

Stock symbol: 2449



**京元電子股份有限公司**  
*The Testing Industry Benchmark*

# **2023 Annual General Meeting Handbook**

May 30, 2023

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**King Yuan Electronics Co., Ltd.**  
**2023 Annual General Meeting Procedure**

- I. Call the Meeting to Order**
- II. Chairperson Remarks**
- III. Reporting Items**
- IV. Ratification Items**
- V. Elections**
- VI. Discussion Items**
- VII. Extraordinary Motions**
- VIII. Meeting Adjourned**

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

## **2023 Annual General Meeting Agenda**

Convention Method: Physical Convention of Annual General Meeting

Time: 9 a.m. on Tuesday, May 30, 2023

Place: 2F., No. 6, Yule St., Toufen City, Miaoli County (Conference Room 205, Grand Royal Hotel)

Chair: Chairperson Chin-Kung Lee

I. Call the Meeting to Order

II. Chairperson Remarks

III. Reporting Items

1. The Company's 2022 Business Overview.
2. The Audit Committee's Review of the Company's 2022 Financial Report.
3. The Company's 2022 Distribution of Employee and Director Remuneration.
4. The Company's amendment to the "Rules and Procedures for Board of Directors Meetings."

IV. Ratification Items

1. The Company's 2022 Business Report and Financial Statements.
2. The Company's 2022 Distribution of Earnings.

V. Elections

Election of the 15th term of Board of Directors.

VI. Discussion Items

1. Request for review of the proposed removal of non-compete clause for the Company's directors.

VII. Extraordinary Motions

VIII. Meeting Adjourned

## Reporting Items

Report No. 1

Proposed by the Board of Directors

Motion: The Company's 2022 Business Overview.

Description: For the 2022 business report, please refer to page 12 (Annex 1).

Motion: The Audit Committee's Review of the Company's 2022 Financial Report.

- Description: 1. The Company's 2022 final accounting reports have been reviewed and certified by accountants and the Audit Committee. A review report and audit report have been issued.
2. For the audit report prepared by the Audit Committee, please refer to Annex 2 on page 17.
  3. For the review report prepared by the CPA, please refer to Annex 5 on page 22.

Motion: The Company's 2022 Distribution of Employee and Director Remuneration.

- Description: 1. According to Article 19, Paragraph 1 of the Company's Articles of Incorporation: "Where there is a profit in the current year, the Company shall allocate 8–10 percent of the profit as the remuneration to employees, and no more than 1 percent thereof as directors' remuneration. However, profits must first be taken to offset against cumulative losses if any."
2. The Company's profit in 2022 totaled NT\$9,328,704,652 (i.e., earnings before tax less remuneration to employees and directors), 8 % thereof was allocated as the remuneration to employees in cash, i.e. NT\$746,296,373, and 0.8 % thereof as the remuneration to directors, i.e. NT\$74,629,637.

Motion: The Company's amendment to the “Rules and Procedures for Board of Directors Meetings.”

Description: 1. The Company has amended Articles 3, 7, and 19 of the “Regulations Governing Procedure for Board of Directors Meetings of Public Companies” in accordance with amendments to Articles 3, 7, and 19 of the “Regulations Governing Procedure for Board of Directors Meetings of Public Companies” as stated in Jin-Guan-Zheng-Fa No. 1110383263 issued by the Financial Supervisory Commission on August 5, 2022.

2. Please refer to Annex 3 on page 18 for the Comparison Table before and after amendments to the Company’s “Rules and Procedures for Board of Directors Meetings.”



## Ratification Items

### Ratification No. 1

Proposed by the Board of Directors

Motion: The Company's 2022 Business Report and Financial Statements.

Description: 1. The Company's 2022 Business Report and Financial Statements have been approved in the 24th meeting of the 14th-term Board of Directors and were audited by the Audit Committee, and a written report of such audit has been issued.

2. For the aforementioned Business Report and Financial Statements, please refer to Annex 1 on page 12 and Annex 5 on page 22.

Resolution:

Ratification No. 2

Proposed by the Board of Directors

Motion: The Company's 2022 Distribution of Earnings.

Description: 1. The Company's 2022 distribution of earnings report has been approved in the 24th meeting of the 14th-term Board of Directors and audited by the Audit Committee, and a written report of such audit has been issued.

2. For the distribution of earnings report that was prepared in accordance with the provisions of the Company Act and the Company's Articles of Incorporation, please refer to page 21 (Annex 4).

3. If the Company made substantial investment using the undistributed earnings after the distribution of the 2022 earnings, the Company shall apply for reduction of the amounts of undistributed earnings or refund of excess payment under the preferential taxation provisions stipulated in Article 23-3 of the "Statute for Industrial Innovation."

Resolution:

# Elections

## Elections

Proposed by the Board of Directors

Motion: Election of the 15th term of Board of Directors.

Description: 1. The Company's 14th-term Board of Directors was set to expire on June 9, 2023; however, given the date of the shareholders' meeting, the date of expiration will be brought forward to the day of election of the 15th term of Board of Directors.

2. In accordance with Article 13 of the Company's Articles of Incorporation, nine directors (including three independent directors) will be elected at the 2023 Shareholders' Meetings. The new board members will serve a term of three years, beginning on May 30, 2023 and ending on May 29, 2026.
3. The Company shall adopt a candidate nomination system for election of and directors. The shareholders shall elect the directors from among the nominees listed on the roster. Please refer to Annex 6 on page 42 for the education background, past work experience, and other relevant information of the director candidates.
4. Please elect as proposed.

Election result:

## Discussion Items

### Discussion No. 1

Proposed by the Board of Directors

Motion: Request for review of the proposed removal of non-compete clause for the Company's directors.

Description: 1. Because the Company's new directors may be engaged in the investment or operation of a business entity whose scope of business is identical or similar to that of the Company and acts as a director thereof, we hereby propose to remove the non-compete clause for directors in accordance with Article 209 of the Company Act, provided that such removal will not infringe upon the interests of the Company.

2. The list of directors proposed for the termination of non-completion restriction:

(1) Chin-Kung Lee, acting as the director of King Long Technology (Suzhou) Ltd. and Suzhou Zhen Kun Technology Ltd.

(2) An-Hsuan Liu, acting as the director of King Long Technology (Suzhou) Ltd. and Suzhou Zhen Kun Technology Ltd.

Resolution:

## Extraordinary Motions

Meeting Adjourned

(Annex 1)

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

### **Business Plan Implementation Results**

The consolidated operating revenue was NT\$36.782 billion last year, up by 8.95%. Gross profit margin was 35.5%, an increase of 4.8% compared with previous year. Earnings per share (EPS) was NT\$5.59, also up by NT\$1.36 from previous year. The Company delivered favorable business performance in general.

A review of last year's performance up until Q3, customers have adjusted their inventories, which reflected the significant impact that the general political and economic environment has on demand. The establishment of economic recession resulted in low visibility, exposing the semiconductor industry to severe challenges. With the concerted efforts of our employees, the Company was able to further increase its operating revenue for the year, thanks to contributions in terms of automotive applications, industrial applications, servers, data center, network communication products, and increased production outsourcing by foreign customers. Our gross profit market increased considerably, which is attributable to increase in average unit price and improved cost management. Net income before tax also increased significantly owing to our adequate control of management and sales expenses. Over the years, the Company observed that recruiting talents is not easy. We have therefore continuously invested in resources to automate factory operations, adopt smart manufacturing practices, streamline processes, improve production efficiency, and reduce our reliance on labor work. Our investments have gradually come to fruition. The Company also continued making changes and improvements in the areas of production flexibility, technical know-how, quality standard, delivery speed, customer service satisfaction, information management, employee cultural literacy, ESG performance, and operational systems to unleash our powerful resilience in adapting to the fast-changing environment.

### **Financial income and profit analysis**

With respect to financial and profit status in 2022, the Company saw a sound financial structure, with debt to total assets ratio of 50.31% down slightly by 1.4% from previous year, and long-term capital to fixed assets ratio of 133.53%, up 5.4% compared with last year. Current ratio and quick ratio increased by 48.92% and 47.22% from previous year, reaching 218.06% and 201.13%, respectively, which suggests favorable short-term liquidity. In terms of profitability, the Company's return on assets (ROA), return on equity (ROE), net profit margin, and earnings per share were 10.13%, 19.44%, 18.98%, and NT\$5.59, respectively, which increased by 1.88%, 3.14%, 3.48%, and NT\$1.36 compared with previous year, demonstrating record-high performance.

## **R&D status**

The Company's R&D center is not only committed to helping customers solve technical problems in product testing but also spares no effort in following a R&D blueprint to develop and improve the functions and performance of testing equipment and key components. We constantly update the specifications of our testing machines to meet customer needs and requirements for high-tech product development, while also focusing on ensuring the conversion compatibility of testing equipment adapters and testing platforms. With respect to testing software, we respond to the increased complexity of testing equipment and customer products by devoting to the development of testing software and adoption of artificial intelligence to improve production efficiency and user convenience. In terms of testing system integration, we endeavor to improve the scalability and functional performance of self-developed testing machines and burn-in ovens, both of which are available in abundance (1800+ machines) at KYEC and its subsidiaries. In the areas of self-developed equipment applications, our testing platform encompasses a broad category of products, including System on Chip (SoC), image sensor chip, driver chip, microelectromechanical chip, memory chip, and biochip, etc. We stay ahead of technological advancements by developing new testing technologies such as high-frequency, high-power, high-order packaging and heterogeneous packaging technologies to maintain our unique competitive edge in the field of IC testing.

## **Current business plan overview**

We planned to develop our business by achieving breakthrough in performance growth targets, accurately deploying new investments, and promoting our self-developed machine business. Specifically, we focused on the following actions: Improve customer services by taking the lead in customer satisfaction evaluations, preventing significant quality costs, taking response measures and performing monitoring; Improve production and manufacturing processes by reducing ineffective operations, enhancing production efficiency, expanding the scope of smart manufacturing and automation, and refining our professional competency and technical know-how; Enforce cost control by focusing on the costs of materials and accessories and adopting mechanisms that ensure reasonable use of materials and strengthened inventory management; Engage in R&D innovation with a focus on developing core technologies, expanding the applications of key equipment and components, and continuing to ensure the quality of our intellectual properties and patents; and Enhance human resources by retaining key talents, supporting management associates who show potential, and cultivating key technical competencies.

## **Future development strategy**

The environment of the semiconductor industry has changed in recent years, resulting in the concentration of high-end semiconductor manufacturing in Taiwan. The Company's future development strategy will be focused on two aspects. The first focus is on customer service, where we aim to strengthen the core value of the manufacturing supply chain, improve the operational efficiency and performance of systems used in the lengthy manufacturing process, support customers' product launch, and grow together with customers as their trusted partner. The second focus is on leveraging the Company's unique competitive advantages in the research and development of semiconductor testing to deepen customer adhesion toward our services.

We will also continue to expand the business of our fabless semiconductor design company in Europe, the United States, and Japan, cultivate potential customers, and increase the proportion of IDM outsourcing orders to strengthen and stabilize our profitability. Given the technological conflict between China and the United States and the fragmentation of the global semiconductor supply chain, the Company will, at all times, evaluate and adjust its supply chain plans in Taiwan and China to prepare for any possible changes in the environment.

