

Stock code: 2449



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

2020 Annual General Meeting Handbook

June 10, 2020

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King Yuan Electronics Co., Ltd.
2020 Annual General Meeting Procedure

I. Call the Meeting to Order

II. Chairperson Remarks

III. Reporting Items

IV. Ratification Items

V. Discussion Items

VI. Election Items

VII. Extraordinary Motions

VIII. Meeting Adjourned

King Yuan Electronics Co., Ltd.

2020 Annual General Meeting Agenda

Time: 9 a.m. on Wednesday, 06/10/2020

Place: No.232, Zhongshan Road, Toufen City, Miaoli County (Zhongshan Hall, Toufen City Office)

Chair: Chairperson Chin-Kung Lee

I. Call the Meeting to Order

II. Chairperson Remarks

III. Reporting Items

1. The Company's 2019 Business Overview.
2. The Audit Committee's review of the Company's 2019 Final Report.
3. The Company's 2019 Distribution of Employee and Director Remuneration.
4. The Company's 2019 Endorsements/Guarantees.
5. Amendments to the Company's "Rules of Procedure for Board of Directors Meetings."
6. Amendments to the Company's "Ethical Corporate Management Best Practice Principles."

IV. Ratification Items

1. The Company's 2019 Business Report and Financial Statement.
2. The Company's 2019 Distribution of Earnings.

V. Discussion Items

1. Motion of Amendment to the Company's "Operational Procedures for Loaning Funds to Others."
2. Motion of Amendment to the Company's "Operational Procedures for Endorsements/Guarantees."
3. Motion of Distributed Cash Dividend from Capital Reserves.

VI. Election Items

Motion of Election of the 14th Board of Directors.

VII. Extraordinary Motions

VIII. Meeting Adjourned

Reporting Items

Report No. 1

Proposed by the Board of Directors

Motion: The Company's 2019 Business Overview.

Description: For the 2019 business report, please refer to page 16 (Annex 1).

Motion: The Audit Committee's review of the Company's 2019 Final Report.

Description:

1. The Company's 2019 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 22 (Annex 2).
3. For the review report prepared by the accountant please refer to page 33 (Annex 6).

Motion: The Company's 2019 Distribution of Employee and Director Remuneration.

Description:

1. According to Article 19, Paragraph 1 of the Company's Articles of Incorporation: Company shall, depending on the earnings for the year, distribute 8%-10% of earnings as employee compensation, and shall distribute less than 1% of earnings to directors as remuneration. However, if the Company has cumulative losses, an amount sufficient to make up losses shall be retained.
2. The profit sought by the Company in 2019 totaled NT\$4,173,933,113 (namely, the earnings before tax less the remuneration to employees and directors). 8% thereof were allocated as the remuneration to employees in cash, i.e. NT\$333,914,649 and 0.8% thereof as the remuneration to directors, i.e. NT\$33,391,466.

Motion: The Company's 2019 Endorsements/Guarantees.

Description: The Company's Articles of Incorporation stipulates "Due to business needs, the Company may make guarantees".

1. To meet the need of Suzhou Zhen Kun Technology Ltd. for operation, the Company made an endorsement/guarantee for it to secure the loan from KGI Bank, Taishin International Bank, O-Bank, HSBC Taiwan, Shanghai Commercial Bank, and Bank SinoPac. As of December 31, 2019, credit facilities granted by the above banks amounted to US\$8,000 thousands, US\$5,000 thousands, US\$5,000 thousands, US\$5,000 thousands, US\$5,000 thousands, and US\$5,000 thousands, respectively.
2. To meet the need of Suzhou Zhen Kun Technology Ltd. for operation, the Company made an endorsement/guarantee for it to secure the loan from Bank of Taiwan Shanghai Branch, E.Sun Bank Dongguan Branch, and Bank SinoPac (China). As of December 31, 2019, a sum of RMB 30,000 thousands, RMB 30,000 thousands and RMB 25,000 thousands had been drawn on the credit facilities.

Motion: Amendments to the Company's "Rules of Procedure for Board of Directors Meetings."

Description:

1. According to the amended provisions of Article 10 and Article 16 of the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies" issued by the FSC under Order No. 1080361934 on January 15, 2020, the Company has complied with the regulations and amended provisions of Article 10 and Article 16 of the "Rules of Procedure for Board of Directors Meetings"
2. Please find the comparison table of provisions before and after the amendments of the Company's "Rules of Procedure for Board of Directors Meetings" on page 23 (Annex 3).

Motion: Amendments to the Company's "Ethical Corporate Management Best Practice Principles."

Description:

1. In order to enforce the government's promotion of business integrity, the core values of integrity of private sectors, and implement internal control and internal audit mechanisms as well as taken into account of the contents of ISO37001 - Anti-bribery Management Mechanism, the TWSE has included relevant norms, and amended the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies". Listed companies were notified with a letter of Tai-Zheng-Zi Order No.10800083781 as a reference base regarding the promotion of Ethical Corporate Management. The Company has taken into account the content of the aforementioned letter and the actual operation situations of the Company. Therefore, part of the "Ethical Corporate Management Best Practice Principles" has been amended.
2. Please find the comparison table of provisions before and after the amendments of the Company's "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" on page 25 (Annex 4).

Ratification Items

Ratification No. 1

Proposed by the Board of Directors

Motion: The Company's 2019 Business Report and Financial Statement.

Description:

1. The Company's 2019 Business Report and Financial Statement have been resolved on the 20th Meeting of the 13th Session of the Board and were audited by the Audit Committee with an issued audit report.
2. For the Business Report and Financial Statement mentioned above, please refer to page 16 (Annex 1) and page 33 (Annex 6).

Resolution:

Motion: The Company's 2019 Distribution of Earnings

Description:

1. The Company's 2019 distribution of earnings report has been resolved on the 20th Meeting of the 13th Session of the Board and was audited by the Audit Committee with an issued 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 32 (Annex 5).
3. If the Company made substantial investment using the undistributed earnings after the distribution of the 2019 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: Motion of Amendment to the Company's "Operational Procedures for Loaning Funds to Others."

Description:

1. According to the amended provisions of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" under Order No. 1080304826 issued by the FSC on March 7, 2019, some provisions of the Company's "Operational Procedures for Loaning of Company Funds" have been amended.
2. For the comparison table of provisions before and after the amendments of the Company's "Operational Procedures for Loaning Funds to Others," please refer to page 53 (Annex 7).

Resolution:

Motion: Motion of Amendment to the Company's "Operational Procedures for Endorsements/Guarantees."

Description:

1. According to the amended provisions of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" under Order 1080304826 issued by the FSC on March 7, 2019, some provisions of the Company's "Operational Procedures for Endorsements and Guarantees" have been amended.
2. For the comparison table of provisions before and after the amendments of the Company's "Operational Procedures for Endorsements and Guarantees," please refer to page 58 (Annex 8).

Resolution:

Motion: Motion of Distributed Cash Dividend from Capital Reserves.

Description:

1. The capital reserves derived from the issuance of new shares at a premium is to be allocated NT\$244,549,013 as cash dividends. Each share is allocated NT\$0.2. The cash allocated to each shareholder shall be calculated until NT\$1 and rounded off below. The total of fractional cash dividends less than NT\$1 shall be transferred to the Company's employee welfare committee. The payment ratio is based on the outstanding shares (i.e. 1,222,745,065) at which the moment the board of directors meeting was held.
2. If the payment rate is subsequently changed and needs to be revised due to reasons such as changes in stock of capital, the management will request that the Shareholders' Meeting authorize the chairman to handle the situation in his discretion and make adjustments accordingly.
3. The record date and issues related to the cash allocation of the capital reserves shall be determined by the Board of Directors after being authorized by the Annual General Meeting.

Resolution:

Election Items

Election

Proposed by the Board of Directors

Motion: Motion of Election of the 14th Board of Directors.

Description:

1. The term of office of the Company's 13th Board of Directors ends on June 7, 2020. The old directors are to step down on the same date the new directors take office.
2. As required in Article 13 of the Company Articles of Incorporation, it has been planned to re-elect 9 directors (including 3 independent directors) on the annual general meeting (2020) with a term of office from June 10, 2020 to June 9, 2023 - 3 years.
3. The Company has adapted the candidate nomination system in terms of election of directors, that directors shall be selected from the candidate list by shareholders. For education, experience and other relevant information of the candidates, please refer to page 60 (Annex 9).
4. The election of the Board of Directors.

Voting Results:

Extraordinary Motions

Meeting Adjourned

(Annex 1)

King Yuan Electronics Co., Ltd. Business Report

Business Plan Implementation Results

- I. The consolidated net revenue was NT\$25.54 billion in 2019, which grew by 23% from 2018. Gross margin reached 27.5%, which grew by 2% compared with 2018. After-tax earnings per share was NT\$2.49, up 69% from 2018.
- II. The semiconductor industry was affected by the slowdown in the global economy and the US-China trade war and tech war in 2019. In the first half of 2019, sales of 4G mobile phones, data centers and cloud servers were shy of estimates amid weak memory prices. In the second half of 2019, sales of the industrial and automotive electronic products declined, while sales of the semiconductor industry eventually dropped by double-digits in 2019. However, the Company benefited from customers demand to set up 5G base stations and 5G mobile phones, and sales of Apple's new mobile phone were better than expected. In addition, China's de-Americanization campaign of semiconductor components ramped up profitability for the Company's subsidiary in China. In 2019, KYEC's operating performance was significantly better than its peers and was favored by investors.
- III. In terms of various indicators of the Company's operations and management, the Company has improved its market share for packaging and testing outsourcing, indirect personnel productivity, cost control and R&D innovation. Other sections, such as human resources, customer service and manufacturing, still require strengthening and improvement.
- IV. In response to the impact of the US-China tech war, customers requested rapid capacity expansion of the manufacturing supply in China in 2019. The Company has invested a massive amount of resources in the short term to expand the capacity of its subsidiary in China. The Company's assembly center also had great improvement with efforts in 2019. The Company has a close relationship with its IDM customer, and plays a significant role in its customer's market share.
- V. In addition, in the advent of artificial intelligence, the Company has promoted various projects on smart manufacturing, which were completed as scheduled for better production efficiency, quality standards, simplified operating processes, logistics automation, streamlined labor and better management capabilities.
- VI. In recent years, the company has gradually implemented the ESG "Environmental Sustainability," "Social Engagement," "Corporate Governance," and "Corporate Commitment" in response to corporate sustainability issues and has been audited by various professional certification bodies on a regular basis.

Financial income and profit analysis

As the powerful always lead in the global semiconductor industry, the revenue of the Company's top ten customers accounted for more than 60% of total sales in recent years, with an upside growth potential. Therefore, the Company's operating working capital has also expanded alongside rising customer needs for capacity expansion and increasing corporate scale.

Regarding the Company's financial status and profitability in 2019, debt ratio has increased slightly compared with that in 2018. Long-term funds to fixed assets declined slightly with increasing plant and equipment. However, as the cost for obtaining domestic funds is quite reasonable, the Company has a large cash position, good credit and sound financial structure with its use of financial leverage. Although the current ratio and quick ratio have decreased compared with 2018, the Company's annual interest expenditures range between NT\$300-400 million, which is quite a small amount. The earnings before interest, taxes, depreciation, and amortization (EBITDA) is sufficient, with strong short-term debt-paying ability. In terms of profitability, the return on assets, return on equity, net profit margin, and after-tax earnings per share are all higher compared to those in 2018. The financial ratios are as follows:

	2019	2018
Debt ratio (%)	52.43	48.00
Long-term funds to fixed assets (%)	125.03	129.35
Current ratio (%)	175.81	233.72
Quick ratio (%)	158.68	200.52
Return on assets (%)	6.44	4.43
Return on equity (%)	11.99	7.24
Net profit margin (%)	11.91	8.62
After-tax earnings per share (NTD)	2.49	1.47
EBITDA (NT\$ million)	11,285.99	9,320.94
EBITDA-to-sales (%)	44.19	44.78

R&D status

In addition to factory management, the competitive advantage of integrated circuit testing plays a key role in the technology, costs, methods, platform output, and quality of testing. The Company self-owned more than thousands of test machines and nearly 400 sets of Burn-in oven. The test platform covers mixing / logic, image sensing IC, radio frequency IC, driver IC, SOC digital IC, memory IC and micro-electromechanical systems (MEMS) IC, in order to provide customized services in wafer testing and finished product testing. The Company also continues on R&D and self-manufacturing of test platform interface, test software development, test card, load board, sorting machine and key components, which will then be put into production.

For future research and development, the Company continues to accelerate on the plans set up by the R&D Center. The Company will focus more on expanding the selection by

multiple specifications of analog / memory test equipment, increasing the number of platform test channels, the precision of the test machine DPS power supply, the solution for the thermal effect of ultra-high frequency, and improving the burn-in system and energy efficiency of highly efficient burn-in oven.

Current business plan overview

- I. Weighing opportunities in the market, the Company has set new record levels for revenue, with annual revenue growth projected to be greater than the average operating income of the global semiconductor industry. Profitability may reach record highs over the past decade.
- II. The Company has further raised various operational indicators of business management for internal sustainable development.
- III. Various projects and ESG activities of smart factories are continuously promoted to increase corporate competitiveness in the long term.
- IV. Dedicated efforts on the operating and management capacity of its subsidiary in China after capacity expansion, in order to connect with the capacity of the parent company in Taiwan.
- V. Manage capital expenditures and investment efficiency, as well as improving the average utilization rate of machines.
- VI. The Company is able to maintain its top competitive advantage thanks to the R&D technology breakthrough in its self-owned equipment.

Future development strategy

The impact of US-China trade war and tech war will not easily subside, while the semiconductor industry in China is bound to grow. Innovative business models will not be easily created in the field of semiconductor OEM. Therefore, the Company's future development strategy is still focused on the following aspects.

