

King Yuan Electronics Co., Ltd.

2020 Annual General Meeting Minutes

Time: Wednesday, June 10, 2020 9:00 a.m.

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

Attendants: Shareholdings of all shareholders and proxies are 1,077,159,832 in total which was 88.09 % in 1,222,745,065 outstanding shares.

Chairperson: Director & Chairman Chin-Kung Lee

Present Directors: Chin-Kung Lee, Chi-Chun Hsieh, An-Hsuan Liu, Kao-Yu Liu, Kuan-Hua Chen, Hsien-Tsun Yang, Hui-Chun Hsu, and Dar-Yeh Hwang

Minute Recorder: Neil Chung

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

II. Chairperson Remarks (omitted)

III. Reporting Items

1. The Company's 2019 Business Overview.

Acknowledged

2. The Audit Committee's review of the Company's 2019 Final Report.

Acknowledged

3. The Company's 2019 Distribution of Employee and Director Remuneration.

Acknowledged

4. The Company's 2019 Endorsements/Guarantees.

Acknowledged

5. Amendments to the Company's "Rules of Procedure for Board of Directors Meetings."

Acknowledged

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

Acknowledged

IV. Ratification Items

1. The Company's 2019 Business Report and Financial Statement.

Description:

- (1) The Company's 2019 Business Report and Financial Statement have been resolved on the 20th Meeting of the 13th Session of the Board and were audited by the Audit Committee with an issued audit report.
- (2) Please refer to Attachment 1 concerning the business report, Audit Committee's audit report, and financial statement in the foregoing paragraph.

Resolution:

1,077,145,832 shares were represented at time of voting (799,291,625 shares were voted by electrically); 959,976,484 shares voted in favor of this proposal (682,894,697 shares were voted by electrically), and it was accounted for 89.12% of the total voting rights; 33,481 shares were voted against this proposal (33,481 shares were voted by electrically), and it was accounted for 0.00% of the total voting rights; there was no invalid voting right; 117,135,867 shares were voted abstained for this proposal (116,363,447 shares were voted by electrically), and it was accounted for 10.87% of the total voting rights. This proposal was approved finally.

2. The Company's 2019 Distribution of Earnings.

Description:

- (1) The Company's 2019 distribution of earnings report has been resolved on the 20th Meeting of the 13th Session of the Board and was audited by the Audit Committee with an issued audit report.
- (2) For the distribution of earnings report that was prepared in accordance with the provisions of the Company Act and the Company's Articles of Incorporation, please refer to Attachment 2.
- (3) If the Company made substantial investment using the undistributed earnings after the distribution of the 2019 earnings, the Company shall apply for reduction of the amounts of undistributed earnings or refund of excess payment under the preferential taxation provisions stipulated in Article 23-3 of the "Statute for Industrial Innovation."

Resolution:

1,077,145,832 shares were represented at time of voting (799,291,625 shares were voted by electrically); 960,542,926 shares voted in favor of this proposal (683,461,139 shares were voted by electrically), and it was accounted for 89.17% of the total voting rights; 1,315,566 shares were

voted against this proposal (1,315,566 shares were voted by electrically), and it was accounted for 0.12% of the total voting rights; there was no invalid voting right; 115,287,340 shares were voted abstained for this proposal (114,514,920 shares were voted by electrically), and it was accounted for 10.70% of the total voting rights. This proposal was approved finally.

V. Discussion Items

1. Motion of Amendment to the Company's "Operational Procedures for Loaning Funds to Others."

Description:

- (1) According to the amended provisions of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" under Order No. 1080304826 issued by the FSC on March 7, 2019, some provisions of the Company's "Operational Procedures for Loaning of Company Funds" have been amended.
- (2) For the comparison table of provisions before and after the amendments of the Company's "Operational Procedures for Loaning Funds to Others," please refer to Attachment 3.

Resolution:

1,077,145,832 shares were represented at time of voting (799,291,625 shares were voted by electrically); 956,845,579 shares voted in favor of this proposal (679,763,792 shares were voted by electrically), and it was accounted for 88.83% of the total voting rights; 39,037 shares were voted against this proposal (39,037 shares were voted by electrically), and it was accounted for 0.00% of the total voting rights; there was no invalid voting right; 120,261,216 shares were voted abstained for this proposal (119,488,796 shares were voted by electrically), and it was accounted for 11.16% of the total voting rights. This proposal was approved finally.

2. Motion of Amendment to the Company's "Operational Procedures for Endorsements/Guarantees."

Description:

- (1) According to the amended provisions of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" under Order 1080304826 issued by the FSC on March 7, 2019, some provisions of the Company's "Operational Procedures for

Endorsements and Guarantees” have been amended.

- (2) For the comparison table of provisions before and after the amendments of the Company’s “Operational Procedures for Endorsements and Guarantees,” please refer to Attachment 4.

Resolution:

1,077,145,832 shares were represented at time of voting (799,291,625 shares were voted by electrically); 956,846,612 shares voted in favor of this proposal (679,764,825 shares were voted by electrically), and it was accounted for 88.83% of the total voting rights; 38,002 shares were voted against this proposal (38,002 shares were voted by electrically), and it was accounted for 0.00% of the total voting rights; there was no invalid voting right; 120,261,218 shares were voted abstained for this proposal (119,488,798 shares were voted by electrically), and it was accounted for 11.16% of the total voting rights. This proposal was approved finally.

3. Motion of Distributed Cash Dividend from Capital Reserves.

Description:

- (1) The capital reserves derived from the issuance of new shares at a premium is to be allocated NT\$244,549,013 as cash dividends. Each share is allocated NT\$0.2. The cash allocated to each shareholder shall be calculated until NT\$1 and rounded off below. The total of fractional cash dividends less than NT\$1 shall be transferred to the Company's employee welfare committee. The payment ratio is based on the outstanding shares (i.e. 1,222,745,065) at which the moment the board of directors meeting was held.
- (2) If the payment rate is subsequently changed and needs to be revised due to reasons such as changes in stock of capital, the management will request that the Shareholders’ Meeting authorize the chairman to handle the situation in his discretion and make adjustments accordingly.
- (3) The record date and issues related to the cash allocation of the capital reserves shall be determined by the Board of Directors after being authorized by the Annual General Meeting.

Resolution:

1,077,145,832 shares were represented at time of voting (799,291,625 shares were voted by electrically); 955,589,399 shares voted in favor of

this proposal (678,507,612 shares were voted by electrically), and it was accounted for 88.71% of the total voting rights; 1,310,744 shares were voted against this proposal (1,310,744 shares were voted by electrically), and it was accounted for 0.12% of the total voting rights; there was no invalid voting right; 120,245,689 shares were voted abstained for this proposal (119,473,269 shares were voted by electrically), and it was accounted for 11.16% of the total voting rights. This proposal was approved finally.

VI. Election Items

Motion of Election of the 14th Board of Directors.

Description:

- (1) The term of office of the Company's 13th Board of Directors ends on June 7, 2020. The old directors are to step down on the same date the new directors take office.
- (2) As required in Article 13 of the Company Articles of Incorporation, it has been planned to re-elect 9 directors (including 3 independent directors) on the annual general meeting (2020) with a term of office from June 10, 2020 to June 9, 2023 - 3 years.
- (3) The Company has adapted the candidate nomination system in terms of election of directors, that directors shall be selected from the candidate list by shareholders. For education, experience and other relevant information of the candidates are as follow:

Number	Candidate category	Candidate Name	Education	Experience	Incumbent	Shares held
1	Director	Chin-Kung Lee	Graduated from Department of Shipping & Transportation Management, National Taiwan Ocean University	President of KYEC	Chairperson and CEO of KYEC Independent Director of Quang Viet Enterprise Co., Ltd.	34,000,941
2	Director	Chi-Chun Hsieh	Graduate of the School of Medicine, Taipei Medical University	Supervisor of KYEC	Vice Chairperson of KYEC Doctor	5,552,037
3	Director	An-Hsuan Liu	PhD in Mechanical Engineering, North Carolina State University	Intematix Technology Center Corporation President	President and Director of KYEC	1,200,000

