

King Yuan Electronics Co., Ltd. Procedures for Ethical Management and Guidelines for Conduct

Article 1: (Purpose of establishment and applicable scope)

The Company performs business activities based on the principles of fairness, honesty, trust and transparency. To implement the ethical corporation management policy, and to actively prevent unethical conducts, the Company establishes these Procedures and Guidelines according to the provision of Article 6 of the Ethical Corporate Management Best-Practice Principles of the Company in order to specify the precautions for personnel of the Company performing duties.

These Procedures and Guidelines are applicable to business groups and subsidiaries of the Company, any foundation to which the Company's direct or indirect contribution of funds exceeds 50% of the total funds received, and other institutions or juridical persons which are substantially controlled by such company.

Article 2: (Applicable Subjects)

For the purposes of these Procedures and Guidelines, the term "personnel of this Corporation" refers to any director, supervisor, manager, employee, mandatary or person having substantial control, of the Company or its group enterprises and organizations.

Any provision, promise, request, or acceptance of improper benefits by any personnel of the Company through a third party will be presumed to be an act by the personnel of the Company.

Article 3: (Unethical Conduct)

For the purposes of these Procedures and Guidelines, "unethical conduct" means that any personnel of the Company, in the course of their duties, directly or indirectly provides, promises, requests, or accepts improper benefits or commits a breach of ethics, unlawful act, or breach of fiduciary duty for purposes of acquiring or maintaining benefits.

The counterparties of the unethical conduct under the preceding paragraph include public officials, political candidates, political parties or their staffs, and government-owned or private-owned enterprises or institutions and their directors, supervisors, managers, employees, persons having substantial control, or other interested parties.

Article 4: (Types of Benefits)

For the purposes of these Procedures and Guidelines, the term "benefits" means any money, gratuity, gift, commission, position, service, preferential treatment, rebate, facilitating payment, entertainment, dining, or any other item of value in whatever form or name.

Article 5: (Responsible Unit)

The Company designates the President's Office as the solely responsible unit (hereinafter referred to as the "responsible unit") to assist the board of directors and be in charge of the amendment, implementation, interpretation, and advisory services with respect to these Procedures and Guidelines, the recording and filing of reports, and the monitoring of implementation. The responsible unit shall be in charge of the following matters and also submit regular reports (at least once a year) to the board of directors:

- I. Assisting in incorporating ethics and moral values into the company's business strategy and adopting appropriate preventive measures against corruption and malfeasance to ensure ethical management in compliance with the requirements of laws and regulations.

- II. Analyzing and assessing the risks of unethical conduct within the business scope on a regular basis and accordingly adopting programs to prevent unethical conduct and setting out in each program the standard operating procedures and conduct guidelines with respect to the Company's operations and business.
- III. Planning the internal organization, structure, and allocation of responsibilities and setting up check-and-balance mechanisms for mutual supervision of the business activities within the business scope which are possibly at a higher risk for unethical conduct.
- IV. Promoting and coordinating awareness and educational activities with respect to ethics policy.
- V. Developing a whistle-blowing system and ensuring its operating effectiveness.
- VI. Assisting the board of directors and management in auditing and assessing whether the preventive measures taken for the purpose of implementing ethical management are effectively operating, and preparing reports on the regular assessment of compliance with ethical management in operating procedures.
- VII. Preparing and retaining properly documented information such as ethical management policy and compliance statements, situations concerning the performance of undertakings and enforcement etc.

Article 6: (Prohibition Against Providing or Accepting Improper Benefits)

Except under one of the following circumstances, when providing, accepting, promising, or requesting, directly or indirectly, any benefits as specified in Article 4, the conduct of the given personnel of the Company shall comply with the provisions of the Ethical Corporate Management Best-Practice Principles of the Company and these Procedures and Guidelines, and the relevant procedures shall have been carried out:

- I. The conduct is undertaken to meet business needs and is in accordance with local courtesy, convention, or custom during domestic (or foreign) visits, reception of guests, promotion of business, and communication and coordination.
- II. The conduct has its basis in ordinary social activities that are attended or others are invited to hold in line with accepted social custom, commercial purposes, or developing relationships.
- III. Invitations to guests or attendance at commercial activities or factory visits in relation to business needs, when the method of fee payment, number of participants, class of accommodations, and the time period for the event or visit have been specified in advance.
- IV. Attendance at folk festivals that are open to and invite the attendance of the general public.
- V. Rewards, emergency assistance, condolence payments, or honorariums from the management.
- VI. Social etiquette and custom or other conduct that complies with the rules of the Company.

“Normal social etiquette standards” mentioned in Paragraph 2: Refers to gifts received in regular social interactions, which market price does not exceed NT\$3,000. However, the value of gifts received from the same source cannot exceed NT\$10,000 cumulatively in the same year.