- I. Continuously improving core management indicators of the manufacturing supply chain for more disciplined and detailed management.
- II. Focusing on customers, profit, and growth. Ensuring customer satisfaction and continue on creating profitability and pursuing healthy growth.
- III. Strengthening the company's unique differentiated service capabilities and reinvesting profits in R&D and innovation in order to gain more competitive advantage than its competitors.
- IV. Deepening the market share of existing customers in the outsourcing of packaging and testing, cultivate new customers, and obtain IDM outsourcing orders.
- V. Keep in line with the subsidiary's layout of in the semiconductor manufacturing supply chain in China, as well as shifts of customer capacity and the local market opportunities from the parent company to the subsidiary.
- VI. With an open attitude, we cooperate with upstream and downstream customers in strategic

cooperation or joint development, so that the Company can quickly gain its position as of the top semiconductor packaging and testing industries in the world.

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

According to WSTS estimates in November 2019, the global semiconductor market in 2019 reached US\$409 billion, which declined by 12.8% compared with that in 2018, the largest decline within the past decade. In 2020, global semiconductors are expected to grow by 5.9% to US\$433 billion. This is mainly driven by products including 5G infrastructure, 5G smartphones, networking components, components of image sensors, AI and machine learning, ultra-high definition technology, edge computing, storage, data centers and autonomous driving/ADAS.

The global economy has gradually declined since the US-China trade war in 2018. According to the International Monetary Fund (IMF) in January 2020, the global economy had declined to 2.9% in 2019. This was due to the trade war between the US and various countries, as well as geopolitical tensions, which led to a decline in corporate investment and manufacturing amid negative growth in the service industry. Trade and manufacturing are expected to rebound from its trough in 2020, with global economic growth estimated to reach 3.3%, whereas the outlook for economic growth remains fragile.

In terms of the external competition, the upstream and downstream of the semiconductor industry have been continuously split and merged in the past decade. There are dozens of mergers of large-scale IC design companies, and the scale of surviving customers have been increasing. In addition, the brands of terminal software and hardware products are also concentrated in a few oligopolistic firms, with a concentrated manufacturing supply chain. Firstly, in the development of the front-end wafer plant for IC manufacturing, the Company has dedicated efforts on improving its technology and production efficiency with existing investments in processes and equipment. Secondly, the Company challenges the limits of Moore's Law by investing in the nanoscale process of node miniaturization. High-end processes have been concentrated on TSMC and Samsung. The existing IDM companies are asset-light, and has outsourced non-core businesses to professional foundries. With the evolution of technology, IC products become more complicated and diversified and customer service requirements become more differentiated. Under the same environment, IC packaging and testing processes are also facing challenges. In terms of packaging, advanced packaging processes include WLCSP, SiP, InFo, CoWos, 3D SOIC, Fan-out SiP, AiP, and heterogeneous packaging. In terms of testing, the large-scale SOC, high power, low current, high frequency, SLT, biological fluid, high power burn-in, parallel test, and OTA (Over-the-Air) interface test are all on track with the recent development.

Therefore, the development of product manufacturing supply chain in the semiconductor industry gradually diverts into high-end and low-end products. The demand for high-end product manufacturing supply chain depends on the engineering techniques, complex mass

production experiences and ultra-high quality requirements. The Company's semiconductor supply chains are mainly concentrated in Taiwan. The manufacturing demands in low-end product supply chains are transferred to China in consideration of low costs and quick delivery. The form of competition which only the dominant firms may be profitable in the global semiconductor industry remains unchanged.

In terms of the legal and overall business environment, there has recently been no major changes in laws and regulations. However, the means of the US in boycotting Chinese technology, the risk of irrational decision-making from global populism and stagnant cross-strait relations have led to recent uncertainties. In the future, the reorganization of global supply chain and the speed of semiconductor manufacturing supply chain shifts will depend on the customers' market development status.

For the overall economy in 2020, global economic growth will continue to face various problems. The phase two trade deal between the US and China will be more challenging, while trade disputes between the US and the EU and France remain unresolved. The Brexit has led to uncertainties in the business environment. The Fed and the ECB have cut interest rates, and restarted the quantitative easing scheme. Whereas in Asia, the US and Japan have officially signed a new trade agreement. Meanwhile, we also need to pay attention to the trade dispute between Japan and South Korea, as well as the development speed of regional trading agreements (such as CPTPP, RCEP). In addition, China and India, the two countries with the most number of population, have tightened their credit standards, with further decline in economic growth, which may affect the economy of other emerging markets as well. The future global consumer demands and economic growth are worth monitoring given low inflation, low interest rates, low economic growth, low unemployment rate, high debt, the quantitative easing and the expansionary fiscal policy.

Looking forward to 2020, although China's rise has become a threat to the US on its position in the global economy, science, technology, military, politics or space hegemony. The two countries are recently at war, while the spread of COVID-19 in the first half of 2020 has dragged down production output and consumption and several demands may be changed or delayed. However, upholding the dream of scientific and technological progress to achieve a comfortable, convenient, healthy and safe lifestyle, the main drivers for consumption growth are no longer software and hardware products that stimulate demands, but the application of technology in face of changes in life and the ecological environment. Therefore, the electronic terminal hardware (such as mobile devices), software (such as App, edge computing), the messaging network architecture that connects cloud storage and computing, and commercial operation in cloud computing, all contribute to the prosperity of the semiconductor industry support. In the second half of 2020, semiconductor fabs will accelerate their manufacturing processes. Although the production capacity of high and low-end products will remain tight, various needs of networking equipment, AI, IoT, and the ecological environment driven by 5G can gradually be met with the launch of the 5G technology. In the future, with the development of health care, smart homes, smart cities, smart factories, industry 4.0, autonomous driving, AI

popularization, Fintech, and the block chain economy, many unexpected innovative applications may be developed in the world. Although the growth of semiconductors has slowed down in the life cycle, it will gradually grow for the long term.

The Company will continue to invest in talent cultivation, engineering and technical capabilities, management of the scale and manufacturing of equipment, and pay attention to corporate sustainability in response to the global ESG development. Despite difficult challenges in the internal and external environment, the Company believes that as long as it focuses on adding value for its manufacturing supply chain, establishing an irreplaceable position for supplying global customers, continuously adjusting corporate structure, maintaining its competitive advantages and respond effectively to changes, and continuously moving ahead without forgetting its original objective. The Company is deeply confident and optimistic on its revenue and profit growth, as well as the future development of the semiconductor industry in 2020.

(Annex 2)

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

This report is to certify that the Company's 2019 business report, consolidated financial statement (including separate financial statement) and the motion for allocation of earnings were prepared and submitted by the Company's Board of Directors, and the consolidated financial statement (including separate financial statement) contained therein were already audited by EY Taiwan, which also issued its audit report. Said business report, consolidated financial statement (including separate financial statement) and motion for allocation of earnings have also been reviewed by the 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 accordingly.

King Yuan Electronics Co., Ltd.

Convener of Audit Committee: Hsien-Tsun Yang

March 13, 2020

(Annex 3)

King Yuan Electronics Co., Ltd.
Comparison Table of Provisions Before and After the Amendments of the
Rules of Procedure for Board of Directors Meetings

Provi sion	Provision after amending	Provision before amending	Amen dment Reaso n
Article 10	<p>Board meetings shall be convened and chaired by <u>the chairperson of the Board</u>. However, with respect to the first meeting of each newly elected board of directors, it shall be called and chaired by the director that received votes representing the largest portion of voting rights at the shareholders meeting in which the directors were elected; if two or more directors are so entitled to convene the meeting, they shall select from among themselves one director to serve as chair.</p> <p><u>According to the provisions stipulated in Article 203, paragraph 4 or Article 203-1, paragraph 3 of the Company Act, the board of directors shall be convened by more than the majority of the directors and shall select from among themselves one director to serve as chair.</u></p> <p>When the chairperson of the board is on leave or for any reason unable to exercise the powers of chairperson, the vice chairperson shall act in place of the chairperson; if there is no vice chairperson or the vice chairperson is also on leave or for any reason unable to exercise the powers of vice chairperson, the chairperson shall appoint one of the directors to act. If no such designation is made by the chairperson, the directors shall select from among themselves one director to serve as chair.</p>	<p>The Company's board meetings shall be convened and chaired by the chairperson of the board. However, with respect to the first meeting of each newly elected board of directors, it shall be called and chaired by the director that received votes representing the largest portion of voting rights at the shareholders meeting in which the directors were elected; if two or more directors are so entitled to convene the meeting, they shall select from among themselves one director to serve as chair.</p> <p>When the chairperson of the board is on leave or for any reason unable to exercise the powers of chairperson, the vice chairperson shall act in place of the chairperson; if there is no vice chairperson or the vice chairperson is also on leave or for any reason unable to exercise the powers of vice chairperson, the chairperson shall appoint one of the directors to act. If no such designation is made by the chairperson, the directors shall select from among themselves one director to serve as chair.</p>	Amendments made as required by regulations

<p>Article 16</p>	<p>If a director or a juristic person that the director represents is an interested party in relation to an agenda item, the director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interest of this Corporation, that director may not participate in discussion or voting on that agenda item and shall recuse himself or herself from the discussion or the voting on the item, and may not exercise voting rights as proxy for another director. If a director violates the rule and does not recuse himself or herself from the agenda item but participates in the voting, the voting is regarded as invalid.</p> <p><u>Where the spouse, a blood relative within the second degree of kinship of a director, or any company which has a controlling or subordinate relation with a director has interests in the matters under discussion in the meeting of the preceding paragraph, such director shall be deemed to have a personal interest in the matter.</u></p> <p>Where a director is prohibited by the preceding <u>two</u> paragraphs from exercising voting rights with respect to a resolution at a board meeting, the provisions of Article 206, paragraph <u>4</u> of the Company Act apply mutatis mutandis in accordance with Article 180, paragraph 2 of the same Act.</p>	<p>If a director or a juristic person that the director represents is an interested party in relation to an agenda item, the director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interest of this Corporation, that director may not participate in discussion or voting on that agenda item and shall recuse himself or herself from the discussion or the voting on the item, and may not exercise voting rights as proxy for another director. If a director violates the rule and does not recuse himself or herself from the agenda item but participates in the voting, the voting is regarded as invalid.</p> <p>Where a director is prohibited by the preceding paragraph from exercising voting rights with respect to a resolution at a board meeting, the provisions of Article 206, paragraph <u>3</u> of the Company Act apply mutatis mutandis in accordance with Article 180, paragraph 2 of the same Act.</p>	<p>Amendments made as required by regulations</p>
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(Annex 4)

King Yuan Electronics Co., Ltd.
Comparison Table of Provisions Before and After the Amendments of
Ethical Corporate Management Best Practice Principles

Provision	Provision after amending	Provision before amending	Amendment Reason
Article 5	The Company shall formulate policies based on the management concept of honesty, transparency and responsibility which are <u>approved by the Board of Directors</u> . The Company also establishes good corporate governance and risk control mechanisms to create a business environment for sustainable developments.	The Company formulates policies based on the management concept of honesty, transparency and responsibility. The Company also establishes good corporate governance and risk control mechanisms to create a business environment for sustainable developments.	Amendments made as required by regulations
Article 7	The Company shall <u>establish risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activity within their business scope which are at a high risk of being involved in unethical conduct, and establish preventive programs accordingly and review their adequacy and effectiveness on a regular basis.</u> The Company <u>shall refer to prevailing domestic and foreign standards or guidelines in establishing the preventive programs, which shall at least include preventive measures against the following:</u> 1. Offering and acceptance of bribes. 2. Illegal political donations. 3. Improper charitable donations or sponsorship. 4. Offering or acceptance of unreasonable presents or hospitality, or other improper	As the Company establishes preventive programs, it shall analyze business activities which are at a high risk of being involved in unethical conduct and strengthen relevant preventive measures. The Company shall at least include preventive measures against the following: 1. Offering and acceptance of bribes. 2. Illegal political donations. 3. Improper charitable donations or sponsorship. 4. Offering or acceptance of unreasonable presents or hospitality, or other improper benefits. 5. Misappropriation of trade secrets and infringement of trademark rights, patent rights, copyrights, and other intellectual property rights. 6. Engaging in unfair competitive	Amendments made as required by regulations

	<p>benefits.</p> <p>5. Misappropriation of trade secrets and infringement of trademark rights, patent rights, copyrights, and other intellectual property rights.</p> <p>6. Engaging in unfair competitive practices.</p> <p>7. Damage directly or indirectly caused to the rights or interests, health, or safety of consumers or other stakeholders in the course of research and development, procurement, manufacture, provision, or sale of products and services.</p>	<p>practices.</p> <p>7. Damage directly or indirectly caused to the rights or interests, health, or safety of consumers or other stakeholders in the course of research and development, procurement, manufacture, provision, or sale of products and services.</p>	
<p>Article 8</p>	<p><u>The Company shall request their directors and senior management to issue a statement of compliance with the ethical management policy and require in the terms of employment that employees comply with such policy.</u></p> <p>The Company and its respective business group shall clearly specify in their rules and external documents and on the company website the ethical corporate management policies and the commitment by the Board of Directors and senior management on rigorous and thorough implementation of such policies, and shall carry out the policies in internal management and in commercial activities.</p> <p><u>The shall compile documented information on the ethical management policy, statement, commitment and implementation</u></p>	<p>The Company and its respective business group shall clearly specify in their rules and external documents the ethical corporate management policies and the commitment by the Board of Directors and management on rigorous and thorough implementation of such policies, and shall carry out the policies in internal management and in commercial activities.</p>	<p>Amendments made as required by regulations</p>

	mentioned in the first and second paragraphs and retain said information properly.		
Article 17	<p>The directors, managers, employees, mandators, and substantial controllers of the Company shall exercise the due care of good administrators to urge the company to prevent unethical conduct, always review the results of the preventive measures and continually make adjustments so as to ensure thorough implementation of its ethical corporate management policies.</p> <p>To achieve sound ethical corporate management, the Company shall establish a dedicated unit that is under the Board of Directors and <u>avail itself of adequate resources and staff itself</u> with competent personnel, responsible for establishing and supervising the implementation of the ethical corporate management policies and preventive programs. The dedicated unit shall be in charge of the following matters, and shall report to the Board of Directors on a regular basis (at least once a year):</p> <ol style="list-style-type: none"> 1. Assisting in incorporating ethics and moral values into the company's business strategy and adopting appropriate preventive measures against corruption and malfeasance to ensure ethical management in compliance with 	<p>The directors, managers, employees, mandators, and substantial controllers of the Company shall exercise the due care of good administrators to urge the company to prevent unethical conduct, always review the results of the preventive measures and continually make adjustments so as to ensure thorough implementation of its ethical corporate management policies.</p> <p>To achieve sound ethical corporate management, the Company shall establish a dedicated unit that is under the Board of Directors, responsible for establishing and supervising the implementation of the ethical corporate management policies and preventive programs. The dedicated unit shall mainly be in charge of the following matters, and shall report to the Board of Directors on a regular basis:</p> <ol style="list-style-type: none"> 1. Assisting in incorporating ethics and moral values into the company's business strategy and adopting appropriate preventive measures against corruption and malfeasance to ensure ethical management in compliance with the requirements of laws and regulations. 	Amendments made as required by regulations

