

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

## **2019 Annual General Meeting Minutes**

Time: Tuesday, June 6, 2019 9:00 a.m.

Location: 232 Zhongshan Road, Toufen, Miaoli County (auditorium, Toufen Public Office)

Attendants: shareholdings of all shareholders and proxies are 1,036,777,488 in total which was 84.79 % in 1,222,745,065 outstanding shares.

Present Directors: Chin-Kung Lee, Chi-Chun Hsieh, An-Hsuan Liu, Kao-Yu Liu, and Hsien-Tsun Yang

Chairperson: Director & Chairman Chin-Kung Lee

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. A word from the chairman (omitted)

III. Reporting Items

1. The Company's operating results in 2018, reported for general public information.

Acknowledged

2. The Audit Committee's review of the Company's 2018 audited financial statements, reported for general public information.

Acknowledged

3. The Company's 2018 status of employees' compensation and remuneration of directors, reported for general public information.

Acknowledged

4. The Company's 2018 status of endorsements and guarantees for third party, reported for general public information.

Acknowledged

5. The Company's merger with Dawning Leading Technology Inc., reported for general public information.

Acknowledged

6. Changes in the Company's accounting estimates from the 2019 fiscal year, reported for general public information.

## Acknowledged

### IV. Ratification Items

1. The Company's 2018 business report and financial statements, for acknowledgement.

#### Description:

- (1) The Company's 2018 business report and financial statement have been passed by the 14th meeting of the 13th Board of Directors, and the Audit Committee has submitted a written audit report following completion of review.
- (2) Please refer to Attachment 1 concerning the business report, Audit Committee's audit report, and financial statement in the foregoing paragraph.

#### Resolution:

1,036,777,488 shares were represented at time of voting (768,456,330 shares were voted by electrically); 930,479,075 shares voted in favor of this proposal (662,176,934 shares were voted by electrically), and it was accounted for 89.74% of the total voting rights; 131,165 shares were voted against this proposal (131,165 shares were voted by electrically), and it was accounted for 0.01% of the total voting rights; there is no invalid voting right; 106,167,248 shares were voted abstained for this proposal (106,148,231 shares were voted by electrically), and it was accounted for 10.24% of the total voting rights. This proposal was approved finally.

2. The Company's proposal for distribution of 2018 earnings, for acknowledgement.

#### Description:

- (1) The Company's 2018 business report and financial statement have been passed by the 14th meeting of the 13th Board of Directors, and the Audit Committee submitted a written audit report at the request of Board of Directors following completion of review.
- (2) Please refer to Attachment 2 concerning the distribution of earnings table drafted in accordance with the Company Act and the Company's Articles of Incorporation.

#### Resolution:

1,036,777,488 shares were represented at time of voting (768,456,330

shares were voted by electrically); 932,584,787 shares voted in favor of this proposal (664,282,646 shares were voted by electrically), and it was accounted for 89.95% of the total voting rights; 135,669 shares were voted against this proposal (135,669 shares were voted by electrically), and it was accounted for 0.01% of the total voting rights; there is no invalid voting right; 104,057,032 shares were voted abstained for this proposal (104,038,015 shares were voted by electrically), and it was accounted for 10.03% of the total voting rights. This proposal was approved finally.

## V. Discussion Items

1. Request for review and confirmation of the Company's "Procedures for the Acquisition or Disposal of Assets."

Description:

(1) In accordance with certain articles of the revised "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" issued in Financial Supervisory Commission Order Jin-Kong-Zheng-Fa-Zi No. 1070341072 of November 26, 2018, the Company proposed revision of certain articles of the "Procedures for the Acquisition or Disposal of Assets" in compliance.

(2) Please refer to Attachment 3 concerning the Company's "Procedures for the Acquisition or Disposal of Assets."

Resolution:

1,036,777,488 shares were represented at time of voting (768,456,330 shares were voted by electrically); 931,333,209 shares voted in favor of this proposal (663,031,068 shares were voted by electrically), and it was accounted for 89.82% of the total voting rights; 136,805 shares were voted against this proposal (136,805 shares were voted by electrically), and it was accounted for 0.01% of the total voting rights; there is no invalid voting right; 105,307,474 shares were voted abstained for this proposal (105,288,457 shares were voted by electrically), and it was accounted for 10.15% of the total voting rights.

This proposal was approved finally.

VI. Extraordinary Motions: None

VII. Meeting ends: Meeting ended at 10:15 a.m.

[Attachment 1]

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

King Yuan Electronics Co., Ltd. (KYEC) has continued to provide semiconductor packaging and testing services to the contract market for many years. Thanks to its superb service quality and cost advantage, KYEC has achieved its goal of providing all-round service to existing customers, developing new customers, and entering the IDM supply chain. In recent years, the Company has depended on its in-house testing platform R&D capability, while relying on strategic turnkey service to develop its sales, and has enjoyed great success. At the same time, during this key period in which 5G communications technology is driving the market, in order to seek out up- and downstream opportunities for strategic alliances, expanding its scale of operations, integrating the resources of its subsidiaries in China, and strengthening the development of the regional market are the Company's most important current tasks.

In 2018, KYEC had consolidated operating revenue of NT\$20.815 billion, which represented an increase of 5.7% compared with 2017; subtracting NT\$460 million in revenue from Dawning Leading Technology Inc. ("Dawning Leading") which was acquired on November 1, the Company enjoyed annual growth of 3.4%, but the gross profit ratio fell to 25.8% due to economic conditions and Dawning Leading's low gross profit packaging business, and this figure represented a decrease of 3.6% compared with 2017. Earnings per share was NT\$1.47, which represented a drop of 21.8% compared with the year before.

As of December 31, 2018, KYEC's consolidated cash and cash equivalents totaled NT\$4.787 billion, its consolidated debt-to-equity ratio (Debt ratio) was 48.0%, its net debt-to-equity ratio after subtracting consolidated cash and cash equivalents was 49.6%, and its 2018 return on equity (ROE) was 7.3%.

With regard to sales, thanks to the increased market share of products made by North American and Southeast Asian customers, and growth in the Suzhou subsidiary's sales, the Company was able to ease the impact of individual product market fluctuations on revenue, and many customers established or transferred their main IC testing supply chains to KYEC, which bodes well for future sales growth. In 2018, KYEC's wafer testing sales had an annual growth rate of 4.6%, product testing sales increased by 0.7% compared with 2017, while other sales grew by 33.6%. In 2018, sales revenue from its 10 largest customers accounted for 48.8% of the Company's total revenue, and this figure represented

a slight reduction from the 49.6% in 2017. In order to strengthen its working capital and response to future funding needs, the Company obtained an NT\$14.2 billion syndicated loan from banks in October of last year.

For over a decade, KYEC's R&D team has single-mindedly striven to integrate testing equipment interfaces, write test programs, perform machine maintenance, improve machine parts and accessories, automate production lines, independently developed testing equipment, put development and module design on a mass production basis, and perform other research and development work. In 2018, self-developed testing equipment accounted for approximately 15% of the Company's total sales. In addition, the Company has also enjoyed impressive achievements in the areas of special product testing equipment and production line overhauls, including the following: High-power burn-in oven, micro-electromechanical product testing platform and auxiliary equipment, vertical probe card, MEMS multi-axis product testing, high-frequency load board, and CIS sensing, etc. are some of the ways that the Company is creating a unique competitive advantage in the field of semiconductor testing.

For many years, KYEC has consistently made the satisfaction of customers' needs, enhancement of shareholders' equity, attention to employees' benefits, and fulfillment of its corporate social responsibilities its core business goals. The following is a summary of the Company's business strategy in 2019:

1. Business development: Increasing the benefit of packaging and testing revenue relative to global market share and capital investment, actively expand the contribution of self-developed equipment to sales, and increase the Company's scale and profitability through robust overseas investment.
2. Customer service: Boosting quality and service assessment, reducing quality abnormalities, and strengthening employees' quality consciousness.
3. Production: Improving overall equipment production efficiency and employee productivity, continuing to increase factory automation.
4. Cost control: Placing emphasis on rationalized use of materials and inventory management, continuing efforts to reduce purchasing costs.
5. R&D and innovation: Continuing equipment, parts, and components R&D, development of core technologies, establishment of a superior IPR system.
6. Human resources: Placing emphasis on manpower selection, training, and utilization, accumulation of a reserve of superior technical and management staff, and enhancement of employees' basic functions.

Looking ahead to 2019, although we anticipate that growth in consumer electronics products will slow, growth is nevertheless expected in emerging applications areas, such as:

5G communications networks, Internet of Things electronics, automotive electronics, artificial intelligence, medical electronics, gaming, and the AR/VR market, etc. However, the larger environment is full of uncertainty and variables, the US-China trade war has shaken the confidence of the regional market, end consumer purchasing has been conservative, and market visibility has been low. However, many of KYEC's customers are enjoying continuing growth, and as a major supply chain member, KYEC will also benefit from this growth. At the same time, some customers are developing their own product and applications markets, and their ratio of outsourced work is expected to increase significantly. We expect the Company's basic growth trend to remain unchanged in 2019. Sales growth will chiefly be driven by 5G communications networks, automotive electronics, and artificial intelligence products, and the Company maintains relatively optimistic expectations toward revenue and profit growth.

**King Yuan Electronics Co., Ltd.**  
**Audit Committee's audit report**

With regard to the Company's 2018 business report, consolidated financial statement (including financial statements of individual entities), and distribution of earnings resolutions prepared and submitted by the Board of Directors, the consolidated financial statement (including financial statements of individual entities) has already been audited by Ernst & Young, which has submitted an audit report. The foregoing business report, consolidated financial statement (including financial statements of individual entities), and distribution of earnings resolution has been reviewed by the Audit Committee, which found no discrepancies. The foregoing report has been made pursuant to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, please check.

King Yuan Electronics Co., Ltd.

Chairperson of the Audit Committee: Hsien-Tsun Yang

March 14, 2019

English Translation of a Report and Financial Statements Originally Issued in Chinese

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

**PARENT COMPANY ONLY FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017  
WITH  
INDEPENDENT AUDITOR'S REPORT TRANSLATED FROM CHINESE**

**Address: No. 81, Sec. 2, Gongdao 5th Rd., Hsinchu City 300, Taiwan (R.O.C.)**

**Telephone: 886-3-5751888**

The reader is advised that these financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

## 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, 2018 and 2017, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2018 and 2017, 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, 2018 and 2017, and its financial performance and cash flows for the years ended December 31, 2018 and 2017, 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 2018 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\$18,469,742 thousand as net sales. Their mainly activities are providing testing and assembly services that represented 94%, or NT\$17,417,745 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, as well as rental of machinery, timing of revenue recognition may vary due to varied nature of revenues that increases the complexity of the revenue recognition. Therefore, we determined the matter to be a key audit matter.