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

According to Gartner, a research and consulting firm, worldwide semiconductor revenue increased 1.1% in 2022 to total \$602 billion, and is projected to decrease 6.5% in 2023 to US\$563 billion. The World Semiconductor Trade Statistics (WSTS) expected the worldwide semiconductor market to reach 4.4% growth or a value of US\$580 billion in 2022, followed by a decline of 4% in 2023 to US\$557 billion. Destocking of both memory and logic products remains prevalent in the first half of this year, while a new product inventory cycle will be established in the second half of the year. Most semiconductor operators were generally conservative about the annual growth of the worldwide semiconductor industry due to global overall economic and political uncertainties.

The IMF's global growth forecast for 2022 was at 3.2% while its projection for 2023 is lowered to 2.7%. The World Bank predicted that global GDP will grow by 2.9% in 2022 and slashed its estimates to 1.7% for 2023. This year's global economic growth is extremely concerning due to uncertainties from a mixture of factors such as inflation, interest rate, exchange rate, unemployment rate, consumer spending power, U.S. dollar liquidity, U.S. debt ceiling, and complex geopolitical issues.



In terms of external competition, the node of worldwide semiconductor IC design and manufacturing has reached the limitations of Moore's Law, and advanced manufacturing and packaging technologies have been mass-produced for use by major international design companies. Taiwan dominates the outsourcing of semiconductor manufacturing, and much of that dominance comes down to only a handful of companies. KYEC has become the second largest manufacturer in the world in the field of semiconductor IC testing, making significant strides to stay ahead of its competitors. Taiwan accounts for 62% and 61.5% of the global wafer manufacturing market and packaging and testing industry, both ranking No. 1 in the world. In the worldwide semiconductor manufacturing supply chain, Taiwan holds 97% of the share of packaging and testing capacity in the Asian market. The semiconductor industry has an extremely extensive and complex ecosystem consisting of tens of thousands of upstream and downstream suppliers that specialize in consumer demand, IC design, manufacturing, system combination, hardware sales, and product applications for different industrial sectors, which render cluster formation, migration, and replication difficult. Semiconductor OEMs in Taiwan have held strong advantages in terms of technology, cost, experience, talent, and efficiency. The formation of a semiconductor supply chain in China and the establishment of semiconductor fabrication plants in the United States, Japan, and Europe are undoubtedly a competition for Taiwanese manufacturers.

In terms of laws and the general business environment, the United States has in recent years clamped down on China's technology and semiconductor development by enforcing more stringent laws. China's semiconductor industry will become an integrated entity confined to the field of mature manufacturing products. In the United States, crack down on China and championing deglobalization will affect the restructuring of certain industry chains in various countries. Although in the semiconductor industry customers are making inquiries, the feasibility is still difficult to consider.

Last year, against the backdrop of rapid global inflation, U.S. interest hikes, and tightened monetary policy, the ripples of the economic shock have caused shrinking demand, GDP decline, and uncertain economic outlook. Governments around the world will have their own challenges to tackle in the future. This year, regardless of political interferences, the world remains situated in a highly uncertain environment characterized by high inflation, high unemployment rate, high interest rate, and low economic growth.

Looking forward to 2023, unfavorable factors are improving; for instance, pandemic restrictions have been lifted, the economy is recovering slowly, the alleviation of supply chain disruption has lifted tensions around semiconductor manufacturing, inflation and sharp interest hikes have eased; the resumption of the semiconductor business cycle is anticipated in the second half of the year following a year of supply–demand adjustments to address the destocking problem. Asian countries with high population density such as China and India may see faster growth opportunities.

In light of science and technology advances, humans are working more efficiently in pursuit of more convenient and comfortable lifestyles; therefore, more functions and new applications for technological products and services will be developed. The rapid development of advanced semiconductor manufacturing processes and high-end advanced packaging technologies will make people's dream come true through 5G, AI, IoT, HPC, Metaverse scenarios, and other everyday solutions. Because of the increasing complexity of the core SoC for advanced processes, the upgrading of peripheral mature process chip is promoted so as to increase the silicon content of end products. Base stations and network communication products have emerged as needed to keep pace with transmission bandwidth and speed in communication. Smart cars, smart homes, smart cities, smart health care, smart manufacturing, smart robots, smart stores, which are vigorously developed concepts, will create infinite possibilities and bright prospects for the development of worldwide semiconductor industry.

Chairman:

Manager:

Accounting Supervisor:

(Annex 2)

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

With regard to the Company's 2022 business report, consolidated financial statement (including financial statements of individual entities), and distribution of earnings resolutions prepared and submitted by the Board, the consolidated financial statement (including financial statements of individual entities) has already been audited by Ernst & Young, which has submitted an audit report. The foregoing business report, consolidated financial statement (including financial statements of individual entities), and distribution of earnings resolution has been reviewed by the Audit Committee, which found no discrepancies. The foregoing report has been made pursuant to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, please check.

King Yuan Electronics Co., Ltd.

Convener of the Audit Committee: Hui-Chun Hsu

March 2, 2023

(Annex 3)

**King Yuan Electronics Co., Ltd.**  
**Comparison Table before and after amendment of Rules and Procedures for**  
**Board of Directors Meetings**

Provision	Provision After Amendment	Provisions Before Amendment	Reason for Amendment
Article 3	<p>The Board of Directors of the Company shall meet at least quarterly. The reasons for calling a board of directors meeting shall be notified to each director and supervisor at least seven days in advance. In emergency circumstances, however, a meeting may be called on shorter notice. The notice to be given under the preceding paragraph may be effected by means of electronic transmission, after obtaining prior consent from the recipients thereof.</p> <p>All matters set out in the subparagraphs of Article 7, paragraph 1, shall be specified in the notice of the reasons for calling a board of directors meeting; none of them may be raised by an extraordinary motion.</p>	<p>The Board of Directors of the Company shall meet at least quarterly. The reasons for calling a board of directors meeting shall be notified to each director and supervisor at least seven days in advance. In emergency circumstances, however, a meeting may be called on shorter notice.</p> <p>The notice to be given under the preceding paragraph may be effected by means of electronic transmission, after obtaining prior consent from the recipients thereof.</p> <p><del>Except in cases of emergency or under circumstances supported by justifiable reasons,</del> all matters set out in the subparagraphs of Article 7, paragraph 1, shall be specified in the notice of the reasons for calling a board of directors meeting; none of them may be raised by an extraordinary motion.</p>	Amendment made in accordance with the laws

<p>Article 7</p>	<p>The following issues shall be raised for discussion in board meetings:</p> <p>I. The Company's business plan.</p> <p>II. Matters required by Paragraph 4 of this Article.</p> <p>III. Donations to related parties or major donations to non-related parties. However, in the occurrence of a major natural disaster, emergency aids of charitable nature can be made first and acknowledged later during the next board meeting.</p> <p>IV. <u>If the board of directors does not have managing directors, the election or discharge of the chairman of the board of directors.</u></p> <p>V. Any matter required by Article 14-3 of the Securities and Exchange Act or any other law, regulation, or bylaw to be approved by resolution at a shareholders' meeting or board of directors meeting, or any such significant matter as may be prescribed by the competent authority.</p> <p>(Omitted)</p>	<p>The following issues shall be raised for discussion in board meetings:</p> <p>I. The Company's business plan.</p> <p>II. Matters required by Paragraph 4 of this Article.</p> <p>III. Donations to related parties or major donations to non-related parties. However, in the occurrence of a major natural disaster, emergency aids of charitable nature can be made first and acknowledged later during the next board meeting.</p> <p>IV. Any matter required by Article 14-3 of the Securities and Exchange Act or any other law, regulation, or bylaw to be approved by resolution at a shareholders' meeting or board of directors meeting, or any such significant matter as may be prescribed by the competent authority.</p> <p>(Omitted)</p>	<p>Amendment made in accordance with the laws</p>
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Article 19	<p>If the board of directors has managing directors, the provisions of Article 2, paragraph 2 of Article 3, Articles 4 to 6, Article 9, and Articles 11 to the <u>preceding</u> article shall apply mutatis mutandis to the procedure for meetings of the managing directors; <u>and the provisions of paragraph 4 of Article 3 shall apply mutatis mutandis to the election or discharge of the chairman of the board of directors.</u> However, if a meeting of managing directors is scheduled to be convened within seven days, the notice to each managing director may be made two days in advance.</p>	<p>If the board of directors has managing directors, the provisions of Article 2, paragraph 2 of Article 3, Articles 4 to 6, Article 9, and Articles 11 to <del>Article 18</del> shall apply mutatis mutandis to the procedure for meetings of the managing directors; However, if a meeting of managing directors is scheduled to be convened within seven days, the notice to each managing director may be made two days in advance.</p>	Amendment made in accordance with the laws
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(Annex 4)

**King Yuan Electronics Co., Ltd.**  
**2022 Earnings Distribution Statement**

Unit: NT\$

Item	Amount		Projected dividend yield
Unallocated earnings – beginning		6,432,521,333	
Add: Net profit after tax	6,836,609,104		
Less: Confirmed actuarial gain/loss of welfare	(55,209,588)		
The amount of net profit after tax for the period and the amount adjusted to the current year's undistributed earnings		6,781,399,516	
Less: Provision of 10% legal reserve		(678,139,952)	
Allocable earnings		12,535,780,897	
Scope of allocation			
Dividends to shareholders – cash		4,279,607,728	NT\$3.5 per share
Total allocation		4,279,607,728	
Unallocated earnings – ending		8,256,173,169	

Note:

1. According to the Company's distribution policy, the allocable earnings for 2022 shall be allocated as the first priority. The deficit, if any, shall be allocated from the allocable earnings accumulated for the previous year according to the first-in first-out policy in the order of the years in which the earnings were generated chronically.
2. The distribution yield is calculated based on the outstanding common stock totaling 1,222,745,065 shares when the board of directors' meeting was held.
3. The cash dividend shall be rounded to the whole dollar amount according to the allocation rate. The total of the odd lots less than NT\$1 included in the distribution shall be transferred to the employees' welfare committee.
4. Should the Company encounter a change of share capital that changes the number of outstanding shares on a later date, the board of directors shall be fully authorized to make the necessary adjustments to the percentage of cash dividends allocated to shareholders.
5. The base date for allocation of cash dividends and matters thereto shall be set by the board of directors with authorization upon resolution by the general shareholders' meeting.

Chairman:

Manager:

Accounting Supervisor:

(Annex 5)



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## English Translation of a Report Originally Issued in Chinese

### **Independent Auditors' Report**

To the Board of Directors and Shareholders  
of King Yuan Electronics Co., Ltd.

### **Opinion**

We have audited the accompany parent company only balance sheets of King Yuan Electronics Co., Ltd. as of December 31, 2022 and 2021, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2022 and 2021, and notes to the parent company only financial statements, including the summary of significant accounting policies (together “the financial statements”).