	<p>the requirements of laws and regulations.</p> <p>2. <u>Analyzing and assessing on a regular basis the risk of involvement in unethical conduct within the business scope,</u> adopting accordingly programs to prevent unethical conduct, and setting out in each program the standard operating procedures and <u>conduct guidelines with respect to the company's operations and business.</u></p> <p>3. Planning the internal organization, structure, and allocation of responsibilities and setting up check-and-balance mechanisms for mutual supervision of the business activities within the business scope which are possibly at a higher risk for unethical conduct.</p> <p>4. Promoting and coordinating awareness and educational activities with respect to ethics policy.</p> <p>5. Developing a whistle-blowing system and ensuring its operating effectiveness.</p> <p>6. Assisting the Board of Directors and management in auditing and assessing whether the preventive measures taken for the purpose of implementing ethical management are effectively operating, and preparing reports on the regular assessment of compliance with ethical management in operating procedures.</p>	<p>2. Adopting programs to prevent unethical conduct, and setting out in each program the standard operating procedures and conduct guidelines with respect to the company's operations and business.</p> <p>3. Planning the internal organization, structure, and allocation of responsibilities and setting up check-and-balance mechanisms for mutual supervision of the business activities within the business scope which are possibly at a higher risk for unethical conduct.</p> <p>4. Promoting and coordinating awareness and educational activities with respect to ethics policy.</p> <p>5. Developing a whistle-blowing system and ensuring its operating effectiveness.</p> <p>6. Assisting the Board of Directors and management in auditing and assessing whether the preventive measures taken for the purpose of implementing ethical management are effectively operating, and preparing reports on the regular assessment of compliance with ethical management in operating procedures.</p>	
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Article 20	<p>The shall establish effective accounting systems and internal control systems for business activities possibly at a higher risk of being involved in an unethical conduct, not have under-the-table accounts or keep secret accounts, and conduct reviews regularly so as to ensure that the design and enforcement of the systems are showing results.</p> <p>The internal audit unit of the Company shall, <u>based on the results of assessment of the risk of involvement in unethical conduct,</u> devise relevant audit plans, including auditees, audit scope, audit items, audit frequency, etc., and examine accordingly the compliance with the preventive programs. The internal audit unit may engage a certified public accountant to carry out the audit, and may engage professionals to assist if necessary.</p> <p><u>The results of examination in the preceding paragraph shall be reported to senior management and the ethical management dedicated unit and put down in writing in the form of an audit report to be submitted to the Board of Directors.</u></p>	<p>The shall establish effective accounting systems and internal control systems for business activities possibly at a higher risk of being involved in an unethical conduct, not have under-the-table accounts or keep secret accounts, and conduct reviews regularly so as to ensure that the design and enforcement of the systems are showing results.</p> <p>The internal audit unit shall regularly examine the compliance with the preventive programs in the preceding system and put down in writing in the form of an audit report to be submitted to the Board of Directors.</p> <p>The internal audit unit may engage a certified public accountant to carry out the audit, and may engage professionals to assist if necessary.</p>	Amendments made as required by regulations
Article 22	<p>The Company shall adopt a concrete whistle-blowing system accordingly and scrupulously operate the system. The whistle-blowing system shall include at least the following:</p> <ol style="list-style-type: none"> 1. An independent mailbox or hotline, either internally established and publicly 	<p>The Company shall adopt a concrete whistle-blowing system accordingly and scrupulously operate the system. The whistle-blowing system shall include at least the following:</p> <ol style="list-style-type: none"> 1. An independent mailbox or hotline, either internally established and publicly 	Amendments made as required by regulations

	<p>announced or provided by an independent external institution, to allow internal and external personnel of the company to submit reports.</p> <p>2. Dedicated personnel or unit appointed to handle the whistle-blowing system. Any tip involving a director or senior <u>management</u> shall be reported to the independent directors or supervisors. Categories of reported misconduct shall be delineated and standard operating procedures for the investigation of each shall be adopted.</p> <p>3. <u>Follow-up measures to be adopted depending on the severity of the circumstances after investigations of cases reported are completed. Where necessary, a case shall be reported to the competent authority or referred to the judicial authority.</u></p> <p>4. Documentation of case acceptance, investigation processes, investigation results, and relevant documents.</p> <p>5. Confidentiality of the identity of whistle-blowers <u>and the content of reported cases, and an undertaking regarding anonymous reporting.</u></p> <p>6. Measures for protecting whistle-blowers from inappropriate disciplinary</p>	<p>announced or provided by an independent external institution, to allow internal and external personnel of the company to submit reports.</p> <p>2. Dedicated personnel or unit appointed to handle the whistle-blowing system. Any tip involving a director or senior management shall be reported to the independent directors or supervisors. Categories of reported misconduct shall be delineated and standard operating procedures for the investigation of each shall be adopted.</p> <p>3. Documentation of case acceptance, investigation processes, investigation results, and relevant documents.</p> <p>4. Confidentiality of the identity of whistle-blowers and the content of reported cases.</p> <p>5. Measures for protecting whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing.</p> <p>6. Whistle-blowing incentive measures. When material misconduct or likelihood of material impairment to the Company comes to their awareness upon investigation, the dedicated personnel or unit handling the whistle-blowing system shall</p>	
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	<p>actions due to their whistle-blowing.</p> <p>7. Whistle-blowing incentive measures.</p> <p>When material misconduct or likelihood of material impairment to the Company comes to their awareness upon investigation, the dedicated personnel or unit handling the whistle-blowing system shall immediately prepare a report and notify the independent directors or supervisors in written form.</p>	<p>immediately prepare a report and notify the independent directors or supervisors in written form.</p>	
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(Annex 5)

King Yuan Electronics Co., Ltd.
2019 Earnings Distribution

Unit: NTD

Item	Amount	Projected dividend yield
Unallocated earnings- beginning	3,395,119,724	
Add: net profit after tax	3,041,565,964	
Less: Confirmed actuarial gain/loss of welfare	(57,525,263)	
Less: Changes in equity of subsidiaries	(7,853,385)	
Add: Disposal of equity instrument at fair value through other comprehensive income	395,262	
Profit after tax plus the amount included in the undistributed earnings for the current year	2,976,582,578	
Less: Provision of 10% legal reserve	(297,658,258)	
Add: Revolving special reserve	400,765,641	
Allocable earnings	6,474,809,685	
Scope of allocation		
Dividends to shareholders- cash	1,956,392,104	NT\$1.6 per share
Total allocation	1,956,392,104	
Unallocated earnings- ending	4,518,417,581	

Note:

1. According to the Company's distribution policy, the allocable earnings for 2019 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 Employee Welfare Committee.
4. Should the Company encounter a change of share capital that changes the number of outstanding shares on a later date, the Board of Directors shall be fully authorized to make the necessary adjustments to the percentage of cash dividends allocated to shareholders.
5. The base date for allocation of cash dividends and matters thereto shall be set by the Board of Directors with authorization upon resolution by the Annual General Meeting.



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English Translation of a Report Originally Issued in Chinese

Independent Auditors' Report

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

Opinion

We have audited the accompanying parent company only balance sheets of King Yuan Electronics Co., Ltd. as of December 31, 2019 and 2018, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, and notes to the parent company only financial statements, including the summary of significant accounting policies (together “the parent company only financial statements”).

In our opinion, 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, 2019 and 2018, and its financial performance and cash flows for the years ended December 31, 2019 and 2018, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the 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 2019 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Revenue recognition

King Yuan Electronics Co., Ltd. recognized NT\$21,845,844 thousand as net sales. Their main activities are providing testing and assembly services that represented 92%, or NT\$20,187,111 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 profit margin by products, performing cutoff testing for a period before and after the balance sheet date on a sampling basis, performing test of details on selected samples, reviewing the significant terms of sales agreements and examining relevant delivery documents, and reviewing the selected samples of the quantity, specification, period and relevant documents of machinery services.

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

Extension of useful lives of Property, Plant and Equipment

On March 14, 2019, the Board of Directors approved to extend the estimated useful lives of certain machinery equipment effective from January 1, 2019. The change in the accounting estimate decreased depreciation expenses by NT\$932,897 thousands for the year ended December 31, 2019. King Yuan Electronics Co., Ltd. belongs to the semiconductor industry, which is highly capital intensive. Property, plant and equipment of King Yuan Electronics Co., Ltd. represented 60% of its total assets. Accordingly, the reasonableness of the change in the useful lives of machinery equipment will affect the production costs and profitability of King Yuan Electronics Co., Ltd. significantly. Therefore, we determined the matter to be a key audit matter.

Our auditing procedures include (but are not limited to) obtaining a representation letter issued by King Yuan Electronics Co., Ltd. assessing the reasonableness of the change in the estimated useful lives since January 1, 2019, obtaining the appraisal report issued by the external appraiser and reviewing whether the conclusion of the appraisal report is in line with the assumptions used by King Yuan Electronics Co., Ltd. obtaining the adjusted property list and confirming the completeness of the list, checking the accuracy of the remaining useful lives of the machinery equipment and vouching the accrued deprecation expenses, etc., in order to ensure consistency, selecting samples, during the year end substantive testing, to recalculate the depreciation and amortization expenses based on the revised useful lives, perform physical count, and inspect related documents prepared by each department for the reassessment of the estimated useful lives.



We also considered the appropriateness of the disclosures of plant, property and equipment. Please refer to Note 4, Note 5 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 2019 parent company only financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Kuo, Shao-Pin

Fuh, Wen-Fun

Ernst & Young, Taiwan
March 13, 2020

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, 2019 and 2018

(Amounts in thousands of New Taiwan Dollars)

ASSETS	Notes	December 31, 2019		December 31, 2018	
			%		%
Current assets					
Cash and cash equivalents	4, 6(1)	\$4,155,945	8	\$3,887,001	9
Financial assets at fair value through profit or loss-current	4, 6(2)	-	-	101,461	-
Financial assets at fair value through other comprehensive income-current	4, 6(3)	30,114	-	15,989	-
Contract assets-current	4, 6(15), 6(16), 7	126,182	-	289,427	1
Notes receivable, net	4, 6(4), 6(16)	4,268	-	13,844	-
Accounts receivable, net	4, 6(5), 6(16)	3,730,901	8	3,900,814	8
Accounts receivable from related parties, net	4, 6(5), 6(16), 7	886,172	2	752,618	2
Other receivables		160,100	-	144,666	-
Other receivables from related parties	4, 7	821,474	2	123,577	-
Inventories, net	4, 6(6)	907,842	2	962,615	2
Prepayments	6(7)	204,787	-	300,194	1
Other current assets		76,944	-	190,755	-
Total current assets		11,104,729	22	10,682,961	23
Non-current assets					
Financial assets at fair value through other comprehensive income-non-current	4, 6(3)	2,425,166	5	1,752,480	4
Investments accounted for using the equity method	4, 6(8)	4,891,194	10	4,816,516	11
Property, plant and equipment	4, 6(9), 6(19), 7, 8	30,379,042	60	28,321,210	61
Right-of-use asset	4, 6(17)	1,228,619	3	-	-
Intangible assets	4, 6(10), 6(11), 6(23)	66,148	-	162,619	-
Deferred tax assets	4, 6(21)	229,882	-	405,398	1
Other financial assets-non-current	8	113,125	-	109,912	-
Other non-current assets		3,487	-	3,487	-
Total non-current assets		39,336,663	78	35,571,622	77
Total assets		\$50,441,392	100	\$46,254,583	100

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, 2019 and 2018

(Amounts in thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY		Notes	December 31, 2019	%	December 31, 2018	%
Current liabilities						
Contract liabilities-current			\$52,486	-	\$84,834	-
Notes payable	4, 6(15)		1,633	-	39,512	-
Accounts payable			775,500	1	944,104	2
Accounts payable to related parties	7		31,337	-	12,391	-
Other payables			2,755,371	5	2,129,717	4
Other payables to related parties	7		119,005	-	110,605	-
Payables on equipment			797,050	2	778,069	2
Current tax liabilities	4, 6(21)		666,224	1	288,772	1
Lease liabilities-current	4, 6(17)		788,269	2	-	-
Other current liabilities			303,650	1	278,321	1
Total current liabilities			6,290,525	12	4,666,325	10
Non-current liabilities						
Long-term loans			16,944,660	34	16,628,004	36
Deferred tax liabilities	4, 6(21)	4, 6(12), 6(19), 8	39,921	-	-	-
Lease liabilities-noncurrent	4, 6(17)		444,245	1	-	-
Net defined benefit liabilities	4, 6(13)		528,169	1	481,570	1
Guarantee deposits			1,933	-	1,573	-
Total non-current liabilities			17,958,928	36	17,111,147	37
Total liabilities			24,249,453	48	21,777,472	47
Equity						
Share capital	4, 6(14)					
Common stock			12,227,451	24	12,227,451	27
Capital surplus	4, 6(8), 6(14)		4,832,721	10	4,844,536	10
Retained earnings	4, 6(14)		2,359,299	5	2,179,765	5
Legal reserve			803,172	1	431,239	1
Special reserve			6,371,702	13	5,597,293	12
Undistributed earnings			9,534,173	19	8,208,297	18
Total retained earnings			(402,406)	(1)	(803,173)	(2)
Other equity	4, 6(14)		26,191,939	52	24,477,111	53
Total equity			\$50,441,392	100	\$46,254,583	100
Total liabilities and equity						

