



# **2020 Annual Shareholders' Meeting**

## **Meeting Agenda (Translation)**

**May 28, 2020**

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## **2020 Annual Shareholders' Meeting Procedures**

- I. Meeting in section
- II. Chairman takes the seat
- III. Chairman's Message
- IV. Status reports
- V. Approval Items
- VI. Election Items
- VII. Discussion Items
- VIII. Extraordinary Motions
- IX. Meeting Adjourn



## **2020 Annual Shareholders' Meeting Agenda**

**I. Time:** 9:00 a.m., May 28, 2020

**II. Place:** Faraday's Headquarters (No. 5, Li-Hsin Rd. III, Hsinchu Science Park, Hsinchu City, Taiwan)

**III. Attendance:** All shareholders and equity representatives

**IV. Chairman:** Chia-Tsung Hung, Chairman of the Board of Directors

**V. Chairman's message**

**VI. Status reports:**

- (I) 2019 business operations
- (II) Audit Committee's report of 2019 audited financial reports
- (III) 2019 distributable compensation for employees and directors
- (IV) 2019 Corporate Social Responsibility and future goals

**VII. Approval Items:**

- (I) The Company's 2019 business report and financial statements
- (II) The Company's 2019 earnings distribution

**VIII. Election Items:**

To elect one additional 10<sup>th</sup>-term Director

**IX. Discussion Items:**

To lift non-competition restrictions for the new board member

**X. Extraordinary Motion**

**XI. Meeting adjourn**

# **I. Status reports**

## **Report I**

**Proposed by the Board of Directors**

Cause of action: 2019 business operations

Explanation: Please refer to Annex I on Page 7 ~ 9 of this Handbook for the business report.

## **Report II**

**Proposed by the Board of Directors**

Cause of action: Audit Committee's report of 2019 audited financial reports

Explanation: Please refer to Annex II on Page 10 of this Handbook for the Audit Committee Review Report.

## **Report III**

**Proposed by the Board of Directors**

Cause of action: 2019 distributable compensation for employees and directors

Explanation: The remuneration of the Company's employees and directors in 2019 was resolved by the board of directors for an amount of NT\$216,227 to directors and NT\$51,661,967 to employees paid in cash according to the Articles of Association.

## **Report IV**

**Proposed by the Board of Directors**

Cause of action: 2019 Corporate Social Responsibility and future goals

Explanation: Please refer to Annex III on Page 11 of this Handbook for the Corporate Social Responsibility and future goals.

## II. Approval Items

### Approval I

### Proposed by the Board of Directors

Cause of action: The Company's 2019 business report and financial statements

Explanation: (I) The Company's 2019 business report and financial statements were resolved in the 8<sup>th</sup> board meeting of the 10<sup>th</sup> term of the Company and were submitted to the Audit Committee for review and with a written report issued and filed.

(II) Please refer to Annex I on pages 7 ~ 9 and Annex IV and Annex V on page 12 ~ 31 of this Handbook for the aforementioned business report and financial statements.

Resolutions:

### Approval II

### Proposed by the Board of Directors

Cause of action: The Company's 2019 earnings distribution

Explanation: (I) The Company's 2019 Earnings Distribution Proposal was resolved in the 8<sup>th</sup> board meeting of the 10<sup>th</sup> term of the Company.

(II) Please refer to Annex VI on page 32 of this Handbook for the earnings distribution proposal.

Resolutions:

### III. Election Items

#### Proposed by the Board of Directors

Cause of action: To elect one additional 10<sup>th</sup>-term Director

Explanation: (I) The Company intends to elect one additional director for the 10<sup>th</sup>-term of the board of directors. The newly elected director is for a term starting from the date of the election and ended on June 14, 2021 that is same as other directors of the 10<sup>th</sup>-term of the board of directors.

(II) Director election is with a candidate nomination system adopted. Shareholders should elect the director from the list of candidate. Please refer to the list below for the education, experience, and other relevant information of the candidates:

Title	Name	Education	Experience	Current Position
Director	Unimicron Technology Corp. Representative: Chung Laung Liu	Sc.D. of Massachusetts Institute of Technology	President and Honorary Chair Professor, National Tsing Hua University  Academician, Academia Sinica	Chairperson, TrendForce Corp. Director, United Microelectronics Corporation Director, Macronix International Co., Ltd. Director, UBI Pharma Inc. Independent director, Microelectronics Technology Inc. Independent director, Powerchip Technology Corporation Independent director, Far Eastone Telecommunications Co., Ltd. Independent director, Accton Technology Corp.

Election result:

## IV. Discussion Items

### Proposed by the Board of Directors

Cause of action: To lift non-competition restrictions for the new board member

Explanation: (I) According to Article 209 of the Company Act, a director who does anything for himself or on behalf of another person that is within the scope of the company's business shall explain to the shareholder meeting the essential contents of such act and secure its approval.

(II) If the director of the Company has invested or operated other companies with the same or similar business scope and acts as a director, it is necessary to report it in the shareholder meeting to have the non-competition clause on the director and the director's representative lifted.

(III) It may be proposed in the annual shareholder meeting to have the non-competition clause on the Company's newly elected director lifted as follows:

Title	Name	Position of other companies
Representative of corporate director	Unimicron Technology Corp. Representative: Chung Laung Liu	Chairperson, TrendForce Corp. Director, United Microelectronics Corporation Director, Macronix International Co., Ltd. Director, UBI Pharma Inc. Independent director, Microelectronics Technology Inc. Independent director, Powerchip Technology Corporation Independent director, Far Eastone Telecommunications Co., Ltd. Independent director, Accton Technology Corp.

Resolutions:

## V. Extraordinary Motions

## VI. Meeting adjourn



## **Annex I: 2019 business operations**

### **FARADAY TECHNOLOGY CORPORATION 2019 Business operations**

Dear Shareholders:

The year of 2019 was a year full of opportunities and challenges to Faraday. The Company's overall operations had started to grow again. The number of contracted design projects and the solid foundation of the customer base had helped build up a sound business foundation and greatly improve the operational soundness. The Application-specific integrated circuit (ASIC) market was booming. With the emerging of artificial intelligence (AI) and the Internet of Things (IoT), the business opportunities driven by the China-US trade war and the giant leap in process technology, added with the limited volume of IC design service companies, the market entry barrier was quite high, resulting in endless business opportunities for ASIC companies. Faraday had a complete technology blueprint and a vertically integrated operating model equipped with its own IP as the core that allowed the Company to maintain excellent performance not only in mature processes, but also in advanced processes. Faraday actively responded to the rapid changes in the industry and the competitive situation, through the efforts of the employees taking as a whole, the consolidated revenue for the year reached NT\$ 5.31 billion and the basic earnings per share was NT\$1.40.

Looking back on 2019, Faraday's main operating results include:

- The non-reoccurring expense (NRE) income for contracted design continued to grow to the record high of NT\$1.37 billion. Faraday's NRE Design Win amount had been growing for 5 consecutive years. In addition to maintaining a stable number of contracted projects, the Company had further improved the design value of NRE, allowing the value and value differentiation of the projects to increase, maximizing the value of R&D resources. Faraday had achieved successfully in many fast-developing areas, such as: artificial intelligence (AI), 5G basic network, cloud storage, Netcom, and many niche products that were advantageous applications of Faraday. ASIC development was based on IP and it was Faraday's competitive advantage. Faraday developed intellectual property (IP) solutions in a platform manner in each process, so the competitiveness of the vertically integrated business model would be increased along with the IP deployment that allowed the Company to possess considerable synergy and return on investment in R&D resource management, while creating value for customers and reducing the risk of mass production.
- The mass production and revenues had resumed growth and the proportion of niche products was increased with an effective deployment resulted. In recent years, Faraday had actively expanded its product applications and carried out regional business deployment. In addition to having more than 25 applications accumulated, Faraday had also actively explored the localized needs so that the Company could

have a diversified development in terms of customers, applications, and processes. In 2019, niche-oriented applications had accounted for more than 80% of mass production and revenues. This diversified and customized market was the strength of Faraday, and many of them were the advantageous applications of Faraday after years of effort and hard work.

- Faraday was one of the few leading ASIC manufacturers with self-developed IP. The complete database contained more than 3,000 IPs with a wide range of applications. Faraday had continued to invest resources to develop its own IP for many years, so that Faraday not only had IP technology but also IP business. This unique industrial position had greatly enhanced Faraday's competitiveness in ASIC business. In 2019, Faraday's annual IP revenue reached NT\$880 million, a record high in 12 years.