Article 7: (Procedures for Handling Acceptance of Improper Benefits)

Except under any of the circumstances set forth in the preceding article, when any personnel of the Company are provided with or are promised, either directly or indirectly, any benefits as specified in Article 4 by a third party, the matter shall be handled in accordance with the following procedures:

- I. If there is no relationship of interest between the party providing or offering the benefit and the official duties of the Company's personnel, the personnel shall report to their immediate supervisor within three days from the acceptance of the benefit, and the responsible unit shall be notified if necessary.
- II. If a relationship of interest does exist between the party providing or offering the benefit and the official duties of the Company's personnel, the personnel shall return or refuse the benefit, and shall report to his or her immediate supervisor and notify the responsible unit. When the benefit cannot be returned, then within three days from the acceptance of the benefit, the personnel shall refer the matter to the responsible unit for handling.

"A relationship of interest between the party providing or offering the benefit and the official duties of the Company's personnel," as referred to in the preceding paragraph, refers to one of the following circumstances:

- I. When the two parties have commercial dealings, a relationship of direction and supervision, or subsidies (or rewards) for expenses.
- II. When a contracting, trading, or other contractual relationship is being sought, is in progress, or has been established.
- III. Other circumstances in which a decision regarding the Company's business, or the execution or non-execution of business, will result in a beneficial or adverse impact. The responsible unit of the Company shall make a proposal, based on the nature and value of the benefit under Paragraph 1, that it be returned, accepted on payment, given to the public, donated to charity, or handled in another appropriate manner. The proposal shall be implemented after being reported and approved by the Chairman.

Article 8: (Prohibition of Facilitating Payments and Handling Procedures)

The Company shall neither provide nor promise any facilitating payment.

In case where any personnel of the Company provides or promises a facilitating payment under threat or intimidation, they shall submit a report to their immediate supervisor stating the facts and shall notify the responsible unit.

Upon receipt of the report under the preceding paragraph, the responsible unit of the Company shall take immediate action and undertake a review of relevant matters in order to minimize the risk of recurrence. In a case involving alleged illegality, the responsible unit shall also immediately report to the relevant judicial agency.

Article 9: (Procedures for Handling Political Contribution)

The Company shall not provide or offer any political contributions.

Article 10: (Procedures for Handling Charitable Donations or Sponsorships)

Charitable donations or sponsorships by the Company shall be provided in accordance with the following provisions and reported to the Chairman for approval, and a notification shall be given to the responsible unit. When the amount is NTD 10,000,000 (exclusive) or more, the donation or sponsorship shall be provided only after it has been submitted for adoption by the board of directors:

- I. It shall be ascertained that the donation or sponsorship is in compliance with the laws and regulations of the country where the Company is doing business.
- II. A written record of the decision-making process shall be kept.
- III. A charitable donation shall be given to a valid charitable institution and may not be a disguised form of bribery.
- IV. The returns received as a result of any sponsorship shall be specific and reasonable, and the subject of the sponsorship may not be a counterparty of the Company's commercial dealings or a party with which any personnel of the Company has a relationship of interest.

- V. After a charitable donation or sponsorship has been given, it shall be ascertained that the destination to which the money flows is consistent with the purpose of the contribution, and legitimate receipt shall be obtained.

Article 11: (Recusal for Conflicts of Interest)

When a director, manager or other stakeholder of the Company attending or present at a board of directors' meeting, or the juristic person represented thereby, has a stake in a matter under discussion in the meeting, that director, manager or stakeholder shall state the important aspects of the stake in the meeting and, where there is a likelihood that the interests of the Company may be prejudiced, shall not participate in the discussion or vote on that proposal, shall recuse himself or herself from any discussion and voting, and may not exercise voting rights as proxy on behalf of another director. The directors shall practice self-discipline and must not support one another in improper dealings. Where the spouse, a blood relative within the second degree of kinship of a director, or any company which has a controlling or subordinate relation with a director has interests in the matters under discussion in the meeting of the preceding paragraph, such director shall be deemed to have a personal interest in the matter.

Where in the course of conducting company business, any personnel of the Company discovers that a potential conflict of interest exists involving themselves or the juristic person that they represent, or that they or their spouse, parents, children, or a person with whom they have a relationship of interest is likely to obtain improper benefits, the personnel shall report the relevant matters to both his or her immediate supervisor and the responsible unit, and the immediate supervisor shall provide the personnel with proper instructions.

No personnel of the Company may use company resources on commercial activities other than those of the Company, nor may any personnel's job performance be affected by his or her involvement in the commercial activities other than those of the Company.

Article 12: (Organization and Responsibility for Confidentiality Mechanism)

The Company shall set up a special unit, and the Legal and Intellectual Property Rights Division shall be responsible for the formulation and implementation of procedures for managing, preserving, and maintaining the confidentiality of the Company's trade secrets, trademarks, patents, copyright works and other intellectual properties and it shall also conduct periodical reviews on the results of implementation to ensure the sustained effectiveness of the confidentiality procedures.