4	Director	Kao-Yu Liu	PhD in Architecture Engineering, the University of Tokyo	Supervisor of KYEC	Director of KYEC Chairperson of LC Architecture Realization Company, Inc. Chairperson of Ji-Ze Construction Development Co., Ltd.	4,808,267
5	Director	Kuan-Hua Chen	Masters in Financial Engineering, Carnegie Mellon University	Supervisor of Weikeng Industrial Co., Ltd.	Director of KYEC Director of Weikeng Industrial Co., Ltd.	3,168,574
6	Director	Yann Yuan Investment Co., Ltd Representative: Chao-Jung Tsai	N/A	N/A	N/A	52,600,000
			Masters in Management Science, National Chiao Tung University CPA	Director of ChipMOS Technologies Inc. President of SPIL Investment Co., Ltd.	Director of KYEC President of Yann Yuan Investment Co., Ltd. Director of Reallusion Inc. Director of Mingshui International Investment Co., Ltd.	0
7	Independent Director	Hui-Chun Hsu	Masters in Preventive Medicine, Institute of Health Policy and Management, National Taiwan University	Director of New Taipei City Medical Association	Independent Director of KYEC, member of Audit Committee and Compensation Committee Doctor Director of New Taipei City Medical Association	0
8	Independent Director	Dar-Yeh Hwang	Masters, and PhD in Finance, Rutgers University, USA	Professor of Department of Finance, National Taiwan University Director of Center for the Study of Banking and Finance, National Taiwan University Chair of both	Independent Director of KYEC, member of Audit Committee and Compensation Committee Chairperson of McBorter AFMA Chairperson and President of Academy of Promoting Economic	0

				the Department and Institute of Finance, National Taiwan University	Legislation (APEL) Independent director of DBS (Taiwan) Independent Director of Chailease Holding	
9	Independent Director	Semi Wang	Graduate of the Department of Aeronautics, College of Engineering, National Cheng Kung University	Vice President of KYEC President of NexPower Technology Corp. Supervisor of Glory Science Co., Ltd.	Chairperson of Mingxiang Culture Co., Ltd. Director of Cheng Uei Precision Industry Co., Ltd. Independent Director of Creative Sensor Inc. Supervisor of Kuo Kuang Power Co., Ltd. Member of the Taiwan Electrical and Electronic Manufacturers Association	10,000

Election Result:

name	Number of votes	note
Chin-Kung Lee	1,083,490,026	
Chi-Chun Hsieh	713,718,332	
An-Hsuan Liu	713,221,834	
Kao-Yu Liu	633,499,758	
Kuan-Hua Chen	632,972,444	
Yann Yuan Investment Co., Ltd Representative: Chao-Jung Tsai	631,123,203	
Hui-Chun Hsu	711,167,960	Independent Director
Dar-Yeh Hwang	634,960,664	Independent Director
Semi Wang	633,962,485	Independent Director

VII. Extraordinary Motions: None

VIII. Meeting ends: Meeting ended at 9:48 a.m.

(Attachment 1)

King Yuan Electronics Co., Ltd. Business Report

Business Plan Implementation Results

- I. The consolidated net revenue was NT\$25.54 billion in 2019, which grew by 23% from 2018. Gross margin reached 27.5%, which grew by 2% compared with 2018. After-tax earnings per share was NT\$2.49, up 69% from 2018.
- II. The semiconductor industry was affected by the slowdown in the global economy and the US-China trade war and tech war in 2019. In the first half of 2019, sales of 4G mobile phones, data centers and cloud servers were shy of estimates amid weak memory prices. In the second half of 2019, sales of the industrial and automotive electronic products declined, while sales of the semiconductor industry eventually dropped by double-digits in 2019. However, the Company benefited from customers demand to set up 5G base stations and 5G mobile phones, and sales of Apple's new mobile phone were better than expected. In addition, China's de-Americanization campaign of semiconductor components ramped up profitability for the Company's subsidiary in China. In 2019, KYEC's operating performance was significantly better than its peers and was favored by investors.
- III. In terms of various indicators of the Company's operations and management, the Company has improved its market share for packaging and testing outsourcing, indirect personnel productivity, cost control and R&D innovation. Other sections, such as human resources, customer service and manufacturing, still require strengthening and improvement.
- IV. In response to the impact of the US-China tech war, customers requested rapid capacity expansion of the manufacturing supply in China in 2019. The Company has invested a massive amount of resources in the short term to expand the capacity of its subsidiary in China. The Company's assembly center also had great improvement with efforts in 2019. The Company has a close relationship with its IDM customer, and plays a significant role in its customer's market share.
- V. In addition, in the advent of artificial intelligence, the Company has promoted various projects on smart manufacturing, which were completed as scheduled for better production efficiency, quality standards, simplified operating processes, logistics automation, streamlined labor and better management capabilities.
- VI. In recent years, the company has gradually implemented the ESG "Environmental Sustainability," "Social Engagement," "Corporate Governance," and "Corporate Commitment" in response to corporate sustainability issues and has been audited by various professional certification bodies on a regular basis.

Financial income and profit analysis

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

Regarding the Company's financial status and profitability in 2019, debt ratio has increased slightly compared with that in 2018. Long-term funds to fixed assets declined slightly with increasing plant and equipment. However, as the cost for obtaining domestic funds is quite reasonable, the Company has a large cash position, good credit and sound financial structure with its use of financial leverage. Although the current ratio and quick ratio have decreased compared with 2018, the Company's annual interest expenditures range between NT\$300-400 million, which is quite a small amount. The earnings before interest, taxes, depreciation, and amortization (EBITDA) is sufficient, with strong short-term debt-paying ability. In terms of profitability, the return on assets, return on equity, net profit margin, and after-tax earnings per share are all higher compared to those in 2018. The financial ratios are as follows:

	2019	2018
Debt ratio (%)	52.43	48.00
Long-term funds to fixed assets (%)	125.03	129.35
Current ratio (%)	175.81	233.72
Quick ratio (%)	158.68	200.52
Return on assets (%)	6.44	4.43
Return on equity (%)	11.99	7.24
Net profit margin (%)	11.91	8.62
After-tax earnings per share (NTD)	2.49	1.47
EBITDA (NT\$ million)	11,285.99	9,320.94
EBITDA-to-sales (%)	44.19	44.78

R&D status

In addition to factory management, the competitive advantage of integrated circuit testing plays a key role in the technology, costs, methods, platform output, and quality of testing. The Company self-owned more than thousands of test machines and nearly 400 sets of Burn-in oven. The test platform covers mixing / logic, image sensing IC, radio frequency IC, driver IC, SOC digital IC, memory IC and micro-electromechanical systems (MEMS) IC, in order to provide customized services in wafer testing and finished product testing. The Company also continues on R&D and self-manufacturing of test platform interface, test software development, test card, load board, sorting machine and key components, which will then be put into production.

For future research and development, the Company continues to accelerate on the plans set up by the R&D Center. The Company will focus more on expanding the selection by

multiple specifications of analog / memory test equipment, increasing the number of platform test channels, the precision of the test machine DPS power supply, the solution for the thermal effect of ultra-high frequency, and improving the burn-in system and energy efficiency of highly efficient burn-in oven.

Current business plan overview

- I. Weighing opportunities in the market, the Company has set new record levels for revenue, with annual revenue growth projected to be greater than the average operating income of the global semiconductor industry. Profitability may reach record highs over the past decade.
- II. The Company has further raised various operational indicators of business management for internal sustainable development.
- III. Various projects and ESG activities of smart factories are continuously promoted to increase corporate competitiveness in the long term.
- IV. Dedicated efforts on the operating and management capacity of its subsidiary in China after capacity expansion, in order to connect with the capacity of the parent company in Taiwan.
- V. Manage capital expenditures and investment efficiency, as well as improving the average utilization rate of machines.
- VI. The Company is able to maintain its top competitive advantage thanks to the R&D technology breakthrough in its self-owned equipment.

Future development strategy

The impact of US-China trade war and tech war will not easily subside, while the semiconductor industry in China is bound to grow. Innovative business models will not be easily created in the field of semiconductor OEM. Therefore, the Company's future development strategy is still focused on the following aspects.

