

Stock code: 2449



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

# 2022 Annual General Meeting Handbook

June 29, 2022

# Contents

I. Meeting Procedure	1
II. Meeting Agenda	2
1. Reporting Items	3
2. Ratification Items	8
3. Discussion Items	10
4. Extraordinary Motions	12
III. Annexes	
1. Business Report (Annex 1)	13
2. Audit Report by the Audit Committee (Annex 2)	19
3. 2021 Earnings Distribution (Annex 3)	20
4. Comparison Table for Amendments of Procedures for Acquisition or Disposal of Assets (Annex 4)	21
5. CPA Audit Report and Financial Statements (Annex 5)	29
IV. Appendices	
1. Rules of Procedure for Shareholders' Meetings (Appendix 1)	49
2. Articles of Incorporation (Appendix 2)	51
3. Procedures for Acquisition or Disposal of Assets (Appendix 3)	57
4. Number of Shares Held by All Directors and Minimum Number of Shares to be Held (Appendix 4)	86
5. The Impact of Issuance of Bonus Shares on Business Performance, EPS, and Shareholder's Return on Investment (Appendix 5)	87

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

## **2022 Annual General Meeting Procedure**

**I. Call the Meeting to Order**

**II. Chairperson Remarks**

**III. Reporting Items**

**IV. Ratification Items**

**V. Discussion Items**

**VI. Extraordinary Motions**

**VII. Meeting Adjourned**

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

## **2022 Annual General Meeting Agenda**

Convention Method: Physical Convention of Annual General Meeting

Time: 9 a.m. on Wednesday, June 29, 2022

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 2021 Business Overview.
2. The Audit Committee's Review of the Company's 2021 Financial Report.
3. The Company's 2021 Distribution of Employee and Director Remuneration.
4. The Company's 2021 Endorsements/Guarantees.
5. Motion to suspend initial public offering (IPO) of China A-shares of the Company's subsidiary King Long Technology (Suzhou) Ltd. and its application for listing on the Shanghai Stock Exchange/Shenzhen Stock Exchange.

IV. Ratification Items

1. The Company's 2021 Business Report and Financial Statements.
2. The Company's 2021 Distribution of Earnings.

V. Discussion Items

1. The motion for termination of the non-competition restriction on directors.
2. The proposal for amendments to the Company's "Procedures for Acquisition or Disposition of Assets."

VI. Extraordinary Motions

VII. Meeting Adjourned

## Reporting Items

Report No. 1

Proposed by the Board of Directors

Motion: The Company's 2021 Business Overview.

Description: For the 2021 business report, please refer to page 13 (Annex 1).

Report No. 2

Proposed by the Board of Directors

Motion: The Audit Committee's Review of the Company's 2021 Financial Report.

Description:

1. The Company's 2021 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 page 19 (Annex 2).
3. For the review report prepared by the accountant please refer to page 29 (Annex 5).

Motion: The Company's 2021 Distribution of Employee and Director Remuneration.

Description: 1. According to Article 19, Paragraph 1 of the Company's Articles of Incorporation: "Subject to the profit sought for the current year, the Company shall allocate 8 %–10% of the profit as the remuneration to employees, and no more than 1% thereof as the remuneration to directors. However, profits must first be taken to offset against cumulative losses if any."

2. The profit sought by the Company in 2021 totaled NT\$7,116,696,402 (namely, the earnings before tax less the remuneration to employees and directors). 8 % thereof was allocated as the remuneration to employees in cash, i.e. NT\$569,335,713, and 0.8 % thereof as the remuneration to directors, i.e. NT\$56,933,571.

Motion: The Company's 2021 Endorsements/Guarantees.

Description: Article 2-2 of the Articles of Incorporation of the Company stipulates "Due to business needs, the Company must make guarantees."

1. The Company has issued an endorsement/guarantee in favor of Suzhou Zhen Kun Technology Ltd., which guarantees the offering of credit facilities to finance the operations of The Shanghai Commercial & Savings Bank. Until December 31, 2021, the relevant credit facility has been US\$5,000 thousands.



Motion: Motion to suspend initial public offering (IPO) of China A-shares of the Company's subsidiary King Long Technology (Suzhou) Ltd. and its application for listing on the Shanghai Stock Exchange/Shenzhen Stock Exchange.

Description: 1. The Board meeting held on March 12, 2021, and shareholders' meeting held on August 3, 2021, resolved to pass the motion for initial public offering of China A-shares of the Company's subsidiary King Long Technology (Suzhou) Ltd. listed on the Shanghai Stock Exchange/Shenzhen Stock Exchange (hereinafter referred to as the "King Long Technology IPO"). Taking into consideration political and economic changes in the semiconductor industry around the world, labor costs of issuers and shareholders and the timeframe of the review process during IPO of A shares and to ensure the effective utilization of the Company's resources while enabling overall operations to be more flexible, the King Long Technology IPO has been suspended.

2. As the King Long Technology IPO was still in the stage of preliminary discussion and preparation, suspending it has had no material impact on the Company's finance and business. In the future, we will take a prudent approach to changes in the business environment and domestic and international financial and capital markets to make careful plans and implement the Company's business strategy.

## Ratification Items

### Ratification No. 1

Proposed by the Board of Directors

Motion: The Company's 2021 Business Report and Financial Statements.

Description: 1. The Company's 2021 Business Report and Financial Statements have been resolved in the 13th and 14th Meeting of the 14th Session of the Board and were audited by the Audit Committee with an issued audit report.

2. For the Business Report and Financial Statements mentioned above, please refer to page 13 (Annex1) and page 29 (Annex5).

Resolution:

Ratification No. 2

Proposed by the Board of Directors

Motion: The Company's 2021 Distribution of Earnings.

Description: 1. The Company's 2021 distribution of earnings report has been resolved in the 14th Meeting of the 14th Session of the Board and was audited by the Audit Committee with an issued written audit report.

2. For the distribution of earnings report that was prepared in accordance with the provisions of the Company Act and the Company's Articles of Incorporation, please refer to page 20 (Annex 3).

3. If the Company made substantial investment using the undistributed earnings after the distribution of the 2021 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:

## Discussion Items

### Discussion No. 1

Proposed by the Board of Directors

Motion: The motion for termination of the non-competition restriction on directors.

Description: 1. Since directors of the Company or directors investing or operating other companies having the scope of business identical or similar to that of the Company, for the interests of the Company, it is proposed to terminate the non-competition restriction on directors according to the provision of Article 209 of the Company Act.

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

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

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

Resolution:

Discussion No. 2

Proposed by the Board of Directors

Motion: The proposal for amendments to the Company's "Procedures for Acquisition or Disposition of Assets."

Description: 1. According to the amended provisions of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" under the Jin-Guan-Zheng-Fa-Zi No. 1110380465 issued by the FSC on January 28, 2022, some provisions of the Company's "Procedures for Acquisition or Disposition of Assets" have been amended.

2. For the comparison table of provisions before and after the amendments of the Company's "Procedures for Acquisition or Disposition of Assets" please refer to page 21 (Annex 4).

Resolution:

## Extraordinary Motions

Meeting Adjourned

(Annex 1)

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

**Business Plan Implementation Results**

- I. The consolidated net revenue was NT\$33.759 billion in 2021, up by 16.6 percent from 2020. The gross margin reached 30.7 percent, up 3.2 percent from 2020. The EPS was NT\$4.23, up 42.4 percent from 2020. The overall operating performance exceeded the targets we set at the beginning of the year.
- II. Due to factors such as variants, shipping, port congestion, logistics and material shortages that occurred in the first half of last year, delivery schedules were constantly being delayed. As a result of this, customers were in a rush to place orders for production capacity, causing a business boom. Although sales of smartphones, computers, panels, and consumer products were unstable in the second half of the year, demand for automobiles, servers, data centers, and network communications products increased. For a semiconductor manufacturing company, although these variables meant that there were adjustments to individual customers' orders or product mix, demand for manufacturing capacity remained tight throughout the year. As a consequence, the overall semiconductor manufacturing capacity is significantly lower than the market demand, breaking the past experience of cyclical fluctuations in the economy. As the specification and complexity of chip design and the number of transistors increased, the testing time for chips also increased. With steady production inflows, the average utilization of test equipment is expected to continue into next year.
- III. In the past year, with a large number of customer orders coming in, in addition to reinforcing a closer coordination between production and sales, we have made careful investments to improve equipment utilization rate and production efficiency by transferring production capacity allocation between plants and taking a proactive approach to follow up on production parts. Furthermore, we have also optimized operating procedures in order to shorten the time frame to address issues and increase the speed at which customers introduce new products. At the same time, we have also accelerated the promotion of plant automation, continued to refine our quality management, rationalized the customer service charging model, and strengthened our efforts on training and talent retention, ensuring the smooth running of the Company as a whole.
- IV. In recent years, the Company has strengthened disclosure and gradually implemented the ESG "Environmental Sustainability," "Social Engagement," "Corporate Governance," and "Corporate Commitment" in response to corporate sustainability issues and are audited by various professional certification bodies on a regular basis. With regard to the company's 2021 ESG report – the risks have reduced from 2020, thereby achieving improvement year on year.

## Financial income and profit analysis

With Taiwan being the world's leading semiconductor foundry, the Company also holds a significant position in the semiconductor testing field. In recent years, as our customers base has increased, we have continued to expand our production scale according to customer demand. As a result, our financial working capital also expanded.

In terms of financial condition and profitability, our ratio of debt to assets and long-term capital to fixed assets for 2021 were similar to 2020. Due to the fact that our customers and product lines are dispersed, our revenue and profits have grown steadily and the cost of obtaining capital in Taiwan remains reasonable. Moreover, with the use of financial leverage, we have a higher cash position and robust financial structure. Although the current and quick ratios decreased slightly from 2020, our solvency remained strong. In terms of profitability, return on assets, return on equity, net income ratio, and earnings per share after tax all increased greatly from 2020. The financial ratios are as follows:

	2021	2020
Ratio of liabilities to assets (%)	51.71	52.17
Long-term funds to fixed assets (%)	128.13	131.02
Current ratio (%)	169.14	192.36
Quick ratio (%)	154.15	174.60
Return on assets (%)	8.25	6.77
Return on equity (%)	16.30	13.10
Net profit margin (%)	15.50	12.56
After-tax earnings per share (NTD)	4.23	2.97

## R&D status

Our R&D Center has always been a strong facility for our business and production lines. At present, we have over 1200 self-developed testing machines and 450 self-developed burn-in ovens, with testing platforms covering seven major product lines. There was a dramatic demand for our testing equipment last year. Due to the long delivery time for materials, we were unable to meet customer demand. Despite this situation, the performance targets of the R&D Center were achieved.

Future research and development will be carried out according to the Company's annual R&D roadmap. With regard to high-resolution image sensor elements and the capability of high quantity simultaneous testing units, high power burn-in oven improvement, testing channel numbers of self-developed E-series of testing platforms, the application and customer sources of self-developed machines, precision of tester power supply (DPS), solution to ultra-high current thermal effect, and the development of MEMS testing equipment for gyroscope, accelerators, tire gauges, flow meters and magnetometers hygrometers, etc., the Company will do its utmost in the product testing equipment-related field. To respond to challenges in advancing cutting-edge testing technologies, including advanced packaging, heterogeneous packaging, and high frequency



components, we continue to make an effort to maintain our unique competitive advantage in the integrated circuit testing field.

