



TWSE: 3094

# DAVICOM Semiconductor, Inc.

## 2021 Annual General Shareholders' Meeting Handbook

**Meeting Time:** 9:00 a.m. on Monday, 7<sup>th</sup> Jun, 2021

**Venue:** 3F., No.6, Li-Hsin Rd.6, Science Park, Hsinchu, Taiwan (Auditorium)

### Notice to readers

*This English-version meeting handbook is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.*

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# **DAVICOM Semiconductor, Inc.**

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

- 1. Call the Meeting to Order**
- 2. Chairman's Address**
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- 4. Approval Items**
- 5. Discussions Items**
- 6. Extemporaneous motions**
- 7. Adjournment**

# **DAVICOM Semiconductor, Inc.**

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

**Time:** 9:00 a.m., Jun 7<sup>th</sup>, 2021 (Monday)

**Place:** 3F., No.6, Li-Hsin Rd.6, Science Park, Hsinchu, Taiwan (Auditorium)

### **Agenda:**

**1.** Call the Meeting to Order

**2.** Chairman's Address

**3.** Report Items

- (1) To report the business of 2020 and operating plan of 2021
- (2) Audit Committee's review report of 2020
- (3) To report 2020 employees' bonus and directors' compensation
- (4) To report Implementation Status of the Company's Share Buyback in 2018 and 2020

**4.** Approval Items

- (1) To approve 2020 Business Report and Financial Statements
- (2) To accept the proposal for distribution of 2020 profits

**5.** Discussion Items

- (1) To approve the proposal for cash distribution of 2020 additional paid in capital
- (2) To approve amendments to partial provisions of Rules and Procedures of Shareholders' Meeting

**6.** Extemporaneous motions

**7.** Adjournment

## ***Report Items***

### **1. To report the business of 2020 and operating plan of 2021**

*Explanatory Notes:* Please refer to the Attachment 1.

### **2. Audit Committee's review report of 2020**

*Explanatory Notes:* Please refer to the Attachment 2.

### **3. To report 2020 employees' profit-sharing bonus and directors' compensation**

*Explanatory Notes:*

(1) The pre-tax profits of 2020 is NT\$41,984,071 and according to the Company's Articles of Incorporation, the Board has adopted a proposal for distribution of 2020 profit as follows: directors' compensation is NT\$838,740 and the profit to employees is NT\$ 3,568,646; both shall be paid in cash.

(2) The implementation of the distribution will be conducted after being approved by the shareholders' meeting.

### **4. To report Implementation Status of the Company's Share Buyback in 2018 and 2020**

*Explanatory Notes:*

(1) The Company's Share Buyback in 2018: The Company purchased 1,515,000 shares common stock from Dec. 12, 2018 to Feb. 11, 2019. Total monetary amount of shares buyback was NT\$28,127,052. The ratio is 1.79% of cumulative number of own shares held during the buyback period to the total number of the Company's issued shares.

(2) The Company's Share Buyback in 2020: The Company purchased 1,400,000 shares common stock from Mar. 2, 2020 to May. 1, 2020. Total monetary amount of shares buyback was NT\$22,758,483. The ratio is 3.44% of cumulative number of own shares held during the buyback period to the total number of the Company's issued shares.

## *Approval Item*

### **Proposal 1**

Proposed by the Board of Directors

*Subject:*           **To accept 2020 Business Report and Financial Statements**

*Explanatory Notes:*

- (1) DAVICOM's 2020 Business Report, Financial Statements, including Balance Sheets, Statement of Comprehensive Income, Statements of Changes in Equity, and Statements of Cash Flows, were audited by independent auditors, Mr. Lin Se-Kai, and Mr. Chen Hsien-Cheng, of PricewaterhouseCoopers, Taiwan.
- (2) 2020 Business Report, and the aforementioned Financial Statements are attached hereto as Attachments. Please refer to the Attachment 1 to 4.
- (3) Please discuss.

### **Proposal 2**

Proposed by the Board of Directors

*Subject:*           **To approve the proposal for distribution of 2020 earnings**

*Explanatory Notes:*

- (1) 2020 net profit after tax is NT\$ 33,452,799. To make up the actuarial loss of the pension and to allocate 10% of the statutory surplus reserve, the proposed dividend to shareholders is NT\$29,418,152. Each shareholder will be entitled to receive a cash dividend of NT\$0.36 per share.
- (2) In the event of any change in the number of outstanding shares resulting from executing employee stock options or converting treasury stock to its employees, the dividend ratio must be adjusted. It is proposed to fully authorize the Chairman of Board of Directors of DAVICOM to adjust the dividend ratio and to proceed on the relevant matters.

(3) Upon the approval of the Annual Meeting of Shareholders, it is proposed that the Chairman of Board of Directors of DAVICOM be authorized to resolve the ex-dividend date and other relevant issues.

(4) Please discuss. For the 2020 Annual Profit Distribution Table, please refer to attachment 5

### *Discussion Item*

#### **Proposal 1**

Proposed by the Board of Directors

*Subject:* **To approve the proposal for additional cash distribution of 2020 from its reserved surplus earnings.**

*Explanatory Notes:*

(1) Based on the profit allocation proposal, the Company intends to declare cash dividends in the amount of NT\$35,955,519 at NT\$0.44 per share from its distributable reserved surplus earnings for the year 2020.

(2) In the event of any change in the number of outstanding shares resulting from executing employee stock options or converting treasury stock to its employees, the dividend ratio must be adjusted. It is proposed to fully authorize the Chairman of Board of Directors of DAVICOM to adjust the dividend ratio and to proceed on the relevant matters.

(3) Upon the approval of the Annual Meeting of Shareholders, it is proposed that the Chairman of Board of Directors of DAVICOM be authorized to resolve the ex-dividend date and other relevant issues.

(4) Please discuss

## **Proposal 2**

Proposed by the Board of Directors

*Subject: Amendments to partial provisions of Rules and Procedures of Shareholders' Meeting*

*Explanatory Notes:*

- (1) Amendment of the Rules of Procedure for Shareholders Meetings based on the TWSE Reference No. 1100001446 issued on 2021/01/28.
- (2) The revised Rules of Procedure for Shareholders Meetings, please refer to the Attachment 6.

*Extemporaneous motions*

*Adjournment*

## Attachment 1

### Company's 2020 Business Report

#### Dear Shareholders,

I would like to thank you for your continuing support throughout the year. DAVICOM has responded to the changing business climate by adopting an aggressive stance in strengthening our competitiveness. As of the end of December – 2020, our company generated net income of NT \$37.56 million on consolidated revenue of NT \$233.54 million. Our company has been continuously posting profits for 60 quarters.

The Company has four major product lines: ethernet chip, electronic paper driver chip, video decoder chip and AI chip. Last year revenue didn't grow up as expected due to the outbreak of COVID-19 which has impacted the global economic. The epidemic is under control in most Asian regions within a short time, and the manufacturing industry has resumed operations. However, the European and American markets were severely affected by the epidemic since the epidemic control was ineffective. Unlike European and American markets, the Chinese market has recovered from the impact of the epidemic shortly. Also, the China government has developed various infrastructures including electricity, telecommunications, and transportation to stimulate the economy, which has activated the China market. Besides, the medical equipment, remote teaching, and office equipment with network communication function produced by Chinese manufacturers have increasing demand. The company's sales in the Chinese market are expected to have a positive development this year.

Looking forward to the year 2021, with the continued growth of AIoT and its diversified application, we look forward to future opportunities in the communications industry. Additionally, with the development of the 5G industry, Ethernet chips play an important role in increasing communication facilities. We expect that the growing demand for AIoT & 5G market will improve the company's business opportunities of the year. The AI chips and the related application solutions developed by the company in recent years have entered the market and will contribute to this year's revenue. However, the situation of the U.S.-China trade war and tech competition is still tense after the United States Presidential Election which affect the IC industry supply chain since the fourth quarter of last year. The increasing foundry cost has directly affected the production cycle and cost of the company's products. In order to maintain a stable supply to customers and reduce the burdens of rising costs, the company has formulated accurate and effective production plans and has appropriately increased product prices.

