

# **King Yuan Electronics Co., Ltd.**

## **2022 Annual General Meeting Minutes**

Convention Method: Physical Convention of Annual General Meeting

Time: Wednesday, Jun 29, 2022 9:00 a.m.

Location: 2F., No. 6, Yule St., Toufen City, Miaoli County (Conference Room 205, Grand Royal Hotel)

Attendants: Shareholdings of all shareholders and proxies are 964,011,260 in total which was 78.83 % 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), Dar-Yeh Hwang, Semi Wang and eight 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 2021 Business Overview.  
Acknowledged
  2. The Audit Committee's Review of the Company's 2021 Financial Report.  
Acknowledged
  3. The Company's 2021 Distribution of Employee and Director Remuneration.  
Acknowledged
  4. The Company's 2021 Endorsements/Guarantees.  
Acknowledged
  5. Motion to suspend initial public offering (IPO) of China 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.  
Acknowledged

#### IV. Ratification Items

##### 1. The Company's 2021 Business Report and Financial Statement.

###### Description:

- (1) The Company's 2021 Business Report and Financial Statements have been resolved in the 13th and 14th 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:

964,011,260 shares were represented at time of voting (775,052,086 shares were voted by electrically); 866,047,386 shares voted in favor of this proposal (677,098,212 shares were voted by electrically), and it was accounted for 89.83% of the total voting rights; 41,387 shares were voted against this proposal (41,387 shares were voted by electrically), and it was accounted for 0.00% of the total voting rights; there was no invalid voting right; 97,922,487 shares were voted abstained for this proposal (97,912,487 shares were voted by electrically), and it was accounted for 10.15% of the total voting rights. This proposal was approved finally.

##### 2. The Company's 2021 Distribution of Earnings.

###### Description:

- (1) The Company's 2021 distribution of earnings report has been resolved in the 14th Meeting of the 14th Session of the Board and was audited by the Audit Committee with an issued written 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 2021 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:

964,011,260 shares were represented at time of voting (775,052,086 shares were voted by electrically); 869,127,761 shares voted in favor of this proposal (680,178,587 shares were voted by electrically), and it was accounted for 90.15% of the total voting rights; 61,227 shares were voted against this proposal (61,227 shares were voted by electrically), and it was accounted for 0.00% of the total voting rights; there was no invalid voting right; 94,822,272 shares were voted abstained for this proposal (94,812,272 shares were voted by electrically), and it was accounted for 9.83% of the total voting rights. This proposal was approved finally.

## V. Discussion Items

### 1. The Motion for Termination of the Non-competition Restriction on Directors.

#### Description:

- (1) Since directors of the Company or directors investing or operating other companies having the scope of business identical or similar to that of the Company, for the interests of the Company, it is proposed to terminate the non-competition restriction on directors according to the provision of Article 209 of the Company Act.
- (2) The list of directors proposed for the termination of non-completion restriction:
  - i. Chairman – Chin-Kung Lee, acting as the director of King Long Technology (Suzhou) Ltd. and Suzhou Zhen Kun Technology Ltd.
  - ii. Director – An-Hsuan Liu, acting as the director of King Long Technology (Suzhou) Ltd. and Suzhou Zhen Kun Technology Ltd.

#### Resolution:

964,011,260 shares were represented at time of voting (775,052,086 shares were voted by electrically); 809,006,618 shares voted in favor of this proposal (620,057,444 shares were voted by electrically), and it was accounted for 83.92% of the total voting rights; 370,383 shares were voted against this proposal (370,383 shares were voted by electrically), and it was accounted for 0.03% of the total voting rights; there was no invalid voting right; 154,634,259 shares were voted abstained for this proposal (154,624,259 shares were voted by electrically), and it was

accounted for 16.04% of the total voting rights. This proposal was approved finally.

2. The Proposal for Amendments to the Company's "Procedures for Acquisition or Disposition of Assets."

Description:

- (1) According to the amended provisions of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" under the Jin-Guan-Zheng-Fa-Zi No. 1110380465 issued by the FSC on January 28, 2022, some provisions of the Company's "Procedures for Acquisition or Disposition of Assets" have been amended.
- (2) For the comparison table of provisions before and after the amendments of the Company's "Procedures for Acquisition or Disposition of Assets" please refer to Attachment 3.

Resolution:

964,011,260 shares were represented at time of voting (775,052,086 shares were voted by electrically); 865,889,094 shares voted in favor of this proposal (676,939,920 shares were voted by electrically), and it was accounted for 89.82% of the total voting rights; 84,400 shares were voted against this proposal (84,400 shares were voted by electrically), and it was accounted for 0.00% of the total voting rights; there was no invalid voting right; 98,037,766 shares were voted abstained for this proposal (98,027,766 shares were voted by electrically), and it was accounted for 10.16% of the total voting rights. This proposal was approved finally.

VI. Extraordinary Motions: None

VII. Meeting ends: Meeting ended at 9:26a.m.

(Annex 1)

## **King Yuan Electronics Co., Ltd. Business Report**

### **Business Plan Implementation Results**

- I. The consolidated net revenue was NT\$33.759 billion in 2021, up by 16.6 percent from 2020. The gross margin reached 30.7 percent, up 3.2 percent from 2020. The EPS was NT\$4.23, up 42.4 percent from 2020. The overall operating performance exceeded the targets we set at the beginning of the year.
- II. Due to factors such as variants, shipping, port congestion, logistics and material shortages that occurred in the first half of last year, delivery schedules were constantly being delayed. As a result of this, customers were in a rush to place orders for production capacity, causing a business boom. Although sales of smartphones, computers, panels, and consumer products were unstable in the second half of the year, demand for automobiles, servers, data centers, and network communications products increased. For a semiconductor manufacturing company, although these variables meant that there were adjustments to individual customers' orders or product mix, demand for manufacturing capacity remained tight throughout the year. As a consequence, the overall semiconductor manufacturing capacity is significantly lower than the market demand, breaking the past experience of cyclical fluctuations in the economy. As the specification and complexity of chip design and the number of transistors increased, the testing time for chips also increased. With steady production inflows, the average utilization of test equipment is expected to continue into next year.
- III. In the past year, with a large number of customer orders coming in, in addition to reinforcing a closer coordination between production and sales, we have made careful investments to improve equipment utilization rate and production efficiency by transferring production capacity allocation between plants and taking a proactive approach to follow up on production parts. Furthermore, we have also optimized operating procedures in order to shorten the time frame to address issues and increase the speed at which customers introduce new products. At the same time, we have also accelerated the promotion of plant automation, continued to refine our quality management, rationalized the customer service charging model, and strengthened our efforts on training and talent retention, ensuring the smooth running of the Company as a whole.
- IV. In recent years, the Company has strengthened disclosure and gradually implemented the ESG "Environmental Sustainability," "Social Engagement," "Corporate Governance," and "Corporate Commitment" in response to corporate sustainability issues and are audited by various professional certification bodies on a regular basis. With regard to the company's 2021 ESG report – the risks have reduced from 2020, thereby achieving improvement year on year.