### **Current business plan overview**

- I. Take on the challenge and reach operational performance highs, improve equipment investment efficiency, and expand the revenue of self-developed machines.
- II. Focus on key customer satisfaction, strictly control the cost of quality failure, and deepen employees' awareness for quality.
- III. Improve equipment utilization rate, stabilize workers' productivity, and center on smart manufacturing utilization.
- IV. Develop diverse procurement channels, focus on cost optimization for manufacturers, and implement material inventory management.
- V. Refine its own core technologies and applications, reach and create key components and equipment to construct quality intellectual property patents and deployment.
- VI. Reduce key talent loss, strengthen employee recruitment effectiveness, and deepen cultivation of key functions.

### **Future development strategy**

Given Taiwan's mature semiconductor manufacturing industry with high efficiency in upstream, downstream and peripheral systems, the successful model of professional division of labor has met the in-depth needs of the outsourcing of customers. Hence Taiwan remains in an advantageous position other countries and regions will find difficult to replace. Accordingly, in recent years, the development strategy of the Company generally remained the same and continues to head toward the following directions.

- I. Implement basic core values in the manufacturing supply chain, technology, quality, delivery schedules, services, efficiency, cost, information, and corporate culture, achieving the mission of immediately bringing customers' products to market.
- II. Reinforce the Company's unique differentiated service capability, system operation, practical experience, process improvement, and service level, becoming a trustworthy partner in the customers' manufacturing supply chain.
- III. Management will be based on customer satisfaction; continue to invest in a prudent manner, improve profitability, and pursue healthy growth.
- IV. Place importance on customers with high growth as well as their products in each business region, develop potential customers for product introduction, strive for further outsourcing opportunities where IDM customers can prosper and develop alongside one another.
- V. In response to the conflict between the U.S. and China and China's supply chain growth, we will evaluate and adjust the planning of the Company's supply chain in Taiwan and China, thereby responding and mitigating possible changes in the environment in the future.
- VI. With an open attitude, we cooperate with semiconductor business operators in a strategic cooperation and joint development approach so that the Company can quickly gain its position as one of the top semiconductor packaging and testing companies in the industry.

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

With respect to global semiconductor industry sales, according to WSTS – the global semiconductor market in 2021 grew by 25.6 percent from 2020, totaling a value of US\$553 billion. The production value for 2022 is expected at US\$601.4 billion, growth of 8.8 percent. Also, IC Insights predicts that semiconductor industry sales will grow by 11 percent in 2022. In a high base period, the global semiconductor industry is facing a brand-new year, as the drive for sales and profitability continues to be products including 5G smartphone components, 5G networking components, IoT components, sensor components, Wi-Fi 6, AI learning chips, servers, data center computing equipment, edge computing chips, memory, micro-electromechanical systems, electric cars and advanced driver-assistance systems and cockpit chips.

According to the World Bank, the global economic growth rebounded to 5.5 percent in 2021 and will slow down to 4.1 percent in 2022. The IMF however revised the global economic growth rate down to 4.4 percent for 2022, emphasizing that the growth outlook for the U.S. and China will both weaken. With issues such as inflation and major economies tightening their credits, advanced countries are bound to increase interest rates, causing volatility in the money and capital markets.

With respect to the external competitive environment – the COVID-19 pandemic will eventually end and the disruption to the economy will recover. People's lifestyles and pace have changed as a result of the pandemic and the development of remote work and learning, home economy, contactless economy, e-commerce, and IoT have ramped up the digital transformation of individuals and companies. From early material innovation to transistor structure innovation, the development of semiconductors has entered system integration and efficiency and consumption optimization. With the onset of advanced manufacturing and packaging technologies, the wide application of Advanced RISC Machines (ARM) and accelerated establishment of 3GPP protocols, new applications of cloud and edge high-performance computing (HPC), network communications, Internet of Things, smartphones and terminal devices, smart cars, smart manufacturing, smart cities, big data analytics, artificial intelligence (AI), augmented reality (AR) and virtual reality (VR), low orbit satellite broadband, and 5th generation communications (5G) with large amount of data and fast transmission, will be widely used in a variety of products and the quality will continue to thrive. The demand for ICs will increase dramatically in both quality and quantity.

Looking back, the global semiconductor manufacturing supply chain rooted in Taiwan has become a leader in the world with respect to professional division of labor services, customer trust, market development speed, production flexibility and efficiency, as well as a commitment to sustainable development. Taiwan ranks number 1 in the world for wafer fabrication and testing and number 2 in IC design. With the constant pursuit of progress and the advantage of Taiwan's semiconductor manufacturing ecosystem, there is no doubt that the semiconductor manufacturing cluster will continue to serve the world's demand for chip manufacturing. However, given challenges including national security, long-arm jurisdiction in trade, supply chain risks of technology containment, climate change, information security and human resource shortage in the competition between China and the U.S., there is an urgent need for breakthroughs.

In terms of laws and the overall business environment, there have been constant issuance of regulations and orders imposed from the U.S. on China's technology industry regarding intellectual property, equipment sales, and restrictions imposed for IC design and manufacturing of China's semiconductor industry due to the Entity List. Under the policy of internal circulation, China has taken a proactive approach to speed up its development in the semiconductor industry, including constructing a supply chain in China for the substitution of IC products, and the production capacity priority has been given to China's domestic companies. With the impact of its backward process, technology growth in China will slow down. While the pandemic has caused supply chain disruptions which resulted in material shortages, it at the same time prompted the plan for major economies in the world to build their own semiconductor supply chains. In the meantime, the Competition Law will continue to be resisted by the semiconductor industry for important large company M&As.

As we are now into 2022, in terms of the overall economic environment – all countries around the world will focus on revitalizing local economies. However, high inflation and unemployment problems have prompted the U.S. to end quantitative easing and it is hoped that interest rates will rise rapidly in order to tackle the problems. Under the anticipatory psychology, there is greater impact on assets that have already risen in value. With emerging markets and Asian currencies depreciating, there is an abundance of hot money. The factors caused by current high inflation and unemployment are complex compared to the past economic models. With the gap between the rich and the poor and populist politics, coupled with the problem of when international logistics will return to their normal level and the issue of container shortage, the extent to which the ripple effect of interest rates increase will affect the global economic growth rate remains conservative. Given this, the overall economic environment remains uncertain.

Looking at this year, with the strong intention of the U.S. protecting the U.S. dollar, military and technology sectors, there is constant tension between the U.S., China and Russia, as well as countries in Europe and Asia, and turmoil is inevitable. In terms of the balance of supply and demand in the semiconductor industry – although the expansion of production capacity in Taiwan's manufacturing supply chain is stringent, the maturity for process capacity remains a challenge and the demand to drive technological progress continues. Moreover, with the emergence of many unexpected terminal products from new technologies, manufacturing capacity will not be relaxed. In addition, climate change problems such as drought, heavy rain and snowstorms, forest fires, earthquakes, and global warming, as well as global carbon neutrality and net-zero carbon emissions have become pressing ESG issues for listed companies to emphasize on. Facing the rapid growth of the Company's international customers and high dependence of production capacity construction, the Company is optimistic regarding future business opportunities. At the same time, we will continue to invest in talent and equipment and work closely with customers and the supply chain. We believe that, by working hard, we will be able to set new records in our operating results, further increasing shareholders' equity.

To sum up, I would like to thank our shareholders once more for their long-term support. I look forward to maintaining a longstanding relationship with all shareholders to help create a

better future. We are enthusiastic and confident about the future of the Company and the semiconductor industry in general.

Chairman:

Manager:

Accounting Supervisor:

(Annex 2)

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

This report is to certify that the Company's 2021 business report, consolidated financial statements (including separate financial statements) and the motion for allocation of earnings were prepared and submitted by the Company's board of directors, and the consolidated financial statements (including separate financial statements) contained therein were already audited by EY Taiwan, which also issued its audit report. Said business report, consolidated financial statements (including separate financial statements) and motion for allocation of earnings have also been reviewed by the Audit Committee, which in our opinion comply with the relevant requirements. This report is hereby submitted in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

King Yuan Electronics Co., Ltd.

Convener of Audit Committee: Hui-Chun Hsu

April 8, 2022

(Annex 3)

**King Yuan Electronics Co., Ltd.**  
**Table of 2021 Distribution of Earnings**

Unit: NTD

Item	Amount		Projected dividend yield
Unallocated earnings – beginning		5,784,759,074	
Add: Net profit after tax	5,175,046,071		
Less: Confirmed actuarial gain/loss of welfare	(53,368,800)		
Less: Disposal of equity instrument at fair value through other comprehensive income	(326,124,544)		
The amount of net profit after tax for the period and the amount adjusted to the current year's undistributed earnings		4,795,552,727	
Less: Provision of 10% legal reserve		(479,555,273)	
Allocable earnings		10,100,756,528	
Scope of allocation			
Dividends to shareholders – cash		3,668,235,195	NT\$ 3 per share
Total allocation		3,668,235,195	
Unallocated earnings – ending		6,432,521,333	

Note: 1. According to the Company's distribution policy, the allocable earnings for 2021 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 an annual general meeting.

Chairman:

Manager:

Accounting Supervisor:

(Annex 4)

**King Yuan Electronics Co., Ltd.**  
**Comparison Table for Amendments of Procedures for Acquisition or Disposal of Assets**

Provision	Provision After Amendment	Provisions Before Amendment	Reason of Amendment
Article 6	<p>When the “Procedures for Acquisition or Disposal of Assets” of the Company are submitted for discussion by the board of directors according to the procedures established or other laws, the board of directors shall take into full consideration each independent director’s opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.</p> <p>When the Company makes material or derivatives trading, the consent of one-half or more of all members of the Audit Committee shall be obtained, and shall be submitted to the board of directors for resolution.</p> <p>In case where the consents of more than one-half of all members of the Audit Committee cannot be obtained in the preceding subparagraph, then the consents of more than two-thirds of all directors shall be obtained, and the meeting minutes of the board of directors’ meeting shall be recorded with the resolution of the Audit Committee.</p> <p>The terms “all audit committee members” described in the preceding two paragraphs and “all directors” described in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.</p> <p>Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide public companies with appraisal reports, certified public accountant’s opinions, attorney’s opinions, or underwriter’s opinions shall meet the following requirements:</p> <p>I. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial</p>	<p>When the “Procedures for Acquisition or Disposal of Assets” of the Company are submitted for discussion by the board of directors according to the procedures established or other laws, the board of directors shall take into full consideration each independent director’s opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.</p> <p>When the Company makes material or derivatives trading, the consent of one-half or more of all members of the Audit Committee shall be obtained, and shall be submitted to the board of directors for resolution.</p> <p>In case where the consents of more than one-half of all members of the Audit Committee cannot be obtained in the preceding subparagraph, then the consents of more than two-thirds of all directors shall be obtained, and the meeting minutes of the board of directors’ meeting shall be recorded with the resolution of the Audit Committee.</p> <p>The terms “all audit committee members” described in the preceding two paragraphs and “all directors” described in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.</p> <p>Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide public companies with appraisal reports, certified public accountant’s opinions, attorney’s opinions, or underwriter’s opinions shall meet the following requirements:</p> <p>I. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial</p>	Amendment made in accordance with the laws

<p>Article 6</p>	<p>Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.</p> <p>II. May not be a related party or de facto related party of any party to the transaction.</p> <p>III. If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.</p> <p>When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the <u>self-disciplinary rules of its own industrial association and the following:</u></p> <p>I. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.</p> <p>II. When <u>executing</u> a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.</p> <p>III. They shall undertake an item-by-item evaluation of the <u>appropriateness</u> and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.</p> <p>IV. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is <u>appropriate</u></p>	<p>Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.</p> <p>II. May not be a related party or de facto related party of any party to the transaction.</p> <p>III. If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.</p> <p>When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following:</p> <p>I. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.</p> <p>II. When <del>examining</del> a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.</p> <p>III. They shall undertake an item-by-item evaluation of the <del>comprehensiveness, accuracy,</del> and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.</p> <p>IV. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is reasonable <del>and accurate</del>, and that they have</p>	
------------------	--	--	--