Since the various vaccine have been approved, economic activities in Europe and the United States can hopefully recover when the coronavirus outbreak ends. The company's sales would gradually recover.

Although the impact of the COVID-19 epidemic and the rise of nationalism on global trade is still difficult to quantify, in terms of the overall environment, the trend has gradually taken shape and cannot be underestimated. In addition, the potential threat of IC design industry in China and the rapid changes of product applications, the market is full of opportunities and risks, the company will remain flexible in the strategy operation to seek the best business opportunities in the market. We will continue the spirit of pragmatic approach to governance. Our management team and all the employees are making strides in achieving our company's goal – to create the most value for all shareholders – by implementing business plan, improving cost management and enhancing operating efficiency. Develop high-performance, power-saving, industrial-grade, and diverse interfaces from key core technologies of Ethernet to meet the market

requirements of IoT and Industry 4.0 for smart grid, home, medical, security monitoring, automotive, industrial control, etc. The market needs to expand the series of e-paper driver chips for financial smart cards and electronic shelf labels, and actively develop and integrate relevant platforms to provide customers with high-quality and competitive products to stabilize customer relationships and to provide customers with customer-oriented to reach a win-win goal. Davicom gains a deep understanding of market application trends for market opportunities, and work closely with supply chain partners to obtain full support for expecting higher return on investment for shareholders to thank all shareholders for their long-term support.

Last but not the least, we would like to thank you - our shareholders - for your continuous support and belief in our efforts.

We wish you all health and happiness  
Sincerest regards,

*Chairman*  
*Ting Hao*

*President*  
*Ting Hao*

*Accounting Supervisor*  
*Kuei-Feng Chiu*

## Attachment 2

### Audit Committee's Review Report

The Company's 2020 Financial Statements have been agreed by Audit Committee members of the Company and approved by the Board of Directors. The CPA firm of PricewaterhouseCoopers Taiwan was retained to audit the Company's Financial Statements and has issued an audit report relating to the Financial Statements.

The Board of Directors has prepared the Company's 2020 Business Report and proposal for allocation of profits. The 2020 Business Report and profit allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of the Company. According to relevant requirements of the Securities and Exchange Act and the Company Law, we hereby submit this report.

DAVICOM Semiconductor Inc.

Independent Director : Ueng, Chang-Yue

Independent Director : Hwang, Jen-Jyh

Independent Director : Wei, Niang-Shou

February 26, 2021

Attachment 3

**DAVICOM SEMICONDUCTOR, INC.  
PARENT COMPANY ONLY FINANCIAL  
STATEMENTS AND INDEPENDENT AUDITORS'  
REPORT  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND  
2019**

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For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

## INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Stockholders of DAVICOM Semiconductor, Inc.

### ***Opinion***

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

In our opinion, based on our audits and the reports of other auditors (please refer to Other matter section of our report), 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, 2020 and 2019, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

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

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountants of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 judgement, 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.

The Company's key audit matters are as follows:

### **Evaluation of accounts receivable**

#### Description

Please refer to Note 4(7) for accounting policies on accounts receivable recognition and accounts receivable valuation, Note 5 for uncertainty of accounting estimates and assumptions in relation to impairment of accounts receivable, Note 6(3) for details of accounts receivable. The balance of accounts receivable amounted to NT\$31,856 thousand as at December 31, 2020.

The Company's accounts receivable arises from selling goods, and collecting in accordance with credit period which is determined by the Credit Quality Control Policy of individual customers' credit quality.

Allowance for uncollectible accounts are based on expected credit losses during its existing period. For the purpose of measurement, underlying receivable should be grouped appropriately and the assumptions should be judged and analyzed. The aging of intervals, expected loss ratio and forward-looking information usually include subjective judgement, therefore, we determined the valuation of accounts receivable as one of the key areas of focus for this year's audit.

#### How our audit addressed the matter

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

1. Checked and tested the assumptions of expected credit losses and assessed the reasonableness of the aging of intervals, including objective evidences used to determine the accuracy of periods and credit terms. Verified whether there are long overdue unrecoverable accounts receivable on the list to assess the adequacy of allowance for uncollectible accounts.
2. Checked and tested accounts receivable aging schedule which is classified based on customer types, based on subsequent collections, and discussed with management for its assessment of recoverability of past due receivables.

### **Evaluation of inventories**

#### Description

Please refer to Note 4(10) for accounting policy on inventory valuation, Note 5 for uncertainty of accounting estimates and assumptions in relation to inventory valuation, Note 6(4) for details of inventory. The balance of inventory and allowance for inventory valuation losses amounted to NT\$23,494 thousand and NT\$13,971 thousand as at December 31, 2020, respectively.

The Company is engaged in research, development, production, manufacturing and sales of local area network chipset. Due to rapid changes in technology, the life cycle of products is short and easily affected by market prices, there is a higher risk of incurring inventory valuation losses or having obsolete inventory. The Company measures inventory for normal sales at the lower of cost or net realisable value method. For inventory aging over certain period, individual inventory valuation losses and obsolete inventory, provision for loss is made through individual identification and measured at net realisable value. As a result of the significant amount, numerous items, and since identifying obsolete and damaged inventory usually involves management judgement, it also belongs to one of the audit scopes involving professional judgement. Therefore, we determined the estimate of inventory valuation losses as one of the key areas of focus for this year's audit.

#### How our audit addressed the matter

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

1. Obtained an understanding of the business, industry, products and inventory aging to assess the provision policy of allowance for inventory valuation losses, verifying whether the related accounting policies are consistent with the last period, and evaluating whether the provision policy is reasonable.
2. Obtained inventory aging report from management, analyse and compare the different reasons for loss due to market value decline and obsolete and slow-moving inventories to assess the appropriateness of loss for market value decline and obsolete and slow-moving inventory policy.
3. For summary statement that management uses to value loss for market value decline and obsolete and slow-moving inventories, confirming whether it agrees with the statement details generated from system, and verifying that obsolete and slow-moving inventories which were provided valuation losses, has been completely listed in the statement.
4. Tested book value of ending inventory, through selecting samples and obtaining invoices of last period to verify whether they were measured at the lower of cost or net realizable value method, and recalculating and valuating the reasonableness of changes in allowance for inventory valuation losses.
5. Participating and observing the year-end physical inventory count to verify the existence and completeness of inventory, and checking the condition of inventory to assess the appropriateness of allowance for inventory valuation losses of obsolete and slow-moving inventories.

## ***Other matters***

### **Reference to report of the other auditors**

The share of profit or loss of related companies recognised under the equity method, which is recognised in the audit report of other auditors for the years ended December 31, 2020 and 2019, is NT(\$3,888) thousand and NT\$1,210 thousand, respectively. Additionally, the recognised comprehensive income comprising share of other comprehensive income in subsidiaries, were both NT\$0 thousand for the abovementioned periods. As of December 31, 2020 and 2019, the balance of the investments accounted for using the equity method was NT\$333,128 thousand and NT\$220,612 thousand, respectively.

### ***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 controls 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 the audit committee, are responsible for overseeing the Company’s financial reporting process.

### ***Auditors’ responsibilities for the audit of the Parent Company Only 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 auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the generally accepted auditing standards in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the generally accepted auditing standards in the Republic of China, we exercise professional judgement 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 controls.
2. Obtain an understanding of internal controls 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 controls.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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 footnote 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 Company's audit. We remain solely responsible for our audit opinion.



