

## Internal audit

KYEC, according to the Financial Supervision and Management Committee promulgated by the "Public offering company to establish internal control system treatment Guidelines" provisions establishes, implements and maintains internal control system to ensure the effectiveness and efficiency of the operation, reporting reliability, timeliness, transparency and compliance, and related laws and regulations.

The Audit Office and the Auditors report directly to Board of Directors. The Audit Office prepares the annual audit plan and submits it to Board of Director for approval, and check and audit every operation items in accordance with the plan, and make recommendation for improvement. The audit report, after being approved by the Chairman, will be sent to Independent Director and Audit Committee for inspection, and the Audit Office will report to Board of Directors for the execution of audit operations to assist Board of Directors and management team to perform internal control and duties for risk management.

The annual audit highlights include: :

- ◆ The items that requires to audit every year, according to the provisions of the Financial Regulatory Commission include the compliance of law and regulations, acquisition or disposal of assets, derivative transactions, lending funds to others, management of endorsement or provide guarantee for others, management of transactions with related parties, supervisory of the subsidiaries' operations, the management of operation of the Board of Directors, safety control of Information and Communication, sales and collection cycle, purchase and payment cycle, compilation of financial statement, and the management of remuneration committee.
- ◆ In addition to the items that are required to check every year, according to Financial Supervision and Management Commission, part of the operation cycle and control operations shall also be included in the annual audit project based on the results of risk assessment.
- ◆ The company schedules an internal control self-assessment plan at the end of each year to measure the effectiveness and compliance of existing policies and procedures and their impact on various operating activities. The self-assessment report of the unit and its subsidiaries, together with the improvement of the internal control system deficiencies and abnormal issues found by the auditing unit, serves as the basis for the board of directors and management to evaluate the effectiveness of the overall internal control system and issue the internal control system statement.