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

We also considered the appropriateness of the disclosures of sales. Please refer to Note 4 and Note 6 in notes to 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 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 2018 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 14, 2019

#### 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, 2018 and 2017

(Amounts in thousands of New Taiwan Dollars)

ASSETS	Notes	December 31, 2018	%	December 31, 2017	%
<b>Current assets</b>					
Cash and cash equivalents	4, 6(1)	\$3,887,001	9	\$4,043,906	10
Financial assets at fair value through profit or loss-current	4, 6(2)	101,461	-	-	-
Financial assets at fair value through other comprehensive income-current	4, 6(3)	15,989	-	-	-
Available-for-sale financial assets-current	4, 6(4)	-	-	112,730	-
Contract assets-current	4, 6(17), 6(18), 7	289,427	1	-	-
Notes receivable, net	4, 6(5), 6(18)	13,844	-	10,655	-
Accounts receivable, net	4, 6(6), 6(18)	3,900,814	8	3,256,792	8
Accounts receivable from related parties, net	4, 6(6), 6(18), 7	752,618	2	674,225	2
Other receivables		144,666	-	168,440	-
Other receivables from related parties	4, 7	123,577	-	217,941	-
Inventories, net	4, 6(7)	962,615	2	350,430	1
Prepayments	6(8)	300,194	1	300,725	1
Other current assets		190,755	-	272,875	1
Total current assets		<u>10,682,961</u>	<u>23</u>	<u>9,408,719</u>	<u>23</u>
<b>Non-current assets</b>					
Financial assets at fair value through other comprehensive income-non-current	4, 6(3)	1,752,480	4	-	-
Available-for-sale financial assets-non-current	4, 6(4)	-	-	22,082	-
Financial assets measured at cost-noncurrent	4, 6(9)	-	-	1,785,558	5
Investments accounted for using the equity method	4, 6(10)	4,816,516	11	5,257,688	13
Property, plant and equipment	4, 6(11), 7, 8	28,321,210	61	23,397,902	58
Intangible assets	4, 6(12)	162,619	-	43,316	-
Deferred tax assets	4, 6(23)	405,398	1	333,914	1
Other financial assets-non-current	8	109,912	-	99,521	-
Other non-current assets		3,487	-	7,087	-
Total non-current assets		<u>35,571,622</u>	<u>77</u>	<u>30,947,068</u>	<u>77</u>
<b>Total assets</b>		<u>\$46,254,583</u>	<u>100</u>	<u>\$40,355,787</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, 2018 and 2017**

(Amounts in thousands of New Taiwan Dollars)

<b>LIABILITIES AND EQUITY</b>	Notes	December 31, 2018	%	December 31, 2017	%
<b>Current liabilities</b>					
Contract liabilities-current	4, 6(17)	\$84,834	-	\$-	-
Notes payable		39,512	-	11,815	-
Accounts payable		944,104	2	445,546	1
Accounts payable to related parties	7	12,391	-	7,236	-
Other payables		2,129,717	4	1,807,868	5
Other payables to related parties	7	110,605	-	52,888	-
Payables on equipment		778,069	2	417,338	1
Current tax liabilities	4, 6(23)	288,772	1	334,724	1
Bonds payable, current portion	4, 6(13)	-	-	64,829	-
Current portion of long-term liabilities	4, 6(14), 8	-	-	2,991,661	7
Other current liabilities		278,321	1	226,062	1
Total current liabilities		4,666,325	10	6,359,967	16
<b>Non-current liabilities</b>					
Long-term loans	4, 6(14), 6(21)	16,628,004	36	8,501,737	21
Net defined benefit liabilities	4, 6(15)	481,570	1	446,624	1
Guarantee deposits		1,573	-	1,123	-
Total non-current liabilities		17,111,147	37	8,949,484	22
Total liabilities		21,777,472	47	15,309,451	38
<b>Equity</b>					
Share capital	4, 6(13), 6(16)				
Common stock		12,227,451	27	12,202,383	31
Capital surplus	4, 6(13), 6(16)	4,844,536	10	5,327,372	13
Retained earnings	4, 6(16)				
Legal reserve		2,179,765	5	1,956,400	5
Special reserve		431,239	1	386,010	1
Undistributed earnings		5,597,293	12	5,403,995	13
Total retained earnings		8,208,297	18	7,746,405	19
Other equity	4	(803,173)	(2)	(229,824)	(1)
Total equity		24,477,111	53	25,046,336	62
<b>Total liabilities and equity</b>		\$46,254,583	100	\$40,355,787	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, 2018 and 2017

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

Description	Notes	2018	%	2017	%
<b>Net sales</b>	4, 6(17), 7	\$18,469,742	100	\$17,532,168	100
<b>Operating costs</b>	4, 6(5), 6(12), 6(15), 6(19), 6(20), 7	(13,625,400)	(74)	(12,314,401)	(70)
<b>Gross profit</b>		<u>4,844,342</u>	<u>26</u>	<u>5,217,767</u>	<u>30</u>
<b>Operating expenses</b>	4, 6(12), 6(15), 6(19), 6(20)				
Selling expenses		(325,580)	(2)	(303,750)	(1)
Administrative expenses		(1,116,369)	(5)	(952,309)	(5)
Research and development expenses		(727,857)	(4)	(652,922)	(4)
Expected credit losses		(1,933)	-	-	-
Total operating expenses		<u>(2,171,739)</u>	<u>(11)</u>	<u>(1,908,981)</u>	<u>(10)</u>
<b>Operating income</b>		<u>2,672,603</u>	<u>15</u>	<u>3,308,786</u>	<u>20</u>
<b>Non-operating income and expenses</b>					
Other income	4, 6(21), 7	45,290	-	73,295	-
Other gains and losses	4, 6(4), 6(9), 6(21)	242,583	1	86,446	-
Finance costs	4, 6(11), 6(21)	(191,478)	(1)	(186,229)	(1)
Share of profit of associates accounted for using the equity method	4, 6(10)	(415,341)	(2)	(371,676)	(2)
Total non-operating income and expenses		<u>(318,946)</u>	<u>(2)</u>	<u>(398,164)</u>	<u>(3)</u>
<b>Net income before income tax</b>		2,353,657	13	2,910,622	17
<b>Income tax expense</b>	4, 6(23)	<u>(558,313)</u>	<u>(3)</u>	<u>(676,976)</u>	<u>(4)</u>
<b>Net income</b>		<u>1,795,344</u>	<u>10</u>	<u>2,233,646</u>	<u>13</u>
<b>Other comprehensive income</b>	4, 6(22)				
Items that will not be reclassified subsequently to profit or loss:					
Remeasurements of the defined benefit plan		(41,788)	-	(89,523)	-
Unrealized gains or losses from equity instruments investments measured at fair value through other comprehensive income		(164,411)	(1)	-	-
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		17,118	-	-	-
Items that will be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial statements of foreign operations		(81,743)	(1)	(100,133)	(1)
Unrealized gains from available-for-sale financial assets		-	-	6,722	-
Income tax related to components of other comprehensive income that will be reclassified to profit or loss		24,851	-	48,180	-
<b>Other comprehensive income, net of tax</b>		<u>(245,973)</u>	<u>(2)</u>	<u>(134,754)</u>	<u>(1)</u>
<b>Total comprehensive income</b>		<u>\$1,549,371</u>	<u>8</u>	<u>\$2,098,892</u>	<u>12</u>
<b>Earning per share(NT\$)</b>	4, 6(24)				
Basic Earnings Per Share		<u>\$1.47</u>		<u>\$1.88</u>	
Diluted Earnings Per Share		<u>\$1.46</u>		<u>\$1.87</u>	

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, 2018 and 2017

(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 instruments investments measured at fair value through other comprehensive income	Unrealized gains (losses) from available-for sale financial assets	
Balance as of January 1, 2017	\$11,674,833	\$4,965,413	\$1,658,280	\$201,416	\$5,382,228	\$(183,283)	\$-	\$(1,310)	\$23,697,577
Appropriation and distribution of 2016 earnings :									
Legal reserve	-	-	298,120	-	(298,120)	-	-	-	-
Special reserve	-	-	-	184,594	(184,594)	-	-	-	-
Cash dividends	-	(468,469)	-	-	(1,639,642)	-	-	-	(2,108,111)
Profit for the year ended December 31, 2017	-	-	-	-	2,233,646	-	-	-	2,233,646
Other comprehensive income for the year ended December 31, 2017	-	-	-	-	(89,523)	(51,953)	-	6,722	(134,754)
Total comprehensive income	-	-	-	-	2,144,123	(51,953)	-	6,722	2,098,892
Conversion of convertible bonds	527,550	830,428	-	-	-	-	-	-	1,357,978
Balance as of December 31, 2017	\$12,202,383	\$5,327,372	\$1,956,400	\$386,010	\$5,403,995	\$(235,236)	\$-	\$5,412	\$25,046,336
Balance as of January 1, 2018	\$12,202,383	\$5,327,372	\$1,956,400	\$386,010	\$5,403,995	\$(235,236)	\$-	\$5,412	\$25,046,336
Effects of retrospective application and retrospective restatement	-	-	-	-	448,328	-	(393,955)	(5,412)	48,961
Balance at beginning of period after adjustments	12,202,383	5,327,372	1,956,400	386,010	5,852,323	(235,236)	(393,955)	-	25,095,297
Appropriation and distribution of 2017 earnings :									
Legal reserve	-	-	223,365	-	(223,365)	-	-	-	-
Special reserve	-	-	-	45,229	(45,229)	-	-	-	-
Cash dividends	-	(488,511)	-	-	(1,709,789)	-	-	-	(2,198,300)
Share of changes in net assets of associates and joint ventures accounted for using equity method	-	(33,755)	-	-	-	-	-	-	(33,755)
Profit for the year ended December 31, 2018	-	-	-	-	1,795,344	-	-	-	1,795,344
Other comprehensive income for the year ended December 31, 2018	-	-	-	-	(41,788)	(56,892)	(147,293)	-	(245,973)
Total comprehensive income	-	-	-	-	1,753,556	(56,892)	(147,293)	-	1,549,371
Conversion of convertible bonds	25,068	39,430	-	-	-	-	-	-	64,498
Disposal of equity instruments investments measured at fair value through other comprehensive income	-	-	-	-	(30,203)	-	30,203	-	-
Balance as of December 31, 2018	\$12,227,451	\$4,844,536	\$2,179,765	\$431,239	\$5,597,293	\$(292,128)	\$(511,045)	\$-	\$24,477,111

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

## KING YUAN ELECTRONICS CO., LTD.

## PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

For the years ended December 31, 2018 and 2017

(Amounts in thousands of New Taiwan Dollars)

Description	2018	2017	Description	2018	2017
<b>Cash flows from operating activities :</b>			<b>Cash flows from investing activities :</b>		
Profit before tax from continuing operations	\$2,353,657	\$2,910,622	Proceeds from disposal of financial assets at fair value through other comprehensive income	\$1,113	\$-
Adjustments for:			Proceeds from capital return of financial assets at fair value through other comprehensive income	8,625	-
The profit or loss items which did not affect cash flows:			Proceeds from disposal of available-for-sale financial assets	-	7,542
Depreciation	6,083,925	5,786,300	Acquisition of financial assets measured at cost	-	(275,000)
Amortization	39,208	25,985	Proceeds from capital return of financial assets measured at cost	-	12,351
Expected credit loss (reversal of provision)	1,933	(16,000)	Acquisition of investments accounted for using the equity method	(280,938)	-
Gains on financial assets and liabilities at fair value through profit or loss	(418)	-	Acquisition of property, plant and equipment	(7,755,488)	(4,649,350)
Interest expenses	191,478	186,229	Proceeds from disposal of property, plant and equipment	225,975	436,658
Interest income	(9,919)	(10,498)	Decrease in refundable deposits	28,337	3,456
Dividend income	(880)	(4,295)	Acquisition of intangible assets	(15,925)	(39,159)
Investment loss accounted for using the equity method	415,341	371,676	Proceeds from disposal of intangible assets	246	-
Gain on disposal of property, plant and equipment	(83,565)	(74,812)	Net cash outflows from acquisition of subsidiaries	(209,444)	-
Gain on disposal of investments	-	(246)	Increase in other financial assets	(10,391)	(5,525)
Gain on disposal of investments accounted for using the equity method	(74,427)	-	Dividend received	10,940	15,755
Impairment loss of financial assets	-	14,627	Net cash used in investing activities	<u>(7,996,950)</u>	<u>(4,493,272)</u>
Unrealized foreign exchange loss (gain)	58,154	(110,044)			
Changes in operating assets and liabilities :					
Contract assets	(289,427)	-	<b>Cash flows from financing activities :</b>		
Notes receivable	(3,189)	3,595	Decrease in short-term loans	(413,652)	-
Accounts receivable	46,728	(3,807)	Borrowing in long-term loans	21,368,956	5,611,600
Accounts receivable from related parties	(78,393)	299,913	Repayments of long-term loans	(18,716,667)	(7,321,930)
Other receivables	68,803	(92,931)	Increase in guarantee deposits	450	-
Other receivables from related parties	127,309	(18,663)	Decrease in guarantee deposits	-	(75)
Inventories	(185,581)	204,484	Cash dividends	(2,198,300)	(2,108,111)
Prepayments	(33,494)	16,418	Interest paid	(187,801)	(169,990)
Other current assets	82,120	51,581	Net cash used in financing activities	<u>(147,014)</u>	<u>(3,988,506)</u>
Contract liabilities	84,834	-			
Notes payable	27,697	645	Net (decrease) increase in cash and cash equivalents	(156,905)	15,039
Accounts payable	(41,577)	(37,170)	Cash and cash equivalents at the beginning of the year	4,043,906	4,028,867
Accounts payable to related parties	5,155	(669)	Cash and cash equivalents at the end of the year	<u>\$3,887,001</u>	<u>\$4,043,906</u>
Other payables	(229,987)	(262,173)			
Other payables to related parties	51,475	(8,213)			
Other current liabilities	10,742	13,429			
Accrued pension liabilities	(6,842)	(4,376)			
Cash generated from operating activities	<u>8,610,860</u>	<u>9,241,607</u>			
Interest received	9,979	11,043			
Income tax paid	(633,780)	(755,833)			
Net cash provided by operating activities	<u>7,987,059</u>	<u>8,496,817</u>			

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

English Translation of a Report and Financial Statements Originally Issued in Chinese

**KING YUAN ELECTRONICS CORP.  
AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**WITH**

**INDEPENDENT AUDITOR'S REPORT TRANSLATED FROM CHINESE**

**Address: No. 81, Sec. 2, Gongdao 5th Rd., Hsinchu City 300, Taiwan (R.O.C.)**

**Telephone: 886-3-5751888**

The reader is advised that these consolidated financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

## REPRESENTATION LETTER

The entities included in the consolidated financial statements as of December 31, 2018 and for the year then ended prepared under the International Financial Reporting Standards, No.10 are the same as the entities to be included in the combined financial statements of the Company, if any to be prepared, pursuant to the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises (referred to as “Combined Financial Statements”). Also, the footnotes disclosed in the Consolidated Financial Statements have fully covered the required information in such Combined Financial Statements. Accordingly, the Company did not prepare any other set of Combined Financial Statements than the Consolidated Financial Statements.