**DAVICOM SEMICONDUCTOR, INC.**  
**PARENT COMPANY ONLY BALANCE SHEETS**  
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2020		December 31, 2019	
		AMOUNT	%	AMOUNT	%
<b>Current assets</b>					
1100	Cash and cash equivalents	\$ 283,217	25	\$ 464,395	38
1150	Notes receivable, net	59	-	-	-
1170	Accounts receivable, net	31,856	3	31,440	3
1200	Other receivables	170	-	4,773	-
1210	Other receivables - related parties	567	-	-	-
130X	Inventories, net	23,494	2	24,841	2
1410	Prepayments	3,865	-	5,800	-
11XX	<b>Current Assets</b>	<u>343,228</u>	<u>30</u>	<u>531,249</u>	<u>43</u>
<b>Non-current assets</b>					
1510	Financial assets at fair value through profit or loss - non-current	39,268	3	30,552	3
1550	Investments accounted for under equity method	425,601	37	316,777	26
1600	Property, plant and equipment	166,738	14	160,142	13
1755	Right-of-use assets	61,941	5	63,750	5
1760	Investment property - net	100,716	9	102,940	8
1780	Intangible assets	91	-	84	-
1840	Deferred income tax assets	9,144	1	8,593	1
1900	Other non-current assets	13,117	1	15,291	1
15XX	<b>Non-current assets</b>	<u>816,616</u>	<u>70</u>	<u>698,129</u>	<u>57</u>
1XXX	<b>Total assets</b>	<u>\$ 1,159,844</u>	<u>100</u>	<u>\$ 1,229,378</u>	<u>100</u>

(Continued)

**DAVICOM SEMICONDUCTOR, INC.**  
**PARENT COMPANY ONLY BALANCE SHEETS**  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2020		December 31, 2019	
		AMOUNT	%	AMOUNT	%
<b>Current liabilities</b>					
2130	Current contract liabilities	\$ 94	-	\$ 57	-
2150	Notes payable	2,223	-	5,944	1
2170	Accounts payable	4,850	1	4,856	1
2200	Other payables	25,643	2	28,560	2
2230	Current income tax liabilities	775	-	2,234	-
2280	Current lease liabilities	1,552	-	1,537	-
2310	Advance receipts	2,077	-	1,418	-
21XX	<b>Current Liabilities</b>	<u>37,214</u>	<u>3</u>	<u>44,606</u>	<u>4</u>
<b>Non-current liabilities</b>					
2570	Deferred income tax liabilities	512	-	512	-
2580	Non-current lease liabilities	60,948	5	62,500	5
2600	Other non-current liabilities	17,384	2	17,410	1
25XX	<b>Non-current liabilities</b>	<u>78,844</u>	<u>7</u>	<u>80,422</u>	<u>6</u>
2XXX	<b>Total Liabilities</b>	<u>116,058</u>	<u>10</u>	<u>125,028</u>	<u>10</u>
<b>Equity</b>					
Share capital					
3110	Common stock	846,321	73	846,551	69
Capital surplus					
3200	Capital surplus	157,128	13	186,520	15
Retained earnings					
3310	Legal reserve	78,569	7	74,393	6
3350	Undistributed earnings	32,727	3	42,491	3
Other equity interest					
3400	Other equity interest	( 20,108)	( 2)	( 17,490)	( 1)
Treasury shares					
3500	Treasury shares	( 50,851)	( 4)	( 28,115)	( 2)
3XXX	<b>Total equity</b>	<u>1,043,786</u>	<u>90</u>	<u>1,104,350</u>	<u>90</u>
Significant contingent liabilities and unrecognised contract commitments					
3X2X	<b>Total liabilities and equity</b>	<u>\$ 1,159,844</u>	<u>100</u>	<u>\$ 1,229,378</u>	<u>100</u>

The accompanying notes are an integral part of these parent company only financial statements.

**DAVICOM SEMICONDUCTOR, INC.**  
**PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME**

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

Year ended December 31

Items	Notes	2020		2019	
		AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(18)	\$ 225,872	100	\$ 232,706	100
5000 Operating costs	6(4)(22)(23)	( 70,625)	( 31)	( 74,576)	( 32)
5900 Net operating margin		155,247	69	158,130	68
Operating expenses	6(22)(23)				
6100 Selling expenses		( 23,711)	( 11)	( 29,762)	( 12)
6200 General and administrative expenses		( 41,762)	( 18)	( 41,559)	( 18)
6300 Research and development expenses		( 67,489)	( 30)	( 74,789)	( 32)
6450 Impairment on expected credit gains (losses)	6(3) and 12(2)	( 500)	-	100	-
6000 Total operating expenses		( 133,462)	( 59)	( 146,010)	( 62)
6900 Operating income		21,785	10	12,120	6
Non-operating income and expenses					
7100 Interest income	6(19)	1,050	-	2,426	1
7010 Other income	6(20)	25,959	12	19,537	8
7020 Other gains and losses	6(21)	( 8,179)	( 4)	( 708)	-
7050 Finance costs	6(22)	( 636)	-	( 645)	-
7070 Share of (loss) profit of associates and joint ventures accounted for under equity method	6(5)	( 2,402)	( 1)	12,462	5
7000 Total non-operating income and expenses		15,792	7	33,072	14
7900 <b>Income from continuing operations before income tax</b>		37,577	17	45,192	20
7950 Income tax expense	6(25)	( 4,124)	( 2)	( 3,796)	( 2)
8000 <b>Profit for the year from continuing operations</b>		33,453	15	41,396	18
8200 <b>Profit for the year</b>		\$ 33,453	15	\$ 41,396	18
<b>Other comprehensive income, net</b>					
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>					
8311 Other comprehensive income, before tax, actuarial gains on defined benefit plans	6(13)	\$ 293	-	\$ 458	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(25)	( 59)	-	( 92)	-
8310 Components of other comprehensive income that will not be reclassified to profit or loss		234	-	366	-
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
8361 Financial statement translation differences of foreign operations		( 4,849)	( 2)	( 13,496)	( 6)
8360 Components of other comprehensive income that will be reclassified to profit or loss		( 4,849)	( 2)	( 13,496)	( 6)
8300 <b>Other comprehensive (loss) income for the year, net</b>		( \$ 4,615)	( 2)	( \$ 13,130)	( 6)
8500 <b>Total comprehensive income for the year</b>		\$ 28,838	13	\$ 28,266	12
Basic earnings per share	6(26)				
9750 Net income		\$ 0.41		\$ 0.50	
Diluted earnings per share	6(26)				
9850 Net income		\$ 0.41		\$ 0.49	

The accompanying notes are an integral part of these parent company only financial statements.

DAVICOM SEMICONDUCTOR, INC.  
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY  
(Expressed in thousands of New Taiwan dollars)