Faraday continuously innovated and invested R&D resources; also, the Company's major technological breakthroughs and achievements in 2019 included:

- Successfully worked and delivered many factory automation related ASIC projects to support real-time Ethernet, EtherCAT, Profibus, and PLC controllers. The project was with Faraday value-added ASIC and customized IP services adopted to optimize product power consumption, performance, and life cycle management in order to meet factory automation requirements in Industry 4.0 and Industrial Internet of Things (IIoT).
- The RISC-V ASIC solution of Faraday successfully assisted the design of a new generation terminal artificial intelligence and IoT system on a chip (SoC) in the mass production of UMC's 55ULP process and to meet the special performance needs of chips used in battery-powered IoT terminal devices.
- Faraday had successfully completed more than a dozen of ASIC designs for network communication-related applications, mainly using UMC 28HPC or 40LP processes. Its product applications included access and aggregation switches, server network cards, and residential gateways.
- The 28nm 28G programmable SerDes for Netcom ASIC was first launched. The IP had also been successfully verified on UMC 28nm process that would help drive the development of 100G high-speed Ethernet and most xPON fiber network infrastructure.
- The number of RISC-V ASIC design cases of Faraday had grown by multiples for three consecutive years. Of which, 28 nm and 40 nm were the main processes; comparing to advanced processes, these two processes had lowered market barriers, and the corresponding IP deployment was complete and with low risk, providing customers with more competitive SoC cost.
- In the 22nm process of UMC, a comprehensive basic component IP solution was launched. The 22ULP/ULL basic component IP had passed the silicon verification successfully, including multiple voltage standard component library, ECO component library, IO component library, PowerSlash™ low power consumption

control kit, and memory compiler, which could help greatly reduce chip power consumption in order to meet new generation SoC design requirements.

- The FIE3240 FPGA development verification platform had been successfully launched for SoCreative!™ IoT SoC platform series. The FIE3240 programmable platform was highly flexible and expandable, and supported SoC design based on the ARM Cortex-M processor to meet the development needs of complex AIoT chips.

In prospect, the market demand for new-generation chips, such as, artificial intelligence, high-speed computing, 5G, and various niche applications, is increasing rapidly. Faraday will continue to work hard on the deployment of business models, value integration, product applications, and customers; also, continue to create competitive advantages and long-term value for the Company and the customers through its own IP platform-based vertical integration model. At the last but not the least, thanks again to all shareholders for the long-term support and care for Faraday. All employees of the Company taking as a whole will continue to work hard to create maximum value for shareholders.

Sincerely yours,

Wish you good health and happy life

Chairman: Chia-Tsung, Hung

General Manager: Kuo-Yung Wang

Accounting Officer: Wen-Ju Tseng

## **Annex II: Audit Committee Review Report**

### **Audit Committee Review Report**

The board of directors had prepared and presented the Company's 2019 business report, financial statements (including consolidated and parent company only), and surplus earnings distribution proposals, of which, the financial statements (including consolidated and parent company only) were audited by Ernst & Young Global Limited with an independent auditor's report issued. The aforementioned business report, financial statements (including consolidated and parent company only), and the surplus earnings distribution proposal were reviewed by the Audit Committee and concluded to be in compliance with the Company Act and other relevant laws and regulations. The Audit Committee Review Report is hereby presented in accordance with Article 14 of the Securities Exchange Act and Article 219 of the Company Act for review and approval.

Sincerely yours,

FARADAY TECHNOLOGY CORPORATION

The 2020 Regular Shareholder Meeting

Audit Committee

Convener: Ning-Hai Jin

February 13, 2020

## **Annex III: Corporate Social Responsibilities and Future Goals**

### **FARADAY TECHNOLOGY CORPORATION**

#### **Corporate Social Responsibilities and Future Goals**

In terms of fulfilling corporate social responsibilities, the Company pays attention to the rights and interests of the stakeholders. While pursuing sustainable operation and profitability, the Company also pays attention to the impact of environmental, social, and governance aspects, and continuously improves sustainable performance.

The Company had established the Corporate Sustainability Committee in 2019 to be responsible for formulating corporate sustainability strategies and visions. The Corporate Sustainability Committee has organized a corporate governance group, a supply chain sustainability group, an environmental sustainability group, a workplace-friendly group, and a social feedback group to cooperate with stakeholders for the pursuit of a sustainable growth of the corporate society jointly. Each work group formulates its own corporate sustainability promotion indicators based on the functions and responsibilities and had the performance result achieved in 2019 as illustrated on the Company's official website.

The Corporate Sustainability Committee reported the performance results of 2019 to the Board of Directors at the 8<sup>th</sup> Board meeting of the 10<sup>th</sup> term of the Company in 2020, and formulated the "Ethical Corporate Management Best Practice Principles" and "Corporate Governance Best Practice Principles," and appointed the corporate governance officer. In addition, drafted the Procedures for Risk Management, Intellectual Property Management Systems, etc., and prepared the corporate social responsibility report by referring to the generally accepted international report preparation guidelines.

The Corporate Sustainability Committee reviews the effectiveness of the performance in prior period and discusses the goals and plans for the next stage of work by referring to various corporate sustainability indicators, and strives to achieve sustainable development goals through continuous improvement.

## **Annex IV: Independent Auditor's Report and the 2019 Consolidated Financial Statements**

### **Independent Auditors' Report Originally Issued in Chinese**

To Faraday Technology Corporation

#### **Opinion**

We have audited the accompanying consolidated balance sheets of Faraday Technology Corporation and its subsidiaries ("the Group") 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, based on our audits and the reports of other auditors (please refer to the *Other Matter – Making Reference to the Audits of Component Auditors* section of our report), the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group 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 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 the Group 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. Based on our audits and the reports of other auditors, 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

Net sales recognized by the Group amounted to NT\$5,306,351 thousand for the year ended December 31, 2019, including sale of goods, rendering of services and silicon intellectual property license in the amount of NT\$3,055,045 thousand, NT\$1,856,522 thousand and NT\$394,784 thousand, constituting 57.57%, 34.99% and 7.44% of consolidated net sales, respectively. Revenue is the main operating activity of the Group. The sales includes application-specific integrated circuit (ASIC) products, and the services include non-recurring engineering (NRE) and silicon intellectual property license (IP). Revenue includes different sources such as sale of goods and services provided and judgement is exercised to determine the performance obligations and when those were satisfied. As a result, we determined the matter to be a key audit matter.

Our audit procedures included (but not limited to), assessing the appropriateness of the accounting policies of revenue recognition for sales of goods, rendering of services and silicon intellectual property license, testing the operating effectiveness of internal controls established by management for sale of goods, rendering of services and silicon intellectual property license, performing analytical procedures of gross margin by product, selecting samples to perform test of details of transactions including identification of performance obligations in contracts and verification of when performance obligations were satisfied, reviewing significant service agreements for terms of contracts, project milestones and relevant communication information with the Group's customers for service provided, and inspect evidence of client acceptance for deliverables and inspect shipping documents and invoices to verify proper cut-off of revenue, etc.. We also assessed the adequacy of accounting policy and disclosures of operating revenues. Please refer to Note 4 (17) and Note 6 (13).

### Inventories

As of December 31, 2019, the Group's net inventories amounted to NT\$634,554 thousand, constituting 8.24% of consolidated total assets, which is significant for the Group. The production of application-specific integrated circuit (ASIC) products are outsourced by professional wafer foundry and assembly and testing house. ASIC inventories are stored in several vendors and the complexity of inventory management increases. As a result, we determined the matter to be a key audit matter.

Our audit procedures included (but not limited to), understanding the internal control over inventory quantities, evaluating the management's stock taking plan, selecting samples to perform physical inventory observation considering the inventory balances by location and selecting samples to perform external confirmation procedures for the inventories which we did not observe, and agreed the items of physical inventory observations or confirmations to sub-ledger. We also assessed the adequacy of accounting policy and disclosures of inventories. Please refer to Note 4 (11) and Note 6 (5).

#### **Other Matter – Making Reference to the Audits of Component Auditors**

We did not audit the financial statements of certain subsidiaries, whose statements reflect total assets of NT\$580,370 thousand and NT\$578,153 thousand, constituting 7.54% and 8.48% of total consolidated assets as of December 31, 2019 and 2018, respectively, and total operating revenues of NT\$1,134,139 thousand and NT\$1,066,065 thousand, constituting 21.37% and 21.74% of consolidated operating revenues for the years ended December 31, 2019 and 2018, respectively. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinions expressed herein are based solely on the audit reports of the other auditors. We did not audit the financial statements of certain associates and joint ventures accounted for under the equity method whose statements are based solely on the reports of other auditors. These associates and joint ventures under equity method amounted to NT\$81,183 thousand and NT\$85,490 thousand, representing 1.05% and 1.25% of consolidated total assets as of December 31, 2019 and 2018, respectively. The related shares of profits from the associates and joint ventures under the equity method amounted to NT\$(3,646) thousand and NT\$(10,486) thousand, represented (0.87)% and (3.32)% of the consolidated net income before tax for the years ended December 31, 2019 and 2018, respectively, and the related shares of other comprehensive income from the associates and joint ventures under the equity method amounted to NT\$(661) thousand and NT\$961 thousand, representing (0.41)% and (0.58)% of the consolidated other comprehensive income, for the years ended December 31, 2019 and 2018, respectively.