- I. Continuously improving core management indicators of the manufacturing supply chain for more disciplined and detailed management.
- II. Focusing on customers, profit, and growth. Ensuring customer satisfaction and continue on creating profitability and pursuing healthy growth.
- III. Strengthening the company's unique differentiated service capabilities and reinvesting profits in R&D and innovation in order to gain more competitive advantage than its competitors.
- IV. Deepening the market share of existing customers in the outsourcing of packaging and testing, cultivate new customers, and obtain IDM outsourcing orders.
- V. Keep in line with the subsidiary's layout of in the semiconductor manufacturing supply chain in China, as well as shifts of customer capacity and the local market opportunities from the parent company to the subsidiary.
- VI. With an open attitude, we cooperate with upstream and downstream customers in strategic

cooperation or joint development, so that the Company can quickly gain its position as of the top semiconductor packaging and testing industries in the world.

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

According to WSTS estimates in November 2019, the global semiconductor market in 2019 reached US\$409 billion, which declined by 12.8% compared with that in 2018, the largest decline within the past decade. In 2020, global semiconductors are expected to grow by 5.9% to US\$433 billion. This is mainly driven by products including 5G infrastructure, 5G smartphones, networking components, components of image sensors, AI and machine learning, ultra-high definition technology, edge computing, storage, data centers and autonomous driving/ADAS.

The global economy has gradually declined since the US-China trade war in 2018. According to the International Monetary Fund (IMF) in January 2020, the global economy had declined to 2.9% in 2019. This was due to the trade war between the US and various countries, as well as geopolitical tensions, which led to a decline in corporate investment and manufacturing amid negative growth in the service industry. Trade and manufacturing are expected to rebound from its trough in 2020, with global economic growth estimated to reach 3.3%, whereas the outlook for economic growth remains fragile.

In terms of the external competition, the upstream and downstream of the semiconductor industry have been continuously split and merged in the past decade. There are dozens of mergers of large-scale IC design companies, and the scale of surviving customers have been increasing. In addition, the brands of terminal software and hardware products are also concentrated in a few oligopolistic firms, with a concentrated manufacturing supply chain. Firstly, in the development of the front-end wafer plant for IC manufacturing, the Company has dedicated efforts on improving its technology and production efficiency with existing investments in processes and equipment. Secondly, the Company challenges the limits of Moore's Law by investing in the nanoscale process of node miniaturization. High-end processes have been concentrated on TSMC and Samsung. The existing IDM companies are asset-light, and has outsourced non-core businesses to professional foundries. With the evolution of technology, IC products become more complicated and diversified and customer service requirements become more differentiated. Under the same environment, IC packaging and testing processes are also facing challenges. In terms of packaging, advanced packaging processes include WLCSP, SiP, InFo, CoWos, 3D SOIC, Fan-out SiP, AiP, and heterogeneous packaging. In terms of testing, the large-scale SOC, high power, low current, high frequency, SLT, biological fluid, high power burn-in, parallel test, and OTA (Over-the-Air) interface test are all on track with the recent development.

Therefore, the development of product manufacturing supply chain in the semiconductor industry gradually diverts into high-end and low-end products. The demand for high-end product manufacturing supply chain depends on the engineering techniques, complex mass

production experiences and ultra-high quality requirements. The Company's semiconductor supply chains are mainly concentrated in Taiwan. The manufacturing demands in low-end product supply chains are transferred to China in consideration of low costs and quick delivery. The form of competition which only the dominant firms may be profitable in the global semiconductor industry remains unchanged.

In terms of the legal and overall business environment, there has recently been no major changes in laws and regulations. However, the means of the US in boycotting Chinese technology, the risk of irrational decision-making from global populism and stagnant cross-strait relations have led to recent uncertainties. In the future, the reorganization of global supply chain and the speed of semiconductor manufacturing supply chain shifts will depend on the customers' market development status.

For the overall economy in 2020, global economic growth will continue to face various problems. The phase two trade deal between the US and China will be more challenging, while trade disputes between the US and the EU and France remain unresolved. The Brexit has led to uncertainties in the business environment. The Fed and the ECB have cut interest rates, and restarted the quantitative easing scheme. Whereas in Asia, the US and Japan have officially signed a new trade agreement. Meanwhile, we also need to pay attention to the trade dispute between Japan and South Korea, as well as the development speed of regional trading agreements (such as CPTPP, RCEP). In addition, China and India, the two countries with the most number of population, have tightened their credit standards, with further decline in economic growth, which may affect the economy of other emerging markets as well. The future global consumer demands and economic growth are worth monitoring given low inflation, low interest rates, low economic growth, low unemployment rate, high debt, the quantitative easing and the expansionary fiscal policy.

Looking forward to 2020, although China's rise has become a threat to the US on its position in the global economy, science, technology, military, politics or space hegemony. The two countries are recently at war, while the spread of COVID-19 in the first half of 2020 has dragged down production output and consumption and several demands may be changed or delayed. However, upholding the dream of scientific and technological progress to achieve a comfortable, convenient, healthy and safe lifestyle, the main drivers for consumption growth are no longer software and hardware products that stimulate demands, but the application of technology in face of changes in life and the ecological environment. Therefore, the electronic terminal hardware (such as mobile devices), software (such as App, edge computing), the messaging network architecture that connects cloud storage and computing, and commercial operation in cloud computing, all contribute to the prosperity of the semiconductor industry support. In the second half of 2020, semiconductor fabs will accelerate their manufacturing processes. Although the production capacity of high and low-end products will remain tight, various needs of networking equipment, AI, IoT, and the ecological environment driven by 5G can gradually be met with the launch of the 5G technology. In the future, with the development of health care, smart homes, smart cities, smart factories, industry 4.0, autonomous driving, AI

popularization, Fintech, and the block chain economy, many unexpected innovative applications may be developed in the world. Although the growth of semiconductors has slowed down in the life cycle, it will gradually grow for the long term.

The Company will continue to invest in talent cultivation, engineering and technical capabilities, management of the scale and manufacturing of equipment, and pay attention to corporate sustainability in response to the global ESG development. Despite difficult challenges in the internal and external environment, the Company believes that as long as it focuses on adding value for its manufacturing supply chain, establishing an irreplaceable position for supplying global customers, continuously adjusting corporate structure, maintaining its competitive advantages and respond effectively to changes, and continuously moving ahead without forgetting its original objective. The Company is deeply confident and optimistic on its revenue and profit growth, as well as the future development of the semiconductor industry in 2020.

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

This report is to certify that the Company's 2019 business report, consolidated financial statement (including separate financial statement) and the motion for allocation of earnings were prepared and submitted by the Company's Board of Directors, and the consolidated financial statement (including separate financial statement) contained therein were already audited by EY Taiwan, which also issued its audit report. Said business report, consolidated financial statement (including separate financial statement) and motion for allocation of earnings have also been reviewed by the Committee, which in our opinion comply with the relevant requirements. This report is hereby submitted in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act accordingly.

King Yuan Electronics Co., Ltd.

Convener of Audit Committee: Hsien-Tsun Yang

March 13, 2020

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 parent company only balance sheets of King Yuan Electronics Co., Ltd. as of December 31, 2019 and 2018, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, and notes to the parent company only financial statements, including the summary of significant accounting policies (together “the parent company only 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, 2019 and 2018, and its financial performance and cash flows for the years ended December 31, 2019 and 2018, 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 2019 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\$21,845,844 thousand as net sales. Their main activities are providing testing and assembly services that represented 92%, or NT\$20,187,111 thousand in the amount, of the net operating revenues.

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

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

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

Extension of useful lives of Property, Plant and Equipment

On March 14, 2019, the Board of Directors approved to extend the estimated useful lives of certain machinery equipment effective from January 1, 2019. The change in the accounting estimate decreased depreciation expenses by NT\$932,897 thousands for the year ended December 31, 2019. King Yuan Electronics Co., Ltd. belongs to the semiconductor industry, which is highly capital intensive. Property, plant and equipment of King Yuan Electronics Co., Ltd. represented 60% of its total assets. Accordingly, the reasonableness of the change in the useful lives of machinery equipment will affect the production costs and profitability of King Yuan Electronics Co., Ltd. significantly. Therefore, we determined the matter to be a key audit matter.