	Notes	Share capital		Capital surplus		Retained earnings		Other equity interest			Total
		Common stock	Additional paid-in capital	Restricted stock	Legal reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Other equity - others	Treasury stocks		
<u>Year 2019</u>											
Balance at January 1, 2019		\$ 846,551	\$ 166,782	\$ 52,994	\$ 70,549	\$ 37,829	(\$ 1,763)	(\$ 7,214)	(\$ 16,376)	\$ 1,149,352	
Profit for the year		-	-	-	-	41,396	-	-	-	41,396	
Other comprehensive income (loss)		-	-	-	-	366	( 13,496)	-	-	( 13,130)	
Total comprehensive income (loss)		-	-	-	-	41,762	( 13,496)	-	-	28,266	
Appropriation and distributed of 2018 earnings	6(17)										
Legal reserve		-	-	-	3,844	( 3,844)	-	-	-	-	
Cash dividends		-	-	-	-	( 33,256)	-	-	-	( 33,256)	
Cash dividends distribution from capital surplus	6(16)(17)	-	( 33,256)	-	-	-	-	-	-	( 33,256)	
Restricted stocks to employees	6(14)(15)	-	5,355	( 5,355)	-	-	-	4,983	-	4,983	
Treasure share repurchase	6(15)	-	-	-	-	-	-	-	( 11,739)	( 11,739)	
Balance at December 31, 2019		\$ 846,551	\$ 138,881	\$ 47,639	\$ 74,393	\$ 42,491	(\$ 15,259)	(\$ 2,231)	(\$ 28,115)	\$ 1,104,350	
<u>Year 2020</u>											
Balance at January 1, 2020		\$ 846,551	\$ 138,881	\$ 47,639	\$ 74,393	\$ 42,491	(\$ 15,259)	(\$ 2,231)	(\$ 28,115)	\$ 1,104,350	
Profit for the year		-	-	-	-	33,453	-	-	-	33,453	
Other comprehensive income (loss)		-	-	-	-	234	( 4,849)	-	-	( 4,615)	
Total comprehensive income (loss)		-	-	-	-	33,687	( 4,849)	-	-	28,838	
Appropriation and distribution of 2019 earnings	6(17)										
Legal reserve		-	-	-	4,176	( 4,176)	-	-	-	-	
Cash dividends		-	-	-	-	( 38,244)	-	-	-	( 38,244)	
Differences between equity purchase price and carrying amount arising from actual acquisition of subsidiaries		-	-	-	-	( 1,031)	-	-	-	( 1,031)	
Cash dividends distributed from capital surplus	6(16)(17)	-	( 29,099)	-	-	-	-	-	-	( 29,099)	
Restricted stocks to employees	6(14)(15)	( 230)	8,632	( 8,925)	-	-	-	2,231	-	1,708	
Treasure shares repurchased	6(15)	-	-	-	-	-	-	-	( 22,736)	( 22,736)	
Balance at December 31, 2020		\$ 846,321	\$ 118,414	\$ 38,714	\$ 78,569	\$ 32,727	(\$ 20,108)	\$ -	(\$ 50,851)	\$ 1,043,786	

The accompanying notes are an integral part of these parent company only financial statements.

DAVICOM SEMICONDUCTOR, INC.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2020	2019
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 37,577	\$ 45,192
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation (including investment property and right-of-use assets)	6(6)(7)(9)	8,461	8,422
Amortisation	6(22)	3,179	3,644
Impairment on expected credit (gains) losses	6(3) and 12(2)	500	( 100 )
Cost of restricted stocks to employees	6(14)(15)	1,938	4,983
Deferred charges transferred to research and experimental expenses		2,081	-
Interest income	6(19)	( 1,050 )	( 2,426 )
Interest expense	6(22)	636	645
Share of profit of associates accounted for under equity method	6(5)	2,402	( 12,462 )
Net profit on financial assets at fair value through profit or loss	6(2)(21)	( 8,716 )	( 9,546 )
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		( 59 )	64
Accounts receivable		( 916 )	8,654
Other receivables		( 27 )	311
Other receivables - related parties		( 567 )	-
Inventories, net		1,347	7,241
Prepayments		1,935	( 4,360 )
Financial assets at fair value through profit or loss-non-current		-	20,952
Changes in operating liabilities			
Current contract liabilities		37	57
Notes payable		( 3,721 )	1,257
Accounts payable		( 6 )	( 701 )
Other payables		( 3,147 )	( 399 )
Advance receipts		659	1,028
Net defined benefit liabilities		175	86
Cash inflow generated from operations		42,718	72,542
Interest received		1,186	2,388
Interest paid		( 636 )	( 645 )
Income tax received		4,494	-
Income tax paid		( 6,193 )	( 2,257 )
Net cash flows from operating activities		<u>41,569</u>	<u>72,028</u>

(Continued)

DAVICOM SEMICONDUCTOR, INC.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2020	2019
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of investments accounted for under equity method	6(5)	(\$ 117,132)	\$ -
Dividends received from investments accounted for using equity method		26	-
Acquisition of property, plant and equipment	6(6)	( 10,949 )	( 42,202 )
Acquisition of investment property	6(9)	( 75 )	-
Increase (decrease) in refundable deposits		72	( 94 )
Increase in intangible assets		( 186 )	( 120 )
Increase in other assets		( 2,979 )	( 10,315 )
Net cash flows used in investing activities		( 131,223 )	( 52,731 )
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in guarantee deposits received	6(12)(27)	92	373
Payments of cash dividends	6(17)	( 67,343 )	( 66,512 )
Repayments of principal for lease liabilities	6(7)(27)	( 1,537 )	( 1,522 )
Treasure stock repurchase	6(15)	( 22,736 )	( 11,739 )
Net cash flows used in financing activities		( 91,524 )	( 79,400 )
Net decrease in cash and cash equivalents		( 181,178 )	( 60,103 )
Cash and cash equivalents at beginning of year		464,395	524,498
Cash and cash equivalents at end of year		\$ 283,217	\$ 464,395

Attachment 4

**DAVICOM SEMICONDUCTOR, INC. AND  
SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND  
2019**

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For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

DAVICOM Semiconductor, Inc.

Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2020, pursuant to “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” the company that is required to be included in the consolidated financial statements of affiliates, is the same as the company required to be included in the consolidated financial statements of parent and subsidiary companies under International Financial Reporting Standard 10. Also, if relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declare,

Company name: DAVICOM SEMICONDUCTOR, INC.

Representative: HAO, TING

February 26, 2021

## INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Stockholders of DAVICOM Semiconductor, Inc.

### ***Opinion***

We have audited the accompanying consolidated balance sheets of DAVICOM Semiconductor, Inc. and its subsidiaries (the "Group") as at December 31, 2020 and 2019, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to Other matter section of our report), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

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

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountants of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 judgement, 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.

The Group's key audit matters are as follows:

### **Evaluation of accounts receivable**

#### Description

Please refer to Note 4(8) for accounting policies on accounts receivable recognition and accounts receivable valuation, Note 5 for uncertainty of accounting estimates and assumptions in relation to impairment of accounts receivable, Note 6(3) for details of accounts receivable. The balance of accounts receivable amounted to NT\$32,612 thousand as at December 31, 2020.

The Group's accounts receivable arises from selling goods, and collecting in accordance with credit period which is determined by the Credit Quality Control Policy of individual customers' credit quality.

Allowance for uncollectible accounts are based on expected credit losses during its existing period. For the purpose of measurement, underlying receivable should be grouped appropriately and the assumptions should be judged and analyzed. The aging of intervals, expected loss ratio and forward-looking information usually include subjective judgement, therefore, we determined the valuation of accounts receivable as one of the key areas of focus for this year's audit.

#### How our audit addressed the matter

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

1. Checked and tested the assumptions of expected credit losses and assessed the reasonableness of the aging of intervals, including objective evidences used to determine the accuracy of periods and credit terms. Verified whether there are long overdue unrecoverable accounts receivable on the list to assess the adequacy of allowance for uncollectible accounts.
2. Checked and tested accounts receivable aging schedule which is classified based on customer types, based on subsequent collections, and discussed with management for its assessment of recoverability of past due receivables.

### **Evaluation of inventories**

#### Description

Please refer to Note 4(11) for accounting policy on inventory valuation, Note 5 for uncertainty of accounting estimates and assumptions in relation to inventory valuation, Note 6(4) for details of inventory. The balance of inventory and allowance for inventory valuation losses amounted to NT\$25,324 thousand and NT\$13,971 thousand as at December 31, 2020, respectively.

The Group is engaged in research, development, production, manufacturing and sales of local area network chipset. Due to rapid changes in technology, the life cycle of products is short and easily affected by market prices, there is a higher risk of incurring inventory valuation losses or having obsolete

inventory. The Group measures inventory for normal sales at the lower of cost or net realisable value method. For inventory aging over certain period, individual inventory valuation losses and obsolete inventory, provision for loss is made through individual identification and measured at net realizable value. As a result of the significant amount, numerous items, and since identifying obsolete and damaged inventory usually involves management judgement, it also belongs to one of the audit scopes involving professional judgement. Therefore, we determined the estimate of inventory valuation losses as one of the key areas of focus for this year's audit.