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

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



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

Those charged with governance, including audit committee or supervisors, are responsible for overseeing the financial reporting process of the Group.

### **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 the Group.
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 the Group. 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 the Group 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 the Group 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 including an Other Matter Paragraph on the parent company only financial statements of Faraday Technology Corporation as of and for the years ended December 31, 2019 and 2018.

/s/Chiu, Wan-Ju

/s/Kuo, Shao-Pin

Ernst & Young, Taiwan

February 13, 2020

### **Notice to Readers**

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

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese  
FARADAY TECHNOLOGY CORPORATION AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
As of December 31, 2019 and December 31, 2018  
(Expressed in thousands of New Taiwan Dollars)

Assets	Note	As of		Liabilities and Equity	Note	As of	
		December 31, 2019	December 31, 2018			December 31, 2019	December 31, 2018
<b>Current assets</b>				<b>Current liabilities</b>			
Cash and cash equivalents	4,6(1)	\$ 2,776,055	\$ 2,387,534	Contract liabilities, current	4,6(13)	\$ 303,024	\$ 300,408
Financial assets at fair value through profit or loss, current	4,6(2)	22,016	25,525	Notes payable		4	4
Contract assets, current	4,6(13),6(14)	517,367	367,258	Accounts payable		822,488	695,160
Notes receivable, net	6(14)	4,440	1,558	Accounts payable - related parties	7	258,432	114,097
Accounts receivable, net	4,6(4),6(14)	682,192	766,844	Payables on equipment		3,565	1,607
Accounts receivable from related parties, net	4,6(4),6(14),7	170,925	114,694	Other payables	6(10)	567,625	561,437
Other receivables, net		52,019	45,640	Current tax liabilities	4,5,6(19)	75,555	63,974
Inventories, net	4,6(5)	634,554	596,017	Lease liabilities-current	4,6(15),12	33,898	-
Other current assets	7	163,182	88,653	Other current liabilities		14,518	29,491
Total current assets		<u>5,022,750</u>	<u>4,393,723</u>	Total current liabilities		<u>2,079,109</u>	<u>1,766,178</u>
<b>Non-current assets</b>				<b>Non-current liabilities</b>			
Financial assets at fair value through profit or loss, noncurrent	4,6(2)	-	29,265	Deferred tax liabilities	4,5,6(19)	5,460	2,390
Financial assets at fair value through other comprehensive income, noncurrent	6,(3)	1,135,270	967,922	Lease liabilities-noncurrent	4,6(15),12	231,443	-
Financial assets measured at amortized cost, noncurrent	8	31,766	16,772	Long-term payables	6(10)	96,901	211,859
Investments accounted for using equity method	4,6(6)	81,183	85,490	Long-term deferred revenue		4,756	7,031
Property, plant and equipment	4,6(7)	576,808	575,858	Defined benefit liabilities, non-current	4,5,6(11)	21,619	15,900
Right-of-use assets	4,6(15)	254,498	-	Total non-current liabilities		<u>360,179</u>	<u>237,180</u>
Intangible assets	4,6(8),7	550,567	691,470	Total liabilities		<u>2,439,288</u>	<u>2,003,358</u>
Deferred tax assets	4,5,6(19)	41,764	47,344				
Refundable deposits		<u>7,422</u>	<u>6,875</u>	<b>Equity attributable to the parent company</b>			
Total non-current assets		<u>2,679,278</u>	<u>2,420,996</u>	Capital	6(12)		
				Common stock		2,485,503	2,485,503
				Additional paid-in capital	6(12)	724,895	626,596
				Retained earnings	6(12)		
				Legal reserve		1,473,678	1,596,485
				Special reserve		512,210	860
				Unappropriated earnings		377,139	599,145
				Other components of equity		<u>(369,709)</u>	<u>(512,210)</u>
				Equity attributable to the parent company	6(12)	<u>5,203,716</u>	<u>4,796,379</u>
				<b>Non-controlling interests</b>	6(12)	<u>59,024</u>	<u>14,982</u>
				Total equity		<u>5,262,740</u>	<u>4,811,361</u>
<b>Total assets</b>		<u>\$ 7,702,028</u>	<u>\$ 6,814,719</u>	<b>Total liabilities and equity</b>		<u>\$ 7,702,028</u>	<u>\$ 6,814,719</u>

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

FARADAY TECHNOLOGY CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2019 and 2018

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

	Note	For the years ended December 31,	
		2019	2018
Net sales	4,6(13),7	\$ 5,306,351	\$ 4,904,658
Operating costs	6(5),6(16),7	(2,506,809)	(2,299,781)
Gross profit		2,799,542	2,604,877
Operating expenses	6(8),6(16),7		
Selling expenses		(246,265)	(227,276)
Administrative expenses		(299,418)	(289,973)
Research and development expenses		(1,903,489)	(1,730,826)
Expected credit gains (loss)	6(14)	47,930	(73,794)
Total operating expenses		(2,401,242)	(2,321,869)
Operating income		398,300	283,008
Non-operating income and expenses			
Other income	6(17)	74,201	54,730
Other gains and losses	6(3),6(17)	(44,450)	(11,243)
Finance costs	6(17)	(7,550)	-
Share of profit or loss of associates and joint ventures accounted for using equity method	6(6)	(3,646)	(10,486)
Total non-operating income and expenses		18,555	33,001
Income from continuing operations before income tax		416,855	316,009
Income tax expense	4,5,6(19)	(80,610)	(54,858)
Net income from continuing operations		336,245	261,151
Other comprehensive income	4,5,6(18)		
Item that will not be reclassified subsequently to profit or loss:			
Remeasurements of defined benefit plans		(4,146)	(386)
Unrealized gain from equity investment measured at fair value through other comprehensive income		195,900	(179,689)
Income tax relating to items that will not be reclassified to profit or loss		829	462
Item that may be reclassified subsequently to profit or loss:			
Exchange differences resulting from translating the financial statements of a foreign operation		(32,424)	13,694
Share of the other comprehensive income of associates and joint ventures accounted for using equity method		(661)	961
Other comprehensive income (net of income tax)		159,498	(164,958)
Total comprehensive income		\$ 495,743	\$ 96,193
Net income attributable to:			
Stockholders of the parent	6(20)	\$ 347,877	\$ 263,228
Non-controlling interests	6(12)	(11,632)	(2,077)
		\$ 336,245	\$ 261,151
Comprehensive income (loss) attributable to:			
Stockholders of the parent		\$ 507,878	\$ 98,270
Non-controlling interests		(12,135)	(2,077)
		\$ 495,743	\$ 96,193
Earnings per share (NTD)	6(20)		
Earnings per share-basic		\$ 1.40	\$ 1.06
Earnings per share-diluted		\$ 1.40	\$ 1.05

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

## FARADAY TECHNOLOGY CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2019 and 2018

(Expressed in thousands of New Taiwan Dollars)