## Financial income and profit analysis

With Taiwan being the world's leading semiconductor foundry, the Company also holds a significant position in the semiconductor testing field. In recent years, as our customers base has increased, we have continued to expand our production scale according to customer demand. As a result, our financial working capital also expanded.

In terms of financial condition and profitability, our ratio of debt to assets and long-term capital to fixed assets for 2021 were similar to 2020. Due to the fact that our customers and product lines are dispersed, our revenue and profits have grown steadily and the cost of obtaining capital in Taiwan remains reasonable. Moreover, with the use of financial leverage, we have a higher cash position and robust financial structure. Although the current and quick ratios decreased slightly from 2020, our solvency remained strong. In terms of profitability, return on assets, return on equity, net income ratio, and earnings per share after tax all increased greatly from 2020. The financial ratios are as follows:

	2021	2020
Ratio of liabilities to assets (%)	51.71	52.17
Long-term funds to fixed assets (%)	128.13	131.02
Current ratio (%)	169.14	192.36
Quick ratio (%)	154.15	174.60
Return on assets (%)	8.25	6.77
Return on equity (%)	16.30	13.10
Net profit margin (%)	15.50	12.56
After-tax earnings per share (NTD)	4.23	2.97

## R&D status

Our R&D Center has always been a strong facility for our business and production lines. At present, we have over 1200 self-developed testing machines and 450 self-developed burn-in ovens, with testing platforms covering seven major product lines. There was a dramatic demand for our testing equipment last year. Due to the long delivery time for materials, we were unable to meet customer demand. Despite this situation, the performance targets of the R&D Center were achieved.

Future research and development will be carried out according to the Company's annual R&D roadmap. With regard to high-resolution image sensor elements and the capability of high quantity simultaneous testing units, high power burn-in oven improvement, testing channel numbers of self-developed E-series of testing platforms, the application and customer sources of self-developed machines, precision of tester power supply (DPS), solution to ultra-high current thermal effect, and the development of MEMS testing equipment for gyroscope, accelerators, tire gauges, flow meters and magnetometers hygrometers, etc., the Company will do its utmost in the product testing equipment-related field. To respond to challenges in advancing cutting-edge testing technologies, including advanced packaging, heterogeneous packaging, and high frequency

components, we continue to make an effort to maintain our unique competitive advantage in the integrated circuit testing field.

### **Current business plan overview**

- I. Take on the challenge and reach operational performance highs, improve equipment investment efficiency, and expand the revenue of self-developed machines.
- II. Focus on key customer satisfaction, strictly control the cost of quality failure, and deepen employees' awareness for quality.
- III. Improve equipment utilization rate, stabilize workers' productivity, and center on smart manufacturing utilization.
- IV. Develop diverse procurement channels, focus on cost optimization for manufacturers, and implement material inventory management.
- V. Refine its own core technologies and applications, reach and create key components and equipment to construct quality intellectual property patents and deployment.
- VI. Reduce key talent loss, strengthen employee recruitment effectiveness, and deepen cultivation of key functions.

### **Future development strategy**

Given Taiwan's mature semiconductor manufacturing industry with high efficiency in upstream, downstream and peripheral systems, the successful model of professional division of labor has met the in-depth needs of the outsourcing of customers. Hence Taiwan remains in an advantageous position other countries and regions will find difficult to replace. Accordingly, in recent years, the development strategy of the Company generally remained the same and continues to head toward the following directions.

- I. Implement basic core values in the manufacturing supply chain, technology, quality, delivery schedules, services, efficiency, cost, information, and corporate culture, achieving the mission of immediately bringing customers' products to market.
- II. Reinforce the Company's unique differentiated service capability, system operation, practical experience, process improvement, and service level, becoming a trustworthy partner in the customers' manufacturing supply chain.
- III. Management will be based on customer satisfaction; continue to invest in a prudent manner, improve profitability, and pursue healthy growth.
- IV. Place importance on customers with high growth as well as their products in each business region, develop potential customers for product introduction, strive for further outsourcing opportunities where IDM customers can prosper and develop alongside one another.
- V. In response to the conflict between the U.S. and China and China's supply chain growth, we will evaluate and adjust the planning of the Company's supply chain in Taiwan and China, thereby responding and mitigating possible changes in the environment in the future.
- VI. With an open attitude, we cooperate with semiconductor business operators in a strategic cooperation and joint development approach so that the Company can quickly gain its position as one of the top semiconductor packaging and testing companies in the industry.

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

With respect to global semiconductor industry sales, according to WSTS – the global semiconductor market in 2021 grew by 25.6 percent from 2020, totaling a value of US\$553 billion. The production value for 2022 is expected at US\$601.4 billion, growth of 8.8 percent. Also, IC Insights predicts that semiconductor industry sales will grow by 11 percent in 2022. In a high base period, the global semiconductor industry is facing a brand-new year, as the drive for sales and profitability continues to be products including 5G smartphone components, 5G networking components, IoT components, sensor components, Wi-Fi 6, AI learning chips, servers, data center computing equipment, edge computing chips, memory, micro-electromechanical systems, electric cars and advanced driver-assistance systems and cockpit chips.

According to the World Bank, the global economic growth rebounded to 5.5 percent in 2021 and will slow down to 4.1 percent in 2022. The IMF however revised the global economic growth rate down to 4.4 percent for 2022, emphasizing that the growth outlook for the U.S. and China will both weaken. With issues such as inflation and major economies tightening their credits, advanced countries are bound to increase interest rates, causing volatility in the money and capital markets.

With respect to the external competitive environment – the COVID-19 pandemic will eventually end and the disruption to the economy will recover. People's lifestyles and pace have changed as a result of the pandemic and the development of remote work and learning, home economy, contactless economy, e-commerce, and IoT have ramped up the digital transformation of individuals and companies. From early material innovation to transistor structure innovation, the development of semiconductors has entered system integration and efficiency and consumption optimization. With the onset of advanced manufacturing and packaging technologies, the wide application of Advanced RISC Machines (ARM) and accelerated establishment of 3GPP protocols, new applications of cloud and edge high-performance computing (HPC), network communications, Internet of Things, smartphones and terminal devices, smart cars, smart manufacturing, smart cities, big data analytics, artificial intelligence (AI), augmented reality (AR) and virtual reality (VR), low orbit satellite broadband, and 5th generation communications (5G) with large amount of data and fast transmission, will be widely used in a variety of products and the quality will continue to thrive. The demand for ICs will increase dramatically in both quality and quantity.

Looking back, the global semiconductor manufacturing supply chain rooted in Taiwan has become a leader in the world with respect to professional division of labor services, customer trust, market development speed, production flexibility and efficiency, as well as a commitment to sustainable development. Taiwan ranks number 1 in the world for wafer fabrication and testing and number 2 in IC design. With the constant pursuit of progress and the advantage of Taiwan's semiconductor manufacturing ecosystem, there is no doubt that the semiconductor manufacturing cluster will continue to serve the world's demand for chip manufacturing. However, given challenges including national security, long-arm jurisdiction in trade, supply chain risks of technology containment, climate change, information security and human resource shortage in the competition between China and the U.S., there is an urgent need for breakthroughs.