In our opinion, the parent company only financial statements referred to above present fairly, in all material respects, the financial position of King Yuan Electronics Co., Ltd. as of December 31, 2022 and 2021, and its financial performance and cash flows for the years ended December 31, 2022 and 2021, 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 the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of King Yuan Electronics Co., Ltd. in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the “Norm”), and we have fulfilled our other ethical responsibilities in accordance with the Norm. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



## **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2022 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Revenue recognition

King Yuan Electronics Co., Ltd. recognized NT\$27,619,107 thousand as net sales. Its main activities are providing testing and assembly services that represented 82.7%, or NT\$22,834,524 thousand in the amount, of the net operating revenue.

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

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

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

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

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

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of King Yuan Electronics Co., Ltd.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of King Yuan Electronics Co., Ltd. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause King Yuan Electronics Co., Ltd. to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the accompanying notes, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the parent company only financial information of the entities or business activities within King Yuan Electronics Co., Ltd. to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2022 parent company only financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Kuo, Shao-Pin

Hsu, Hsin-Min

Ernst & Young, Taiwan  
March 2, 2023

Notice to Readers

- The accompanying parent company only financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.
- Accordingly, the accompanying parent company only financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of Financial Statements Originally Issued in Chinese

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

**PARENT COMPANY ONLY BALANCE SHEETS**

As of December 31, 2022 and 2021

(Amounts in thousands of New Taiwan Dollars)

<b>ASSETS</b>	Notes	December 31, 2022	%	December 31, 2021	%
<b>Current assets</b>					
Cash and cash equivalents	4, 6(1)	\$10,006,747	15	\$6,420,308	10
Contract assets-current	4, 6(14), 6(15), 7	143,710	-	178,596	-
Notes receivable, net	4, 6(3), 6(15)	7,218	-	7,706	-
Accounts receivable, net	4, 6(4), 6(15)	3,491,838	5	3,904,721	6
Accounts receivable from related parties, net	4, 6(4), 6(15), 7	1,782,489	3	2,081,340	3
Other receivables	4, 6(15)	395,412	-	314,282	-
Other receivables from related parties	4, 7	414,497	1	430,541	1
Inventories, net	4, 6(5)	1,119,883	2	1,029,780	2
Prepayments	6(6)	82,389	-	53,284	-
Other current assets		54,930	-	66,878	-
Total current assets		<u>17,499,113</u>	<u>26</u>	<u>14,487,436</u>	<u>22</u>
<b>Non-current assets</b>					
Financial assets at fair value through other comprehensive income-non-current	4, 6(2)	4,794,451	8	6,546,477	10
Investments accounted for using the equity method	4, 6(7)	10,494,138	16	8,489,770	13
Property, plant and equipment	4, 6(8), 7, 8	32,335,080	49	34,613,760	54
Right-of-use asset	4, 6(16)	457,148	1	553,546	1
Intangible assets	4, 6(9)	35,832	-	69,247	-
Deferred tax assets	4, 6(20)	296,256	-	261,675	-
Other financial assets-non-current	8	146,462	-	105,972	-
Other non-current assets		5,395	-	5,394	-
Total non-current assets		<u>48,564,762</u>	<u>74</u>	<u>50,645,841</u>	<u>78</u>
<b>Total assets</b>		<u>\$66,063,875</u>	<u>100</u>	<u>\$65,133,277</u>	<u>100</u>

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

(continued)

English Translation of Financial Statements Originally Issued in Chinese

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

**PARENT COMPANY ONLY BALANCE SHEETS**

As of December 31, 2022 and 2021

(Amounts in thousands of New Taiwan Dollars)

<b>LIABILITIES AND EQUITY</b>		Notes	December 31, 2022	%	December 31, 2021	%
<b>Current liabilities</b>						
Notes payable			\$11,446	-	\$10,066	-
Accounts payable			446,534	1	777,667	1
Accounts payable to related parties			6,215	-	21,414	-
Other payables	7		3,312,528	5	3,324,753	5
Other payables to related parties	7		113,008	-	119,736	-
Payables on equipment			695,344	1	1,235,723	2
Current tax liabilities	4, 6(20)		1,082,570	1	574,809	1
Lease liabilities-current	4, 6(16)		22,581	-	86,364	-
Other current liabilities	4, 6(10)		1,151,448	2	882,244	2
Total current liabilities			6,841,674	10	7,032,776	11
<b>Non-current liabilities</b>						
Long-term loans	4, 6(11), 8		20,488,747	31	21,275,331	33
Deferred tax liabilities	4, 6(20)		1,504,657	2	1,527,445	2
Lease liabilities-non-current	4, 6(16)		447,885	1	469,377	1
Net defined benefit liabilities	4, 6(12)		657,844	1	610,222	1
Guarantee deposits			33,090	-	33,851	-
Total non-current liabilities			23,132,223	35	23,916,226	37
Total liabilities			29,973,897	45	30,949,002	48
<b>Equity</b>						
Share capital	4, 6(13)					
Common stock			12,227,451	19	12,227,451	19
Capital surplus	4, 6(7), 6(13)		4,953,859	7	4,885,134	8
Retained earnings	4, 6(2), 6(13)					
Legal reserve			3,499,434	6	3,019,879	5
Special reserve			201,416	-	201,416	-
Undistributed earnings			13,213,921	20	10,580,312	15
Total retained earnings			16,914,771	26	13,801,607	20
Other equity	4, 6(13)		1,993,897	3	3,270,083	5
Total equity			36,089,978	55	34,184,275	52
<b>Total liabilities and equity</b>			<b>\$66,063,875</b>	<b>100</b>	<b>\$65,133,277</b>	<b>100</b>

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

## KING YUAN ELECTRONICS CO., LTD.

## PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2022 and 2021

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

Description	Notes	2022	%	2021	%
<b>Net sales</b>	4, 6(14), 6(16), 7	\$27,619,107	100	\$25,820,727	100
<b>Operating costs</b>	4, 6(5), 6(8), 6(9), 6(12), 6(16), 6(17), 7	(18,093,056)	(66)	(18,476,736)	(72)
<b>Gross profit</b>		9,526,051	34	7,343,991	28
	4, 6(8), 6(9), 6(12), 6(16), 6(17), 7				
<b>Operating expenses</b>					
Selling expenses		(382,297)	(1)	(345,629)	(1)
Administrative expenses		(1,680,801)	(6)	(1,646,203)	(6)
Research and development expenses		(855,697)	(3)	(846,846)	(3)
Total operating expenses		(2,918,795)	(10)	(2,838,678)	(10)
<b>Operating income</b>		6,607,256	24	4,505,313	18
<b>Non-operating income and expenses</b>	4, 6(7), 6(8), 6(18), 7				
Interest income		20,855	-	4,872	-
Other income		249,436	1	193,414	1
Other gains and losses		194,251	-	105,488	-
Finance costs		(348,836)	(1)	(200,484)	(1)
Share of profit of associates accounted for using the equity method		1,808,991	7	1,901,485	7
Total non-operating income and expenses		1,924,697	7	2,004,775	7
<b>Net income before income tax</b>		8,531,953	31	6,510,088	25
<b>Income tax expense</b>	4, 6(20)	(1,695,344)	(6)	(1,335,042)	(5)
<b>Net income</b>		6,836,609	25	5,175,046	20
<b>Other comprehensive income</b>	4, 6(19)				
Items that will not be reclassified subsequently to profit or loss:					
Remeasurements of the defined benefit plan		(55,210)	-	(53,368)	-
Unrealized gains and losses from equity instrument investments measured at fair value through other comprehensive income		(1,752,026)	(6)	2,101,279	8
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		369,890	1	(419,982)	(2)
Items that will be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial statements of foreign operations		132,437	-	(42,240)	-
Income tax related to components of other comprehensive income that will be reclassified to profit or loss		(26,487)	-	8,448	-
<b>Other comprehensive income, net of tax</b>		(1,331,396)	(5)	1,594,137	6
<b>Total comprehensive income</b>		\$5,505,213	20	\$6,769,183	26
<b>Earnings per share (NT\$)</b>	4, 6(21)				
Basic Earnings Per Share		\$5.59		\$4.23	
Diluted Earnings Per Share		\$5.49		\$4.18	

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

KING YUAN ELECTRONICS CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2022 and 2021

(Amounts in thousands of New Taiwan Dollars)

Description	Common stock	Capital surplus	Retained earnings			Other equity			Total Equity
			Legal reserve	Special reserve	Undistributed earnings	Exchange differences resulting from translating the financial statements of foreign operations	Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income		
Balance as of January 1, 2021	\$12,227,451	\$4,588,172	\$2,656,958	\$402,406	\$8,147,631	\$(357,036)	\$1,653,489	\$29,319,071	
Appropriation and distribution of 2020 earnings :	-	-	362,921	-	(362,921)	-	-	-	
Legal reserve	-	(244,549)	-	-	(2,200,941)	-	-	(2,445,490)	
Cash dividends	-	-	-	(200,990)	200,990	-	-	-	
Reversal of special reserve	-	-	-	-	-	-	-	-	
Profit for the year ended December 31, 2021	-	-	-	-	5,175,046	-	-	5,175,046	
Other comprehensive income for the year ended December 31, 2021	-	-	-	-	(53,368)	(33,792)	1,681,297	1,594,137	
Total comprehensive income	-	-	-	-	5,121,678	(33,792)	1,681,297	6,769,183	
Changes in ownership interests in subsidiaries	-	541,511	-	-	-	-	-	541,511	
Disposal of equity instrument investments measured at fair value through other comprehensive income	-	-	-	-	(326,125)	-	326,125	-	
Balance as of December 31, 2021	\$12,227,451	\$4,885,134	\$3,019,879	\$201,416	\$10,580,312	\$(390,828)	\$3,660,911	\$34,184,275	
Balance as of January 1, 2022	\$12,227,451	\$4,885,134	\$3,019,879	\$201,416	\$10,580,312	\$(390,828)	\$3,660,911	\$34,184,275	
Appropriation and distribution of 2021 earnings :	-	-	479,555	-	(479,555)	-	-	-	
Legal reserve	-	-	-	-	(3,668,235)	-	-	(3,668,235)	
Cash dividends	-	-	-	-	6,836,609	-	-	6,836,609	
Profit for the year ended December 31, 2022	-	-	-	-	(55,210)	105,950	(1,382,136)	(1,331,396)	
Other comprehensive income for the year ended December 31, 2022	-	-	-	-	6,781,399	105,950	(1,382,136)	5,505,213	
Total comprehensive income	-	-	-	-	-	-	-	-	
Changes in ownership interests in subsidiaries	-	68,725	-	-	-	-	-	68,725	
Balance as of December 31, 2022	\$12,227,451	\$4,953,859	\$3,499,434	\$201,416	\$13,213,921	\$(284,878)	\$2,278,775	\$36,089,978	

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



English Translation of Financial Statements Originally Issued in Chinese  
**KING YUAN ELECTRONICS CO., LTD.**  
**PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS**  
**For the years ended December 31, 2022 and 2021**  
(Amounts in thousands of New Taiwan Dollars)