	Equity Attributable to the Parent Company									Non-Controlling Interests	Total Equity
	Common Stock	Additional Paid-in Capital	Retained Earnings			Exchange Differences on Translation of Foreign Operations	Unrealized Gain or Loss on Financial Assets Measured at Fair Value through Other Comprehensive Income	Unrealized Gain or Loss on Available-for-sale Financial Assets	Total		
			Legal Reserve	Special Reserve	Unappropriated Earnings						
Balance as of January 1, 2018	\$ 2,485,503	\$ 598,879	\$ 1,512,894	\$ -	\$ 933,774	\$ (67,610)	\$ -	\$ 66,750	\$ 5,530,190	\$ -	5,530,190
Impact of retrospective application and restatement	-	-	-	-	134,275	-	(256,237)	(66,750)	(188,712)	-	(188,712)
Restated balance as of January 1, 2018	2,485,503	598,879	1,512,894	-	1,068,049	(67,610)	(256,237)	-	5,341,478	-	5,341,478
Appropriation and distribution of 2017 retained earnings											
Legal reserve	-	-	83,591	-	(83,591)	-	-	-	-	-	-
Special reserve	-	-	-	860	(860)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(671,086)	-	-	-	(671,086)	-	(671,086)
Net income in 2018	-	-	-	-	263,228	-	-	-	263,228	(2,077)	261,151
Other comprehensive income (loss) in 2018	-	-	-	-	76	14,655	(179,689)	-	(164,958)	-	(164,958)
Total comprehensive income (loss) in 2018	-	-	-	-	263,304	14,655	(179,689)	-	98,270	(2,077)	96,193
Change in subsidiaries' ownership	-	27,717	-	-	-	-	-	-	27,717	-	27,717
Non-controlling interests	-	-	-	-	-	-	-	-	-	17,059	17,059
Disposal of equity instrument measured at fair value through other comprehensive income	-	-	-	-	23,329	-	(23,329)	-	-	-	-
Balance as of December 31, 2018	<u>\$ 2,485,503</u>	<u>\$ 626,596</u>	<u>\$ 1,596,485</u>	<u>\$ 860</u>	<u>\$ 599,145</u>	<u>\$ (52,955)</u>	<u>\$ (459,255)</u>	<u>\$ -</u>	<u>\$ 4,796,379</u>	<u>\$ 14,982</u>	<u>\$ 4,811,361</u>
Balance as of January 1, 2019	\$ 2,485,503	\$ 626,596	\$ 1,596,485	\$ 860	\$ 599,145	\$ (52,955)	\$ (459,255)	\$ -	\$ 4,796,379	\$ 14,982	\$ 4,811,361
Appropriation and distribution of 2018 retained earnings											
Legal reserve	-	-	26,323	-	(26,323)	-	-	-	-	-	-
Special reserve	-	-	-	511,350	(511,350)	-	-	-	-	-	-
Cash dividends	-	-	(149,130)	-	(49,710)	-	-	-	(198,840)	-	(198,840)
Net income in 2019	-	-	-	-	347,877	-	-	-	347,877	(11,632)	336,245
Other comprehensive income (loss) in 2019	-	-	-	-	(3,317)	(32,582)	195,900	-	160,001	(503)	159,498
Total comprehensive income (loss) in 2019	-	-	-	-	344,560	(32,582)	195,900	-	507,878	(12,135)	495,743
Change in subsidiaries' ownership	-	98,299	-	-	-	-	-	-	98,299	56,177	154,476
Disposal of equity instrument measured at fair value through other comprehensive income	-	-	-	-	20,817	-	(20,817)	-	-	-	-
Balance as of December 31, 2019	<u>\$ 2,485,503</u>	<u>\$ 724,895</u>	<u>\$ 1,473,678</u>	<u>\$ 512,210</u>	<u>\$ 377,139</u>	<u>\$ (85,537)</u>	<u>\$ (284,172)</u>	<u>\$ -</u>	<u>\$ 5,203,716</u>	<u>\$ 59,024</u>	<u>\$ 5,262,740</u>

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese  
**FARADAY TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the years ended December 31, 2019 and 2018  
(Expressed in thousands of New Taiwan Dollars)

Description	For the years ended December 31,		Description	For the years ended December 31,	
	2019	2018		2019	2018
<b>Cash flows from operating activities:</b>			<b>Cash flows from investing activities:</b>		
Net income before tax	\$ 416,855	\$ 316,009	Acquisition of financial asset measured at fair value through other comprehensive income	\$ -	\$ (30,000)
Adjustments for non-cash gain or loss:			Disposal of financial asset measured at fair value through other comprehensive income	28,552	31,064
Depreciation	95,102	49,615	Acquisition of financial assets measured at amortized cost	(14,994)	-
Amortization	342,926	367,891	Acquisition of financial asset measured at fair value through profit or loss	-	(58,465)
Expected credit (gain) loss	(47,930)	73,794	Disposal of financial asset measured at fair value through profit or loss	-	36,923
Loss (gain) on financial assets and liabilities at fair value through profit or loss	32,774	8,877	Proceeds from disposal of subsidiary	-	454
Interest expense	7,550	-	Acquisition of property, plant and equipment	(61,849)	(90,971)
Interest income	(14,323)	(12,143)	Refundable deposits	(547)	(322)
Share-based payment expenses	4,012	7,744	Acquisition of intangible assets	(303,363)	(342,199)
Share of loss of associates and joint ventures accounted for using equity method	3,646	10,486	Other investing activities	-	(76)
Loss on disposal of investments	-	7,251	Net cash used in investing activities	(352,201)	(453,592)
Others	1,791	(18,779)			
Changes in operating assets and liabilities:			<b>Cash flows form financing activities:</b>		
Contract assets	(150,109)	(367,258)	Cash payments for the principal portion of the lease liability	(28,661)	-
Notes receivable	(2,882)	3,512	Cash dividends paid	(198,840)	(671,086)
Accounts receivable	132,582	(233,878)	Change in non-controlling interests (increase in subsidiary's capital by cash)	150,464	37,032
Accounts receivable from related parties	(56,231)	(25,979)	Net cash used in financing activities	(77,037)	(634,054)
Other receivables	(5,746)	21,698	Effect of exchange rate changes on cash and cash equivalents	(35,849)	13,646
Inventories	(38,537)	(161,854)			
Other current assets	(71,679)	13,401	Net increase (decrease) in cash and cash equivalents	388,521	(772,188)
Contract liabilities	2,616	239,606	Cash and cash equivalents at beginning of period	2,387,534	3,159,722
Notes payables	-	(96)	Cash and cash equivalents at end of period	\$ 2,776,055	\$ 2,387,534
Accounts payable	127,328	236,355			
Accounts payable - related parties	144,335	29,876			
Other payables	1,963	(135,125)			
Other current liabilities	(14,973)	(7,545)			
Defined benefit liabilities	2,402	(2,862)			
Other Operating liabilities	(2,275)	-			
Cash generated from operations	911,197	420,596			
Interest received	13,690	12,541			
Interest paid	(7,550)	-			
Income tax paid	(63,729)	(131,325)			
Net cash provided by operating activities	\$ 853,608	\$ 301,812			

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

## **Annex V: Independent Auditor’s Report and the 2019 Parent Company Only Financial Statements**

### **Independent Auditors’ Report Originally Issued in Chinese**

To Faraday Technology Corporation

#### **Opinion**

We have audited the accompanying parent company only balance sheets of Faraday Technology Corporation (the “Company”) 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, based on our audits and the reports of other auditors (please refer to the *Other Matter – Making Reference to the Audits of Component Auditors* section of our report), the parent company only financial statements referred to above present fairly, in all material respects, the financial position of the Company 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 Parent Company Only Consolidated Financial Statements* section of our report. We are independent of the Company 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. Based on our audits and the reports of other auditors, 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

Net sales recognized by the Company amounted to NT\$4,646,362 thousand for the year ended December 31, 2019, including sale of goods, rendering of services and silicon intellectual property license in the amount of NT\$2,880,774 thousand, NT\$1,383,791 thousand and NT\$381,797 thousand, constituting 62%、29.78% and 8.22% of net sales, respectively. Revenue is the main operating activity of the Company. The sales includes application-specific integrated circuit (ASIC) products, and the services include non-recurring engineering (NRE) and silicon intellectual property license (IP). Revenue includes different sources such as sale of goods and services provided and judgement is exercised to determine the performance obligations and when those were satisfied. As a result, we determined the matter to be a key audit matter.

Our audit procedures included (but not limited to), assessing the appropriateness of the accounting policies of revenue recognition for sales of goods, rendering of services and silicon intellectual property license, testing the operating effectiveness of internal controls established by management for sale of goods, rendering of services and silicon intellectual property license, performing analytical procedures of gross margin by product, selecting samples to perform test of details of transactions including identification of performance obligations in contracts and verification of when performance obligations were satisfied, reviewing significant service agreements for terms of contracts, project milestones and relevant communication information with the Company's customers for service provided, and inspect evidence of client acceptance for deliverables and inspect shipping documents and invoices to verify proper cut-off of revenue, etc.. We also assessed the adequacy of accounting policy and disclosures of operating revenues. Please refer to Note 4 (16) and Note 6 (13).

### Inventories

As of December 31, 2019, the Company's net inventories amounted to NT\$617,595 thousand, constituting 8.52% of total assets, which is significant for the Company. The production of application-specific integrated circuit (ASIC) products are outsourced by professional wafer foundry and assembly and testing house. ASIC inventories are stored in several vendors and the complexity of inventory management increases. As a result, we determined the matter to be a key audit matter.