In terms of laws and the overall business environment, there have been constant issuance of regulations and orders imposed from the U.S. on China's technology industry regarding intellectual property, equipment sales, and restrictions imposed for IC design and manufacturing of China's semiconductor industry due to the Entity List. Under the policy of internal circulation, China has taken a proactive approach to speed up its development in the semiconductor industry, including constructing a supply chain in China for the substitution of IC products, and the production capacity priority has been given to China's domestic companies. With the impact of its backward process, technology growth in China will slow down. While the pandemic has caused supply chain disruptions which resulted in material shortages, it at the same time prompted the plan for major economies in the world to build their own semiconductor supply chains. In the meantime, the Competition Law will continue to be resisted by the semiconductor industry for important large company M&As.

As we are now into 2022, in terms of the overall economic environment – all countries around the world will focus on revitalizing local economies. However, high inflation and unemployment problems have prompted the U.S. to end quantitative easing and it is hoped that interest rates will rise rapidly in order to tackle the problems. Under the anticipatory psychology, there is greater impact on assets that have already risen in value. With emerging markets and Asian currencies depreciating, there is an abundance of hot money. The factors caused by current high inflation and unemployment are complex compared to the past economic models. With the gap between the rich and the poor and populist politics, coupled with the problem of when international logistics will return to their normal level and the issue of container shortage, the extent to which the ripple effect of interest rates increase will affect the global economic growth rate remains conservative. Given this, the overall economic environment remains uncertain.

Looking at this year, with the strong intention of the U.S. protecting the U.S. dollar, military and technology sectors, there is constant tension between the U.S., China and Russia, as well as countries in Europe and Asia, and turmoil is inevitable. In terms of the balance of supply and demand in the semiconductor industry – although the expansion of production capacity in Taiwan's manufacturing supply chain is stringent, the maturity for process capacity remains a challenge and the demand to drive technological progress continues. Moreover, with the emergence of many unexpected terminal products from new technologies, manufacturing capacity will not be relaxed. In addition, climate change problems such as drought, heavy rain and snowstorms, forest fires, earthquakes, and global warming, as well as global carbon neutrality and net-zero carbon emissions have become pressing ESG issues for listed companies to emphasize on. Facing the rapid growth of the Company's international customers and high dependence of production capacity construction, the Company is optimistic regarding future business opportunities. At the same time, we will continue to invest in talent and equipment and work closely with customers and the supply chain. We believe that, by working hard, we will be able to set new records in our operating results, further increasing shareholders' equity.

To sum up, I would like to thank our shareholders once more for their long-term support. I look forward to maintaining a longstanding relationship with all shareholders to help create a

better future. We are enthusiastic and confident about the future of the Company and the semiconductor industry in general.

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

This report is to certify that the Company's 2021 business report, consolidated financial statements (including separate financial statements) and the motion for allocation of earnings were prepared and submitted by the Company's board of directors, and the consolidated financial statements (including separate financial statements) contained therein were already audited by EY Taiwan, which also issued its audit report. Said business report, consolidated financial statements (including separate financial statements) and motion for allocation of earnings have also been reviewed by the Audit 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

April 8, 2022

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, 2021 and 2020, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2021 and 2020, 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, 2021 and 2020, and its financial performance and cash flows for the years ended December 31, 2021 and 2020, 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 2021 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\$25,820,727 thousand as net sales. Their main activities are providing testing and assembly services that represented 86%, or NT\$22,081,412 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 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 2021 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 4, 2022

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, 2021 and 2020

(Amounts in thousands of New Taiwan Dollars)

<b>ASSETS</b>	Notes	December 31, 2021	%	December 31, 2020	%
<b>Current assets</b>					
Cash and cash equivalents	4, 6(1)	\$6,420,308	10	\$5,110,784	10
Contract assets-current	4, 6(14), 6(15), 7	178,596	-	202,972	-
Notes receivable, net	4, 6(3), 6(15)	7,706	-	3,049	-
Accounts receivable, net	4, 6(4), 6(15)	3,904,721	6	3,127,686	6
Accounts receivable from related parties, net	4, 6(4), 6(15), 7	2,081,340	3	1,749,678	3
Other receivables	4, 6(15)	314,282	-	94,551	-
Other receivables from related parties	4, 7	430,541	1	111,918	-
Inventories, net	4, 6(5)	1,029,780	2	774,144	2
Prepayments	6(6)	53,284	-	125,241	-
Other current assets		66,878	-	51,843	-
Total current assets		<u>14,487,436</u>	<u>22</u>	<u>11,351,866</u>	<u>21</u>
<b>Non-current assets</b>					
Financial assets at fair value through other comprehensive income-non-current	4, 6(2)	6,546,477	10	4,446,563	8
Investments accounted for using the equity method	4, 6(7)	8,489,770	13	6,148,166	11
Property, plant and equipment	4, 6(8), 7, 8	34,613,760	54	31,370,700	58
Right-of-use assets	4, 6(16)	553,546	1	1,191,431	2
Intangible assets	4, 6(9)	69,247	-	80,159	-
Deferred tax assets	4, 6(20)	261,675	-	227,623	-
Other financial assets-non-current	8	105,972	-	115,669	-
Other non-current assets		5,394	-	3,497	-
Total non-current assets		<u>50,645,841</u>	<u>78</u>	<u>43,583,808</u>	<u>79</u>
<b>Total assets</b>		<u>\$65,133,277</u>	<u>100</u>	<u>\$54,935,674</u>	<u>100</u>

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, 2021 and 2020

(Amounts in thousands of New Taiwan Dollars)

	Notes	December 31, 2021	%	December 31, 2020	%
<b>LIABILITIES AND EQUITY</b>					
<b>Current liabilities</b>					
Contract liabilities-current		\$-	-	\$11,590	-
Notes payable	4, 6(14)	10,066	-	4,435	-
Accounts payable		777,667	1	790,394	1
Accounts payable to related parties	7	21,414	-	19,487	-
Other payables		3,324,753	5	2,623,108	4
Other payables to related parties	7	119,736	-	306,083	1
Payables on equipment		1,235,723	2	494,636	1
Current tax liabilities	4, 6(20)	574,809	1	394,417	1
Lease liabilities-current	4, 6(16)	86,364	-	304,358	1
Other current liabilities	4, 6(10)	882,244	2	578,740	1
Total current liabilities		7,032,776	11	5,527,248	10
<b>Non-current liabilities</b>					
Long-term loans	4, 6(11), 8	21,275,331	33	18,318,298	34
Deferred tax liabilities	4, 6(20)	1,527,445	2	667,968	1
Lease liabilities-non-current	4, 6(16)	469,377	1	533,878	1
Net defined benefit liabilities	4, 6(12)	610,222	1	566,456	1
Guarantee deposits		33,851	-	2,755	-
Total non-current liabilities		23,916,226	37	20,089,355	37
Total liabilities		30,949,002	48	25,616,603	47
<b>Equity</b>					
Share capital	4, 6(13)				
Common stock		12,227,451	19	12,227,451	22
Capital surplus	4, 6(7), 6(13)	4,885,134	8	4,588,172	9
Retained earnings					
Legal reserve		3,019,879	5	2,656,958	5
Special reserve		201,416	-	402,406	1
Undistributed earnings		10,580,312	15	8,147,631	14
Total retained earnings		13,801,607	20	11,206,995	20
Other equity	4, 6(13)	3,270,083	5	1,296,453	2
Total equity		34,184,275	52	29,319,071	53
<b>Total liabilities and equity</b>		\$65,133,277	100	\$54,935,674	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, 2021 and 2020

