

King Yuan Electronics Co., Ltd.

2021 Annual General Meeting Minutes

Time: Tuesday, Aug 3, 2021 9:00 a.m.

Location: Conference Room 205, Grand Royal Hotel. (2F., No.103, Zhongyang Rd., Toufen City, Miaoli County, Taiwan)

Attendants: Shareholdings of all shareholders and proxies are 974,039,797 in total which was 79.66 % in 1,222,745,065 outstanding shares.

Chairperson: Director & Chairman Chin-Kung Lee

Present Directors: Chin-Kung Lee, Chi-Chun Hsieh, An-Hsuan Liu, Kao-Yu Liu, Kuan-Hua Chen, Hui-Chun Hsu (Convener of Audit Committee), Xiu-Ming Wang and seven directors attended the shareholders meeting, which more than half of the nine directors.

Minute Recorder: Neil Chung

I. Announcement of meeting (Chairman announced that meeting began, after the aggregate shareholdings of the shareholders present in person or by proxy had reached the legal standard.)

II. Chairperson Remarks (omitted)

III. Reporting Items

1. The Company's 2020 Business Overview.

Acknowledged

2. The Audit Committee's review of the Company's 2020 Final Report.

Acknowledged

3. The Company's 2020 Distribution of Employee and Director Remuneration.

Acknowledged

4. The Company's 2020 Endorsements/Guarantees.

Acknowledged

5. Amendments to the Company's "Ethical Corporate Management Best Practice Principles."

Acknowledged

IV. Ratification Items

1. The Company's 2020 Business Report and Financial Statement.

Description:

(1) The Company's 2020 Business Report and Financial Statement have been resolved on the 6th Meeting of the 14th Session of the Board and were audited by the Audit Committee with an issued audit report.

(2) Please refer to Attachment 1 concerning the business report, Audit Committee's audit report, and financial statement in the foregoing paragraph.

Resolution:

974,039,797 shares were represented at time of voting (692,029,964 shares were voted by electrically); 856,958,066 shares voted in favor of this proposal (574,948,233 shares were voted by electrically), and it was accounted for 87.97% of the total voting rights; 30,598 shares were voted against this proposal (30,598 shares were voted by electrically), and it was accounted for 0.00% of the total voting rights; there was no invalid voting right; 117,051,133 shares were voted abstained for this proposal (117,051,133 shares were voted by electrically), and it was accounted for 12.01% of the total voting rights. This proposal was approved finally.

2. The Company's 2020 Distribution of Earnings.

Description:

(1) The Company's 2020 distribution of earnings report has been resolved on the 6th Meeting of the 14th Session of the Board and was audited by the Audit Committee with an issued audit report.

(2) For the distribution of earnings report that was prepared in accordance with the provisions of the Company Act and the Company's Articles of Incorporation, please refer to Attachment 2.

(3) If the Company made substantial investment using the undistributed earnings after the distribution of the 2020 earnings, the Company shall apply for reduction of the amounts of undistributed earnings or refund of excess payment under the preferential taxation provisions stipulated in Article 23-3 of the "Statute for Industrial Innovation."

Resolution:

974,039,797 shares were represented at time of voting (692,029,964 shares were voted by electrically); 858,265,568 shares voted in favor of this proposal (576,255,735 shares were voted by electrically), and it was accounted for 88.11% of the total voting rights; 45,702 shares were voted against this proposal (45,702 shares were voted by electrically), and it was

accounted for 0.00% of the total voting rights; there was no invalid voting right; 115,728,527 shares were voted abstained for this proposal (115,728,527 shares were voted by electrically), and it was accounted for 11.88% of the total voting rights. This proposal was approved finally.

V. Discussion Items

1. Motion of Amendment to the Company's Articles of Incorporation.

Description:

(1) In accordance with the amendment of the provision of Article 162 of the Company Act and based on the consideration of MOEA's Letter of Jing-Shou-Shang-Zi No. 10901108100 dated June 24, 2020, and according to the provisions of Article 14-4 and Article 181-2 of the Securities and Exchange Act, the Company plans to amend parts of the provisions of the Articles of Incorporation of the Company.

(2) For the comparison table of provisions before and after the amendments of the Company's "Articles of Incorporation," please refer to Attachment 3.

Resolution:

974,039,797 shares were represented at time of voting (692,029,964 shares were voted by electrically); 857,845,829 shares voted in favor of this proposal (575,835,996 shares were voted by electrically), and it was accounted for 88.07% of the total voting rights; 56,783 shares were voted against this proposal (56,783 shares were voted by electrically), and it was accounted for 0.00% of the total voting rights; there was no invalid voting right; 116,137,185 shares were voted abstained for this proposal (116,137,185 shares were voted by electrically), and it was accounted for 11.92% of the total voting rights. This proposal was approved finally.

2. Motion of Distributed Cash Dividend from Capital Reserves.

Description:

(1) The capital reserves derived from the issuance of new shares at a premium are to be allocated NT\$244,549,013 as shareholders' cash dividends. Each share is allocated NT\$0.2. The cash allocated to each shareholder shall be calculated to NT\$1 and rounded off below. The total of fractional cash dividends less than NT\$1 shall be transferred to the Company's Employee Welfare Committee. The distribution yield for shareholders is calculated based on the outstanding common

stock totaling 1,222,745,065 shares when the board of directors' meeting was held.

- (2) Should the Company encounter a change of share capital that changes the number of outstanding shares on a later date, the board of directors shall be fully authorized to make the necessary adjustments to the percentage of cash dividends allocated to shareholders.
- (3) The record date and issues related to the cash allocation of the capital reserves shall be determined by the board of directors after being authorized by the Annual General Meeting.

Resolution:

974,039,797 shares were represented at time of voting (692,029,964 shares were voted by electrically); 857,809,124 shares voted in favor of this proposal (575,799,291 shares were voted by electrically), and it was accounted for 88.06% of the total voting rights; 119,990 shares were voted against this proposal (119,990 shares were voted by electrically), and it was accounted for 0.01% of the total voting rights; there was no invalid voting right; 116,110,683 shares were voted abstained for this proposal (116,110,683 shares were voted by electrically), and it was accounted for 11.92% of the total voting rights. This proposal was approved finally.

3. Motion of Initial public offering (IPO) of RMB common stock (A shares) of the Company's subsidiary King Long Technology (Suzhou) Ltd. and its application for listing on the Shanghai Stock Exchange/Shenzhen Stock Exchange.

Description:

- (1) Purpose of application for the subsidiary's listing and trading on overseas stock markets:

In an effort to respond to possible future changes in the global manufacturing supply chain, the Company's subsidiary, King Long Technology (Suzhou) Ltd. (hereinafter referred to as "King Long Technology"), progressively increases the Company's (Group's) global competitiveness by planning on localization to attract and motivate outstanding talented professionals. By doing so, King Long Technology intends to apply for its IPO of RMB common stock (A shares) to the Chinese competent authorities and to be listed and

traded on the Shanghai Stock Exchange/Shenzhen Stock Exchange (referred to as the “present public offering”).

(2) Impacts on the Company’s finance and business, and expected organizational structure and business adjustments and the impact of such adjustments on the Company:

A. Financial impact:

- (a) If King Long Technology is successfully listed and traded on the Shanghai Stock Exchange/Shenzhen Stock Exchange, it will be able to quickly raise funds using multiple fundraising channels, optimizing the Company’s (Group’s) financial structure, expanding its industrial scale while enhancing the flexibility of financial deployment.
- (b) By publicly offering shares, funds can be raised locally and used to expand production lines as well as for investing in equipment to utilize production capacity and/or increase working capital to further enhance operational competitiveness.
- (c) Part of the shares of King Long Technology held by the Company will be indirectly disposed of prior to its application for listing in order to realize investment profit while reducing the long-term investment risk in China. The realized investment profit will be injected into the Company’s capital positions, which will be utilized in a variety of aspects, contributing to the overall shareholders’ rights and interests.
- (d) The listing of King Long Technology on the Shanghai Stock Exchange/Shenzhen Stock Exchange will enhance the asset size of the Company (Group) while also further increasing the capital strength of the Company (Group), pursuing maximum benefits for the shareholders.

B. Impact on business:

- (a) Through the public offering and listing, it is easier for King Long Technology to integrate into the local manufacturing chain and expand the Chinese market. By taking this approach, King Long Technology will also further boost its scale of production capacity, raising its level of

competitiveness in the industry, and increasing its market share and profitability.

(b) Listing shares in the local market helps the Company to improve its corporate image in order to attract first-class talent. Rewards including employees' stock rights will also be used to motivate employees to ensure the stability of core personnel. King Long Technology will also introduce strategic investors to help the Company expand its business development outlook.

C. Expected organizational structure and business adjustments and the impact of such adjustments on the Company:

(a) In the future, the Company will continue to hold the equity and control of King Long Technology through the subsidiary, KYEC Microelectronics Co., Ltd. The organizational structures of King Long Technology and its subsidiaries remain the same, posing no impact on the Company as yet.

(b) The future businesses of King Long Technology and the Company will utilize our respective competitive niches to strengthen the competitiveness of the Group through professional division of labor, further increasing growth momentum.