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, 2019 and 2018

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

Description	Notes	2019	%	2018	%
Net sales	4, 6(15), 7	\$21,845,844	100	\$18,469,742	100
Operating costs	4, 6(6), 6(9), 6(10), 6(18), 7	(16,109,256)	(74)	(13,625,400)	(74)
Gross profit		<u>5,736,588</u>	<u>26</u>	<u>4,844,342</u>	<u>26</u>
Operating expenses					
Selling expenses		(389,162)	(2)	(325,580)	(2)
Administrative expenses		(1,211,019)	(5)	(1,116,369)	(5)
Research and development expenses		(879,068)	(4)	(727,857)	(4)
Expected credit losses		(20,000)	-	(1,933)	-
Total operating expenses		<u>(2,499,249)</u>	<u>(11)</u>	<u>(2,171,739)</u>	<u>(11)</u>
Operating income		<u>3,237,339</u>	<u>15</u>	<u>2,672,603</u>	<u>15</u>
Non-operating income and expenses	4, 6(8), 6(9), 6(11), 6(19), 7				
Other income		115,774	-	45,290	-
Other gains and losses		36,200	-	242,583	1
Finance costs		(239,659)	(1)	(191,478)	(1)
Share of profit of associates accounted for using the equity method		665,457	3	(415,341)	(2)
Total non-operating income and expenses		<u>577,772</u>	<u>2</u>	<u>(318,946)</u>	<u>(2)</u>
Net income before income tax		3,815,111	17	2,353,657	13
Income tax expense	4, 6(21)	<u>(773,545)</u>	<u>(3)</u>	<u>(558,313)</u>	<u>(3)</u>
Net income		<u>3,041,566</u>	<u>14</u>	<u>1,795,344</u>	<u>10</u>
Other comprehensive income	4, 6(20)				
Items that will not be reclassified subsequently to profit or loss:					
Remeasurements of the defined benefit plan		(57,525)	-	(41,788)	-
Unrealized gains or losses from equity instruments investments measured at fair value through other comprehensive income		687,206	3	(164,411)	(1)
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		(136,555)	(1)	17,118	-
Items that will be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial statements of foreign operations		(186,862)	(1)	(81,743)	(1)
Income tax related to components of other comprehensive income that will be reclassified to profit or loss		37,373	-	24,851	-
Other comprehensive income, net of tax		<u>343,637</u>	<u>1</u>	<u>(245,973)</u>	<u>(2)</u>
Total comprehensive income		<u>\$3,385,203</u>	<u>15</u>	<u>\$1,549,371</u>	<u>8</u>
Earning per share(NT\$)	4, 6(22)				
Basic Earnings Per Share		<u>\$2.49</u>		<u>\$1.47</u>	
Diluted Earnings Per Share		<u>\$2.47</u>		<u>\$1.46</u>	

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 CHANGES IN EQUITY

For the years ended December 31, 2019 and 2018

(Amounts in thousands of New Taiwan Dollars)

Description	Common stock	Retained earnings			Undistributed earnings	Exchange differences resulting from translating the financial statements of foreign operations	Other equity		Total Equity
		Capital surplus	Legal reserve	Special reserve			Unrealized gains (losses) from equity instruments measured at fair value through other comprehensive income	Unrealized gains (losses) from available-for-sale financial assets	
Balance as of January 1, 2018	\$12,202,383	\$5,327,372	\$1,956,400	\$386,010	\$5,403,995	\$(235,236)	\$-	\$5,412	\$25,046,336
Effects of retrospective application and retrospective restatement	-	-	-	-	448,328	-	(393,955)	(5,412)	48,961
Balance at beginning of period after adjustments	12,202,383	5,327,372	1,956,400	386,010	5,852,323	(235,236)	(393,955)	-	25,095,297
Appropriation and distribution of 2017 earnings:									
Legal reserve	-	-	223,365	-	(223,365)	-	-	-	-
Special reserve	-	-	-	45,229	(45,229)	-	-	-	-
Cash dividends	-	(488,511)	-	-	(1,709,789)	-	-	-	(2,198,300)
Share of changes in net assets of associates and joint ventures accounted for using equity method	-	(33,755)	-	-	-	-	-	-	(33,755)
Profit for the year ended December 31, 2018	-	-	-	-	1,795,344	-	-	-	1,795,344
Other comprehensive income for the year ended December 31, 2018	-	-	-	-	(41,788)	(56,892)	(147,293)	-	(245,973)
Total comprehensive income	-	-	-	-	1,753,556	(56,892)	(147,293)	-	1,549,371
Conversion of convertible bonds	25,068	39,430	-	-	-	-	-	-	64,498
Disposal of equity instruments investments measured at fair value through other comprehensive income	-	-	-	-	(30,203)	-	30,203	-	-
Balance as of December 31, 2018	\$12,227,451	\$4,844,536	\$2,179,765	\$431,239	\$5,597,293	\$(292,128)	\$(511,045)	\$-	\$24,477,111
Balance as of January 1, 2019	\$12,227,451	\$4,844,536	\$2,179,765	\$431,239	\$5,597,293	\$(292,128)	\$(511,045)	\$-	\$24,477,111
Appropriation and distribution of 2018 earnings:									
Legal reserve	-	-	179,534	-	(179,534)	-	-	-	-
Special reserve	-	-	-	371,933	(371,933)	-	-	-	-
Cash dividends	-	-	-	-	(1,650,706)	-	-	-	(1,650,706)
Profit for the year ended December 31, 2019	-	-	-	-	3,041,566	-	-	-	3,041,566
Other comprehensive income for the year ended December 31, 2019	-	-	-	-	(57,525)	(149,489)	550,651	-	343,637
Total comprehensive income	-	-	-	-	2,984,041	(149,489)	550,651	-	3,385,203
Changes in ownership interests in subsidiaries	-	(11,815)	-	-	(7,854)	-	-	-	(19,669)
Disposal of equity instruments investments measured at fair value through other comprehensive income	-	-	-	-	395	-	(395)	-	-
Balance as of December 31, 2019	\$12,227,451	\$4,832,721	\$2,359,299	\$803,172	\$6,371,702	\$(441,617)	\$39,211	\$-	\$26,191,939

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

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
For the years ended December 31, 2019 and 2018
(Amounts in thousands of New Taiwan Dollars)

Description	2019	2018	Description	2019	2018
Cash flows from operating activities :			Cash flows from investing activities :		
Profit before tax from continuing operations	\$3,815,111	\$2,353,657	Proceeds from disposal of financial assets at fair value through other comprehensive income	\$-	\$1,113
Adjustments for:			Proceeds from capital return of financial assets at fair value through other comprehensive income	395	8,625
The profit or loss items which did not affect cash flows:			Proceeds from disposal of financial assets at fair value through profit or loss	101,885	-
Depreciation	6,287,857	6,083,925	Acquisition of investments accounted for using the equity method	(37,070)	(280,938)
Amortization	85,293	39,208	Proceeds from capital return of investments accounted for using the equity method	370,891	-
Expected credit loss	20,000	1,933	Acquisition of property, plant and equipment	(8,931,451)	(7,755,488)
Gains on financial assets and liabilities at fair value through profit or loss	(424)	(418)	Proceeds from disposal of property, plant and equipment	308,133	225,975
Interest expenses	239,659	191,478	Decrease in refundable deposits	-	28,337
Interest income	(7,085)	(9,919)	Acquisition of intangible assets	(24,736)	(15,925)
Dividend income	(38,398)	(880)	Proceeds from disposal of intangible assets	-	246
Investment (gain) loss accounted for using the equity method	(665,457)	415,341	Net cash outflows from acquisition of subsidiaries	-	(209,444)
Gain on disposal of property, plant and equipment	(73,578)	(83,565)	Increase in other financial assets	(3,213)	(10,391)
Gain on disposal of investments accounted for using the equity method	-	(74,427)	Dividend received	49,858	10,940
Impairment of non-financial assets	91,181	-	Net cash used in investing activities	(8,165,308)	(7,996,950)
Unrealized foreign exchange (gain) loss	(91,315)	58,154			
Changes in operating assets and liabilities :			Cash flows from financing activities :		
Contract assets	163,245	(289,427)	Decrease in short-term loans	-	(413,652)
Notes receivable	9,576	(3,189)	Borrowing in long-term loans	18,179,500	21,368,956
Accounts receivable	149,913	46,728	Repayments of long-term loans	(17,783,548)	(18,716,667)
Accounts receivable from related parties	(133,554)	(78,393)	Increase in guarantee deposits	360	450
Other receivables	(40,208)	68,803	Cash payment for the principal portion of the lease liabilities	(22,224)	-
Other receivables from related parties	(303,220)	127,309	Cash dividends	(1,650,706)	(2,198,300)
Inventories	54,773	(185,581)	Interest paid	(218,514)	(187,801)
Prepayments	97,163	82,120	Net cash used in financing activities	(1,495,132)	(147,014)
Other current assets	113,811	(33,494)			
Contract liabilities	(32,348)	84,834			
Notes payable	(37,879)	27,697			
Accounts payable	(168,604)	(41,577)			
Accounts payable to related parties	18,946	5,155			
Other payables	625,404	(229,987)			
Other payables to related parties	7,698	51,475			
Other current liabilities	25,329	10,742			
Accrued pension liabilities	(10,926)	(6,842)			
Cash generated from operating activities	10,201,963	8,610,860			
Interest received	7,259	9,979			
Income tax paid	(279,838)	(633,780)			
Net cash provided by operating activities	9,929,384	7,987,059			
			Net increase (decrease) in cash and cash equivalents	268,944	(156,905)
			Cash and cash equivalents at the beginning of the year	3,887,001	4,043,906
			Cash and cash equivalents at the end of the year	\$4,155,945	\$3,887,001

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



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English Translation of a Report Originally Issued in Chinese

Independent Auditors' Report

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

Opinion

We have audited the accompanying consolidated balance sheets of King Yuan Electronics Co., Ltd. and its subsidiaries as of December 31, 2019 and 2018, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, and notes to the consolidated financial statements, including the summary of significant accounting policies (together "the consolidated financial statements").

In our opinion, 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, 2019 and 2018, and their consolidated financial performance and cash flows for the years ended December 31, 2019 and 2018, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effectively by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and 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 2019 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

King Yuan Electronics Co., Ltd. and its subsidiaries recognized NT\$25,539,437 thousand as net sales. Their main activities are providing testing and assembly services that represented 93%, or NT\$23,778,126 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 profit margin by products, performing cutoff testing for a period before and after the balance sheet date on a sampling basis, performing test of details on selected samples, reviewing the significant terms of sales agreements and examining relevant delivery documents, and reviewing the selected samples of the quantity, specification, period and relevant documents of machinery services.

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

Extension of useful lives of Property, Plant and Equipment

On March 14, 2019, the Board of Directors approved to extend the estimated useful lives of certain machinery equipment effective from January 1, 2019. The change in the accounting estimate decreased depreciation expenses by NT\$995,843 thousands for the year ended December 31, 2019. King Yuan Electronics Co., Ltd. and its subsidiaries belong to the semiconductor industry, which is highly capital intensive. Property, plant and equipment of King Yuan Electronics Co., Ltd. and its subsidiaries represented 67% of its consolidated total assets. Accordingly, the reasonableness of the change in the useful lives of machinery equipment will affect the production costs and profitability of King Yuan Electronics Co., Ltd. and its subsidiaries significantly. Therefore, we determined the matter to be a key audit matter.

Our auditing procedures include (but are not limited to) obtaining a representation letter issued by King Yuan Electronics and its subsidiaries, assessing the reasonableness of the change in the estimated useful lives since January 1, 2019, obtaining the appraisal report issued by the external appraiser and reviewing whether the conclusion of the appraisal report is in line with the assumptions used by King Yuan Electronics Co., Ltd. and its subsidiaries, obtaining the adjusted property list and confirming the completeness of the list, checking the accuracy of the remaining useful lives of the machinery equipment and vouching the accrued depreciation expenses, etc., in order to ensure consistency, selecting samples, during the year end substantive testing, to recalculate the depreciation and amortization expenses based on the revised useful lives, perform physical count, and inspect related documents prepared by each department for the reassessment of the estimated useful lives.

We also considered the appropriateness of the disclosures of plant, property and equipment. Please refer to Note 4, Note 5 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 2019 consolidated financial statements and are

therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Others

We have audited and expressed an unqualified opinion on the parent company only financial statements of King Yuan Electronics Co., Ltd. as of and for the years ended December 31, 2019 and 2018.