Description	2022	2021	Description	2022	2021
<b>Cash flows from operating activities :</b>			<b>Cash flows from investing activities :</b>		
Profit before tax from continuing operations	\$8,531,953	\$6,510,088	Proceeds from disposal of financial assets at fair value through other comprehensive income	\$-	\$1,365
Adjustments for:			Acquisition of property, plant and equipment	(6,578,542)	(10,199,072)
The profit or loss items which did not affect cash flows:			Proceeds from disposal of property, plant and equipment	1,406,145	786,587
Depreciation	7,103,467	7,102,275	Increase in refundable deposits	(1)	(1,897)
Amortization	40,899	47,250	Acquisition of intangible assets	(7,484)	(36,338)
Interest expenses	348,836	200,484	Increase in other financial assets	(40,490)	-
Interest income	(20,855)	(4,872)	Dividend received	109,278	9,697
Dividend income	(96,288)	(85,016)	Net cash used in investing activities	(5,111,094)	(9,341,652)
Investment gain accounted for using the equity method	(1,808,991)	(1,901,485)			
Gain on disposal of property, plant and equipment	(75,405)	(96,761)	<b>Cash flows from financing activities :</b>		
Impairment of non-financial assets	-	59,461	Borrowing in long-term loans	15,785,329	15,621,188
Unrealized foreign exchange loss	476,200	8,687	Repayments of long-term loans	(17,064,745)	(12,688,419)
Changes in operating assets and liabilities :			Increase in deposits received	-	31,096
Contract assets	34,886	24,376	Decrease in deposits received	(761)	-
Notes receivable	488	(4,657)	Cash payments for the principal portion of the lease liabilities	(85,762)	(304,763)
Accounts receivable	412,883	(777,035)	Cash dividends	(3,668,235)	(2,445,490)
Accounts receivable from related parties	298,851	(331,662)	Interest paid	(291,680)	(187,708)
Other receivables	(77,407)	(221,695)	Net cash (used in) provided by financing activities	(5,325,854)	25,904
Other receivables from related parties	(36,124)	92,839			
Inventories	(90,103)	(255,636)			
Prepayments	(8,456)	7,618			
Other current assets	11,948	(15,035)			
Contract liabilities	-	(11,590)			
Notes payable	1,380	5,631			
Accounts payable	(331,133)	(12,727)			
Accounts payable to related parties	(15,199)	1,927			
Other payables	(53,328)	702,439			
Other payables to related parties	(3,508)	22,525			
Other current liabilities	269,204	303,504			
Accrued pension liabilities	(7,588)	(9,602)			
Cash generated from operating activities	14,906,610	11,361,331			
Interest received	18,326	4,700			
Income tax paid	(901,549)	(740,759)			
Net cash provided by operating activities	14,023,387	10,625,272			
			Net increase in cash and cash equivalents	3,586,439	1,309,524
			Cash and cash equivalents at the beginning of the year	6,420,308	5,110,784
			Cash and cash equivalents at the end of the year	\$10,006,747	\$6,420,308

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



安永聯合會計師事務所

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English Translation of a Report Originally Issued in Chinese

**Independent Auditors' Report**

To the Board of Directors and Shareholders  
of King Yuan Electronics Co., Ltd.

**Opinion**

We have audited the accompanying consolidated balance sheets of King Yuan Electronics Co., Ltd. and its subsidiaries as of December 31, 2022 and 2021, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2022 and 2021, and notes to the consolidated financial statements, including the summary of significant accounting policies (together “the consolidated financial statements”).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of King Yuan Electronics Co., Ltd. and its subsidiaries as of December 31, 2022 and 2021, and their consolidated financial performance and cash flows for the years ended December 31, 2022 and 2021, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effectively by Financial Supervisory Commission of the Republic of China.

**Basis for Opinion**

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



## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2022 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Revenue recognition

King Yuan Electronics Co., Ltd. and its subsidiaries recognized NT\$36,781,996 thousand as net sales. Its main activities are providing testing and assembly services that represented 84%, or NT\$30,876,006 thousand in the amount, of the net operating revenue.

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

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

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

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

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



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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of 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 the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of King Yuan Electronics Co., Ltd. and its subsidiaries.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of King Yuan Electronics Co., Ltd. and its subsidiaries. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause King Yuan Electronics Co., Ltd. and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within King Yuan Electronics Co., Ltd. and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2022 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



## Others

We have audited and expressed an unqualified opinion on the parent company only financial statements of King Yuan Electronics Co., Ltd. as of and for the years ended December 31, 2022 and 2021.

Kuo, Shao-Pin

Hsu, Hsin-Min

Ernst & Young, Taiwan

March 2, 2023

### Notice to Readers

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- Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of Financial Statements Originally Issued in Chinese

**KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

As of December 31, 2022 and 2021

(Amounts in thousands of New Taiwan Dollars)

ASSETS	Notes	December 31, 2022	%	December 31, 2021	%
<b>Current assets</b>					
Cash and cash equivalents	4, 6(1)	\$12,816,115	17	\$8,649,932	12
Contract assets-current	4, 6(16), 6(17), 7	153,753	-	178,880	-
Notes receivable, net	4, 6(3), 6(17)	7,218	-	7,706	-
Accounts receivable, net	4, 6(4), 6(17)	5,382,077	8	5,765,273	8
Accounts receivable from related parties, net	4, 6(4), 6(17), 7	1,753,148	2	2,151,913	3
Other receivables		408,138	1	326,299	1
Other receivables from related parties	4, 7	28,582	-	4,825	-
Current tax assets		-	-	315	-
Inventories, net	4, 6(5)	1,368,626	2	1,371,473	2
Prepayments	6(6)	366,144	-	325,437	-
Other current assets		55,126	-	67,160	-
Other financial assets-current	8	4	-	3	-
Total current assets		22,338,931	30	18,849,216	26
<b>Non-current assets</b>					
Financial assets at fair value through other comprehensive income-non-current	4, 6(2)	4,794,451	7	6,546,477	10
Investments accounted for using the equity method	4, 6(7)	91,048	-	79,126	-
Property, plant and equipment	4, 6(8), 7, 8	45,991,445	62	45,576,661	63
Right-of-use asset	4, 6(18)	651,296	1	677,896	1
Intangible assets	4, 6(9)	39,235	-	73,599	-
Deferred tax assets	4, 6(21), 6(22)	296,256	-	261,675	-
Other financial assets-non-current	8	146,462	-	105,972	-
Other non-current assets		9,859	-	49,561	-
Total non-current assets		52,020,052	70	53,370,967	74
<b>Total assets</b>		<b>\$74,358,983</b>	<b>100</b>	<b>\$72,220,183</b>	<b>100</b>

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

(continued)

English Translation of Financial Statements Originally Issued in Chinese  
**KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

As of December 31, 2022 and 2021

(Amounts in thousands of New Taiwan Dollars)

<b>LIABILITIES AND EQUITY</b>	Notes	December 31, 2022	%	December 31, 2021	%
<b>Current liabilities</b>					
Short-term loans	4, 6(10), 9	\$1,023,149	1	\$566,856	1
Contract liabilities-current	4, 6(16), 7	156,639	-	157,024	-
Notes payable		11,446	-	10,066	-
Accounts payable	7	1,008,049	1	1,119,144	2
Accounts payable to related parties		6,215	-	21,414	-
Other payables	7	3,738,122	5	3,731,749	5
Other payables to related parties		94,707	-	98,930	-
Payables on equipment	4, 6(22)	1,054,070	2	1,778,300	3
Current tax liabilities	4, 6(18)	1,165,435	2	666,596	1
Lease liabilities-current	4, 6(12), 8, 9	29,342	-	92,050	-
Current portion of long-term loans	6(11)	805,353	1	2,017,322	3
Other current liabilities		1,151,849	2	884,648	1
Total current liabilities		10,244,376	14	11,144,099	16
<b>Non-current liabilities</b>					
Long-term loans	4, 6(12), 8, 9	24,464,983	32	23,517,245	32
Deferred tax liabilities	4, 6(21), 6(22)	1,504,657	2	1,527,445	2
Lease liabilities-non-current	4, 6(18)	465,796	1	492,615	1
Long-term deferred income		42,820	-	16,538	-
Net defined benefit liabilities	4, 6(13)	657,844	1	610,222	1
Guarantee deposits		33,090	-	33,851	-
Total non-current liabilities		27,169,190	36	26,197,916	36
Total liabilities		37,413,566	50	37,342,015	52
<b>Equity attributable to owners of the parent company</b>					
Share capital	4, 6(14)				
Common stock		12,227,451	16	12,227,451	17
Capital surplus	4, 6(14), 6(15), 6(24)	4,953,859	7	4,885,134	7
Retained earnings	4, 6(2), 6(14)	3,499,434	5	3,019,879	4
Legal reserve		201,416	-	201,416	-
Special reserve		13,213,921	18	10,580,312	15
Undistributed earnings		16,914,771	23	13,801,607	19
Total retained earnings		1,993,897	3	3,270,083	4
Other equity	4, 6(14)	36,089,978	49	34,184,275	47
Equity attributable to owners of the parent company		855,439	1	693,893	1
<b>Non-controlling interests</b>	4, 6(14), 6(24)	36,945,417	50	34,878,168	48
Total equity		\$74,358,983	100	\$72,220,183	100
<b>Total liabilities and equity</b>		\$74,358,983	100	\$72,220,183	100

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



English Translation of Financial Statements Originally Issued in Chinese  
**KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**For the years ended December 31, 2022 and 2021**  
(Amounts in thousands of New Taiwan Dollars, except for earnings per share)

Description	Notes	2022	%	2021	%
<b>Net sales</b>	4, 6(16), 6(18), 7	\$36,781,996	100	\$33,759,389	100
<b>Operating costs</b>	4, 6(5), 6(8), 6(9), 6(13), 6(18), 6(19), 7	(23,709,003)	(64)	(23,407,322)	(69)
<b>Gross profit</b>		13,072,993	36	10,352,067	31
<b>Operating expenses</b>	4, 6(8), 6(9), 6(13), 6(17), 6(18), 6(19), 7				
Selling expenses		(377,820)	(1)	(363,529)	(1)
Administrative expenses		(2,259,835)	(6)	(2,178,521)	(6)
Research and development expenses		(1,267,045)	(4)	(1,202,856)	(4)
Expected credit losses		(3,463)	-	(645)	-
Total operating expenses		(3,908,163)	(11)	(3,745,551)	(11)
<b>Operating income</b>		9,164,830	25	6,606,516	20
<b>Non-operating income and expenses</b>	4, 6(2), 6(7), 6(8), 6(20), 7				
Interest income		53,940	-	22,692	-
Other income		345,106	1	320,231	1
Other gains and losses		(67,736)	-	227,074	-
Finance costs		(555,026)	(2)	(343,526)	(1)
Share of profit of associates accounted for using the equity method		24,912	-	22,260	-
Total non-operating income and expenses		(198,804)	(1)	248,731	-
<b>Net income before income tax</b>		8,966,026	24	6,855,247	20
<b>Income tax expense</b>	4, 6(22)	(1,983,936)	(5)	(1,621,005)	(5)
<b>Net income</b>		6,982,090	19	5,234,242	15
<b>Other comprehensive income</b>	4, 6(13), 6(21)				
Items that will not be reclassified subsequently to profit or loss:					
Remeasurements of the defined benefit plan		(55,210)	-	(53,368)	-
Unrealized gains from equity instrument investments measured at fair value through other comprehensive income		(1,752,026)	(5)	2,101,279	6
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		369,890	1	(419,982)	(1)
Items that will be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial statements of foreign operations		142,897	-	(41,254)	-
Income tax related to components of other comprehensive income that will be reclassified to profit or loss		(26,487)	-	8,448	-
<b>Other comprehensive income, net of tax</b>		(1,320,936)	(4)	1,595,123	5
<b>Total comprehensive income</b>		\$5,661,154	15	\$6,829,365	20
<b>Net income attributable to :</b>					
Owners of the parent company		\$6,836,609	19	\$5,175,046	15
Non-controlling interests		145,481	-	59,196	-
		\$6,982,090	19	\$5,234,242	15
<b>Total comprehensive income attributable to :</b>					
Owners of the parent company		\$5,505,213	15	\$6,769,183	20
Non-controlling interests		155,941	-	60,182	-
		\$5,661,154	15	\$6,829,365	20
<b>Earnings per share (NT\$)</b>	4, 6(23)				
Basic Earnings Per Share		5.59		\$4.23	
Diluted Earnings Per Share		5.49		\$4.18	

