchange rate		<u>( 16,168 )</u>	<u>12,969</u>
Net (decrease) increase in cash and cash equivalents		( 28,766 )	29,378
Cash and cash equivalents at beginning of year		<u>1,086,499</u>	<u>1,057,121</u>
Cash and cash equivalents at end of year		<u>\$ 1,057,733</u>	<u>\$ 1,086,499</u>

## REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

### ***Opinion***

We have audited the accompanying parent company only balance sheets of Microelectronics Technology, Inc. (the “Company”) as at December 31, 2019 and 2018, 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 the Company as at December 31, 2019 and 2018, 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 the Company 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 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 the Company's parent company only financial statements for the year ended December 31, 2019 are stated as follows:

### **Intangible assets - assessment of goodwill impairment**

#### Description

As of December 31, 2019, goodwill amounted to NT\$ 143,637 thousand. For information on evaluation of goodwill impairment, please refer to Note 6(11), impairment of non-financial assets. The Company estimates recoverable amount utilizing the future cash flows of goodwill's cash generating unit and appropriate discount rates in order to determine whether goodwill is impaired. The estimation of future cash flows involves various assumptions, which may have significant effects on the estimation of recoverable amount. Thus, it has been identified as a key audit matter.

#### How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Interviewed with management in order to obtain an understanding of the procedures in relation to identifying cash-generating units and estimating the future cash flows. Compared the financial forecast for the year ended December 31, 2020 with the budget approved by the Board of Directors to ensure they are consistent.
2. Interviewed with management in order to obtain an understanding of development plans and schedules of the projects.
3. Assessed the key assumption that management used to estimate future cash flows, including operating revenue growth rate and gross margin, and evaluated the parameters used in determining the discount rate, including the risk-free rate of return that was used to calculate cost of equity, industry's risk coefficient and long-term market return.

## **Allowance for inventory valuation losses**

### Description

Please refer to Note 6(6) for the details of inventories. As of December 31, 2019, the balances of inventories and allowance for inventory valuation losses amounted to NT\$639,960 thousand and NT\$60,208 thousand, respectively. Since inventory is material to the financial statements and the determination of net realisable value of the obsolete inventory usually involves management's subjective judgement, therefore, we determined valuation of inventories that are over a certain age and individually identified as obsolete or slow-moving as a key audit matter.

### How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Obtained an understanding of management policies on obsolete or slow-moving inventories, and verified the reasonableness of determining the obsolescence of inventory.
2. Tested the movements of inventories, and sampled individual inventory item numbers to check whether the classification of inventory aging is correct.
3. For obsolete or slow-moving inventories, sampled individual inventory item numbers to check progress of inventory clearance and evaluated the reasonableness of determining the allowance for inventory valuation losses

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

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

In preparing the parent company only financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate

the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee, are responsible for overseeing the Company'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:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such

4. disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only 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 parent company only financial statements for the year ended December 31, 2019 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.

---

Lin, Yu-Kuan

---

Li, Tien-Yi

For and on behalf of PricewaterhouseCoopers, Taiwan  
March 17, 2020

---

The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

**MICROELECTRONICS TECHNOLOGY, INC.**  
**PARENT COMPANY ONLY BALANCE SHEETS**  
**DECEMBER 31, 2019 AND 2018**  
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2019		December 31, 2018		
		AMOUNT	%	AMOUNT	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 710,701	15	\$ 629,590	12
1110	Financial assets at fair value through profit or loss - current	6(2)	2,671	-	383	-
1136	Current financial assets at amortised cost	6(4)	-	-	20,930	1
1150	Notes receivable	6(5)	9,024	-	68,362	2
1170	Accounts receivable, net	6(5)	860,915	19	1,344,046	26
1180	Accounts receivable - related parties	6(5) and 7	6,844	-	14,715	-
1200	Other receivables		702	-	3,320	-
1210	Other receivables - related parties	7	4,703	-	10,537	-
130X	Inventories	6(6)	579,752	12	712,146	14
1410	Prepayments		25,391	1	46,435	1
11XX	<b>Total current assets</b>		<u>2,200,703</u>	<u>47</u>	<u>2,850,464</u>	<u>56</u>
<b>Non-current assets</b>						
1517	Financial assets at fair value through other comprehensive income - non-current	6(3)	9,276	-	13,753	-
1550	Investments accounted for under equity method	6(7)	1,622,226	35	1,662,473	32
1600	Property, plant and equipment	6(8)	93,334	2	80,754	2
1755	Right-of-use assets	6(9)	219,392	5	-	-
1780	Intangible assets	6(10)	163,085	3	157,552	3
1840	Deferred income tax assets	6(28)	365,989	8	357,858	7
1900	Other non-current assets		3,009	-	5,413	-
15XX	<b>Total non-current assets</b>		<u>2,476,311</u>	<u>53</u>	<u>2,277,803</u>	<u>44</u>
1XXX	<b>Total assets</b>		<u>\$ 4,677,014</u>	<u>100</u>	<u>\$ 5,128,267</u>	<u>100</u>

(Continued)

**MICROELECTRONICS TECHNOLOGY, INC.**  
**PARENT COMPANY ONLY BALANCE SHEETS**  
**DECEMBER 31, 2019 AND 2018**  
(Expressed in thousands of New Taiwan dollars)