	<p><u>and</u> reasonable, and that they have complied with applicable laws and regulations.</p>	<p>complied with applicable laws and regulations.</p>	
<p>Paragraph 4 of Article 7</p>	<p>Appraisal report of real property, equipment or right-of-use assets thereof</p> <p>In acquiring or disposing of real property, equipment or right-of-use assets thereof, where the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions.</p> <p>(I) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors; the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction.</p> <p>(II) Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.</p> <p>(III) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal to render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction</p>	<p>Appraisal report of real property, equipment or right-of-use assets thereof</p> <p>In acquiring or disposing of real property, equipment or right-of-use assets thereof, where the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions.</p> <p>(I) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors; the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction.</p> <p>(II) Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.</p> <p>(III) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal <del>in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (referred to as "ARDF") and</del></p>	<p>Amendment made in accordance with the laws</p>

	<p>price:</p> <ol style="list-style-type: none"> <li>1. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.</li> <li>2. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.</li> </ol> <p>(IV) No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date, provided that, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.</p> <p>(V) Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.</p>	<p>render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <ol style="list-style-type: none"> <li>1. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.</li> <li>2. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.</li> </ol> <p>(IV) No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date, provided that, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.</p> <p>(V) Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.</p>	
<p>Paragraph 4 of Article 8</p>	<p>Obtaining Expert Opinion</p> <p>(I) The Company acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is 20 percent of the company's paid-in capital or NT\$300 million or more, the company shall additionally engage a CPA prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by</p>	<p>Obtaining Expert Opinion</p> <p>(I) The Company acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company shall additionally engage a CPA prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. <del>If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20</del></p>	<p>Amendment made in accordance with the laws</p>

	<p>regulations of the competent authority.</p> <p>(II) Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.</p>	<p><del>published by the Accounting Research and Development Foundation (ARDF).</del> This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the competent authority.</p> <p>(II) Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.</p>	
Paragraph 5 of Article 9	<p><u>When the Company or a non-public domestic subsidiary engages in any transaction described in Paragraph 2, if the transaction amount reaches 10 percent or more of the Company's total assets, the Company shall submit all documents described in each subparagraph of Paragraph 2 to the shareholders' meeting for approval before signing the transaction contract or making payment. However, such restriction shall not be applicable to transactions between the Company and its subsidiary or between subsidiaries.</u></p>	Newly added	Amendment made in accordance with the laws
Paragraph 4 of Article 10	<p>Expert assessment opinion report for intangible assets or right-of-use assets thereof or memberships</p> <p>(I) Where the Company acquires or disposes of memberships and the transaction amount reaches 1 percent or more of paid-in capital or NT\$5 million or more, the Company shall also obtain an appraisal report from a professional.</p> <p>(II) Where the Company acquires or disposes of intangible assets or right-of-use assets thereof and the transaction amount reaches 10 percent or more of paid-in capital or NT\$50 million or more, the Company shall also obtain an appraisal report from a professional.</p> <p>(III) Where the Company acquires or disposes of intangible assets or right-of-use assets thereof or memberships and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except</p>	<p>Expert assessment opinion report for intangible assets or right-of-use assets thereof or memberships</p> <p>(I) Where the Company acquires or disposes of memberships and the transaction amount reaches 1 percent or more of paid-in capital or NT\$5 million or more, the Company shall also obtain an appraisal report from a professional.</p> <p>(II) Where the Company acquires or disposes of intangible assets or right-of-use assets thereof and the transaction amount reaches 10 percent or more of paid-in capital or NT\$50 million or more, the Company shall also obtain an appraisal report from a professional.</p> <p>(III) Where the Company acquires or disposes of intangible assets or right-of-use assets thereof or memberships and the transaction amount reaches 20 percent or more of paid-in capital or NT\$</p>	Amendment made in accordance with the laws

	<p>in transactions with a government agency, the Company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price.</p>	<p>300 million or more, except in transactions with a government agency, the Company shall engage a CPA prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; <del>the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</del></p>	
<p>Paragraph 1 of Article 14</p>	<p>Required announcement and report items and standards for announcement and report</p> <p>(I) Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided that, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>(II) Merger, demerger, acquisition, or transfer of shares.</p> <p>(III) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company.</p> <p>(IV) Where the equipment or right-of-use assets thereof belongs to business use is acquired or disposed of, and the transaction counterparty is not a related party, and the transaction amount reaches NT\$1 billion or more.</p> <p>(V) Where land is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units,</p>	<p>Required announcement and report items and standards for announcement and report</p> <p>(I) Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided that, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>(II) Merger, demerger, acquisition, or transfer of shares.</p> <p>(III) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company.</p> <p>(IV) Where the equipment or right-of-use assets thereof belongs to business use is acquired or disposed of, and the transaction counterparty is not a related party, and the transaction amount reaches NT\$1 billion or more.</p> <p>(V) Where land is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and</p>	<p>Amendment made in accordance with the laws</p>

<p>Paragraph 1 of Article 14</p>	<p>joint construction and allocation of ownership percentages, or joint construction and separate sale, and furthermore the transaction counterparty is not a related party, and the amount the Company expects to invest in the transaction reaches NT\$500 million.</p> <p>(VI) Where an asset transaction other than any of those referred to in the preceding five subparagraphs or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; However, this shall not apply to the following circumstances:</p> <ol style="list-style-type: none"> <li>1. Trading of domestic government bonds or <u>foreign government bonds of credit rating not inferior to the authority rating of our nation.</u></li> <li>2. Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</li> </ol> <p>(VII) The amount of transactions described in each subparagraph of the preceding paragraph shall be calculated as follows, and the term of “within the preceding year” as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount.</p> <ol style="list-style-type: none"> <li>1. The amount of any individual transaction.</li> <li>2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.</li> <li>3. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property or right-of-use assets thereof</li> </ol>	<p>furthermore the transaction counterparty is not a related party, and the amount the Company expects to invest in the transaction reaches NT\$500 million.</p> <p>(VI) Where an asset transaction other than any of those referred to in the preceding five subparagraphs or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; However, this shall not apply to the following circumstances:</p> <ol style="list-style-type: none"> <li>1. Trading of domestic government bonds.</li> <li>2. Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</li> </ol> <p>(VII) The amount of transactions described in each subparagraph of the preceding paragraph shall be calculated as follows, and the term of “within the preceding year” as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount.</p> <ol style="list-style-type: none"> <li>1. The amount of any individual transaction.</li> <li>2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.</li> <li>3. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property or right-of-use assets thereof</li> </ol>	
----------------------------------	---	---	--

<p>within the same development project within the preceding year.</p> <p>4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</p> <p>(VIII) The calculation of the transaction amounts referred to in the three articles of Article 7, Article 8 ad Article 10 shall be done in accordance with Subparagraph (VII) herein. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained according to these Procedures need not be counted toward the transaction amount. In addition, the calculation of the transaction amounts referred to in Article 9 shall also be made in accordance with Subparagraph (VII) herein. Items that have been approved by the <u>shareholders' meeting</u>, Audit Committee and the board of directors according to these Procedures need not be counted toward the transaction amount.</p>	<p>within the same development project within the preceding year.</p> <p>4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</p> <p>(VIII) The calculation of the transaction amounts referred to in the three articles of Article 7, Article 8 ad Article 10 shall be done in accordance with Subparagraph (VII) herein. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained according to these Procedures need not be counted toward the transaction amount. In addition, the calculation of the transaction amounts referred to in Article 9 shall also be made in accordance with Subparagraph (VII) herein. Items that have been approved by the Audit Committee and the board of directors according to these Procedures need not be counted toward the transaction amount.</p>
---	---



安永聯合會計師事務所

30078 新竹市新竹科學園區力行一路1號E-3  
E-3, No.1, Lixing 1st Rd., Hsinchu Science Park  
Hsinchu City, Taiwan, R.O.C.

Tel: 886 3 688 5678  
Fax: 886 3 688 6000  
www.ey.com/taiwan

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, 2021 and 2020, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2021 and 2020, 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, 2021 and 2020, and its financial performance and cash flows for the years ended December 31, 2021 and 2020, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

**Basis for Opinion**

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



## **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2021 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\$25,820,727 thousand as net sales. Their main activities are providing testing and assembly services that represented 86%, or NT\$22,081,412 thousand in the amount, of the net operating revenues.

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

Our audit procedures include (but are not limited to) assessing the appropriateness of the accounting policy for revenue recognition; evaluating and testing the effectiveness of internal control relating to the timing of revenue recognition, analyzing the reasonableness of gross 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 auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2021 parent company only financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Kuo, Shao-Pin

Fuh, Wen-Fun

Ernst & Young, Taiwan  
March 4, 2022

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, 2021 and 2020

(Amounts in thousands of New Taiwan Dollars)

ASSETS	Notes	December 31, 2021	%	December 31, 2020	%
<b>Current assets</b>					
Cash and cash equivalents	4, 6(1)	\$6,420,308	10	\$5,110,784	10
Contract assets-current	4, 6(14), 6(15), 7	178,596	-	202,972	-
Notes receivable, net	4, 6(3), 6(15)	7,706	-	3,049	-
Accounts receivable, net	4, 6(4), 6(15)	3,904,721	6	3,127,686	6
Accounts receivable from related parties, net	4, 6(4), 6(15), 7	2,081,340	3	1,749,678	3
Other receivables	4, 6(15)	314,282	-	94,551	-
Other receivables from related parties	4, 7	430,541	1	111,918	-
Inventories, net	4, 6(5)	1,029,780	2	774,144	2
Prepayments	6(6)	53,284	-	125,241	-
Other current assets		66,878	-	51,843	-
Total current assets		14,487,436	22	11,351,866	21
<b>Non-current assets</b>					
Financial assets at fair value through other comprehensive income-non-current	4, 6(2)	6,546,477	10	4,446,563	8
Investments accounted for using the equity method	4, 6(7)	8,489,770	13	6,148,166	11
Property, plant and equipment	4, 6(8), 7, 8	34,613,760	54	31,370,700	58
Right-of-use assets	4, 6(16)	553,546	1	1,191,431	2
Intangible assets	4, 6(9)	69,247	-	80,159	-
Deferred tax assets	4, 6(20)	261,675	-	227,623	-
Other financial assets-non-current	8	105,972	-	115,669	-
Other non-current assets		5,394	-	3,497	-
Total non-current assets		50,645,841	78	43,583,808	79
<b>Total assets</b>		<b>\$65,133,277</b>	<b>100</b>	<b>\$54,935,674</b>	<b>100</b>

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, 2021 and 2020

(Amounts in thousands of New Taiwan Dollars)