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

English Translation of Financial Statements Originally Issued in Chinese  
**KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
For the years ended December 31, 2022 and 2021  
(Amounts in thousands of New Taiwan Dollars)

Description	Equity attributable to owners of the parent company										Total Equity	
	Common stock	Capital surplus	Legal reserve	Retained earnings			Other equity			Equity attributable to owners of the parent company		Non-controlling interests
				Legal reserve	Special reserve	Undistributed earnings	Exchange differences resulting from translating the financial statements of foreign operations	Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income				
Balance as of January 1, 2021	\$12,227,451	\$4,588,172	\$2,656,958	\$402,406	\$8,147,631	\$(357,036)	\$1,653,489	\$29,319,071	\$7,005	\$29,326,076		
Appropriation and distribution of 2020 earnings:												
Legal reserve	-	-	362,921	-	(362,921)	-	-	-	-	-		
Cash dividends	-	(244,549)	-	-	(2,200,941)	-	-	(2,445,490)	-	(2,445,490)		
Reversal of special reserve	-	-	-	(200,990)	200,990	-	-	-	-	-		
Profit for the year ended December 31, 2021	-	-	-	-	5,175,046	-	-	5,175,046	59,196	5,234,242		
Other comprehensive income for the year ended December 31, 2021	-	-	-	-	(53,368)	(33,792)	1,681,297	1,594,137	986	1,595,123		
Total comprehensive income	-	-	-	-	5,121,678	(33,792)	1,681,297	6,769,183	60,182	6,829,365		
Changes in ownership interests in subsidiaries	-	-	-	-	-	-	-	-	-	-		
Disposal of equity instrument investments measured at fair value through other comprehensive income	-	541,511	-	-	(326,125)	-	326,125	541,511	626,706	1,168,217		
Balance as of December 31, 2021	\$12,227,451	\$4,885,134	\$3,019,879	\$201,416	\$10,580,312	\$(390,828)	\$3,660,911	\$34,184,275	\$693,893	\$34,878,168		
Balance as of January 1, 2022	\$12,227,451	\$4,885,134	\$3,019,879	\$201,416	\$10,580,312	\$(390,828)	\$3,660,911	\$34,184,275	\$693,893	\$34,878,168		
Appropriation and distribution of 2021 earnings:												
Legal reserve	-	-	479,555	-	(479,555)	-	-	-	-	-		
Cash dividends	-	-	-	-	(3,668,235)	-	-	(3,668,235)	-	(3,668,235)		
Profit for the year ended December 31, 2022	-	-	-	-	6,836,609	-	-	6,836,609	145,481	6,982,090		
Other comprehensive income for the year ended December 31, 2022	-	-	-	-	(55,210)	105,950	(1,382,136)	(1,331,396)	10,460	(1,320,936)		
Total comprehensive income	-	-	-	-	6,781,399	105,950	(1,382,136)	5,505,213	155,941	5,661,154		
Changes in ownership interests in subsidiaries	-	68,725	-	-	-	-	-	68,725	5,605	74,330		
Balance as of December 31, 2022	\$12,227,451	\$4,953,859	\$3,499,434	\$201,416	\$13,213,921	\$(284,878)	\$2,278,775	\$36,089,978	\$855,439	\$36,945,417		

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

English Translation of Financial Statements Originally Issued in Chinese

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**For the years ended December 31, 2022 and 2021**

(Amounts in thousands of New Taiwan Dollars)

Description	2022	2021	Description	2022	2021
<b>Cash flows from operating activities :</b>			<b>Cash flows from investing activities :</b>		
Profit before tax from continuing operations	\$8,966,026	\$6,855,247	Proceeds from disposal of financial assets at fair value through other comprehensive income	\$-	\$1,365
Adjustments for :			Acquisition of property, plant and equipment	(10,391,637)	(13,963,127)
The profit or loss items which did not affect cash flows:			Proceeds from disposal of property, plant and equipment	398,363	341,578
Depreciation	9,178,388	9,162,765	Decrease in refundable deposits	39,748	32,109
Amortization	43,316	49,593	Acquisition of intangible assets	(8,875)	(36,793)
Expected credit losses	3,463	645	Acquisition of right-of-use assets	(76,557)	-
Interest expenses	555,026	343,526	Increase in other financial assets	(40,491)	-
Interest income	(53,940)	(22,692)	Decrease in other financial assets	-	9,698
Dividend income	(96,288)	(85,016)	Dividend received	109,278	98,006
Share-based payment expenses	74,414	20,452	Net cash used in investing activities	(9,970,171)	(13,517,164)
Investment gain accounted for using the equity method	(24,912)	(22,260)			
Gain on disposal of property, plant and equipment	(58,161)	(164,810)			
Impairment of non-financial assets	-	59,461			
Unrealized foreign exchange loss (gain)	755,197	(164,411)			
Changes in operating assets and liabilities :			<b>Cash flows from financing activities :</b>		
Contract assets	25,127	24,092	Increase in short-term loans	1,597,599	598,369
Notes receivable	488	(4,657)	Decrease in short-term loans	(1,149,115)	(131,812)
Accounts receivable	379,969	(1,600,926)	Borrowing in long-term loans	20,058,327	16,299,865
Accounts receivable from related parties	398,765	(426,962)	Repayments of long-term loans	(21,094,189)	(14,433,360)
Other receivables	(72,175)	(228,799)	Increase in deposits received	-	31,096
Other receivables from related parties	(22,491)	22,977	Decrease in deposits received	(761)	-
Inventories	2,847	(390,504)	Cash payments for the principal portion of the lease liabilities	(91,698)	(310,374)
Prepayments	(19,702)	149,415	Cash dividends	(3,668,235)	(2,445,490)
Other current assets	12,034	(15,317)	Interest paid	(501,253)	(329,548)
Contract liabilities	(385)	(72,579)	Change in non-controlling interests	-	1,147,767
Notes payable	1,380	5,631	Net cash (used in) provided by financing activities	(4,849,325)	426,513
Accounts payable	(111,095)	1,189			
Accounts payable to related parties	(15,199)	1,927			
Other payables	(22,052)	820,074			
Other payables to related parties	(1,984)	18,225			
Other current liabilities	267,201	303,792			
Accrued pension liabilities	(7,588)	(9,602)			
Other operating liabilities	26,282	16,538			
Cash generated from operating activities	20,183,951	14,647,014	Effect of changes in exchange rate on cash and cash equivalents	(44,753)	8,999
Interest received	45,229	24,861	Net increase in cash and cash equivalents	4,166,183	641,402
Income tax paid	(1,198,748)	(948,821)	Cash and cash equivalents at the beginning of the year	8,649,932	8,008,530
Net cash provided by operating activities	19,030,432	13,723,054	Cash and cash equivalents at the end of the year	\$12,816,115	\$8,649,932

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

(Annex 6)

**King Yuan Electronics Co., Ltd.****2023 Annual General Meeting****List of candidates of directors (including independent directors)**

No.	Type of Candidate	Name of Candidate	Education	Experience	Current Position	Shares held (Share)
1	Director	Chin-Kung Lee	Graduated from Department of Shipping and Transportation Management, National Taiwan Ocean University	President of KYEC	Chairman and CEO of KYEC Director of King Long Technology (Suzhou) Ltd. and Suzhou Zhen Kun Technology Ltd. Independent Director of Quang Viet Enterprise Co., Ltd.	34,100,941
2	Director	Chi-Chun Hsieh	Graduated from College of Medicine, Taipei Medical University	Supervisor of KYEC	Vice-Chairman of KYEC Physician	5,552,037
3	Director	An-Hsuan Liu	PhD in Mechanical Engineering, North Carolina State University	President of Intematix Technology Center Corporation	President and Director of KYEC Chairman of King Long Technology (Suzhou) Ltd. and Suzhou Zhen Kun Technology Ltd.	1,250,000
4	Director	Kao-Yu Liu	PhD in Architecture, Graduate School of Engineering, the University of Tokyo	Supervisor of KYEC	Director of KYEC Chairman of LC Architecture Realization Company, Inc. Chairman of Ji-Ze Construction Development Co., Ltd.	4,808,267
5	Director	Kuan-Hua Chen	Master's in Financial Engineering, Carnegie Mellon University	Supervisor of Weikeng Industrial Co., Ltd.	Director of KYEC Director of Weikeng Industrial Co., Ltd.	3,168,574
6	Director	Yann Yuan Investment Co., Ltd. Representative: Ping-Kun Hung	Not applicable.	Not applicable.	Not applicable.	52,600,000
			Graduated from Department of Public Finance, National Chengchi University	Chairman of Hsun Chieh Investment Co., Ltd. CFO of KYEC	Director of KYEC Director of Silicon Integrated Systems Corp.	0
7	Independent director	Shi-Jer Sheen	Graduated from Institute of Business Administration, Kyushu University, Japan	Independent Director of KYEC	Responsible person of Private Short-Term Busiban	0
8	Independent director	Dar-Yeh Hwang	PhD in Financial, New York University, ABD completed Master in Business Administration	Chair and Director of The Department of Finance, National Taiwan University	Independent Director of KYEC, Member of Audit Committee and Remuneration Committee Chairman of McBorter AFMA Chairman of Academy of Promoting Economic Legislation (APEL) Co-director of ZIBS China Banking Research Center, Zhejiang University	0

			and PhD in Finance, Rutgers University Graduated from Peking University, Ph.D.	Independent director of DBS (Taiwan) Independent Director of Chailease Holding Distinguished Professor of International College of Renmin University of China (Suzhou Campus)		
9	Independent director	Semi Wang	Graduated from Department of Aeronautics and Astronautics, NCKU	Chairman of Mingxiang Culture Co., Ltd. Director of Cheng Uei Precision Industry Co., Ltd. Supervisor of Glory Science Co., Ltd. Supervisor of Kuokuang Power Plant Co., Ltd.	Independent Director of KYEC, Member of Audit Committee and Remuneration Committee Member of Homenema Technology Incorporation Compensation Committee Director of Mingxing Creative Management Consulting Co., Ltd. Independent Director of Creative Sensor Inc. Director of FIT Holding Co., Ltd.	10,000

(Appendix 1)