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

Description	Notes	2021	%	2020	%
<b>Net sales</b>	4, 6(14), 6(16), 7	\$25,820,727	100	\$23,344,758	100
<b>Operating costs</b>	4, 6(5), 6(8), 6(9), 6(12), 6(16), 6(17), 7	(18,476,736)	(72)	(17,280,780)	(74)
<b>Gross profit</b>		7,343,991	28	6,063,978	26
<b>Operating expenses</b>	4, 6(8), 6(9), 6(12), 6(16), 6(17), 7				
Selling expenses		(345,629)	(1)	(359,004)	(1)
Administrative expenses		(1,646,203)	(6)	(1,386,381)	(6)
Research and development expenses		(846,846)	(3)	(909,932)	(4)
Expected credit losses		-	-	(2,857)	-
Total operating expenses		(2,838,678)	(10)	(2,658,174)	(11)
<b>Operating income</b>		4,505,313	18	3,405,804	15
<b>Non-operating income and expenses</b>	4, 6(7), 6(8), 6(18), 7				
Interest income		4,872	-	7,424	-
Other income		193,414	1	177,060	1
Other gains and losses		105,488	-	(164,770)	(1)
Finance costs		(200,484)	(1)	(217,585)	(1)
Share of profit of associates accounted for using the equity method		1,901,485	7	1,159,434	5
Total non-operating income and expenses		2,004,775	7	961,563	4
<b>Net income before income tax</b>		6,510,088	25	4,367,367	19
<b>Income tax expense</b>	4, 6(20)	(1,335,042)	(5)	(730,714)	(3)
<b>Net income</b>		5,175,046	20	3,636,653	16
<b>Other comprehensive income</b>	4, 6(19)				
Items that will not be reclassified subsequently to profit or loss:					
Remeasurements of the defined benefit plan		(53,368)	-	(45,906)	-
Unrealized gains from equity instrument investments measured at fair value through other comprehensive income		2,101,279	8	2,056,310	9
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		(419,982)	(2)	(403,570)	(2)
Items that will be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial statements of foreign operations		(42,240)	-	105,726	-
Income tax related to components of other comprehensive income that will be reclassified to profit or loss		8,448	-	(21,145)	-
<b>Other comprehensive income, net of tax</b>		1,594,137	6	1,691,415	7
<b>Total comprehensive income</b>		\$6,769,183	26	\$5,328,068	23
<b>Earnings per share(NT\$)</b>	4, 6(21)				
Basic Earnings Per Share		\$4.23		\$2.97	
Diluted Earnings Per Share		\$4.18		\$2.94	

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

**KING YUAN ELECTRONICS CO., LTD.**

**PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY**

**For the years ended December 31, 2021 and 2020**

(Amounts in thousands of New Taiwan Dollars)

Description	Common stock	Capital surplus	Retained earnings			Other equity		Total Equity
			Legal reserve	Special reserve	Undistributed earnings	Exchange differences resulting from translating the financial statements of foreign operations	Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income	
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	-	(244,549)	-	-	(1,956,392)	-	-	(2,200,941)
Cash dividends	-	-	-	(400,766)	400,766	-	-	-
Reversal of special reserve	-	-	-	-	-	-	-	-
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 instrument 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
Balance as of January 1, 2021	\$12,227,451	\$4,588,172	\$2,656,958	\$402,406	\$8,147,631	\$(357,036)	\$1,653,489	\$29,319,071
Appropriation and distribution of 2020 earnings :	-	-	362,921	-	(362,921)	-	-	-
Legal reserve	-	(244,549)	-	-	(2,200,941)	-	-	(2,445,490)
Cash dividends	-	-	-	(200,990)	200,990	-	-	-
Reversal of special reserve	-	-	-	-	-	-	-	-
Profit for the year ended December 31, 2021	-	-	-	-	5,175,046	-	-	5,175,046
Other comprehensive income for the year ended December 31, 2021	-	-	-	-	(53,368)	(33,792)	1,681,297	1,594,137
Total comprehensive income	-	-	-	-	5,121,678	(33,792)	1,681,297	6,769,183
Changes in ownership interests in subsidiaries	-	541,511	-	-	-	-	-	541,511
Disposal of equity instrument investments measured at fair value through other comprehensive income	-	-	-	-	(326,125)	-	326,125	-
Balance as of December 31, 2021	\$12,227,451	\$4,885,134	\$3,019,879	\$201,416	\$10,580,312	\$(390,828)	\$3,660,911	\$34,184,275

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, 2021 and 2020**

(Amounts in thousands of New Taiwan Dollars)