	Notes	December 31, 2021	%	December 31, 2020	%
<b>LIABILITIES AND EQUITY</b>					
<b>Current liabilities</b>					
Contract liabilities-current		\$-	-	\$11,590	-
Notes payable	4, 6(14)	10,066	-	4,435	-
Accounts payable		777,667	1	790,394	1
Accounts payable to related parties	7	21,414	-	19,487	-
Other payables		3,324,753	5	2,623,108	4
Other payables to related parties	7	119,736	-	306,083	1
Payables on equipment		1,235,723	2	494,636	1
Current tax liabilities	4, 6(20)	574,809	1	394,417	1
Lease liabilities-current	4, 6(16)	86,364	-	304,358	1
Other current liabilities	4, 6(10)	882,244	2	578,740	1
Total current liabilities		7,032,776	11	5,527,248	10
<b>Non-current liabilities</b>					
Long-term loans	4, 6(11), 8	21,275,331	33	18,318,298	34
Deferred tax liabilities	4, 6(20)	1,527,445	2	667,968	1
Lease liabilities-non-current	4, 6(16)	469,377	1	533,878	1
Net defined benefit liabilities	4, 6(12)	610,222	1	566,456	1
Guarantee deposits		33,851	-	2,755	-
Total non-current liabilities		23,916,226	37	20,089,355	37
Total liabilities		30,949,002	48	25,616,603	47
<b>Equity</b>					
Share capital	4, 6(13)				
Common stock		12,227,451	19	12,227,451	22
Capital surplus	4, 6(7), 6(13)	4,885,134	8	4,588,172	9
Retained earnings	4, 6(2), 6(13)				
Legal reserve		3,019,879	5	2,656,958	5
Special reserve		201,416	-	402,406	1
Undistributed earnings		10,580,312	15	8,147,631	14
Total retained earnings		13,801,607	20	11,206,995	20
Other equity	4, 6(13)	3,270,083	5	1,296,453	2
Total equity		34,184,275	52	29,319,071	53
<b>Total liabilities and equity</b>		\$65,133,277	100	\$54,935,674	100

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

## KING YUAN ELECTRONICS CO., LTD.

## PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2021 and 2020

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

Description	Notes	2021	%	2020	%
<b>Net sales</b>	4, 6(14), 6(16), 7	\$25,820,727	100	\$23,344,758	100
<b>Operating costs</b>	4, 6(5), 6(8), 6(9), 6(12), 6(16), 6(17), 7	(18,476,736)	(72)	(17,280,780)	(74)
<b>Gross profit</b>		7,343,991	28	6,063,978	26
<b>Operating expenses</b>	4, 6(8), 6(9), 6(12), 6(16), 6(17), 7				
Selling expenses		(345,629)	(1)	(359,004)	(1)
Administrative expenses		(1,646,203)	(6)	(1,386,381)	(6)
Research and development expenses		(846,846)	(3)	(909,932)	(4)
Expected credit losses		-	-	(2,857)	-
Total operating expenses		(2,838,678)	(10)	(2,658,174)	(11)
<b>Operating income</b>		4,505,313	18	3,405,804	15
<b>Non-operating income and expenses</b>	4, 6(7), 6(8), 6(18), 7				
Interest income		4,872	-	7,424	-
Other income		193,414	1	177,060	1
Other gains and losses		105,488	-	(164,770)	(1)
Finance costs		(200,484)	(1)	(217,585)	(1)
Share of profit of associates accounted for using the equity method		1,901,485	7	1,159,434	5
Total non-operating income and expenses		2,004,775	7	961,563	4
<b>Net income before income tax</b>		6,510,088	25	4,367,367	19
<b>Income tax expense</b>	4, 6(20)	(1,335,042)	(5)	(730,714)	(3)
<b>Net income</b>		5,175,046	20	3,636,653	16
<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		(53,368)	-	(45,906)	-
Unrealized gains from equity instrument investments measured at fair value through other comprehensive income		2,101,279	8	2,056,310	9
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		(419,982)	(2)	(403,570)	(2)
Items that will be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial statements of foreign operations		(42,240)	-	105,726	-
Income tax related to components of other comprehensive income that will be reclassified to profit or loss		8,448	-	(21,145)	-
<b>Other comprehensive income, net of tax</b>		1,594,137	6	1,691,415	7
<b>Total comprehensive income</b>		\$6,769,183	26	\$5,328,068	23
<b>Earnings per share(NT\$)</b>	4, 6(21)				
Basic Earnings Per Share		\$4.23		\$2.97	
Diluted Earnings Per Share		\$4.18		\$2.94	

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, 2021 and 2020**

(Amounts in thousands of New Taiwan Dollars)

Description	Common stock	Capital surplus	Retained earnings			Undistributed earnings	Other equity		Total Equity
			Legal reserve	Special reserve	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, 2020	\$12,227,451	\$4,832,721	\$2,359,299	\$803,172	\$6,371,702	\$(441,617)	\$39,211	\$26,191,939	
Appropriation and distribution of 2019 earnings :	-	-	297,659	-	(297,659)	-	-	-	
Legal reserve	-	(244,549)	-	-	(1,956,392)	-	-	(2,200,941)	
Cash dividends	-	-	-	(400,766)	400,766	-	-	-	
Reversal of special reserve	-	-	-	-	-	-	-	-	
Profit for the year ended December 31, 2020	-	-	-	-	3,636,653	-	-	3,636,653	
Other comprehensive income for the year ended December 31, 2020	-	-	-	-	(45,906)	84,581	1,652,740	1,691,415	
Total comprehensive income	-	-	-	-	3,590,747	84,581	1,652,740	5,328,068	
Changes in ownership interests in subsidiaries	-	-	-	-	5	-	-	5	
Disposal of equity instrument investments measured at fair value through other comprehensive income	-	-	-	-	38,462	-	(38,462)	-	
Balance as of December 31, 2020	\$12,227,451	\$4,588,172	\$2,656,958	\$402,406	\$8,147,631	\$(357,036)	\$1,653,489	\$29,319,071	
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	

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, 2021 and 2020**  
(Amounts in thousands of New Taiwan Dollars)

Description	2021	2020	Description	2021	2020
<b>Cash flows from operating activities :</b>			<b>Cash flows from investing activities :</b>		
Profit before tax from continuing operations	\$6,510,088	\$4,367,367	Proceeds from disposal of financial assets at fair value through other comprehensive income	\$1,365	\$65,027
Adjustments for:			Acquisition of property, plant and equipment	(10,199,072)	(8,182,159)
The profit or loss items which did not affect cash flows:			Proceeds from disposal of property, plant and equipment	786,587	840,968
Depreciation	7,102,275	6,809,397	Increase in refundable deposits	(1,897)	(10)
Amortization	47,250	49,887	Acquisition of intangible assets	(36,338)	(63,898)
Expected credit losses	-	2,857	Increase in other financial assets	-	(2,544)
Interest expenses	200,484	217,585	Decrease in other financial assets	9,697	-
Interest income	(4,872)	(7,424)	Dividends received	98,006	64,076
Dividend income	(85,016)	(50,966)	Net cash used in investing activities	(9,341,652)	(7,278,540)
Investment gain accounted for using the equity method	(1,901,485)	(1,159,434)			
Gain on disposal of property, plant and equipment	(96,761)	(46,075)	<b>Cash flows from financing activities :</b>		
Impairment of non-financial assets	59,461	153,955	Borrowing in long-term loans	15,621,188	26,184,895
Unrealized foreign exchange loss (gain)	8,687	(78,024)	Repayments of long-term loans	(12,688,419)	(24,750,701)
Changes in operating assets and liabilities :			Increase in guarantee deposits	31,096	822
Contract assets	24,376	(76,790)	Cash payments for the principal portion of the lease liabilities	(304,763)	(505,826)
Notes receivable	(4,657)	1,219	Cash dividends	(2,445,490)	(2,200,941)
Accounts receivable	(777,035)	623,507	Interest paid	(187,708)	(209,644)
Accounts receivable from related parties	(331,662)	(863,506)	Net cash provided by (used in) financing activities	25,904	(1,481,395)
Other receivables	(221,695)	45,210			
Other receivables from related parties	92,839	261,002			
Inventories	(255,636)	133,698			
Prepayments	7,618	19,270			
Other current assets	(15,035)	25,101			
Contract liabilities	(11,590)	(40,896)			
Notes payable	5,631	2,802			
Accounts payable	(12,727)	14,894			
Accounts payable to related parties	1,927	(11,850)			
Other payables	702,439	(127,589)			
Other payables to related parties	22,525	(28,361)			
Other current liabilities	303,504	275,090			
Accrued pension liabilities	(9,602)	(7,619)			
Cash generated from operating activities	11,361,331	10,504,307			
Interest received	4,700	7,397			
Income tax paid	(740,759)	(796,930)			
Net cash provided by operating activities	10,625,272	9,714,774			
			Net increase in cash and cash equivalents	1,309,524	954,839
			Cash and cash equivalents at the beginning of the year	5,110,784	4,155,945
			Cash and cash equivalents at the end of the year	\$6,420,308	\$5,110,784

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





安永聯合會計師事務所

30078 新竹市新竹科學園區力行一路1號E-3  
E-3, No.1, Lixing 1st Rd., Hsinchu Science Park  
Hsinchu City, Taiwan, R.O.C.

Tel: 886 3 688 5678  
Fax: 886 3 688 6000  
www.ey.com/taiwan

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, 2021 and 2020, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2021 and 2020, 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, 2021 and 2020, and their consolidated financial performance and cash flows for the years ended December 31, 2021 and 2020, 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 effective by Financial Supervisory Commission of the Republic of China.

**Basis for Opinion**

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



## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2021 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\$33,759,389 thousand as net sales. Their main activities are providing testing and assembly services that represented 88%, or NT\$29,660,396 thousand in the amount, of the net operating revenues.

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

Our audit procedures include (but are not limited to) assessing the appropriateness of the accounting policy for revenue recognition; evaluating and testing the effectiveness of internal control relating to the timing of revenue recognition, analyzing the reasonableness of gross 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 auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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



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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2021 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, 2021 and 2020.

Kuo, Shao-Pin

Fuh, Wen-Fun

Ernst & Young, Taiwan

March 4, 2022

### Notice to Readers

- The accompanying consolidated financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.
- 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, 2021 and 2020**  
(Amounts in thousands of New Taiwan Dollars)

<b>ASSETS</b>	Notes	December 31, 2021	%	December 31, 2020	%
<b>Current assets</b>					
Cash and cash equivalents	4, 6(1)	\$8,649,932	12	\$8,008,530	13
Contract assets-current	4, 6(16), 6(17), 7	178,880	-	202,972	-
Notes receivable, net	4, 6(3), 6(17)	7,706	-	3,049	-
Accounts receivable, net	4, 6(4), 6(17)	5,765,273	8	4,164,991	7
Accounts receivable from related parties, net	4, 6(4), 6(17), 7	2,151,913	3	1,724,951	3
Other receivables		352,477	1	161,712	-
Other receivables from related parties	4, 7	4,825	-	33,257	-
Current tax assets		315	-	315	-
Inventories, net	4, 6(5)	1,371,473	2	980,969	2
Prepayments	6(6)	299,259	-	479,283	1
Other current assets		67,160	-	51,843	-
Other financial assets-current	8	3	-	4	-
Total current assets		<u>18,849,216</u>	<u>26</u>	<u>15,811,876</u>	<u>26</u>
<b>Non-current assets</b>					
Financial assets at fair value through other comprehensive income-non-current	4, 6(2)	6,546,477	10	4,446,563	8
Investments accounted for using the equity method	4, 6(7)	79,126	-	69,856	-
Property, plant and equipment	4, 6(8), 7, 8	45,576,661	63	39,147,575	64
Right-of-use assets	4, 6(18)	677,896	1	1,328,232	2
Intangible assets	4, 6(9)	73,599	-	86,442	-
Deferred tax assets	4, 6(21), 6(22)	261,675	-	227,623	-
Other financial assets-non-current	8	105,972	-	115,669	-
Other non-current assets		49,561	-	81,682	-
Total non-current assets		<u>53,370,967</u>	<u>74</u>	<u>45,503,642</u>	<u>74</u>
<b>Total assets</b>		<u>\$72,220,183</u>	<u>100</u>	<u>\$61,315,518</u>	<u>100</u>