(3) Dispersal of the subsidiaries' shares, expected reduction in shareholding (or capital contribution) ratio, basis of the price, to whom the shares are transferred, or the specific parties to be approached:

In a bid to accommodate the operational development of King Long Technology, attract and retain the necessary professional personnel, introduce strategic investors as well as to meet the legal regulations of the public offering, it is intended to keep the Company's control over King Long Technology while holding no less than its 51% of shares indirectly through the subsidiary, KYEC Microelectronics Co., Ltd., and release of shares and/or waiver of subscription for cash capital increase of all or part of the shares of King Long Technology in one or more tranches as follows:

A. Subscribed cash capital increase waived prior to the application

for listing:

- (a) Expected reduction of shareholding (or capital contribution) ratio: The total amount with method (B) does not exceed 39%.
 - (b) Price basis: Each registered capital subscription price shall not be lower than the net assets/registered capital of King Long Technology's most recent financial statements audited or reviewed by the CPA. All decisions associated with setting prices must be made in accordance with related laws and regulations applicable to the Company and its subsidiaries.
 - (c) To whom the shares are transferred, or the specific parties to be approached: King Long Technology, the Group's employees and strategic investors.
- B. Shareholdings disposed of prior to the application for listing:
- (a) Expected reduction of shareholding (or capital contribution) ratio: The total amount with method (A) does not exceed 39%.
 - (b) Price basis: It is expected to be processed prior to King Long Technology becoming a stock corporation. Each registered capital disposal price shall not be lower than the net assets/registered capital of King Long Technology's most recent financial statements audited or reviewed by the CPA. All decisions associated with setting prices must be made in accordance with related laws and regulations applicable to the Company and its subsidiaries.
 - (c) To whom the shares are transferred, or the specific parties to be approached: Strategic investors.
- C. The present public offering (full waiver of subscription for cash capital increase):
- (a) Expected reduction of shareholding (or capital contribution) ratio: After King Long Technology has become a stock corporation, it is intended for King Long Technology to make an IPO of RMB common stock (A shares) in the Chinese market on the Shanghai Stock Exchange/Shenzhen Stock Exchange, with a par value of RMB 1 per share. According to the applicable regulations of the place of listing, the number

of shares to be issued accounts for approximately 10% to 25% (tentatively, before the exercise of the overallotment option) of the total share capital of King Long Technology after present public offering, and the consolidated shareholding ratio of the Company in King Long Technology after trading may not be lower than 51%. The ultimate issue number is proposed to be determined with the principal underwriter by the Company's board of directors authorized by the shareholders' meeting and/or the board of directors of King Long Technology or their authorized persons in accordance with the local laws and regulations, capital needs and communication with securities regulators as well as the market condition. However, for matters involving conflicts of interest of the Company or laws and regulations, the Company will submit such matter to the board of directors for a solution in accordance with applicable decision-making procedures.

- (b) Price basis: King Long Technology intends to apply for listing on the Shanghai Stock Exchange/Shenzhen Stock Exchange, which will be handled in accordance with applicable laws and regulations of the place of listing – in a combination of an advisory placement to qualified institutional investors and a fixed-price issue to qualified public investors, or in other ways approved by the local securities agencies.
- (c) To whom the shares are transferred, or the specific parties to be approached: According to the applicable laws and regulations of the place of listing, the new shares in the present public offering will be issued to the inquiry objects, qualified natural persons, and legal persons as well as other investors who meet criteria set out by the China Securities Regulatory Commission. The Company and all subsidiaries will not take part in the subscription.

(4) Whether it will affect the Company's continuous listing on the Taiwan Stock Exchange:

The application for listing of King Long Technology on the Shanghai Stock Exchange/Shenzhen Stock Exchange is handled in accordance with local laws and regulations. However, the Company still has control over King Long Technology, and the interests of the Company's shareholders will be fully protected. It does not affect the Company's continuous listing on the Taiwan Stock Exchange.

(5) Other explanation:

A. Taking into account long-term development, King-Long Technology intends to apply for IPO and listing (A shares) with the Chinese competent authorities. However, the application is still pending for submission, posing uncertainty and unpredictability regarding the timing of the submission of the application and how long the application may take.

B. According to the relevant Chinese laws and regulations and relevant requirements of the China Securities Regulatory Commission, shareholders that directly or indirectly (including the Company) control King Long Technology shall avoid horizontal competition. Given the consideration that the listing of King Long Technology may increase the overall value and reputation of the Company (Group), which also helps expand the Chinese and global markets, bringing positive benefits to the Company (Group), the Company evaluated and agreed to the requirements of applicable Chinese laws and regulations, as well as the requirements made by the China Securities Regulatory Commission and entered into the "Avoidance of Horizontal Competition" agreement with King Long Technology. As the Company and King Long Technology have a controlling shareholding relationship, and have agreed to avoid horizontal competition, the Fair Trade Act shall not be violated.

C. The application for the present public offering may go ahead with approval of the shareholders' meeting. Upon approval of the shareholders' meeting, in order to meet the requirements of the amount of work to be put into the IPO of RMB common stock (A shares) on the Shanghai Stock Exchange/Shenzhen Stock Exchange, it is intended to request the shareholders' meeting to

authorize the board of directors or their authorized persons, and/or authorize the board of directors of the subsidiary, King Long Technology or its authorized persons to make adjustments according to the implementation status of the listing plan, opinions associated with governmental authorities, the laws and regulations in both Taiwan and the place of listing, market conditions, or the actual application situation. These authorized persons will be fully responsible for handling matters related to the present public offering, including but not limited to the appointment of professional advisors, the determination of the conditions of the issuance, the time of the issuance, the number of issues, the objects of the issuance, the method of the issuance, the pricing method, the issue price (including the price range and the final price), the base date for the issuance, the strategic placement of shares (including the ratio of placement of shares and the placement objects, etc.), over-allotment matters, the use of raised funds, the ratio of the number of online and offline placements, the change of the place of listing, the exchange and the listing segment, amending and signing of the agreement to avoid horizontal competition, the provision of the commitment letter, the confirmation letter and related listing application documents as well as handling all matters relating to the present public offering. However, for matters involving conflicts of interest of the Company or laws and regulations, the Company will submit such matter to the board of directors for a solution in accordance with applicable decision-making procedures.

Resolution:

974,039,797 shares were represented at time of voting (692,029,964 shares were voted by electrically); 857,713,007 shares voted in favor of this proposal (575,703,174 shares were voted by electrically), and it was accounted for 88.05% of the total voting rights; 173,988 shares were voted against this proposal (173,988 shares were voted by electrically), and it was accounted for 0.01% of the total voting rights; there was no invalid voting right; 116,152,802 shares were voted abstained for this proposal (116,152,802 shares were voted by electrically), and it was

accounted for 11.92% of the total voting rights. This proposal was approved finally.

VI. Extraordinary Motions: None

VII.Meeting ends: Meeting ended at 9:27a.m.

(Annex 1)

King Yuan Electronics Co., Ltd.

Business Report

Business Plan Implementation Results

- I. The consolidated net revenue was NT\$28.96 billion in 2020, which grew by 13.4% from 2019. Gross margin reached 27.5%, relatively similar to the gross margin in 2019. After-tax earnings per share was calculated at NT\$2.97, up 19.3% from 2019.
- II. At the beginning of the year, due to the COVID-19 pandemic outbreak and the restrictive order further announced by the U.S. government on the technologies of China, the global economic growth was in decline. Nevertheless, for the semiconductor manufacturing industry, under the positive impacts of the work from home, home economy and customers' increased orders to maintain sufficient stocks and to ensure continuous supply without being affected by the long lead time for semiconductor supply chain, along with the customers' accelerated planning in the 5G environmental application products and digital technologies, all such factors have resulted in significant increase of market demands. Accordingly, in the fourth quarter, the semiconductor industry faced the situation of demand oversupply and, unlike previous low seasons, achieved positive outcomes overall. Under positive impacts, the Company has also been able to re-allocate its production capacity to other customers from previous important customers that cannot continue to place orders due to the restrictive order issued by the U.S. government, thereby allowing the Company to recover profit swiftly along with a promising outlook for future growth in the next year.
- III. During the first half of last year, as the Chinese customers demanded a faster expansion of the Suzhou Branch, China, for greater production capacity and as several IDM customers were affected by the overseas pandemic along with the adjustment of the supply chain, the Company decided to swiftly transfer a portion of the testing equipment to the parent company in Taiwan for production. In the third quarter of last year, the Chinese customers decided to suspend the production due to the technology restrictive order issued by the U.S. government, the domestic and overseas idle production capacity required re-allocation. In the following fourth quarter, major customers in Taiwan, unexpectedly, increased the production capacity demands for all products significantly. For the first and second half of the year, with regard to the large scale of production capacity adjustment and construction, human resources, training, customer product cross-certifications, etc., for plants in both Taiwan and Suzhou China, the Company demonstrated exceptional service commitment in collaboration and cooperation with all customers in a short period of time and also achieved remarkable flexibility and efficiency of factory operation. Furthermore, the Company also successfully maintained business growth for the busy and challenging year.
- IV. In recent years, the company has gradually implemented the ESG "Environmental Sustainability," "Social Engagement," "Corporate Governance" and "Corporate

Commitment” in response to corporate sustainability issues and has been audited by various professional certification bodies on a regular basis. With regard to the ESG report of the Company in 2020, the risk has been reduced from 2019, and the Company will continue to exert effort in the corporate sustainability related aspects in 2021, thereby achieving improvement year after year.