Description	2021	2020	Description	2021	2020
<b>Cash flows from operating activities :</b>			<b>Cash flows from investing activities :</b>		
Profit before tax from continuing operations	\$6,510,088	\$4,367,367	Proceeds from disposal of financial assets at fair value through other comprehensive income	\$1,365	\$65,027
Adjustments for:			Acquisition of property, plant and equipment	(10,199,072)	(8,182,159)
The profit or loss items which did not affect cash flows:			Proceeds from disposal of property, plant and equipment	786,587	840,968
Depreciation	7,102,275	6,809,397	Increase in refundable deposits	(1,897)	(10)
Amortization	47,250	49,887	Acquisition of intangible assets	(36,338)	(63,898)
Expected credit losses	-	2,857	Increase in other financial assets	-	(2,544)
Interest expenses	200,484	217,585	Decrease in other financial assets	9,697	-
Interest income	(4,872)	(7,424)	Dividends received	98,006	64,076
Dividend income	(85,016)	(7,424)	Net cash used in investing activities	(9,341,652)	(7,278,540)
Investment gain accounted for using the equity method	(1,901,485)	(50,966)			
Gain on disposal of property, plant and equipment	(96,761)	(1,159,434)	<b>Cash flows from financing activities :</b>		
Impairment of non-financial assets	59,461	(46,075)	Borrowing in long-term loans	15,621,188	26,184,895
Unrealized foreign exchange loss (gain)	8,687	(78,024)	Repayments of long-term loans	(12,688,419)	(24,750,701)
Changes in operating assets and liabilities :			Increase in guarantee deposits	31,096	822
Contract assets	24,376	(76,790)	Cash payments for the principal portion of the lease liabilities	(304,763)	(503,826)
Notes receivable	(4,657)	1,219	Cash dividends	(2,445,490)	(2,200,941)
Accounts receivable	(777,035)	623,507	Interest paid	(187,708)	(209,644)
Accounts receivable from related parties	(331,662)	(863,506)	Net cash provided by (used in) financing activities	25,904	(1,481,395)
Other receivables	(221,695)	45,210			
Other receivables from related parties	92,839	261,002			
Inventories	(255,636)	133,698			
Prepayments	7,618	19,270			
Other current assets	(15,035)	25,101			
Contract liabilities	(11,590)	(40,896)			
Notes payable	5,631	2,802			
Accounts payable	(12,727)	14,894			
Accounts payable to related parties	1,927	(11,850)			
Other payables	702,439	(127,589)			
Other payables to related parties	22,525	(28,361)			
Other current liabilities	303,504	275,090			
Accrued pension liabilities	(9,602)	(7,619)			
Cash generated from operating activities	11,361,331	10,504,307			
Interest received	4,700	7,397			
Income tax paid	(740,759)	(796,930)			
Net cash provided by operating activities	10,625,272	9,714,774			
			Net increase in cash and cash equivalents	1,309,524	954,839
			Cash and cash equivalents at the beginning of the year	5,110,784	4,155,945
			Cash and cash equivalents at the end of the year	<u>\$6,420,308</u>	<u>\$5,110,784</u>

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



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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, 2021 and 2020, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2021 and 2020, 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, 2021 and 2020, and their consolidated financial performance and cash flows for the years ended December 31, 2021 and 2020, 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 effective 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 2021 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\$33,759,389 thousand as net sales. Their main activities are providing testing and assembly services that represented 88%, or NT\$29,660,396 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 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 2021 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, 2021 and 2020.

Kuo, Shao-Pin

Fuh, Wen-Fun

Ernst & Young, Taiwan

March 4, 2022

### 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, 2021 and 2020

(Amounts in thousands of New Taiwan Dollars)

<b>ASSETS</b>	Notes	December 31, 2021	%	December 31, 2020	%
<b>Current assets</b>					
Cash and cash equivalents	4, 6(1)	\$8,649,932	12	\$8,008,530	13
Contract assets-current	4, 6(16), 6(17), 7	178,880	-	202,972	-
Notes receivable, net	4, 6(3), 6(17)	7,706	-	3,049	-
Accounts receivable, net	4, 6(4), 6(17)	5,765,273	8	4,164,991	7
Accounts receivable from related parties, net	4, 6(4), 6(17), 7	2,151,913	3	1,724,951	3
Other receivables		352,477	1	161,712	-
Other receivables from related parties	4, 7	4,825	-	33,257	-
Current tax assets		315	-	315	-
Inventories, net	4, 6(5)	1,371,473	2	980,969	2
Prepayments	6(6)	299,259	-	479,283	1
Other current assets		67,160	-	51,843	-
Other financial assets-current	8	3	-	4	-
<b>Total current assets</b>		<u>18,849,216</u>	<u>26</u>	<u>15,811,876</u>	<u>26</u>
<b>Non-current assets</b>					
Financial assets at fair value through other comprehensive income-non-current	4, 6(2)	6,546,477	10	4,446,563	8
Investments accounted for using the equity method	4, 6(7)	79,126	-	69,856	-
Property, plant and equipment	4, 6(8), 7, 8	45,576,661	63	39,147,575	64
Right-of-use assets	4, 6(18)	677,896	1	1,328,232	2
Intangible assets	4, 6(9)	73,599	-	86,442	-
Deferred tax assets	4, 6(21), 6(22)	261,675	-	227,623	-
Other financial assets-non-current	8	105,972	-	115,669	-
Other non-current assets		49,561	-	81,682	-
<b>Total non-current assets</b>		<u>53,370,967</u>	<u>74</u>	<u>45,503,642</u>	<u>74</u>
<b>Total assets</b>		<u>\$72,220,183</u>	<u>100</u>	<u>\$61,315,518</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, 2021 and 2020**

(Amounts in thousands of New Taiwan Dollars)

	Notes	December 31, 2021	%	December 31, 2020	%
<b>LIABILITIES AND EQUITY</b>					
<b>Current liabilities</b>					
Short-term loans	4, 6(10), 9	\$566,856	1	\$100,854	-
Contract liabilities-current	4, 6(16), 7	157,024	-	229,603	-
Notes payable		10,066	-	4,435	-
Accounts payable	7	1,119,144	2	1,117,955	2
Accounts payable to related parties		21,414	-	19,487	-
Other payables	7	3,731,749	5	2,914,621	5
Other payables to related parties	7	98,930	-	65,456	-
Payables on equipment	4, 6(22)	1,778,300	3	623,324	1
Current tax liabilities	4, 6(18)	666,596	1	408,303	1
Lease liabilities-current	4, 6(12), 8, 9	92,050	-	310,144	1
Current portion of long-term loans	6(11)	2,017,322	3	1,844,759	3
Other current liabilities		884,648	1	580,856	1
Total current liabilities		11,144,099	16	8,219,797	14
<b>Non-current liabilities</b>					
Long-term loans	4, 6(12), 8, 9	23,517,245	32	21,966,029	36
Deferred tax liabilities	4, 6(21), 6(22)	1,527,445	2	667,968	1
Lease liabilities-non-current	4, 6(18)	492,615	1	566,437	1
Long-term deferred income		16,538	-	-	-
Net defined benefit liabilities	4, 6(13)	610,222	1	566,456	1
Guarantee deposits		33,851	-	2,755	-
Total non-current liabilities		26,197,916	36	23,769,645	39
Total liabilities		37,342,015	52	31,989,442	53
<b>Equity attributable to owners of the parent company</b>					
Share capital	4, 6(14)				
Common stock		12,227,451	17	12,227,451	20
Capital surplus	4, 6(14), 6(15), 6(24)	4,885,134	7	4,588,172	7
Retained earnings	4, 6(2), 6(14)	3,019,879	4	2,656,958	4
Legal reserve		201,416	-	402,406	1
Special reserve		10,580,312	15	8,147,631	13
Undistributed earnings		13,801,607	19	11,206,995	18
Total retained earnings		3,270,083	4	1,296,453	2
Other equity	4, 6(14)	34,184,275	47	29,319,071	47
Equity attributable to owners of the parent company		693,893	1	7,005	-
<b>Non-controlling interests</b>	4, 6(14), 6(24)	34,878,168	48	29,326,076	47
Total equity		\$72,220,183	100	\$61,315,518	100
<b>Total liabilities and equities</b>					

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, 2021 and 2020**  
(Amounts in thousands of New Taiwan Dollars, except for earnings per share)