Our audit procedures included (but not limited to), understanding the internal control over inventory quantities, evaluating the management's stock taking plan, selecting samples to perform physical inventory observation considering the inventory balances by location and selecting samples to perform external confirmation procedures for the inventories which we did not observe, and agreed the items of physical inventory observations or confirmations to sub-ledger. We also assessed the adequacy of accounting policy and disclosures of inventories. Please refer to Note 4 (10) and Note 6 (5).

#### **Other Matter – Making Reference to the Audits of Component Auditors**

We did not audit the financial statements of certain subsidiaries, associates and joint ventures accounted for under the equity method. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinions expressed herein are based solely on the audit reports of the other auditors. These subsidiaries, associates and joint ventures under equity method amounted to NT\$521,789 thousand and NT\$494,724 thousand, representing 7.20% and 7.61% of total assets as of December 31, 2019 and 2018, respectively. The related shares of profits from the subsidiaries, associates and joint ventures under the equity method amounted to NT\$39,281 thousand and NT\$34,889 thousand, represented 10.06% and 12.50% of the net income before tax for the years ended December 31, 2019 and 2018, respectively, and the related shares of other comprehensive income from the subsidiaries, associates and joint ventures under the equity method amounted to NT\$(12,216) thousand and NT\$11,410 thousand, representing (7.63)% and (6.92)% of the other comprehensive income, for the years ended December 31, 2019 and 2018, respectively.

#### **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 for such internal control as management determines is necessary to enable the preparation of parent company only 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 the Company, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee or supervisors, are responsible for overseeing the financial reporting process of the Company.

### **Auditor's Responsibilities for the Audit of the Parent Company Only 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 parent company only 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 the Company.
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 the Company. 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 the Company 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 financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the Company 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.

/s/Chiu, Wan-Ju

/s/Kuo, Shao-Pin

Ernst & Young, Taiwan

February 13, 2020

#### Notice to Readers

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

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 parent company only financial statements are those generally accepted and applied in the Republic of China.

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese  
FARADAY TECHNOLOGY CORPORATION  
PARENT COMPANY ONLY BALANCE SHEETS  
As of December 31, 2019 and December 31, 2018  
(Expressed in thousands of New Taiwan Dollars)

Assets	Note	As of		Liabilities and Equity	Note	As of	
		December 31, 2019	December 31, 2018			December 31, 2019	December 31, 2018
<b>Current assets</b>				<b>Current liabilities</b>			
Cash and cash equivalents	4, 6(1)	\$ 1,216,369	\$ 1,304,481	Contract liabilities, current	4, 6(13), 7	\$ 107,956	\$ 108,209
Financial assets at fair value through profit or loss, current	4, 6(2)	204	330	Accounts payable		817,405	684,042
Contract assets, current	4, 6(13), 6(14), 7	421,034	313,150	Accounts payable - related parties	7	214,514	114,190
Notes receivable, net	6(14)	1,746	1,558	Payables on equipment		3,565	1,607
Accounts receivable, net	4, 6(4), 6(14)	281,516	303,772	Other payables	6(10), 7	512,312	516,101
Accounts receivable from related parties, net	4, 6(4), 6(17), 7	454,404	220,326	Current tax liabilities	4, 5, 6(19)	50,497	41,294
Other receivables, net	7	117,481	72,987	Lease liabilities-current	4, 6(15), 12	6,572	-
Inventories, net	4, 6(5)	617,595	587,697	Other current liabilities		7,010	6,491
Other current assets		109,529	26,191	Total current liabilities		1,719,831	1,471,934
Total current assets		3,219,878	2,830,492				
<b>Non-current assets</b>				<b>Non-current liabilities</b>			
Financial assets at fair value through other comprehensive income, noncurrent	4, 6(3)	895,710	705,397	Deferred tax liabilities	4, 5, 6(19)	5,173	1,924
Financial assets measured at amortized cost, noncurrent	8	30,265	15,236	Lease liabilities-noncurrent	4, 6(15), 12	199,510	-
Investments accounted for using the equity method	4, 6(6)	1,781,336	1,664,661	Long-term payables	6(10)	96,901	211,859
Property, plant and equipment	4, 6(7)	561,903	556,836	Defined benefit liabilities, non-current	4, 5, 6(11)	21,619	15,900
Right-of-use assets	4, 6(15)	203,420	-	Total non-current liabilities		323,203	229,683
Intangible assets	4, 6(8)	518,209	682,681	Total liabilities		2,043,034	1,701,617
Deferred tax assets	4, 5, 6(19)	34,389	41,580				
Refundable deposits		1,640	1,113	<b>Equity attributable to the parent company</b>			
Total non-current assets		4,026,872	3,667,504	Capital	6(12)		
				Common stock		2,485,503	2,485,503
				Additional paid-in capital	6(12)	724,895	626,596
				Retained earnings	6(12)		
				Legal reserve		1,473,678	1,596,485
				Special reserve		512,210	860
				Unappropriated earnings		377,139	599,145
				Other components of equity		(369,709)	(512,210)
				Equity attributable to the parent company		5,203,716	4,796,379
<b>Total assets</b>		<u>\$ 7,246,750</u>	<u>\$ 6,497,996</u>	<b>Total liabilities and equity</b>		<u>\$ 7,246,750</u>	<u>\$ 6,497,996</u>

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

## FARADAY TECHNOLOGY CORPORATION

## PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2019 and 2018

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

	Note	For the years ended December 31,	
		2019	2018
Net sales	4, 6(13), 7	\$ 4,646,362	\$ 4,323,744
Operating costs	6(5), 6(16), 7	(2,411,107)	(2,280,489)
Gross profit		2,235,255	2,043,255
Unrealized gross profit on sales		(611)	(499)
Gross profit, net		2,234,644	2,042,756
Operating expenses	6(8), 6(16), 7		
Selling expenses		(96,069)	(106,609)
Administrative expenses		(231,688)	(226,255)
Research and development expenses		(1,640,677)	(1,535,567)
Expected credit gain (loss)	6(14)	81,606	(73,794)
Total operating expenses		(1,886,828)	(1,942,225)
Operating income		347,816	100,531
Non-operating income and expenses			
Other gains and losses	6(17)	16,278	32,941
Finance costs	6(3), 6(17)	(5,119)	(14,698)
Share of profit or loss of subsidiaries, associates and joint ventures accounted for using equity method	6(17)	(4,779)	-
Total non-operating income and expenses	6(6)	36,084	160,421
Income from continuing operations before income tax		42,464	178,664
Income tax expense		390,280	279,195
Net income	4, 5, 6(19)	(42,403)	(15,967)
Other comprehensive income	4, 5, 6(18)	\$ 347,877	\$ 263,228
Item that will not be reclassified subsequently to profit or loss:			
Remeasurements of defined benefit plans		(4,146)	(386)
Unrealized gain from equity investment measured at fair value through other comprehensive income		190,313	(114,030)
Income tax relating to items that will not be reclassified to profit or loss		829	462
Item that may be reclassified subsequently to profit or loss:			
Exchange differences resulting from translating the financial statements of a foreign operation		(31,920)	13,694
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method which may be reclassified to profit or loss		4,925	(64,698)
Other comprehensive income (net of income tax)		160,001	(164,958)
Total comprehensive income		\$ 507,878	\$ 98,270
Earnings per share (NTD)	6(20)		
Earnings per share-basic			
Earnings per share-basic		\$ 1.40	\$ 1.06
Earnings per share-diluted			
Earnings per share-diluted		\$ 1.40	\$ 1.05

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

## FARADAY TECHNOLOGY CORPORATION

## PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2019 and 2018

(Expressed in thousands of New Taiwan Dollars)