Financial income and profit analysis

As the powerful always lead in the global semiconductor industry, the revenue of the Company’s top ten customers accounted for more than 60% of total sales in recent years, with an upside growth potential. Therefore, the Company’s operating working capital has also expanded alongside rising customer needs for capacity expansion and increasing corporate scale.

Regarding the Company’s financial status and profitability in 2020, the debt ratio is relatively similar to that in 2019. Long-term funds to fixed assets increased slightly. However, as the customers and production lines of the Company are relatively distributed and the profit earning growth is stable, the cost for obtaining domestic funds is quite reasonable, and the Company has a large cash position, good credit and sound financial structure with its use of financial leverage. The current ratio and quick ratio have been higher than those in 2019, and the solvency of the Company is strong. In terms of profitability, the return on assets, return on equity, net profit margin, and after-tax earnings per share are all higher compared to those in 2019. The financial ratios are as follows:

| | 2020 | 2019 |
|-------------------------------------|--------|--------|
| Ratio of liabilities to assets (%) | 52.17 | 52.43 |
| Long-term funds to fixed assets (%) | 131.02 | 125.03 |
| Current ratio (%) | 192.36 | 175.81 |
| Quick ratio (%) | 174.60 | 158.68 |
| Return on assets (%) | 6.77 | 6.44 |
| Return on equity (%) | 13.10 | 11.99 |
| Net profit margin (%) | 12.56 | 11.91 |
| After-tax earnings per share (NTD) | 2.97 | 2.49 |

R&D status

With regard to development of the global semiconductor industry, as the technology advances, the nanomanufacturing process continues to move and the advanced packaging also heads toward the direction of wafer grade, 3D and heterogenous integration, thereby significantly increasing the complexity of integrated circuits, such as the products of HPC, SoC, SiP and AiP. In addition, to cope with the diverse fields of use in the application aspect, such as auto parts, optical sensor, MEMS, high radio frequency, biological, 5G integrated chips,

chips for high/low temperature and chips for high pressure environment, the testing capability in the process of semiconductor manufacturing also becomes more important.

The R&D center of the Company is dedicated in the testing technologies, testing methods, testing quality, problem-solving for testing and testing platform output with extensive efforts. In addition, the Company also assists customers to reduce testing cost, and provides sufficient and flexible production capacity with great performance, thereby achieving outstanding outcome. Over the past years, the Company has self-developed more than one thousand testing units, more than four hundred self-developed burn-in ovens and seven main product lines of self-developed testing platforms. In addition, the Company also continues to engage in extensive own research and development of testing platform interfaces, testing software development, testing cards, testing carriers, handlers and key component parts, etc., and brings all designs and developments into production.

For future research and development, the Company will continue to accelerate the implementation according to the plans updated annually by the R&D Center. With regard to the high-resolution image sensor elements and the capability of high quantities of simultaneous testing units, high power and high voltage burn-in oven improvement, testing channel numbers of self-developed E-series of testing platforms, precision of tester power supply (DPS), solution to ultra-high current thermal effect, and the development of MEMS testing equipment for gyroscope, accelerator, tire gauge, flow meter and magnetometer, hygrometer, etc., the Company will continue to maintain the unique competitive advantages in the integrated circuit testing field and excel further.

Current business plan overview

- I. Carefully select numerous order opportunities in the market, establish revenue and profit earning goals to achieve new highs.
- II. Further improve all indicators of the operation management of the Company and achieve indicators in practice.
- III. Continuously increase machine utilization rate of all testing platform lines, and increase output. In addition, continuously improve the average production value of all production equipment.
- IV. Control capital expenditure and investment benefit, thereby increasing the return on equipment of shareholders.
- V. Achieve further breakthrough in self-developed equipment and research and development capability, thereby ensuring the long-term leading competitive advantages.
- VI. To cope with the impacts of technology, politics and trade war between the U.S. and China on the global supply chain, the Company aims to gradually adjust the business plan of the parent company in Taiwan and the subsidiary in China.

Future development strategy

The Company will focus on the role of a professional service provider in the semiconductor integrated circuit manufacturing process, and continues to seek innovative business models in the semiconductor OEM field. Accordingly, in recent years, the

development strategy of the Company generally remains the same and continues to head toward the following aspects and directions.

- I. Focus on the fundamental core management indicators of the manufacturing supply chain in order to improve more disciplined and detailed management. With the expansion of product scale, increase the machine utilization rate of all testing platforms.
- II. Strengthen the Company's unique differentiated service capabilities, and reinvest profits in R&D and innovation in order to challenge competitors in the market.
- III. Focus on the aspects of customer, profit and growth for business operation, ensure customer satisfaction and continue to create profitability and pursue healthy growth.
- IV. Properly maintain existing outstanding customers, increase market share in the outsourcing market, develop new potential customers, and seek IDM outsourcing collaborative orders to achieve joint growth.
- V. Cope with the conflict between the two nations of the U.S. and China and the issues related to possible changes of the supply chain, evaluate and gradually adjust the planning of the Company's supply chain in Taiwan and China, thereby responding and mitigating possible changes of the environment in the future.
- VI. With an open attitude, we cooperate with semiconductor business operators in strategic cooperation or joint development, so that the Company can quickly gain its position as one of the top semiconductor packaging and testing industries in the world.

The effect of external competition, the legal environment, and the overall business environment

With regard to the global semiconductor industry revenue status, according to the statistics announced on January 14, 2021 by Gartner, the 2020 revenue forecast for the semiconductor industry was US\$ 449.8 billion, a growth of 7.3% from 2019. Another organization, World Semiconductor Trade Statistics (WSTS) estimated the growth to be 5.1%. For the outlook of 2021, WSTS estimates that the production value is expected to increase by 8.4%, and the other research and survey institutions, IC Insights and Gartner, also expect that the annual increase will be above 10%. The main factors driving such growth are related to the demands for various products, including 5G smartphone components, 5G network communication components, IoT components, CIS, RF components, WiFi6, artificial intelligence learning and data center server (HPC), edge computers, storage memory components, MEMS components, auto electronics/assistance driving system, etc.

With regard to the global economic growth, according to the announcement made by International Monetary Fund (IMF) on January 26, 2021, the global economy had declined to 3.5% in 2020. However, the forecast for 2021 is expected to show a growth of 5.5%, and the economic growth in China is expected to still reach 8.1%, a profound growth among other countries. Due to the impact of the COVID-19 pandemic and the policy of the U.S. first adopted last year, the global economy had shown the greatest decline since the Great Depression in 1929. The economy in Europe is currently in decline for the second time. For this year, the global economy at its down time is expected to recover after the pandemic. Despite

the present capital market performance having indicated signs of economic recovery, the strength of such recovery still needs to be further assessed. The economic output and demand are expected to continue to remain at a level lower than normal for a certain period of time, and the global economic recovery may still be unstable and unbalanced.

In terms of the external competition, the upstream and downstream of the semiconductor industry have been continuously split and merged in the past decade. Presently, a lot of IC product design companies and various terminal hardware product brand companies are now directed by a few giants in the industry. As for semiconductor equipment and materials, the number of participating manufacturers in the market is decreasing significantly. In the field of IC manufacturing and professional OEM, the companies are centralized in Taiwan. In terms of the revenue, Taiwan is ranked No. 2 in the global IC design, No. 1 in global wafer manufacturing and No. 1 in global wafer packaging and testing; therefore, Taiwan semiconductor OEM manufacturing has become the sector essential to world giants with respect to geopolitics. However, with the fast technology integration and development, the growth of the semiconductor testing industry also faces the competition and challenge of the new era. For instance, in terms of the supply chain, based on the consideration of globalization, a lot of countries are planning to establish and expand their local semiconductor supply chain. As for the sales of the Company, the testing orders will face greater competition with wafer manufacturers. For IC products, including extremely small or large chips, integrated chips, systems chips, etc., the testing technologies will focus on how to achieve the testing functions for such products. Regarding the factory production capacity and investment management aspect, the Company will face the challenges of determination on whether the customer demand visibility is short term and judgement on how to flexibly adjust and allocate production capacity when demands from various sectors suddenly increase at the same time in order to handle such great market fluctuation. In terms of the human resource aspect, the Company will also need to compete for talents with the wafer manufacturers. Furthermore, due to the merger among customers, there is also a risk of change of purchase system. In view of the above, the world depends heavily on the semiconductor manufacturing capacity in Taiwan, and the large-scale manufacturers will continue to remain the leaders. Accordingly, the testing industry needs to continue to invest cooperatively such that capital expenditure and post-investment management will also be challenges to the Company.

With regard to the legal and overall business environment aspect, in recent years, due to the restrictive orders on the Chinese technology industry announced by the U.S. government, the future development of the semiconductor industry in China needs to be further monitored. The global antitrust law against the merger or monopoly (oligopoly) market by giant semiconductor enterprises will continue; however, there are no major changes in the laws and regulations in the cross-strait relation between Taiwan and China. At the beginning of 2021, in terms of the overall economy, the global economy has indicated gradual recovery from the bottom. The U.S. is expected to return to the multilateral economic and trade cooperation in order to promote economic growth. To achieve economic recovery, governments of all countries are also

expanding their financial deficits and currency supply, and the modern monetary theory is widely adopted. For this year, the overall economy will still be under the environment of low inflation, low interest rates, low economic growth, relatively high unemployment rate, high debt, loose monetary policy and expansionary fiscal policy.