#### How our audit addressed the matter

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

1. Obtained an understanding of the business, industry, products and inventory aging to assess the provision policy of allowance for inventory valuation losses, verifying whether the related accounting policies are consistent with the last period, and evaluating whether the provision policy is reasonable.
2. Obtained inventory aging report from management, analyse and compare the different reasons for loss due to market value decline and obsolete and slow-moving inventories to assess the appropriateness of loss for market value decline and obsolete and slow-moving inventory policy.
3. For summary statement that management uses to value loss for market value decline and obsolete and slow-moving inventories, confirming whether it agrees with the statement details generated from system, and verifying that obsolete and slow-moving inventories which were provided valuation losses, has been completely listed in the statement.
4. Tested book value of ending inventory, through selecting samples and obtaining invoices of last period to verify whether they were measured at the lower of cost or net realizable value method, and recalculating and valuating the reasonableness of changes in allowance for inventory valuation losses.
5. Participating and observing the year-end physical inventory count to verify the existence and completeness of inventory, and checking the condition of inventory to assess the appropriateness of allowance for inventory valuation losses of obsolete and slow-moving inventories.

## ***Other matters***

### **Reference to report of the other auditors**

We did not audit the financial statements of a wholly-owned consolidated subsidiary that are included in the financial statements. Total assets of the subsidiary amounted to NT\$334,257 thousand and NT\$226,120 thousand as at December 31, 2020 and 2019, constituting 28.81% and 18.31% of consolidated total assets, respectively. Operating income of the subsidiary amounted to NT\$7,669 thousand and NT\$9,810 thousand, for the years ended December 31, 2020 and 2019, constituting 3.28% and 4.04% of consolidated total operating income, respectively. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein is based solely on the audit reports of the other auditors

### **Parent company only financial reports**

We have audited and expressed an unqualified opinion including an Other Matter paragraph on the parent company only financial statements of DAVICOM Semiconductor, Inc. as at and for the years ended December 31, 2020 and 2019.

### ***Responsibilities of management and those charged with governance for the 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 controls 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 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.

### ***Auditors' responsibilities for the audit of the 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the generally accepted auditing standards in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with generally accepted auditing standards in the Republic of China, we exercise professional judgement 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 controls.
2. Obtain an understanding of internal controls 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 controls.
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 report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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 footnote 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's audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding the planned scope and timing of the audit, 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.

Se-Kai Lin  
For and on behalf of PricewaterhouseCoopers, Taiwan  
February 26, 2021

Hsien-Cheng Chen

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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.

**DAVICOM SEMICONDUCTOR, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2020		December 31, 2019	
			AMOUNT	%	AMOUNT	%
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 680,171	59	\$ 752,567	61
1150	Notes receivable, net	6(3)	59	-	-	-
1170	Accounts receivable, net	6(3)	32,612	3	32,321	3
1200	Other receivables		499	-	5,490	-
130X	Inventories, net	6(4)	25,324	2	27,524	2
1410	Prepayments		4,237	-	5,851	1
1470	Other current assets		54	-	-	-
11XX	<b>Total Current Assets</b>		<u>742,956</u>	<u>64</u>	<u>823,753</u>	<u>67</u>
<b>Non-current assets</b>						
1510	Financial assets at fair value through profit or loss - non-current	6(2)	65,704	6	59,494	5
1600	Property, plant and equipment, net	6(5)	166,738	14	160,982	13
1755	Right-of-use assets	6(6)	61,941	5	63,750	5
1760	Investment property, net	6(8)	100,716	9	102,940	8
1780	Intangible assets		91	-	84	-
1840	Deferred income tax assets	6(24)	9,144	1	8,594	1
1900	Other non-current assets	6(9)	13,117	1	15,292	1
15XX	<b>Total Non-current Assets</b>		<u>417,451</u>	<u>36</u>	<u>411,136</u>	<u>33</u>
1XXX	<b>Total assets</b>		<u>\$ 1,160,407</u>	<u>100</u>	<u>\$ 1,234,889</u>	<u>100</u>

(Continued)

**DAVICOM SEMICONDUCTOR, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2020		December 31, 2019	
		AMOUNT	%	AMOUNT	%
<b>Current liabilities</b>					
2130	Current contract liabilities	\$ 94	-	\$ 57	-
2150	Notes payable	2,223	-	5,944	1
2170	Accounts payable	4,892	1	7,421	1
2200	Other payables	6(10) 26,155	2	28,962	2
2230	Current income tax liabilities	6(24) 775	-	2,266	-
2280	Current lease liabilities	12(2) 1,552	-	1,537	-
2300	Other current liabilities	2,086	-	2,811	-
21XX	<b>Current Liabilities</b>	<u>37,777</u>	<u>3</u>	<u>48,998</u>	<u>4</u>
<b>Non-current liabilities</b>					
2570	Deferred income tax liabilities	6(24) 512	-	513	-
2580	Non-current lease liabilities	12(2) 60,948	5	62,500	5
2600	Other non-current liabilities	6(11) 17,384	2	17,410	1
25XX	<b>Non-current liabilities</b>	<u>78,844</u>	<u>7</u>	<u>80,423</u>	<u>6</u>
2XXX	<b>Total Liabilities</b>	<u>116,621</u>	<u>10</u>	<u>129,421</u>	<u>10</u>
<b>Equity attributable to owners of parent</b>					
Share capital					
3110	Common stock	846,321	73	846,551	69
Capital surplus					
3200	Capital surplus	157,128	13	186,520	15
Retained earnings					
3310	Legal reserve	78,569	7	74,393	6
3350	Undistributed earnings	32,727	3	42,491	3
Other equity interest					
3400	Other equity interest	( 20,108)	( 2)	( 17,490)	( 1)
Treasury shares					
3500	Treasury shares	( 50,851)	( 4)	( 28,115)	( 2)
31XX	<b>Equity attributable to owners of the parent</b>	<u>1,043,786</u>	<u>90</u>	<u>1,104,350</u>	<u>90</u>
36XX	Non-controlling interest	-	-	1,118	-
3XXX	<b>Total equity</b>	<u>1,043,786</u>	<u>90</u>	<u>1,105,468</u>	<u>90</u>
3X2X	<b>Total liabilities and equity</b>	<u>\$ 1,160,407</u>	<u>100</u>	<u>\$ 1,234,889</u>	<u>100</u>

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

**DAVICOM SEMICONDUCTOR, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(Expressed in thousands of New Taiwan dollars, except earnings per share)

		Year ended December 31			
		2020		2019	
Items	Notes	AMOUNT	%	AMOUNT	%
4000	Sales revenue	\$ 233,542	100	\$ 242,531	100
5000	Operating costs	( 76,765)	( 33)	( 81,482)	( 34)
5900	Net operating margin	156,777	67	161,049	66
	Operating expenses				
	6(22)(23)				
6100	Selling expenses	( 25,810)	( 11)	( 31,637)	( 13)
6200	General and administrative expenses	( 42,746)	( 18)	( 42,350)	( 17)
6300	Research and development expenses	( 67,488)	( 29)	( 76,976)	( 32)
6450	Impairment on expected credit losses	( 500)	-	100	-
6000	Total operating expenses	( 136,544)	( 58)	( 150,863)	( 62)
6900	Operating income	20,233	9	10,186	4
	Non-operating income and expenses				
7100	Interest income	2,671	1	4,781	2
7010	Other income	26,206	11	19,033	8
7020	Other gains and losses	( 10,914)	( 5)	11,920	5
7050	Finance costs	( 636)	-	( 645)	-
7000	Total non-operating income and expenses	17,327	7	35,089	15
7900	<b>Income from continuing operations before income tax</b>	37,560	16	45,275	19
7950	Income tax expense	( 4,124)	( 2)	( 3,842)	( 2)
8000	<b>Profit for the year from continuing operations</b>	33,436	14	41,433	17
8200	<b>Profit for the year</b>	\$ 33,436	14	\$ 41,433	17