Kuo, Shao-Pin

Fuh, Wen-Fun

Ernst & Young, Taiwan
March 13, 2020

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, 2019 and 2018

(Amounts in thousands of New Taiwan Dollars)

ASSETS	Notes	December 31, 2019	%	December 31, 2018	%
Current assets					
Cash and cash equivalents	4, 6(1)	\$6,166,005	11	\$4,786,626	10
Financial assets at fair value through profit or loss-current	4, 6(2)	-	-	101,461	-
Financial assets at fair value through other comprehensive income-current	4, 6(3)	30,114	-	15,989	-
Contract assets-current	4, 6(17), 6(18), 7	126,182	-	289,427	1
Notes receivable, net	4, 6(4), 6(18)	4,268	-	13,844	-
Accounts receivable, net	4, 6(5), 6(18)	4,936,281	9	4,418,689	9
Accounts receivable from related parties, net	4, 6(5), 6(18), 7	911,027	2	769,731	2
Other receivables	278,134	1	1	233,559	1
Other receivables from related parties	4, 7	7,956	-	11,337	-
Inventories, net	4, 6(6)	1,081,035	2	1,137,152	2
Prepayments	6(7)	272,607	1	656,455	2
Other current assets		77,370	-	191,099	-
Other financial assets-current		4	-	4	-
Total current assets	8	13,890,983	26	12,625,373	27
Non-current assets					
Financial assets at fair value through other comprehensive income-non-current	4, 6(3)	2,425,166	5	1,752,480	4
Investments accounted for using the equity method	4, 6(8)	65,228	-	62,352	-
Property, plant and equipment	4, 6(9), 7, 8	36,890,887	67	31,907,296	68
Right-of-use asset	4, 6(19)	1,373,907	2	-	-
Intangible assets	4, 6(10), 6(12), 6(25)	73,795	-	171,062	-
Deferred tax assets	4, 6(22), 6(23)	229,882	-	405,398	1
Other financial assets-non-current	8	113,125	-	109,912	-
Other non-current assets	4, 6(11)	16,176	-	121,886	-
Total non-current assets		41,188,166	74	34,530,386	73
Total assets		\$55,079,149	100	\$47,155,759	100

The accompanying notes are an integral part of the consolidated company 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, 2019 and 2018

(Amounts in thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	Notes	December 31, 2019		December 31, 2018	
			%		%
Current liabilities					
Short-term loans	4, 6(13), 9	\$493,383	1	\$111,879	-
Contract liabilities-current	4, 6(17), 7	68,330	-	130,203	-
Notes payable		1,633	-	50,156	-
Accounts payable		1,054,963	2	1,183,765	2
Accounts payable to related parties	7	30,713	-	12,391	-
Other payables		2,973,602	5	2,276,173	5
Other payables to related parties	7	91,048	-	80,831	-
Payables on equipment		963,512	2	800,724	2
Current tax liabilities	4, 6(23)	723,277	1		
Lease liabilities-current	4, 6(19)	792,980	1	291,830	1
Current portion of long-term liabilities	4, 6(14), 8, 9	403,605	1	-	-
Other current liabilities		303,923	1	184,284	-
Total current liabilities		7,900,969	14	279,668	1
				5,401,904	11
Non-current liabilities					
Long-term loans	4, 6(14), 8, 9	19,924,440	36	16,750,860	36
Deferred tax liabilities		39,921	-	-	-
Lease liabilities-non-current	4, 6(19)	485,263	1	-	-
Net defined benefit liabilities	4, 6(15)	528,169	1	481,570	1
Guarantee deposits		1,933	-	1,573	-
Total non-current liabilities		20,979,726	38	17,234,003	37
Total liabilities		28,880,695	52	22,635,907	48
Equity attributable to owners of the parent company					
Share capital	4, 6(16)				
Common stock		12,227,451	22	12,227,451	26
Capital surplus	4, 6(16)	4,832,721	9	4,844,536	10
Retained earnings					
Legal reserve		2,359,299	4	2,179,765	4
Special reserve		803,172	2	431,239	1
Undistributed earnings		6,371,702	12	5,597,293	12
Total retained earnings		9,534,173	18	8,208,297	17
Other equity	4	(402,406)	(1)	(803,173)	(1)
Equity attributable to owners of the parent company		26,191,939	48	24,477,111	52
Non-controlling interests					
Total equity	4, 6(16)	6,515	-	42,741	-
		26,198,454	48	24,519,852	52
Total liabilities and equities		\$55,079,149	100	\$47,155,759	100

The accompanying notes are an integral part of the consolidated company 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, 2019 and 2018
(Amounts in thousands of New Taiwan Dollars, except for earnings per share)

Description	Notes	2019	%	2018	%
Net sales	4, 6(17), 7	\$25,539,437	100	\$20,815,369	100
Operating costs	4, 6(6), 6(9), 6(10), 6(15), 6(19), 6(20), 7	(18,523,521)	(73)	(15,451,671)	(74)
Gross profit		7,015,916	27	5,363,698	26
Operating expenses	4, 6(9), 6(10), 6(15), 6(18), 6(19), 6(20), 7				
Selling expenses		(398,765)	(2)	(331,677)	(2)
Administrative expenses		(1,516,321)	(6)	(1,400,283)	(7)
Research and development expenses		(1,035,207)	(4)	(909,086)	(4)
Expected credit losses		(20,609)	-	(2,971)	-
Total operating expenses		(2,970,902)	(12)	(2,644,017)	(13)
Operating income		4,045,014	15	2,719,681	13
Non-operating income and expenses	4, 6(8), 6(9), 6(12), 6(21), 7				
Other income		188,133	1	91,280	-
Other gains and losses		(20,947)	-	324,961	2
Finance costs		(311,673)	(1)	(204,987)	(1)
Share of profit of associates accounted for using the equity method		14,336	-	(541,377)	(3)
Total non-operating income and expenses		(130,151)	-	(330,123)	(2)
Net income before income tax		3,914,863	15	2,389,558	11
Income tax expense	4, 6(23)	(873,379)	(3)	(595,668)	(2)
Net income		3,041,484	12	1,793,890	9
Other comprehensive income	4, 6(22)				
Items that will not be reclassified subsequently to profit or loss:					
Remeasurements of the defined benefit plan		(57,525)	-	(41,788)	-
Unrealized gains or losses from equity instruments investments measured at fair value through other comprehensive income		687,206	3	(164,411)	(1)
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		(136,555)	(1)	17,118	-
Items that will be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial statements of foreign operations		(186,914)	(1)	(81,443)	-
Income tax related to components of other comprehensive income that will be reclassified to profit or loss		37,373	-	24,851	-
Other comprehensive income, net of tax		343,585	1	(245,673)	(1)
Total comprehensive income		\$3,385,069	13	\$1,548,217	8
Net income attributable to :					
Owners of the parent company		\$3,041,566	12	\$1,795,344	9
Non-controlling interests		(82)	-	(1,454)	-
		\$3,041,484	12	\$1,793,890	9
Total comprehensive income attributable to :					
Owners of the parent company		\$3,385,203	13	\$1,549,371	8
Non-controlling interests		(134)	-	(1,154)	-
		\$3,385,069	13	\$1,548,217	8
Earning per share(NT\$)	4, 6(24)				
Basic Earnings Per Share		\$2.49		\$1.47	
Diluted Earnings Per Share		\$2.47		\$1.46	

The accompanying notes are an integral part of the consolidated company 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, 2019 and 2018
(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	Non-controlling interests			Total Equity
			Legal reserve	Special reserve	Undistributed earnings	Exchange differences resulting from translating the financial statements of foreign operations	Unrealized gains (losses) from equity instruments measured at fair value through other comprehensive income	Unrealized gains (losses) from available-for sale financial assets					
Balance as of January 1, 2018	\$12,202,383	\$5,327,372	\$1,956,400	\$386,010	\$5,403,995	-\$	\$(235,236)	\$(393,955)	\$5,412	\$25,046,336	\$5,658	\$25,051,994	
Effects of retrospective application and retrospective restatement of Balance at beginning of period after adjustments	-	-	-	-	448,328	-	-	(393,955)	(5,412)	48,961	-	48,961	
Balance at beginning of period after adjustments	12,202,383	5,327,372	1,956,400	386,010	5,852,323	-	(235,236)	(393,955)	-	25,095,297	5,658	25,100,955	
Appropriation and distribution of 2017 earnings:													
Legal reserve	-	-	223,365	-	(223,365)	-	-	-	-	-	-	-	
Special reserve	-	-	(45,229)	45,229	(45,229)	-	-	-	-	-	-	-	
Cash dividends	-	(488,511)	-	-	(1,709,789)	-	-	-	-	(2,198,300)	-	(2,198,300)	
Share of changes in net assets of associates and joint ventures accounted for using equity method	-	(33,755)	-	-	-	-	-	-	-	(33,755)	-	(33,755)	
Profit for the year ended December 31, 2018	-	-	-	-	1,795,344	-	-	-	-	1,795,344	(1,454)	1,793,890	
Other comprehensive income for the year ended December 31, 2018	-	-	-	-	(41,788)	-	(56,892)	(147,293)	-	(245,973)	300	(245,673)	
Total comprehensive income	-	-	-	-	1,753,556	-	(56,892)	(147,293)	-	1,549,371	(1,154)	1,548,217	
Conversion of convertible bonds	25,068	39,430	-	-	-	-	-	-	-	64,498	-	64,498	
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	38,237	38,237	
Disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	(30,203)	-	-	30,203	-	-	-	-	
Balance as of December 31, 2018	\$12,227,451	\$4,844,536	\$2,179,765	\$431,239	\$5,597,293	-\$	\$(292,128)	\$(511,045)	-\$	\$24,477,111	\$42,741	\$24,519,852	
Balance as of January 1, 2019	\$12,227,451	\$4,844,536	\$2,179,765	\$431,239	\$5,597,293	-\$	\$(292,128)	\$(511,045)	-\$	\$24,477,111	\$42,741	\$24,519,852	
Appropriation and distribution of 2018 earnings:													
Legal reserve	-	-	179,534	-	(179,534)	-	-	-	-	-	-	-	
Special reserve	-	-	-	371,933	(371,933)	-	-	-	-	-	-	-	
Cash dividends	-	-	-	-	(1,650,706)	-	-	-	-	(1,650,706)	-	(1,650,706)	
Profit for the year ended December 31, 2019	-	-	-	-	3,041,566	-	(149,489)	550,651	-	3,041,566	(82)	3,041,484	
Other comprehensive income for the year ended December 31, 2019	-	-	-	-	(57,525)	-	(149,489)	550,651	-	343,637	(52)	343,585	
Total comprehensive income	-	-	-	-	2,984,041	-	(149,489)	550,651	-	3,385,203	(134)	3,385,069	
Changes in ownership interests in subsidiaries	-	(11,815)	-	-	(7,854)	-	-	(395)	-	(19,669)	(36,092)	(55,761)	
Disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	395	-	-	-	-	-	-	-	
Balance as of December 31, 2019	\$12,227,451	\$4,832,721	\$2,359,299	\$803,172	\$6,371,702	-\$	\$(441,617)	\$39,211	-\$	\$26,191,939	\$6,515	\$26,198,454	

The accompanying notes are an integral part of the consolidated company 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, 2019 and 2018
(Amounts in thousands of New Taiwan Dollars)

Description	2019	2018	Description	2019	2018
Cash flows from operating activities :			Cash flows from investing activities :		
Profit before tax from continuing operations	\$3,914,863	\$2,389,558	Proceeds from disposal of financial assets at fair value through other comprehensive income	\$-	\$1,113
Adjustments for :			Proceeds from capital return of financial assets at fair value through other comprehensive income	395	8,625
The profit or loss items which did not affect cash flows:			Proceeds from disposal of financial assets at fair value through profit or loss	101,885	-
Depreciation	6,971,919	6,686,191	Acquisition of investments accounted for using the equity method	-	(245,408)
Amortization	87,531	40,203	Acquisition of property, plant and equipment	(11,621,595)	(8,680,807)
Expected credit loss	20,609	2,971	Proceeds from disposal of property, plant and equipment	121,535	271,099
Gains on financial assets and liabilities at fair value through profit or loss	(424)	(418)	Increase in refundable deposits	(192)	-
Interest expenses	311,673	204,987	Decrease in refundable deposits	-	29,842
Interest income	(12,617)	(22,217)	Acquisition of intangible assets	(26,418)	(23,774)
Dividend income	(38,398)	(880)	Net cash outflows from acquisition of subsidiaries	-	(167,009)
Investment (gain) loss accounted for using the equity method	(14,336)	541,377	Increase in other financial assets	(3,213)	(9,923)
Gain on disposal of property, plant and equipment	(8,338)	(165,812)	Decrease in other prepayments	-	2,142
Gain on disposal of investments accounted for using the equity method	-	(74,427)	Dividend received	49,858	10,940
Impairment of non-financial assets	91,181	-	Net cash used in investing activities	(11,377,745)	(8,803,160)
Unrealized foreign exchange (gain) loss	(234,047)	72,386			
Changes in operating assets and liabilities :			Cash flows from financing activities :		
Contract Assets	163,245	(289,427)	Increase in short-term loans	780,438	111,142
Notes receivable	9,576	(3,188)	Decrease in short-term loans	(377,519)	(413,652)
Accounts receivable	(538,180)	82,660	Borrowing in long-term loans	21,591,057	21,516,981
Accounts receivable from related parties	(141,296)	(96,583)	Repayments of long-term loans	(17,999,744)	(19,017,327)
Other receivables	(73,767)	9,337	Increase in guarantee deposits	360	449
Other receivables from related parties	3,264	145,199	Cash payment for the principal portion of the lease liabilities	(28,023)	-
Inventories	44,717	(209,119)	Cash dividends	(1,650,706)	-
Prepayments	(8,927)	(282,075)	Acquisition of ownership interests in subsidiaries	(37,070)	-
Other current assets	113,729	82,154	Interest paid	(264,581)	(201,192)
Contract liabilities	(61,873)	85,963	Net cash provided by (used in) financing activities	2,014,212	(201,899)
Notes payable	(48,523)	38,341	Effect of changes in exchange rate on cash and cash equivalents	(90,580)	(31,174)
Accounts payable	(128,802)	(11,431)	Net increase (decrease) in cash and cash equivalents	1,379,379	(608,403)
Accounts payable to related parties	18,322	5,155	Cash and cash equivalents at the beginning of the year	4,786,626	5,395,029
Other payables	673,593	(204,160)	Cash and cash equivalents at the end of the year	\$6,166,005	\$4,786,626
Other payables to related parties	13,937	48,768			
Other current liabilities	24,255	9,025			
Accrued pension liabilities	(10,926)	(6,842)			
Cash generated from operating activities	11,141,960	9,077,696			
Interest received	17,209	23,704			
Income tax paid	(325,677)	(673,570)			
Net cash provided by operating activities	10,833,492	8,427,830			

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

(Annex 7)

King Yuan Electronics Co., Ltd.
Comparison Table of Provisions Before and After the Amendments of the
Operational Procedures for Loaning Funds to Others