	Common Stock	Additional Paid-in Capital	Retained Earnings			Other Equity			Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations	Unrealized Gain or Loss on Financial Assets Measured at Fair Value through Other Comprehensive Income	Unrealized Gain or Loss on Available-for-sale Financial Assets	
Balance as of January 1, 2018	\$ 2,485,503	\$ 598,879	\$ 1,512,894	\$ -	\$ 933,774	\$ (67,610)	\$ -	\$ 66,750	5,530,190
Impact of retrospective application and restatement	-	-	-	-	134,275	-	(256,237)	(66,750)	(188,712)
Restated balance as of January 1, 2018	2,485,503	598,879	1,512,894	-	1,068,049	(67,610)	(256,237)	-	5,341,478
Appropriation and distribution of 2017 retained earnings									
Legal reserve	-	-	83,591	-	(83,591)	-	-	-	-
Special reserve	-	-	-	860	(860)	-	-	-	-
Cash dividends	-	-	-	-	(671,086)	-	-	-	(671,086)
Net income in 2018	-	-	-	-	263,228	-	-	-	263,228
Other comprehensive income (loss) in 2018	-	-	-	-	76	14,655	(179,689)	-	(164,958)
Total comprehensive income (loss) in 2018	-	-	-	-	263,304	14,655	(179,689)	-	98,270
Change in subsidiaries' ownership	-	27,717	-	-	-	-	-	-	27,717
Disposal of equity instrument measured at fair value through other comprehensive income	-	-	-	-	23,329	-	(23,329)	-	-
Balance as of December 31, 2018	<u>\$ 2,485,503</u>	<u>\$ 626,596</u>	<u>\$ 1,596,485</u>	<u>\$ 860</u>	<u>\$ 599,145</u>	<u>\$ (52,955)</u>	<u>\$ (459,255)</u>	<u>\$ -</u>	<u>\$ 4,796,379</u>
Balance as of January 1, 2019	\$ 2,485,503	\$ 626,596	\$ 1,596,485	\$ 860	\$ 599,145	\$ (52,955)	\$ (459,255)	\$ -	\$ 4,796,379
Appropriation and distribution of 2018 retained earnings									
Legal reserve	-	-	26,323	-	(26,323)	-	-	-	-
Special reserve	-	-	-	511,350	(511,350)	-	-	-	-
Cash dividends	-	-	(149,130)	-	(49,710)	-	-	-	(198,840)
Net income in 2019	-	-	-	-	347,877	-	-	-	347,877
Other comprehensive income (loss) in 2019	-	-	-	-	(3,317)	(32,582)	195,900	-	160,001
Total comprehensive income (loss) in 2019	-	-	-	-	344,560	(32,582)	195,900	-	507,878
Change in subsidiaries' ownership	-	98,299	-	-	-	-	-	-	98,299
Disposal of equity instrument measured at fair value through other comprehensive income	-	-	-	-	20,817	-	(20,817)	-	-
Balance as of December 31, 2019	<u>\$ 2,485,503</u>	<u>\$ 724,895</u>	<u>\$ 1,473,678</u>	<u>\$ 512,210</u>	<u>\$ 377,139</u>	<u>\$ (85,537)</u>	<u>\$ (284,172)</u>	<u>\$ -</u>	<u>\$ 5,203,716</u>

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



English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

FARADAY TECHNOLOGY CORPORATION

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

For the years ended December 31, 2019 and 2018

(Expressed in thousands of New Taiwan Dollars)

Description	For the years ended December 31,		Description	For the years ended December 31,	
	2019	2018		2019	2018
<b>Cash flows from operating activities:</b>			<b>Cash flows from investing activities:</b>		
Net Income before tax	\$ 390,280	\$ 279,195	Acquisition of financial assets measured at amortized cost	\$ (15,029)	\$ -
Adjustments for non-cash gain or loss:			Acquisition of investments accounted for using equity method	(9,287)	(29,300)
Depreciation	64,154	43,797	Proceeds from disposal of subsidiary	-	23,350
Amortization	331,695	360,664	Acquisition of property, plant and equipment	(59,494)	(85,418)
Expected credit (gain) loss	(81,606)	73,794	Refundable deposits	(527)	(49)
Loss on financial assets and liabilities at fair value through profit or loss	126	4,535	Acquisition of intangible assets	(268,076)	(339,994)
Interest expense	4,779		Other investing activities	-	(29)
Interest income	(6,109)	(7,776)	Net cash used in investing activities	(352,413)	(431,440)
Share of gain of subsidiaries, associates and joint ventures accounted for using equity method	(36,084)	(160,421)			
Loss on disposal of investments	-	7,251	<b>Cash flows from financing activities:</b>		
Changes in operating assets and liabilities:			Cash payments for the principal portion of the lease liability	(5,107)	-
Contract assets	(107,884)	(313,150)	Cash dividends paid	(198,840)	(671,086)
Notes receivable	(188)	3,512	Net cash used in financing activities	(203,947)	(671,086)
Accounts receivable	103,862	(41,582)	Effect of exchange rate changes on cash and cash equivalents	(4,263)	7,830
Accounts receivable from related parties	(234,078)	37,493			
Other receivables	(43,861)	66,357	Net decrease in cash and cash equivalents	(88,112)	(817,071)
Inventories	(29,898)	(153,534)	Cash and cash equivalents at beginning of period	1,304,481	2,121,552
Other current assets	(83,338)	959	Cash and cash equivalents at end of period	\$ 1,216,369	\$ 1,304,481
Contract liabilities	(253)	59,513			
Accounts payable	133,363	229,783			
Accounts payable - related parties	100,324	29,714			
Other payables	(13,631)	(147,248)			
Other current liabilities	519	(1,739)			
Defined benefit liabilities	2,402	(2,862)			
Cash generated from operations	494,574	368,255			
Interest received	5,476	8,174			
Interest paid	(4,779)	-			
Income tax paid	(22,760)	(98,804)			
Net cash provided by operating activities	\$ 472,511	\$ 277,625			

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

**Annex VI: Statement of Earnings Distribution**  
**FARADAY TECHNOLOGY CORPORATION**  
**Statement of Earnings Distribution**  
**2019**

Unit: NT\$

Item	Amount
Unappropriated earnings - beginning	11,761,624
Less: Re-measured amount of the defined benefit plan	(3,316,765)
Add: Disposal of equity instrument measured at fair value through other comprehensive profit and loss	20,817,199
Unappropriated earnings after adjustment	29,262,058
Add: Net income - 2019	347,876,815
Less: Appropriated legal reserve	(36,537,725)
Add: Reversed special reserve	142,500,633
Distributable Earning	483,101,781
Distributions:	
Cash dividend to shareholders (NT\$1.1/per share)	(273,405,344)
Unappropriated earnings - ending	209,696,437

1. According to the provisions of the Taiwan Finance and Taxation No. 871941343 Letter dated 4.30.1998 by the Ministry of Finance, the surplus earnings distribution should be recognized with the specific recognition method adopted. The surplus earnings distribution principle of the Company is to distribute the surplus earnings accumulated after 1998 first, and the surplus earnings accumulated before 1998 will be distributed only if there is insufficient amount for distribution.
2. If the number of outstanding shares is affected by the subsequent repurchase of the Company's shares, the transfer, conversion, and cancellation of treasury shares, employee stock warrants, and new restricted employee shares, resulting in changes in the equity yield rate, the regular shareholder meeting will be requested to have the board of directors authorized to handle it discretionarily.
3. The current cash dividend is calculated according to the distribution ratio and it is to be rounded up to the dollar, and the total amount of the odd share that is for less than NT\$1 is transferred to the Employee Welfare Committee of the Company.
4. The Company from the beginning of 2019 has based on the "Net income of the current period plus the amount other than the net income of the current period included in the surplus earnings undistributed amount" to appropriate legal reserve.
5. The chairman of the board may be authorized to determine the base date for cash dividend payment and the date for stock dividend payment.

## **Appendix I**

### **FARADAY TECHNOLOGY CORPORATION Rules of Procedure for Shareholder Meetings**

- Article 1 The shareholder meetings of the Company are implemented in accordance with the “Rules of Procedure for Shareholder Meetings.”
- Article 2 Shareholders or their proxies are required to wear an attendance card and submit a sign-in card for sign-in. The number of shares is calculated based on the number of sign-in cards received plus the number of shares whose voting rights are exercised by correspondence or electronically.
- Article 3 The chairman shall call the meeting to order when the attending shareholders do represent a majority of the total number of issued shares.
- Article 4 The shareholder meeting agenda is formulated by the board of directors. The meeting shall proceed in the order set by the agenda.
- Article 5 In addition to the proposals listed on the agenda, the other proposal submitted by the shareholders or the amendments or alternatives to the original proposals should be seconded by other shareholders. The equity of the proponent and the seconded party shall be up to 1% of the total number of issued common stock shares.
- Article 6 A matter other than a proposal will not be discussed or voted on. The chairman may have a discussion of proposal ended at an appropriate time or may announce the discussion of a proposal closed, if necessary.
- Article 7 Once the discussion of proposal is ended or closed, the chairman may call for a vote.
- Article 8 Except as otherwise provided in the Company Act; the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. If the chairman consults all the attending shareholders without any objection raised, the proposal shall be deemed as passed, and its effect shall be the same as that of voting.
- Article 8-1 When the Company holds a shareholder meeting; it allows the shareholders to exercise voting rights by correspondence or electronic means. When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the shareholder meeting notice. A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person, but to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting.
- Article 9 Before speaking, an attending shareholder must specify on a speaker’s slip the attendance card number, shareholder name, and shareholding. The order in which shareholders speak will be set by the chairman.
- Article 10 A shareholder (including natural person and legal person) may not speak more than

3 minutes each time, but can be extended for one time with the consent of the chairman; also, each shareholder (including natural person and legal person) may not speak more than twice on the same proposal.