Looking forward to the new year, the two giants of the U.S. and China will continue to compete in the fields of politics, foreign affairs, military and technology. However, in terms of the economy and trade field, it is expected to reach a certain level of relaxation and cooperation. After vaccination, mitigation of the pandemic and end of financial aids, real damages to enterprises may emerge; therefore, the speed of economic recovery cannot be determined easily at the present time but may become more apparent at the end of the year. Nevertheless, presently, it can be certain that the demands for the semiconductor industry have started to indicate significant increase in the sectors of high performance computing (HPC), artificial intelligence (AI), data center, 5th generation (5G) communication mobile phones and network communication equipment connectors, artificial intelligence of things (AIoT), auto electronics (ADAS), etc. For the post-pandemic era, as the corporate operation and personal living and consumer style are transforming to become more reliable to digital technology, the global manufacturing demand for the semiconductor industry will certainly continue to remain strong. The situation of tight production capacity for the semiconductor packaging and testing industry still cannot be determined precisely for the time being and may become more apparent at the fourth quarter of the year. The Company is optimistic on great business opportunities from numerous customers and will continue to perform investment with due care. In addition, the Company will rigorously handle the challenges in the new stage of the semiconductor testing industry, and continue to contribute efforts in achieving new records in the Company's revenue and earnings.

King Yuan Electronics Co., Ltd.
Audit Report from the Audit Committee

This report is to certify that the Company's 2020 business report, consolidated financial statement (including separate financial statement) and the motion for allocation of earnings were prepared and submitted by the Company's board of directors, and the consolidated financial statement (including separate financial statement) contained therein was already audited by EY Taiwan, which also issued its audit report. Said business report, consolidated financial statement (including separate financial statement) and motion for allocation of earnings have also been reviewed by the Committee, which in our opinion comply with the relevant requirements. This report is hereby submitted in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

King Yuan Electronics Co., Ltd.

Convener of Audit Committee: Hui-Chun Hsu

March 12, 2021



安永聯合會計師事務所

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English Translation of a Report Originally Issued in Chinese

Independent Auditors' Report

To the Board of Directors and Shareholders
of King Yuan Electronics Co., Ltd.

Opinion

We have audited the accompany parent company only balance sheets of King Yuan Electronics Co., Ltd. as of December 31, 2020 and 2019, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2020 and 2019, and notes to the parent company only financial statements, including the summary of significant accounting policies (together “the financial statements”).

In our opinion, the parent company only financial statements referred to above present fairly, in all material respects, the financial position of King Yuan Electronics Co., Ltd. as of December 31, 2020 and 2019, and its financial performance and cash flows for the years ended December 31, 2020 and 2019, in conformity with the requirements of 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 auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of King Yuan Electronics Co., Ltd. in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the “Norm”), and we have fulfilled our other ethical responsibilities in accordance with the Norm. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2020 parent company only financial statements. 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, and we do not provide a separate opinion on these matters.

Revenue recognition

King Yuan Electronics Co., Ltd. recognized NT\$23,344,758 thousand as net sales. Their main activities are providing testing and assembly services that represented 84%, or NT\$19,666,024 thousand in the amount, of the net operating revenues.

Since the primary activities of King Yuan Electronics Co., Ltd. are providing testing and assembly services, and the services comprise various wafers/integrated circuits testing and assembly processing and rental of machinery, timing of revenue recognition may vary due to varied nature of revenues that increases the complexity of the revenue recognition. Therefore, we determined the matter to be a key audit matter.

Our audit procedures include (but are not limited to) assessing the appropriateness of the accounting policy for revenue recognition; evaluating and testing the effectiveness of internal control relating to the timing of revenue recognition, analyzing the reasonableness of gross profit margin by products, performing cutoff testing for a period before and after the balance sheet date on a sampling basis, performing test of details on selected samples, reviewing the significant terms of sales agreements and examining relevant delivery documents, and reviewing the selected samples of the quantity, specification, period and relevant documents of machinery services.

We also considered the appropriateness of the disclosures of sales. Please refer to Note 4 and Note 6 in notes to the financial statements.

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 requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of the 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 ability to continue as a going concern of King Yuan Electronics Co., Ltd. disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate King Yuan Electronics Co., Ltd. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee, are responsible for overseeing the financial reporting process of King Yuan Electronics Co., Ltd.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted 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 financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of King Yuan Electronics Co., Ltd.



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 ability to continue as a going concern of King Yuan Electronics Co., Ltd. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause King Yuan Electronics Co., Ltd. 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 accompanying notes, 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 parent company only financial information of the entities or business activities within King Yuan Electronics Co., Ltd. to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2020 parent company only financial statements 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.

Kuo, Shao-Pin

Fuh, Wen-Fun

Ernst & Young, Taiwan
March 12, 2021

Notice to Readers

- The accompanying parent company only financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.
- Accordingly, the accompanying parent company only financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young 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.

English Translation of Financial Statements Originally Issued in Chinese

**KING YUAN ELECTRONICS CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS**

As of December 31, 2020 and 2019

(Amounts in thousands of New Taiwan Dollars)

| ASSETS | Notes | December 31, 2020 | % | December 31, 2019 | % |
|---|----------------------|-------------------|-----|-------------------|-----|
| Current assets | | | | | |
| Cash and cash equivalents | 4, 6(1) | \$5,110,784 | 10 | \$4,155,945 | 8 |
| Financial assets at fair value through other comprehensive income-current | 4, 6(2) | - | - | 30,114 | - |
| Contract assets-current | 4, 6(15), 6(16), 7 | 202,972 | - | 126,182 | - |
| Notes receivable, net | 4, 6(3), 6(16) | 3,049 | - | 4,268 | - |
| Accounts receivable, net | 4, 6(4), 6(16) | 3,127,686 | 6 | 3,730,901 | 8 |
| Accounts receivable from related parties, net | 4, 6(4), 6(16), 7 | 1,749,678 | 3 | 886,172 | 2 |
| Other receivables | 4, 6(16) | 94,551 | - | 160,100 | - |
| Other receivables from related parties | 4, 7 | 111,918 | - | 821,474 | 2 |
| Inventories, net | 4, 6(5) | 774,144 | 2 | 907,842 | 2 |
| Prepayments | 6(6) | 125,241 | - | 204,787 | - |
| Other current assets | | 51,843 | - | 76,944 | - |
| Total current assets | | 11,351,866 | 21 | 11,104,729 | 22 |
| Non-current assets | | | | | |
| Financial assets at fair value through other comprehensive income-non-current | 4, 6(2) | 4,446,563 | 8 | 2,425,166 | 5 |
| Investments accounted for using the equity method | 4, 6(7) | 6,148,166 | 11 | 4,891,194 | 10 |
| Property, plant and equipment | 4, 6(8), 6(19), 7, 8 | 31,370,700 | 58 | 30,379,042 | 60 |
| Right-of-use asset | 4, 6(17) | 1,191,431 | 2 | 1,228,619 | 3 |
| Intangible assets | 4, 6(9), 6(10) | 80,159 | - | 66,148 | - |
| Deferred tax assets | 4, 6(21) | 227,623 | - | 229,882 | - |
| Other financial assets-non-current | 8 | 115,669 | - | 113,125 | - |
| Other non-current assets | | 3,497 | - | 3,487 | - |
| Total non-current assets | | 43,583,808 | 79 | 39,336,663 | 78 |
| Total assets | | \$54,935,674 | 100 | \$50,441,392 | 100 |

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

(continued)

English Translation of Financial Statements Originally Issued in Chinese

**KING YUAN ELECTRONICS CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS**

As of December 31, 2020 and 2019

(Amounts in thousands of New Taiwan Dollars)

| LIABILITIES AND EQUITY | | December 31, 2020 | December 31, 2019 | % |
|-------------------------------------|--------------------|-------------------|-------------------|-----|
| Current liabilities | | | | |
| Contract liabilities-current | | \$11,590 | \$52,486 | - |
| Notes payable | 4, 6(15) | 4,435 | 1,633 | - |
| Accounts payable | | 790,394 | 775,500 | 1 |
| Accounts payable to related parties | 7 | 19,487 | 31,337 | - |
| Other payables | | 2,623,108 | 2,755,371 | 5 |
| Other payables to related parties | 7 | 306,083 | 119,005 | - |
| Payables on equipment | | 494,636 | 797,050 | 2 |
| Current tax liabilities | 4, 6(21) | 394,417 | 666,224 | 1 |
| Lease liabilities-current | 4, 6(17) | 304,358 | 788,269 | 2 |
| Other current liabilities | 4, 6(11) | 578,740 | 303,650 | 1 |
| Total current liabilities | | 5,527,248 | 6,290,525 | 12 |
| Non-current liabilities | | | | |
| Long-term loans | 4, 6(12), 6(19), 8 | 18,318,298 | 16,944,660 | 34 |
| Deferred tax liabilities | 4, 6(21) | 667,968 | 39,921 | - |
| Lease liabilities-non-current | 4, 6(17) | 533,878 | 444,245 | 1 |
| Net defined benefit liabilities | 4, 6(13) | 566,456 | 528,169 | 1 |
| Guarantee deposits | | 2,755 | 1,933 | - |
| Total non-current liabilities | | 20,089,355 | 17,958,928 | 36 |
| Total liabilities | | 25,616,603 | 24,249,453 | 48 |
| Equity | | | | |
| Share capital | 4, 6(14) | | | |
| Common stock | | 12,227,451 | 12,227,451 | 24 |
| Capital surplus | 4, 6(14) | 4,588,172 | 4,832,721 | 10 |
| Retained earnings | 4, 6(2), 6(14) | | | |
| Legal reserve | | 2,656,958 | 2,359,299 | 5 |
| Special reserve | | 402,406 | 803,172 | 1 |
| Undistributed earnings | | 8,147,631 | 6,371,702 | 13 |
| Total retained earnings | | 11,206,995 | 9,534,173 | 19 |
| Other equity | 4, 6(14) | 1,296,453 | (402,406) | (1) |
| Total equity | | 29,319,071 | 26,191,939 | 52 |
| Total liabilities and equity | | \$54,935,674 | \$50,441,392 | 100 |