Provision	Provision after amending	Provision before amending	Amendment Reason
Article 3	<p>The aggregate amount of loans and the maximum amount permitted to a single borrower</p> <p>The amount of such financing facility shall not exceed forty percent of the amount of the net value of the lending enterprise which are divided into the following:</p> <p>1. When engaging loans with an inter-company or inter-firm, the aggregate amount of the loan shall not exceed 20 percent of the Company's net worth, and shall not exceed the business transaction amount in the past year between the two companies. "Business transaction amount" refers to the amount of purchase or sale between the two parties, whichever is higher.</p> <p>2. Where an inter-company or inter-firm short-term financing facility is necessary, the amount of the loan shall not exceed 20% of the Company's net worth, and each individual loan shall not exceed 10 percent of the net worth of the Company.</p> <p>The restriction in subparagraph 2 of the preceding paragraph, shall not apply to necessary short-term financing facilities between overseas companies in which the Company holds, directly or indirectly, 100 percent of the voting shares, nor to</p>	<p>The aggregate amount of loans and the maximum amount permitted to a single borrower</p> <p>The amount of such financing facility shall not exceed forty percent of the amount of the net value of the lending enterprise which are divided into the following:</p> <p>1. When engaging loans with an inter-company or inter-firm, the aggregate amount of the loan shall not exceed 20 percent of the Company's net worth, and shall not exceed the business transaction amount in the past year between the two companies. "Business transaction amount" refers to the amount of purchase or sale between the two parties, whichever is higher.</p> <p>2. Where an inter-company or inter-firm short-term financing facility is necessary, the amount of the loan shall not exceed 20% of the Company's net worth, and each individual loan shall not exceed 10 percent of the net worth of the Company.</p> <p>Where overseas companies in which the Company holds, directly or indirectly, 100 percent of the voting shares, the amount of loans of funds shall not exceed 50 percent of the net worth of the Company.</p>	Amendments made as required by regulations

	<p>loans of fund to the Company by any overseas company in which the Company holds, directly or indirectly, 100% of the voting shares. Each of the foreign subsidiaries shall follow the operational procedures of these standards when establishing maximum amount of loans. However, the aggregate amount of loans and single loan shall not exceed 50 percent of the net worth of the Company.</p>		
Article 4	<p>Duration of loans and calculation of interest</p> <p>1. Duration of loans</p> <p>Duration of loans shall not exceed one year. The restriction of one year duration loans shall not apply to inter-company loans of funds between overseas companies in which the Company holds, directly or indirectly, 100% of the voting shares, nor to loans of fund to the Company by any overseas company in which the Company holds, directly or indirectly, 100% of the voting shares. Each of the foreign subsidiaries shall follow the operational procedures of these standards when establishing duration of loans.</p> <p>2. Calculation of interest</p> <p>The calculation of interest of the Company's loan of funds shall not be lower than the highest interest rate of the Company's borrowing funds from financial institution during the same period, and interest is to be calculated daily and paid monthly.</p> <p>1. Interest calculated daily: Daily</p>	<p>Duration of loans and calculation of interest</p> <p>1. Duration of loans</p> <p>Duration of loans shall not exceed one year. Where overseas companies in which the Company holds, directly or indirectly, 100 percent of the voting shares, the duration of loans and calculation of interest apply the same.</p> <p>2. Calculation of interest</p> <p>The calculation of interest of the Company's loan of funds shall not be lower than the highest interest rate of the Company's borrowing funds from financial institution during the same period, and interest is to be calculated daily and paid monthly.</p> <p>1. Interest calculated daily: Daily loan is multiplied by its interest rate and divided by 365 to obtain the interest.</p> <p>2. Payment of interest: Exception for special requirements, in principle, the payment of loan interest shall be paid on a monthly basis. The borrower is notified the payment of interest within a week from the agreed payment date. If the</p>	<p>Amendments made as required by regulations</p>

	<p>loan is multiplied by its interest rate and divided by 365 to obtain the interest.</p> <p>2. Payment of interest: Exception for special requirements, in principle, the payment of loan interest shall be paid on a monthly basis. The borrower is notified the payment of interest within a week from the agreed payment date. If the borrower fails to pay on time, the interest will be calculated based on the number of overdue days and the penalty will be added.</p>	<p>borrower fails to pay on time, the interest will be calculated based on the number of overdue days and the penalty will be added.</p>	
Article 9	<p>Information disclosure</p> <p>1. The Company shall announce and report the previous month's loan balances of its head office and subsidiaries by the 10th day of each month.</p> <p>2. The Company whose loans of funds reach one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence:</p> <p>1. The aggregate balance of loans to others by the Company and its subsidiaries reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>2. The balance of loans by the Company and its subsidiaries to a single enterprise reaches 10 percent or more of the public company's net worth as stated in</p>	<p>Information disclosure</p> <p>1. The Company shall announce and report the previous month's loan balances of its head office and subsidiaries by the 10th day of each month.</p> <p>2. The Company whose loans of funds reach one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence:</p> <p>1. The aggregate balance of loans to others by the Company and its subsidiaries reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>2. The balance of loans by the Company and its subsidiaries to a single enterprise reaches 10 percent or more of the public</p>	<p>Amendments made as required by regulations</p>

	<p>its latest financial statement.</p> <p>3. The amount of new loans of funds by the Company or its subsidiaries reaches NT\$10 million or more, and reaches 2 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>3. The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to subparagraph 3 of the preceding paragraph.</p> <p>4. The term "announce and report" as used in these Articles means the process of entering data to the information reporting website designated by the Financial Supervisory Commission.</p> <p>5. "Date of occurrence" in these Article means the date of contract signing, date of payment, dates of boards of directors resolutions, or other date that can confirm the counterparty and monetary amount of the loan of funds, whichever date is earlier.</p> <p>6. The Company shall evaluate the status of its loans of funds and reserve sufficient allowance for bad</p>	<p>company's net worth as stated in its latest financial statement.</p> <p>3. The amount of new loans of funds by the Company or its subsidiaries reaches NT\$10 million or more, and reaches 2 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>3. The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to subparagraph 3 of the preceding paragraph.</p> <p>4. The term "announce and report" as used in these Articles means the process of entering data to the information reporting website designated by the Financial Supervisory Commission.</p> <p>5. "Date of occurrence" in these Articles means the date of contract signing, date of payment, dates of boards of directors' resolutions, or other date that can confirm the counterparty and transaction-amount, whichever date is earlier.</p> <p>6. The Company shall evaluate the status of its loans of funds and reserve sufficient allowance for bad debts, and shall adequately disclose relevant</p>	
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	debts, and shall adequately disclose relevant information in its financial reports and provide certified public accountants with relevant information for implementation of necessary auditing procedures.	information in its financial reports and provide certified public accountants with relevant information for implementation of necessary auditing procedures.	
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(Annex 8)

King Yuan Electronics Co., Ltd.
Comparison Table of Provisions Before and After the Operational
Procedures for Endorsements/Guarantees

Provision	Provision after amending	Provision before amending	Amendment Reason
Article 9	<p>Time limit and content of public announcements</p> <p>1. The Company shall announce and report the previous month's balance of endorsements/guarantees of itself and its subsidiaries by the 10th day of each month.</p> <p>2. The Company whose balance of endorsements/guarantees reaches one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence:</p> <p>(1) The aggregate balance of endorsements/guarantees by the Company and its subsidiaries reaches 50 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>(2) The aggregate balance of endorsements/guarantees by the Company and its subsidiaries reaches 50 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>(3) The balance of endorsements/guarantees by the Company and subsidiaries for a single enterprise reaches NT\$10 million or more and the aggregate amount of all</p>	<p>Time limit and content of public announcements</p> <p>1. The Company shall announce and report the previous month's balance of endorsements/guarantees of itself and its subsidiaries by the 10th day of each month.</p> <p>2. The Company whose balance of endorsements/guarantees reaches one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence:</p> <p>(1) The aggregate balance of endorsements/guarantees by the Company and its subsidiaries reaches 50 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>(2) The aggregate balance of endorsements/guarantees by the Company and its subsidiaries reaches 50 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>(3) The balance of endorsements/guarantees by the Company and subsidiaries for a single enterprise reaches NT\$10 million or more and the aggregate amount of all</p>	Amendments made as required by regulations

	<p>endorsements/guarantees for, <u>carrying value of equity method</u> investment in, and balance of loans to, such enterprise reaches 30 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>(4) The amount of new endorsements/guarantees made by the Company or its subsidiaries reaches NT\$30 million or more, and reaches 5 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>3. The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to subparagraph 4 of the preceding paragraph.</p> <p>4. The term "announce and report" as used in these Articles means the process of entering data to the information reporting website designated by the Financial Supervisory Commission.</p> <p>5. "Date of occurrence" in these Articles means the date of contract signing, date of payment, dates of boards of directors' resolutions, or other date that can confirm the counterparty and monetary amount of the endorsements/guarantees, whichever date is earlier.</p>	<p>endorsements/guarantees for, investment of long-term nature, and balance of loans to, such enterprise reaches 30 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>(4) The amount of new endorsements/guarantees made by the Company or its subsidiaries reaches NT\$30 million or more, and reaches 5 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>3. The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to subparagraph 4 of the preceding paragraph.</p> <p>4. The term "announce and report" as used in these Articles means the process of entering data to the information reporting website designated by the Financial Supervisory Commission.</p> <p>5. "Date of occurrence" in these Articles means the date of contract signing, date of payment, dates of boards of directors' resolutions, or other date that can confirm the counterparty and transaction amount, whichever date is earlier.</p>	
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(Annex 9)

King Yuan Electronics Co., Ltd.
Director (including Independent Directors) candidates of 2020
Annual General Meeting

Number	Candidate category	Candidate Name	Education	Experience	Incumbent	Shares held
1	Director	Chin-Kung Lee	Graduated from Department of Shipping & Transportation Management, National Taiwan Ocean University	President of KYEC	Chairperson and CEO of KYEC Independent Director of Quang Viet Enterprise Co., Ltd.	34,000,941
2	Director	Chi-Chun Hsieh	Graduate of the School of Medicine, Taipei Medical University	Supervisor of KYEC	Vice Chairperson of KYEC Doctor	5,552,037
3	Director	An-Hsuan Liu	PhD in Mechanical Engineering, North Carolina State University	Intematix Technology Center Corporation President	President and Director of KYEC	1,200,000
4	Director	Kao-Yu Liu	PhD in Architecture Engineering, the University of Tokyo	Supervisor of KYEC	Director of KYEC Chairperson of LC Architecture Realization Company, Inc. Chairperson of Ji-Ze Construction Development Co., Ltd.	4,808,267
5	Director	Kuan-Hua Chen	Masters in Financial Engineering, Carnegie Mellon University	Supervisor of Weikeng Industrial Co., Ltd.	Director of KYEC Director of Weikeng Industrial Co., Ltd.	3,168,574
6	Director	Yann Yuan Investment Co., Ltd Representative: Chao-Jung Tsai	N/A	N/A	N/A	52,600,000
			Masters in Management Science, National Chiao Tung University CPA	Director of ChipMOS Technologies Inc. President of SPIL Investment Co., Ltd.	Director of KYEC President of Yann Yuan Investment Co., Ltd. Director of Reallusion Inc. Director of Mingshui International Investment Co., Ltd.	0

7	Independent Director	Hui-Chun Hsu	Masters in Preventive Medicine, Institute of Health Policy and Management, National Taiwan University	Director of New Taipei City Medical Association	Independent Director of KYEC, member of Audit Committee and Compensation Committee Doctor Director of New Taipei City Medical Association	0
8	Independent Director	Dar-Yeh Hwang	Masters, and PhD in Finance, Rutgers University, USA	Professor of Department of Finance, National Taiwan University Director of Center for the Study of Banking and Finance, National Taiwan University Chair of both the Department and Institute of Finance, National Taiwan University	Independent Director of KYEC, member of Audit Committee and Compensation Committee Chairperson of McBorter AFMA Chairperson and President of Academy of Promoting Economic Legislation (APEL) Independent director of DBS (Taiwan) Independent Director of Chailease Holding	0
9	Independent Director	Semi Wang	Graduate of the Department of Aeronautics, College of Engineering, National Cheng Kung University	Vice President of KYEC President of NexPower Technology Corp. Supervisor of Glory Science Co., Ltd.	Chairperson of Mingxiang Culture Co., Ltd. Director of Cheng Uei Precision Industry Co., Ltd. Independent Director of Creative Sensor Inc. Supervisor of Kuo Kuang Power Co., Ltd. Member of the Taiwan Electrical and Electronic Manufacturers Association	10,000

(Appendix 1)

King Yuan Electronics Co., Ltd.
Shareholders' meeting rules of procedure

Article 1: The Company's shareholders' meeting shall be conducted in accordance with these rules.

Article 2: Shareholders (or their proxies) shall wear attendance badges when participating, and shall submit sign-in cards in order to sign in; number of shares shall be calculated as the number of shares on their sign-in cards.

Article 3: When shareholders with a number of represented shares exceeding the statutory number are in attendance, the Chairman shall announce the start of the meeting. If the number of represented shares has not reached the statutory number by the scheduled starting time, the Chairman may announce a delay in the meeting. If the number of represented shares is still insufficient after two delays (the first delay shall be for 20 minutes and the second delay for 10 minutes), but shareholders representing more than one third of the total number of issued shares are present, in accordance with Article 175 of the Company Act, the majority of the voting rights in attendance shall be sufficient for a provisional resolution. When the foregoing provisional resolution has been reached, if the number of shares represented by the shareholders in attendance has reached the statutory number, the formal start of the meeting shall be announced, and any provisional resolutions that have already been made shall be submitted to the meeting for retroactive acknowledgment.

Article 4: When shareholders in attendance wish to speak, they must first submit a speaking slip noting their attendance badge number and name, and the Chairman shall determine their speaking order.

Article 5: Shareholders' meeting shall comply with the procedures specified in the meeting agenda; the drafting of meeting agendas shall comply with the following guidelines:

1. Annual general meetings: Drafted by the Board of Directors.
2. Extraordinary general meetings: Drafted by the person with convening right.