(Continued)



**DAVICOM SEMICONDUCTOR, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(Expressed in thousands of New Taiwan dollars)

	Notes	Equity attributable to owners of the parent										
		Share capital	Capital surplus		Retained earnings		Other equity interest			Non-controlling interest	Total equity	
		Common stock	Additional paid-in capital	Others	Legal reserve	Undistributed earnings	Exchange differences from translation of foreign operations	Unearned compensation for restricted employee share of stock	Treasury shares			Total
<b>Year ended December 31, 2019</b>												
Balance at January 1, 2019		\$ 846,551	\$ 166,782	\$52,994	\$ 70,549	\$ 37,829	(\$ 1,763 )	(\$ 7,214 )	(\$ 16,376 )	\$ 1,149,352	\$ 1,081	\$ 1,150,433
Profit for the year		-	-	-	-	41,396	-	-	-	41,396	37	41,433
Other comprehensive income (loss) for the year		-	-	-	-	366	( 13,496 )	-	-	( 13,130 )	-	( 13,130 )
Total comprehensive income		-	-	-	-	41,762	( 13,496 )	-	-	28,266	37	28,303
Appropriation and distribution of 2018 earnings	6(16)											
Legal reserve		-	-	-	3,844	( 3,844 )	-	-	-	-	-	-
Cash dividends		-	-	-	-	( 33,256 )	-	-	-	( 33,256 )	-	( 33,256 )
Cash dividends distributed from capital surplus	6(15)(16)	-	( 33,256 )	-	-	-	-	-	-	( 33,256 )	-	( 33,256 )
Restricted stocks to employees	6(13)(14)	-	5,355	( 5,355 )	-	-	-	4,983	-	4,983	-	4,983
Treasure share repurchased	6(14)	-	-	-	-	-	-	-	( 11,739 )	( 11,739 )	-	( 11,739 )
Balance at December 31, 2019		\$ 846,551	\$ 138,881	\$47,639	\$ 74,393	\$ 42,491	(\$ 15,259 )	(\$ 2,231 )	(\$ 28,115 )	\$ 1,104,350	\$ 1,118	\$ 1,105,468
<b>Year ended December 31, 2020</b>												
Balance at January 1, 2020		\$ 846,551	\$ 138,881	\$47,639	\$ 74,393	\$ 42,491	(\$ 15,259 )	(\$ 2,231 )	(\$ 28,115 )	\$ 1,104,350	\$ 1,118	\$ 1,105,468
Profit (loss) for the year		-	-	-	-	33,453	-	-	-	33,453	( 17 )	33,436
Other comprehensive loss for the year		-	-	-	-	234	( 4,849 )	-	-	( 4,615 )	-	( 4,615 )
Total comprehensive (loss) income		-	-	-	-	33,687	( 4,849 )	-	-	28,838	( 17 )	28,821
Differences between equity purchase price and carrying amount arising from actual acquisition of subsidiaries		-	-	-	-	( 1,031 )	-	-	-	( 1,031 )	-	( 1,031 )
Change of non-controlling interests		-	-	-	-	-	-	-	-	-	( 1,101 )	( 1,101 )
Appropriation and distribution of 2019 earnings	6(16)											
Legal reserve		-	-	-	4,176	( 4,176 )	-	-	-	-	-	-
Cash dividends		-	-	-	-	( 38,244 )	-	-	-	( 38,244 )	-	( 38,244 )
Cash dividends distributed from capital surplus	6(15)(16)	-	( 29,099 )	-	-	-	-	-	-	( 29,099 )	-	( 29,099 )
Restricted stocks to employees	6(13)(14)	( 230 )	8,632	( 8,925 )	-	-	-	2,231	-	1,708	-	1,708
Treasure shares repurchased	6(14)	-	-	-	-	-	-	-	( 22,736 )	( 22,736 )	-	( 22,736 )
Balance at December 31, 2020		\$ 846,321	\$ 118,414	\$38,714	\$ 78,569	\$ 32,727	(\$ 20,108 )	\$ -	(\$ 50,851 )	\$ 1,043,786	\$ -	\$ 1,043,786

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

DAVICOM SEMICONDUCTOR, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2020	2019
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Profit before tax		\$ 37,560	\$ 45,275
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation (including investment property and right-of-use assets)	6(5)(6)(8)	8,461	8,809
Amortisation	6(22)	3,179	3,644
Impairment on expected credit (losses) profits	6(3) and 12(2)	500	(100)
Deferred charges transferred to research and experimental expenses		2,081	-
Cost of restricted stocks to employees	6(13)(14)	1,938	4,983
Interest income	6(18)	(2,671)	(4,781)
Interest expense	6(21)	636	645
Net profit on financial assets at fair value through profit or loss	6(2)(20)	(6,973)	(11,315)
Gain on disposal of property, plant and equipment	6(20)	(6)	-
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss- current		763	-
Notes receivable		(59)	64
Accounts receivable		(791)	8,022
Other receivables		(27)	332
Inventories		2,200	6,635
Prepayments		1,614	(4,408)
Other current assets		(54)	46
Financial assets at fair value through profit or loss- non-current		-	(932)
Changes in operating liabilities			
Current contract liabilities		37	57
Notes payable		(3,721)	1,257
Accounts payable		(2,529)	906
Other payables		(3,037)	(345)
Net defined benefit liabilities		175	(280)
Other current liabilities		(725)	2,422
Cash inflow generated from operations		38,551	60,936
Interest received		3,084	4,106
Interest paid		(636)	(645)
Income tax received		4,591	-
Income tax paid		(6,232)	(2,345)
Net cash flows from operating activities		<u>39,358</u>	<u>62,052</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Acquisition of property, plant and equipment	6(5)	(10,949)	(42,202)
Proceeds from disposal of property, plant and equipment		846	-
Acquisition of investment property		(75)	-
Increase in intangible assets		(186)	(120)
Decrease (increase) in refundable deposits		72	(94)
Increase in other assets		(2,979)	(10,315)
Net cash flows used in investing activities		<u>(13,271)</u>	<u>(52,731)</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Increase in guarantee deposits received		92	373
Payments of cash dividends	6(16)	(67,343)	(66,512)
Repayment of principal portion of lease liabilities	6(6)(26)	(1,537)	(1,522)
Acquisition of subsidiaries		(2,132)	-
Treasury shares repurchased	6(14)	(22,736)	(11,739)
Net cash flows used in financing activities		<u>(93,656)</u>	<u>(79,400)</u>
Effect of foreign exchange rate changes on cash and cash equivalents		(4,827)	(13,211)
Net decrease in cash and cash equivalents		(72,396)	(83,290)
Cash and cash equivalents at beginning of year		752,567	835,857
Cash and cash equivalents at end of year		<u>\$ 680,171</u>	<u>\$ 752,567</u>

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

Attachment 5

**DAVICOM**  
**ANNUAL PROFIT DISTRIBUTION TABLE**  
**Year 2020**

Items	Total (NTD)
Beginning unappropriated retained earnings	\$ 71,505
<i>Add:</i> retained earnings---Actuarial present value of promised retirement benefits	234,130
<i>Less:</i> From differences between equity purchase price and carrying amount arising from actual acquisition of subsidiaries	(1,031,281)
<i>Add:</i> net profit after tax of 2020	33,452,799
Distributable net profit	32,727,153
<i>Less:</i>	
10% legal reserve	(3,265,565)
Distributable items:	
Dividend to shareholders--- NT\$0.36 per share	(29,418,152)
Unappropriated retained earnings	\$ 43,436