Our auditing procedures include (but are not limited to) obtaining a representation letter issued by King Yuan Electronics Co., Ltd. assessing the reasonableness of the change in the estimated useful lives since January 1, 2019, obtaining the appraisal report issued by the external appraiser and reviewing whether the conclusion of the appraisal report is in line with the assumptions used by King Yuan Electronics Co., Ltd. obtaining the adjusted property list and confirming the completeness of the list, checking the accuracy of the remaining useful lives of the machinery equipment and vouching the accrued depreciation expenses, etc., in order to ensure consistency, selecting samples, during the year end substantive testing, to recalculate the depreciation and amortization expenses based on the revised useful lives, perform physical count, and inspect related documents prepared by each department for the reassessment of the estimated useful lives.

We also considered the appropriateness of the disclosures of plant, property and equipment. Please refer to Note 4, Note 5 and Note 6 in notes to the financial statements.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to

those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of King Yuan Electronics Co., Ltd.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of King Yuan Electronics Co., Ltd. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause King Yuan Electronics Co., Ltd. to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the accompanying notes, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the parent company only financial information of the entities or business activities within King Yuan Electronics Co., Ltd. to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2019 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 13, 2020

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, 2019 and 2018

(Amounts in thousands of New Taiwan Dollars)

ASSETS	Notes	December 31, 2019	%	December 31, 2018	%
Current assets					
Cash and cash equivalents	4, 6(1)	\$4,155,945	8	\$3,887,001	9
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)	30,114	-	15,989	-
Contract assets-current	4, 6(15), 6(16), 7	126,182	-	289,427	1
Notes receivable, net	4, 6(4), 6(16)	4,268	-	13,844	-
Accounts receivable, net	4, 6(5), 6(16)	3,730,901	8	3,900,814	8
Accounts receivable from related parties, net	4, 6(5), 6(16), 7	886,172	2	752,618	2
Other receivables		160,100	-	144,666	-
Other receivables from related parties	4, 7	821,474	2	123,577	-
Inventories, net	4, 6(6)	907,842	2	962,615	2
Prepayments	6(7)	204,787	-	300,194	1
Other current assets		76,944	-	190,755	-
Total current assets		11,104,729	22	10,682,961	23
Non-current assets					
Financial assets at fair value through other comprehensive income-non-current	4, 6(3)	2,425,166	5	1,752,480	4
Investments accounted for using the equity method	4, 6(8)	4,891,194	10	4,816,516	11
Property, plant and equipment	4, 6(9), 6(19), 7, 8	30,379,042	60	28,321,210	61
Right-of-use asset	4, 6(17)	1,228,619	3	-	-
Intangible assets	4, 6(10), 6(11), 6(23)	66,148	-	162,619	-
Deferred tax assets	4, 6(21)	229,882	-	405,398	1
Other financial assets-non-current	8	113,125	-	109,912	-
Other non-current assets		3,487	-	3,487	-
Total non-current assets		39,336,663	78	35,571,622	77
Total assets		\$50,441,392	100	\$46,254,583	100

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

(continued)

English Translation of Financial Statements Originally Issued in Chinese

KING YUAN ELECTRONICS CO., LTD.

PARENT COMPANY ONLY BALANCE SHEETS

As of December 31, 2019 and 2018

(Amounts in thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	Notes	December 31, 2019	%	December 31, 2018	%
Current liabilities					
Contract liabilities-current	4, 6(15)	\$52,486	-	\$84,834	-
Notes payable		1,633	-	39,512	-
Accounts payable		775,500	1	944,104	2
Accounts payable to related parties	7	31,337	-	12,391	-
Other payables		2,755,371	5	2,129,717	4
Other payables to related parties	7	119,005	-	110,605	-
Payables on equipment		797,050	2	778,069	2
Current tax liabilities	4, 6(21)	666,224	1	288,772	1
Lease liabilities-current	4, 6(17)	788,269	2	-	-
Other current liabilities		303,650	1	278,321	1
Total current liabilities		6,290,525	12	4,666,325	10
Non-current liabilities					
Long-term loans	4, 6(12), 6(19),8	16,944,660	34	16,628,004	36
Deferred tax liabilities	4, 6(21)	39,921	-	-	-
Lease liabilities-noncurrent	4, 6(17)	444,245	1	-	-
Net defined benefit liabilities	4, 6(13)	528,169	1	481,570	1
Guarantee deposits		1,933	-	1,573	-
Total non-current liabilities		17,958,928	36	17,111,147	37
Total liabilities		24,249,453	48	21,777,472	47
Equity					
Share capital	4, 6(14)				
Common stock		12,227,451	24	12,227,451	27
Capital surplus	4, 6(8), 6(14)	4,832,721	10	4,844,536	10
Retained earnings	4, 6(14)				
Legal reserve		2,359,299	5	2,179,765	5
Special reserve		803,172	1	431,239	1
Undistributed earnings		6,371,702	13	5,597,293	12
Total retained earnings		9,534,173	19	8,208,297	18
Other equity	4, 6(14)	(402,406)	(1)	(803,173)	(2)
Total equity		26,191,939	52	24,477,111	53
Total liabilities and equity		\$50,441,392	100	\$46,254,583	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, 2019 and 2018

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

Description	Notes	2019	%	2018	%
Net sales	4, 6(15), 7	\$21,845,844	100	\$18,469,742	100
Operating costs	4, 6(6), 6(9), 6(10), 6(18), 7	(16,109,256)	(74)	(13,625,400)	(74)
Gross profit		<u>5,736,588</u>	<u>26</u>	<u>4,844,342</u>	<u>26</u>
Operating expenses					
Selling expenses		(389,162)	(2)	(325,580)	(2)
Administrative expenses		(1,211,019)	(5)	(1,116,369)	(5)
Research and development expenses		(879,068)	(4)	(727,857)	(4)
Expected credit losses		(20,000)	-	(1,933)	-
Total operating expenses		<u>(2,499,249)</u>	<u>(11)</u>	<u>(2,171,739)</u>	<u>(11)</u>
Operating income		<u>3,237,339</u>	<u>15</u>	<u>2,672,603</u>	<u>15</u>
Non-operating income and expenses	4, 6(8), 6(9), 6(11), 6(19), 7				
Other income		115,774	-	45,290	-
Other gains and losses		36,200	-	242,583	1
Finance costs		(239,659)	(1)	(191,478)	(1)
Share of profit of associates accounted for using the equity method		665,457	3	(415,341)	(2)
Total non-operating income and expenses		<u>577,772</u>	<u>2</u>	<u>(318,946)</u>	<u>(2)</u>
Net income before income tax		3,815,111	17	2,353,657	13
Income tax expense	4, 6(21)	<u>(773,545)</u>	<u>(3)</u>	<u>(558,313)</u>	<u>(3)</u>
Net income		<u>3,041,566</u>	<u>14</u>	<u>1,795,344</u>	<u>10</u>
Other comprehensive income	4, 6(20)				
Items that will not be reclassified subsequently to profit or loss:					
Remeasurements of the defined benefit plan		(57,525)	-	(41,788)	-
Unrealized gains or losses from equity instruments investments measured at fair value through other comprehensive income		687,206	3	(164,411)	(1)
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		(136,555)	(1)	17,118	-
Items that will be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial statements of foreign operations		(186,862)	(1)	(81,743)	(1)
Income tax related to components of other comprehensive income that will be reclassified to profit or loss		37,373	-	24,851	-
Other comprehensive income, net of tax		<u>343,637</u>	<u>1</u>	<u>(245,973)</u>	<u>(2)</u>
Total comprehensive income		<u>\$3,385,203</u>	<u>15</u>	<u>\$1,549,371</u>	<u>8</u>
Earning per share(NT\$)	4, 6(22)				
Basic Earnings Per Share		<u>\$2.49</u>		<u>\$1.47</u>	
Diluted Earnings Per Share		<u>\$2.47</u>		<u>\$1.46</u>	