The Chairman may not arbitrarily announce the end of the meeting without a resolution when the procedures called for in the agenda (including extraordinary motions) in the two foregoing paragraphs have not yet been completed. After the meeting has ended, shareholders may not additionally select a chairman on the spot or seek another place in which to hold a continuing meeting.

Article 6: Without the chairman's consent, each shareholder may speak for no more than two times concerning each proposal, and each time may not exceed 5 minutes.

Institutional shareholders may designate only one person to attend shareholders' meeting. If an institutional shareholder designates two persons to represent at a shareholders' meeting, only one person may speak concerning each proposal.

Article 7: Apart from those proposals listed in the agenda, shareholders may propose other proposals, or revisions or replacements to the original proposals; in such cases, when seconded by other shareholders, the shares represented by the proposer and the seconder must come to at least 1% of the total shares of common stock in circulation.

Article 8: An issue may not be discussed or voted on without a proposal. When discussing proposals, discussion should proceed in the order provided in the agenda. The Chairman may immediately put an end to a participant's speech when in violation of procedures or going beyond the issue at hand; the chairman may declare the end of discussion at an appropriate time, and may stop discussion when necessary.

Article 9: After the end or termination of discussion has been announced, the chairman shall promptly put the proposal to a vote. Each shareholder's voting rights shall be calculated in accordance with the Company's Articles of Incorporation.

Article 10: Except when the Company Act has special regulations concerning voting on proposals, a proposal will be deemed to have passed when a majority of the voting rights represented by the shareholders in attendance are in favor. However, when the chairman announces that a proposal has passed after seeking and finding no objections, the validity shall be the same as passage by a vote. If there are objections, the chairman may have those opposed call out their names in lieu of voting; after calculating the shares of those who have abstained, if the number of shares is insufficient to affect the passage of the proposal, the proposal shall be deemed to have passed, and the validity shall be equivalent to passage by voting.

Article 11: When shareholders commission a proxy to attend a shareholders' meeting, except in the case of a trust enterprise or transfer agent organization approved by the competent authority in charge of securities, when one proxy is commissioned by two or more shareholders, the proxy's voting rights may not exceed 3% of the total number of issued shares, and any excess portion of voting rights shall not be calculated.

Article 12: The chairman may announce a break during a meeting when time permits.

Article 13: Any matters not dealt with in these Rules shall be handled in accordance with the Company's Articles of Incorporation, the Company Act, and other relevant laws and regulations.

Article 14: These Rules shall take effect after passage by the shareholders' meeting, and likewise in the case of revisions.

Article 15: These Rules were established on August 20, 1997.
1st revision: May 7, 2002.

(Appendix 2)

King Yuan Electronics Co., Ltd.
Election Procedures for Directors

- Article 1: Except as otherwise provided by law and regulation the Company's Articles of Incorporation, the elections of directors shall be conducted in accordance with these Procedures.
- Article 2: The election of the Company's directors shall be conducted in accordance with the candidate nomination system, and the cumulative voting method is adopted. The number of votes exercisable in respect of one share shall be the same as the number of directors to be elected, and the total number of votes per share may be consolidated for election of one candidate or may be split for election of two or more candidates.
- Article 3: The Company shall, prior to the share transfer suspension date dedicated before the meeting date of a shareholders' meeting, announce in a public notice, the period for accepting the nomination of director candidates, the quota of directors to be elected, the place designated for accepting the roster of director candidates nominated, and other necessary matters.
- According to the Company Act and other applicable laws and regulations, the Company's board of directors and shareholders who hold more than one percent of the total issued shares may provide a list of director recommendations for the next term.
- The qualification of director candidates of the Company shall be based on applicable laws and regulations.
- Article 4: The Company's directors shall be selected from a candidate list by the shareholders meeting, and the number of candidates shall be based on the Articles of Incorporation and relevant public announcements. According to the result of votes, independent directors and non-independent directors are elected based on their votes. When two or more persons receive the same number of votes, thus exceeding the specified number of positions, they shall draw lots to determine the winner, with the Chair drawing lots on behalf of any person not in attendance.
- Article 5: When preparing for election votes, the Company shall specify the card numbers and voting rights of the attending shareholders.
- The voting of directors is held concurrently for independent directors and non-independent directors. The lists of successful candidates shall be calculated separately.
- Article 6: The election is announced by the Chair, and the Chair shall appoint a number of

persons to perform the respective duties of vote monitoring and counting personnel.

Article 7: If a candidate is a shareholder, a voter (shareholder) must enter the candidate's account name and shareholder account number in the "candidate" column of the ballot; for a non-shareholder, the voter shall enter the candidate's full name and identity card number. However, when two or more candidates are a governmental organization or juristic-person shareholder, the name of the governmental organization or juristic-person shareholder shall be entered in the column for the candidate's account name in the ballot, or both the name of the governmental organization or juristic-person shareholder and the name of its representative may be entered.

Shareholders may use a seal in replacement of the candidate's name (account name), account number and identity card number as prescribed in the preceding Paragraph.

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

After the ballot is put into the ballot box, the ballot box will be opened by the vote monitoring personnel, and the vote monitoring personnel will watch as the vote counting takes place.

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

1. The ballot was not prepared according to Article 5.
2. When number of candidate exceeds the limit stipulated in Article 4.
3. The total number of voting rights held by voters is lower than the number of voting rights taken.
4. The candidate whose name is entered in the ballot is a shareholder, but the candidate's account name and shareholder account number do not conform with those given in the shareholder register, or the candidate whose name is entered in the ballot is a non-shareholder, and a cross-check shows that the candidate's name and identity card number do not match.
5. The writing is unclear and indecipherable or has been altered.
6. 2 or more candidates have the same name and they failed to state their shareholder account number or identity card number to identify.
7. Other words or marks are entered in addition to the candidate's account name or shareholder account number (or identity card number) and the number of voting rights allotted.
8. A blank ballot is placed in the ballot box.

- Article 10: When in doubt regarding the ballot, the vote monitoring personnel determines whether the ballot is invalid. Invalid ballot will be marked as invalid after the ballot has been counted, and signed and stamped.
- Article 11: After counting the ballot, the voting monitoring personnel check if the total number of valid and invalid ballot is correct. After the valid ballot and their votes, as well as the invalid ballot and their votes are filled into the record separately. The result of the voting is announced on site.
Those who do not comply with Article 26-3, paragraph 3 stipulated in the Securities and Exchange Act, his/her election as a director shall become invalid.
- Article 12: The elected directors shall personally sign the director's consent and register their company with competent authority.
- Article 13: Matters for which these Rules make no provision shall be handled in accordance with other applicable laws and regulations.
- Article 14: These Regulations, and any amendments hereto, shall be implemented after approval by a shareholders meeting.
- Article 15: These Regulations have been prescribed on August 20, 1997.
First amendment was made on April 20, 1999.
Second amendment was made on May 7, 2002.
Third amendment was made on June 13 2007.
4th amendment was made on June 12, 2014

(Appendix 3)

King Yuan Electronics Co., Ltd.
Company Articles of Incorporation

Chapter 1 General Provisions

Article 1: The Company is organized as prescribed in the Company Act, and is formally named the King Yuan Electronics Co., Ltd. (its English name is KING YUAN ELECTRONICS CO., LTD.)

Article 2: The Company is engaged in the following business activities:

1. Design, manufacturing, testing, tooling, processing, packaging, and sale of all types of integrated circuits.
2. Manufacturing, processing, and sale of all types of burn-in oven and parts and accessories.
3. Import/export trade in the foregoing products.
4. Price quotation, bidding, and distribution services for the foregoing products on behalf of domestic and foreign vendors.
5. ZZ99999 Apart from the permitted business activities, other business is not prohibited or restricted by laws or regulations.

Article 2-1: When this Company is a limited liability shareholder of another company, total investment in that company shall not be subject to the restriction of Article 13 of the Company Act that total investment may not exceed 40% of total paid-in capital.

Article 2-2: The Company may provide guarantees to third parties when warranted by business needs.

Article 3: The Company's headquarters are located in Hsinchu. When necessary, the Company may establish subsidiaries in Taiwan or overseas following a resolution of Board of Directors.

Article 4: Deleted.

Chapter 2 Shares

Article 5: The Company has total capital set at NT\$ 15.0 billion, which is divided into 1.5 billion shares (including 30 million stock options for provision to employees), and each share has a value of NT\$10, with shares issued in batches. The Board of Directors has been authorized to issue those as yet unissued shares in batches in order to meet business needs.

Article 5-1: Employee stock options may be issued only when the subscription price of shares issued by the Company is less than that of the closing price of the Company's common stock on the day of issuance, and shareholders representing two-thirds of

voting rights at a shareholders' meeting with shareholders representing a majority of outstanding shares in attendance are in agreement.

The Company shall transfer stock options to employees at a price lower than the actual average stock buyback price. Before transfer, shareholders representing two-thirds of voting rights at a shareholders' meeting with shareholders representing a majority of outstanding shares in attendance must provide their agreement.

Article 6: Deleted.

Article 7: Since the Company's shares are registered, at least three directors must sign or applied their seals to shares, which must be notarized, before issuance. The company may also issue large face value shares at the same time.

The Company need not print out stock when issuing shares, and may instead register issued shares at a centralized securities depository enterprise.

Article 8: The transfer of shares shall cease during a 60-day period prior to the annual general meeting, during a 30-day period prior to an extraordinary general meeting, or during a 5-day period before the based day determined by the Company for the distribution of dividends, bonuses, or other benefits.

Chapter 3 Shareholders' meeting

Article 9: Shareholders' meetings consist of general meetings and extraordinary meetings. General meetings are held once annually, and shall be convened by the Board of Directors in accordance with law within the six-month period after the end of each fiscal year. Extraordinary meetings shall be convened in accordance with law when necessary.

Article 10: A shareholder who cannot attend a shareholders' meeting for some reason may authorize a proxy to attend after signing and applying his or her seal to a letter of authorization printed by the company explicitly stating the scope of authorization.

Article 11: With regard to the Company's shareholders, apart from those situations specified in Article 179 of the Company Act in which shares have no voting rights and in Article 197-1, Paragraph 2 of the Company act in which directors' ability to mortgage their voting rights are restricted, each share shall have one voting right.

Article 12: Except when the Company's other regulations apply, proposals that shareholders' meetings shall be passed when the majority of the voting rights of shareholders in attendance are in agreement at a shareholders' meeting at which shareholders representing a majority of the total outstanding shares are in attendance.

Article 12-1: Except when laws and regulations and other requirements of the Company's Articles of Incorporation are applicable, the procedures at shareholders' meetings

shall be handled in accordance with this Company's shareholders' meeting rules of procedure.

Chapter 4 Directors and the Audit Committee

Article 13: The Company shall have from 7 to 11 directors, who shall be appointed for terms of three years. Candidates for director positions shall be nominated, and the directors shall be selected from a list of candidates at a shareholders' meeting. Directors may serve consecutive terms if selected repeatedly. In accordance with law, within their periods of appointment, directors must purchase liability insurance in light of possible compensation obligations reflecting the scope of their duties.

Independent directors may account for no less than three of the number of directors in the foregoing paragraph, and may constitute no less than one-fifth of all directors. Independent directors' professional qualifications, shareholdings, part-time working restrictions, nomination and selection methods, and other binding matters shall be handled in accordance with the relevant regulations of the competent authority in charge of securities.

Article 13-1: The Company has had an Audit Committee since the 12th Board of Directors; the Audit Committee is composed of all independent directors.

The Audit Committee's size, members' periods of appointment and duties, rules of procedure, and resources that must be provided by the Company when the committee members are exercising their official powers shall be determined in accordance with the Audit Committee Organizational Rules.

Article 14: The Board of Directors shall be composed of the directors. The Director & Chairman shall be selected from among the directors by a majority vote at a meeting at which at least two-thirds of the directors are in attendance, and another person may be chosen as Director & Vice-Chairman employing the same method. The Director & Chairman shall serve as the chairman of shareholders and Board of Directors meetings, and shall represent the Company in an external capacity.

Article 15: If the Director & Chairman has taken leave or cannot exercise his authority for some reason, a deputy may be designated in accordance with Article 208 of the Company Act.

Article 15-1: Directors must attend meetings of Board of Directors in person. A director who cannot attend a meeting of Board of Directors may employ a letter of authorization to entrust another director to attend that meeting on his or her behalf; each director may accept such authorization from only one other director.

Article 15-2: The following tasks shall be performed at meetings of Board of Directors:

1. Deliberation of business strategies and medium-/long-term development

plans.

2. Deliberation of annual business plans and supervision of implementation.
3. Budget approval and deliberation of final accounting.
4. Deliberation of capital increase or decrease plans.
5. Deliberation of plans for distribution of earnings program or make-up of losses.
6. Approval of major external contracts.
7. Deliberation of the Company's Articles of Incorporation or revisions.
8. Approval of the Company's organizational rules and major business rules.
9. Decisions concerning the establishment, reorganization, or elimination of branch organizations.
10. Decision of plans involving major capital expenditures.
11. Hiring and dismissal of managers.
12. Implementation of shareholders' meeting resolutions.
13. Deliberation of matters proposed by managers for review.
14. Holding of shareholders' meetings and business reports.
15. Other matters that must be handled in accordance with law.

Article 16: The Board of Directors has been authorized to determine compensation for all directors on the basis of the degree of directors' participation in the Company's operations and the value of their contribution, and in consideration of prevailing standards in the industry.

Chapter 5 Managers

Article 17: The appointment, dismissal, and compensation of managers shall be handled in accordance with Article 29 of the Company Act and other relevant laws and regulations.

Chapter 6 Accounting

Article 18: The Company shall have the Board of Directors compile a (1) business report, (2) financial statement, and (3) proposed distribution of earnings or plan to make up losses after the end of each fiscal year. These statements shall be presented for acknowledgment at the annual general meeting.

Article 19: Company shall, depending on the earnings for the year, distribute 8%-10% of earnings as employee compensation, and shall distribute less than 1% of earnings to directors as remuneration. However, if the Company has cumulative losses, an amount sufficient to make up losses shall be retained.