Chairman: Hao Ting      President: Hao Ting      Accounting Supervisor: Chiu Kuei Feng

## Attachment 6

### Rules of Procedure for Shareholder Meetings

Article 1	To establish a strong governance system and sound supervisory capabilities for this Corporation's shareholders meetings, and to strengthen management capabilities, these Rules are adopted pursuant to Article 5 of the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.
Article 2	The rules of procedures for this Corporation's shareholders meetings, except as otherwise provided by law, regulation, or the articles of incorporation, shall be as provided in these Rules.
Article 3	<p>(Convening shareholders meetings and shareholders meeting notices)</p> <p>Unless otherwise provided by law or regulation, this Corporation's shareholders meetings shall be convened by the board of directors.</p> <p>This Corporation shall prepare electronic versions of the shareholders meeting notice and proxy forms, and the origins of and explanatory materials relating to all proposals, including proposals for ratification, matters for deliberation, or the election or dismissal of directors or supervisors, and upload them to the Market Observation Post System (MOPS) before 30 days before the date of a regular shareholders meeting or before 15 days before the date of a special shareholders meeting. This Corporation shall prepare electronic versions of the shareholders meeting agenda and supplemental meeting materials and upload them to the MOPS before 21 days before the date of the regular shareholders meeting or before 15 days before the date of the special shareholders meeting. In addition, before 15 days before the date of the shareholders meeting, this Corporation shall also have prepared the shareholders meeting agenda and supplemental meeting materials and made them available for review by shareholders at any time. The meeting agenda and supplemental materials shall also be displayed at this Corporation and the professional shareholder services agent designated thereby as well as being distributed on-site at the meeting place.</p> <p>The reasons for convening a shareholders meeting shall be specified in the meeting notice and public announcement. With the consent of the addressee, the meeting notice may be given in electronic form.</p> <p>Election or dismissal of directors or supervisors, amendments to the articles of incorporation, reduction of capital, application for the approval of ceasing its status as a public company, approval of competing with the company by directors, surplus profit distributed in the form of new shares, reserve distributed in the form of new shares, the dissolution, merger, or demerger of the corporation, or any matter under Article 185, paragraph 1 shall be set out and the essential contents explained in the notice of the reasons for convening the shareholders meeting. None of the above matters may be raised by an extraordinary motion; the essential contents may be posted on the website designated by the competent authority in charge of securities affairs or the corporation, and such website shall be indicated in the above notice.</p> <p>Where re-election of all directors and supervisors as well as their inauguration date is stated in the notice of the reasons for convening the shareholders meeting, after the completion of the re-election in said meeting such inauguration date may not be altered by any extraordinary motion or otherwise in the same meeting.</p> <p>A shareholder holding one percent or more of the total number of issued shares may submit to this Corporation a written proposal for discussion at a regular shareholders meeting. The number of items so proposed, however, is limited to one only, and no proposal containing more than one item will be included in the meeting agenda, provided a shareholder proposal for urging the corporation to promote public interests or fulfill its social responsibilities may still be included in the agenda by the board of directors. In addition, when the circumstances of any subparagraph of Article 172-1, paragraph 4 of the Company Act apply to a proposal put forward by a shareholder, the board of directors may exclude it from the agenda.</p> <p>Prior to the book closure date before a regular shareholders meeting is held, this Corporation shall publicly announce its acceptance of shareholder proposals in writing or electronically, and the location and time period for their submission; the period for submission of shareholder proposals may not be less than 10 days.</p> <p>Shareholder-submitted proposals are limited to 300 words, and no proposal containing more than 300 words will be included in the meeting agenda. The shareholder making the proposal shall be present in person or by proxy at the regular shareholders meeting and take part in discussion of the proposal.</p> <p>Prior to the date for issuance of notice of a shareholders meeting, this Corporation shall inform the shareholders who submitted proposals of the proposal screening results, and shall list in the meeting notice the proposals that conform to the provisions of this article. At the shareholders meeting the board of directors shall explain the reasons for exclusion of any shareholder proposals not included in the agenda.</p>
Article 4	<p>For each shareholders meeting, a shareholder may appoint a proxy to attend the meeting by providing the proxy form issued by this Corporation and stating the scope of the proxy's authorization.</p> <p>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. When duplicate proxy forms are delivered, the one received earliest shall prevail unless a declaration is made to cancel the previous proxy appointment.</p> <p>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 two 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.</p>
Article 5	<p>(Principles determining the time and place of a shareholders meeting)</p> <p>The venue for a shareholders meeting shall be the premises of this Corporation, or a place easily accessible to shareholders and suitable for a shareholders meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m. Full consideration shall be given to the opinions of the independent directors with respect to the place and time of the meeting.</p>
Article 6	<p>(Preparation of documents such as the attendance book)</p> <p>This Corporation shall specify in its shareholders meeting notices the time during which shareholder attendance registrations will be accepted, the place to register for attendance, and other matters for attention.</p> <p>The time during which shareholder attendance registrations will be accepted, as stated in the preceding paragraph, shall be at least 30 minutes prior to the time the meeting commences. The place at which attendance registrations are accepted shall be clearly marked and a sufficient number of suitable personnel assigned to handle the registrations.</p> <p>Shareholders and their proxies (collectively, "shareholders") shall attend shareholders meetings based on attendance cards, sign-in cards, or other certificates of attendance. This Corporation may not arbitrarily add requirements for other documents beyond those showing eligibility to attend presented by shareholders. Solicitors soliciting proxy forms shall also bring identification documents for verification.</p> <p>This Corporation shall furnish the attending shareholders with an attendance book to sign, or attending shareholders may hand in a sign-in card in lieu of signing in.</p>

	<p>This Corporation shall furnish attending shareholders with the meeting agenda book, annual report, attendance card, speaker's slips, voting slips, and other meeting materials. Where there is an election of directors or supervisors, pre-printed ballots shall also be furnished.</p> <p>When the government or a juristic person is a shareholder, it may be represented by more than one representative at a shareholders meeting. When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting.</p>
Article 7	<p>(The chair and non-voting participants of a shareholders meeting)</p> <p>If a shareholders meeting is convened by the board of directors, the meeting shall be chaired by the chairperson of the board. When the chairperson of the board is on leave or for any reason unable to exercise the powers of the chairperson, the vice chairperson shall act in place of the chairperson; if there is no vice chairperson or the vice chairperson also is on leave or for any reason unable to exercise the powers of the vice chairperson, the chairperson shall appoint one of the managing directors to act as chair, or, if there are no managing directors, one of the directors shall be appointed to act as chair. Where the chairperson does not make such a designation, the managing directors or the directors shall select from among themselves one person to serve as chair.</p> <p>When a managing director or a director serves as chair, as referred to in the preceding paragraph, the managing director or director shall be one who has held that position for six months or more and who understands the financial and business conditions of the company. The same shall be true for a representative of a juristic person director that serves as chair.</p> <p>It is advisable that shareholders meetings convened by the board of directors be chaired by the chairperson of the board in person and attended by a majority of the directors, at least one supervisor in person, and at least one member of each functional committee on behalf of the committee. The attendance shall be recorded in the meeting minutes.</p> <p>If a shareholders meeting is convened by a party with power to convene but other than the board of directors, the convening party shall chair the meeting. When there are two or more such convening parties, they shall mutually select a chair from among themselves.</p> <p>This Corporation may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders meeting in a non-voting capacity.</p>
Article 8	<p>(Documentation of a shareholders meeting by audio or video)</p> <p>This Corporation, beginning from the time it accepts shareholder attendance registrations, shall make an uninterrupted audio and video recording of the registration procedure, the proceedings of the shareholders meeting, and the voting and vote counting procedures.</p> <p>The recorded materials of the preceding paragraph shall be retained for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation.</p>
Article 9	<p>Attendance at shareholders meetings shall be calculated based on numbers of shares. 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.</p> <p>he chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than one hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of issued shares, the chair shall declare the meeting adjourned.</p> <p>If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act; all shareholders shall be notified of the tentative resolution and another shareholders meeting shall be convened within one month. 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 pursuant to Article 174 of the Company Act.</p>
Article 10	<p>(Discussion of proposals)</p> <p>If a shareholders meeting is convened by the board of directors, the meeting agenda shall be set by the board of directors. Votes shall be cast on each separate proposal in the agenda (including extraordinary motions and amendments to the original proposals set out in the agenda). The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders meeting.</p> <p>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.</p> <p>he 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.</p> <p>The chair shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or extraordinary motions put forward by the shareholders; when the chair is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed, call for a vote, and schedule sufficient time for voting.</p>
Article 11	<p>(Shareholder speech)</p> <p>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.</p> <p>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. 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.</p> <p>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.</p> <p>When a juristic 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.</p> <p>After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond.</p>
Article 12	<p>(Calculation of voting shares and recusal system)</p> <p>Voting at a shareholders meeting shall be calculated based the number of shares.</p> <p>With respect to resolutions of shareholders meetings, the number of shares held by a shareholder with no voting rights shall not be calculated as part of the total number of issued shares.</p> <p>When a shareholder is an interested party in relation to an agenda item, and there is the likelihood that such a relationship would prejudice the interests of this Corporation, that shareholder may not vote on that item, and may not exercise voting rights as proxy for any other shareholder.</p>