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

KING YUAN ELECTRONICS CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2020 and 2019

(Amounts in thousands of New Taiwan Dollars, except for earnings per share)

| Description | Notes | 2020 | % | 2019 | % |
|--|--------------------------------|--------------|------|--------------|------|
| Net sales | 4, 6(15), 7 | \$23,344,758 | 100 | \$21,845,844 | 100 |
| Operating costs | 4, 6(5), 6(8), 6(9), 6(18), 7 | (17,280,780) | (74) | (16,109,256) | (74) |
| Gross profit | | 6,063,978 | 26 | 5,736,588 | 26 |
| | 4, 6(8), 6(9), 6(16), 6(18), 7 | | | | |
| Operating expenses | | | | | |
| Selling expenses | | (359,004) | (1) | (389,162) | (2) |
| Administrative expenses | | (1,386,381) | (6) | (1,211,019) | (5) |
| Research and development expenses | | (909,932) | (4) | (879,068) | (4) |
| Expected credit losses | | (2,857) | - | (20,000) | - |
| Total operating expenses | | (2,658,174) | (11) | (2,499,249) | (11) |
| Operating income | | 3,405,804 | 15 | 3,237,339 | 15 |
| Non-operating income and expenses | 4, 6(7), 6(8), 6(10), 6(19), 7 | | | | |
| Interest income | | 7,424 | - | 7,085 | - |
| Other income | | 177,060 | 1 | 108,689 | - |
| Other gains and losses | | (164,770) | (1) | 36,200 | - |
| Finance costs | | (217,585) | (1) | (239,659) | (1) |
| Share of profit of associates accounted for using the equity method | | 1,159,434 | 5 | 665,457 | 3 |
| Total non-operating income and expenses | | 961,563 | 4 | 577,772 | 2 |
| Net income before income tax | | 4,367,367 | 19 | 3,815,111 | 17 |
| Income tax expense | 4, 6(21) | (730,714) | (3) | (773,545) | (3) |
| Net income | | 3,636,653 | 16 | 3,041,566 | 14 |
| Other comprehensive income | 4, 6(20) | | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | | | |
| Remeasurements of the defined benefit plan | | (45,906) | - | (57,525) | - |
| Unrealized gains from equity instruments investments measured at fair value through other comprehensive income | | 2,056,310 | 9 | 687,206 | 3 |
| Income tax related to components of other comprehensive income that will not be reclassified to profit or loss | | (403,570) | (2) | (136,555) | (1) |
| Items that will be reclassified subsequently to profit or loss: | | | | | |
| Exchange differences resulting from translating the financial statements of foreign operations | | 105,726 | - | (186,862) | (1) |
| Income tax related to components of other comprehensive income that will be reclassified to profit or loss | | (21,145) | - | 37,373 | - |
| Other comprehensive income, net of tax | | 1,691,415 | 7 | 343,637 | 1 |
| Total comprehensive income | | \$5,328,068 | 23 | \$3,385,203 | 15 |
| Earnings per share(NT\$) | 4, 6(22) | | | | |
| Basic Earnings Per Share | | \$2.97 | | \$2.49 | |
| Diluted Earnings Per Share | | \$2.94 | | \$2.47 | |

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

English Translation of Financial Statements Originally Issued in Chinese

KING YUAN ELECTRONICS CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2020 and 2019

(Amounts in thousands of New Taiwan Dollars)

| Description | Retained earnings | | | | Other equity | | Total Equity | |
|--|-------------------|-----------------|---------------|-----------------|------------------------|--|--------------|---|
| | Common stock | Capital surplus | Legal reserve | Special reserve | Undistributed earnings | Exchange differences resulting from translating the financial statements of foreign operations | | Unrealized gains (losses) from equity instruments measured at fair value through other comprehensive income |
| Balance as of January 1, 2019 | \$12,227,451 | \$4,844,536 | \$2,179,765 | \$431,239 | \$5,597,293 | \$(292,128) | \$(511,045) | \$24,477,111 |
| Appropriation and distribution of 2018 earnings : | - | - | 179,534 | - | (179,534) | - | - | - |
| Legal reserve | - | - | - | 371,933 | (371,933) | - | - | - |
| Special reserve | - | - | - | - | (1,650,706) | - | - | (1,650,706) |
| Cash dividends | - | - | - | - | - | - | - | - |
| Profit for the year ended December 31, 2019 | - | - | - | - | 3,041,566 | - | - | 3,041,566 |
| Other comprehensive income for the year ended December 31, 2019 | - | - | - | - | (57,525) | (149,489) | 550,651 | 343,637 |
| Total comprehensive income | - | - | - | - | 2,984,041 | (149,489) | 550,651 | 3,385,203 |
| Changes in ownership interests in subsidiaries | - | (11,815) | - | - | (7,854) | - | - | (19,669) |
| Disposal of equity instruments investments measured at fair value through other comprehensive income | - | - | - | - | 395 | - | (395) | - |
| Balance as of December 31, 2019 | \$12,227,451 | \$4,832,721 | \$2,359,299 | \$803,172 | \$6,371,702 | \$(441,617) | \$39,211 | \$26,191,939 |
| Balance as of January 1, 2020 | \$12,227,451 | \$4,832,721 | \$2,359,299 | \$803,172 | \$6,371,702 | \$(441,617) | \$39,211 | \$26,191,939 |
| Appropriation and distribution of 2019 earnings : | - | - | 297,659 | - | (297,659) | - | - | - |
| Legal reserve | - | - | - | - | (1,956,392) | - | - | (2,200,941) |
| Cash dividends | - | (244,549) | - | - | 400,766 | - | - | - |
| Reversal of special reserve | - | - | - | (400,766) | - | - | - | - |
| Profit for the year ended December 31, 2020 | - | - | - | - | 3,636,653 | - | - | 3,636,653 |
| Other comprehensive income for the year ended December 31, 2020 | - | - | - | - | (45,906) | 84,581 | 1,652,740 | 1,691,415 |
| Total comprehensive income | - | - | - | - | 3,590,747 | 84,581 | 1,652,740 | 5,328,068 |
| Changes in ownership interests in subsidiaries | - | - | - | - | 5 | - | - | 5 |
| Disposal of equity instruments investments measured at fair value through other comprehensive income | - | - | - | - | 38,462 | - | (38,462) | - |
| Balance as of December 31, 2020 | \$12,227,451 | \$4,588,172 | \$2,656,958 | \$402,406 | \$8,147,631 | \$(357,036) | \$1,653,489 | \$29,319,071 |

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

English Translation of Financial Statements Originally Issued in Chinese
KING YUAN ELECTRONICS CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
For the years ended December 31, 2020 and 2019
(Amounts in thousands of New Taiwan Dollars)