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

English Translation of Financial Statements Originally Issued in Chinese

KING YUAN ELECTRONICS CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2019 and 2018

(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, 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
Balance as of January 1, 2019	\$12,227,451	\$4,844,536	\$2,179,765	\$431,239	\$5,597,293	\$(292,128)	\$(511,045)	\$-	\$24,477,111
Appropriation and distribution of 2018 earnings :									
Legal reserve	-	-	179,534	-	(179,534)	-	-	-	-
Special reserve	-	-	-	371,933	(371,933)	-	-	-	-
Cash dividends	-	-	-	-	(1,650,706)	-	-	-	(1,650,706)
Profit for the year ended December 31, 2019	-	-	-	-	3,041,566	-	-	-	3,041,566
Other comprehensive income for the year ended December 31, 2019	-	-	-	-	(57,525)	(149,489)	550,651	-	343,637
Total comprehensive income	-	-	-	-	2,984,041	(149,489)	550,651	-	3,385,203
Changes in ownership interests in subsidiaries	-	(11,815)	-	-	(7,854)	-	-	-	(19,669)
Disposal of equity instruments investments measured at fair value through other comprehensive income	-	-	-	-	395	-	(395)	-	-
Balance as of December 31, 2019	\$12,227,451	\$4,832,721	\$2,359,299	\$803,172	\$6,371,702	\$(441,617)	\$39,211	\$-	\$26,191,939

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

English Translation of Financial Statements Originally Issued in Chinese

KING YUAN ELECTRONICS CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

For the years ended December 31, 2019 and 2018

(Amounts in thousands of New Taiwan Dollars)

Description	2019	2018	Description	2019	2018
Cash flows from operating activities :			Cash flows from investing activities :		
Profit before tax from continuing operations	\$3,815,111	\$2,353,657	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	395	8,625
The profit or loss items which did not affect cash flows:			Proceeds from disposal of financial assets at fair value through profit or loss	101,885	-
Depreciation	6,287,857	6,083,925	Acquisition of investments accounted for using the equity method	(37,070)	(280,938)
Amortization	85,293	39,208	Proceeds from capital return of investments accounted for using the equity method	370,891	-
Expected credit loss	20,000	1,933	Acquisition of property, plant and equipment	(8,931,451)	(7,755,488)
Gains on financial assets and liabilities at fair value through profit or loss	(424)	(418)	Proceeds from disposal of property, plant and equipment	308,133	225,975
Interest expenses	239,659	191,478	Decrease in refundable deposits	-	28,337
Interest income	(7,085)	(9,919)	Acquisition of intangible assets	(24,736)	(15,925)
Dividend income	(38,398)	(880)	Proceeds from disposal of intangible assets	-	246
Investment (gain) loss accounted for using the equity method	(665,457)	415,341	Net cash outflows from acquisition of subsidiaries	-	(209,444)
Gain on disposal of property, plant and equipment	(73,578)	(83,565)	Increase in other financial assets	(3,213)	(10,391)
Gain on disposal of investments accounted for using the equity method	-	(74,427)	Dividend received	49,858	10,940
Impairment of non-financial assets	91,181	-	Net cash used in investing activities	(8,165,308)	(7,996,950)
Unrealized foreign exchange (gain) loss	(91,315)	58,154			
Changes in operating assets and liabilities :			Cash flows from financing activities :		
Contract assets	163,245	(289,427)	Decrease in short-term loans	-	(413,652)
Notes receivable	9,576	(3,189)	Borrowing in long-term loans	18,179,500	21,368,956
Accounts receivable	149,913	46,728	Repayments of long-term loans	(17,783,548)	(18,716,667)
Accounts receivable from related parties	(133,554)	(78,393)	Increase in guarantee deposits	360	450
Other receivables	(40,208)	68,803	Cash payment for the principal portion of the lease liabilities	(22,224)	-
Other receivables from related parties	(303,220)	127,309	Cash dividends	(1,650,706)	(2,198,300)
Inventories	54,773	(185,581)	Interest paid	(218,514)	(187,801)
Prepayments	97,163	(33,494)	Net cash used in financing activities	(1,495,132)	(147,014)
Other current assets	113,811	82,120			
Contract liabilities	(32,348)	84,834			
Notes payable	(37,879)	27,697			
Accounts payable	(168,604)	(41,577)			
Accounts payable to related parties	18,946	5,155			
Other payables	625,404	(229,987)			
Other payables to related parties	7,698	51,475			
Other current liabilities	25,329	10,742			
Accrued pension liabilities	(10,926)	(6,842)			
Cash generated from operating activities	10,201,963	8,610,860			
Interest received	7,259	9,979	Net increase (decrease) in cash and cash equivalents	268,944	(156,905)
Income tax paid	(279,838)	(633,780)	Cash and cash equivalents at the beginning of the year	3,887,001	4,043,906
Net cash provided by operating activities	9,929,384	7,987,059	Cash and cash equivalents at the end of the year	\$4,155,945	\$3,887,001

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

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, 2019 and 2018, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, 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, 2019 and 2018, and their consolidated financial performance and cash flows for the years ended December 31, 2019 and 2018, 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 2019 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\$25,539,437 thousand as net sales. Their main activities are providing testing and assembly services that represented 93%, or NT\$23,778,126 thousand in the amount, of the net operating revenues.

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

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

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

Extension of useful lives of Property, Plant and Equipment

On March 14, 2019, the Board of Directors approved to extend the estimated useful lives of certain machinery equipment effective from January 1, 2019. The change in the accounting estimate decreased depreciation expenses by NT\$995,843 thousands for the year ended December 31, 2019. King Yuan Electronics Co., Ltd. and its subsidiaries belong to the semiconductor industry, which is highly capital intensive. Property, plant and equipment of King Yuan Electronics Co., Ltd. and its subsidiaries represented 67% of its consolidated total assets. Accordingly, the reasonableness of the change in the useful lives of machinery equipment will affect the production costs and profitability of King Yuan Electronics Co., Ltd. and its subsidiaries significantly. Therefore, we determined the matter to be a key audit matter.

Our auditing procedures include (but are not limited to) obtaining a representation letter issued by King Yuan Electronics and its subsidiaries, assessing the reasonableness of the change in the estimated useful lives since January 1, 2019, obtaining the appraisal report issued by the external appraiser and reviewing whether the conclusion of the appraisal report is in line with the assumptions used by King Yuan Electronics Co., Ltd. and its subsidiaries, obtaining the adjusted property list and confirming the completeness of the list, checking the accuracy of the remaining useful lives of the machinery equipment and vouching the accrued deprecation expenses, etc., in order to ensure consistency, selecting samples, during the year end substantive testing, to recalculate the depreciation and amortization expenses based on the revised useful lives, perform physical count, and inspect related documents prepared by each department for the reassessment of the estimated useful lives.

We also considered the appropriateness of the disclosures of plant, property and equipment. Please refer to Note 4, Note 5 and Note 6 in notes to the consolidated financial statements.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of King Yuan Electronics Co., Ltd. and its subsidiaries.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of King Yuan Electronics Co., Ltd. and its subsidiaries. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause King Yuan Electronics Co., Ltd. and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within King Yuan Electronics Co., Ltd. and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2019 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, 2019 and 2018.