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, 2021 and 2020

(Amounts in thousands of New Taiwan Dollars)

<b>LIABILITIES AND EQUITY</b>		December 31, 2021	%	December 31, 2020	%
<b>Current liabilities</b>	Notes				
Short-term loans	4, 6(10), 9	\$566,856	1	\$100,854	-
Contract liabilities-current	4, 6(16), 7	157,024	-	229,603	-
Notes payable		10,066	-	4,435	-
Accounts payable	7	1,119,144	2	1,117,955	2
Accounts payable to related parties		21,414	-	19,487	-
Other payables		3,731,749	5	2,914,621	5
Other payables to related parties	7	98,930	-	65,456	-
Payables on equipment		1,778,300	3	623,324	1
Current tax liabilities	4, 6(22)	666,596	1	408,303	1
Lease liabilities-current	4, 6(18)	92,050	-	310,144	1
Current portion of long-term loans	4, 6(12), 8, 9	2,017,322	3	1,844,759	3
Other current liabilities	6(11)	884,648	1	580,856	1
Total current liabilities		11,144,099	16	8,219,797	14
<b>Non-current liabilities</b>					
Long-term loans	4, 6(12), 8, 9	23,517,245	32	21,966,029	36
Deferred tax liabilities	4, 6(21), 6(22)	1,527,445	2	667,968	1
Lease liabilities-non-current	4, 6(18)	492,615	1	566,437	1
Long-term deferred income		16,538	-	-	-
Net defined benefit liabilities	4, 6(13)	610,222	1	566,456	1
Guarantee deposits		33,851	-	2,755	-
Total non-current liabilities		26,197,916	36	23,769,645	39
Total liabilities		37,342,015	52	31,989,442	53
<b>Equity attributable to owners of the parent company</b>					
Share capital	4, 6(14)				
Common stock		12,227,451	17	12,227,451	20
Capital surplus	4, 6(14), 6(15), 6(24)	4,885,134	7	4,588,172	7
Retained earnings	4, 6(2), 6(14)				
Legal reserve		3,019,879	4	2,656,958	4
Special reserve		201,416	-	402,406	1
Undistributed earnings		10,580,312	15	8,147,631	13
Total retained earnings		13,801,607	19	11,206,995	18
Other equity	4, 6(14)	3,270,083	4	1,296,453	2
Equity attributable to owners of the parent company		34,184,275	47	29,319,071	47
<b>Non-controlling interests</b>	4, 6(14), 6(24)	693,893	1	7,005	-
Total equity		34,878,168	48	29,326,076	47
<b>Total liabilities and equities</b>		\$72,220,183	100	\$61,315,518	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, 2021 and 2020**  
(Amounts in thousands of New Taiwan Dollars, except for earnings per share)

Description	Notes	2021	%	2020	%
<b>Net sales</b>	4, 6(16), 6(18), 7	\$33,759,389	100	\$28,959,304	100
<b>Operating costs</b>	4, 6(5), 6(8), 6(9), 6(13), 6(18), 6(19), 7	(23,407,322)	(69)	(21,005,316)	(73)
<b>Gross profit</b>		<u>10,352,067</u>	<u>31</u>	<u>7,953,988</u>	<u>27</u>
<b>Operating expenses</b>	4, 6(8), 6(9), 6(13), 6(17), 6(18), 6(19), 7				
Selling expenses		(363,529)	(1)	(387,045)	(1)
Administrative expenses		(2,178,521)	(6)	(1,710,532)	(6)
Research and development expenses		(1,202,856)	(4)	(1,202,520)	(4)
Expected credit losses		(645)	-	(3,180)	-
Total operating expenses		<u>(3,745,551)</u>	<u>(11)</u>	<u>(3,303,277)</u>	<u>(11)</u>
<b>Operating income</b>		<u>6,606,516</u>	<u>20</u>	<u>4,650,711</u>	<u>16</u>
<b>Non-operating income and expenses</b>	4, 6(2), 6(7), 6(8), 6(20), 7				
Interest income		22,692	-	19,335	-
Other income		320,231	1	260,488	1
Other gains and losses		227,074	-	(23,928)	-
Finance costs		(343,526)	(1)	(379,039)	(1)
Share of profit of associates accounted for using the equity method		22,260	-	16,088	-
Total non-operating income and expenses		<u>248,731</u>	<u>-</u>	<u>(107,056)</u>	<u>-</u>
<b>Net income before income tax</b>		6,855,247	20	4,543,655	16
<b>Income tax expense</b>	4, 6(22)	<u>(1,621,005)</u>	<u>(5)</u>	<u>(906,515)</u>	<u>(3)</u>
<b>Net income</b>		<u>5,234,242</u>	<u>15</u>	<u>3,637,140</u>	<u>13</u>
<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		(53,368)	-	(45,906)	-
Unrealized gains from equity instrument investments measured at fair value through other comprehensive income		2,101,279	6	2,056,310	7
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		(419,982)	(1)	(403,570)	(2)
Items that will be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial statements of foreign operations		(41,254)	-	105,729	-
Income tax related to components of other comprehensive income that will be reclassified to profit or loss		8,448	-	(21,145)	-
<b>Other comprehensive income, net of tax</b>		<u>1,595,123</u>	<u>5</u>	<u>1,691,418</u>	<u>5</u>
<b>Total comprehensive income</b>		<u>\$6,829,365</u>	<u>20</u>	<u>\$5,328,558</u>	<u>18</u>
<b>Net income attributable to :</b>					
Owners of the parent company		\$5,175,046	15	\$3,636,653	13
Non-controlling interests		59,196	-	487	-
		<u>\$5,234,242</u>	<u>15</u>	<u>\$3,637,140</u>	<u>13</u>
<b>Total comprehensive income attributable to :</b>					
Owners of the parent company		\$6,769,183	20	\$5,328,068	18
Non-controlling interests		60,182	-	490	-
		<u>\$6,829,365</u>	<u>20</u>	<u>\$5,328,558</u>	<u>18</u>
<b>Earnings per share(NT\$)</b>	4, 6(23)				
Basic Earnings Per Share		<u>\$4.23</u>		<u>\$2.97</u>	
Diluted Earnings Per Share		<u>\$4.18</u>		<u>\$2.94</u>	

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, 2021 and 2020

(Amounts in thousands of New Taiwan Dollars)

Description	Equity attributable to owners of the parent company										Non-controlling interests	Total Equity
	Common stock	Capital surplus	Retained earnings			Other equity				Equity attributable to owners of the parent company		
			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, 2020	\$12,227,451	\$4,832,721	\$2,359,299	\$803,172	\$6,371,702	\$(441,617)	\$59,211	\$26,191,939	\$6,515	\$26,198,454		
Appropriation and distribution of 2019 earnings:												
Legal reserve	-	-	297,659	-	(297,659)	-	-	-	-	-	-	
Cash dividends	-	(244,549)	-	-	(1,956,392)	-	-	(2,200,941)	-	(2,200,941)	-	
Reversal of special reserve	-	-	-	(400,766)	400,766	-	-	-	-	-	-	
Profit for the year ended December 31, 2020	-	-	-	-	3,636,653	-	-	3,636,653	487	3,637,140		
Other comprehensive income for the year ended December 31, 2020	-	-	-	-	(45,906)	84,581	1,652,740	1,691,415	3	1,691,418		
Total comprehensive income	-	-	-	-	3,590,747	84,581	1,652,740	5,328,068	490	5,328,558		
Changes in ownership interests in subsidiaries	-	-	-	-	5	-	-	5	-	5		
Disposal of equity instrument investments measured at fair value through other comprehensive income	-	-	-	-	38,462	-	(38,462)	-	-	-		
Balance as of December 31, 2020	\$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		
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	-	-	-	-	-	-	-	541,511	626,706	1,168,217		
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	\$693,893	\$34,878,168		

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, 2021 and 2020**  
(Amounts in thousands of New Taiwan Dollars)

Description	2021	2020	Description	2021	2020
<b>Cash flows from operating activities :</b>			<b>Cash flows from investing activities :</b>		
Profit before tax from continuing operations	\$6,855,247	\$4,543,655	Proceeds from disposal of financial assets at fair value through other comprehensive income	\$1,365	\$65,027
Adjustments for :			Acquisition of property, plant and equipment	(13,963,127)	(10,935,021)
The profit or loss items which did not affect cash flows:			Proceeds from disposal of property, plant and equipment	341,578	89,917
Depreciation	9,162,765	8,355,775	Increase in refundable deposits	-	(65,528)
Amortization	49,593	52,193	Decrease in refundable deposits	32,109	-
Expected credit losses	645	3,180	Acquisition of intangible assets	(36,793)	(64,763)
Interest expenses	343,526	379,039	Increase in other financial assets	-	(2,544)
Interest income	(22,692)	(19,335)	Decrease in other financial assets	9,698	-
Dividend income	(85,016)	(50,966)	Dividends received	98,006	62,426
Share-based payment expenses	20,452	-	Net cash used in investing activities	(13,517,164)	(10,850,486)
Investment gain accounted for using the equity method	(22,260)	(16,088)			
(Gain) loss on disposal of property, plant and equipment	(164,810)	15,524			
Impairment of non-financial assets	59,461	153,955			
Unrealized foreign exchange gain	(164,411)	(264,212)			
Changes in operating assets and liabilities :			<b>Cash flows from financing activities :</b>		
Contract assets	24,092	(76,790)	Increase in short-term loans	598,369	145,628
Notes receivable	(4,657)	1,219	Decrease in short-term loans	(131,812)	(535,872)
Accounts receivable	(1,600,926)	791,252	Borrowing in long-term loans	16,299,865	28,934,872
Accounts receivable from related parties	(426,962)	(813,924)	Repayments of long-term loans	(14,433,360)	(25,212,072)
Other receivables	(195,069)	99,768	Increase in guarantee deposits	31,096	822
Other receivables from related parties	22,977	(18,780)	Cash payments for the principal portion of the lease liabilities	(310,374)	(510,312)
Inventories	(390,504)	100,066	Cash dividends	(2,445,490)	(2,200,941)
Prepayments	115,685	(266,952)	Interest paid	(329,548)	(372,098)
Other current assets	(15,317)	25,527	Change in non-controlling interests	1,147,767	-
Contract liabilities	(72,579)	161,273	Net cash provided by financing activities	426,513	250,027
Notes payable	5,631	2,802			
Accounts payable	1,189	62,992			
Accounts payable to related parties	1,927	(11,226)	Effect of changes in exchange rate on cash and cash equivalents	8,999	40,259
Other payables	820,074	(50,354)	Net increase in cash and cash equivalents	641,402	1,842,525
Other payables to related parties	18,225	(25,592)	Cash and cash equivalents at the beginning of the year	8,008,530	6,166,005
Other current liabilities	303,792	276,933	Cash and cash equivalents at the end of the year	\$8,649,932	\$8,008,530
Accrued pension liabilities	(9,602)	(7,619)			
Other operating liabilities	16,538	-			
Cash generated from operating activities	14,647,014	13,403,315			
Interest received	24,861	15,623			
Income tax paid	(948,821)	(1,016,213)			
Net cash provided by operating activities	13,723,054	12,402,725			

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

(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 have been established on August 20, 1997.  
First amendment was made on May 7, 2002.

(Appendix 2)

**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 stipulated in the Company Act which states that other companies shall not exceed 40 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 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 establishes an Audit Committee pursuant to Article 14-4 of the Securities and Exchange Act. The Audit Committee is comprised of all the 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 or 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 percent–10 percent of the profit as the remuneration to employees, and no more than 1 percent thereof as the remuneration to Directors. However, profits must first be taken to offset against cumulative losses if any.