| Description | 2020 | 2019 | Description | 2020 | 2019 |
|--|-------------|-------------|---|--------------|--------------|
| Cash flows from operating activities : | | | Cash flows from investing activities : | | |
| Profit before tax from continuing operations | \$4,367,367 | \$3,815,111 | Proceeds from disposal of financial assets at fair value through other comprehensive income | \$65,027 | \$- |
| Adjustments for: | | | Proceeds from capital return of financial assets at fair value through other comprehensive income | - | 395 |
| The profit or loss items which did not affect cash flows: | | | Acquisition of investments accounted for using the equity method | - | 101,885 |
| Depreciation | 6,809,397 | 6,287,857 | Proceeds from capital return of investments accounted for using the equity method | - | 370,891 |
| Amortization | 49,887 | 85,293 | Acquisition of property, plant and equipment | (8,182,159) | (8,931,451) |
| Expected credit losses | 2,857 | 20,000 | Proceeds from disposal of property, plant and equipment | 840,968 | 308,133 |
| Gains on financial assets and liabilities at fair value through profit or loss | - | (424) | Increase in refundable deposits | (10) | - |
| Interest expenses | 217,585 | 239,659 | Acquisition of intangible assets | (63,898) | (24,736) |
| Interest income | (7,424) | (7,085) | Increase in other financial assets | (2,544) | (3,213) |
| Dividend income | (50,966) | (38,398) | Dividend received | 64,076 | 49,858 |
| Investment gain accounted for using the equity method | (11,59,434) | (665,457) | Net cash used in investing activities | (7,278,540) | (8,165,308) |
| Gain on disposal of property, plant and equipment | (46,075) | (73,578) | | | |
| Impairment of non-financial assets | 153,955 | 91,181 | Cash flows from financing activities : | | |
| Unrealized foreign exchange gain | (78,024) | (91,315) | Borrowing in long-term loans | 26,184,895 | 18,179,500 |
| Changes in operating assets and liabilities : | | | Repayments of long-term loans | (24,750,701) | (17,783,548) |
| Contract assets | (76,790) | 163,245 | Increase in guarantee deposits | 822 | 360 |
| Notes receivable | 1,219 | 9,576 | Cash payments for the principal portion of the lease liabilities | (505,826) | (13,347) |
| Accounts receivable | 623,507 | 149,913 | Cash dividends | (2,200,941) | (1,650,706) |
| Accounts receivable from related parties | (863,506) | (133,554) | Interest paid | (209,644) | (227,391) |
| Other receivables | 45,210 | (40,208) | Net cash used in financing activities | (1,481,395) | (1,495,132) |
| Other receivables from related parties | 261,002 | (303,220) | | | |
| Inventories | 133,698 | 54,773 | Net increase in cash and cash equivalents | 954,839 | 268,944 |
| Prepayments | 19,270 | 97,163 | Cash and cash equivalents at the beginning of the year | 4,155,945 | 3,887,001 |
| Other current assets | 25,101 | 113,811 | Cash and cash equivalents at the end of the year | \$5,110,784 | \$4,155,945 |
| Contract liabilities | (40,896) | (32,348) | | | |
| Notes payable | 2,802 | (37,879) | | | |
| Accounts payable | 14,894 | (168,604) | | | |
| Accounts payable to related parties | (11,850) | 18,946 | | | |
| Other payables | (127,589) | 625,404 | | | |
| Other payables to related parties | (28,361) | 7,698 | | | |
| Other current liabilities | 275,090 | 25,329 | | | |
| Accrued pension liabilities | (7,619) | (10,926) | | | |
| Cash generated from operating activities | 10,504,307 | 10,201,963 | | | |
| Interest received | 7,397 | 7,259 | | | |
| Income tax paid | (796,930) | (279,838) | | | |
| Net cash provided by operating activities | 9,714,774 | 9,929,384 | | | |

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



安永聯合會計師事務所

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English Translation of a Report Originally Issued in Chinese

Independent Auditors' Report

To the Board of Directors and Shareholders
of King Yuan Electronics Co., Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of King Yuan Electronics Co., Ltd. and its subsidiaries as of December 31, 2020 and 2019, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2020 and 2019, and notes to the consolidated financial statements, including the summary of significant accounting policies (together “the consolidated financial statements”).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of King Yuan Electronics Co., Ltd. and its subsidiaries as of December 31, 2020 and 2019, and their consolidated financial performance and cash flows for the years ended December 31, 2020 and 2019, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effectively by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted 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 King Yuan Electronics Co., Ltd. and its subsidiaries in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the “Norm”), and we have fulfilled our other ethical responsibilities in accordance with the Norm. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2020 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

King Yuan Electronics Co., Ltd. and its subsidiaries recognized NT\$28,959,304 thousand as net sales. Their main activities are providing testing and assembly services that represented 87%, or NT\$25,066,252 thousand in the amount, of the net operating revenues.

Since the primary activities of King Yuan Electronics Co., Ltd. and its subsidiaries are providing testing and assembly services, and the services comprise various wafers/integrated circuits testing and assembly processing and rental of machinery, timing of revenue recognition may vary due to varied nature of revenues that increases the complexity of the revenue recognition. Therefore, we determined the matter to be a key audit matter.

Our audit procedures include (but are not limited to) assessing the appropriateness of the accounting policy for revenue recognition; evaluating and testing the effectiveness of internal control relating to the timing of revenue recognition, analyzing the reasonableness of gross profit margin by products, performing cutoff testing for a period before and after the balance sheet date on a sampling basis, performing test of details on selected samples, reviewing the significant terms of sales agreements and examining relevant delivery documents, and reviewing the selected samples of the quantity, specification, period and relevant documents of machinery services.

We also considered the appropriateness of the disclosures of sales. Please refer to Note 4 and Note 6 in notes to the consolidated financial statements.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the consolidated financial statements, management is responsible for assessing the ability to continue as a going concern of King Yuan Electronics Co., Ltd. and its subsidiaries, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate King Yuan Electronics Co., Ltd. and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee, are responsible for overseeing the financial reporting process of King Yuan Electronics Co., Ltd. and its subsidiaries.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted 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 auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of King Yuan Electronics Co., Ltd. and its subsidiaries.
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 ability to continue as a going concern of King Yuan Electronics Co., Ltd. and its subsidiaries. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause King Yuan Electronics Co., Ltd. and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, 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 King Yuan Electronics Co., Ltd. and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2020 consolidated financial statements 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.



Others

We have audited and expressed an unqualified opinion on the parent company only financial statements of King Yuan Electronics Co., Ltd. as of and for the years ended December 31, 2020 and 2019.

Kuo, Shao-Pin

Fuh, Wen-Fun

Ernst & Young, Taiwan

March 12, 2021

Notice to Readers

- The accompanying consolidated financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in 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, Ernst & Young 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.

English Translation of Financial Statements Originally Issued in Chinese
KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

As of December 31, 2020 and 2019
(Amounts in thousands of New Taiwan Dollars)

| ASSETS | Notes | December 31, 2020 | % | December 31, 2019 | % |
|---|----------------------|---------------------|------------|---------------------|------------|
| Current assets | | | | | |
| Cash and cash equivalents | 4, 6(1) | \$8,008,530 | 13 | \$6,166,005 | 11 |
| Financial assets at fair value through other comprehensive income-current | 4, 6(2) | - | - | 30,114 | - |
| Contract assets-current | 4, 6(16), 6(17), 7 | 202,972 | - | 126,182 | - |
| Notes receivable, net | 4, 6(3), 6(17) | 3,049 | - | 4,268 | - |
| Accounts receivable, net | 4, 6(4), 6(17) | 4,164,991 | 7 | 4,936,281 | 9 |
| Accounts receivable from related parties, net | 4, 6(4), 6(17), 7 | 1,724,951 | 3 | 911,027 | 2 |
| Other receivables | 4, 7 | 161,712 | - | 278,134 | 1 |
| Other receivables from related parties | 4, 7 | 33,257 | - | 7,956 | - |
| Current tax assets | | 315 | - | - | - |
| Inventories, net | 4, 6(5) | 980,969 | 2 | 1,081,035 | 2 |
| Prepayments | 6(6) | 479,283 | 1 | 272,607 | 1 |
| Other current assets | | 51,843 | - | 77,370 | - |
| Other financial assets-current | 8 | 4 | - | 4 | - |
| Total current assets | | <u>15,811,876</u> | <u>26</u> | <u>13,890,983</u> | <u>26</u> |
| Non-current assets | | | | | |
| Financial assets at fair value through other comprehensive income-non-current | 4, 6(2) | 4,446,563 | 8 | 2,425,166 | 5 |
| Investments accounted for using the equity method | 4, 6(7) | 69,856 | - | 65,228 | - |
| Property, plant and equipment | 4, 6(8), 6(20), 7, 8 | 39,147,575 | 64 | 36,890,887 | 67 |
| Right-of-use asset | 4, 6(18) | 1,328,232 | 2 | 1,373,907 | 2 |
| Intangible assets | 4, 6(9), 6(10) | 86,442 | - | 73,795 | - |
| Deferred tax assets | 4, 6(21), 6(22) | 227,623 | - | 229,882 | - |
| Other financial assets-non-current | 8 | 115,669 | - | 113,125 | - |
| Other non-current assets | | 81,682 | - | 16,176 | - |
| Total non-current assets | | <u>45,503,642</u> | <u>74</u> | <u>41,188,166</u> | <u>74</u> |
| Total assets | | <u>\$61,315,518</u> | <u>100</u> | <u>\$55,079,149</u> | <u>100</u> |

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

(continued)

English Translation of Financial Statements Originally Issued in Chinese
KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