Article 11 If a shareholder attempts to speak beyond the time limit or outside the scope of the proposal at the shareholder meeting and defies the chairman's correction, obstructing the proceedings and refusing to heed calls to stop, the chairman may direct the proctors or security personnel to escort the shareholder from the meeting.

Article 12 When a meeting is in progress, the chairman may announce a break based on time considerations.

Article 13 If a force majeure event occurs, the chairman may rule the meeting temporarily suspended and announce a time when, in view of the circumstances, the meeting will be resumed.

If the meeting venue is no longer available for continuing use and not all of the items (including extraordinary motions) on the meeting agenda have been addressed, the shareholder meeting may adopt a resolution to resume the meeting at another venue.

A resolution may be adopted at a shareholder meeting to defer or resume the meeting within 5 days in accordance with Article 182 of the Company Act.

Article 14 The matters not addressed in these Rules should be handled in accordance with the Company Act and the Company's Articles of Association.

Article 15 These Rules and any amendments hereto shall be implemented after being resolved in the shareholder meetings.

Article 16 These Rules were enacted on July 16, 1998 with the 1<sup>st</sup> amendment made on June 9, 2015.

## **Appendix II**

### **FARADAY TECHNOLOGY CORPORATION**

#### **Articles of Association**

##### **Chapter 1 General Rules**

Article 1: The Company is organized in accordance with the provisions of the Company Act. The name of the Company is “智原科技股份有限公司” in Chinese and “FARADAY TECHNOLOGY CORPORATION” in English.

Article 2: The Company’s business operation is as follows:

I. CC01080 Electronic component manufacturing business

II. I501010 Product Design business

III. F401010 International trade business

IV. I301020 Data processing services business

V. I301010 Information Software Service business

Research, development, design services, production, manufacturing, and sales of the following products:

I. Application-specific integrated circuit (ASIC) design

II. Application-specific integrated circuit (ASIC) design Intellectual Property and System Platform (IP & System Platform)

III. ASIC Electronic Design Automation Tools (ASIC EDA TOOLS)

Article 2-1: When the Company is a shareholder of unlimited liability in another company, the total amount of the Company’s investment in such other company is not subject to the requirement of not exceeding 40% of the amount of its own paid-in capital.

Article 3: The Company’s head office is located in Hsinchu Science Park. If necessary, the Company may establish branches domestically and abroad after the resolution of the board of directors and the approval of the competent authority.

Article 4: (Deleted)

##### **Chapter 2 Shares**

Article 5: The Company’s authorized capital is NT\$6 billion with 600 million shares issued at NT\$10 par; also, the board of directors is authorized to have the stock shares issued by installments. The issue price of each share is determined by the board of directors in accordance with the Company Act or securities-related law and regulations.

Within the total capital amount stated in the preceding paragraph, stock warrants can be issued for an amount of NT\$550 million or less with 55 million shares issued at NT\$10 par. The board of directors is authorized to have the stock shares issued by installments depending on the business operation.

Article 5-1: Employee stock warrants that are issued by the Company with a subscription price lower than the closing price of common stock shares issued by the Company on

the issuance date shall be issued with the consent of two-thirds of the voting rights present at the most recent shareholders meeting attended by shareholders representing a majority of total issued shares.

To transfer shares to employees at less than the average actual share repurchase price, the Company must have obtained the consent of two-thirds of the voting rights present at the most recent shareholders meeting attended by shareholders representing a majority of total issued shares.

Article 6: The Company's stock shares are ordered, numbered, affixed with the signatures or personal seals of three or more directors, and should be duly certified or authenticated by the competent authority or its authorized issuance agency. The Company after having the stock shares issued may be exempted from printing any share certificate for the shares issued. When issues new shares, the certificate for the total number of shares issued currently may be printed collectively.

Article 7: The assignment/transfer, loss, pledge, and destruction of stocks, if any, shall be handled in accordance with the Company Act and relevant law and regulations.

Article 8: (Deleted)

Article 9: The entries of stock assignment/transfer in the shareholders' roster shall not be altered within 60 days prior to the convening date of a regular shareholder meeting, or within 30 days prior to the convening date of a special shareholder meeting, or within 5 days prior to the base date fixed by the Company for distribution of dividends, bonus, or other benefits.

### **Chapter 3 Shareholder Meetings**

Article 10: The Company's shareholder meetings include two types of meetings as follows:

I Regular shareholder meeting shall be held by the board of directors within six months after the end of each fiscal year.

II. Special shareholder meeting shall be convened according to law when necessary.

Article 11: The chairman of the board shall chair the shareholder meeting. If the chairman of the board asks for leave or is unable to exercise his/her powers, one of the directors should be appointed to act on his/her behalf. If the chairman of the board has not appointed a representative, the directors shall elect one person among them to act as the chairman.

Article 12: Shareholders should be informed of the date, place, and reason for a regular shareholders meeting to be convened 30 days in advance, and for a special shareholders meeting to be convened 15 days in advance.

Article 13: When the shareholders cannot attend the shareholder meeting for any reason, they shall provide the proxy form issued by the Company with the scope of authorization specified and then entrust a representative to attend the shareholder meeting. The procedures for attending a shareholder meeting by proxy shall be handled in accordance with Article 177 of the Company Act and the provisions of the "Regulations Governing the Use of Proxies for Attendance at Shareholder

Meetings of Public Companies” issued by the competent authority.

Article 14: Except in the circumstances otherwise provided for in Article 157, Paragraph 3 and Article 179 of the Company Act, the shareholders of the Company shall have one voting power in respect of each share in his/her/its possession.

Article 15: Resolutions at a shareholders meeting shall, unless otherwise provided for in the Company Act, be adopted by a majority vote of the shareholders present, who represent more than one-half of the total number of voting shares.

#### **Chapter 4 Board Directors, Audit Committee, and Managerial Officers**

Article 16: The Company has seven to eleven directors for a term of three years who have the capacity to be elected in the shareholder meeting and are eligible for a second term. The shareholding ratio of all the directors is in accordance with the regulations of the securities competent authorities. The Company may purchase liability insurance for directors to reduce the risk of directors being sued by shareholders or other related parties for performing their duties according to law.

The Company’s independent directors among the number of directors specified in the preceding paragraph must be not less than three persons, and must be not less than one fifth of the number of directors. The board of directors is authorized to pay remuneration to the directors according to their level of participation in the operation of the Company and the value of their contribution, and with reference to the industry level. A candidate nomination system is adopted for the election of directors and independent directors, the shareholders are to elect the directors from the candidate list in the meeting. Regarding the independent directors’ professional qualifications, shareholdings, part-time restrictions, nomination and selection methods, and other matters to be complied with, it shall be handled in accordance with the relevant regulations of the securities competent authority.

Article 16-1: According to the provision of Article 14-4 of the Securities Exchange Act, the Company has an Audit Committee composed of by all independent directors, and at least one of whom shall have accounting or financial expertise. The resolution of the Audit Committee shall be agreed by the majority of all serving members.

Article 17: The board of directors is formed by directors with the powers illustrated as follows:

- I. Preparation of the business plan.
- II. The surplus earnings distribution or loss off-setting proposal
- III. Propose capital increase or decrease proposal.
- IV. Formulate important rules and contracts.
- V. Appoint and dismiss the General Manager of the Company.
- VI. The establishment and abolition of branches.
- VII. Prepare budgets and final accounts.
- VIII. Review of capital expenditures.
- IX. Other powers entrusted according to the Company Act or resolutions of the shareholder meetings.

Article 18: The chairman of the board shall be elected by a majority of the directors at a meeting attending by two thirds of the directors. The chairman represents the Company

externally. The board of directors, depending on operational needs, may have the vice chairman of the board elected by a majority of the directors at a meeting attending by two thirds of the directors.

Article 19 The board meeting of the Company, unless otherwise provided by the Company Act, should be convened by the chairman. Unless otherwise provided by the Company Act, resolutions of the board of directors shall be adopted by a majority of the directors at a meeting attended by a majority of the directors. The board directors should be notified of the upcoming board meeting in writing, by email, or by fax.

Article 20: The chairman of the board shall preside the board meetings. When the chairman of the board is on leave or cannot exercise his/her powers for any reason, the vice chairman shall act in place of the chairman. If there is not a vice chairman elected or the vice chairman is also on leave or cannot exercise his/her powers for any reason, the chairman shall appoint one of the directors to act. If no such designation is made by the chairman, the directors shall select one person among themselves to serve as chairman. The directors shall attend the meeting in person, but may be represented by another director if they cannot attend the meeting in person for any reason. The representation stated in the preceding paragraph is limited to one proxy per director only.

