

# **DAVICOM Semiconductor, Inc.**

**Year 2017**

## **Annual Shareholders' Meeting Minutes**

**Time:** 9:00 a.m., May 26, 2017 (Friday)

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

**The number of shares of attendance:**

Attending shareholders and proxy represented 46,608,071 shares, accounting for 55.98% of the Company's total outstanding shares.

(The Company's total outstanding shares: 83,255,089 shares.)

**Chairman:** Mr. Ting Hao

**Recorder:** Ms. Chu-Mei, Lin

**Others present:**

Independent Director Wen-Hui Wan, Independent Director Ting-Hsin Li,  
Independent Director Yung-Teng Lin, Director Nien-Tai Chen,  
Director Cheng- Feng Chiu, PWC CPA Se-Kai Lin

**1. Call Meeting to Order:**

The aggregate shareholding of the shareholders present constituted a quorum.  
The Chairman called the meeting to order.

**2. Chairman's Address:** Omitted.

### 3. Report Items

#### 1. To report the business of 2016 and operating plan of 2017

**Explanatory Notes:** Please refer to the Chinese version on Page 6.

[詳見中文版第 6 頁]

(<http://www.davicom.com.tw/userfile/29038/106%E5%B9%B4%E8%AD%B0%E4%BA%8B%E6%89%8B%E5%86%8A.pdf>)

#### 2. Audit Committee's review report of 2016

**Explanatory Notes:** Please refer to the Chinese version on Page 8.

[詳見中文版第 8 頁]

(<http://www.davicom.com.tw/userfile/29038/106%E5%B9%B4%E8%AD%B0%E4%BA%8B%E6%89%8B%E5%86%8A.pdf>)

#### 3. To report 2016 employees' profit sharing bonus and directors' compensation

**Explanatory Notes:**

(1) The pre-tax profits of 2016 is NT\$82,024,863 and according to the Company's Articles of Incorporation, the Board has adopted a proposal for distribution of 2016 profit as follows: directors' compensation is NT\$1,640,497 (2.0%) and the profit to employees is NT\$ 8,019,589; both shall be paid in cash.

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

## ***4. Approval and Discussion Item***

### **Proposal 1**

Proposed by the Board of Directors

***Subject:***           **To accept 2016 Business Report and Financial Statements**

*Explanatory Notes:*

(1) DAVICOM's 2016 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, Ms. Hsiao, Chin-Mu and Mr. Hsiao Chun-Yuan, of PricewaterhouseCoopers Taiwan.

(2) 2016 Business Report, Independent Auditors' Report, and the aforementioned Financial Statements are attached hereto as Attachments.

<http://www.davicom.com.tw/userfile/29038/106%E5%B9%B4%E8%AD%B0%E4%BA%8B%E6%89%8B%E5%86%8A.pdf>) [詳見中文版附件]

***Resolution:*** The result is as follows:

Affirmative votes: 46,285,606; represented 99.30% of 46,608,071 shares cast by the shareholders present at the time of voting.

Dissenting votes: 3,495; represented 0.00% of 46,608,071 shares cast by the shareholders present at the time of voting.

Abstaining votes: 318,970; represented 0.68% of 46,608,071 shares cast by the shareholders present at the time of voting.

It was resolved that the above proposal be approved as proposed.

## **Proposal 2**

Proposed by the Board of Directors

*Subject:*           **To approve the proposal for distribution of 2016 earnings**

*Explanatory Notes:*

- (1) 2016 net profit after tax is NT\$ 71,272,149. 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\$64,106,418. Each shareholder will be entitled to receive a cash dividend of NT\$0.77 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 Board of Directors be authorized to resolve the ex-dividend date and other relevant issues.
- (4) Please refer to the 2016 Profit Distribution Table below:

**DAVICOM  
PROFIT DISTRIBUTION TABLE  
Year 2016**

Items	Total (NTD)
Beginning unappropriated retained earnings	\$ 357,534
<i>Less:</i> retained earnings---Actuarial present value of promised retirement benefits	(289,267)
<i>Add:</i> net profit after tax of 2016	71,272,149
Distributable net profit	71,340,416
<i>Less:</i>	
10% legal reserve	(7,134,042)
Distributable items:	
Dividend to shareholders--- NT\$0.77 per share	(64,106,418)
Unappropriated retained earnings	\$ 99,956

Chairman: Ting Hao      President: Nien-Tai Chen      Accounting Supervisor: Kuei-Feng Chiu

*Resolution:* The result is as follows:

Affirmative votes: 46,285,575; represented 99.30% of 46,608,071 shares cast by the shareholders present at the time of voting.

Dissenting votes: 3,526; represented 0.00% of 46,608,071 shares cast by the shareholders present at the time of voting.

Abstaining votes: 318,970; represented 0.68% of 46,608,071 shares cast by the shareholders present at the time of voting.

It was resolved that the above proposal be approved as proposed.

## Proposal 3

Proposed by the Board of Directors

*Subject:* **To approve the proposal for additional cash distribution of 2016 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\$27,474,179 at NT\$0.33 per share from its distributable reserved surplus earnings for the year 2016.
- (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 Board of Directors be authorized to resolve the ex-dividend date and other relevant issues.

*Resolution:* The result is as follows:

Affirmative votes: 46,285,575; represented 99.30% of 46,608,071 shares cast by the shareholders present at the time of voting.