**King Yuan Electronics Co., Ltd.**  
**Rules of Procedure for Shareholders' Meetings**

- Article 1 The rules of procedures for the Company's shareholders' meeting shall be as provided in these Rules.
- Article 2 Shareholders (or representatives) shall wear an attendance card when attending the meeting and submit a signature card as proof of attendance. The number of shares is calculated based on the number of shares shown on the signed card.
- Article 3 The Chair calls for the meeting to begin when the total number of shares represented reaches the authorized amount. If the authorized amount is not reached at the meeting time, the Chair may postpone the meeting twice (first postponement: 20 minutes; second postponement: 10 minutes). If the number of shareholders present does not constitute the quorum, but those present represent one-third or more of the total number of issued shares, a tentative resolution may be passed by a majority of those present in accordance with Article 175 of the Company Act. Prior to conducting a tentative resolution of the preceding paragraph, if the total number of shares of the shareholders present reaches the authorized amount, the meeting will officially be called to start, and the tentative resolution will be submitted to the meeting.
- Article 4 A shareholder wishing to speak in a shareholders' meeting shall first fill out a slip, specifying number of attendance and his/her name, and the Chair shall determine his/her order of giving a speech.
- Article 5 Shareholders' meetings shall be conducted according to the procedures stipulated in the agenda and its agenda shall be formulated based on the following:
1. Annual General Meeting: formulated by the board of directors.
  2. Special shareholders' meetings: formulated by the convener.
- The Chair shall not adjourn a meeting without resolution adopted by shareholders if the motions (including extraordinary motions) covered in the proceedings so arranged in the above two paragraphs have not been resolved. After the close of the said meeting, shareholders shall not elect another Chair to hold another meeting at the same place or at any other place.
- Article 6 A shareholder shall not speak more than two times in one motion, unless he/she has obtained the prior consent from the Chair, and each speech shall not exceed 5 minutes. A corporate shareholder being entrusted to attend a shareholders' meeting may designate only one representative to represent it in the meeting. If a corporate shareholder designates two or more representatives to represent it at the shareholders'

meeting, only one of the representatives may speak on any one motion.

- Article 7 Except for the motions included in the agenda, other motions such as the motion of amendments or motions of alternatives proposed by shareholders shall be agreed upon by other shareholders, and the number of shares held by the shareholders who propose the motion, along with a representative among those who agree, shall reach 1 percent of the total number of issued common stocks.
- Article 8 If not a motion, it will not be discussed or resolved. When discussing a motion, it shall be discussed according to orders in the agenda. If a violation of procedures is found or the topic is not within the motion, the Chair may immediately stop the speaker. The Chair may announce the end of discussion at an appropriate time, and if necessary, may end the discussion.
- Article 9 For the discussion topics that have been terminated or stopped, the Chair shall immediately submit a voting. The voting rights of each shareholder shall be calculated in accordance with the Company's Articles of Incorporation.
- Article 10 Unless otherwise specifically provided for in the Company Act, resolutions shall be adopted by a majority vote at a meeting attended by the shareholders. Those who express no objection when the Chair requires will be deemed to be approved, which serves the same effect as voting. Where there are any objections, the Chair may use a roll-call against the resolution which will be calculated based on the number of shares held by the shareholders who have expressed an objection or waived his/her voting power. After the calculation, if the number of shares does not impact the approval of the motion, the motion is deemed to have passed, which serves the same effect as voting.
- Article 11 Where a representative is appointed by the shareholder to attend the shareholders' meeting, except for trust enterprises or stock agencies approved by the competent authority, when a person who acts as the proxy for two or more shareholders, the number of voting power represented by him/her shall not exceed 3 percent of the total number of voting shares of the company; otherwise, the portion of excessive voting power shall not be counted.
- Article 12 As the meeting is being processed, the Chair may announce a break at his/her discretion.
- Article 13 Matters for which these Rules make no provision shall be handled in accordance with the Articles of Incorporation, Company Act, and other applicable laws and regulations.
- Article 14 These Rules, and any amendments hereto, shall be implemented after approval by a shareholders' meeting.
- Article 15 These Rules were established on August 20, 1997.  
First amended on May 7, 2002.

(Appendix 2)

**King Yuan Electronics Co., Ltd.**  
**Rules Governing the Election of Directors**

Article 1 Unless elsewhere regulated by law or the articles of incorporation, election of the company's directors shall be governed by these Rules.

Article 2 The candidate nomination system and cumulative voting method shall be adopted for election of the Company's directors. Each share shall have voting rights in number equal to the directors to be elected, and may be cast for a single candidate or split among multiple candidates.

Article 3 The company shall, prior to the share transfer suspension date dedicated before the meeting date of a shareholders' meeting, announce in a public notice, the period for accepting the nomination of director candidates, the quota of directors to be elected, the place designated for accepting the roster of director candidates nominated, and other necessary matters.

The Company's Board of Directors and any shareholder holding 1% or more of the total number of outstanding shares issued by the company may submit a roster of director candidates for the next term of Board of Directors in accordance with the Company Act and other applicable laws and regulations.

The qualification of director candidates of the Company shall follow applicable laws and regulations.

Article 4 The directors of the Company shall be elected during a shareholders' meeting from among the nominees listed in the roster of director candidates. Those receiving ballots representing the highest numbers of voting rights will be elected sequentially as independent or non-independent director according to the number of directors to be elected as specified in the Articles of Incorporation and relevant announcements and the ballot count results. 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 chair drawing lots on behalf of any person not in attendance.

Article 5 When preparing the ballots, the Company shall specify the attendance card numbers and the number of voting rights associated with each ballot.

The directors shall be elected at the same time as the election of independent and non-independent directors, but the ballots shall be counted separately.

Article 6 Before the election begins, the chair shall appoint a number of persons to perform the respective duties of vote monitoring and counting.

Article 7 When a candidate is a shareholder, the name on the account and account number of the candidate must be indicated on the ballot. When the candidate is not a shareholder, the ID



number and name of the candidate shall be indicated on the ballot. Where the candidate is a government agency or a juristic person and there is more than one representative, the name of the government agency or juristic person and name of all the representatives shall be listed separately on the ballot.

The shareholder may replace with a seal the candidate name (account name), account number, and National ID number provided on the ballot as prescribed in paragraph 1.

Article 8 The ballot boxes shall be prepared by the company and shall be publicly checked by the vote monitoring personnel before voting commences.

After voting, the ballot box shall be opened by the vote monitoring personnel, and the vote counting process shall be monitored by the vote monitoring personnel.

Article 9 A ballot is invalid under any of the following circumstances:

1. The ballot was not prepared as stipulated in Article 5.
2. The number of candidates filled in the ballot exceeds the number of seats to be elected as stipulated in Article 4.
3. The total votes cast by the voter exceeds the total voting rights of that voter.
4. 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; the candidate whose name is entered in the ballot is a non-shareholder, and a cross-check shows that the candidate's name and identity card number do not match.
5. The writing is unclear and indecipherable or has been altered.
6. The name of the candidate entered in the ballot is identical to that of another shareholder, but no shareholder account number or identity card number is provided in the ballot to identify such individual.
7. Other words or marks are entered in addition to the candidate's account name or shareholder account number (or identity card number) and the number of voting rights allotted.
8. A blank ballot is placed in the ballot box.

Article 10 The vote monitoring personnel shall verify the validity of any ballot in question. Invalid ballots shall be indicated as invalid and affixed with a signature or seal at the end of the vote counting.

Article 11 Vote monitoring personnel shall check the sum of valid and invalid ballots upon completion of voting and then document the valid votes and number of voting rights. The results of the calculation shall be announced on site.

The election of the director shall be deemed invalid if it does not conform to Article 26-3, paragraph 3 of the Securities and Exchange Act.

- Article 12 The persons elected as directors shall personally sign the form “Consent to Act as Director” to facilitate company registration with the competent authority.
- Article 13 All matters not covered by these Rules shall be subject to applicable laws and regulations.
- Article 14 These Rules, and any amendments hereto, shall be implemented after approval by a shareholders meeting.
- Article 15 These Rules were established on August 20, 1997.  
First amendment was made on April 20, 1999.  
Second amendment was made on May 7, 2002.  
Third amendment was made on June 13, 2007.  
Fourth amendment was made on June 12, 2014.

(Appendix 3)

**King Yuan Electronics Co., Ltd.**  
**The Articles of Incorporation**

Chapter 1. General Rules

Article 1 The Company is organized by regulations of the Company Act and named King Yuan Electronics Co., Ltd. (KYEC)

Article 2 The Company's business matters shall include:

- I. Designing, manufacturing, testing, accessories, processing, packaging, trading of various integrated circuits (IC).
- II. Different types of burn in equipment, and manufacturing, processing, and trading of its components.
- III. As well as import/export trade of said products.
- IV. We also act as an agent for the quotation, bidding and distribution of different products for Taiwanese and foreign manufacturers.
- V. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

Article 2-1 When the Company becomes a shareholder of limited liability in other companies, the total amount of its investments is not subject to Article 13 of the Company Act which states that the total amount of its investments in such other companies shall not exceed forty percent of the amount of its own paid-up capital.

Article 2-2 The Company may provide guarantees to the external for business needs.

Article 3 The Company shall have its head office in Hsinchu City, and when it is determined to be necessary, upon the resolution of the board of directors, branch offices may be established domestically or overseas.

Article 4 Deleted.

Chapter 2. Shares

Article 5 The total capital of the Company shall be NT\$15 billion, divided into 1.5 billion shares (including 30 million shares for employee stock option certificates) at a par value of NT\$10 per share, and issued at discrete times. The board of directors has been authorized to issue the shares in installment according to business needs.

Article 5-1 Where the price of employee stock option certificates of the Company is lower than the Company's common share price closed on the date of issuance, the issuance of such employee stock option certificates shall only be made with the consents of attending shareholders representing more than two-thirds of the total voting rights in a shareholders' meeting attended by shareholders representing a majority of the 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 at least two-thirds of the voting rights present at the most recent shareholders' meeting attended by shareholders representing a majority of total issued shares before the transfer of shares.

Article 6 Deleted.

Article 7 The share certificates of the Company shall be in registered form and shall be numbered, and shall be affixed with the signatures or personal seals of the director representing the company, and shall be duly certified or authenticated by the bank which is competent to certify shares under the laws before issuance thereof.

The shares issued by the Company are exempted from printing any share certificate for the shares issued and shall register the issued shares with a centralized securities depository enterprise.

Article 8 Any change and transfer registration of shares shall be prohibited within sixty days prior to the ordinary shareholders' meeting, thirty days prior to the extraordinary shareholders' meeting, or five days prior to the record date for the distribution of dividends and bonuses or other interests by the Company.

#### Chapter 3. Shareholders meeting

Article 9 The shareholders' meeting is classified into two types of the ordinary shareholders' meeting and the extraordinary shareholders' meeting. The ordinary shareholders' meeting shall be convened once per year, and shall be convened by the board of directors according to the laws within six months after the close of each fiscal year. The extraordinary shareholders' meeting shall be convened whenever necessary according to laws.

Article 10 Where a shareholder for any reasons cannot attend the shareholders' meeting in person, he/she/it may appoint a proxy to attend a shareholders' meeting on his/her/its behalf by executing a power of attorney printed by the Company stating therein the scope of power authorized to the proxy.