Very truly yours,

King Yuan Electronics Corp.

Chairman: C. K. Lee

March 14, 2019

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, 2018 and 2017, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2018 and 2017, 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, 2018 and 2017, and their consolidated financial performance and cash flows for the years ended December 31, 2018 and 2017, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effectively by Financial Supervisory Commission of the Republic of China.

**Basis for Opinion**

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

## **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2018 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\$20,815,369 thousand as net sales. Their mainly activities are providing testing and assembly services that represented 95%, or NT\$19,701,773 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, as well as rental of machinery, timing of revenue recognition may vary due to varied nature of revenues that increases the complexity of the revenue recognition. Therefore, we determined the matter to be a key audit matter.

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

We also considered the appropriateness of the disclosures of sales. Please refer to Note 4 and Note 6 in notes to 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 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 2018 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, 2018 and 2017.

Kuo, Shao-Pin

Fuh, Wen-Fun

Ernst & Young, Taiwan  
March 14, 2019

### 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, 2018 and 2017**  
(Amounts in thousands of New Taiwan Dollars)

ASSETS	Notes	December 31, 2018	%	December 31, 2017	%
<b>Current assets</b>					
Cash and cash equivalents	4, 6(1)	\$4,786,626	10	\$5,395,029	13
Financial assets at fair value through profit or loss-current	4, 6(2)	101,461	-	-	-
Financial assets at fair value through other comprehensive income-current	4, 6(3)	15,989	-	-	-
Available-for-sale financial assets-current	4, 6(4)	-	-	112,730	-
Contract assets-current	4, 6(19), 6(20), 7	289,427	1	-	-
Notes receivable, net	4, 6(5), 6(20)	13,844	-	10,656	-
Accounts receivable, net	4, 6(6), 6(20)	4,418,689	9	3,804,112	9
Accounts receivable from related parties, net	4, 6(6), 6(20), 7	769,731	2	673,148	2
Other receivables		233,559	1	197,342	1
Other receivables from related parties	4, 7	11,337	-	156,419	-
Inventories, net	4, 6(7)	1,137,152	2	473,829	1
Prepayments	6(8)	656,455	2	408,405	1
Other current assets		191,099	-	273,253	1
Other financial assets-current	8	4	-	472	-
Total current assets		12,625,373	27	11,505,395	28
<b>Non-current assets</b>					
Financial assets at fair value through other comprehensive income-non-current	4, 6(3)	1,752,480	4	-	-
Available-for-sale financial assets-non-current	4, 6(4)	-	-	22,082	-
Financial assets measured at cost-non-current	4, 6(9)	-	-	1,785,558	4
Investments accounted for using the equity method	4, 6(10)	62,352	-	578,082	2
Property, plant and equipment	4, 6(11), 7, 8	31,907,296	68	26,657,896	65
Intangible assets	4, 6(12)	171,062	-	44,915	-
Deferred tax assets	4, 6(25)	405,398	1	333,914	1
Other financial assets-non-current	8	109,912	-	99,521	-
Other non-current assets	4, 6(13)	121,886	-	130,881	-
Total non-current assets		34,530,386	73	29,652,849	72
<b>Total assets</b>		\$47,155,759	100	\$41,158,244	100

The accompanying notes are an integral part of the consolidated company 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, 2018 and 2017**  
(Amounts in thousands of New Taiwan Dollars)

<b>LIABILITIES AND EQUITY</b>	Notes	December 31, 2018	%	December 31, 2017	%
<b>Current liabilities</b>					
Short-term loans	4, 6(14), 8, 9	\$111,879	-	\$-	-
Contract liabilities-current	4, 6(19)	85,963	-	-	-
Notes payable		50,156	-	11,815	-
Accounts payable		1,183,765	2	614,951	1
Accounts payable to related parties	7	12,391	-	7,236	-
Other payables		2,276,173	5	1,927,442	5
Other payables to related parties	7	80,831	-	28,343	-
Payables on equipment		800,724	2	450,769	1
Current tax liabilities	4, 6(24)	291,830	1	340,217	1
Bonds payable, current portion	4, 6(15)	-	-	64,829	-
Current portion of long-term liabilities	4, 6(16), 8	184,284	-	3,289,181	8
Other current liabilities		323,908	1	273,222	1
<b>Total current liabilities</b>		<b>5,401,904</b>	<b>11</b>	<b>7,008,005</b>	<b>17</b>
<b>Non-current liabilities</b>					
Long-term loans	4, 6(16), 8	16,750,860	36	8,650,497	21
Net defined benefit liabilities	4, 6(17)	481,570	1	446,624	1
Guarantee deposits		1,573	-	1,124	-
<b>Total non-current liabilities</b>		<b>17,234,003</b>	<b>37</b>	<b>9,098,245</b>	<b>22</b>
<b>Total liabilities</b>		<b>22,635,907</b>	<b>48</b>	<b>16,106,250</b>	<b>39</b>
<b>Equity attributable to owners of the parent company</b>					
Share capital	4, 6(15), 6(18)				
Common stock		12,227,451	26	12,202,383	30
Capital surplus	4, 6(15), 6(18)	4,844,536	10	5,327,372	13
Retained earnings	4, 6(18)				
Legal reserve		2,179,765	4	1,956,400	5
Special reserve		431,239	1	386,010	1
Undistributed earnings		5,597,293	12	5,403,995	13
<b>Total retained earnings</b>		<b>8,208,297</b>	<b>17</b>	<b>7,746,405</b>	<b>19</b>
Other equity	4	(803,173)	(1)	(229,824)	(1)
<b>Equity attributable to owners of the parent company</b>		<b>24,477,111</b>	<b>52</b>	<b>25,046,336</b>	<b>61</b>
<b>Non-controlling interests</b>	4, 6(18)	42,741	-	5,658	-
<b>Total equity</b>		<b>24,519,852</b>	<b>52</b>	<b>25,051,994</b>	<b>61</b>
<b>Total liabilities and equities</b>		<b>\$47,155,759</b>	<b>100</b>	<b>\$41,158,244</b>	<b>100</b>

The accompanying notes are an integral part of the consolidated company 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, 2018 and 2017**  
(Amounts in thousands of New Taiwan Dollars, except for earnings per share)

Description	Notes	2018	%	2017	%
<b>Net sales</b>	4, 6(19), 7	\$20,815,369	100	\$19,686,911	100
<b>Operating costs</b>	4, 6(7), 6(12), 6(17), 6(21), 6(22), 7	(15,451,671)	(74)	(13,904,506)	(71)
<b>Gross profit</b>		<u>5,363,698</u>	<u>26</u>	<u>5,782,405</u>	<u>29</u>
<b>Operating expenses</b>	4, 6(12), 6(17), 6(20), 6(22)				
Selling expenses		(331,677)	(2)	(303,217)	(1)
Administrative expenses		(1,400,283)	(7)	(1,194,459)	(6)
Research and development expenses		(909,086)	(4)	(818,105)	(4)
Expected credit losses		(2,971)	-	-	-
Total operating expenses		<u>(2,644,017)</u>	<u>(13)</u>	<u>(2,315,781)</u>	<u>(11)</u>
<b>Operating income</b>		<u>2,719,681</u>	<u>13</u>	<u>3,466,624</u>	<u>18</u>
<b>Non-operating income and expenses</b>					
Other income	4, 6(23), 7	91,280	-	110,781	1
Other gains and losses	4, 6(9), 6(23), 7	324,961	2	58,731	-
Finance costs	4, 6(11), 6(23)	(204,987)	(1)	(197,634)	(1)
Share of profit of associates accounted for using the equity method	4, 6(10)	(541,377)	(3)	(503,337)	(3)
Total non-operating income and expenses		<u>(330,123)</u>	<u>(2)</u>	<u>(531,459)</u>	<u>(3)</u>
<b>Net income before income tax</b>		<u>2,389,558</u>	<u>11</u>	<u>2,935,165</u>	<u>15</u>
<b>Income tax expense</b>	4, 6(25)	<u>(595,668)</u>	<u>(2)</u>	<u>(701,085)</u>	<u>(4)</u>
<b>Net income</b>		<u>1,793,890</u>	<u>9</u>	<u>2,234,080</u>	<u>11</u>
<b>Other comprehensive income</b>	4, 6(24)				
Items that will not be reclassified subsequently to profit or loss:					
Remeasurements of the defined benefit plan		(41,788)	-	(89,523)	-
Unrealized gains or losses from equity instruments investments measured at fair value through other comprehensive income		(164,411)	(1)	-	-
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		17,118	-	-	-
Items that will be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial statements of foreign operations		(81,443)	-	(100,371)	-
Unrealized gains from available-for-sale financial assets		-	-	6,722	-
Income tax related to components of other comprehensive income that will be reclassified to profit or loss		24,851	-	48,180	-
<b>Other comprehensive income, net of tax</b>		<u>(245,673)</u>	<u>(1)</u>	<u>(134,992)</u>	<u>-</u>
<b>Total comprehensive income</b>		<u>\$1,548,217</u>	<u>8</u>	<u>\$2,099,088</u>	<u>11</u>
<b>Net income attributable to :</b>					
Owners of the parent company		\$1,795,344	9	\$2,233,646	11
Non-controlling interests		(1,454)	-	434	-
		<u>\$1,793,890</u>	<u>9</u>	<u>\$2,234,080</u>	<u>11</u>
<b>Total comprehensive income attributable to :</b>					
Owners of the parent company		\$1,549,371	8	\$2,098,892	11
Non-controlling interests		(1,154)	-	196	-
		<u>\$1,548,217</u>	<u>8</u>	<u>\$2,099,088</u>	<u>11</u>
<b>Earning per share(NT\$)</b>	4, 6(26)				
Basic Earnings Per Share		<u>\$1.47</u>		<u>\$1.88</u>	
Diluted Earnings Per Share		<u>\$1.46</u>		<u>\$1.87</u>	