Kuo, Shao-Pin

Fuh, Wen-Fun

Ernst & Young, Taiwan
March 13, 2020

Notice to Readers

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- 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, 2019 and 2018

(Amounts in thousands of New Taiwan Dollars)

ASSETS	Notes	December 31, 2019	%	December 31, 2018	%
Current assets					
Cash and cash equivalents	4, 6(1)	\$6,166,005	11	\$4,786,626	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)	30,114	-	15,989	-
Contract assets-current	4, 6(17), 6(18), 7	126,182	-	289,427	1
Notes receivable, net	4, 6(4), 6(18)	4,268	-	13,844	-
Accounts receivable, net	4, 6(5), 6(18)	4,936,281	9	4,418,689	9
Accounts receivable from related parties, net	4, 6(5), 6(18), 7	911,027	2	769,731	2
Other receivables		278,134	1	233,559	1
Other receivables from related parties	4, 7	7,956	-	11,337	-
Inventories, net	4, 6(6)	1,081,035	2	1,137,152	2
Prepayments	6(7)	272,607	1	656,455	2
Other current assets		77,370	-	191,099	-
Other financial assets-current	8	4	-	4	-
Total current assets		13,890,983	26	12,625,373	27
Non-current assets					
Financial assets at fair value through other comprehensive income-non-current	4, 6(3)	2,425,166	5	1,752,480	4
Investments accounted for using the equity method	4, 6(8)	65,228	-	62,352	-
Property, plant and equipment	4, 6(9), 7, 8	36,890,887	67	31,907,296	68
Right-of-use asset	4, 6(19)	1,373,907	2	-	-
Intangible assets	4, 6(10), 6(12), 6(25)	73,795	-	171,062	-
Deferred tax assets	4, 6(22), 6(23)	229,882	-	405,398	1
Other financial assets-non-current	8	113,125	-	109,912	-
Other non-current assets	4, 6(11)	16,176	-	121,886	-
Total non-current assets		41,188,166	74	34,530,386	73
Total assets		\$55,079,149	100	\$47,155,759	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, 2019 and 2018

(Amounts in thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	Notes	December 31, 2019	%	December 31, 2018	%
Current liabilities					
Short-term loans	4, 6(13), 9	\$493,383	1	\$111,879	-
Contract liabilities-current	4, 6(17), 7	68,330	-	130,203	-
Notes payable		1,633	-	50,156	-
Accounts payable		1,054,963	2	1,183,765	2
Accounts payable to related parties	7	30,713	-	12,391	-
Other payables		2,973,602	5	2,276,173	5
Other payables to related parties	7	91,048	-	80,831	-
Payables on equipment		963,512	2	800,724	2
Current tax liabilities	4, 6(23)	723,277	1	291,830	1
Lease liabilities-current	4, 6(19)	792,980	1	-	-
Current portion of long-term liabilities	4, 6(14), 8, 9	403,605	1	184,284	-
Other current liabilities		303,923	1	279,668	1
Total current liabilities		7,900,969	14	5,401,904	11
Non-current liabilities					
Long-term loans	4, 6(14), 8, 9	19,924,440	36	16,750,860	36
Deferred tax liabilities	4, 6(23)	39,921	-	-	-
Lease liabilities-non-current	4, 6(19)	485,263	1	-	-
Net defined benefit liabilities	4, 6(15)	528,169	1	481,570	1
Guarantee deposits		1,933	-	1,573	-
Total non-current liabilities		20,979,726	38	17,234,003	37
Total liabilities		28,880,695	52	22,635,907	48
Equity attributable to owners of the parent company					
Share capital	4, 6(16)				
Common stock		12,227,451	22	12,227,451	26
Capital surplus	4, 6(16)	4,832,721	9	4,844,536	10
Retained earnings	4, 6(16)				
Legal reserve		2,359,299	4	2,179,765	4
Special reserve		803,172	2	431,239	1
Undistributed earnings		6,371,702	12	5,597,293	12
Total retained earnings		9,534,173	18	8,208,297	17
Other equity	4	(402,406)	(1)	(803,173)	(1)
Equity attributable to owners of the parent company		26,191,939	48	24,477,111	52
Non-controlling interests	4, 6(16)	6,515	-	42,741	-
Total equity		26,198,454	48	24,519,852	52
Total liabilities and equities		\$55,079,149	100	\$47,155,759	100

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, 2019 and 2018
(Amounts in thousands of New Taiwan Dollars, except for earnings per share)

Description	Notes	2019	%	2018	%
Net sales	4, 6(17), 7	\$25,539,437	100	\$20,815,369	100
Operating costs	4, 6(6), 6(9), 6(10), 6(15), 6(19), 6(20), 7	(18,523,521)	(73)	(15,451,671)	(74)
Gross profit		<u>7,015,916</u>	<u>27</u>	<u>5,363,698</u>	<u>26</u>
Operating expenses	4, 6(9), 6(10), 6(15), 6(18), 6(19), 6(20), 7				
Selling expenses		(398,765)	(2)	(331,677)	(2)
Administrative expenses		(1,516,321)	(6)	(1,400,283)	(7)
Research and development expenses		(1,035,207)	(4)	(909,086)	(4)
Expected credit losses		(20,609)	-	(2,971)	-
Total operating expenses		<u>(2,970,902)</u>	<u>(12)</u>	<u>(2,644,017)</u>	<u>(13)</u>
Operating income		<u>4,045,014</u>	<u>15</u>	<u>2,719,681</u>	<u>13</u>
Non-operating income and expenses	4, 6(8), 6(9), 6(12), 6(21), 7				
Other income		188,133	1	91,280	-
Other gains and losses		(20,947)	-	324,961	2
Finance costs		(311,673)	(1)	(204,987)	(1)
Share of profit of associates accounted for using the equity method		14,336	-	(541,377)	(3)
Total non-operating income and expenses		<u>(130,151)</u>	<u>-</u>	<u>(330,123)</u>	<u>(2)</u>
Net income before income tax		3,914,863	15	2,389,558	11
Income tax expense	4, 6(23)	<u>(873,379)</u>	<u>(3)</u>	<u>(595,668)</u>	<u>(2)</u>
Net income		<u>3,041,484</u>	<u>12</u>	<u>1,793,890</u>	<u>9</u>
Other comprehensive income	4, 6(22)				
Items that will not be reclassified subsequently to profit or loss:					
Remeasurements of the defined benefit plan		(57,525)	-	(41,788)	-
Unrealized gains or losses from equity instruments investments measured at fair value through other comprehensive income		687,206	3	(164,411)	(1)
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		(136,555)	(1)	17,118	-
Items that will be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial statements of foreign operations		(186,914)	(1)	(81,443)	-
Income tax related to components of other comprehensive income that will be reclassified to profit or loss		37,373	-	24,851	-
Other comprehensive income, net of tax		<u>343,585</u>	<u>1</u>	<u>(245,673)</u>	<u>(1)</u>
Total comprehensive income		<u>\$3,385,069</u>	<u>13</u>	<u>\$1,548,217</u>	<u>8</u>
Net income attributable to :					
Owners of the parent company		\$3,041,566	12	\$1,795,344	9
Non-controlling interests		(82)	-	(1,454)	-
		<u>\$3,041,484</u>	<u>12</u>	<u>\$1,793,890</u>	<u>9</u>
Total comprehensive income attributable to :					
Owners of the parent company		\$3,385,203	13	\$1,549,371	8
Non-controlling interests		(134)	-	(1,154)	-
		<u>\$3,385,069</u>	<u>13</u>	<u>\$1,548,217</u>	<u>8</u>
Earning per share(NT\$)	4, 6(24)				
Basic Earnings Per Share		<u>\$2.49</u>		<u>\$1.47</u>	
Diluted Earnings Per Share		<u>\$2.47</u>		<u>\$1.46</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, 2019 and 2018

(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, 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
Balance as of January 1, 2019	\$12,227,451	\$4,844,536	\$2,179,765	\$431,239	\$5,597,293	\$(292,128)	\$(511,045)	\$-	\$24,477,111	\$42,741	\$24,519,852
Appropriation and distribution of 2018 earnings:											
Legal reserve	-	-	179,534	-	(179,534)	-	-	-	-	-	-
Special reserve	-	-	-	371,933	(371,933)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(1,650,706)	-	-	-	(1,650,706)	-	(1,650,706)
Profit for the year ended December 31, 2019	-	-	-	-	3,041,566	-	-	-	3,041,566	(82)	3,041,484
Other comprehensive income for the year ended December 31, 2019	-	-	-	-	(57,525)	(149,489)	550,651	-	343,637	(52)	343,585
Total comprehensive income	-	-	-	-	2,984,041	(149,489)	550,651	-	3,385,203	(134)	3,385,069
Changes in ownership interests in subsidiaries	-	(11,815)	-	-	(7,854)	-	-	-	(19,669)	(36,092)	(55,761)
Disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	395	-	(395)	-	-	-	-
Balance as of December 31, 2019	\$12,227,451	\$4,832,721	\$2,359,299	\$803,172	\$6,371,702	\$(441,617)	\$39,211	\$-	\$26,191,939	\$6,515	\$26,198,454