	<p>The number of shares for which voting rights may not be exercised under the preceding paragraph shall not be calculated as part of the voting rights represented by attending shareholders.</p> <p>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 three 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.</p>
Article 13	<p>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.</p> <p>When this Corporation holds a shareholders meeting, it shall adopt exercise of voting rights by electronic means and may adopt exercise of voting rights by correspondence. When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the shareholders meeting notice. A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person, but to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting; it is therefore advisable that this Corporation avoid the submission of extraordinary motions and amendments to original proposals.</p> <p>A shareholder intending to exercise voting rights by correspondence or electronic means under the preceding paragraph shall deliver a written declaration of intent to this Corporation before two days before the date of the shareholders meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail, except when a declaration is made to cancel the earlier declaration of intent.</p> <p>After a shareholder has exercised voting rights by correspondence or electronic means, in the event the shareholder intends to attend the shareholders meeting in person, a written declaration of intent to retract the voting rights already exercised under the preceding paragraph shall be made known to this Corporation, by the same means by which the voting rights were exercised, before two business days before the date of the shareholders meeting. If the notice of retraction is submitted after that time, the voting rights already exercised by correspondence or electronic means shall prevail. When a shareholder has exercised voting rights both by correspondence or electronic means and by appointing a proxy to attend a shareholders meeting, the voting rights exercised by the proxy in the meeting shall prevail.</p> <p>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, for each proposal, the chair or a person designated by the chair shall first announce the total number of voting rights represented by the attending shareholders, followed by a poll of the shareholders. After the conclusion of the meeting, on the same day it is held, the results for each proposal, based on the numbers of votes for and against and the number of abstentions, shall be entered into the MOPS.</p> <p>When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required.</p> <p>Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of this Corporation.</p> <p>Vote counting for shareholders meeting proposals or elections shall be conducted in public at the place of the shareholders meeting. Immediately after vote counting has been completed, the results of the voting, including the statistical tallies of the numbers of votes, shall be announced on-site at the meeting, and a record made of the vote.</p>
Article 14	<p>(Election of directors and supervisors)</p> <p>The election of directors or supervisors at a shareholders meeting shall be held in accordance with the applicable election and appointment rules adopted by this Corporation, and the voting results shall be announced on-site immediately, including the names of those elected as directors and supervisors and the numbers of votes with which they were elected.</p> <p>The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.</p>
Article 15	<p>Matters relating to the resolutions of a shareholders meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the chair of the meeting and a copy distributed to each shareholder within 20 days after the conclusion of the meeting. The meeting minutes may be produced and distributed in electronic form.</p> <p>This Corporation may distribute the meeting minutes of the preceding paragraph by means of a public announcement made through the MOPS.</p> <p>The meeting minutes shall accurately record the year, month, day, and place of the meeting, the chair's full name, the methods by which resolutions were adopted, and a summary of the deliberations and their voting results (including the number of voting rights), and disclose the number of voting rights won by each candidate in the event of an election of directors or supervisors. The minutes shall be retained for the duration of the existence of this Corporation.</p>
Article 16	<p>(Public disclosure)</p> <p>On the day of a shareholders meeting, this Corporation shall compile in the prescribed format a statistical statement of the number of shares obtained by solicitors through solicitation and the number of shares represented by proxies, and shall make an express disclosure of the same at the place of the shareholders meeting.</p> <p>If matters put to a resolution at a shareholders meeting constitute material information under applicable laws or regulations or under Taiwan Stock Exchange Corporation (or GreTai Securities Market) regulations, this Corporation shall upload the content of such resolution to the MOPS within the prescribed time period.</p>
Article 17	<p>(Maintaining order at the meeting place)</p> <p>Staff handling administrative affairs of a shareholders meeting shall wear identification cards or arm bands.</p> <p>The chair may direct the proctors or security personnel to help maintain order at the meeting place. When proctors or security personnel help maintain order at the meeting place, they shall wear an identification card or armband bearing the word "Proctor."</p> <p>At the place of a shareholders meeting, if a shareholder attempts to speak through any device other than the public address equipment set up by this Corporation, the chair may prevent the shareholder from so doing.</p> <p>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.</p>
Article 18	<p>(Recess and resumption of a shareholders meeting)</p> <p>When a meeting is in progress, the chair may announce a break based on time considerations. If a force majeure event occurs, the chair may rule the meeting temporarily suspended and announce a time when, in view of the circumstances, the meeting will be resumed.</p> <p>If the meeting venue is no longer available for continued use and not all of the items (including extraordinary motions) on the meeting agenda have been addressed, the shareholders meeting may adopt a resolution to resume the meeting at another venue. A resolution may be adopted at a shareholders meeting to defer or resume the meeting within five days in accordance with Article 182 of the Company Act.</p>
Article 19	<p>These Rules shall take effect after having been submitted to and approved by a shareholders meeting. Subsequent amendments thereto shall be effected in the same manner.</p>

## Appendix 1 Articles of Incorporation of DAVICOM Semiconductor, Inc.

Please refer to page 35 of the Chinese version Meeting Handbook

## Appendix 2 DAVICOM Semiconductor, Inc. Rules of Procedure for Shareholder Meetings

Please refer to page 39 of the Chinese version Meeting Handbook

## Appendix 3

Current shareholding of Directors and Independent Directors

Record Date: April 9, 2021

Title	Name	Current shareholding	Shareholding ratio
Chairman	Ting Hao	1,844,000	2.18%
Director	Goodyears Investments Ltd.	3,982,475	4.71%
Director	Tzay Hua Ltd.	1,480,652	1.75%
Director	Yun-Ping Lin	900,000	1.06%
Independent Director	Chang-Yue Ueng	150,000	0.18%
Independent Director	Jen-Jyh Hwang	0	0.00%
Independent Director	Niang-Shou Wei	4,000	0.00%
Total Shares of Directors Hold		8,361,127	9.88%
Total Shares of Supervisors Hold		Not Applicable	

1. DAVICOM Total Issued Shares: 84,632,089 shares
2. Total Shares of Directors Required: 6,770,567 shares
3. Total Shares of Directors Hold: 8,207,127 shares (Not including Independent Director).