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: From the profit earned by the Company as shown through the final account, if any, the sum to pay tax and make good previous loss, if any, shall be first set aside, and then 10 percent for legal reserve and then the sum for special reserve for provision or reversal to meet the Company's operating needs and as required by laws. The final balance, if any, added with unappropriated retained earnings accumulated in previous year(s), shall be duly distributed at the percentages as proposed by the board of directors and resolved in the shareholders' meeting.

The Company's dividend policy shall be conditioned by the investment environment, capital needs, domestic and international competition, and capital budgeting of the Company at present moment and in the future. Shareholders interest, balance of dividend payment and long-term financial planning of the Company shall also be take into consideration by the Board of Directors when the Board proposes the motion for allocation of stock dividends annually as required by law and presents the same before the general meeting of shareholders for ratification. The Company is currently in the growth stage of its life cycle and is still in need of capital for expansion and investment in the future. The cash dividend allocated to shareholders in the current year shall be no less than 20 percent of the total dividends to the shareholders for the year.

#### 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 Articles 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 3)

**King Yuan Electronics Co., Ltd.**  
**Procedures for Acquisition or Disposal of Assets**

Article 1: Purpose

To protect assets and to implement information disclosure, these Procedures are established.

Article 2: Legal basis

These Procedures are stipulated according to Article 36-1 of the Securities and Exchange Act (referred to as “the Act”) and relevant requirements specified in the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” of the Financial Supervisory Commission (referred to as “FSC”), Executive Yuan.

Article 3: Scope of Assets

- I. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.
- II. Real property (including land, houses and buildings, investment property, land use right and construction enterprise inventory) and equipment.
- III. Memberships.
- IV. Patents, copyrights, trademarks, franchise rights, and other intangible assets.
- V. Right-of-use assets.
- VI. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).
- VII. Derivatives.
- VIII. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.
- IX. Other major assets.

Article 4: Definition of Terms

- I. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term “forward contracts” does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.
- II. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer

of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers And Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter referred to as “transfer of shares”) under Article 156-3 of the Company Act.

- III. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- IV. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.
- V. Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier, provided that, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.
- VI. Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.
- VII. The term of “within the preceding year” described herein refers to the year preceding the date of occurrence of the current acquisition or disposal of assets. Items duly announced according to these Procedures need not be counted toward the transaction amount.
- VIII. The term of “financial statements of the most recent period” refers to the financial statements certified or reviewed by a certified public accountant (CPA) and disclosed according to the laws prior to the acquisition or disposal of assets of the Company.
- IX. The term “10 percent of total assets” under these Procedures refers to the total assets stated in the most recent parent company only financial report or individual financial report of the Company prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Article 5: Investment limits for non-operating real properties and right-of-use assets thereof or securities

The limits for the aforementioned assets individually acquired by the Company and each subsidiary are specified as follows:

- I. For the Company's non-operating real properties and right-of-use assets thereof, the total amount shall not exceed 10 percent of the net worth indicated in the most recent period of financial statements of the Company. For a subsidiary, it shall not exceed 10 percent of the net worth indicated in the most recent period of its financial statements.
- II. The total amount of securities invested by the Company shall not exceed 70 percent of the net worth indicated in the most recent period of financial statements of the Company. For a subsidiary of an investment professional, it shall not exceed 150 percent of the net worth indicated in the most recent period of its financial statements. For a subsidiary of a non-investment professional, it shall not exceed the net worth indicated in the most recent period of its financial statements.
- III. The amount of individual securities invested by the Company shall not exceed 40 percent of the net worth indicated in the most recent period of financial statements of the Company. For a subsidiary of an investment professional, it shall exceed the net worth indicated in the most recent period of its financial statements. For a subsidiary of a non-investment professional, it shall not exceed 20 percent of the net worth indicated in the most recent period of its financial statements.

Article 6: When the "Procedures for Acquisition or Disposal of Assets" of the Company are submitted for discussion by the board of directors according to the procedures established or other laws, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.

When the Company makes material or derivatives trading, the consent of one-half or more of all members of the Audit Committee shall be obtained, and shall be submitted to the board of directors for resolution.

In case where the consents of more than one-half of all members of the Audit Committee cannot be obtained in the preceding subparagraph, then the consents of more than two-thirds of all directors shall be obtained, and the meeting minutes of the board of directors' meeting shall be recorded with the resolution of the Audit Committee.

The terms "all audit committee members" described in the preceding two paragraphs and "all directors" described in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.

Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide public companies with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements:

- I. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.
- II. May not be a related party or de facto related party of any party to the transaction.
- III. If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.

When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following:

- I. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.
- II. When examining a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.
- III. They shall undertake an item-by-item evaluation of the comprehensiveness, accuracy, and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.
- IV. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is reasonable and accurate, and that they have complied with applicable laws and regulations.

Article 7: Procedures for Acquisition or Disposal of Real Properties, Other Fixed Assets or Right-of-use Assets Thereof

- I. Assessment and operating procedures  
The acquisition or disposal of real properties, other fixed assets or right-of-use

assets thereof shall be handled according to the internal control system fixed asset cycle procedures of the Company.

II. Procedures for determining transaction terms and degree of authority delegation

(I) For acquisition or disposal of real properties or right-of-use assets thereof, the publicly announced current value, appraisal value, neighboring real property actual transaction price, etc., shall be considered in order to determine the transaction terms and transaction price, in order to prepare analysis report for submission to the Chairman. Where the amount is equal to or less than NT\$300 million, it shall be submitted to the Chairman for approval and shall be reported to the most recent board of directors' meeting after the acquisition or disposal. Where the amount reaches above NT\$300 million, it shall be reported to the board of directors' meeting for approval through resolution before executing the acquisition or disposal.

(II) For acquisition or disposal of equipment or right-of-use assets thereof, one of the methods of price inquiry, price comparison, price negotiation or tender shall be selected for the execution of acquisition or disposal. Where the amount is less than NT\$300 million (inclusive), it shall be approved according to the hierarchy specified in the authorization regulations. Where the amount reaches above NT\$300 million, it shall be reported to the President for approval and submitted to the board of directors' meeting for approval through resolution before executing the acquisition or disposal. However, for the acquisition of the Company's operating equipment or right-of-use assets thereof, within the budget range approved by the Company, it may be submitted to the Chairman for approval according to the procurement operation procedure.

III. Executing Unit

When the Company acquires or disposes real properties, other fixed assets or right-of-use assets thereof, it is necessary to proceed with the report for approval according to the delegation of authority described in the preceding paragraph, following which the use department and management department shall be responsible for the execution thereof.

IV. Appraisal report of real property, equipment or right-of-use assets thereof

In acquiring or disposing of real property, equipment or right-of-use assets thereof, where the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a domestic government agency, engaging others to build on its own land,

engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions.

- (I) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors; the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction.
- (II) Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
- (III) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (referred to as "ARDF") and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:
  - 1. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.
  - 2. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.
- (IV) No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date, provided that, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.
- (V) Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.

Article 8: Procedures for Acquisition or Disposal of Securities Investment

I. Assessment and operating procedures

The purchase and sale of securities of the Company shall be handled according to



the internal control system investment cycle operation of the Company.

- II. Procedures for determining transaction terms and degree of authority delegation
  - (I) For securities traded at the centralized securities exchange market or OTC venue the responsible unit shall make determination according to the market price. Where the amount is less than NT\$100 million (inclusive), it shall be approved by the Chairman and shall be reported to the most recent board of directors' meeting after the trading.
  - (II) For securities traded at non-centralized securities exchange market or OTC venue, it is necessary to obtain the financial statements of the most recent period of the subject company certified or reviewed by CPA as the reference for evaluating the transaction price along with the consideration of its earnings per share, profitability and future development potential, etc. Where the amount is less than NT\$100 million (inclusive), it shall be approved by the Chairman and shall be reported to the most recent board of directors' meeting after the trading.

III. Executing Unit

When the Company invests in securities, it shall be submitted for approval according to the delegation of authority described in the preceding paragraph, following which the financial unit shall be responsible for the execution thereof.

IV. Obtaining Expert Opinion

- (I) The Company acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is 20 percent of the company's paid-in capital or NT\$300 million or more, the company shall additionally engage a CPA prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the Accounting Research and Development Foundation (ARDF). This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the competent authority.
- (II) Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be

substituted for the appraisal report or CPA opinion.

Article 9: Related party transactions

I. When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to perform according to the procedures specified in Article 7, in addition to ensuring that necessary resolutions are adopted and the reasonableness of the transaction terms is appraised, if the transaction amount reaches 10 percent or more of the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of Article 7. In addition, when judging whether a transaction counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.

II. Assessment and operating procedures

When the Company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or right-of-use assets thereof from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the Audit Committee and the board of directors:

- (I) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
- (II) The reason for choosing the related party as a transaction counterparty.
- (III) With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Subparagraph (I) and Subparagraph (IV) of Paragraph III of this Article.
- (IV) The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the company and the related party.
- (V) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds' utilization.
- (VI) An appraisal report from a professional appraiser or a CPA's opinion

obtained in compliance with the preceding paragraph.

(VII) Restrictive covenants and other important stipulations associated with the transaction.

### III. Assessment of Reasonableness of Transaction Costs

(I) The Company that acquires real property or right-of-use assets thereof from a related party shall evaluate the reasonableness of the transaction costs by the following means:

1. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
2. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the transaction counterparties.

(II) Where land and structures thereupon are combined as a single property purchased or leased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.

(III) The Company that acquires real property or right-of-use assets thereof from a related party and appraises the cost of the real property or right-of-use assets thereof in accordance with Subparagraph (I) and Subparagraph (II) of Paragraph III of this Article shall also engage a CPA to check the appraisal and render a specific opinion.

(IV) When the results of the Company's appraisal conducted in accordance with Subparagraphs (I) and (II) of Paragraph III of this Article are uniformly lower than the transaction price, the matter shall be handled in compliance with Subparagraph (V) of Paragraph III of this Article. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional

real property appraiser and a CPA have been obtained, this restriction shall not apply:

1. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
  - (1) Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
  - (2) Closure deals by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market sale practices.
2. Where the Company acquiring real property or obtaining real property right-of-use assets through leasing from a related party provides evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year. Completed transactions involving neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transactions involving similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property or obtainment of the right-of-use assets thereof.

(V) Where the Company acquires real property or right-of-use assets thereof

from a related party and the results of appraisals conducted in accordance with the Subparagraphs (I) and (II) of Paragraph III of this Article are uniformly lower than the transaction price, the following steps shall be taken: The Company and a public company conducting valuation on the investment of the Company under equity method that has set aside a special reserve according to preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the asset it purchased or leased at a premium, or the asset has been disposed of or the lease contract has been terminated, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.

1. The Company shall set aside a special reserve in accordance with Paragraph I of Article 41 of the Act against the difference between the real property or right-of-use assets thereof transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where the Company uses the equity method to account for its investment in another company, then the special reserve called for under Paragraph I of Article 41 of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company.
2. Independent director members of the Audit Committee shall comply with Article 218 of the Company Act and Paragraph IV of Article 14-4 of the Securities and Exchange Act.
3. Actions taken pursuant to Item 1 and Item 2 of Subparagraph (V) of Paragraph III of this Article shall be reported to a shareholders' meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.