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 CASH FLOWS

For the years ended December 31, 2019 and 2018

(Amounts in thousands of New Taiwan Dollars)

Description	2019	2018	Description	2019	2018
Cash flows from operating activities :			Cash flows from investing activities :		
Profit before tax from continuing operations	\$3,914,863	\$2,389,558	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	395	8,625
The profit or loss items which did not affect cash flows:			Proceeds from disposal of financial assets at fair value through profit or loss	101,885	-
Depreciation	6,971,919	6,686,191	Acquisition of investments accounted for using the equity method	-	(245,408)
Amortization	87,531	40,203	Acquisition of property, plant and equipment	(11,621,595)	(8,680,807)
Expected credit loss	20,609	2,971	Proceeds from disposal of property, plant and equipment	121,535	271,099
Gains on financial assets and liabilities at fair value through profit or loss	(424)	(418)	Increase in refundable deposits	(192)	-
Interest expenses	311,673	204,987	Decrease in refundable deposits	-	29,842
Interest income	(12,617)	(22,217)	Acquisition of intangible assets	(26,418)	(23,774)
Dividend income	(38,398)	(880)	Net cash outflows from acquisition of subsidiaries	-	(167,009)
Investment (gain) loss accounted for using the equity method	(14,336)	541,377	Increase in other financial assets	(3,213)	(9,923)
Gain on disposal of property, plant and equipment	(8,338)	(165,812)	Decrease in other prepayments	-	2,142
Gain on disposal of investments accounted for using the equity method	-	(74,427)	Dividend received	49,858	10,940
Impairment of non-financial assets	91,181	-	Net cash used in investing activities	(11,377,745)	(8,803,160)
Unrealized foreign exchange (gain) loss	(234,047)	72,386			
Changes in operating assets and liabilities :			Cash flows from financing activities :		
Contract Assets	163,245	(289,427)			
Notes receivable	9,576	(3,188)	Increase in short-term loans	780,438	111,142
Accounts receivable	(538,180)	82,660	Decrease in short-term loans	(377,519)	(413,652)
Accounts receivable from related parties	(141,296)	(96,583)	Borrowing in long-term loans	21,591,057	21,516,981
Other receivables	(73,767)	9,337	Repayments of long-term loans	(17,999,744)	(19,017,327)
Other receivables from related parties	3,264	145,199	Increase in guarantee deposits	360	449
Inventories	44,717	(209,119)	Cash payment for the principal portion of the lease liabilities	(28,023)	-
Prepayments	(8,927)	(282,075)	Cash dividends	(1,650,706)	(2,198,300)
Other current assets	113,729	82,154	Acquisition of ownership interests in subsidiaries	(37,070)	-
Contract liabilities	(61,873)	85,963	Interest paid	(264,581)	(201,192)
Notes payable	(48,523)	38,341	Net cash provided by (used in) financing activities	2,014,212	(201,899)
Accounts payable	(128,802)	(11,431)	Effect of changes in exchange rate on cash and cash equivalents	(90,580)	(31,174)
Accounts payable to related parties	18,322	5,155	Net increase (decrease) in cash and cash equivalents	1,379,379	(608,403)
Other payables	673,593	(204,160)	Cash and cash equivalents at the beginning of the year	4,786,626	5,395,029
Other payables to related parties	13,937	48,768	Cash and cash equivalents at the end of the year	\$6,166,005	\$4,786,626
Other current liabilities	24,255	9,025			
Accrued pension liabilities	(10,926)	(6,842)			
Cash generated from operating activities	11,141,960	9,077,696			
Interest received	17,209	23,704			
Income tax paid	(325,677)	(673,570)			
Net cash provided by operating activities	10,833,492	8,427,830			

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

(Attachment 2)

King Yuan Electronics Co., Ltd.
2019 Earnings Distribution

Unit: NTD

Item	Amount		Projected dividend yield
Unallocated earnings- beginning		3,395,119,724	
Add: net profit after tax	3,041,565,964		
Less: Confirmed actuarial gain/loss of welfare	(57,525,263)		
Less: Changes in equity of subsidiaries	(7,853,385)		
Add: Disposal of equity instrument at fair value through other comprehensive income	395,262		
Profit after tax plus the amount included in the undistributed earnings for the current year		2,976,582,578	
Less: Provision of 10% legal reserve		(297,658,258)	
Add: Revolving special reserve		400,765,641	
Allocable earnings		6,474,809,685	
Scope of allocation			
Dividends to shareholders- cash		1,956,392,104	NT\$1.6 per share
Total allocation		1,956,392,104	
Unallocated earnings- ending		4,518,417,581	

Note:

1. According to the Company's distribution policy, the allocable earnings for 2019 shall be allocated as the first priority. The deficit, if any, shall be allocated from the allocable earnings accumulated for the previous year, according to the first-in first-out policy in the order of the years in which the earnings were generated chronically.
2. The distribution yield is calculated based on the outstanding common stock totaling 1,222,745,065 shares when the Board of Directors meeting was held.
3. The cash dividend shall be rounded to the whole dollar amount according to the allocation rate. The total of the odd lots less than NT\$1 included in the distribution shall be transferred to the Employee Welfare Committee.
4. Should the Company encounter a change of share capital that changes the number of outstanding shares on a later date, the Board of Directors shall be fully authorized to make the necessary adjustments to the percentage of cash dividends allocated to shareholders.
5. The base date for allocation of cash dividends and matters thereto shall be set by the Board of Directors with authorization upon resolution by the Annual General Meeting.

King Yuan Electronics Co., Ltd.**Comparison Table of Provisions Before and After the Amendments of the Operational Procedures for Loaning Funds to Others**

Provision	Provision after amending	Provision before amending	Amendment Reason
Article 3	<p>The aggregate amount of loans and the maximum amount permitted to a single borrower</p> <p>The amount of such financing facility shall not exceed forty percent of the amount of the net value of the lending enterprise which are divided into the following:</p> <ol style="list-style-type: none"> When engaging loans with an inter-company or inter-firm, the aggregate amount of the loan shall not exceed 20 percent of the Company's net worth, and shall not exceed the business transaction amount in the past year between the two companies. "Business transaction amount" refers to the amount of purchase or sale between the two parties, whichever is higher. Where an inter-company or inter-firm short-term financing facility is necessary, the amount of the loan shall not exceed 20% of the Company's net worth, and each individual loan shall not exceed 10 percent of the net worth of the Company. <p>The restriction in subparagraph 2 of the preceding paragraph, shall not apply to necessary short-term financing facilities between overseas companies in which the Company holds, directly or indirectly, 100 percent of the voting shares, nor to loans of fund to the Company by any</p>	<p>The aggregate amount of loans and the maximum amount permitted to a single borrower</p> <p>The amount of such financing facility shall not exceed forty percent of the amount of the net value of the lending enterprise which are divided into the following:</p> <ol style="list-style-type: none"> When engaging loans with an inter-company or inter-firm, the aggregate amount of the loan shall not exceed 20 percent of the Company's net worth, and shall not exceed the business transaction amount in the past year between the two companies. "Business transaction amount" refers to the amount of purchase or sale between the two parties, whichever is higher. Where an inter-company or inter-firm short-term financing facility is necessary, the amount of the loan shall not exceed 20% of the Company's net worth, and each individual loan shall not exceed 10 percent of the net worth of the Company. <p>Where overseas companies in which the Company holds, directly or indirectly, 100 percent of the voting shares, the amount of loans of funds shall not exceed 50 percent of the net worth of the Company.</p>	Amendments made as required by regulations