Article 21: (Deleted).

Article 22: (Deleted).

Article 23: The Company has more than one general manager appointed. The appointment and dismissal of the general managers must be approved by a majority of the directors.

Article 24: The general managers shall manage the company's business operation in accordance with the resolution of the board of directors.

## **Chapter 5 Accounting**

Article 25: The Company's fiscal year is from January 1 to December 31. The final statements must be prepared at the end of each fiscal year.

Article 26: The Company's board of directors shall, in accordance with the provisions of Article 228 of the Company Act, have the following books and reports prepared at the end of each fiscal year and shall present them in the shareholder meetings for resolutions.

1. Business report
2. Financial statements
3. Surplus earnings distribution and loss off-setting proposal

Article 27: If there are earnings in the Company's annual final account after making up for all previous losses, an amount no less than 10% of the earnings should be appropriated as employee remuneration and no more than 2% of the earnings should be appropriated as director remuneration. The distribution of employee remuneration can be paid in cash or with stock dividend. The individuals entitled to the stock dividends include the employees of subsidiaries that meet certain



conditions.

The Company's annual surplus earnings, if any, will be distributed in the following order.

I. Withheld taxes

II. Loss off-setting

III. Appropriated 10% of the earnings as legal reserve

IV. Appropriated or reversed special reserve lawfully.

V. The balance amount plus the unappropriated retained earnings is for the shareholder dividend. Except for the reserved amount is to be distributed in the future, the shareholder dividend is distributed according to the resolutions reached in the shareholder meeting.

The Company's dividend distribution policy depends on the Company's current and future investment environment, capital demand, domestic and foreign competition, capital budget, and other factors, taking into account the interests of shareholders, balancing dividends, and the Company's long-term financial planning. The board of directors is to submit the earnings distribution plan to the shareholder meeting for resolutions every year. The Company's current business development is in a growth stage; therefore, business expansion plans and capital demands in the future are inevitable. The dividend distributed in the current year must be with a cash dividend amount for not less than 10% of the total dividend.

## **Chapter 6 Supplemental Provisions**

Article 28: The Company's charters and enforcements rules shall be formulated separately.

Article 29: Matters not specified in the Articles of Association shall be handled in accordance with the provisions of the Company Act.

Article 30: The initiators resolved in the "Initiator Meeting" to have the Company's Articles of Association established on May 25, 1993.

The 1<sup>st</sup> amendment was made on June 19, 1997

The 2<sup>nd</sup> amendment was made on December 15, 1997

The 3<sup>rd</sup> amendment was made on July 16, 1998

The 4<sup>th</sup> amendment was made on March 16, 1999

The 5<sup>th</sup> amendment was made on June 17, 2000

The 6<sup>th</sup> amendment was made on June 9, 2001

The 7<sup>th</sup> amendment was made on June 17, 2002

The 8<sup>th</sup> amendment was made on June 3, 2003

The 9<sup>th</sup> amendment was made on June 15, 2004

The 10<sup>th</sup> amendment was made on June 14, 2005

The 11<sup>th</sup> amendment was made on June 12, 2006

The 12<sup>th</sup> amendment was made on June 11, 2007

The 13<sup>th</sup> amendment was made on June 13, 2008

The 14<sup>th</sup> amendment was made on June 10, 2009

The 15<sup>th</sup> amendment was made on June 15, 2010

The 16<sup>th</sup> amendment was made on June 15, 2011

The 17<sup>th</sup> amendment was made on June 12, 2012

The 18<sup>th</sup> amendment was made on June 9, 2015

The 19<sup>th</sup> amendment was made on June 15, 2016

## **Appendix III**

### **FARADAY TECHNOLOGY CORPORATION Regulations Governing the Election of Directors**

- Article 1 The election of directors of the Company shall be handled in accordance with these Regulations.
- Article 2 The election of directors of the Company shall be conducted at the shareholder meeting.
- Article 3 The order cumulative voting system is adopted for the election of directors of the Company. The number of votes exercisable in respect of one share shall be the same as the number of directors to be elected, and the total number of votes per share may be consolidated for election of one candidate or many be split for election of two or more candidates.
- Article 4 The ballots shall be prepared by the board of directors of the Company with the attendance card number and the number of voting rights clearly stated.
- Article 5 Before the election begins, the chairman shall appoint a number of persons (with shareholder status) to perform the respective duties of vote monitoring and counting personnel.
- Article 6 If a candidate is a shareholder, a voter must enter the candidate's account name and shareholder account number and number of votes in the "candidate" column of the ballot; for a non-shareholder, the voter shall enter the candidate's full name and identity card number. However, when the candidate is a governmental organization or juristic-person shareholder, the name of the governmental organization or juristic-person shareholder shall be entered in the "candidate account name" column of the ballot paper, or both the name of the governmental organization or juristic-person shareholder and the name of its representative, if any. When there are multiple representatives, the names of each respective representative shall be entered.
- Article 7 The ballots shall be casted jointly for the election of directors and independent directors; however, the voting rights will be separately calculated for independent and non-independent director positions.
- Article 8 The directors of the Company will be elected in the shareholder meeting among the competent shareholders according to the quota determined by the Articles of Association of the Company, according to the statistical results of the ballot papers, the candidates with more voting power represented by the votes obtained shall be successively elected as independent directors or directors. When two or more persons receive the same number of votes, thus exceeding the specified number of positions, they shall draw lots to determine the winner, with the chairman drawing lots on behalf of any person not in attendance.
- Article 9 Ballots are invalid under any of the following circumstances:
- I. The ballot was not prepared according to the provisions of Article 4 of these Regulations.
  - II. The ballots are not placed inside the ballot box.

- III. A blank ballot is placed in the ballot box.
- IV. The number of candidates filled on the ballot exceeds the prescribed quota.
- V. The candidate whose name is entered in the ballot is a shareholder, but the candidate's account name and shareholder account number do not conform with those given in the shareholder register, or the candidate whose name is entered in the ballot is a non-shareholder, and a cross-check shows that the candidate's name and corporate tax number do not match.
- VI. Other words or marks are entered in addition to the candidate's account name or shareholder's account number, and the number of voting rights allotted.
- VII. Any of the candidate's account name (full name) or shareholder account number (corporate tax number), and the number of voting rights that have been filled in is altered.
- VIII. The writing is unclear and indecipherable.
- IX. The total votes casted by the voters exceed the total voting rights held by the voters.

Article 10 The ballot boxes for the election of directors shall be set up by the board of directors, which shall be examined by the scrutineers in public before voting.

Article 11 The chairman of the meeting shall declare the results of election on the spot with the account name and shareholder account name of the elected candidates announced; also, the Company shall mail the certificate of election to the elected candidates afterwards.

Article 12 The elected candidate who do not comply with the provisions of Paragraphs 3 and Paragraph 4 of Article 26-3 of the Securities Exchange Act shall be deemed invalid.

Article 13 These Regulations and any amendments hereto shall be implemented after being resolved in the shareholder meeting. These Regulations were formulated on June 17, 2002. The first amendment to the Regulations was made on June 11, 2007. The 2<sup>nd</sup> amendment to the Regulations was made on June 9, 2015.

Article 14 Matters not specified in these Regulations shall be handled in accordance with the Company Act and other relevant law and regulations, as well as the provisions of the Company's Articles of Association.

## Appendix IV

### FARADAY TECHNOLOGY CORPORATION Maximum and Minimum Shareholding of Board Directors

I. The statutory shareholdings of the directors of the 10<sup>th</sup> terms of the Company are as follows:

The number of common stock shares issued by the Company: 248,550,313 shares

The statutory shareholdings of all directors should be 12,000,000 shares.

II. As of March 30, 2020, the book closure date of the regular shareholder meeting, the shareholding of all directors is as follows:

Title	Name	Shareholding	%
Chairman	Representative of UMC: Chia-Tsung Hung	34,240,213	13.77
Director	Representative of UMC: Ying-Sheng Shen	34,240,213	13.77
Director	Kuo-Yung Wang	231,990	0.09
Director	Shih-Chin Lin	175,000	0.07
Director	Wen-Ju Tseng	49,915	0.02
Independent Director	Ling-Ling Wu	—	—
Independent Director	Ning-Hai Jin	—	—
Independent Director	Ping-Kuan Lo	—	—
Total shareholdings of all directors		34,697,118	13.95

Note: The Company has established an Audit Committee, so it is not subject to the requirements of statutory shareholdings.