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

## KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2018 and 2017

(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		
			Legal reserve	Special reserve	Undistributed earnings	Exchange differences resulting from translating the financial statements of foreign operations	Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	Unrealized gains (losses) from available-for sale financial assets			
Balance as of January 1, 2017	\$11,674,833	\$4,965,413	\$1,658,280	\$201,416	\$5,382,228	\$(183,283)	\$-	\$(1,310)	\$23,697,577	\$5,462	\$23,703,039
Appropriation and distribution of 2016 earnings:											
Legal reserve	-	-	298,120	-	(298,120)	-	-	-	-	-	-
Special reserve	-	-	-	184,594	(184,594)	-	-	-	-	-	-
Cash dividends	-	(468,469)	-	-	(1,639,642)	-	-	-	(2,108,111)	-	(2,108,111)
Profit for the year ended December 31, 2017	-	-	-	-	2,233,646	-	-	-	2,233,646	434	2,234,080
Other comprehensive income for the year ended December 31, 2017	-	-	-	-	(89,523)	(51,953)	-	6,722	(134,754)	(238)	(134,992)
Total comprehensive income	-	-	-	-	2,144,123	(51,953)	-	6,722	2,098,892	196	2,099,088
Conversion of convertible bonds	527,550	830,428	-	-	-	-	-	-	1,357,978	-	1,357,978
Balance as of December 31, 2017	\$12,202,383	\$5,327,372	\$1,956,400	\$386,010	\$5,403,995	\$(235,236)	\$-	\$5,412	\$25,046,336	\$5,658	\$25,051,994
Balance as of January 1, 2018	\$12,202,383	\$5,327,372	\$1,956,400	\$386,010	\$5,403,995	\$(235,236)	\$-	\$5,412	\$25,046,336	\$5,658	\$25,051,994
Effects of retrospective application and retrospective restatement	-	-	-	-	448,328	-	(393,955)	(5,412)	48,961	-	48,961
Balance at beginning of period after adjustments	12,202,383	5,327,372	1,956,400	386,010	5,852,323	(235,236)	(393,955)	-	25,095,297	5,658	25,100,955
Appropriation and distribution of 2017 earnings:											
Legal reserve	-	-	223,365	-	(223,365)	-	-	-	-	-	-
Special reserve	-	-	-	45,229	(45,229)	-	-	-	-	-	-
Cash dividends	-	(488,511)	-	-	(1,709,789)	-	-	-	(2,198,300)	-	(2,198,300)
Share of changes in net assets of associates and joint ventures accounted for using equity method	-	(33,755)	-	-	-	-	-	-	(33,755)	-	(33,755)
Profit for the year ended December 31, 2018	-	-	-	-	1,795,344	-	-	-	1,795,344	(1,454)	1,793,890
Other comprehensive income for the year ended December 31, 2018	-	-	-	-	(41,788)	(56,892)	(147,293)	-	(245,973)	300	(245,673)
Total comprehensive income	-	-	-	-	1,753,556	(56,892)	(147,293)	-	1,549,371	(1,154)	1,548,217
Conversion of convertible bonds	25,068	39,430	-	-	-	-	-	-	64,498	-	64,498
Non-controlling interests	-	-	-	-	-	-	-	-	-	38,237	38,237
Disposal of equity instruments investments measured at fair value through other comprehensive income	-	-	-	-	(30,203)	-	30,203	-	-	-	-
Balance as of December 31, 2018	\$12,227,451	\$4,844,536	\$2,179,765	\$431,239	\$5,597,293	\$(292,128)	\$(511,045)	\$-	\$24,477,111	\$42,741	\$24,519,852

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

## KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2018 and 2017

(Amounts in thousands of New Taiwan Dollars)

Description	2018	2017	Description	2018	2017
<b>Cash flows from operating activities :</b>			<b>Cash flows from investing activities :</b>		
Profit before tax from continuing operations	\$2,389,558	\$2,935,165	Proceeds from disposal of financial assets at fair value through other comprehensive income	\$1,113	\$-
Adjustments for:			Proceeds from capital return of financial assets at fair value through other comprehensive income	8,625	-
The profit or loss items which did not affect cash flows:			Proceeds from disposal of available-for-sale financial assets	-	7,542
Depreciation	6,686,191	6,317,667	Acquisition of financial assets measured at cost	-	(275,000)
Amortization	40,203	26,498	Proceeds from capital return of financial assets measured at cost	-	12,351
Expected credit loss (reversal of provision)	2,971	(14,038)	Acquisition of investments accounted for using the equity method	(245,408)	-
Gains on financial assets and liabilities at fair value through profit or loss	(418)	-	Acquisition of property, plant and equipment	(8,680,807)	(5,249,763)
Interest expenses	204,987	197,634	Proceeds from disposal of property, plant and equipment	271,099	337,445
Interest income	(22,217)	(30,590)	Decrease (Increase) in refundable deposits	29,842	(7,682)
Dividend income	(880)	(4,295)	Acquisition of intangible assets	(23,774)	(39,827)
Investment loss accounted for using the equity method	541,377	503,337	Net cash inflows from acquisition of subsidiaries	(167,009)	-
Gain on disposal of property, plant and equipment	(165,812)	(44,777)	Increase in other financial assets	(9,923)	(5,993)
Gain on disposal of investments	-	(246)	Decrease in other prepayments	2,142	2,117
Gain on disposal of investments accounted for using the equity method	(74,427)	-	Dividend received	10,940	15,755
Impairment loss of financial assets	-	14,627	Net cash used in investing activities	<u>(8,803,160)</u>	<u>(5,203,055)</u>
Unrealized foreign exchange loss	72,386	(149,392)			
Changes in operating assets and liabilities :			<b>Cash flows from financing activities :</b>		
Contract Assets	(289,427)	-	Increase in short-term loans	111,142	-
Notes receivable	(3,188)	3,594	Decrease in short-term loans	(413,652)	(13,658)
Accounts receivable	82,660	(85,819)	Borrowing in long-term loans	21,516,981	5,762,575
Accounts receivable from related parties	(96,583)	296,052	Repayments of long-term loans	(19,017,327)	(7,541,377)
Other receivables	9,337	(81,591)	Increase in guarantee deposits	449	-
Other receivables from related parties	145,199	(27,067)	Decrease in guarantee deposits	-	(74)
Inventories	(209,119)	200,665	Cash dividends	(2,198,300)	(2,108,111)
Prepayments	(282,075)	(18,940)	Interest paid	<u>(201,192)</u>	<u>(181,016)</u>
Other current assets	82,154	51,498	Net cash used in financing activities	<u>(201,899)</u>	<u>(4,081,661)</u>
Contract liabilities	85,963	-	Effect of changes in exchange rate on cash and cash equivalents	<u>(31,174)</u>	<u>(13,154)</u>
Notes payable	38,341	645	Net decrease in cash and cash equivalents	<u>(608,403)</u>	<u>(222,374)</u>
Accounts payable	(11,431)	(36,091)	Cash and cash equivalents at the beginning of the year	5,395,029	5,617,403
Accounts payable to related parties	5,155	(669)	Cash and cash equivalents at the end of the year	<u>\$4,786,626</u>	<u>\$5,395,029</u>
Other payables	(204,160)	(234,061)			
Other payables to related parties	48,768	(9,895)			
Other current liabilities	9,025	22,700			
Accrued pension liabilities	(6,842)	(4,376)			
Cash generated from operating activities	<u>9,077,696</u>	<u>9,828,235</u>			
Interest received	23,704	29,844			
Income tax paid	<u>(673,570)</u>	<u>(782,583)</u>			
Net cash provided by operating activities	<u>8,427,830</u>	<u>9,075,496</u>			

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

[Attachment 2]

**King Yuan Electronics Co., Ltd.**  
**2018 distribution of earnings table**

Units: NT\$

Item	Amount	Coupon rate
Undistributed earnings at the beginning of the period	3,425,611,695	
Less: Actuarial gains and losses from confirmed benefits	(41,787,839)	
Less: Equity instruments from the disposition of other general gains and losses assessed at fair value	(30,202,994)	
Plus: Influence of IFRS9 retrospective applicability and retrospective restatement	448,327,926	
Unallocated number at beginning of period after adjustment	3,801,948,788	
Plus: Profit after tax for year	1,795,343,626	
Less: Provision of 10% legal reserve	(179,534,363)	
Less: Provision of special reserve	(371,932,490)	
Distributable earnings	5,045,825,561	
Distribution items		
shareholders' dividends - cash	1,650,705,837	NT\$1.35 per share
Total distribution	1,650,705,837	
Undistributed surplus at end of period	3,395,119,724	

Note: 1. With regard to the Company's principles for the distribution of earnings, 2018 distributable earnings are first distributed, and if insufficient, cumulative distributable earnings from past years are distributed in last in-first out order based on the year in which the earnings were generated.

2. The coupon rate was calculated on the basis of the 1,222,745,065 share of common stock in circulation at the time of the meeting of Board of Directors.

3. The current cash dividends have been calculated to the NT dollar in accordance with the distribution ratios; amounts less than one NT dollar have been eliminated, and the sum of odd amounts less than one NT dollar has been transferred to the employee benefit committee.

4. If, due to changes in equity, this distribution case affects the number of outstanding shares, and shareholders' coupon rate must be revised for this reason, the shareholders' meeting shall be asked to fully authorize the Board of Directors to handle the case and make adjustments.

5. The Board of Directors will be authorized to handle the cash dividend record date and matters concerning the issuance of cash dividends after approval by the Annual General Meeting.

## King Yuan Electronics Co., Ltd.

Comparative table of articles of the Procedures for the Acquisition or Disposal of Assets  
before and after revision

Articles	Articles after revision	Articles before revision	Reason for revision
Article 3	<p>Scope of assets</p> <ol style="list-style-type: none"> <li>1. Investment in stocks, government bonds, corporate bonds, financial bonds, securities in a recognized fund, depository receipts, call (put) warrants, beneficiary securities, and asset backed securities.</li> <li>2. Real estate (including land, homes and buildings, investment-type real estate, and construction industry inventory) and equipment.</li> <li>3. Memberships.</li> <li>4. Intangible assets such as patent rights, copyrights, trademark rights, and concessions.</li> <li>5. User rights assets.</li> <li>6. Financial institution's creditors' rights (including receivables, bills purchased and discounted, and loans and nonperforming loans).</li> <li>7. Derivative products.</li> <li>8. Assets obtained or disposed of due to lawful merger, division, acquisition, or transfer of shares.</li> <li>9. Other important assets.</li> </ol>	<p>Scope of assets</p> <ol style="list-style-type: none"> <li>1. <del>Securities: Includes</del> investments in stocks, government bonds, corporate bonds, financial bonds, securities in a recognized fund, depository receipts, call (put) warrants, beneficiary securities, and asset backed securities.</li> <li>2. Real estate (including land, homes and buildings, investment-type real estate, <del>land use rights</del>, and construction industry inventory) and equipment.</li> <li>3. Memberships.</li> <li>4. <del>Intangible assets: Includes</del> such intangible assets as patent rights, copyrights, trademark rights, and concessions.</li> <li>5. Financial institution's creditors' rights (including receivables, bills purchased and discounted, and loans and nonperforming loans).</li> <li>6. Derivative products.</li> <li>7. Assets obtained or disposed of due to lawful merger, division, acquisition, or transfer of shares.</li> <li>8. Other important assets.</li> </ol>	Revisions in accordance with statute