	<p>overseas company in which the Company holds, directly or indirectly, 100% of the voting shares. Each of the foreign subsidiaries shall follow the operational procedures of these standards when establishing maximum amount of loans. However, the aggregate amount of loans and single loan shall not exceed 50 percent of the net worth of the Company.</p>		
Article 4	<p>Duration of loans and calculation of interest</p> <p>1. Duration of loans</p> <p>Duration of loans shall not exceed one year. The restriction of one year duration loans shall not apply to inter-company loans of funds <u>between overseas companies in which the Company holds, directly or indirectly, 100% of the voting shares, nor to loans of fund to the Company by any overseas company in which the Company holds, directly or indirectly, 100% of the voting shares. Each of the foreign subsidiaries shall follow the operational procedures of these standards when establishing duration of loans.</u></p> <p>2. Calculation of interest</p> <p>The calculation of interest of the Company's loan of funds shall not be lower than the highest interest rate of the Company's borrowing funds from financial institution during the same period, and interest is to be calculated daily and paid monthly.</p> <p>1. Interest calculated daily: Daily loan is multiplied by its interest rate and divided by 365 to obtain</p>	<p>Duration of loans and calculation of interest</p> <p>1. Duration of loans</p> <p>Duration of loans shall not exceed one year. Where overseas companies in which the Company holds, directly or indirectly, 100 percent of the voting shares, the duration of loans and calculation of interest apply the same.</p> <p>2. Calculation of interest</p> <p>The calculation of interest of the Company's loan of funds shall not be lower than the highest interest rate of the Company's borrowing funds from financial institution during the same period, and interest is to be calculated daily and paid monthly.</p> <p>1. Interest calculated daily: Daily loan is multiplied by its interest rate and divided by 365 to obtain the interest.</p> <p>2. Payment of interest: Exception for special requirements, in principle, the payment of loan interest shall be paid on a monthly basis. The borrower is notified the payment of interest within a week from the agreed payment date. If the borrower fails to pay on time, the interest will be calculated based</p>	Amendments made as required by regulations

	<p>the interest.</p> <p>2. Payment of interest: Exception for special requirements, in principle, the payment of loan interest shall be paid on a monthly basis. The borrower is notified the payment of interest within a week from the agreed payment date. If the borrower fails to pay on time, the interest will be calculated based on the number of overdue days and the penalty will be added.</p>	<p>on the number of overdue days and the penalty will be added.</p>	
Article 9	<p>Information disclosure</p> <p>1. The Company shall announce and report the previous month's loan balances of its head office and subsidiaries by the 10th day of each month.</p> <p>2. The Company whose loans of funds reach one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence:</p> <p>1. The aggregate balance of loans to others by the Company and its subsidiaries reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>2. The balance of loans by the Company and its subsidiaries to a single enterprise reaches 10 percent or more of the public company's net worth as stated in its latest financial statement.</p>	<p>Information disclosure</p> <p>1. The Company shall announce and report the previous month's loan balances of its head office and subsidiaries by the 10th day of each month.</p> <p>2. The Company whose loans of funds reach one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence:</p> <p>1. The aggregate balance of loans to others by the Company and its subsidiaries reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>2. The balance of loans by the Company and its subsidiaries to a single enterprise reaches 10 percent or more of the public company's net worth as stated in its latest financial statement.</p>	<p>Amendments made as required by regulations</p>

	<p>3. The amount of new loans of funds by the Company or its subsidiaries reaches NT\$10 million or more, and reaches 2 percent or more of the Company's net worth as stated in its latest financial statement.</p>	<p>3. The amount of new loans of funds by the Company or its subsidiaries reaches NT\$10 million or more, and reaches 2 percent or more of the Company's net worth as stated in its latest financial statement.</p>	
	<p>3. The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to subparagraph 3 of the preceding paragraph.</p>	<p>3. The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to subparagraph 3 of the preceding paragraph.</p>	
	<p>4. The term "announce and report" as used in these Articles means the process of entering data to the information reporting website designated by the Financial Supervisory Commission.</p>	<p>4. The term "announce and report" as used in these Articles means the process of entering data to the information reporting website designated by the Financial Supervisory Commission.</p>	
	<p>5. "Date of occurrence" in these Article means the date of contract signing, date of payment, dates of boards of directors resolutions, or other date that can confirm the counterparty and monetary amount of the loan of funds, whichever date is earlier.</p>	<p>5. "Date of occurrence" in these Articles means the date of contract signing, date of payment, dates of boards of directors' resolutions, or other date that can confirm the counterparty and transaction amount, whichever date is earlier.</p>	
	<p>6. The Company shall evaluate the status of its loans of funds and reserve sufficient allowance for bad debts, and shall adequately disclose relevant information in its financial reports and provide certified public</p>	<p>6. The Company shall evaluate the status of its loans of funds and reserve sufficient allowance for bad debts, and shall adequately disclose relevant information in its financial reports and provide certified public accountants with relevant information for</p>	

	accountants with relevant information for implementation of necessary auditing procedures.	implementation of necessary auditing procedures.	
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King Yuan Electronics Co., Ltd.
Comparison Table of Provisions Before and After the Operational
Procedures for Endorsements/Guarantees

Provi sion	Provision after amending	Provision before amending	Amend ment Reason
Article 9	<p>Time limit and content of public announcements</p> <ol style="list-style-type: none"> 1. The Company shall announce and report the previous month's balance of endorsements/guarantees of itself and its subsidiaries by the 10th day of each month. 2. The Company whose balance of endorsements/guarantees reaches one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence: <ol style="list-style-type: none"> (1) The aggregate balance of endorsements/guarantees by the Company and its subsidiaries reaches 50 percent or more of the Company's net worth as stated in its latest financial statement. (2) The aggregate balance of endorsements/guarantees by the Company and its subsidiaries reaches 50 percent or more of the Company's net worth as stated in its latest financial statement. (3) The balance of endorsements/guarantees by the Company and subsidiaries for a single enterprise reaches NT\$10 million or more and the aggregate amount of all endorsements/guarantees for, 	<p>Time limit and content of public announcements</p> <ol style="list-style-type: none"> 1. The Company shall announce and report the previous month's balance of endorsements/guarantees of itself and its subsidiaries by the 10th day of each month. 2. The Company whose balance of endorsements/guarantees reaches one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence: <ol style="list-style-type: none"> (1) The aggregate balance of endorsements/guarantees by the Company and its subsidiaries reaches 50 percent or more of the Company's net worth as stated in its latest financial statement. (2) The aggregate balance of endorsements/guarantees by the Company and its subsidiaries reaches 50 percent or more of the Company's net worth as stated in its latest financial statement. (3) The balance of endorsements/guarantees by the Company and subsidiaries for a single enterprise reaches NT\$10 million or more and the aggregate amount of all endorsements/guarantees for, 	Amendments made as required by regulations

	<p><u>carrying value of equity method</u> investment in, and balance of loans to, such enterprise reaches 30 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>(4) The amount of new endorsements/guarantees made by the Company or its subsidiaries reaches NT\$30 million or more, and reaches 5 percent or more of the Company's net worth as stated in its latest financial statement.</p>	<p>investment of long-term nature, and balance of loans to, such enterprise reaches 30 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>(4) The amount of new endorsements/guarantees made by the Company or its subsidiaries reaches NT\$30 million or more, and reaches 5 percent or more of the Company's net worth as stated in its latest financial statement.</p>	
	<p>3. The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to subparagraph 4 of the preceding paragraph.</p> <p>4. The term "announce and report" as used in these Articles means the process of entering data to the information reporting website designated by the Financial Supervisory Commission.</p> <p>5. "Date of occurrence" in these Articles means the date of contract signing, date of payment, dates of boards of directors' resolutions, or other date that can confirm the counterparty and monetary amount of the endorsements/guarantees, whichever date is earlier.</p>	<p>3. The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to subparagraph 4 of the preceding paragraph.</p> <p>4. The term "announce and report" as used in these Articles means the process of entering data to the information reporting website designated by the Financial Supervisory Commission.</p> <p>5. "Date of occurrence" in these Articles means the date of contract signing, date of payment, dates of boards of directors' resolutions, or other date that can confirm the counterparty and transaction amount, whichever date is earlier.</p>	