(VI) Where the Company acquires real property or right-of-use assets thereof from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with the Paragraph I and Paragraph II of this Article, and the requirements related to the transaction cost reasonableness assessment prescribed in Subparagraphs (I), (II) and (III) of Paragraph III of this Article do not apply:

1. The related party acquired the real property or right-of-use assets

thereof through inheritance or as a gift.

2. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property or right-of-use assets thereof to the signing date for the current transaction.
3. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.
4. The real property right-of-use assets for business use are acquired by the Company with its subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital.

(VII) When the Company acquires real property or right-of-use assets from a related party, it shall also comply with the Subparagraph (V) of Paragraph III of this Article if there is other evidence indicating that the acquisition was not an arm's length transaction.

IV. With respect to the types of transactions listed below, when to be conducted between the Company and its subsidiaries or between subsidiaries in which the Company directly or indirectly holds 100 percent of the issued shares or authorized capital, the board of directors may authorize the Chairman to decide such matters when the transaction is within the amount of NT\$500 million and have the decisions subsequently submitted to and ratified by the most recent board of directors' meeting after the execution.

- (I) Acquisition or disposal of equipment or right-of-use assets thereof held for business use.
- (II) Acquisition or disposal of real property right-of-use assets held for business use.

Article 10: Procedures for acquisition or disposal of intangible assets or right-of-use assets thereof or memberships

I. Assessment and operating procedures

The acquisition or disposal of intangible assets or right-of-use assets thereof or memberships shall be handled according to the internal control system fixed asset cycle procedures of the Company.

II. Procedures for determining transaction terms and degree of authority delegation

- (I) For the acquisition or disposal of memberships, the market fair price shall be considered to determine the transaction terms and transaction price through resolution, and analysis report shall be prepared for submission to the

President. Where the amount is less than or equal to 1 percent of the paid-in capital or NT\$5 million, it shall be reported to the President for approval and shall be submitted to the most recent board of directors' meeting for approval after the occurrence of the event. Where the amount exceeds NT\$5 million, it shall be submitted to the boards of directors for approval before executing the matter.

- (II) For the acquisition or disposal of intangible assets or right-of-use assets thereof, the market fair price shall be considered to determine the transaction terms and transaction price, and analysis report shall be prepared for submission to the Chairman. Where the amount is less than or equal to 10 percent of the paid-in capital or NT\$50 million, it shall be reported to the Chairman for approval and shall be submitted to the most recent board of directors' meeting for approval after the occurrence of the event. Where the amount exceeds NT\$50 million, it shall be submitted to the boards of directors for approval before executing the matter.

### III. Executing Unit

When the Company acquires or disposes intangible assets or right-of-use assets thereof or memberships, it is necessary to proceed with the report for approval according to the delegation of authority described in the preceding paragraph, following which the use department and financial department or administrative department shall be responsible for the execution thereof.

### IV. Expert assessment opinion report for intangible assets or right-of-use assets thereof or memberships

- (I) Where the Company acquires or disposes of memberships and the transaction amount reaches 1 percent or more of paid-in capital or NT\$5 million or more, the Company shall also obtain an appraisal report from a professional.
- (II) Where the Company acquires or disposes of intangible assets or right-of-use assets thereof and the transaction amount reaches 10 percent or more of paid-in capital or NT\$50 million or more, the Company shall also obtain an appraisal report from a professional.
- (III) Where the Company acquires or disposes of intangible assets or right-of-use assets thereof or memberships and the transaction amount reaches 20 percent or more of paid-in capital or NT\$ 300 million or more, except in transactions with a government agency, the Company shall engage a CPA prior to the date of occurrence of the event to render an opinion on the reasonableness of

the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.

Article 11: Procedures for acquisition or disposal of claims of financial institutions

The Company, in principle, does not perform any acquisition or disposal of claims of financial institutions. However, if the Company plans to perform transactions related to acquisition or disposal of claims of financial institutions, it shall be reported to the board of directors for approval first, following which the assessment and procedures thereof may then be established.

Article 12: Procedures for acquisition or disposal derivatives

I. Transaction principles and directives

(I) Transaction type

1. Financial derivatives traded by the Company refer to forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives, etc.

The term “forward contracts” does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.

2. Regarding matters related to bond margin trading, such matters shall be handled according to relevant requirements of these Procedures. The requirements of these Procedures may not be applicable to bond trading under repurchase agreement.

(II) Operating (Hedging) Strategy

The Company engaging in financial derivatives trading shall be for the purpose of hedging, and the trading commodities shall be selected and used mainly for hedging risks arising from the business operation of the Company. The currency held shall match with the foreign currency required for the actual import and export transactions of the Company and based on the principle of offset of the entire internal position (refers to foreign currency income and expenditure) of the Company, thereby reducing the overall foreign exchange risk of the Company and saving foreign exchange operational cost. Other transactions of specific purposes shall be reviewed rigorously and reported to the Audit Committee and board of directors for



approval before execution of such transactions.

(III) Delegation of Responsibilities

1. Department of Finance

(1) Trading Personnel

- A. Responsible for the establishment of the financial product trading strategy of the entire company.
- B. Trading personnel shall, based on the periodic calculation position of every two weeks, collect market information, perform trend determination and risk assessment, establish operation strategy, in order to use such information and strategy as the basis for trading after approval is obtained according to the approval authority.
- C. Execute trading according to the authorization granted and the existing strategy.
- D. In case of any major changes in the financial market, when the trading personnel determine that the existing strategy is not applicable, then assessment report shall be submitted at any time, and strategy shall be re-established, following which once the approval of President is obtained, it is used as a basis for engaging in trading.

(2) Financial and Accounting Personnel

- A. Perform trading confirmation.
- B. Review whether trading is executed according to the authorization authority and predefined strategy.
- C. Perform valuation monthly, and submit valuation report to the President.
- D. Accounting affairs handling.
- E. Perform reporting and announcement according to the regulations of FSC.

(3) Settlement Personnel: Perform settlement tasks.

(4) Derivatives approval authority

- A. Approval authority for hedge trades

Personnel with approval authority	Daily trading authority	Net accumulated position trading authority
Chief Financial Officer	Less than US\$1M	Less than US\$2.5M (inclusive)
President	US\$1M–5M (inclusive)	Less than US\$10M (inclusive)
Chairman	Above US\$5M	Above US\$10M

B. Approval authority for forward exchange transaction: Authorized trading personnel shall use the net position of the foreign currency balance sheet generated by the Company weekly as the trading basis and shall proceed according to approval authority related regulations. The trading price interval shall be based on the foreign currency assets and liabilities entry cost of the Company as the reference basis for the trading price. The trading mature day shall cope with the Company's working capital financing liquidity needs.

Personnel with approval authority	Daily trading authority	Net accumulated position trading authority
Chief Financial Officer	Less than US\$1M	Less than US\$2.5M (inclusive)
President	US\$1M–5M (inclusive)	Less than US\$10M (inclusive)
Chairman	Above US\$5M	Above US\$10M

C. Other transactions of specific purposes shall be reported to the Audit Committee and board of directors for approval before execution of such transactions.

2. Department of Auditing

Responsible for understanding the appropriateness of derivative trading

internal control and auditing the status of trading department's compliance with the operating procedures, and analyzing the trading cycle, preparing audit report. In addition, in case of material deficiency, report shall be submitted to the Audit Committee.

3. Performance Evaluation

(1) Hedge trades

- A. The profit or loss obtained from difference between the exchange rate cost recognized and the financial derivative trading made by the Company is used as the basis for performance evaluation.
- B. To sufficiently manage and express the evaluation risks of transactions, the Company adopts the monthly evaluation method to assess the profit and loss.
- C. The Department of Finance shall provide foreign exchange position evaluation and foreign exchange market trend as well as market analysis for submission to the President as reference and guidance for management.

(2) Trading of Specific Purpose

The actual profit or loss generated is used as the basis for performance evaluation, and the accounting personnel shall periodically prepare reports on the position in order to submit to the management level for review and reference.

4. Establishment of contract total amount and loss limit

(1) Contract total amount

A. Hedge trade limit

Financial department shall manage the overall positions of the Company in order to hedge trading risk, and the hedge trading amount shall not exceed two-thirds of the overall net position of the Company.

B. Trading of Specific Purpose

For predication on the market change condition the financial department may establish strategy according to the needs, and shall submit to the President and Chairman for approval before execution. For the trading of specific purpose of the Company, the contract total amount of the net accumulated position of the entire company shall not exceed US\$10

million.

(2) Establishment of loss limit

- A. Hedging trading is to hedge risk, and the risk faced has been assessed and controlled in advance, such that the loss amount shall not exceed 30 percent of the trading contract amount.
- B. For trading contract of specific purpose, after the position is established, the stop-loss point shall be set up in order to prevent loss exceeding the limit. Regarding the setting of stop-loss point, the individual loss amount shall not exceed 10 percent of the trading contract amount. In case the loss amount has exceeded 10 percent of the trading amount, it shall be reported to the President immediately, and reported to the board of directors, in order to discuss necessary responsive measures.
- C. The total loss limit of hedge trading contracts of the Company is US\$3 million.
- D. The total loss limit of trading contracts of specific purpose of the Company is US\$1 million.

II. Risk Management Measures

(I) Credit Risk Management:

Due to various factor changes in the market, operational risks of financial derivatives are likely to occur. Accordingly, the market risk management shall be performed according to the following principle:

- 1. Transaction counterparties: shall be domestic/foreign well-known financial institutions in principle.
- 2. Transaction commodities: shall be limited to products provided by domestic/foreign well-known financial institutions.
- 3. Transaction amount: The open transaction amount of one identical transaction subject shall not exceed 25 percent of the total amount authorized; however, where the approval of the President is obtained, such restriction shall not be applied.

(II) Market Risk Management:

The open foreign exchange trading market provided by banks are considered in principle, and the futures market is temporarily not considered.

(III) Liquidity Risk Management:

To ensure the market liquidity, during the selection of financial products, the

ones with relatively higher liquidity (i.e. can be squared off in the market at any time) shall be selected in principle. The financial institutions entrusted to perform transactions shall have sufficient information and the capability to perform transactions in any market at any time.

(IV) Cash Flow Risk Management

To ensure the stability of working capital of the Company, the source of fund for the Company to engage in derivatives trading shall be limited to own funds only, and the operating amount shall consider the fund demand anticipated for the cash income/expenditure in the next three months.

(V) Operational Risk Management

1. Shall comply with the authorization limit, operation procedures specified by the Company properly and shall be included in the internal audit in order to prevent operating risk.
2. Personnel engaging in derivatives trading shall not concurrently act as the operators for the confirmation and delivery of transactions.
3. Risk measurement, supervision and control personnel shall be from departments different from the personnel described in the preceding paragraph, and shall report to the board of directors or senior supervisor not responsible for the position decision making.
4. The positions held for the derivatives trading shall be assessed at least once weekly. However, for hedge trades performed due to business needs, such trades shall be assessed at least twice monthly. The assessment report shall be submitted to the senior management officer authorized by the board of directors.

(VI) Product risk management

Internal trading personnel shall be equipped with complete and proper professional knowledge on financial products, and shall request banks to sufficiently disclose risks, in order to prevent the risk of misuse of financial products.

(VII) Legal Risk Management:

Documents to be signed with financial institutions shall reviewed by professional personnel of the foreign exchange and legal or legal consultant before executing official signing in order to prevent legal risk.

III. Internal audit system

- (I) Internal auditors shall periodically understand the appropriateness of the derivatives trading internal control, and shall audit the status of the trading

department complying with the procedures for engaging in derivatives trading and analyze the trading cycle in order to prepare audit report. In case of discovery of material breach, written notice shall be submitted to the Audit Committee.