Article 4	<p>Definitions</p> <p>1. Derivative products: Refers to forward contracts, option contracts, futures contracts, leveraged guarantee contracts, or swaps where the value of the product is a derivative of <u>specific interest rates, financial instrument prices, product prices, exchange rates, prices or expense rate indexes, credit ratings or credit indexes, or other variables, or combinations of the foregoing contracts, or composite contracts or structured products containing embedded derivatives.</u> As referred to here, forward contracts do not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term stocking (sales) <u>contracts.</u></p> <p>2. Assets obtained or disposed of due to lawful merger, division, acquisition, or transfer of shares: Refers to assets obtained or disposed of due to lawful merger, division, acquisition in accordance with the Business Mergers and Acquisitions Act, Financial Holding Company Act, The Financial Institutions Merger Act, or other laws, or due to the issuance of new shares and transfer of another company's shares (herein referred to as transfer of shares) in accordance with the regulations of Article 156-3 of the Company Act. (the following is omitted)</p>	<p>Definitions</p> <p>1. Derivative products: Refers to forward contracts, option contracts, futures contracts, leveraged guarantee contracts, or swaps where the value of the product is a derivative of <u>assets,</u> interest rates, exchange rate, indexes, <del>or other gains or products,</del> and <u>composite products consisting of combinations of the foregoing products.</u> As referred to here, forward contracts do not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term stocking (sales) <u>contracts.</u></p> <p>2. Assets obtained or disposed of due to lawful merger, division, acquisition, or transfer of shares: Refers to assets obtained or disposed of due to lawful merger, division, acquisition in accordance with the Business Mergers and Acquisitions Act, Financial Holding Company Act, The Financial Institutions Merger Act, or other laws, or due to the issuance of new shares and transfer of another company's shares (herein referred to as transfer of shares) in accordance with the regulations of Article 156, <del>Paragraph 8</del> of the Company Act. (the following is omitted)</p>	Revisions in accordance with statute
Article 5	<p>Limit of investments in real estate not for business purposes <u>and its right-of-use assets</u> and negotiable securities</p> <p>The limits of the foregoing assets that may be obtained individually by the Company and its subsidiaries shall be determined as follows:</p> <p>1. The total value of the Company's real estate not for business use <u>and its right-of-use assets</u> may not exceed 10% of the net value of the Company's financial statement for the most recent period; In the case of subsidiaries, the sum of such assets may not exceed 10% of the net value of the subsidiary's financial statement for the most recent period. (the following is omitted)</p>	<p>Limit of investment in real estate not for business purposes and negotiable securities</p> <p>The limits of the foregoing assets that may be obtained individually by the Company and its subsidiaries shall be determined as follows:</p> <p>1. The total value of the Company's real estate not for business use may not exceed 10% of the net value of the Company's financial statement for the most recent period; In the case of subsidiaries, the sum of such assets may not exceed 10% of the net value of the subsidiary's financial statement for the most recent period. (the following is omitted)</p>	Revisions in accordance with statute
Article 6	<p>When in accordance with <u>the prescribed</u> handling procedures or other laws or regulations, the acquisition or disposition of assets by the Company is submitted to the Board of Directors for discussion, the views of the independent directors shall be taken</p>	<p>When in accordance with <del>the prescribed</del> handling procedures or other laws or regulations, the acquisition or disposition of assets by the Company is submitted to the Board of Directors for discussion, the views of the independent directors shall be taken</p>	Revisions in accordance with statute

<p>fully into consideration; if the independent directors have dissenting opinions or qualified opinions, they should be explicitly stated in the meeting minutes of the Board of Directors.</p> <p>The Company's major asset or derivative transactions must be approved by a majority of the members of the Audit Committee, and must be submitted to the Board of Directors for a resolution.</p> <p>If, in the foregoing paragraph, a majority of Audit Committee members fail to give their consent, more than two-thirds of the directors must approve the transaction, and the Audit Committee's resolution must be explicitly stated in the meeting minutes of Board of Directors.</p> <p>The full number of Audit Committee members in Paragraph 2 and the full number of directors in the foregoing paragraph shall be calculated as the actual number of incumbent members.</p> <p>When the Company obtains an appraisal report or opinion of a CPA, attorney, or securities underwriter, the professional appraiser and its appraisal personnel, CPA, attorney, or securities underwriter shall comply with the following conditions:</p> <ol style="list-style-type: none"> <li>1. <u>Must never have received a confirmed sentence of at least one year of imprisonment due to violations of this Act, the Company Act, The Banking Act of The Republic of China, Insurance Act, Financial Holding Company Act, Business Entity Accounting Act, or due to fraud, breach of trust, embezzlement, document forgery, or criminal behavior in the course of business. However, cases in which three years have passed since completion of sentence, end of probation period, or pardon shall not be subject to this restriction.</u></li> <li>2. <u>May not be a related party to the transaction or a material related party.</u></li> <li>3. <u>If the Company obtains appraisal reports from two or more professional appraisers, the different professional appraiser or appraisal personnel may not be mutual related parties or material related parties.</u></li> </ol> <p><u>The personnel in the foregoing paragraph shall comply with the following items when asked to submit an appraisal report or opinion:</u></p>	<p>fully into consideration; if the independent directors have dissenting opinions or qualified opinions, they should be explicitly stated in the meeting minutes of the Board of Directors.</p> <p>The Company's major asset or derivative transactions must be approved by a majority of the members of the Audit Committee, and must be submitted to the Board of Directors for a resolution.</p> <p>If, in the foregoing paragraph, a majority of Audit Committee members fail to give their consent, more than two-thirds of the directors must approve the transaction, and the Audit Committee's resolution must be explicitly stated in the meeting minutes of Board of Directors.</p> <p>The full number of Audit Committee members in Paragraph 2 and the full number of directors in the foregoing paragraph shall be calculated as the actual number of incumbent members.</p> <p>When the Company obtains an appraisal report or opinion of a CPA, attorney, or securities underwriter, the professional appraiser and its appraisal personnel, CPA, attorney, or securities underwriter, and parties to the transaction may not be related parties.</p>
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	1. <u>A careful assessment of the person's professional ability, practical experience, and independence shall be made before they may accept the case.</u>		
Article 6	<p>2. <u>When there are audit cases, appropriate operating procedures should be planned and implemented in order to obtain conclusions providing a basis for a report or opinion; the data and conclusions obtained during the implementation procedures should be recorded in detail in the case working papers.</u></p> <p>3. <u>So that they may serve as a basis for the appraisal report or opinion, the integrity, correctness and reasonableness of the data sources, parameters, and information used should be individually assessed.</u></p> <p>4. <u>Declarations shall include the professionalism and independence possessed by relevant personnel, and that the already-assessed information to be used is reasonable, correct, and complies with relevant laws and regulations, etc.</u></p>		Revisions in accordance with statute
Article 7	<p>Handling procedures for the acquisition or disposition of real estate, other fixed assets, <u>or their right-of-use assets</u></p> <p>1. Assessment and operating procedures The Company's acquisition or disposition of real estate, other fixed assets, <u>or their right-of-use assets</u> shall be handled in accordance with fixed asset cycle procedures in the Company's internal control system fixed assets cycle procedures in all cases.</p> <p>2. Transaction terms and authorized amount determination procedures (1) When acquiring or disposing of real estate <u>or its right-of-use assets</u>, an analysis report referring to publicly-announced current value, appraised value, actual transaction prices of nearby real estate, etc. and the determined transaction terms and transaction</p>	<p>Handling procedures for the acquisition or disposition of real estate <del>or</del> other fixed assets</p> <p>1. Assessment and operating procedures The Company's acquisition or disposition of real estate <del>and</del> other fixed assets shall be handled in accordance with fixed asset cycle procedures in the Company's internal control system fixed assets cycle procedures in all cases.</p> <p>2. Transaction terms and authorized amount determination procedures (1) When acquiring or disposing of real estate, an analysis report referring to publicly-announced current value, appraised value, actual transaction prices of nearby real estate, etc. and the determined transaction terms and transaction prices must be submitted to the Director &amp; Chairman; when the transaction amount is less than</p>	Revisions in accordance with statute

	<p>prices must be submitted to the Director &amp; Chairman; when the transaction amount is less than NT\$300 million, the Director &amp; Chairman shall be asked to approve the transaction, which shall be reported at the first meeting of Board of Directors following the transaction; If the amount exceeds NT\$300 million, the transaction may be performed only after submission to the Board of Directors.</p> <p>(2) When acquiring or disposing of equipment <u>or its right-of-use assets</u>, either a price inquiry, price comparison, price negotiation, or bid request should be performed; when the amount does not exceed NT\$300 million, the transaction should be approved at relevant levels in accordance with authorization regulations; when the transaction amount exceeds NT\$300 million, the transaction must be submitted to and approved by the Board of Directors after approval by the President before it may be implemented.</p>	<p>NT\$300 million, the Director &amp; Chairman shall be asked to approve the transaction, which shall be reported at the first meeting of Board of Directors following the transaction; If the amount exceeds NT\$300 million, the transaction may be performed only after submission to the Board of Directors.</p> <p>(2) When acquiring or disposing of equipment, either a price inquiry, price comparison, price negotiation, or bid request should be performed; when the amount does not exceed NT\$300 million, the transaction should be approved at relevant levels in accordance with authorization regulations; when the transaction amount exceeds NT\$300 million, the transaction must be submitted to and approved by the Board of Directors after approval by the President before it may be implemented.</p> <p>However, the purchasing of equipment for the Company's business use may be performed in accordance with purchasing operating procedure regulations when within the Company's approved budget scope,</p>	
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<p>Article 7</p>	<p>However, the purchasing of equipment <u>or its right-of-use assets</u> for the Company's business use may be performed in accordance with purchasing operating procedure regulations when within the Company's approved budget scope, in which case the Director &amp; Chairman's approval shall be obtained.</p> <p>3. Implementing unit When acquiring or disposing of real estate, other fixed assets, <u>or their right-of-use assets</u>, after presentation for approval in accordance with the approval right levels in the foregoing paragraph, the using department and administrative department is bear responsibility for implementation of the transaction.</p> <p>4. Real estate, equipment, <u>or its right-of-use asset</u> appraisal report When acquiring or disposing of real estate, equipment, <u>or its right-of-use assets</u>, except in cases when the transaction is with a <u>domestic</u> government agency, performing commissioned construction on the company's own land or leased land, or acquiring or disposing of equipment for business use <u>or its right-of-use assets</u>, when the transaction amount exceeds 20% of the Company's paid-in capital or NT\$300 million, an appraisal report from a professional appraiser must be obtained prior to the transaction date, and the transaction must comply with the following:</p> <p>(1) If a restricted price, designated</p>	<p>in which case the Director &amp; Chairman's approval shall be obtained.</p> <p>3. Implementing unit When acquiring or disposing of real estate <del>or</del> other fixed assets, after presentation for approval in accordance with the approval right levels in the foregoing paragraph, the using department and administrative department is bear responsibility for implementation of the transaction.</p> <p>4. Real estate <del>or</del> equipment appraisal report When acquiring or disposing of real estate <del>or</del> equipment, except in cases when the transaction is with a government agency, performing commissioned construction on the company's own land or leased land, or acquiring or disposing of equipment for business use, when the transaction amount exceeds 20% of the Company's paid-in capital or NT\$300 million, an appraisal report from a professional appraiser must be obtained prior to the transaction date, and the transaction must comply with the following:</p> <p>(1) If a restricted price, designated price, or special price must be used as a reference basis for the transaction price for some special reason, the transaction must first be submitted to the Board of Directors for approval by resolution; the case must also be handled <del>in accordance with the foregoing procedures</del> when transaction terms <del>subsequently</del> change.</p> <p>(2) When the transaction amount exceeds NT\$1 billion, two or more professional appraisers must be</p>	<p>Revisions in accordance with statute</p>
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price, or special price must be used as a reference basis for the transaction price for some special reason, the transaction must first be submitted to the Board of Directors for approval by resolution; likewise in cases when transaction terms are subsequently changed.

- (2) When the transaction amount exceeds NT\$1 billion, two or more professional appraisers must be hired to perform appraisal.
- (3) If a professional appraiser's appraisal results have any of the following situations, except when the appraisal results for assets to be acquired are, in general, higher than the transaction amount, or the appraisal results for assets to be disposed are, in general, less than the transaction amount, a CPA must be hired to handle the case in accordance with the Regulation No. 20 of the Statements of Auditing Standards issued by the Accounting Research and Development Foundation, and submit a specific opinion concerning the reason for the difference and appropriateness of the transaction price:

hired to perform appraisal.

- (3) If a professional appraiser's appraisal results have any of the following situations, except when the appraisal results for assets to be acquired are, in general, higher than the transaction amount, or the appraisal results for assets to be disposed are, in general, less than the transaction amount, a CPA must be hired to handle the case in accordance with the Regulation No. 20 of the Statements of Auditing Standards issued by the Accounting Research and Development Foundation, and submit a specific opinion concerning the reason for the difference and appropriateness of the transaction price:
  1. The difference between appraisal results and the transaction amount exceeds 20% of the transaction amount.