Items	Notes	Year ended December 31				
		2019		2018		
		AMOUNT	%	AMOUNT	%	
4000	<b>Operating revenue</b>	6(22) and 7	\$ 4,922,305	100	\$ 7,124,093	100
5000	<b>Operating costs</b>	6(6) and 7	( 4,144,412)	( 84)	( 6,245,468)	( 88)
5900	<b>Gross profit</b>		<u>777,893</u>	<u>16</u>	<u>878,625</u>	<u>12</u>
	<b>Operating expenses</b>	6(26)(27) and 7				
6100	Selling expenses		( 282,752)	( 6)	( 256,252)	( 4)
6200	General and administrative expenses		( 62,520)	( 1)	( 59,617)	( 1)
6300	Research and development expenses		( 480,676)	( 10)	( 609,657)	( 8)
6450	Loss of expected credit impairment		( 40)	-	( 6)	-
6000	<b>Total operating expenses</b>		<u>( 825,988)</u>	<u>( 17)</u>	<u>( 925,532)</u>	<u>( 13)</u>
6900	<b>Operating loss</b>		<u>( 48,095)</u>	<u>( 1)</u>	<u>( 46,907)</u>	<u>( 1)</u>
	<b>Non-operating income and expenses</b>					
7010	Other income	6(23)	41,240	1	56,339	1
7020	Other gains and losses	6(24) and 7	4,288	-	18,329	-
7050	Finance costs	6(25)	( 17,285)	-	( 16,139)	-
7070	Share of profit of associates and joint ventures accounted for under equity method	6(7)	<u>21,536</u>	<u>-</u>	<u>49,087</u>	<u>-</u>
7000	<b>Total non-operating income and expenses</b>		<u>49,779</u>	<u>1</u>	<u>107,616</u>	<u>1</u>
7900	<b>Profit before income tax</b>		<u>1,684</u>	<u>-</u>	<u>60,709</u>	<u>-</u>
7950	Income tax expense	6(28)	-	-	( 8,600)	-
8200	<b>Profit for the year</b>		<u>\$ 1,684</u>	<u>-</u>	<u>\$ 52,109</u>	<u>-</u>
	<b>Other comprehensive income (loss)</b>					
	<b>Components of other comprehensive loss that will not be reclassified to profit or loss</b>					
8311	Losses on remeasurements of defined benefit plans	6(16)	( \$ 7,925)	-	( \$ 13,957)	-
8316	Unrealised loss from financial assets measured at fair value through other comprehensive income	6(3)	1,477	-	( 1,685)	-
8330	Share of other comprehensive income of associates and joint ventures accounted for under equity method, components of other comprehensive income that will not be reclassified to profit or loss	6(7)	( 8,596)	-	( 1,553)	-
	<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
8380	Share of other comprehensive income of associates and joint ventures accounted for under equity method, components of other comprehensive income that will be reclassified to profit or loss	6(7)	( 56,420)	( 1)	195	-
8399	Income tax relating to the components of other comprehensive income that will be reclassified to profit or loss	6(28)	<u>11,284</u>	<u>-</u>	<u>( 36)</u>	<u>-</u>
8300	<b>Total other comprehensive loss for the year</b>		<u>( \$ 60,180)</u>	<u>( 1)</u>	<u>( \$ 17,036)</u>	<u>-</u>
8500	<b>Total comprehensive income for the year</b>		<u>( \$ 58,496)</u>	<u>( 1)</u>	<u>\$ 35,073</u>	<u>-</u>
	<b>Basic earnings per share</b>					
9750	<b>Total basic earnings per share</b>	6(29)	<u>\$ 0.01</u>		<u>\$ 0.23</u>	
	<b>Diluted earnings per share</b>					
9850	<b>Total diluted earnings per share</b>	6(29)	<u>\$ 0.01</u>		<u>\$ 0.23</u>	

**MICROELECTRONICS TECHNOLOGY, INC.**  
**PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

(Expressed in thousands of New Taiwan dollars, except earnings per share)