Dissenting votes: 3,526; represented 0.00% of 46,608,071 shares cast by the shareholders present at the time of voting.

Abstaining votes: 318,970; represented 0.68% of 46,608,071 shares cast by the shareholders present at the time of voting.

It was resolved that the above proposal be approved as proposed.

## Proposal 4

Proposed by the Board of Directors

*Subject:* **Amendments to the Company’s “Articles of Incorporation”**

*Explanatory Notes:*

- (1) Adopting candidate nomination system with Rules for Election of Directors and Independent Directors under the Company’s Articles of Incorporation, allowing shareholders to vote via electronic voting at shareholders’ meeting.
- (2) The proposed amendments to DAVICOM’s Articles of Incorporation, please refer to the Chinese version.  
<http://www.davicom.com.tw/userfile/29038/106%E5%B9%B4%E8%AD%B0%E4%BA%8B%E6%89%8B%E5%86%8A.pdf> [詳見中文版附錄一]

*Resolution:* The result is as follows:

Affirmative votes: 46,285,530; represented 99.30% of 46,608,071 shares cast by the shareholders present at the time of voting.

Dissenting votes: 3,571; represented 0.00% of 46,608,071 shares cast by the shareholders present at the time of voting.

Abstaining votes: 318,970; represented 0.68% of 46,608,071 shares cast by the shareholders present at the time of voting.

It was resolved that the above proposal be approved as proposed.

## Proposal 5

Proposed by the Board of Directors

*Subject:* **To approve amendments to the Company’s  
“Rules for Election of Directors and Independent Directors”**

*Explanatory Notes:*

(1) To conform to the Company’s Articles of Incorporation, the Company’s Rules for Election of Directors and Independent Directors shall be amended as follows:

The election of directors and independent directors is conducted under the "nomination system". The directors and independent directors shall be elected from the nominated candidates.

(2) The proposed amendments to the Company’s Rules for Election of Directors and Independent Directors, please refer to the Chinese version.

<http://www.davicom.com.tw/userfile/29038/106%E5%B9%B4%E8%AD%B0%E4%BA%8B%E6%89%8B%E5%86%8A.pdf>) [詳見中文版附件六]

*Resolution:* The result is as follows:

Affirmative votes: 46,277,408; represented 99.29% of 46,608,071 shares cast by the shareholders present at the time of voting.

Dissenting votes: 9,572; represented 0.02% of 46,608,071 shares cast by the shareholders present at the time of voting.

Abstaining votes: 321,091; represented 0.68% of 46,608,071 shares cast by the shareholders present at the time of voting.

It was resolved that the above proposal be approved as proposed.



## Proposal 6

Proposed by the Board of Directors

*Subject:*           **To approve the issuance of Restricted Stock Awards (“RSA”)**

*Explanatory Notes:*

(1) Purpose of issuance:

To attract and retain talents, enhance employees' cohesion and sense of belonging to the Company, and foster the best interests of the Company and its shareholders.

(2) Total amounts of issuance:

The number of shares issued by the Company under this plan is 2,000,000 common shares, each share having a par value of NT\$10, for a total amount of NT\$20,000,000.

(3) Determination of the terms and conditions:

- i. *Price of issuance:* NT\$10 per share.
- ii. *Vesting Conditions:* Employee's continuous employment with the Company through the vesting period (3 years), no violation on any terms of the Company's employment agreement, employee handbook, or policies and achievement of both personal performance criterion and the Company's operation objectives during the vesting period are required to receive the vested shares.

(4) Qualification requirements for employees:

Employee's continuous employment with the Company through the vesting day shall be eligible to receive RSA. The seniority, rank, job performance, overall contributions, special achievements or other considerations shall refer to the Company's RSA Plan and the results of shares distribution shall be reviewed by Chairman and obtain approval in the meeting of the Board of Directors.

(5) Calculated expense amount:

Assuming the date before the BOD meeting is February 23, 2017 and the closing price is NT\$22.8 for the common shares of the Company, and assuming all vesting conditions are met, the aggregate expense is estimated to be approximately in the amount of NT\$25,600,000. (The actual expense amount shall be calculated at the basis of the closing price on the day before the vested day.)

(6) Dilution of EPS and other factors affecting shareholder's equity:

The average dilution of the Company's EPS during the vesting period (in the next three years) is estimated to be approximately in the amount of NT\$0.10 annually, and there is no material impact on existing shareholders' equity.

*Resolution:* The result is as follows:

Affirmative votes: 46,018,274; represented 98.73% of 46,608,071 shares cast by the shareholders present at the time of voting.

Dissenting votes: 256,827; represented 0.55% of 46,608,071 shares cast by the shareholders present at the time of voting.

Abstaining votes: 332,970; represented 0.71% of 46,608,071 shares cast by the shareholders present at the time of voting.

It was resolved that the above proposal be approved as proposed.

***Extraordinary Motions:***

**None.**

***Meeting Adjourned:***

**Time:** 10:05 a.m.

**Please refer to the Chinese Version for further information.**

<http://www.davicom.com.tw/userfile/29038/106%E5%B9%B4%E8%82%A1%E6%9D%B1%E6%9C%83%E8%81%AF%E5%82%91%E8%AD%B0%E4%BA%8B%E9%8C%84.pdf>