<p>Article 7</p>	<p>1. The difference between appraisal results and the transaction amount exceeds 20% of the transaction amount.</p> <p>2. The difference between the appraisal results of two or more professional appraisers exceeds 10% of the transaction amount.</p> <p>(4) The interval between the date of the report submitted by a professional appraiser and the contract establishment date may not exceed three months. However, the original professional appraisers shall be asked to present an opinion if the publicly-announced current value for the same period is applicable and no more than six months have passed.</p> <p>(5) When the Company acquires or disposes of assets via court auction procedures, the court's verification documents may serve in lieu of an appraisal report or CPA's opinion.</p>	<p>2. The difference between the appraisal results of two or more professional appraisers exceeds 10% of the transaction amount.</p> <p>(4) The interval between the date of the report submitted by a professional appraiser and the contract establishment date may not exceed three months. However, the original professional appraisers shall be asked to present an opinion if the publicly-announced current value for the same period is applicable and no more than six months have passed.</p> <p>(5) When the Company acquires or disposes of assets via court auction procedures, the court's verification documents may serve in lieu of an appraisal report or CPA's opinion.</p>	<p>Revisions in accordance with statute</p>
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<p>Article 8 Paragraph 2 Subparagraph 3</p>	<p>(Deleted)</p>	<p><del>When acquiring or disposing of assets, if the transaction must be approved by the Board of Directors in accordance with specified handling procedures or other laws or regulations, if directors express any objection, and there is a record or written statement, the Company must submit the directors' objections to the supervisors. If the Company has established independent directors, when submitting planned asset acquisition or disposition transactions to the Board of Directors for discussion in accordance with regulations, the views of the independent directors shall be taken fully into consideration; if the independent directors have dissenting opinions or qualified opinions, they should be explicitly stated in the meeting minutes of the Board of Directors.</del></p>	<p>Revisions in accordance with statute</p>
<p>Article 9 Paragraph 2</p>	<p>Assessment and operating procedures When the Company acquires or disposes of real estate <u>or its right-of-use assets</u> from or to a related party, or acquires or disposes of assets apart from real estate <u>or its right-of-use assets</u> from or to a related party, and the transaction amount exceeds 20% of the Company's paid-in capital, 10% of total assets, or NT\$300 million, apart from the purchase or sale of <u>domestic government bonds</u>, bonds with put/call options, subscription or redemption of currency market funds issued by a domestic securities investment trust enterprise, the following information must be submitted to and approved by the Audit Committee and Board of Directors before the transaction contract may be signed or the payment made: (1) Purpose, necessity, and expected benefit of the acquisition or disposition of assets. (2) The reason a related party has been chosen as the transaction counterparty. (3) When obtaining real estate <u>or its right-of-use assets</u> from a related party, information concerning the reasonableness of the proposed transaction terms must be assessed in accordance with subparagraphs (1) and</p>	<p>Assessment and operating procedures When the Company acquires or disposes of real estate from or to a related party, or acquires or disposes of assets apart from real estate from or to a related party, and the transaction amount exceeds 20% of the Company's paid-in capital, 10% of total assets, or NT\$300 million, apart from the purchase or sale of government bonds, bonds with put/call options, subscription or redemption of currency market funds issued by a domestic securities investment trust enterprise, the following information must be submitted to and approved by the Audit Committee and Board of Directors before the transaction contract may be signed or the payment made: (1) Purpose, necessity, and expected benefit of the acquisition or disposition of assets. (2) The reason a related party has been chosen as the transaction counterparty. (3) When obtaining real estate from a related party, information concerning the reasonableness of the proposed transaction terms must be assessed in accordance with subparagraphs (1) and (4) of Paragraph 3 of this Article. (4) Matters including the original price and</p>	<p>Revisions in accordance with statute</p>

	<p>(4) of Paragraph 3 of this Article.</p> <p>(4) Matters including the original price and date of acquisition by the related party, transaction counterparty, and the relationship between the Company and the related party.</p> <p>(5) Calculation of an expected cash receipt and disbursement table for each month during the one-year period after the month of contract establishment, and assessment of the necessity of the transaction and reasonableness of funds utilization.</p> <p>(6) An appraisal report obtained from a professional appraiser or a CPA's opinion obtained as specified in the foregoing paragraph.</p> <p>(7) Restrictive conditions on the transaction and other important specified matters.</p>	<p>date of acquisition by the related party, transaction counterparty, and the relationship between the Company and the related party.</p> <p>(5) Calculation of an expected cash receipt and disbursement table for each month during the one-year period after the month of contract establishment, and assessment of the necessity of the transaction and reasonableness of funds utilization.</p> <p>(6) An appraisal report obtained from a professional appraiser or a CPA's opinion obtained as specified in the foregoing paragraph.</p> <p>(7) Restrictive conditions on the transaction and other important specified matters.</p> <p><del>If the Company has established independent directors, when the transaction is submitted to the Board of Directors for discussion as specified in the foregoing subparagraph, the views of the independent directors shall be taken fully into consideration; if the independent directors have dissenting opinions or qualified opinions, they should be explicitly stated in the meeting minutes of the of the Board of Directors.</del></p>	
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<p>Article 9 Paragraph 3</p>	<p>Transaction cost reasonableness assessment</p> <p>(1) When the Company acquires real estate <u>or its right-of-use assets</u> from a related party, the reasonableness of the transaction cost must be assessed using the following method:</p> <ol style="list-style-type: none"> <li>1. According to the related party's transaction price plus interest on necessary funds and other costs that must be borne by the buyer in accordance with law. The interest on necessary funds shall be estimated on the basis of the average weighted interest rate of loans during the year for the purchase of assets by the company; however, this interest rate may not exceed the maximum loan interest rate for non-financial enterprises announced by the Ministry of Finance.</li> <li>2. If the related party had previously mortgaged the transaction target for a loan from a financial institution, the total loan assessment price of the target made by the financial institution; however, the financial institution's actual cumulative loan price for the target must have been at least 70% of the total assessed loan price, and the loan period must have been at least one year. However, this rule shall not be applicable when either the financial institution or a transaction party is a related party.</li> </ol> <p>(2) When making the combined purchase <u>or lease</u> of land and buildings, the transaction cost of land and buildings may be assessed separately using any of the methods listed in the foregoing paragraph.</p>	<p>Transaction cost reasonableness assessment</p> <p>(1) When the Company acquires real estate from a related party, the reasonableness of the transaction cost must be assessed using the following method:</p> <ol style="list-style-type: none"> <li>1. According to the related party's transaction price plus interest on necessary funds and other costs that must be borne by the buyer in accordance with law. The interest on necessary funds shall be estimated on the basis of the average weighted interest rate of loans during the year for the purchase of assets by the company; however, this interest rate may not exceed the maximum loan interest rate for non-financial enterprises announced by the Ministry of Finance.</li> <li>2. If the related party had previously mortgaged the transaction target for a loan from a financial institution, the total loan assessment price of the target made by the financial institution; however, the financial institution's actual cumulative loan price for the target must have been at least 70% of the total assessed loan price, and the loan period must have been at least one year. However, this rule shall not be applicable when either the financial institution or a transaction party is a related party.</li> </ol> <p>(2) When making the combined purchase of land and buildings, the transaction cost of land and buildings may be assessed separately using any of the methods listed in the foregoing paragraph.</p>	<p>Revisions in accordance with statute</p>
<p>Article 9 Paragraph 3</p>	<p>(3) When the Company acquires real estate <u>or its right-of-use assets</u> from a related party, the real estate <u>or its right-of-use assets</u> cost shall be assessed in accordance with Subparagraphs (1) and (2) of Paragraph 3 of this Article, and a CPA must be hired to review the case and submit a specific opinion.</p> <p>(4) When the Company acquires real estate <u>or its right-of-use assets</u> from a related party, and the results of assessment in accordance with Subparagraphs (1) and (2) of Paragraph 3 of this Article are</p>	<p>(3) When the Company acquires real estate from a related party, the real estate cost shall be assessed in accordance with Subparagraphs (1) and (2) of Paragraph 3 of this Article, and a CPA must be hired to review the case and submit a specific opinion.</p> <p>(4) When the Company acquires real estate from a related party, and the results of assessment in accordance with Subparagraphs (1) and (2) of Paragraph 3 of this Article are uniformly lower than the transaction price, the case shall be handled in accordance with</p>	<p>Revisions in accordance with statute</p>

Article 9  
Paragraph 3

uniformly lower than the transaction price, the case shall be handled in accordance with Paragraph 3, Subparagraph (5) of this Article. However, when the following circumstances exist, objective evidence has been submitted, and a specific, fair opinion has been obtained from a professional real estate appraiser and CPA, the case shall not be subject to this restriction:

1. The related party performed construction after acquiring bare land or leasing land, and the evidence obtained meets one of the following conditions:

(1) The bare land was assessed using a method specified in the foregoing article, the buildings were assessed as the related party's construction costs plus a reasonable construction profit, and the total price exceeds the actual transaction price. Reasonable construction profit here refers to the lower of the average construction gross profit ratio of the related party's construction department during the most recent three years, or the construction industry gross profit ratio during the most recent period announced by the Ministry of Finance.

(2) Other transaction cases with unrelated parties involving other floors of the same target building or in nearby areas during the past year when the area is similar and transaction terms are similar after assessment of the price differential with a reasonable floor or area conducted in accordance with real estate transaction practice.

2. The Company has presented evidence that the terms and area are similar to those of a transaction case involving real estate in a nearby area with an unrelated party during the most recent one-year period when purchasing real estate or leasing then acquiring real estate right-of-use assets from a related party. A transaction case in a nearby area here shall generally referred to a real estate transaction within the

Paragraph 3, Subparagraph (5) of this Article. However, when the following circumstances exist, objective evidence has been submitted, and a specific, fair opinion has been obtained from a professional real estate appraiser and CPA, the case shall not be subject to this restriction:

1. The related party performed construction after acquiring bare land or leasing land, and the evidence obtained meets one of the following conditions:

(1) The bare land was assessed using a method specified in the foregoing article, the buildings were assessed as the related party's construction costs plus a reasonable construction profit, and the total price exceeds the actual transaction price. Reasonable construction profit here refers to the lower of the average construction gross profit ratio of the related party's construction department during the most recent three years, or the construction industry gross profit ratio during the most recent period announced by the Ministry of Finance.

(2) Other transaction cases with unrelated parties involving other floors of the same target building or in nearby areas during the past year when the area is similar and transaction terms are similar after assessment of the price differential with a reasonable floor or area conducted in accordance with real estate transaction practice.

~~(3) The transaction terms for another floor of the target real estate in a leasing case with another unrelated party during the most recent one-year period are judged to be similar in view of a reasonable floor price differential according to real estate leasing practice.~~

2. The Company has presented evidence that the terms and area are similar to those of a ~~transaction~~ case involving real estate in a nearby area