Items	Notes	Year ended December 31			
		2019		2018	
		AMOUNT	%	AMOUNT	%
4000 <b>Operating revenue</b>	6(22) and 7	\$ 4,922,305	100	\$ 7,124,093	100
5000 <b>Operating costs</b>	6(6) and 7	( 4,144,412)	( 84)	( 6,245,468)	( 88)
5900 <b>Gross profit</b>		<u>777,893</u>	<u>16</u>	<u>878,625</u>	<u>12</u>
<b>Operating expenses</b>	6(26)(27) and 7				
6100 Selling expenses		( 282,752)	( 6)	( 256,252)	( 4)
6200 General and administrative expenses		( 62,520)	( 1)	( 59,617)	( 1)
6300 Research and development expenses		( 480,676)	( 10)	( 609,657)	( 8)
6450 Loss of expected credit impairment		( 40)	-	( 6)	-
6000 <b>Total operating expenses</b>		<u>( 825,988)</u>	<u>( 17)</u>	<u>( 925,532)</u>	<u>( 13)</u>
6900 <b>Operating loss</b>		<u>( 48,095)</u>	<u>( 1)</u>	<u>( 46,907)</u>	<u>( 1)</u>
<b>Non-operating income and expenses</b>					
7010 Other income	6(23)	41,240	1	56,339	1
7020 Other gains and losses	6(24) and 7	4,288	-	18,329	-
7050 Finance costs	6(25)	( 17,285)	-	( 16,139)	-
7070 Share of profit of associates and joint ventures accounted for under equity method	6(7)	<u>21,536</u>	<u>-</u>	<u>49,087</u>	<u>-</u>
7000 <b>Total non-operating income and expenses</b>		<u>49,779</u>	<u>1</u>	<u>107,616</u>	<u>1</u>
7900 <b>Profit before income tax</b>		<u>1,684</u>	<u>-</u>	<u>60,709</u>	<u>-</u>
7950 Income tax expense	6(28)	-	-	( 8,600)	-
8200 <b>Profit for the year</b>		<u>\$ 1,684</u>	<u>-</u>	<u>\$ 52,109</u>	<u>-</u>
<b>Other comprehensive income (loss)</b>					
<b>Components of other comprehensive loss that will not be reclassified to profit or loss</b>					
8311 Losses on remeasurements of defined benefit plans	6(16)	( \$ 7,925)	-	( \$ 13,957)	-
8316 Unrealised loss from financial assets measured at fair value through other comprehensive income	6(3)	<u>1,477</u>	<u>-</u>	<u>( 1,685)</u>	<u>-</u>
8330 Share of other comprehensive income of associates and joint ventures accounted for under equity method, components of other comprehensive income that will not be reclassified to profit or loss	6(7)	( 8,596)	-	( 1,553)	-
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
8380 Share of other comprehensive income of associates and joint ventures accounted for under equity method, components of other comprehensive income that will be reclassified to profit or loss	6(7)	( 56,420)	( 1)	195	-
8399 Income tax relating to the components of other comprehensive income that will be reclassified to profit or loss	6(28)	<u>11,284</u>	<u>-</u>	<u>( 36)</u>	<u>-</u>
8300 <b>Total other comprehensive loss for the year</b>		<u>( \$ 60,180)</u>	<u>( 1)</u>	<u>( \$ 17,036)</u>	<u>-</u>
8500 <b>Total comprehensive income for the year</b>		<u>( \$ 58,496)</u>	<u>( 1)</u>	<u>\$ 35,073</u>	<u>-</u>
<b>Basic earnings per share</b>					
9750 <b>Total basic earnings per share</b>	6(29)	<u>\$ 0.01</u>	<u>0.01</u>	<u>\$ 0.23</u>	<u>0.23</u>
<b>Diluted earnings per share</b>					
9850 <b>Total diluted earnings per share</b>	6(29)	<u>\$ 0.01</u>	<u>0.01</u>	<u>\$ 0.23</u>	<u>0.23</u>

**MICROELECTRONICS TECHNOLOGY, INC.,**  
**PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY,**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018.**  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated).

	Notes	Retained Earnings				Other equity interest				Total equity
		Share capital - common stock	Capital surplus, additional paid-in capital	Legal reserve	Special reserve	Total unappropriated retained earnings (accumulated deficit)	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gain or loss on available-for-sale financial assets	
<b>2018</b>										
Balance at January 1, 2018		\$2,280,283	\$ 402,937	\$ 5,372	\$ 21,052	\$ 143,892	(\$ 59,095)	\$ -	(\$ 24,355)	\$2,770,090
Effects of retrospective application	3(1)	-	-	-	-	106,011	-	( 130,364)	24,355	-
Balance at January 1, 2018 after adjustments		<u>2,280,283</u>	<u>402,937</u>	<u>5,372</u>	<u>21,052</u>	<u>249,903</u>	<u>( 59,095)</u>	<u>( 130,364)</u>	<u>-</u>	<u>2,770,090</u>
Profit for the year		-	-	-	-	52,109	-	-	-	52,109
Other comprehensive income (loss) for the year	6(3)	-	-	-	-	( 13,957)	159	( 3,238)	-	( 17,036)
Total comprehensive income (loss)		-	-	-	-	<u>38,152</u>	<u>159</u>	<u>( 3,238)</u>	<u>-</u>	<u>35,073</u>
Appropriation of 2017 earnings										
Legal reserve		-	-	14,389	-	( 14,389)	-	-	-	-
Special reserve		-	-	-	62,394	( 62,394)	-	-	-	-
Cash dividends	6(20)	-	-	-	-	( 45,606)	-	-	-	( 45,606)
Disposal of financial assets at fair value through other comprehensive income (loss)	6(3)	-	-	-	-	890	-	( 890)	-	-
Balance at December 31, 2018		<u>\$2,280,283</u>	<u>\$ 402,937</u>	<u>\$ 19,761</u>	<u>\$ 83,446</u>	<u>\$ 166,556</u>	<u>(\$ 58,934)</u>	<u>(\$ 134,492)</u>	<u>\$ -</u>	<u>\$2,759,551</u>
<b>2019</b>										
Balance at January 1, 2019		\$2,280,283	\$ 402,937	\$ 19,761	\$ 83,446	\$ 166,556	(\$ 58,934)	(\$ 134,492)	\$ -	\$2,759,551
Profit for the year		-	-	-	-	1,684	-	-	-	1,684
Other comprehensive loss for the year	6(3)	-	-	-	-	( 7,925)	( 45,136)	( 7,119)	-	( 60,180)
Total comprehensive loss		-	-	-	-	<u>( 6,241)</u>	<u>( 45,136)</u>	<u>( 7,119)</u>	<u>-</u>	<u>( 58,496)</u>
Appropriation of 2018 earnings										
Legal reserve		-	-	5,211	-	( 5,211)	-	-	-	-
Special reserve		-	-	-	109,980	( 109,980)	-	-	-	-
Cash dividends	6(20)	-	-	-	-	( 45,606)	-	-	-	( 45,606)
Disposal of financial assets at fair value through other comprehensive income (loss)	6(3)	-	-	-	-	2,895	-	( 2,895)	-	-
Balance at December 31, 2019		<u>\$2,280,283</u>	<u>\$ 402,937</u>	<u>\$ 24,972</u>	<u>\$ 193,426</u>	<u>\$ 2,413</u>	<u>(\$ 104,071)</u>	<u>(\$ 144,506)</u>	<u>\$ -</u>	<u>\$2,655,451</u>