Description	Notes	2021	%	2020	%
<b>Net sales</b>	4, 6(16), 6(18), 7	\$33,759,389	100	\$28,959,304	100
<b>Operating costs</b>	4, 6(5), 6(8), 6(9), 6(13), 6(18), 6(19), 7	(23,407,322)	(69)	(21,005,316)	(73)
<b>Gross profit</b>		<u>10,352,067</u>	<u>31</u>	<u>7,953,988</u>	<u>27</u>
<b>Operating expenses</b>	4, 6(8), 6(9), 6(13), 6(17), 6(18), 6(19), 7				
Selling expenses		(363,529)	(1)	(387,045)	(1)
Administrative expenses		(2,178,521)	(6)	(1,710,532)	(6)
Research and development expenses		(1,202,856)	(4)	(1,202,520)	(4)
Expected credit losses		(645)	-	(3,180)	-
Total operating expenses		<u>(3,745,551)</u>	<u>(11)</u>	<u>(3,303,277)</u>	<u>(11)</u>
<b>Operating income</b>		<u>6,606,516</u>	<u>20</u>	<u>4,650,711</u>	<u>16</u>
<b>Non-operating income and expenses</b>	4, 6(2), 6(7), 6(8), 6(20), 7				
Interest income		22,692	-	19,335	-
Other income		320,231	1	260,488	1
Other gains and losses		227,074	-	(23,928)	-
Finance costs		(343,526)	(1)	(379,039)	(1)
Share of profit of associates accounted for using the equity method		22,260	-	16,088	-
Total non-operating income and expenses		<u>248,731</u>	<u>-</u>	<u>(107,056)</u>	<u>-</u>
<b>Net income before income tax</b>		<u>6,855,247</u>	<u>20</u>	<u>4,543,655</u>	<u>16</u>
<b>Income tax expense</b>	4, 6(22)	<u>(1,621,005)</u>	<u>(5)</u>	<u>(906,515)</u>	<u>(3)</u>
<b>Net income</b>		<u>5,234,242</u>	<u>15</u>	<u>3,637,140</u>	<u>13</u>
<b>Other comprehensive income</b>	4, 6(13), 6(21)				
Items that will not be reclassified subsequently to profit or loss:					
Remeasurements of the defined benefit plan		(53,368)	-	(45,906)	-
Unrealized gains from equity instrument investments measured at fair value through other comprehensive income		2,101,279	6	2,056,310	7
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		(419,982)	(1)	(403,570)	(2)
Items that will be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial statements of foreign operations		(41,254)	-	105,729	-
Income tax related to components of other comprehensive income that will be reclassified to profit or loss		8,448	-	(21,145)	-
<b>Other comprehensive income, net of tax</b>		<u>1,595,123</u>	<u>5</u>	<u>1,691,418</u>	<u>5</u>
<b>Total comprehensive income</b>		<u>\$6,829,365</u>	<u>20</u>	<u>\$5,328,558</u>	<u>18</u>
<b>Net income attributable to :</b>					
Owners of the parent company		\$5,175,046	15	\$3,636,653	13
Non-controlling interests		59,196	-	487	-
		<u>\$5,234,242</u>	<u>15</u>	<u>\$3,637,140</u>	<u>13</u>
<b>Total comprehensive income attributable to :</b>					
Owners of the parent company		\$6,769,183	20	\$5,328,068	18
Non-controlling interests		60,182	-	490	-
		<u>\$6,829,365</u>	<u>20</u>	<u>\$5,328,558</u>	<u>18</u>
<b>Earnings per share(NT\$)</b>	4, 6(23)				
Basic Earnings Per Share		<u>\$4.23</u>		<u>\$2.97</u>	
Diluted Earnings Per Share		<u>\$4.18</u>		<u>\$2.94</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, 2021 and 2020

(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 instrument investments measured at fair value through other comprehensive income				
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:	-	-	297,659	-	(297,659)	-	-	-	-	-	-
Legal reserve	-	(244,549)	-	-	(1,956,392)	-	-	-	(2,200,941)	-	(2,200,941)
Cash dividends	-	-	-	(400,766)	400,766	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	-	-	-	-	-	-	-
Profit for the year ended December 31, 2020	-	-	-	-	3,636,653	-	-	-	3,636,653	487	3,637,140
Other comprehensive income for the year ended December 31, 2020	-	-	-	-	(45,906)	84,581	1,652,740	1,691,415	1,691,415	3	1,691,418
Total comprehensive income	-	-	-	-	3,590,747	84,581	1,652,740	5,328,068	5,328,068	490	5,328,558
Changes in ownership interests in subsidiaries	-	-	-	-	5	-	-	-	5	-	5
Disposal of equity instrument 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	\$7,005	\$29,326,076	
Balance as of January 1, 2021	\$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	
Appropriation and distribution of 2020 earnings:	-	-	362,921	-	(362,921)	-	-	-	-	-	-
Legal reserve	-	(244,549)	-	-	(2,200,941)	-	-	(2,445,490)	-	-	(2,445,490)
Cash dividends	-	-	-	(200,990)	200,990	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	-	-	-	-	-	-	-
Profit for the year ended December 31, 2021	-	-	-	-	5,175,046	-	-	-	5,175,046	59,196	5,234,242
Other comprehensive income for the year ended December 31, 2021	-	-	-	-	(53,368)	(33,792)	1,681,297	1,594,137	1,594,137	986	1,595,123
Total comprehensive income	-	-	-	-	5,121,678	(33,792)	1,681,297	6,769,183	6,769,183	60,182	6,829,365
Changes in ownership interests in subsidiaries	-	541,511	-	-	-	-	-	541,511	541,511	626,706	1,168,217
Disposal of equity instrument investments measured at fair value through other comprehensive income	-	-	-	-	(326,125)	-	326,125	-	-	-	-
Balance as of December 31, 2021	\$12,227,451	\$4,885,134	\$3,019,879	\$201,416	\$10,580,312	\$(390,828)	\$3,660,911	\$34,184,275	\$693,893	\$34,878,168	

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, 2021 and 2020  
(Amounts in thousands of New Taiwan Dollars)

