

March 7th, 2022

Subject: Notification of Ukraine War Risks Influence to TIANMA delivery

Dear Valued Customers,

We would like to update you about the concerns you may have on our material supplying and shipment transportation with regards to the escalation of military conflict.

After investigation of Tianma material supply chain, only neon gas was affected by the components and upstream raw materials in Ukraine、 Russia or relevant conflict areas. As the inert gas is required in IC making, the intensification of the conflict between Russia and Ukraine may disrupt the neon supply, but we expect it will not completely paralyze global chip production in the short term. However, the reduction of neon supply in the international market "may lead to the rise of (neon) price and the increase of chip manufacturing cost". In the medium and long term, the upstream will find alternative suppliers to replace the gas produced in Ukraine.

Here is investigation result based on Mar 4th situations:

Airfreight

Several countries have closed their airspace to Russian airlines and aircrafts with a Russian registration. Therefore, no direct services to and from Russia from and to mainland Europe are possible for the time being with the exception of indirect services.

Flight operation services to and from Asia currently face disruptions due to flight cancellations and flight schedule adjustments that will likely impact capacity availability and the backlog situation. Chinese Mainland, Hong Kong S.A.R, Japan and Korea are most affected during this stage.

The increased detour flight will bring the risk of rising air freight rates. Combined with the rise of international oil prices due to Ukraine war, we expect air capacity will decrease and costs increase.

Ocean Freight

All Ukraine ports are closed and shipping lines do not call at them. Several ocean carriers have suspended their services for shipments to/from Ukraine' s main ports, and they are diverting cargo to other locations.

Rail Transport

China – Europe block train services used by TIANMA do not pass through Ukraine or battling areas. And we have confirmed that all the cargos in-transit were not impacted.

We have been notified by our global forwarders that CR Express will continue to provide Eurasia rail service. Rail routings are as follows:

- Railway transportation via China-Russia, Mongolia, and Kazakhstan borders
- Railway transport via Belarus-Poland border, Russia-Poland border, and Kaliningrad port

In addition, we received notice from a few China – Europe block train operators,

1. Operators will purchase war risk insurance on their account
2. Some operators committed if the trains in transit are stopped during the transportation due to various factors caused by the Russia-Ukraine war and therefore need to be returned, the railway freight to railway station in China will not be born by customers

The situation remains dynamic and volatile. We are observing the situation closely, and our team has been working with our partners day and night for solutions and contingencies. Your account manager is available to provide you with updates. Our teams stand by you to tackle the challenges together.

Yours Sincerely,

Fred Cui

Tianma Electronics Co., Ltd.