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	<p>contiguous block or within a radius of less than 500m from the transaction target, or when the publicly-announced current value is similar; Similar area here generally refers to the area of a <u>transaction</u> case with an unrelated party that is no less than 50% of the transaction target's area; During the most recent one-year period here shall be based on the prior one-year period calculated from the date on which the acquisition of the real estate <u>or its right-of-use assets</u> actually occurred.</p>	<p>with an unrelated party during the most recent one-year period when purchasing real estate from a related party. A <del>transaction</del> case in a nearby area here shall generally referred to a real estate transaction within the contiguous block or within a radius of less than 500m from the transaction target, or when the publicly-announced current value is similar; Similar area here generally refers to the area of a <del>transaction</del> case with an unrelated party that is no less than 50% of the transaction target's area; During the most recent one-year period here shall be based on the prior one-year period calculated from the date on which the acquisition of the real estate actually occurred.</p>	
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<p>Article 9 Paragraph 3</p>	<p>(5) When the Company acquires real estate <u>or its right-of-use assets</u> from a related party, and the results of assessment in accordance with Subparagraphs (1) and (2) of Paragraph 3 of this Article are uniformly lower than the transaction price, the following matters shall be performed. When this Company and public companies whose investments in this Company are assessed using the equity method set aside a special reserve in accordance with the foregoing regulations, the special reserve may be used only after price decrease losses on assets that have been purchased <u>or leased</u> for high prices have been recognized, or such assets have been disposed of, <u>or the lease contract has been terminated</u>, or appropriate compensation or restoration to their original condition has been performed, or other evidence confirms that no unreasonable assumptions have been made, and the Financial Supervisory Commission's consent has been obtained.</p> <ol style="list-style-type: none"> <li>1. The Company shall in accordance with Article 41, Paragraph 1 of the Securities and Exchange Act set aside a special reserve based on the difference between the transaction price and assessed cost of real estate <u>or its right-of-use assets</u>, and may not use this reserve for distribution or capitalization of stock dividends. If investors whose investments in the Company are assessed using the equity method are public companies, they must also set aside a special reserve in proportion to their shareholdings in accordance with Article 41, Paragraph 1 of the Securities and Exchange Act.</li> <li>2. The independent directors who are members of the Audit Committee shall handle such cases in accordance with Article 218 of the Company Act and Article 14-4, Paragraph 4 of the Securities and Exchange Act.</li> <li>3. The state of matters handled in accordance with Paragraph 3, subparagraph (5), points 1 and 2 of this article shall be reported to the shareholder's meeting, and detailed transaction content shall be disclosed in the annual report and prospectus.</li> </ol> <p>(6) When the Company acquires real estate <u>or its right-of-use assets</u> from a related party, when any one of the following</p>	<p>(5) When the Company acquires real estate from a related party, and the results of assessment in accordance with Subparagraphs (1) and (2) of Paragraph 3 of this Article are uniformly lower than the transaction price, the following matters shall be performed. When this Company and public companies whose investments in this Company are assessed using the equity method set aside a special reserve in accordance with the foregoing regulations, the special reserve may be used only after price decrease losses on assets that have been purchased for high prices have been recognized, or such assets have been disposed of, or appropriate compensation or restoration to their original condition has been performed, or other evidence confirms that no unreasonable assumptions have been made, and the Financial Supervisory Commission's consent has been obtained.</p> <ol style="list-style-type: none"> <li>1. The Company shall in accordance with Article 41, Paragraph 1 of the Securities and Exchange Act set aside a special reserve based on the difference between the transaction price and assessed cost of real estate, and may not use this reserve for distribution or capitalization of stock dividends. If investors whose investments in the Company are assessed using the equity method are public companies, they must also set aside a special reserve in proportion to their shareholdings in accordance with Article 41, Paragraph 1 of the Securities and Exchange Act.</li> <li>2. The independent directors who are members of the Audit Committee shall handle such cases in accordance with Article 218 of the Company Act and Article 14-4, Paragraph 4 of the Securities and Exchange Act.</li> <li>3. The state of matters handled in accordance with Paragraph 3, subparagraph (5), points 1 and 2 of this article shall be reported to the shareholder's meeting, and detailed transaction content shall be disclosed in the annual report and prospectus.</li> </ol> <p>(6) When the Company acquires real estate from a related party, when any one of the following situations applies, the Company may simply handle the case in accordance with the assessment and operating procedure regulations in</p>	<p>Revisions in accordance with statute</p>
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	<p>situations applies, the Company may simply handle the case in accordance with the assessment and operating procedure regulations in paragraphs 1 and 2 of this Article, and transaction cost reasonableness assessment in Paragraph 3, subparagraphs (1), (2), and (3) of this Article shall not be applicable:</p> <ol style="list-style-type: none"> <li>1. The related party has acquired real estate <u>or its right-of-use assets</u> by inheritance or donation.</li> <li>2. Five years have passed between the time of the related party's contract signing and acquisition of real estate <u>or its right-of-use assets</u> and the contract signing date for the current transaction.</li> <li>3. The company has signed a joint construction contract with a related party, or has acquired real estate by hiring a related party to construct real estate via contracted construction on the Company's own land or leased land.</li> <li>4. <u>The Company acquires real estate right-of-use assets for business use from a subsidiary, or a subsidiary in which a subsidiary directly or indirectly holds 100% of total issued shares or capital.</u></li> </ol> <p>(7) When the Company acquires real estate <u>or its right-of-use assets</u> from a related party, if other evidence indicates that the transaction is inconsistent with routine operating requirements, the case shall also be handled in accordance with Paragraph 3, Subparagraph (5) of this Article.</p>	<p>paragraphs 1 and 2 of this Article, and transaction cost reasonableness assessment in Paragraph 3, subparagraphs (1), (2), and (3) of this Article shall not be applicable:</p> <ol style="list-style-type: none"> <li>1. The related party has acquired real estate by inheritance or donation.</li> <li>2. Five years have passed between the time of the related party's contract signing and acquisition of real estate and the contract signing date for the current transaction.</li> <li>3. The company has signed a joint construction contract with a related party, or has acquired real estate by hiring a related party to construct real estate via contracted construction on the Company's own land or leased land.</li> </ol> <p>(7) When the Company acquires real estate from a related party, if other evidence indicates that the transaction is inconsistent with routine operating requirements, the case shall also be handled in accordance with Paragraph 3, Subparagraph (5) of this Article.</p>	
<p>Article 9 Paragraph 4</p>	<p>The Company engages in any of the following transactions with a subsidiary, <u>or a subsidiary in which a subsidiary directly or indirectly holds 100% of total issued shares or capital</u>, the Board of Directors may authorize the Director &amp; Chairman to decide</p>	<p>When the Company's acquires or disposes of equipment for business use from or to a subsidiary, the Board of Directors shall authorize the Director &amp; Chairman to decide and act on the matter when the transaction is <del>within a certain amount</del>, and report the</p>	<p>Revisions in accordance with statute</p>

	<p>and act on the matter when the transaction is <u>less than NT\$500 million</u>, and report the transaction to the next meeting of Board of Directors for retroactive acknowledgment;</p> <p>(1) <u>Acquisition or disposition of equipment for business use or its right-of-use assets.</u></p> <p>(2) <u>Acquisition or disposition of real estate right-of-use assets for business use.</u></p>	<p>transaction to the next meeting of Board of Directors for retroactive acknowledgment.</p>	
<p>Article 10</p>	<p>Procedures for the acquisition or disposition of <u>intangible assets or their right-of-use assets or memberships</u></p> <p>1. Assessment and operating procedures When acquiring or disposing of <u>intangible assets or their right-of-use assets or memberships</u> shall be handled in accordance with fixed asset cycle procedures in the Company's internal control system fixed assets cycle procedures in all cases.</p> <p>2. Transaction terms and authorized amount determination procedures</p> <p>(1) When acquiring or disposing of memberships, transaction terms and transaction prices shall be determined in reference to fair market prices, and an analytical report must be submitted to the President; when the transaction amount is less than 1% of paid-in capital or NT\$5 million, the President's approval must be obtained and the case subsequently submitted to the next meeting of the Board of Directors for acknowledgment; when the transaction amount exceeds NT\$5 million, the approval of the Board of Directors must be obtained before the transaction may be made.</p> <p>(2) When acquiring or disposing of <u>intangible assets or their right-of-use assets</u>, transaction terms and transaction prices shall be determined in reference to experts' assessment reports or fair market prices, and an analytical report containing this information</p>	<p>Procedures for acquisition or disposition of <del>memberships or</del> intangible assets</p> <p>1. Assessment and operating procedures When acquiring or disposing of <del>memberships</del> or intangible assets shall be handled in accordance with fixed asset cycle procedures in the Company's internal control system fixed assets cycle procedures in all cases.</p> <p>2. Transaction terms and authorized amount determination procedures</p> <p>(1) When acquiring or disposing of memberships, transaction terms and transaction prices shall be determined in reference to fair market prices, and an analytical report must be submitted to the President; when the transaction amount is less than 1% of paid-in capital or NT\$5 million, the President's approval must be obtained and the case subsequently submitted to the next meeting of the Board of Directors for acknowledgment; when the transaction amount exceeds NT\$5 million, the approval of the Board of Directors must be obtained before the transaction may be made.</p> <p>(2) When acquiring or disposing of intangible assets, transaction terms and transaction prices shall be determined in reference to experts' assessment reports or fair market prices, and an analytical report containing this information must be submitted to the Director &amp; Chairman; when the transaction amount is less than 10% of paid-in</p>	<p>Revisions in accordance with statute</p>

	<p>must be submitted to the Director &amp; Chairman; when the transaction amount is less than 10% of paid-in capital or NT\$50 million, the Director &amp; Chairman's approval must be obtained and the case subsequently submitted to the next meeting of the Board of Directors for acknowledgment; When the transaction amount exceeds NT\$50 million, the approval of the Board of Directors must be obtained before the transaction may be made.</p> <p>3. Implementing unit When acquiring or disposing of intangible assets <u>or their right-of-use assets or memberships</u>, the case must be submitted for approval in accordance with the decision-making authority levels in the foregoing paragraph, and the using department and financial or administrative department shall bear responsibility for implementation.</p>	<p>capital or NT\$50 million, the Director &amp; Chairman's approval must be obtained and the case subsequently submitted to the next meeting of the Board of Directors for acknowledgment; When the transaction amount exceeds NT\$50 million, the approval of the Board of Directors must be obtained before the transaction may be made.</p> <p>3. Implementing unit When acquiring or disposing of <del>memberships</del> or intangible assets, the case must be submitted for approval in accordance with the decision-making authority levels in the foregoing paragraph, and the using department and financial or administrative department shall bear responsibility for implementation.</p>	
<p>Article 10</p>	<p>4. Expert assessment opinion reports for intangible assets <u>or their right-of-use assets or memberships</u></p> <p>(1) When acquiring or disposing of memberships, an expert shall be hired to provide an appraisal report when the transaction amount is at least 1% of paid-in capital or NT\$5 million.</p> <p>(2) When acquiring or disposing of intangible assets <u>or their right-of-use assets</u>, an expert shall be hired to submit an appraisal report when the transaction amount is at least 10% of paid-in capital or NT\$50 million.</p> <p>(3) When acquiring or disposing of intangible assets <u>or their right-of-use assets or memberships</u>, and the transaction amount is at least 20% of the Company's paid-in capital or NT\$300 million, apart from transactions involving <u>domestic</u> government agencies, a CPA must be hired prior to the completion of</p>	<p>4. Expert assessment opinion reports for <del>memberships</del> or intangible assets</p> <p>(1) When acquiring or disposing of memberships, an expert shall be hired to provide an appraisal report when the transaction amount is at least 1% of paid-in capital or NT\$5 million.</p> <p>(2) When acquiring or disposing of intangible assets, an expert shall be hired to submit an appraisal report when the transaction amount is at least 10% of paid-in capital or NT\$50 million.</p> <p>(3) When acquiring or disposing of <del>memberships</del> or intangible assets, and the transaction amount is at least 20% of the Company's paid-in capital or NT\$300 million, apart from transactions involving government agencies, a CPA must be hired prior to the completion of the transaction to assess the reasonableness of the transaction price, and the CPA must handle the matter in accordance with</p>	<p>Revisions in accordance with statute</p>

	<p>the transaction to assess the reasonableness of the transaction price, and the CPA must handle the matter in accordance with Regulation No. 20 of the Statements of Auditing Standards issued by the Accounting Research and Development Foundation.</p>	<p>Regulation No. 20 of the Statements of Auditing Standards issued by the Accounting Research and Development Foundation.</p>	
<p>Article 12 Paragraph 1 Subparagraph 1</p>	<p>Transaction type</p> <p>1. The derivative financial products that may be handled by the Company refer to forward contracts, option contracts, futures contracts, leveraged guarantee contracts, or swaps where the value of the product is a derivative of <u>specific interest rates, financial instrument prices, product prices, exchange rates, price or expense rate indexes, credit ratings or credit indexes, or other variables, or combinations of the foregoing contracts, or composite contracts or structured products containing embedded derivatives. As referred to here, forward contracts do not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term stocking (sales) contracts.</u></p> <p>2. Matters connected with bond guarantee transactions shall be handled in accordance with the relevant requirements of these handling procedures. Bond with repurchase options shall not be subject to the requirements of these handling procedures.</p>	<p>Transaction type</p> <p>1. The derivative financial products that may be handled by the Company include <del>transaction</del> contracts whose value is derived from <del>assets</del>, interest rates, exchange rates, indexes, and <del>other gains or products</del>—(and may include forward contracts, options, futures, interest rates or exchange rates, swaps, <del>and composite contracts composed of the foregoing products, etc.</del>).</p> <p>2. Matters connected with bond guarantee transactions shall be handled in accordance with the relevant requirements of these handling procedures. Bond with repurchase options shall not be subject to the requirements of these handling procedures.</p>	<p>Revisions in accordance with statute</p>