**MICROELECTRONICS TECHNOLOGY, INC.**  
**PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**  
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2019	2018
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Profit before tax		\$ 1,684	\$ 60,709
Adjustments			
Adjustments to reconcile profit (loss)			
Loss on expected credit impairment		40	6
Depreciation	6(8)(26)	47,282	17,560
Amortization	6(10)(26)	15,473	14,757
Net (gain) loss on financial assets at fair value through profit or loss	6(2)(24)	( 2,288 )	1,307
Net loss (gain) on financial liabilities at fair value through profit or loss	6(24)	178	( 3,734 )
Interest income	6(23)	( 3,974 )	( 4,083 )
Dividend income	6(23)	( 342 )	( 556 )
Interest expense	6(25)	17,285	16,139
Gain on disposal of property, plant and equipment	6(24)	( 7,039 )	( 4,889 )
Share of profit of associates accounted for under the equity method	6(7)	( 21,536 )	( 49,087 )
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		59,338	( 59,082 )
Accounts receivable		483,091	42,644
Accounts payable – related parties		7,871	( 14,673 )
Other payables		2,634	103,527
Other receivables - related parties		5,834	60,172
Inventories		132,394	( 250,891 )
Prepayments		20,817	( 32,659 )
Changes in operating liabilities			
Accounts payable		( 10,564 )	( 490 )
Accounts payable - related parties		( 352,149 )	264,509
Other payables		( 64,135 )	27,174
Other payables – related parties		( 35,249 )	28,040
Provisions for liabilities		( 15,271 )	( 4,301 )
Contract liabilities		48,252	4,012
Other current liabilities		( 75,945 )	( 44,996 )
Accrued pension liabilities		( 14,042 )	( 16,779 )
Cash inflow generated from operations		239,639	154,336
Interest received		3,958	4,146
Dividend received		342	556
Interest paid		( 12,123 )	( 15,929 )
Income taxes paid		( 1,353 )	( 143 )
Net cash flows from operating activities		<u>230,463</u>	<u>142,966</u>

(Continued)

**MICROELECTRONICS TECHNOLOGY, INC.**  
**PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**  
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2019	2018
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Proceeds from disposal of acquisition of financial assets at amortized cost	6(4)	\$ 20,930	(\$ 20,930 )
Acquisition of property, plant and equipment	6(31)	( 39,834 )	( 44,404 )
Proceeds from disposal of property, plant and equipment		3,819	6,675
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(3)	5,953	1,934
Acquisition of intangible assets	6(10)	( 21,006 )	( 7,556 )
Increase in guarantee deposits paid		-	( 2,109 )
Decrease in guarantee deposits paid		2,810	-
Decrease in restricted financial assets		-	21,916
Net cash flows used in investing activities		( 27,328 )	( 44,474 )
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Increase in short-term borrowings		1,958,921	2,980,964
Decrease in short-term borrowings		( 2,008,326 )	( 3,041,783 )
Proceeds of from long-term borrowings		125	-
Repayments of principal portion of lease liabilities		( 27,138 )	-
Cash dividends paid	6(20)	( 45,606 )	( 45,606 )
Net cash flows used in financing activities		( 122,024 )	( 106,425 )
Net increase (decrease) in cash and cash equivalents		81,111	( 7,933 )
Cash and cash equivalents at beginning of year		629,590	637,523
Cash and cash equivalents at end of year		\$ 710,701	\$ 629,590

**Attachment 4**

**Comparison table for the Procedures for Handling Acquisition and Disposal of Assets Before and After Revision**

<b>Amendment</b>	<b>Original Contents</b>
<p><b>Article 13</b> Operational Procedure for Acquisition or Disposal of Derivatives Products: II. All hedging tools and strategies should be reasonable and legitimate, which include Forward contract, Option contract, Futures contract, Swap contract and related hybrid contracts combining the above contracts. When using the hedging tools, evaluation reports shall be submitted, and approved by managers authorized by the board of directors before trading.</p>	<p><b>Article 13</b> Operational Procedure for Acquisition or Disposal of Derivatives Products: II. All hedging tools and strategies should be reasonable and legitimate, which include Forward contract, Option contract, Futures contract, Swap contract and related hybrid contracts combining the above contracts. <u>Currently, forward contract is our main hedging tool. As for using other hedging tools, evaluation reports shall be submitted, and approved by the Chairman before trading.</u></p>

**Attachment 5**

**The List of the Independent Director Candidate**

**The List of the Independent Director Candidate**

Name	Education	Major Previous Positions and Current Positions	Number of Shares
Mr. Golub Drakulovic	M.B.A in Fairleigh Dickenson University, Rutherford, NJ M.S. in Mechanical Engineering – NJIT, Newark,NJ	VP China Wireless R&D - Lucent/Alcatel Director – Lucent Wireless Technical Center in China	0

# Appendix

## **Appendix 1**

### **Rules of Procedure for Shareholders Meetings**

#### **Article 1**

The rules of procedure for the Corporation's shareholders meetings, except as otherwise provided by law, regulation, or the articles of incorporation, shall be as provided in these Rules.

#### **Article 2**

“Shareholders” in these Rules means shareholders and their proxies.

#### **Article 3**

Shareholders attending the Meeting shall submit the attendance card for the purpose 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 plus the number of shares whose voting rights are exercised by correspondence or electronically.

#### **Article 4**

Attendance and voting at shareholders meetings shall be calculated based on numbers of shares.