As of December 31, 2020 and 2019

(Amounts in thousands of New Taiwan Dollars)

| LIABILITIES AND EQUITY | Notes | December 31, 2020 | % | December 31, 2019 | % |
|--|-----------------|---------------------|------------|---------------------|------------|
| Current liabilities | | | | | |
| Short-term loans | 4, 6(1), 9 | \$100,854 | - | \$493,383 | 1 |
| Contract liabilities-current | 4, 6(16), 7 | 229,603 | - | 68,330 | - |
| Notes payable | | 4,435 | - | 1,633 | - |
| Accounts payable | | 1,117,955 | 2 | 1,054,963 | 2 |
| Accounts payable to related parties | 7 | 19,487 | - | 30,713 | - |
| Other payables | | 2,914,621 | 5 | 2,973,602 | 5 |
| Other payables to related parties | 7 | 65,456 | - | 91,048 | - |
| Payables on equipment | | 623,324 | 1 | 963,512 | 2 |
| Current tax liabilities | 4, 6(22) | 408,303 | 1 | 723,277 | 1 |
| Lease liabilities-current | 4, 6(18) | 310,144 | 1 | 792,980 | 1 |
| Current portion of long-term loans | 4, 6(13), 8, 9 | 1,844,759 | 3 | 403,605 | 1 |
| Other current liabilities | 6(12) | 580,856 | 1 | 303,923 | 1 |
| Total current liabilities | | 8,219,797 | 14 | 7,900,969 | 14 |
| Non-current liabilities | | | | | |
| Long-term loans | 4, 6(13), 8, 9 | 21,966,029 | 36 | 19,924,440 | 36 |
| Deferred tax liabilities | 4, 6(21), 6(22) | 667,968 | 1 | 39,921 | - |
| Lease liabilities-non-current | 4, 6(18) | 566,437 | 1 | 485,263 | 1 |
| Net defined benefit liabilities | 4, 6(14) | 566,456 | 1 | 528,169 | 1 |
| Guarantee deposits | | 2,755 | - | 1,933 | - |
| Total non-current liabilities | | 23,769,645 | 39 | 20,979,726 | 38 |
| Total liabilities | | 31,989,442 | 53 | 28,880,695 | 52 |
| Equity attributable to owners of the parent company | | | | | |
| Share capital | 4, 6(15) | | | | |
| Common stock | | 12,227,451 | 20 | 12,227,451 | 22 |
| Capital surplus | 4, 6(15) | 4,588,172 | 7 | 4,832,721 | 9 |
| Retained earnings | | | | | |
| Legal reserve | | 2,656,958 | 4 | 2,359,299 | 4 |
| Special reserve | | 402,406 | 1 | 803,172 | 2 |
| Undistributed earnings | | 8,147,631 | 13 | 6,371,702 | 12 |
| Total retained earnings | | 11,206,995 | 18 | 9,534,173 | 18 |
| Other equity | 4, 6(15) | 1,296,453 | 2 | (402,406) | (1) |
| Equity attributable to owners of the parent company | | 29,319,071 | 47 | 26,191,939 | 48 |
| Non-controlling interests | 4, 6(15) | 7,005 | - | 6,515 | - |
| Total equity | | 29,326,076 | 47 | 26,198,454 | 48 |
| Total liabilities and equities | | \$61,315,518 | 100 | \$55,079,149 | 100 |

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

English Translation of Financial Statements Originally Issued in Chinese
KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2020 and 2019
(Amounts in thousands of New Taiwan Dollars, except for earnings per share)

| Description | Notes | 2020 | % | 2019 | % |
|--|---|--------------------|-------------|--------------------|-------------|
| Net sales | 4, 6(16), 6(18), 7 | \$28,959,304 | 100 | \$25,539,437 | 100 |
| Operating costs | 4, 6(5), 6(9), 6(14), 6(18), 6(19), 7 | (21,005,316) | (73) | (18,523,521) | (73) |
| Gross profit | | <u>7,953,988</u> | <u>27</u> | <u>7,015,916</u> | <u>27</u> |
| Operating expenses | 4, 6(9), 6(14), 6(17), 6(18), 6(19), 7 | | | | |
| Selling expenses | | (387,045) | (1) | (398,765) | (2) |
| Administrative expenses | | (1,710,532) | (6) | (1,516,321) | (6) |
| Research and development expenses | | (1,202,520) | (4) | (1,035,207) | (4) |
| Expected credit losses | | (3,180) | - | (20,609) | - |
| Total operating expenses | | <u>(3,303,277)</u> | <u>(11)</u> | <u>(2,970,902)</u> | <u>(12)</u> |
| Operating income | | <u>4,650,711</u> | <u>16</u> | <u>4,045,014</u> | <u>15</u> |
| Non-operating income and expenses | 4, 6(2), 6(7), 6(8), 6(10), 6(20), 7 | | | | |
| Interest income | | 19,335 | - | 12,617 | - |
| Other income | | 260,488 | 1 | 175,516 | 1 |
| Other gains and losses | | (23,928) | - | (20,947) | - |
| Finance costs | | (379,039) | (1) | (311,673) | (1) |
| Share of profit of associates accounted for using the equity method | | 16,088 | - | 14,336 | - |
| Total non-operating income and expenses | | <u>(107,056)</u> | <u>-</u> | <u>(130,151)</u> | <u>-</u> |
| Net income before income tax | | 4,543,655 | 16 | 3,914,863 | 15 |
| Income tax expense | 4, 6(22) | <u>(906,515)</u> | <u>(3)</u> | <u>(873,379)</u> | <u>(3)</u> |
| Net income | | <u>3,637,140</u> | <u>13</u> | <u>3,041,484</u> | <u>12</u> |
| Other comprehensive income | 4, 6(21) | | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | | | |
| Remeasurements of the defined benefit plan | | (45,906) | - | (57,525) | - |
| Unrealized gains from equity instruments investments measured at fair value through other comprehensive income | | 2,056,310 | 7 | 687,206 | 3 |
| Income tax related to components of other comprehensive income that will not be reclassified to profit or loss | | (403,570) | (2) | (136,555) | (1) |
| Items that will be reclassified subsequently to profit or loss: | | | | | |
| Exchange differences resulting from translating the financial statements of foreign operations | | 105,729 | - | (186,914) | (1) |
| Income tax related to components of other comprehensive income that will be reclassified to profit or loss | | (21,145) | - | 37,373 | - |
| Other comprehensive income, net of tax | | <u>1,691,418</u> | <u>5</u> | <u>343,585</u> | <u>1</u> |
| Total comprehensive income | | <u>\$5,328,558</u> | <u>18</u> | <u>\$3,385,069</u> | <u>13</u> |
| Net income attributable to : | | | | | |
| Owners of the parent company | | \$3,636,653 | 13 | \$3,041,566 | 12 |
| Non-controlling interests | | 487 | - | (82) | - |
| | | <u>\$3,637,140</u> | <u>13</u> | <u>\$3,041,484</u> | <u>12</u> |
| Total comprehensive income attributable to : | | | | | |
| Owners of the parent company | | \$5,328,068 | 18 | \$3,385,203 | 13 |
| Non-controlling interests | | 490 | - | (134) | - |
| | | <u>\$5,328,558</u> | <u>18</u> | <u>\$3,385,069</u> | <u>13</u> |
| Earnings per share(NT\$) | 4, 6(23) | | | | |
| Basic Earnings Per Share | | <u>\$2.97</u> | | <u>\$2.49</u> | |
| Diluted Earnings Per Share | | <u>\$2.94</u> | | <u>\$2.47</u> | |

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

English Translation of Financial Statements Originally Issued in Chinese

KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2020 and 2019

(Amounts in thousands of New Taiwan Dollars)

| Description | Equity attributable to owners of the parent company | | | | | | | Non-controlling interests | Total Equity | |
|--|---|-----------------|-------------------|-----------------|------------------------|--|---|---------------------------|--------------|---|
| | Common stock | Capital surplus | Retained earnings | | | Other equity | | | | Equity attributable to owners of the parent company |
| | | | Legal reserve | Special reserve | Undistributed earnings | Exchange differences resulting from translating the financial statements of foreign operations | Unrealized gains (losses) from equity instruments measured at fair value through other comprehensive income | | | |
| Balance as of January 1, 2019 | \$12,227,451 | \$4,844,536 | \$2,179,765 | \$431,239 | \$5,597,293 | \$(292,128) | \$(511,045) | \$24,477,111 | \$42,741 | \$24,519,852 |
| Appropriation and distribution of 2018 earnings: | | | | | | | | | | |
| Legal reserve | - | - | 179,534 | - | (179,534) | - | - | - | - | - |
| Special reserve | - | - | - | 371,933 | (371,933) | - | - | - | - | - |
| Cash dividends | - | - | - | - | (1,650,706) | - | - | - | (1,650,706) | - |
| Profit for the year ended December 31, 2019 | - | - | - | - | 3,041,566 | - | - | - | 3,041,566 | (82) |
| Other comprehensive income for the year ended December 31, 2019 | - | - | - | - | (57,525) | (149,489) | 550,651 | 550,651 | 343,637 | (52) |
| Total comprehensive income | - | - | - | - | 2,984,041 | (149,489) | 550,651 | 550,651 | 3,385,203 | (134) |
| Changes in ownership interests in subsidiaries | - | (11,815) | - | - | (7,854) | - | - | - | (19,669) | (36,092) |
| Disposal of equity instruments measured at fair value through other comprehensive income | - | - | - | - | 395 | - | (395) | - | - | - |
| Balance as of December 31, 2019 | \$12,227,451 | \$4,832,721 | \$2,359,299 | \$803,172 | \$6,371,702 | \$(441,617) | \$39,211 | \$26,191,939 | \$6,515 | \$26,198,454 |
| Balance as of January 1, 2020 | \$12,227,451 | \$4,832,721 | \$2,359,299 | \$803,172 | \$6,371,702 | \$(441,617) | \$39,211 | \$26,191,939 | \$6,515 | \$26,198,454 |
| Appropriation and distribution of 2019 earnings: | | | | | | | | | | |
| Legal reserve | - | - | 297,659 | - | (297,659) | - | - | - | - | - |
| Cash dividends | - | - | - | - | (1,956,392) | - | - | - | (2,200,941) | - |
| Reversal of special reserve | - | (244,549) | - | (400,766) | 400,766 | - | - | - | - | - |
| Profit for the year ended December 31, 2020 | - | - | - | - | 3,636,653 | - | - | - | 3,636,653 | 487 |
| Other comprehensive income for the year ended December 31, 2020 | - | - | - | - | (45,906) | 84,581 | 1,652,740 | 1,691,415 | 1,691,418 | 3 |
| Total comprehensive income | - | - | - | - | 3,590,747 | 84,581 | 1,652,740 | 1,652,740 | 5,328,068 | 490 |
| Changes in ownership interests in subsidiaries | - | - | - | - | 5 | - | - | 5 | 5 | 5 |
| Disposal of equity instruments measured at fair value through other comprehensive income | - | - | - | - | 38,462 | - | (38,462) | - | - | - |
| Balance as of December 31, 2020 | \$12,227,451 | \$4,588,172 | \$2,656,958 | \$402,406 | \$8,147,631 | \$(357,036) | \$1,653,489 | \$29,319,071 | \$7,005 | \$29,326,076 |