Article 11 The Company's shareholders shall have one vote for each share, except for where the shares have no voting rights under Article 179 of the Company Act and the directors' pledges under Article 197-1, Paragraph 2 of the Company Act.

Article 12 Unless otherwise specified in the Company Act, any resolution at a shareholders' meeting shall be adopted by a majority of the shareholders present, who are representing more than half of the total number of the Company's outstanding shares, and shall be executed based on the majority of the voting rights of attending shareholders.

Article 12-1 The agenda of the Company's shareholders' meetings, except as otherwise provided by law, regulation, or the Articles of Incorporation, shall be as provided in the Rules of Procedures for Shareholders' Meetings of the Company.

Chapter 4. Directors and Audit Committee

Article 13 The Committee shall be composed of the entire number of 7 to 11 directors and shall serve a 3-year term. The candidate nomination system is adopted and directors shall be selected from a candidate list by the shareholders' meeting and may be reelected to further terms. The Company shall take out liability insurance for the directors with respect to liabilities resulting from the performance of duties during their terms of office.

Among the number of directors of the preceding paragraph, there shall be at least 3 independent directors, and not less than one-fifth of the seats shall be held by independent directors. Regulations governing the professional qualifications, restrictions on shareholdings and concurrent positions held, assessment of independence, method of nomination, and other matters for compliance with respect to independent directors shall be in compliance with the relevant regulations set out by the securities competent authorities.

Article 13-1 The Company shall establish an audit committee pursuant to Article 14-4 of the Securities and Exchange Act. The audit committee shall be composed of the entire number of independent directors.

The Audit Committee's members, term of office, powers and authorities, rules of procedure, and resources provided by the company to facilitate its exercise of powers shall be in accordance with the regulations stipulated in the Audit Committee Charter.

Article 14 The board of directors shall be formed by directors. A Chairman shall be elected among the directors during a board meeting attended by more than two-thirds of directors and with the consents of more than half of all attending directors. In addition, a Vice-Chairman may be elected from among the directors through the same method described above. The Chairman of the board of directors shall internally preside the shareholders' meeting and the meeting of the board of directors, and shall externally represent the Company.

Article 15 In case where the Chairman is on leave or absent or cannot exercise his power and authority for any cause, the proxy thereof shall be handled according to the regulation of Article 208 of the Company Act.

Article 15-1 Directors shall attend board meetings in person. A director unable to attend in person may appoint another director to attend the meeting by presenting a power of attorney in order to act as a proxy for attending the meeting on his/her/its behalf. The proxy

described in the preceding paragraph shall be limited to accept the appointment of one director only.

Article 15-2 The authorities of the board of directors are as follows:

1. Review of management policies and mid- to long-term development plans.
2. Review and ensure implementation of annual business plans.
3. Review of budget and final accounts.
4. Review plans of capital increase or decrease.
5. Review proposals of earnings distribution or making up loss.
6. Review of important external contracts.
7. Review of articles of incorporation or make amendments.
8. Review of the Company's organizational rules and important business rules.
9. Agreement on establishment, reorganization or cancellation of branches.
10. Review of major capital expenditure plans.
11. Appointment and discharge of managerial offers.
12. Implementation of the resolution by shareholders' meetings.
13. Review of matters proposed by managers.
14. Convention of shareholders' meeting and business report.
15. Other operations that shall be handled in compliance with the law.

Article 16 For the remuneration of all directors, the board of directors is authorized to reach a resolution on such remuneration based on their participation level and value of contribution to the operation of the Company along with the consideration of the common standard adopted in the same industry.

#### Chapter 5. Managers

Article 17 The Company may appoint managers. The appointment, discharge and remuneration of the managerial officers shall comply with the provision of Article 29 of the Company Act and relevant laws and regulations.

#### Chapter 6. Accounting

Article 18 At the end of each fiscal year of the Company, the board of directors shall prepare the reports and statements of 1. Business report, 2. Financial statements and 3. Proposal for distribution of surplus earnings or covering losses, for submission to the ordinary shareholder's meeting according to the law in order to request approval thereof.

Article 19 Where there is a profit in the current year, the Company shall allocate 8–10 percent of the profit as the remuneration to employees, and no more than 1 percent thereof as directors' remuneration. However, if the Company has cumulative losses, an amount sufficient to make up losses shall be retained.

Employees' compensation is distributed in the form of shares or in cash. Those entitled for shares or cash, must be the Company's employees.

"Profit sought for the current year" as referred in the first paragraph means current pre-tax benefit deducts the benefits before the distribution of compensation of employees and directors compensation.

The Company may, by a resolution adopted by a majority vote at a meeting of board of directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation and directors' compensation, and in addition thereto, a report of such distribution shall be submitted to the shareholders' meeting.

Article 20 If the Company's final statement for the year shows earnings, funds shall first be set aside for tax payments and to make up past losses, and another 10% shall be then be set aside as a statutory reserve; Furthermore, depending on the Company's operating needs and the requirements of laws and regulations, the Company may set aside or reverse a special reserve; if their are still earnings and undistributed earnings at the beginning of the period, the board may draft a proposed earnings distribution plan, which shall be presented to the shareholders meeting for resolution.

The Company's dividends distribution policy shall be determined on the basis of the Company's current and future investment environment, need for funds, state of domestic and foreign competition, and funds need budget, etc., and should also reflect shareholders' interests and strike a balance between dividends and the Company's long-term financial plans. In accordance with law, the Board shall draft an annual distribution plan, which shall be reported to the shareholders meeting. Since the industry in which the Company is situated is currently at the growth stage, and the Company expects to have future expansion plans and funding needs, with regard to the distribution of shareholders' dividends for the year, cash dividends shall comprise no less than 20% of all shareholders' dividends.

#### Chapter 7. Supplemental Provisions

Article 21 Any matter not specified in these Articles of Incorporation of the Company shall be handled in accordance with the regulations of the Company Act.

Article 21-1 The Company's various rules and procedures shall be further established separately.

Article 22 These Rules were established on May 2, 1987

1st amendment was made on May 20, 1987

2nd amendment was made on November 22, 1988

3rd amendment was made on December 12, 1988

4th amendment was made on February 5, 1990

5th amendment was made on May 3, 1990  
6th amendment was made on June 7, 1992  
7th amendment was made on April 28, 1994  
8th amendment was made on December 28, 1994  
9th amendment was made on July 21, 1995  
10th amendment was made on September 13, 1995  
11th amendment was made on August 2, 1996  
12th amendment was made on September 25, 1996  
13th amendment was made on March 14, 1997  
14th amendment was made on August 20, 1997  
15th amendment was made on April 30, 1998  
16th amendment was made on April 20, 1999  
17th amendment was made on April 10, 2000  
18th amendment was made on March 12, 2001  
19th amendment was made on May 7, 2002  
20th amendment was made on December 19, 2002  
21st amendment was made on June 9, 2003  
22nd amendment was made on June 1, 2004  
23rd amendment was made on June 1, 2004  
24th amendment was made on June 13, 2005  
25th amendment was made on June 13, 2005  
26th amendment was made on June 12, 2006  
27th amendment was made on June 12, 2006  
28th amendment was made on June 13, 2007  
29th amendment was made on June 13, 2008  
30th amendment was made on June 10, 2009  
31st amendment was made on June 15, 2010  
32nd amendment was made on June 15, 2011  
33rd amendment was made on June 15, 2012  
34th amendment was made on June 12, 2014  
35th amendment was made on June 8, 2016  
36th amendment was made on August 3, 2021



(Appendix 4)

**King Yuan Electronics Co., Ltd.**  
**Rules and Procedures for Board of Directors Meetings**

Amended on March 13, 2020

Article 1 These Rules and Procedures are adopted pursuant to Article 26-3, paragraph 8, of the Securities and Exchange Act and the Regulations Governing Procedure for Board of Directors Meetings of Public Companies.

Article 2 The rules and procedures for the meetings of the Company's Board of Directors, except as otherwise provided by law, regulation, or the articles of incorporation, shall be handled in accordance with these Rules.

Article 3 The Board of Directors of the Company shall meet at least quarterly.

The reasons for calling a board of directors meeting shall be notified to each director at least seven days in advance. In emergency circumstances, however, a meeting may be called on shorter notice.

The notice to be given under the preceding paragraph may be effected by means of electronic transmission, after obtaining prior consent from the recipients thereof.

Except in cases of emergency or under circumstances supported by justifiable reasons, all matters set out in the subparagraphs of Article 7, paragraph 1, shall be specified in the notice of the reasons for calling a board of directors meeting; none of them may be raised by an extraordinary motion.

Article 4 A board meeting shall be held at the premises and during the business hours of the Company, or at a place and time convenient for all directors to attend and suitable for holding board meetings.

Article 5 The Department of Finance has been designated by the Company's Board of Directors as the administrator of all board meeting affairs.

The unit responsible for board meetings shall draft agenda items and prepare sufficient meeting materials, and shall deliver them together with the notice of the meeting.

Directors may request for supplemental information from the administrator of all board meeting affairs should they consider the existing information to be insufficient. Directors may resolve to postpone certain agendas if they consider the information presented to them to be inadequate.

Article 6 The following agendas shall be covered as the minimum during regular board meetings:

I. Reporting Items:

(I) Minutes of the last meeting and action taken.

(II) Reporting on important financial and business matters.

(III) Internal auditing operations.

(IV) Reports on other important issues.

II. Discussion Items:

(I) Matters for continued discussion from the last meeting.

(II) Items scheduled for discussion at this meeting.

III. Extraordinary Motions.

Article 7 The following items shall be raised for discussion in the Company's board meetings:

I. The Company's business plan.

II. Matters required by Paragraph 4 of this Article.

III. Donations to related parties or major donations to non-related parties, provided that a public-interest donation of disaster relief for a major natural disaster may be submitted to the following board of directors meeting for retroactive recognition.

IV. Any matter required by Article 14-3 of the Securities and Exchange Act or any other law, regulation, or bylaw to be approved by resolution at a shareholders' meeting or board of directors meeting, or any such significant matter as may be prescribed by the competent authority.

The term "related party" in subparagraph 3 of the preceding paragraph means a related party as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The term "major donation to a non-related party" means any individual donation, or cumulative donations within a 1-year period to a single recipient, at an amount of NTD100 million or more, or at an amount equal to or greater than 1% of net operating revenue or 5% of paid-in capital as stated in the CPA-attested financial report for the most recent year.

The term "within a 1-year period" in the preceding paragraph means a period of 1 year calculated retroactively from the date on which the current board of directors meeting is convened. Amounts already submitted to and passed by a resolution of the board are exempted from inclusion in the calculation.

The following items shall be approved by at least one half of the Audit Committee members and submitted to the Board of Directors for resolution:

I. Adoption or amendment of an internal control system pursuant to Article 14-1 of the Securities and Exchange Act.

II. Assessment of the effectiveness of the internal control system.

III. Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, or endorsements or guarantees for others.