#### **Article 5**

The Corporation may appoint the attorneys, certified public accountants, or related persons retained by it to attend a shareholders meeting in a non-voting capacity.

#### **Article 6**

The process of the Meeting shall be tape-recorded or videotaped and these tapes shall be preserved for at least one year.

#### **Article 7**

The chair shall call the meeting to order if the attending shareholders exceed the majority of the total number of issued shares. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements. If the quorum is not met after two postponements, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act. When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the shareholders meeting.

#### **Article 8**

If the shareholders meeting is convened by the board of directors, the meeting agenda shall be set by the board of directors. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders meeting.

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

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

the rules of procedure, the other members of the board of directors shall promptly assist the attending shareholders in electing a new chair in accordance with statutory procedures, by agreement of a majority of the votes represented by the attending shareholders, and then continue the meeting.

After the meeting, the shareholders may not elect another chair to continue the meeting at the original site or another place.

#### **Article 9**

During the Meeting, the chairman may, at his discretion, set time for intermission.

#### **Article 10**

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

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

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

#### **Article 11**

Except with the consent of the chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes.

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

When a shareholder defies the chair's correction, the Rules are adopted pursuant to Article 18, paragraph 2.

#### **Article 12**

The chairman may announce to end the discussion of any resolution and go into voting if the Chairman deems it appropriate.

#### **Article 13**

Except as otherwise provided in the Company Act and in this Corporation's articles of incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. At the time of a vote, if the chair has consulted the no-objection, it shall be deemed to have passed, and its validity shall be the same as the voting. A shareholder shall be entitled to one vote for each share held, except when the shares are restricted shares or are deemed non-voting shares under Article 179, paragraph 2 of the Company Act. Resolution of the shareholders' meeting, the number of shares of non-voting shareholders, not counting the total number of issued shares.

If the shareholders are unable to attend the shareholders' meeting for any reason, they will be issued a power of attorney issued by the company, stating the scope of the authorization. In accordance with the company law and the public offering company's attendance at the shareholders' meeting using the rules of the power of attorney, the agent is entrusted to attend the shareholders' meeting. With the exception of a trust enterprise or a shareholder services agent approved by the competent securities authority, when one person is concurrently appointed as proxy by two or more shareholders, the voting rights represented by that proxy may not exceed 3 percent of the voting rights represented by the total number of issued shares. If that percentage is exceeded, the voting rights in excess of that percentage shall not be included in the calculation.

A shareholder may issue only one proxy form and appoint only one proxy for any given shareholders meeting, and shall deliver the proxy form to this Corporation before five days before the date of the shareholders meeting.

If the duplicate proxy forms are delivered, the one received earliest shall prevail unless a declaration is made to cancel the previous proxy appointment.

After a proxy form has been delivered to this Corporation, if the shareholder intends to attend the meeting in person or to exercise voting rights by correspondence or electronically, a written notice of proxy cancellation shall be submitted to this Corporation before 2 business days before the meeting date. If the cancellation notice is submitted after that time, votes cast at the meeting by the proxy shall prevail.

Other matters related to the agency shall be handled in accordance with the regulations of the competent authority.

#### **Article 14**

When a legal person is appointed to attend as proxy, it may designate only one person to represent it in the meeting.

When a legal person shareholder appoints two or more representatives to attend a shareholders meeting, only one of the representatives so appointed may speak on the same proposal.

#### **Article 15**

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

#### **Article 16**

The person(s) to check and the person(s) to record the ballots during a vote by casting ballots shall be appointed by the chairman. The person(s) checking the ballots shall be a shareholder(s). The result of voting shall be announced at the Meeting and placed on record.

#### **Article 17**

If there is amendment to or substitute for a discussion item, the chairman shall decide the sequence of voting for such discussion item, the amendment or the substitute. If any one of them has been adopted, the others shall be deemed vetoed and no further voting is necessary.

#### **Article 18**

The chairman may conduct the disciplinary officers or the security guard to assist in keeping order of the Meeting place.

When a shareholder violates the rules of procedure and defies the chair's correction, obstructing the proceedings and refusing to heed calls to stop, the chair may direct the proctors or security personnel to escort the shareholder from the meeting.

#### **Article 19**

The matters not specified in these Rules shall be handled in accordance with the provisions of the Company Law and relevant laws and regulations and the articles of association of the Company.

#### **Article 20**

These Rules and any amendments hereto, shall be implemented after adoption by shareholders meetings.

## Appendix 2

### Article of Incorporation

#### Chapter I - General Provisions

##### Article 1

The Corporation is incorporated under the Company Act of the Republic of China, and its name is 台揚科技股份有限公司 in Chinese language, and Microelectronics Technology Inc. in English language.

##### Article 2

The business scope of the Corporation is as stated below:

1. CC01030 Electric Appliance and Audiovisual Electric Products Manufacturing
  2. CC01070 Telecommunication Equipment and Apparatus Manufacturing
  3. CC01080 Electronic Parts and Components Manufacturing
  4. CC01101 Restrained Telecom Radio Frequency Equipments and Materials Manufacturing
  5. CC01990 Electrical Machinery, Supplies Manufacturing
  6. E701010 Telecommunications Construction
  7. E701020 Channel KU and C of Satellite TV Equipments and Materials Construction
  8. E701030 Restrained Telecom Radio Frequency Equipments and Materials Construction
  9. EZ99990 Other Construction
  10. F401010 International Trade
  11. F401021 Restrained Telecom Radio Frequency Equipments and Materials Import
  12. Product Designing
- (a) To conduct research, development, design, production, manufacturing, and sales of the following items:
- Personal communication device components, subsystems and systems
  - Wireless microwave communication systems equipment, electronic components, electronic systems and etc.
- (b) Manufacture for foreign and Taiwan domestic markets:
- Substrate and capacitors used in microwave integrated circuit.
  - High frequency microwave and millimeter wave components
  - Microwave and millimeter wave subsystem and system
  - Integrated imported and self-made microwave and optic electronic components into subsystem and system
- (c) Manufacture and sale of direct broadcasting satellite receiver equipment for foreign and domestic market
- (d) Custom design and manufacture the above-mentioned products according to customers' specifications
- (e) Provide inspection, repair and maintenance, tooling, and installation services for the above-mentioned products
- (f) Import/Export for the above-mentioned business

##### Article 2-1

When being the limited liability shareholder of other companies, the total amount of the Corporation's investment is exempted from the restriction of not more than forty percent of the Corporation's paid-up capital as provided in Article 13 of the Company Act, but subject to total

shareholders' equity of the Corporation.

### **Article 3**

The Corporation shall have its head office in Science Park, Hsin Chu, Taiwan, Republic of China, and shall be free, upon approval of Board of Directors and government authorities in charge, to set up representative and branch offices at various locations within and without the territory of the Republic of China, wherever and whenever the Corporation deems it necessary or advisable to carry out any or all of its activities.

### **Article 4**

Public announcements of the Corporation shall be made in accordance with Article 28 of the Company Act of the Republic of China.

## **Chapter II - Capital Stock**

### **Article 5**

The total authorized capital stock of the Corporation is in the amount of 7,000,000,000 New Taiwan Dollars, divided into 700,000,000 shares, at ten New Taiwan Dollars each, and may be paid-up in installments and in form of preferred stock subject to Board of Directors' approval. A total of 50,000,000 shares among the above total capital stock should be reserved for issuing stock options, corporate bonds with warrants and preferred shares with warrants.

### **Article 5-1**

The rights, obligations and other important conditions regarding the first name-bearing preferred shares of the Corporation are as the followings:

- (1) At the end of each fiscal year, after the Corporation has provided for taxes, made up the prior years' losses, set aside legal reserve, special capital reserve, and dividends of preferred shares should be paid in first priority.
- (2) The dividends ratio of the preferred shares is 3% per year. Calculated based on the issuing price and are payable in cash annually. The Board of directors will resolve a record date after Shareholders' meeting to effect the dividends payment. The preferred shares are not entitled to dividends when transferring to common shares but are entitled to dividend of common shares at that year.
- (3) If the profit of the Corporation is not enough for dividends distribution to preferred shares, it will be paid in future year in the first priority. But after transferring to common shares, all accumulated dividends will not be distributable.
- (4) The preferred stocks can participate in the common share stock dividend distribution.
- (5) If the Corporation distributes its legal reserve and the capital reserve of special shares by issuing new shares or by cash dividend, the preferred stock can't join the earning distribution.
- (6) When the Corporation issues new shares in cash, the shareholders of the preferred stocks shall have the same preemptive rights with respect to the new shares as those of the shareholders of the common shares.
- (7) Limited by the issuing total amount, preferred stocks has priority to get the residual assets of the Corporation when liquidation.
- (8) Shareholders of preferred stocks have voting right, elect right and the right be the candidate for the directorship in annual shareholders' meeting.
- (9) The preferred stock can only be transferred to common shares after three years of issuance and the exchange rate is one on one. After transfer, the right and obligation is the same as other common shares.

### **Article 5-2**

The Corporation may issue treasury stock to employees of the affiliated companies meeting certain qualifications.

The Corporation may issue share subscription warrant or restricted stock awards to employees of the affiliated companies meeting certain qualifications.

The Corporation may issue the new shares to employees of the affiliated companies meeting certain qualifications.

### **Article 6**

The share certificates of the Corporation shall all be name-bearing share certificates with signatures of the director representing the Corporation, and issued in accordance with the Company Act and relevant rules and regulations of the Republic of China.

Subject to the Company Act or other related regulations, the stock certificates of the Corporation may be made without physical certificates. However, the stock of the Corporation shall be registered with the securities centralized depository institution.

### **Article 7**

Registration for transfer of shares shall be suspended for sixty (60) days immediately before the date of regular meeting of shareholders, and thirty (30) days immediately before the date of any special meeting of shareholders, or five (5) days before the day on which dividend, bonus, or any other benefit are scheduled to be paid by the Corporation.

### **Article 8**

Prior to the transfer of Corporation shares, an application for transfer of share certificates with the seals of both transferor and transferee, shall be filed with the Corporation or the agent of the Corporation jointly by the transferors and the transferee. Before the transfer is duly made, the share certificates are deemed as belonging to the original shareholder. Application for mortgage or discharge of mortgage of share certificates with the seals of mortgager and mortgagee shall be filled with the Corporation or its agent of the Corporation jointly by the mortgager and the mortgagee. Before the mortgage is duly registered with the Corporation or its agent, the mortgager cannot defend himself against the Corporation.

### **Article 9**

The Corporation shall handle its share-related issues in accordance with relevant rules and regulations of the Republic of China.

## **Section III – Shareholders’ Meeting**

### **Article 10**

Shareholders' meetings of the Corporation are of two types, namely: (1) regular meetings and (2) special meetings. Except special reasons ruled by the Company Act, shareholders' meetings shall be convened, by the Board of Directors, within six (6) months after the close of each fiscal year. However, the special case authorized by government administrator is not subject to this rule.