<p>Article 12 Paragraph 2 Subparagraph 5</p>	<p>Operational risk management</p> <ol style="list-style-type: none"> <li>1. To avoid operational risk, transactions must faithfully comply with the Company's authorized amounts and operating procedures, and must be included in internal audits.</li> <li>2. The same personnel may not concurrently engage in derivative transactions and perform confirmation and settlement tasks.</li> <li>3. Personnel performing risk assessment, supervision, and control shall be in a different department than the personnel in the foregoing subparagraph, and shall report to the Board of Directors or upper management personnel who are not responsible for transaction or position decisions.</li> <li>4. The position held due to derivative transactions shall be assessed at least once each week; however, hedging derivative transactions required for business reasons shall be assessed at least twice each month; relevant assessment reports shall be sent to upper management personnel authorized by the Board of Directors.</li> </ol>	<p>Operational risk management</p> <ol style="list-style-type: none"> <li>1. To avoid operational risk, transactions must faithfully comply with the Company's authorized amounts and operating procedures, and must be included in internal audits.</li> <li>2. The same personnel may not concurrently engage in derivative transactions and perform confirmation and settlement tasks.</li> <li>3. Personnel performing risk assessment, supervision, and control shall be in a different department than the personnel in the foregoing subparagraph, and shall report to the Board of Directors or upper management personnel who are not responsible for transaction or position decisions.</li> <li>4. The position held due to derivative transactions shall be assessed at least once each week; however, hedging derivative transactions required for business reasons shall be assessed at least twice each month; relevant assessment reports shall be sent to upper management personnel authorized by the Board of Directors.</li> </ol>	<p>Revisions in accordance with statute</p>
<p>Article 12 Paragraph 4</p>	<p>Regular assessment methods</p> <ol style="list-style-type: none"> <li>(1) The Board of Directors shall authorize upper management personnel to regularly supervise and assess whether derivative transactions have been handled faithfully in accordance with the Company's <u>prescribed</u> transaction procedures, and whether the assumed risk is within a tolerable scope; if market value assessment reports contain any abnormalities (such as when a position has already exceeded the upper limit of losses), a report must be made to the Board of Directors, and response measures taken.</li> <li>(2) The position held due to derivative transactions shall be assessed at least once each week; however, hedging derivative transactions required for business reasons shall be assessed at least twice each month; relevant assessment reports shall be sent to upper management personnel authorized by the Board of Directors.</li> </ol>	<p>Regular assessment methods</p> <ol style="list-style-type: none"> <li>(1) The Board of Directors shall authorize upper management personnel to regularly supervise and assess whether derivative transactions have been handled faithfully in accordance with the Company's <del>prescribed</del> transaction procedures, and whether the assumed risk is within a tolerable scope; if market value assessment reports contain any abnormalities (such as when a position has already exceeded the upper limit of losses), a report must be made to the Board of Directors, and response measures taken.</li> <li>(2) The position held due to derivative transactions shall be assessed at least once each week; however, hedging derivative transactions required for business reasons shall be assessed at least twice each month; relevant assessment reports shall be—sent to upper management personnel authorized by the Board of Directors.</li> </ol>	<p>Revisions in accordance with statute</p>

<p>Article 12 Paragraph 5</p>	<p>Principles of supervision and management by the Board of Directors when engaging in derivative transactions</p> <p>(1) The Board of Directors shall designate upper management personnel to regularly monitor derivative transaction risks supervision and control employing the following management principles:</p> <ol style="list-style-type: none"> <li>1. Regular assessment of whether current management measures are appropriate and are faithfully implemented in accordance with this guidelines and the Company's procedures for engaging in derivative transactions.</li> <li>2. If any abnormal items are discovered when supervising trading and gains/losses, necessary response measures should be adopted, and the case promptly reported to the Board of Directors; independent directors shall be present at relevant discussions of Board of Directors, and their opinions noted.</li> </ol> <p>(2) Regular assessment of whether derivative trading performance complies with existing business strategies and whether assumed risk is within the Company's permissible scope.</p> <p>(3) Relevant personnel shall be authorized in accordance with the procedures for engaging in derivative transactions to perform derivative transactions, and the results of completed transactions shall be reported to the next meeting of Board of Directors.</p> <p>(4) When the Company engages in derivative transactions, a memorandum book shall be established to record the types of derivative transactions, amounts involved, Board of Directors approval dates, and the items that must be assessed in accordance with Paragraph 4, Subparagraph (2) and Paragraph 5, subparagraphs (1) and (2) of this Article for future reference.</p>	<p>Principles of supervision and management by the Board of Directors when engaging in derivative transactions</p> <p>(1) The Board of Directors shall designate upper management personnel to regularly monitor derivative transaction risks supervision and control employing the following management principles:</p> <ol style="list-style-type: none"> <li>1. Regular assessment of whether current management measures are appropriate and are faithfully implemented in accordance with this guidelines and the Company's procedures for engaging in derivative transactions.</li> <li>2. If any abnormal items are discovered when supervising trading and gains/losses, necessary response measures should be adopted, and the case promptly reported to the Board of Directors; <del>if the company has established independent directors,</del> independent directors shall be present at relevant discussions of Board of Directors, and their opinions noted.</li> </ol> <p>(2) Regular assessment of whether derivative trading performance complies with existing business strategies and whether assumed risk is within the Company's permissible scope.</p> <p>(3) Relevant personnel shall be authorized in accordance with the procedures for engaging in derivative transactions to perform derivative transactions, and the results of completed transactions shall be reported to the next meeting of Board of Directors.</p> <p>(4) When the Company engages in derivative transactions, a memorandum book shall be established to record the types of derivative transactions, amounts involved, Board of Directors approval dates, and the items that must be assessed in accordance with Paragraph 4, Subparagraph (2) and Paragraph 5, subparagraphs (1) and (2) of this Article for future reference.</p>	<p>Revisions in accordance with statute</p>
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<p>Article 14 Paragraph 1</p>	<p>Items to be reported and reporting standards</p> <p>(1) The acquisition or disposition of real estate <u>or its right-of-use assets</u> from or to a related party, or the acquisition or disposition of other assets apart from real estate <u>or its right-of-use assets</u> from or to a related party when the transaction amount constitutes at least 20% of the Company's paid-in capital, 10% of total assets, or NT\$300 million. However, this restriction shall not apply to transactions involving <u>domestic</u> government bonds, bonds with put/call options, or the subscription or redemption of currency market funds issued by a domestic securities investment trust enterprise.</p> <p>(2) Engaging in mergers, divisions, acquisitions, or transfer of shares.</p> <p>(3) Derivative transaction losses reaching the overall upper loss limit or individual contract upper loss limit specified in handling procedures.</p> <p>(4) Acquisition or disposition of equipment for business use <u>or its right-of-use assets</u>, and the transaction counterparty is not a related party, but the transaction amount exceeds NT\$1 billion.</p>	<p>Items to be reported and reporting standards</p> <p>(1) When acquiring or disposing of real estate from or to a related party, or acquiring or disposing of other assets apart from real estate from or to a related party when the transaction amount is at least 20% of the Company's paid-in capital, 10% of total assets, or NT\$300 million. However, this restriction shall not apply to transactions involving government bonds, bonds with put/call options, or the subscription or redemption of currency market funds issued by a domestic securities investment trust enterprise.</p> <p>(2) Engaging in mergers, divisions, acquisitions, or transfer of shares.</p> <p>(3) Derivative transaction losses reaching the overall upper loss limit or individual contract upper loss limit specified in handling procedures.</p> <p>(4) Acquired or disposed <del>assets constitute</del> equipment for business use, and the transaction counterparty is not a related party, but the transaction amount exceeds NT\$1 billion.</p>	<p>Revisions in accordance with statute</p>
<p>Article 14 Paragraph 1</p>	<p>(5) When real estate is acquired via commissioned construction on self-owned or leased land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, <u>the transaction counterparty is not a related party</u>, and the Company expects the transaction amount to reach at least NT\$500 million.</p> <p>(6) Apart from the asset transactions in the five foregoing subparagraphs and investments in the mainland China area, transactions reaching at least 20% of the Company's paid-in capital or NT\$300 million. However, the following situations shall not be subject to this restriction:</p> <ol style="list-style-type: none"> <li>1. Purchase or sale of <u>domestic</u> government bonds.</li> <li>2. Transactions involving bonds with put/call options, subscription or redemption of currency market funds issued by a domestic</li> </ol>	<p>(5) When real estate is acquired via commissioned construction on self-owned or leased land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the Company expects the transaction amount to reach at least NT\$500 million.</p> <p>(6) Apart from the asset transactions in the five foregoing subparagraphs and investments in the mainland China area, transactions reaching at least 20% of the Company's paid-in capital or NT\$300 million. However, the following situations shall not be subject to this restriction:</p> <ol style="list-style-type: none"> <li>1. Purchase and sale of government bonds.</li> <li>2. Transactions involving bonds with put/call options, subscription or redemption of currency market funds issued by a domestic securities investment trust</li> </ol>	<p>Revisions in accordance with statute</p>

	<p>securities investment trust enterprise.</p> <p>(7) The transaction amounts in the various foregoing subparagraphs shall be calculated using the following methods, where within one year shall constitute the one-year period prior to the date upon which the transaction was completed as a base date, and the portion already announced in accordance with regulations shall not be re-added.</p> <ol style="list-style-type: none"> <li>1. Amount of each transaction.</li> <li>2. Cumulative amount of acquisition or disposition transactions involving targets of a similar nature with the same counterparty during a one-year period.</li> <li>3. Cumulative amount of acquisition or disposition transactions (separate cumulative totals of acquisitions and dispositions) involving real estate or <u>its right-of-use assets</u> in the same development project during a one-year period.</li> <li>4. Cumulative amount of acquisition or disposition transactions (separate cumulative totals of acquisitions and dispositions) involving the same negotiable security during a one-year period.</li> </ol> <p>(8) The calculation of transaction amounts in articles 7, 8, and 10 shall be performed as specified in Subparagraph 7. Those amounts that are the subject of a CPA's opinion or an appraisal report when a professional appraiser has been engaged in accordance with these handling procedures shall not be included. Furthermore, the calculation of transaction amounts in Article 9 shall also be performed as specified in Subparagraph 7. Those amounts that have been submitted to and approved by the Audit Committee and the Board of Directors shall not be included.</p>	<p>enterprise.</p> <p>(7) The transaction amounts in the various foregoing subparagraphs shall be calculated using the following methods, where within one year shall constitute the one-year period prior to the date upon which the transaction was completed as a base date, and the portion already announced in accordance with regulations shall not be re-added.</p> <ol style="list-style-type: none"> <li>1. Amount of each transaction.</li> <li>2. Cumulative amount of acquisition or disposition transactions involving targets of a similar nature with the same counterparty during a one-year period.</li> <li>3. Cumulative amount of acquisition or disposition transactions (separate cumulative totals of acquisitions and dispositions) involving real estate in the same development project during a one-year period.</li> <li>4. Cumulative amount of acquisition or disposition transactions (separate cumulative totals of acquisitions and dispositions) involving the same negotiable security during a one-year period.</li> </ol> <p>(8) The calculation of transaction amounts in articles 7, 8, and 10 shall be performed as specified in Subparagraph 7. Those amounts that are the subject of a CPA's opinion or an appraisal report when a professional appraiser has been engaged in accordance with these handling procedures shall not be included. Furthermore, the calculation of transaction amounts in Article 9 shall also be performed as specified in Subparagraph 7. Those amounts that have been submitted to and approved by the Audit Committee and the Board of Directors shall not be included.</p>	
<p>Article 15 Paragraph 4</p>	<p>The Company's subsidiaries shall implement in accordance with the following regulations: (Paragraphs 1-3 have been omitted)</p> <p>4. This Company's paid-in capital or total</p>	<p>The Company's subsidiaries shall implement in accordance with the following regulations: (Paragraphs 1-3 have been omitted)</p> <p>4. In subsidiaries' reporting standards,</p>	<p>Revisions in accordance with statute</p>

	<p>assets should be prevailed <u>when subsidiaries'</u> <u>reporting standards contain regulations</u> <u>related to paid-in capital or total assets.</u></p>	<p>references to "<del>at least 20% of the</del> <del>Company's</del> paid-in capital" and "<del>10% of</del> total assets" shall refer to this Company's paid-in capital and total assets.</p>	
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