- (II) Internal auditors shall submit the audit report along with the internal audit operation annual audit plan execution status to FSC before the end of February of next year, and shall also report the abnormality improvement status to FSC for recordation no later than the end of May of next year.

#### IV. Periodic Assessment Method

- (I) The board of directors shall authorize senior management officers to periodically supervise and assess whether derivative trading performed are handled properly according to the trading procedures established by the Company, and whether the risk borne is within the acceptable range. In case of any abnormalities indicated in the market price assessment report (such as the position held has exceeded the loss limit), a report to the Chairman shall be made immediately, and responsive measures shall be adopted.
- (II) The positions held for the derivatives trading shall be assessed at least once weekly. However, for hedge trades performed due to business needs, such trades shall be assessed at least twice monthly. The assessment report shall be submitted to the senior management officer authorized by the board of directors.

#### V. Supervision management principles for board of directors for engaging in derivative trading

- (I) The board of directors shall designate senior management officers to be aware of the supervision and control of the risks of derivative trading, and the management principle is as follows:
  1. Periodically assess whether the risk management measures currently adopted are appropriate and whether matters are handled according to these Procedures and the procedures for engaging in derivatives trading established by the Company.
  2. Supervise trading and profit/loss condition. In case of discovery of abnormality, necessary responsive measures shall be adopted, and shall report to the board of directors. The board of directors' meeting shall be attended by independent directors and opinions shall be provided.
- (II) Periodically assess whether the performance of the derivatives trading complies with the predefined management strategies and whether the risk

borne is within the acceptable range of the Company.

- (III) When the Company engages in derivative trading, where relevant personnel are authorized to according to the requirements of the procedures for derivative trading, it is necessary to report to the most recent board of directors' meeting after such trading.
- (IV) The Company engaging in derivatives trading shall establish a logbook in which details of the types and amounts of derivatives trading engaged in, board of directors' approval dates, and the matters required to be carefully evaluated under Subparagraph (II) of Paragraph IV, Subparagraph (I) and Subparagraph (II) of Paragraph V of this article shall be recorded in detail in the logbook.

Article 13: Procedures for merger, demerger, acquisition or transfer of shares

I. Assessment and operating procedures

- (I) To conduct merger, demerger, acquisition or transfer of shares, the Company is recommended to appoint attorney, CPA and securities underwriter to jointly establish the statutory procedure and predefined schedule, and organize project team to execute according to the statutory procedure. In addition, prior to convening the board of directors to resolve on the matter, the Company shall engage a CPA, attorney, or securities underwriter to provide opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for discussion and approval. However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of the Company's merger of a subsidiary in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the Company directly or indirectly holds 100 percent of the respective subsidiaries' issued shares or authorized capital.
- (II) The Company shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders' meeting and include it along with the expert opinion referred to in Subparagraph (I) of Paragraph I of this Article when sending shareholders notification of the shareholders' meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts a company

from convening a shareholders' meeting to approve the merger, demerger, or acquisition, this restriction shall not apply. In addition, where the shareholders' meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders' meeting, the companies participating in the merger, demerger or acquisition shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders' meeting.

## II. Other matters requiring attention

- (I) Date of board of directors' meeting: The Company participating in a merger, demerger, or acquisition shall convene a board of directors' meeting and shareholders' meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent. The Company participating in a transfer of shares shall call a board of directors' meeting on the day of the transaction, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.

When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall prepare a full written record of the following information and retain it for 5 years for reference:

1. Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.
2. Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a board of directors' meeting.
3. Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors' meetings.



When participating in a merger, demerger, acquisition, or transfer of a company with shares listed on an exchange or traded on an OTC market, the Company shall, within two days counting inclusively from the date of passage of a resolution by the board of directors, report and in the prescribed format and via the internet-based information system, the information set out in Point 1 and Point 2 of the preceding Item to the FSC for recordation.

Where any of the companies participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the company so listed or traded on an OTC market shall sign an agreement with such company, whereby the latter is required to abide by the provisions of Item 2 and Item 3.

- (II) Prior non-disclosure undertaking: All personnel of the companies participating in or privy to the plan for merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the plan for merger, demerger, acquisition, or transfer of shares.
- (III) Share exchange ratio or acquisition price establishment and change principle: The company conducting a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and report to the shareholders' meeting. The share exchange ratio or acquisition price shall not be altered arbitrarily in principle; however, where the contract has specified terms/conditions permitting alternation and such alternation have been publicly disclosed, then such restriction shall not be applied. The criteria permitted for the alternation of share exchange ratio or acquisition price are as follows:
  - 1. Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity-based securities.
  - 2. An action, such as a disposal of major assets, that affects the company's financial operations.

3. An event, such as a major disaster or major change in technology, that affects shareholder equity or share price.
4. An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock.
5. An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
6. Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.

(IV) Required content of contract: The contract for participation by a public company in a merger, demerger, acquisition, or transfer of shares shall comply with the regulations of Article 317-1 of the Company Act and Article 22 of Business Mergers And Acquisitions Act, and shall also record the following:

1. Handling of breach of contract.
2. Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.
3. The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.
4. The manner of handling changes in the number of participating entities or companies.
5. Preliminary progress schedule for plan execution, and anticipated completion date.
6. Scheduled date for convening the legally mandated shareholders' meeting if the plan exceeds the deadline without completion, and relevant procedures.

(V) When there is change in the number of companies participating in merger, demerger, acquisition or transfer of share: After public disclosure of the information, if any company participating in the merger, demerger, acquisition, or share transfer intends further to carry out a merger, demerger, acquisition, or share transfer with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except where the number of participating companies is

decreased and a participating company's shareholders' meeting has adopted a resolution authorizing the board of directors to alter the limits of authority, such participating company may be exempted from calling another shareholders' meeting to resolve on the matter anew.

- (VI) Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the Company shall sign an agreement with the non-public company and shall handle the board of directors' meeting date according to Subparagraph (I), prior non-disclosure undertaking according to Subparagraph (II) and requirements for the change in the number of companies participating in merger, demerger, acquisition or transfer of share according to Subparagraph (V) of Paragraph II of this Article.

Article 14: Procedures for public disclosure of information

- I. Required announcement and report items and standards for announcement and report
- (I) Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided that, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.
- (II) Merger, demerger, acquisition, or transfer of shares.
- (III) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company.
- (IV) Where the equipment or right-of-use assets thereof belongs to business use is acquired or disposed of, and the transaction counterparty is not a related party, and the transaction amount reaches NT\$1 billion or more.
- (V) Where land is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and furthermore the transaction counterparty is not a related party, and the amount the Company expects to invest in the transaction reaches NT\$500

million.

- (VI) Where an asset transaction other than any of those referred to in the preceding five subparagraphs or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; However, this shall not apply to the following circumstances:
1. Trading of domestic government bonds.
  2. Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.
- (VII) The amount of transactions described in each subparagraph of the preceding paragraph shall be calculated as follows, and the term of “within the preceding year” as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount.
1. The amount of any individual transaction.
  2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.
  3. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property or right-of-use assets thereof within the same development project within the preceding year.
  4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.
- (VIII) The calculation of the transaction amounts referred to in the three articles of Article 7, Article 8 ad Article 10 shall be done in accordance with Subparagraph (VII) herein. Items for which an appraisal report from a professional appraiser or a CPA’s opinion has been obtained according to these Procedures need not be counted toward the transaction amount. In addition, the calculation of the transaction amounts referred to in Article 9 shall also be made in accordance with Subparagraph (VII) herein. Items that have been approved by the Audit Committee and the board of directors according to these Procedures need not be counted toward the transaction amount.

## II. Time-limit for public announcement and report

Where the public announcements specified in Paragraph I of This Article are required and the transaction amount reaches the standard for public announcement and report with respect to the Company acquiring or disposing assets, a public announcement and report shall be made within 2 days counting inclusively from the date of occurrence of the event.

## III. Announcement and reporting procedures

- (I) The Company shall publicly announce and report relevant information on the FSC designated website.
- (II) The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by the company and any subsidiaries that are not domestic companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.
- (III) When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing of such error or omission.
- (IV) The Company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, logbooks, appraisal reports and CPA, attorney, and securities underwriter opinions at the company, where they shall be retained for 5 years except where another act provides otherwise.
- (V) Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported according to the provision of this Article, a public report of relevant information shall be made on the information reporting website designated by the FSC within two days counting inclusively from the date of occurrence of the event:
  1. Change, termination, or rescission of a contract signed in regard to the original transaction.
  2. The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.
  3. Change to the originally publicly announced and reported information.

## IV. Announcement and Reporting Content

The Company shall perform announcement and reporting matters according to

the provision of this Article, and the content of the announcement and report shall be handled according to relevant regulations of the FSC.

Article 15: Subsidiaries of the Company shall handle matters according to the following requirements;

- I. The Company shall supervise a subsidiary of the Company to establish and execute its “Procedures for Acquisition and Disposal of Assets” according to the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies.”
- II. For a subsidiary of the Company, its acquisition or disposal of assets shall be handled according to the “Procedures for Acquisition and Disposal of Asset” of such subsidiary. In case where a subsidiary has not yet established its “Procedures for Acquisition and Disposal of Asset,” its acquisition or disposal of assets shall be handled according to these Procedures of the Company.
- III. Where a subsidiary is not a public company, when its acquisition or disposal of assets reaches the announcement and report standards under these Procedures, the Company shall handle the announcement and report thereof.
- IV. The paid-in capital or total assets of the Company shall be the standard applicable to relevant requirements for the paid-in capital or total assets described in the announcement and report standard of a subsidiary.

Article 16: Penalty

Where an employee of the Company handling acquisition or disposal of assets violates the regulations of these Procedures, it shall be reported for evaluation periodically according to the Personnel Management Regulations and the Employee Handbook of the Company in order to impose penalties according to the severity of such violation.

Article 17: Implementation and amendment

The “Procedures for Acquisition and Disposal of Assets” of the Company shall be approved by the Audit Committee and the board of directors, followed by submitting to the shareholders’ meeting for approval before implementation. The same requirements shall be applied to amendments thereof. When these Procedures are submitted for discussion by the board of directors, the board of directors shall take into full consideration each independent director’s opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors’ meeting.

Formulation or amendment made regarding to the preceding paragraph, it shall require the approval of one-half or more of all Audit Committee members, and furthermore shall be submitted for a resolution by the board of directors.

In case where the consents of more than one-half of all members of the Audit Committee cannot be obtained in the preceding subparagraph, then the consents of more than two-thirds of all directors shall be obtained, and the meeting minutes of the board of directors' meeting shall be recorded with the resolution of the Audit Committee.

The terms "all audit committee members" described in the preceding two paragraphs and "all directors" described in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.

Article 18: Supplemental Provisions

In case of any matters not specified in these Procedures, such matters shall be handled according to relevant laws.

(Appendix 4)

**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 (May 1, 2022), 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	34,000,941	2.78
Vice-Chairman	Chi-Chun Hsieh	5,552,037	0.45
Director	An-Hsuan Liu	1,000,000	0.08
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)		101,129,819	8.26



(Appendix 5)

**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*

Headquarters:30070 No.81,Sec.2,Gongdaowu Rd.,Hsin-Chu,Taiwan,R.O.C.  
TEL:886-3-5751888

Chu-Nan Branch:35053 No.118,Chung-Hua Rd.,Chu-Nan Town, Miao-Li,Taiwan,R.O.C.  
TEL:886-37-595666

Tongluo Branch:36645 No.8,Tongke N. Rd., Tongluo Township,Miao-Li,Taiwan,R.O.C.  
TEL:886-37-980188