### **Article 11**

If a shareholder is unable to attend a meeting, he/she may appoint a representative to attend it and exercise on his/her behalf the rights at the meeting with the proxies printed by the Corporation. Excluding the trust enterprise and agents for stock affairs authorized by the government, if a

shareholder is on behalf of more than two persons to exercise their rights simultaneously, proxies over 3% of total voting rights can not be counted.

The proxies should be delivered to the Corporation no later than five days before the Shareholders' meeting date.

If there is double submission of proxies, the Corporation will accept the first one unless the revoking claim of the one is made.

The Corporation shall handle its proxies in accordance with relevant rules and regulations of the Republic of China.

#### **Article 12**

Each share of stock is entitled to one vote, except when the shares are restricted shares or are deemed non-voting shares under Article 179, paragraph 2 of the Company Act.

#### **Article 13**

Resolutions at a shareholders' meeting shall, unless otherwise provide for by the Company Act, be adopted by a majority vote of the shareholders present, who must represent more than one half of the total number of voting shares. Shareholders may vote via an electronic voting system, and those who do so shall be deemed to as attending the shareholders' meeting in person; electronic voting shall be conducted in according with the relevant laws and regulations.

#### **Article 14**

The shareholders' meeting of the Corporation shall be presided over by the chairman of the board of directors. In case the chairman is to be absent or cannot exercise his powers for any cause whatsoever, he may designate one of directors to act on his behalf. In the absence designation, the directors shall elect one from among themselves.

If the shareholders' Meeting is called by other legal person(s), (s)he should be presided. If there are several legal persons, they shall elect one from among themselves.

#### **Article 15**

The resolutions of a shareholders' meeting shall be recorded in the minutes, recording the date and place of the meeting, the name of the chairman, the method of adopting resolutions, and a summary of the essential points of the proceedings and the results of the meeting, and such minutes shall be signed by or sealed with the chop of the chairman. The minutes shall be distributed to all shareholders of the Corporation within twenty (20) days after the close of the meeting.

The distribution of the minutes of shareholders' meeting as required in Paragraph One of this Article may be effected by means of a public notice.

### **Chapter IV – Directors and the Audit Committee**

#### **Article 16**

The Corporation shall have 7~9 directors. The term of office of directors is three years, after which they will be eligible for reelection. When one-third of the directors have vacated their offices, a special shareholders' meeting shall be convened by the Board of Directors within sixty days to elect new directors to fill the vacancies. The term of office of the newly elected director shall be the same as the remaining term of the predecessor. The share holdings of all directors shall be no less than the regulation from the government authorities.

No less than 3 and one-fifth of the directors of the Corporation shall be independent director. The election of director shall be conducted in accordance with a candidate nomination system, and

that the shareholders shall elect director from among those listed in the slate of independent director candidates. The method for the accepting nomination in connection with the director shall comply with the relevant provisions under the Company Act and Securities Exchange Act. The Corporation shall form the Audit Committee, which is composed of all independent directors.

The Corporation will authorize Board of directors to buy Directors and Officers insurance during the term of office of directors. The Board of directors is authorized to determine the compensation for the directors, aligned with the standards of the industry within the R.O. C and overseas.

#### **Article 17**

The Board of directors shall be formed by directors. The directors shall elect from among themselves the Chairman of the Board of directors by a majority of votes cast by the directors present at the meeting attended by at least two-thirds of the directors. The chairman of the board of directors shall represent the Corporation.

Such method may apply to the election of vice-Chairman, who will assist Chairman in all aspects.

#### **Article 18**

The meeting of the board of directors shall be called by its chairman. The chairman of the board of directors shall preside at the meeting. In case the chairman is to be absent or cannot exercise his powers for any cause whatsoever, he may designate one of the directors to act on his behalf. In the absence of such a designation, the directors shall elect one form among themselves. The notice set forth in the preceding Paragraph may be affected by means of electronic transmission, after obtaining a prior consent from the recipient(s) thereof.

#### **Article 19**

Unless otherwise provided by the Company Act and this Articles of Incorporation, the resolutions of board of directors shall be adopt by a majority vote at a meeting attended by at least one half of the directors. A director may designate another director to act as his proxy in case he cannot attend the meeting.

Minutes of the meeting of the board of directors shall be taken.

#### **Article 20**

The function of the board of directors shall be in accordance with the provision as described in the laws and regulations.

#### **Article 21**

The functions of the Audit Committee shall be in accordance with the provision as described in the laws and regulations.

### **Chapter V - Managers**

#### **Article 22**

The Corporation shall have one president and one or more vice presidents or mangers, whose appointment, dismissal or remuneration shall be proposed by the chairman of the board of directors and consented by a majority vote of the directors.

## **Chapter VI - Accounting**

### **Article 23**

The fiscal year of the Corporation begins on January 1 and ended on December 31. At the end of each fiscal year, the following statements shall be prepared by the board of directors, and submitted (a) Business report (b) Financial statements (c) Proposals of profit distribution or losses covering to the regular shareholders' meeting for approval.

### **Article 24**

The Corporation may provide endorsement and guarantee and act as a guarantor.

### **Article 25**

At the end of each fiscal year, the Corporation shall first set aside a reserve to cover accumulated losses if any; then set aside no less than 7% of its pre-tax profits as remuneration to employees, and no more than 1% as remuneration to directors. By a resolution of the Board of Directors, employee remuneration may be distributed in the form of shares or in cash. Employees entitled to receive shares or cash may include employees from affiliated companies who meet certain qualification. A remuneration proposal of employees or/and directors and supervisors should be reported at the shareholders' meeting.