Description	2021	2020	Description	2021	2020
<b>Cash flows from operating activities :</b>			<b>Cash flows from investing activities :</b>		
Profit before tax from continuing operations	\$6,855,247	\$4,543,655	Proceeds from disposal of financial assets at fair value through other comprehensive income	\$1,365	\$65,027
Adjustments for :			Acquisition of property, plant and equipment	(13,963,127)	(10,935,021)
The profit or loss items which did not affect cash flows:			Proceeds from disposal of property, plant and equipment	341,578	89,917
Depreciation	9,162,765	8,355,775	Increase in refundable deposits	-	(65,528)
Amortization	49,593	52,193	Decrease in refundable deposits	32,109	-
Expected credit losses	645	3,180	Acquisition of intangible assets	(36,793)	(64,763)
Interest expenses	343,526	379,039	Increase in other financial assets	-	(2,544)
Interest income	(22,692)	(19,335)	Decrease in other financial assets	9,698	-
Dividend income	(85,016)	(50,966)	Dividends received	98,006	62,426
Share-based payment expenses	20,452	-	Net cash used in investing activities	(13,517,164)	(10,850,486)
Investment gain accounted for using the equity method	(22,260)	(16,088)			
(Gain) loss on disposal of property, plant and equipment	(164,810)	15,524			
Impairment of non-financial assets	59,461	153,955			
Unrealized foreign exchange gain	(164,411)	(264,212)			
Changes in operating assets and liabilities :					
Contract assets	24,092	(76,790)			
Notes receivable	(4,657)	1,219			
Accounts receivable	(1,600,926)	791,252	<b>Cash flows from financing activities :</b>		
Accounts receivable from related parties	(426,962)	(813,924)	Increase in short-term loans	598,369	145,628
Other receivables	(195,069)	99,768	Decrease in short-term loans	(131,812)	(535,872)
Inventories	(390,504)	100,066	Borrowing in long-term loans	16,299,865	28,934,872
Prepayments	115,685	(266,952)	Repayments of long-term loans	(14,433,360)	(25,212,072)
Other current assets	(15,317)	25,527	Increase in guarantee deposits	31,096	822
Contract liabilities	(72,579)	161,273	Cash payments for the principal portion of the lease liabilities	(310,374)	(510,312)
Notes payable	5,631	2,802	Cash dividends	(2,445,490)	(2,200,941)
Accounts payable	1,189	62,992	Interest paid	(329,548)	(372,098)
Accounts payable to related parties	1,927	(11,226)	Change in non-controlling interests	1,147,767	-
Other payables	820,074	(50,354)	Net cash provided by financing activities	426,513	250,027
Other payables to related parties	18,225	(25,592)			
Other current liabilities	303,792	276,933			
Accrued pension liabilities	(9,602)	(7,619)			
Other operating liabilities	16,538	-			
Cash generated from operating activities	14,647,014	13,403,315	Effect of changes in exchange rate on cash and cash equivalents	8,999	40,259
Interest received	24,861	15,623	Net increase in cash and cash equivalents	641,402	1,842,525
Income tax paid	(948,821)	(1,016,213)	Cash and cash equivalents at the beginning of the year	8,008,530	6,166,005
Net cash provided by operating activities	13,723,054	12,402,725	Cash and cash equivalents at the end of the year	\$8,649,932	\$8,008,530

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

(Annex 2)

**King Yuan Electronics Co., Ltd.**  
**Table of 2021 Distribution of Earnings**

Unit: NTD

Item	Amount		Projected dividend yield
Unallocated earnings – beginning		5,784,759,074	
Add: Net profit after tax	5,175,046,071		
Less: Confirmed actuarial gain/loss of welfare	(53,368,800)		
Less: Disposal of equity instrument at fair value through other comprehensive income	(326,124,544)		
The amount of net profit after tax for the period and the amount adjusted to the current year's undistributed earnings		4,795,552,727	
Less: Provision of 10% legal reserve		(479,555,273)	
Allocable earnings		10,100,756,528	
Scope of allocation			
Dividends to shareholders – cash		3,668,235,195	NT\$ 3 per share
Total allocation		3,668,235,195	
Unallocated earnings – ending		6,432,521,333	
<p>Note: 1. According to the Company's distribution policy, the allocable earnings for 2021 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 chronically.</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 an annual general meeting.</p>			



(Annex 3)

**King Yuan Electronics Co., Ltd.**  
**Comparison Table for Amendments of Procedures for Acquisition or Disposal of Assets**

Provision	Provision After Amendment	Provisions Before Amendment	Reason of Amendment
Article 6	<p>When the “Procedures for Acquisition or Disposal of Assets” of the Company are submitted for discussion by the board of directors according to the procedures established or other laws, the board of directors shall take into full consideration each independent director’s opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.</p> <p>When the Company makes material or derivatives trading, the consent of one-half or more of all members of the Audit Committee shall be obtained, and shall be submitted to the board of directors for resolution.</p> <p>In case where the consents of more than one-half of all members of the Audit Committee cannot be obtained in the preceding subparagraph, then the consents of more than two-thirds of all directors shall be obtained, and the meeting minutes of the board of directors’ meeting shall be recorded with the resolution of the Audit Committee.</p> <p>The terms “all audit committee members” described in the preceding two paragraphs and “all directors” described in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.</p> <p>Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide public companies with appraisal reports, certified public accountant’s opinions, attorney’s opinions, or underwriter’s opinions shall meet the following requirements:</p> <p>I. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial</p>	<p>When the “Procedures for Acquisition or Disposal of Assets” of the Company are submitted for discussion by the board of directors according to the procedures established or other laws, the board of directors shall take into full consideration each independent director’s opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.</p> <p>When the Company makes material or derivatives trading, the consent of one-half or more of all members of the Audit Committee shall be obtained, and shall be submitted to the board of directors for resolution.</p> <p>In case where the consents of more than one-half of all members of the Audit Committee cannot be obtained in the preceding subparagraph, then the consents of more than two-thirds of all directors shall be obtained, and the meeting minutes of the board of directors’ meeting shall be recorded with the resolution of the Audit Committee.</p> <p>The terms “all audit committee members” described in the preceding two paragraphs and “all directors” described in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.</p> <p>Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide public companies with appraisal reports, certified public accountant’s opinions, attorney’s opinions, or underwriter’s opinions shall meet the following requirements:</p> <p>I. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial</p>	Amendment made in accordance with the laws

<p style="text-align: center;">Article 6</p>	<p>Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.</p> <p>II. May not be a related party or de facto related party of any party to the transaction.</p> <p>III. If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.</p> <p>When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the <u>self-disciplinary rules of its own industrial association and</u> the following:</p> <p>I. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.</p> <p>II. When <u>executing</u> a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.</p> <p>III. They shall undertake an item-by-item evaluation of the <u>appropriateness</u> and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.</p> <p>IV. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is <u>appropriate</u></p>	<p>Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.</p> <p>II. May not be a related party or de facto related party of any party to the transaction.</p> <p>III. If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.</p> <p>When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following:</p> <p>I. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.</p> <p>II. When <u>examining</u> a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.</p> <p>III. They shall undertake an item-by-item evaluation of the <u>comprehensiveness, accuracy,</u> and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.</p> <p>IV. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is reasonable <u>and accurate</u>, and that they have</p>	
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	<p><del>and</del> reasonable, and that they have complied with applicable laws and regulations.</p>	<p>complied with applicable laws and regulations.</p>	
<p>Paragraph 4 of Article 7</p>	<p>Appraisal report of real property, equipment or right-of-use assets thereof</p> <p>In acquiring or disposing of real property, equipment or right-of-use assets thereof, where the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions.</p> <p>(I) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors; the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction.</p> <p>(II) Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.</p> <p>(III) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal to render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction</p>	<p>Appraisal report of real property, equipment or right-of-use assets thereof</p> <p>In acquiring or disposing of real property, equipment or right-of-use assets thereof, where the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions.</p> <p>(I) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors; the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction.</p> <p>(II) Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.</p> <p>(III) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal <del>in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (referred to as "ARDF") and</del></p>	<p>Amendment made in accordance with the laws</p>