All personnel of the Company shall faithfully follow the operational directions pertaining to intellectual properties as mentioned in the preceding paragraph and may not disclose to any other party any trade secrets, trademarks, patents, copyright works, and other intellectual properties of the Company of which they have learned, nor may they inquire about or collect any trade secrets, trademarks, patents, copyright works, and other intellectual properties of the Company unrelated to their individual duties.

Article 13: (Prohibition Against Unfair Competition Conducts)

The Company shall follow the Fair Trade Act and applicable competition laws and regulations when engaging in business activities, and may not fix prices, make rigged bids, establish output restrictions or quotas, or share or divide markets by allocating customers, suppliers, territories, or lines of commerce.

Article 14: (Prevention of Damage Caused by Products and Services to Stakeholders)

The Company shall collect and understand the applicable laws and regulations and international standards governing its products and services which it shall observe and gather and publish all guidelines to cause personnel of the Company to ensure the

transparency of information about, and safety of, the products and services in the course of their research and development, procurement, manufacture, provision, or sale of products and services.

Article 15: (Prohibition Against insider Trading and Non-disclosure Agreement)

All personnel of the Company shall adhere to the provisions of the Securities and Exchange Act, and may not take advantage of undisclosed information of which they have learned to engage in insider trading. All personnel are also prohibited from divulging undisclosed information to any other party, in order to prevent other party from using such information to engage in insider trading.

Any organization or person outside of the Company that is involved in any merger, demerger, acquisition and share transfer, major memorandum of understanding, strategic alliance, other business partnership plan, or the signing of a major contract by the Company shall be required to sign a non-disclosure agreement in which they undertake not to disclose to any other party any trade secret or other material information of the Company acquired as a result, and that they may not use such information without the prior consent of the Company.

Article 16: (Compliance and Announcement of Policy of Ethical Management)

The Company shall request their directors and senior management to issue a statement of compliance with the ethical management policy and require in the terms of employment that employees comply with such policy.

The Company shall disclose its policy of ethical management in its internal rules, annual reports, on the company's websites, and in other promotional materials, and shall make timely announcements of the policy in events held for outside parties such as product launches and investor conferences, in order to make its suppliers, customers, and other business-related institutions and personnel fully aware of its principles and rules with respect to ethical management.

Article 17: (Ethical Management Assessment Prior to Development of Commercial Relationships)

Before developing a commercial relationship with another party, such as an agent, supplier, customer, or other counterparty in commercial dealings, the Company shall assess the legality and ethical management policy of the party and ascertain whether the party has a record of involvement in unethical conduct, in order to ensure that the party conducts business in a fair and transparent manner and will not request, offer, or take bribes.

When the Company carries out the assessment under the preceding paragraph, it may adopt appropriate audit procedures for a review of the counterparty with which it will have commercial dealings with respect to the following matters, in order to gain a comprehensive knowledge of its ethical management:

- I. The enterprise's nationality, location of business operations, organizational structure, and management policy, and place where it will make payment.
- II. Whether the enterprise has adopted an ethical management policy, and the status of its implementation.
- III. Whether enterprise's business operations are located in a country with a high risk of corruption.
- IV. Whether the business operated by the enterprise is in an industry with a high risk of bribery.
- V. The long-term business condition and degree of goodwill of the enterprise.
- VI. Consultation with the enterprise's business partners on their opinion of the enterprise.
- VII. Whether the enterprise has a record of involvement in unethical conduct such as

bribery or illegal political contributions.

Article 18: (Statement of Ethical Management Policy to Counterparties in Commercial Dealings)

Any personnel of the Company, when engaging in commercial activities, shall make a statement to the trading counterparty about the Company's ethical management policy and related rules, and shall clearly refuse to provide, promise, request, or accept, directly or indirectly, any improper benefit in whatever form or name.

Article 19: (Avoidance of Commercial Dealings with Unethical Operators)

All personnel of the Company shall avoid business transactions with an agent, supplier, customer, or other counterparty in commercial interactions that is involved in unethical conduct. When the counterparty or partner in cooperation is found to have engaged in unethical conduct, the personnel shall immediately cease dealing with the counterparty and blacklist it for any further business interaction in order to effectively implement the Company's ethical management policy.