IV. Matters bearing on the personal interest of a director.

- V. Asset transactions or derivatives trading of a material nature.
- VI. Loans of funds, endorsements, or provision of guarantees of a material nature.
- VII. Offering, issuance, or private placement of equity-type securities.
- VIII. Appointment, dismissal of, or remuneration of certified public accountants.
- IX. Appointment or discharge of a financial, accounting, or internal audit officer.
- X. Annual and semi-annual financial reports, with the exception of semi-annual financial reports which, under relevant laws and regulations, need not be audited and attested by a certified public accountant (CPA).
- XI. Other material matters as may be required by the Company or by the competent authority.

With the exception of subparagraph 10, any matter under a subparagraph of the preceding paragraph that has not been approved with the consent of one-half or more of all audit committee members may be undertaken upon the consent of two-thirds or more of all directors, without regard to the restrictions of the preceding paragraph, and the resolution of the audit committee shall be recorded in the minutes of the directors meeting.

“All audit committee members” as used in paragraph 4 and “all directors” as used in the preceding paragraph, shall mean the actual number of persons currently holding those positions.

At least one independent director shall attend the meeting in person. In the case of a meeting concerning any matter required to be submitted for a resolution by the board of directors under paragraph 1, each independent director shall attend in person; if an independent director is unable to attend in person, he or she shall appoint another independent director to attend as his or her proxy. If an independent director expresses any objection or reservation about a matter, it shall be recorded in the board meeting minutes. An independent director intending to express an objection or reservation but unable to attend the meeting in person shall, unless there is some legitimate reason to do otherwise, issue a written opinion in advance, which shall be recorded in the meeting minutes.

Article 8 Apart from matters referred to in paragraph 1 of Article 7, which are required to be submitted for discussion by the board of directors, when the board of directors delegates any exercise of its powers pursuant to laws or regulations or the company’s articles of incorporation, matters such as the level and substance of the delegation shall be concretely and specifically set out.

Article 9 When a meeting of the board of directors is held, an attendance book shall be made ready for signature by directors attending the meeting.

All board directors shall attend board meetings in person; if attendance in person is not

possible, they may, pursuant to the company's articles of incorporation, appoint another director to attend as their proxy. Attendance via tele- or video-conference is deemed as attendance in person.

A director appointing another director to attend a board meeting in his or her place shall in each case give to that director a written proxy stating the scope of authorization with respect to the reasons for meeting.

A proxy under paragraph 2 may accept a proxy from one person only.

Article 10 Where a meeting of the board of directors is called by the chairperson of the board, the meeting shall be chaired by the chairperson. However, where the first meeting of each newly elected board of directors is called by the director who received votes representing the largest portion of voting rights at the shareholders' meeting in which the directors were elected, the meeting shall be chaired by that director; if there are two or more directors so entitled to call the meeting, they shall choose one person by and from among themselves to chair the meeting.

Where a meeting of the board of directors is called by a majority of directors on their own initiative in accordance with Article 203, paragraph 4 or Article 203-1, paragraph 3 of the Company Act, the directors shall choose one person by and from among themselves to chair the meeting.

When the chairperson of the board is on leave or for any reason is unable to exercise the powers of the chairperson, the vice chairperson shall do so in place of the chairperson, or, if there is no vice chairperson or the vice chairperson also is on leave or for any reason is unable to act, by a director designated by the chairperson, or, if the chairperson does not make such a designation, by a director elected by and from among themselves.

Article 11 When holding a meeting of the board of directors, the Company may, as necessary for the agenda items of the meeting, notify personnel of relevant departments or subsidiaries to attend the meeting as nonvoting participants.

When necessary, the Company may also invite certificated public accounts, attorneys, or other professionals to attend as nonvoting participants and to make explanatory statements, provided that they shall leave the meeting when deliberation or voting takes place.

Article 12 The chair shall call the board meeting to order at the appointed meeting time and when more than one-half of all the directors are in attendance.

If one-half of all the directors are not in attendance at the appointed meeting time, the chair may announce postponement of the meeting time, provided that no more than two such postponements may be made. If the quorum is still not met after two postponements, the chair shall reconvene the meeting in accordance with the procedures in Article 3,

paragraph 2.

The term “all directors” as used in the preceding paragraph and in Article 17, paragraph 2, subparagraph 2, shall be counted as the number of directors then actually in office.

Article 13 The Company’s board of directors meeting shall be conducted in accordance with the order of business on the agenda as specified in the meeting notice. However, the order may be changed with the approval of a majority of directors present at the meeting.

The meeting chair may not declare the meeting closed without the approval of a majority of directors present at the meeting.

If at any time during the proceeding of a board of directors meeting the directors sitting at the meeting are not more than half of the directors present at the meeting, then upon motion by the directors sitting at the meeting, the chair shall declare a suspension of meeting, in which case Article 12, paragraph 2 shall apply mutatis mutandis.

Article 14 When the chair at a board of directors meeting is of the opinion that a matter has been sufficiently discussed to a degree of putting to a vote, the chair may announce the discussion closed and bring the matter to vote.

When a proposal comes to a vote at a board of directors meeting, if the chair puts the matter before all directors present at the meeting and none voices an objection, the matter is deemed approved. If there is an objection following an inquiry by the chair, the proposal shall be brought to a vote.

One voting method for proposals at a board meeting shall be selected by the chair from among those below, provided that when an attending director has an objection, the chair shall seek the opinion of the majority to make a decision:

- I. A show of hands or a vote by voting machine.
- II. A roll call vote.
- III. A vote by ballot.

Except for the case of unanimous consent of all directors present at the meeting upon inquiry, the method of voting on matters at board of directors meetings and the methods of vote monitoring and counting shall also be specified. The method of voting on matters at board of directors meetings shall be specified in the meeting minutes.

“All directors present at the meeting” in the preceding two paragraphs shall not include directors prohibited from exercising voting rights pursuant to Article 16, paragraph 1.

Article 15 Except as otherwise stated in the Securities and Exchange Act or in the Company Act, a resolution on a matter at a board of directors meeting shall require the approval of a majority of the directors in attendance at a board of directors meeting attended by a majority of all directors.

When there is an amendment or an alternative to a proposal, the chair shall present the

amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. If any one among them is passed, the other proposals shall then be deemed rejected, and no further voting on them shall be required.

If a vote on a proposal requires monitoring and counting personnel, the chair shall appoint such personnel, providing that all monitoring personnel shall be directors.

Voting results shall be made known on-site immediately and recorded in writing.

Article 16 If a director or a juristic person that the director represents is an interested party in relation to an agenda item, the director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interest of the company, that director may not participate in discussion or voting on that agenda item and shall recuse himself or herself from the discussion or the voting on the item, and may not exercise voting rights as proxy for another director. If a director violates the aforesaid rule and participates in voting on that agenda item that requires him or her to enter recusal, the voting rights exercised by said director shall be invalid.

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.

The provisions of Article 180, paragraph 2 of the Company Act, as applied mutatis mutandis under Article 206, paragraph 4 of that Act, apply to resolutions of board of directors meetings when a director is prohibited by the preceding two paragraphs from exercising voting rights.

Article 17 Minutes shall be prepared of the discussions at board of directors meetings. The meeting minutes shall record the following:

- I. Session, time, and place of meeting.
- II. Name of the meeting chair.
- III. Attendance of directors at the meeting, specifying the names and number of members present, excused, and absent.
- IV. Names and titles of those attending the meeting as nonvoting participants.
- V. Name of minutes taker.
- VI. Reporting Items.
- VII. Agenda items: the method of resolution and the result for each proposal; a summary of the comments made by directors, experts, or other persons; the name of any director that is an interested party as referred to in paragraph 1 of the preceding article, an explanation of the important aspects of the relationship of interest, the reasons why the director was required or not required to enter

recusal, and the status of their recusal; opinions expressing objections or reservations at the meeting that were included in records or stated in writing; and any opinion issued in writing by an independent director under Article 7, paragraph 7.

VIII. Extraordinary motions: the name of the mover; the method of resolution and the result for each motion; a summary of the comments made by directors, experts, or other persons; the name of any director that is an interested party as referred to in paragraph 1 of the preceding article, an explanation of the important aspects of the relationship of interest, the reasons why the director was required or not required to enter recusal, and the status of their recusal; opinions expressing objections or reservations at the meeting that were included in records or stated in writing.

IX. Other items to be stated.

Any of the following matters in relation to a resolution passed at a meeting of the board of directors shall be stated in the meeting minutes and within two days of the meeting be published on an information reporting website designated by the competent authority:

- I. Any matter about which an independent director expresses an objection or reservation that has been included in records or stated in writing.
- II. Any matter that has not been passed by more than one-half of the audit committee members, but has been adopted with the approval of two-thirds or more of all board directors.

The attendance book forms a part of the minutes for each board of directors meeting and shall be well preserved during the existence of the company.

The minutes of a board of directors meeting shall bear the signature or seal of both the meeting chair and the minutes taker; a copy of the minutes shall be distributed to each director within 20 days after the meeting and well preserved as important company records during the existence of the company.

The production and distribution of the meeting minutes referred to in paragraph 1 may be done in electronic form.

Article 18 The Company shall record on audio or video tape the entire proceedings of a board of directors meeting, and preserve the recordings for at least five years, in electronic form or otherwise.

If before the end of the preservation period referred to in the preceding paragraph any litigation arises in connection with a resolution of a board of directors meeting, the relevant audio or video recordings shall continue to be preserved until the litigation is

concluded.

Where a board of directors meeting is held via tele- or video conferencing, the audio and visual documentation of the meeting form a part of the meeting minutes and shall be well preserved during the existence of the company.

Article 19 If the board of directors has managing directors, the provisions of Article 2, paragraph 2 of Article 3, Articles 4 to 6, Article 9, and Articles 11 to Article 18 shall apply mutatis mutandis to the procedure for meetings of the managing directors; However, if a meeting of managing directors is scheduled to be convened within seven days, the notice to each managing director may be made two days in advance.

Article 20 These Rules shall be adopted by the approval of meeting of the Board of Directors and shall be reported to the shareholders' meeting. The same procedures shall apply for future amendments.



(Appendix 5)

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

**Number of Shares Held by All Shareholders and Minimum Number of Shares to Be Held**

- I. The number of common stocks of the Company: 1,222,745,065 shares  
II. The minimum number of authorized shares that all directors shall hold: 32,000,000 shares  
III. As of the closing date of the shareholders' meeting (April 1, 2023), the number of shares held by all directors is as follows:

Title	Name	Number of shares held on closing date	
		Shares	Shares held (%)
Chairman	Chin-Kung Lee	34,100,941	2.79
Vice-Chairman	Chi-Chun Hsieh	5,552,037	0.45
Director	An-Hsuan Liu	1,250,000	0.10
Director	Kao-Yu Liu	4,808,267	0.39
Director	Kuan-Hua Chen	3,168,574	0.26
Director	Representative of Yann Yuan Investment Co., Ltd.: Ping-Kun Hung	52,600,000	4.30
Independent director	Hui-Chun Hsu	0	0
Independent director	Dar-Yeh Hwang	0	0
Independent director	Semi Wang	10,000	0
Number of shares held by all directors (excluding independent directors)		101,479,819	8.30

(Appendix 6)

**The Impact of Stock dividend Issuance on Business Performance, EPS, and Shareholder's Return on Investment: N/A.**



**京元電子股份有限公司**  
*The Testing Industry Benchmark*

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