	<p>price:</p> <ol style="list-style-type: none"> <li>1. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.</li> <li>2. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.</li> </ol> <p>(IV) No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date, provided that, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.</p> <p>(V) Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.</p>	<p>render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <ol style="list-style-type: none"> <li>1. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.</li> <li>2. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.</li> </ol> <p>(IV) No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date, provided that, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.</p> <p>(V) Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.</p>	
<p>Paragraph 4 of Article 8</p>	<p>Obtaining Expert Opinion</p> <p>(I) The Company acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is 20 percent of the company's paid-in capital or NT\$300 million or more, the company shall additionally engage a CPA prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by</p>	<p>Obtaining Expert Opinion</p> <p>(I) The Company acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company shall additionally engage a CPA prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. <del>If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20</del></p>	<p>Amendment made in accordance with the laws</p>

	<p>regulations of the competent authority.</p> <p>(II) Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.</p>	<p><del>published by the Accounting Research and Development Foundation (ARDF).</del> This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the competent authority.</p> <p>(II) Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.</p>	
Paragraph 5 of Article 9	<p><u>When the Company or a non-public domestic subsidiary engages in any transaction described in Paragraph 2, if the transaction amount reaches 10 percent or more of the Company's total assets, the Company shall submit all documents described in each subparagraph of Paragraph 2 to the shareholders' meeting for approval before signing the transaction contract or making payment. However, such restriction shall not be applicable to transactions between the Company and its subsidiary or between subsidiaries.</u></p>	Newly added	Amendment made in accordance with the laws
Paragraph 4 of Article 10	<p>Expert assessment opinion report for intangible assets or right-of-use assets thereof or memberships</p> <p>(I) Where the Company acquires or disposes of memberships and the transaction amount reaches 1 percent or more of paid-in capital or NT\$5 million or more, the Company shall also obtain an appraisal report from a professional.</p> <p>(II) Where the Company acquires or disposes of intangible assets or right-of-use assets thereof and the transaction amount reaches 10 percent or more of paid-in capital or NT\$50 million or more, the Company shall also obtain an appraisal report from a professional.</p> <p>(III) Where the Company acquires or disposes of intangible assets or right-of-use assets thereof or memberships and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except</p>	<p>Expert assessment opinion report for intangible assets or right-of-use assets thereof or memberships</p> <p>(I) Where the Company acquires or disposes of memberships and the transaction amount reaches 1 percent or more of paid-in capital or NT\$5 million or more, the Company shall also obtain an appraisal report from a professional.</p> <p>(II) Where the Company acquires or disposes of intangible assets or right-of-use assets thereof and the transaction amount reaches 10 percent or more of paid-in capital or NT\$50 million or more, the Company shall also obtain an appraisal report from a professional.</p> <p>(III) Where the Company acquires or disposes of intangible assets or right-of-use assets thereof or memberships and the transaction amount reaches 20 percent or more of paid-in capital or NT\$</p>	Amendment made in accordance with the laws

	<p>in transactions with a government agency, the Company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price.</p>	<p>300 million or more, except in transactions with a government agency, the Company shall engage a CPA prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; <del>the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</del></p>	
<p>Paragraph 1 of Article 14</p>	<p>Required announcement and report items and standards for announcement and report</p> <p>(I) Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided that, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>(II) Merger, demerger, acquisition, or transfer of shares.</p> <p>(III) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company.</p> <p>(IV) Where the equipment or right-of-use assets thereof belongs to business use is acquired or disposed of, and the transaction counterparty is not a related party, and the transaction amount reaches NT\$1 billion or more.</p> <p>(V) Where land is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units,</p>	<p>Required announcement and report items and standards for announcement and report</p> <p>(I) Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided that, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>(II) Merger, demerger, acquisition, or transfer of shares.</p> <p>(III) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company.</p> <p>(IV) Where the equipment or right-of-use assets thereof belongs to business use is acquired or disposed of, and the transaction counterparty is not a related party, and the transaction amount reaches NT\$1 billion or more.</p> <p>(V) Where land is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and</p>	<p>Amendment made in accordance with the laws</p>

<p>Paragraph 1 of Article 14</p>	<p>joint construction and allocation of ownership percentages, or joint construction and separate sale, and furthermore the transaction counterparty is not a related party, and the amount the Company expects to invest in the transaction reaches NT\$500 million.</p> <p>(VI) Where an asset transaction other than any of those referred to in the preceding five subparagraphs or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; However, this shall not apply to the following circumstances:</p> <ol style="list-style-type: none"> <li>1. Trading of domestic government bonds <u>or foreign government bonds of credit rating not inferior to the authority rating of our nation.</u></li> <li>2. Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</li> </ol> <p>(VII) The amount of transactions described in each subparagraph of the preceding paragraph shall be calculated as follows, and the term of “within the preceding year” as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount.</p> <ol style="list-style-type: none"> <li>1. The amount of any individual transaction.</li> <li>2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.</li> <li>3. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property or right-of-use assets thereof</li> </ol>	<p>furthermore the transaction counterparty is not a related party, and the amount the Company expects to invest in the transaction reaches NT\$500 million.</p> <p>(VI) Where an asset transaction other than any of those referred to in the preceding five subparagraphs or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; However, this shall not apply to the following circumstances:</p> <ol style="list-style-type: none"> <li>1. Trading of domestic government bonds.</li> <li>2. Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</li> </ol> <p>(VII) The amount of transactions described in each subparagraph of the preceding paragraph shall be calculated as follows, and the term of “within the preceding year” as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount.</p> <ol style="list-style-type: none"> <li>1. The amount of any individual transaction.</li> <li>2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.</li> <li>3. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property or right-of-use assets thereof</li> </ol>	
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within the same development project within the preceding year.

4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.

(VIII) The calculation of the transaction amounts referred to in the three articles of Article 7, Article 8 ad Article 10 shall be done in accordance with Subparagraph (VII) herein. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained according to these Procedures need not be counted toward the transaction amount. In addition, the calculation of the transaction amounts referred to in Article 9 shall also be made in accordance with Subparagraph (VII) herein. Items that have been approved by the shareholders' meeting, Audit Committee and the board of directors according to these Procedures need not be counted toward the transaction amount.

within the same development project within the preceding year.

4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.

(VIII) The calculation of the transaction amounts referred to in the three articles of Article 7, Article 8 ad Article 10 shall be done in accordance with Subparagraph (VII) herein. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained according to these Procedures need not be counted toward the transaction amount. In addition, the calculation of the transaction amounts referred to in Article 9 shall also be made in accordance with Subparagraph (VII) herein. Items that have been approved by the Audit Committee and the board of directors according to these Procedures need not be counted toward the transaction amount.