Article 20: (Stipulation of Terms of Ethical Management in Contracts)

Before entering into a contract with another party, the Company shall gain a thorough knowledge of the status of the other party's ethical management, and shall include the compliance with the ethical management policy of the Company in the terms and conditions of the contract. The contract shall specify at the least the following matters:

- I. When a party to the contract becomes aware that any personnel has violated the terms and conditions pertaining to prohibition of acceptance of commissions, rebates, or other improper benefits, the party shall immediately notify the other party of the violator's identity, the manner in which the provision, promise, request, or acceptance was made, and the monetary amount or other improper benefit that was provided, promised, requested, or accepted. The party shall also provide the other party with pertinent evidence and cooperate fully with the investigation. If there has been resultant damage to either party, the party may claim damages, and may also deduct the amount of such damages from the contract price payable.
- II. Where a party is discovered to be engaged in unethical conduct in its commercial activities, the other party may terminate or rescind the contract unconditionally at any time.
- III. Specific and reasonable payment terms, including the place and method of payment and the requirement for compliance with related tax laws and regulations.

Article 21: (Handling of Unethical Conduct by Personnel of the Company)

As an incentive to insiders and outsiders for informing of unethical or unseemly conduct, the Company may grant a reward depending the seriousness of the circumstance concerned after reporting such matter is reported to and approved by the Chairman. Insiders having made a false report or malicious accusation shall be subject to disciplinary action and be removed from office if the circumstance concerned is material.

The Company shall internally establish and publicly announce on its website and the intranet, or provide through an independent external institution, an independent mailbox or hotline, for the Company insiders and outsiders to submit reports. A whistle-blower shall at least furnish the following information:

- I. The whistle-blower's name and I.D. number, and whistle-blowing reports may be submitted anonymously, and an address, telephone number and e-mail address where it can be reached.
- II. The informed party's name or other information sufficient to distinguish its identifying features.

III. Specific facts available for investigation.

Relevant personnel of the Company handling whistle-blowing matters shall represent in writing they will keep the whistle-blowers' identity and contents of information confidential. The Company shall also undertake to protect the whistle-blowers from improper treatment due to their whistle-blowing.

The responsible unit of the Company shall observe the following procedure in handling whistle-blowing matters:

- I. Information shall be reported to the department head if such information involves the rank and file and to an independent director or the Audit Committee if involving a director or a senior officer.
- II. The responsible unit of the Company and the department head or personnel being reported to in the preceding subparagraph shall immediately verify the facts and, where necessary, with the assistance of the legal compliance or other related department.
- III. If a person being informed of is confirmed to have indeed violated the applicable laws and regulations or the Company's policy and regulations of ethical management, the Company shall immediately require the violator to cease the conduct and shall make an appropriate disposition. When necessary, the Company will report to the competent authority, refer said person to judicial authority for investigation, or institute legal proceedings and seek damages to safeguard its reputation and its rights and interests.
- IV. Documentation of case acceptance, investigation processes and investigation results shall be retained for five years and may be retained electronically. In the event of a suit in respect of the whistle-blowing case before the retention period expires, the relevant information shall continue to be retained until the conclusion of the litigation.
- V. Where the whistle-blowing case is verified to be true, the Company shall charge relevant units with the task of reviewing the internal control system and relevant procedures and proposing corrective measures to prevent recurrence.
- VI. The responsible unit of the Company shall submit to the board of directors a report on the whistle-blowing case, actions taken, and subsequent reviews and corrective measures.

Article 22: (Handling Actions for Unethical Conduct Made by Others Towards the Company)

In the event that any personnel of the Company discovers that another party has engaged in unethical conduct towards the Company, and such unethical conduct involves alleged illegality, the Company shall report the relevant facts to the judicial and prosecutorial authorities; where a public service agency or public official is involved, the Company shall additionally notify the governmental anti-corruption agency.

Article 23: (Internal Awareness Sessions and Establishment of System for Rewards, Penalties, and Complaints, and Disciplinary Actions)

The responsible unit of the Company shall organize at least one internal awareness session annually and shall arrange for the chairman, president, or senior management to communicate the importance of ethics to its directors, employees, and mandataries.

The Company shall incorporate the ethical management into the employee performance evaluation and human resource policy, and shall establish clear and effective systems for rewards, penalties, and complaints.

If any personnel of the Company seriously violates ethical conduct, the Company shall dismiss the personnel from his or her position or terminate his or her employment in accordance with applicable laws and regulations or the personnel policy and procedures of the Company.

The Company shall disclose on its intranet information the name and title of the violator, the date and details of the violation, and the actions taken in response.

Article 24: (Implementation)

These Procedures and Guidelines shall be implemented after adoption through resolution of the board of directors, and the same requirements shall be applied to amendments thereof.

When these Procedures and Guidelines are submitted to the board of directors for discussion, each independent director's opinions shall be taken into full consideration, and their objections and reservations expressed shall be recorded in the minutes of the board of directors meeting. An independent director that is unable to attend a board meeting in person to express objection or reservation shall provide a written opinion before the board meeting unless there is a legitimate reason to do otherwise, and the opinion shall be recorded in the minutes of the board of directors meeting.