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

English Translation of Financial Statements Originally Issued in Chinese
KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2020 and 2019
(Amounts in thousands of New Taiwan Dollars)

| Description | 2020 | 2019 | Description | 2020 | 2019 |
|--|-------------|-------------|---|--------------|--------------|
| Cash flows from operating activities : | | | Cash flows from investing activities : | | |
| Profit before tax from continuing operations | \$4,543,655 | \$3,914,863 | Proceeds from disposal of financial assets at fair value through other comprehensive income | \$65,027 | \$- |
| Adjustments for : | | | Proceeds from capital return of financial assets at fair value through other comprehensive income | - | 395 |
| The profit or loss items which did not affect cash flows: | | | Proceeds from disposal of financial assets at fair value through profit or loss | - | 101,885 |
| Depreciation | 8,355,775 | 6,971,919 | Acquisition of property, plant and equipment | (10,935,021) | (11,621,595) |
| Amortization | 52,193 | 87,531 | Proceeds from disposal of property, plant and equipment | 89,917 | 121,535 |
| Expected credit losses | 3,180 | 20,609 | Increase in refundable deposits | (65,528) | (192) |
| Gains on financial assets and liabilities at fair value through profit or loss | - | (424) | Acquisition of intangible assets | (64,763) | (26,418) |
| Interest income | 379,039 | 311,673 | Increase in other financial assets | (2,544) | (3,213) |
| Dividend income | (19,335) | (12,617) | Dividend received | 62,426 | 49,858 |
| Investment gain accounted for using the equity method | (50,966) | (38,398) | Net cash used in investing activities | (10,850,486) | (11,377,745) |
| Loss (gain) on disposal of property, plant and equipment | (16,088) | (14,336) | | | |
| Impairment of non-financial assets | 15,524 | (8,338) | | | |
| Unrealized foreign exchange gain | 153,955 | 91,181 | | | |
| Changes in operating assets and liabilities : | (264,212) | (234,047) | | | |
| Contract Assets | (76,790) | 163,245 | | | |
| Notes receivable | 1,219 | 9,576 | | | |
| Accounts receivable | 791,252 | (538,180) | Cash flows from financing activities : | | |
| Accounts receivable from related parties | (813,924) | (141,296) | Increase in short-term loans | 145,628 | 780,438 |
| Other receivables | 99,768 | (73,767) | Decrease in short-term loans | (535,872) | (377,519) |
| Other receivables from related parties | (18,780) | 3,264 | Borrowing in long-term loans | 28,934,872 | 21,591,057 |
| Inventories | 100,066 | 44,717 | Repayments of long-term loans | (25,212,072) | (17,999,744) |
| Prepayments | (266,952) | (8,927) | Increase in guarantee deposits | 822 | 360 |
| Other current assets | 25,527 | 113,729 | Cash payments for the principal portion of the lease liabilities | (510,312) | (18,186) |
| Contract liabilities | 161,273 | (61,873) | Cash dividends | (2,200,941) | (1,650,706) |
| Notes payable | 2,802 | (48,523) | Acquisition of ownership interests in subsidiaries | - | (37,070) |
| Accounts payable | 62,992 | (128,802) | Interest paid | (372,098) | (274,418) |
| Accounts payable to related parties | (11,226) | 18,322 | Net cash provided by financing activities | 250,027 | 2,014,212 |
| Other payables to related parties | (25,592) | 673,593 | | | |
| Other current liabilities | 276,933 | 24,255 | | | |
| Accrued pension liabilities | (7,619) | (10,926) | | | |
| Cash generated from operating activities | 13,403,315 | 11,141,960 | Effect of changes in exchange rate on cash and cash equivalents | 40,259 | (90,580) |
| Interest received | 15,623 | 17,209 | Net increase in cash and cash equivalents | 1,842,525 | 1,379,379 |
| Income tax paid | (1,016,213) | (325,677) | Cash and cash equivalents at the beginning of the year | 6,166,005 | 4,786,626 |
| Net cash provided by operating activities | 12,402,725 | 10,833,492 | Cash and cash equivalents at the end of the year | \$8,008,530 | \$6,166,005 |

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

(Annex 2)

King Yuan Electronics Co., Ltd.
Table of 2020 Distribution of Earnings

Unit: NTD

| Item | Amount | | Projected dividend yield |
|--|---------------|---------------|--------------------------|
| Unallocated earnings – beginning | | 4,518,417,581 | |
| Add: Net profit after tax | 3,636,653,174 | | |
| Less: Confirmed actuarial gain/loss of welfare | (45,906,779) | | |
| Add: Changes in equity of subsidiaries | 5,040 | | |
| Add: Disposal of equity instrument at fair value through other comprehensive income | 38,461,806 | | |
| The amount of net profit after tax for the period and the amount adjusted to the current year’s undistributed earnings | | 3,629,213,241 | |
| Less: Provision of 10% legal reserve | | (362,921,324) | |
| Add: Reversed special reserve | | 200,990,693 | |
| Allocable earnings | | 7,985,700,191 | |
| Scope of allocation | | | |
| Dividends to shareholders – cash | | 2,200,941,117 | NT\$1.8 per share |
| Total allocation | | 2,200,941,117 | |
| Unallocated earnings – ending | | 5,784,759,074 | |
| <p>Note: 1. According to the Company’s distribution policy, the allocable earnings for 2020 shall be allocated as the first priority. The deficit, if any, shall be allocated from the allocable earnings accumulated for the previous year according to the first-in first-out policy in the order of the years in which the earnings were generated chronologically.</p> <p>2. The distribution yield is calculated based on the outstanding common stock totaling 1,222,745,065 shares when the board of directors’ meeting was held.</p> <p>3. The cash dividend shall be rounded to the whole dollar amount according to the allocation rate. The total of the odd lots less than NT\$1 included in the distribution shall be transferred to the employees’ welfare committee.</p> <p>4. Should the Company encounter a change of share capital that changes the number of outstanding shares on a later date, the board of directors shall be fully authorized to make the necessary adjustments to the percentage of cash dividends allocated to shareholders.</p> <p>5. The base date for allocation of cash dividends and matters thereto shall be set by the board of directors with authorization upon resolution by the general shareholders’ meeting.</p> | | | |

(Annex 3)

King Yuan Electronics Co., Ltd.
Comparison Table of Provisions Before and After the Amendments of the
Articles of Incorporation

| Provision | Provision after amending | Provision before amending | Amendment Reason |
|--------------|---|--|--|
| Article 7 | <p>The share certificates of the Company shall be in registered form and <u>shall be numbered</u>, which shall also be signed or sealed by the directors <u>representing the Company</u> and shall be certified by <u>a bank competent to act as the attester for the issuance of the share certificates according to the laws</u> in order to issue the share certificates.</p> <p>The shares issued by the Company are exempted from printing any share certificate for the shares issued and shall register the issued shares with a centralized securities depository enterprise.</p> | <p>The Company's shares are registered shares, and are signed or stamped by three or more directors and issued following certification by the law. And combined to obtain large face-value shares.</p> <p>The shares issued by the Company are exempted from printing any share certificate for the shares issued and shall register the issued shares with a centralized securities depository enterprise.</p> | Amended according to the Company Act |
| Article 13-1 | <p>The Company established an Audit Committee <u>pursuant to Article 14-4 of the Securities and Exchange Act</u>.</p> <p>The Audit Committee shall be composed of the entire members of the independent directors.</p> <p>The Audit Committee's members, term of office, powers and authorities, rules of procedure, and resources provided by the company to facilitate its exercise of powers shall be in accordance with the regulations stipulated in the Audit Committee Charter.</p> | <p>The Company has set up an Audit Committee since the 12th Board which was composed of all independent directors.</p> <p>The Audit Committee's members, term of office, powers and authorities, rules of procedure, and resources provided by the company to facilitate its exercise of powers shall be in accordance with the regulations stipulated in the Audit Committee Charter.</p> | Amended according to the Securities and Exchange Act |

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| <p>Article 22</p> | <p>These Articles were established on May 2, 1987. 1st amendment was made on May 20, 1987. 2nd amendment was made on November 22, 1988 35th amendment was made on June 8, 2016. <u>36th amendment was made on Aug 3, 2021.</u></p> | <p>These Articles were established on May 2, 1987. 1st amendment was made on May 20, 1987. 2nd amendment was made on November 22, 1988 35th amendment was made on June 8, 2016.</p> | <p>Newly added the amendment date</p> |
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