When allocating the net profits for each fiscal year, the Corporation shall first offset its accumulated losses and set aside a legal capital reserve at 10% of the profits left over, until the accumulated legal capital reserve equals the total paid-in capital of the Corporation; then set aside special capital reserve in accordance with relevant laws or regulations, and dividends of preferred shares. The remaining net profits and the retained earnings from previous years shall be distributed to shareholders according to the proposal made by the Board of Directors and passed to the shareholders' meeting for approval.

### **Article 25-1**

The Corporation is currently at a steady growth stage. With the consideration of industry and corporation's external environment, the future capital expenditure and working capital needs, enterprise development, cash dividend shall be the priority, stock dividend as supplementary. The amount of dividends distributed to shareholders shall be no less than 30% of distributable earnings for the year. The Corporation may pay dividend or not, provided the accumulated disposable earning is less than 5% of outstanding share capital. The portion of cash dividend shall be between 30%~100% and the remaining is stock dividend. The surplus earnings distribution shall be approved by the Board of Directors and Shareholders' Meeting.

## **Chapter VII - Supplementary Provisions**

### **Article 26**

Provisions of the Company Act shall be referred to for matters not provided for in the Article of Incorporation.

### **Article 27**

The Article of Incorporation was initially executed on November 22, 1982. Twenty- sixth amendments have been made since then. The last amendment was made on June 19, 2019.

## **Appendix 3**

### **Procedures for Election of Directors**

#### **Article 1**

The election of directors shall be conducted in accordance with the Procedures.

#### **Article 2**

The directors shall be election at the shareholders meeting.

#### **Article 3**

The board of directors shall prepare separate ballots for directors in numbers corresponding to the directors to be elected.

Candidate nomination system is the directors are selected from the list of director candidates by the shareholders. The manner of acceptance of the nomination of directors and other matters to be complied with shall be handled in accordance with the relevant laws and regulations of the Company Law and the Securities Exchange Act.

#### **Article 4**

Except as otherwise provided by the Corporation's articles of incorporation, each share will have voting rights in number equal to the directors or supervisors to be elected, and may be cast for a single candidate or split among multiple candidates.

#### **Article 5**

The number of directors will be as specified in the Corporation's articles of incorporation, with voting rights separately calculated for independent and non-independent director positions. Those receiving ballots representing the highest numbers of voting rights will be elected sequentially according to their respective numbers of votes. When two or more persons receive the same number of votes, thus exceeding the specified number of positions, they shall draw lots to determine the winner, with the chair drawing lots on behalf of any person not in attendance.

#### **Article 6**

The board of directors shall prepare ballots for director election, and ballots shall be in numbering and marked with the voting rights.

#### **Article 7**

At the beginning of the election, the chair shall appoint persons to check and record the ballots, and to handle the supervision and ticketing matters

#### **Article 8**

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

#### **Article 9**

A voter must enter the candidate's account name and shareholder account number in the "candidate" column of the ballot, and then put into the ballot box. However, when the candidate is a governmental organization or juristic-person shareholder, the name of the governmental organization or juristic-person shareholder shall be entered in the column for the candidate's account name in the ballot paper, or both the name of the governmental organization or

juristic-person shareholder and the name of its representative may be entered. When there are multiple representatives, the names of each respective representative shall be entered.

#### **Article 10**

A ballot is invalid under any of the following circumstances:

1. The ballot was not prepared by the board of directors.
2. A blank ballot is placed in the ballot box.
3. The writing is unclear and indecipherable or has been altered.
4. The candidate whose name is entered in the ballot is a shareholder, but the candidate's account name and shareholder account number do not conform with those given in the shareholder register, or the candidate whose name is entered in the ballot is a non-shareholder, and a cross-check shows that the candidate's name and identity card number do not match.
5. Other words or marks are entered in addition to the candidate's account name or shareholder account number (or identity card number) and the number of voting rights allotted.
6. The name of the candidate entered in the ballot is identical to that of another shareholder, but no shareholder account number or identity card number is provided in the ballot to identify such individual.

#### **Article 11**

The ticket is monitored by the inspector. The results of the election should be announced by the chair at the meeting. The board of directors of the Company shall issue notifications to the persons elected as directors.

#### **Article 12**

These Procedures and any amendments thereof shall be implemented after approval at the shareholders' meeting.

#### **Article 13**

Provisions of the Company Act shall be referred to for matters not provided for in the Article of Incorporation.

## Appendix 4

### Shareholdings of All Directors

Record Date: April 20, 2020

Title	Name	Current Shareholding (Shares)
Chairman	CyberTAN Technology, Inc	60,924,995
	Representative: Mr. Allen Yen	476,746
Director	CyberTAN Technology, Inc.	60,924,995
	Representative: Mr. Roger Wu	0
Director	CyberTAN Technology, Inc	60,924,995
	Representative: Mr. Kuoliang Ho	0
Director	Mr. Chi-Chia Hsieh	3,123,279
Independent Director	Ms. Mary Shio Chan	0
Independent Director	Mr. C. L. Liu	0
Independent Director	Ms. Yun Lin	0
The minimum legal number of shares that all directors should hold		12,000,000
Total shareholdings of all Directors		64,048,274 28% of total shares (Note 2)

Note :

(1) Total outstanding shares as of April 20, 2020: 228,028,320 common shares

(2) Total shareholdings of all Directors are in compliance with the “Public Issuance Company Directors, Supervisors' Equity and Checking Implementation Rules” promulgated by the Financial Supervisory Commission.