Employee compensation shall be distributed in the form of stock or cash, and such stock or cash may also be distributed to the employees of affiliated companies who

meet certain conditions.

In Paragraph 1, current-year earnings refer to profit before tax, employee compensation and directors' remuneration.

The proposed distribution of employee compensation and directors' remuneration shall be approved by a majority at a meeting of Board of Directors at which more than two-thirds of the directors are in attendance, and shall be reported to the shareholders' meeting.

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

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

Chapter 7 Supplementary provisions

Article 21: Any matters not dealt with fully in the Company's Articles of Incorporation shall uniformly be handled in accordance with the Company Act.

Article 21-1: The Company's various rules, regulations, and operating bylaws shall be separately determined.

Article 22: These Articles of Incorporation were established on May 2, 1987

1st revision: May 20, 1987

2nd revision: November 22, 1988

3rd revision: December 12, 1988

4th revision: February 5, 1990

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

(Appendix 4)

King Yuan Electronics Co., Ltd.

Rules of Procedure for Board of Directors Meetings

- Article 1: These Rules are established according to the provisions of Article 26-3, paragraph 8 of the Securities Act and the Regulations Governing Procedure for Board of Directors Meetings of Public Companies.
- Article 2: Except as otherwise provided by the law and regulations in the Company's Articles of Incorporation, the board of directors meetings of the Company shall be conducted in accordance with these Rules.
- Article 3: The Company's board of directors meetings shall be convened at least once quarterly.
- A notice of the reasons for convening a board meeting shall be given to each director before 7 days before the meeting is convened. In emergency circumstances, however, a board meeting may be called on shorter notice.
- The notice to be given under the preceding paragraph may be effected by means of electronic transmission with the prior consent of the recipients.
- All subparagraphs set forth under Article 7, paragraph 1 of these Rules shall be specified in the notice of the reasons for convening a board meeting.
- None of those matters may be raised by an extraordinary motion except in the case of an emergency or for other legitimate reason.
- Article 4: A board meeting shall be held at the premises and during the business hours of the Company, or at a place and time convenient for all directors to attend and suitable for holding board meetings.
- Article 5: The designated unit responsible for the board meetings of the Company is the Finance Department.
- The unit responsible for board meetings shall draft agenda items and prepare sufficient meeting materials, and shall deliver them together with the notice of the meeting.
- A director who is of the opinion that the meeting materials provided are insufficient may request their supplementation by the unit responsible for board meetings. If a director is of the opinion that materials concerning any proposal are insufficient, the deliberation of such proposal may be postponed by a resolution of the board of directors.
- Article 6: Agenda items for regular board meetings of the Company shall include at least the following:
1. Matters to be reported:

- (1) Minutes of the last meeting and action taken.
- (2) Important financial and business matters.
- (3) Internal audit activities.
- (4) Other important matters to be reported.

2. Matters for discussion:

- (1) Items for continued discussion from the last meeting.
- (2) Items for discussion at this meeting.

3. Extraordinary motions.

Article 7: The matters listed below as they relate to the Company shall be raised for discussion at a board meeting:

1. The Company's business plan.
2. The matters stipulated in paragraph 4 of this Article.
3. A donation to a related party or a major donation to a non-related party. However, a public-interest donation of disaster relief that is made for a major natural disaster may be submitted to the following board of directors meeting for retroactive recognition.
4. Any matter that, under Article 14-3 of the Securities and Exchange Act or any other law, regulation, or bylaw, must be approved by resolution at a shareholders meeting or board meeting, or any material matter as may be prescribed by the competent authority.

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

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

The following matters 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:

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

2. Inspection of the effectiveness of the internal control system.
3. Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of any handling procedures for material financial or business transactions, such as the acquisition or disposal of assets, derivatives trading, loans of funds to others, and endorsements or guarantees for others.
4. Matters that involve the director's own interests.
5. Material assets or derivatives trading.
6. Material loans, making endorsements or guarantees.
7. The offering, issuance, or private placement of equity-type securities.
8. The appointment, discharge or remuneration of a Certified Public Accountant (CPA).
9. The appointment or discharge of a financial, accounting, or internal audit officer.
10. Annual and bi-annual financial reports. With the exception of discussion on the board of directors meeting for bi-annual financial reports that are not required be audited and attested by a certified public accountant (CPA).
11. Material matter as may be prescribed by other companies or the competent authority

For all subparagraphs of the preceding paragraph except for subparagraph 10, if the approval of one-half or more of all audit committee members as required is not met, the Rules may still be implemented if approved by two-thirds or more of all directors, and may be made free of the restriction of the preceding paragraph. The resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.

The terms "all audit committee members" in paragraph 4 and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.

At least one independent director of the Company shall attend the meeting in person. With respect to the matters which must be approved by resolutions at a board meeting as provided in the first paragraph, any and all independent directors shall attend the meeting. Where an independent director is unable to attend the meeting, that independent director shall appoint another independent director to attend the meeting as proxy. If an independent director objects to or expresses reservations about such a matter, it shall be recorded in the board meeting minutes; if an independent director intends to express an objection or reservation but is unable to attend the meeting in person, then unless there is a

legitimate reason to do otherwise, that director shall issue a written opinion in advance, which shall be recorded in the board meeting minutes.

Article 8: Except for matters that must be submitted to the board of directors for discussion under Article 7, paragraph 1, in accordance with law, or Articles of Incorporation, the level of delegation or the content or matters to be delegated shall be clearly specified.

Article 9: When a board meeting of the Company is held, an attendance book shall be provided for signing-in by attending directors.

Directors shall attend board meetings in person. A director unable to attend in person may appoint another director to attend the meeting in his or her place in accordance with the Company's Articles of Incorporation. Attendance by videoconference will be deemed attendance in person.

A director who appoints another director to attend a board meeting shall in each instance issue a proxy form stating the scope of authorization with respect to the reasons for convening the meeting.

The proxy referred to in paragraph 2 may be the appointed proxy of only one person.

Article 10: Board meetings shall be convened and chaired by the chairperson of the board. However, with respect to the first meeting of each newly elected board of directors, it shall be called and chaired by the director that received votes representing the largest portion of voting rights at the shareholders meeting in which the directors were elected; if two or more directors are so entitled to convene the meeting, they shall select from among themselves one director to serve as chair.

When the chairperson of the board is on leave or for any reason unable to exercise the powers of chairperson, the vice chairperson shall act in place of the chairperson; if there is no vice chairperson or the vice chairperson is also on leave or for any reason unable to exercise the powers of vice chairperson, the chairperson shall appoint one of the directors to act. If no such designation is made by the chairperson, the directors shall select from among themselves one director to serve as chair.

Article 11: When the Company convenes a board of directors meeting, as merited by the content of a proposal to be put forward at a board meeting, personnel from a relevant department or a subsidiary may be notified to attend the meeting as non-voting participants.

When necessary, certified public accountants, attorneys, or other professionals

retained by the Company may also be invited to attend the meeting as non-voting participants and to make explanatory statements. They shall leave the meeting when deliberation or voting takes place.

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

If one-half of all the directors are not in attendance at the appointed meeting time, the chair may announce postponement of the meeting time, provided that no more than two such postponements may be made. If the quorum is still not met after two postponements, the chair shall reconvene the meeting in accordance with the procedures in Article 3, paragraph 2.

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

Article 13: A board meeting shall follow the agenda given in the meeting notice. However, the agenda may be changed with the approval of a majority of directors in attendance at the board meeting.

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

At any time during the course of a board meeting, if the number of directors sitting at the meeting does not constitute a majority of the attending directors, then upon the motion by a director sitting at the meeting, the chair shall declare a suspension of the meeting, in which case Article 12, paragraph 2 shall apply *mutatis mutandis*.

Article 14: When the chair at a board meeting is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed and call a vote.

When a proposal of the Company comes to a vote at a board meeting, if no attending director voices an objection following an inquiry by the chair, the proposal will be deemed approved. If there is an objection following an inquiry by the chair, the proposal shall be brought to a vote.

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

1. A show of hands or a vote by voting machine.
2. A roll call vote.
3. A vote by ballot.

Except for all attending director who pass without an objection following an inquiry, the methods of voting, monitoring of votes and counting of votes shall be recorded in the minutes.

"Attending directors," as used in the preceding two paragraphs, does not include directors that may not exercise voting rights pursuant to Article 16, paragraph 1.

Article 15: Except where otherwise provided by the Securities and Exchange Act and the Company Act, the passage of a proposal at a board meeting shall require the approval of a majority of the directors in attendance at a board of directors meeting attended by a majority of all directors.

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

If a vote on a proposal requires monitoring and counting personnel, the chair shall appoint such personnel, providing that all monitoring personnel shall be directors. Voting results shall be made known on-site immediately and recorded in writing.

Article 16: If a director or a juristic person that the director represents is an interested party in relation to an agenda item, the director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interest of the Company, that director may not participate in discussion or voting on that agenda item and shall recuse himself or herself from the discussion or the voting on the item, and may not exercise voting rights as proxy for another director. If a director violates the rule and does not recuse himself or herself from the agenda item but participates in the voting, the voting is regarded as invalid.

Where a director is prohibited by the preceding paragraph from exercising voting rights with respect to a resolution at a board meeting, the provisions of Article 206, paragraph 3 of the Company Act apply mutatis mutandis in accordance with Article 180, paragraph 2 of the same Act.

Article 17: Discussions at the Company's board meetings shall be recorded in the meeting minutes, and the minutes shall fully and accurately state the matters listed below:

1. The meeting session and the time and place of the meeting.
2. The name of the chair.
3. The directors' attendance at the meeting, including the names and the number of directors in attendance, excused, and absent.

4. The names and titles of those attending the meeting as non-voting participants.
5. The name of the minute taker.
6. The matters reported at the meeting.
7. Discussion items: the method of resolution and the result for each proposal; a summary of the comments made by directors, professional, or other persons; the name of any director that is an interested party as referred to in paragraph 1 of the preceding article, an explanation of the important aspects of the relationship of interest, the reasons why the director was required or not required to enter recusal, and the status of their recusal; opinions expressing objections or reservations at the meeting that were included in records or stated in writing; and any opinion issued in writing by an independent director pursuant to Article 7, paragraph 7.
8. Extraordinary motions: The name of the mover, the method of resolution and the result, a summary of the comments of any director, professional, or other person; the name of any director that is an interested party as referred to in paragraph 1 of the preceding article, an explanation of the important aspects of the relationship of interest, the reasons why the director was required or not required to enter recusal, and the status of their recusal; and their objections or reservations and any recorded or written statements.
9. Other matters required to be recorded.

The occurrence of any of the following circumstances, with respect to a resolution passed at a board meeting, shall be stated in the meeting minutes and shall be publicly announced and filed on the website of the Market Observation Post System designated by the competent authority, within 2 days from the date of the meeting:

1. Any objection or expression of reservations by an independent director expresses of which there is a record or written statement.
2. A resolution is adopted with the approval of two-thirds or more of all directors, without having been passed by the audit committee.

The attendance book constitutes part of the minutes for each board meeting and shall be retained permanently.

The minutes of a board meeting shall bear the signature or seal of both the chair and the minute taker, and a copy of the minutes shall be distributed to each director within 20 days after the meeting. The minutes shall be deemed important corporate records and appropriately preserved during the existence of the Company.

The meeting minutes of paragraph 1 may produce and distributed in electronic form.

Article 18: Proceedings of a board meeting shall be recorded in their entirety in audio or video, and the recording shall be retained for a minimum of 5 years. The record may be retained in electronic form.

If any litigation arises with respect to a resolution of a board meeting before the end of the retention period of the preceding paragraph, the relevant audio or video record shall be retained until the conclusion of the litigation.

Where a board meeting is held by videoconference, the audio or video documentation of the meeting constitutes part of the meeting minutes and shall be retained for the duration of the existence of the Company.

Article 19: Where the Company's meetings of the board has managing directors, the provisions of Article 2, Article 3, paragraph 2, Articles 4 to 6, Articles 9 and Articles 11 to 18 shall apply, mutatis mutandis. However, if meetings of the board of managing directors are held at regular intervals of 7 days or less, notices of such meetings may be given to each managing director before 2 days before the meeting.

Article 20: These Rules of Procedure shall be adopted by the approval of meeting of the board of directors and shall be reported to the shareholders meeting. The same shall be followed when the procedures have been amended.

(Appendix 5)

King Yuan Electronics Co., Ltd.

Ethical Corporate Management Best-Practice Principles

Article 1: In order to help the Company establish the enterprise culture for ethical corporate management and well-found its development to prove the reference framework for fair business model, the Company has established its own “Ethical Corporate Management Best-Practice Principles” (the Principles).

The Principles comprise its subsidiaries, any foundation to which the Company's direct or indirect contribution of funds exceeds 50 percent of the total funds received, and other institutions or juridical persons which are substantially controlled by such company ("business group").

Article 2: When engaging in commercial activities, directors, managers, employees, and mandators of the Company or persons having substantial control over such companies ("substantial controllers") shall not directly or indirectly offer, promise to offer, request or accept any improper benefits, nor commit unethical acts including breach of ethics, illegal acts, or breach of fiduciary duty ("unethical conduct") for purposes of acquiring or maintaining benefits.

Parties referred to in the preceding paragraph include civil servants, political candidates, political parties or members of political parties, state-run or private-owned businesses or institutions, and their directors, supervisors, managers, employees or substantial controllers or other stakeholders.

Article 3: "Benefits" in the Principles means any valuable things, including money, endowments, commissions, positions, services, preferential treatment or rebates of any type or in any name. Benefits received or given occasionally in accordance with accepted social customs and that do not adversely affect specific rights and obligations shall be excluded.

Article 4: The Company shall comply with the Company Act, Securities and Exchange Act, Business Entity Accounting Act, Political Donations Act, Anti-Corruption Statute, Government Procurement Act, Act on Recusal of Public Servants Due to Conflicts of Interest, TWSE/GTSM listing rules, or other laws or regulations regarding commercial activities, as the underlying basic premise to facilitate ethical corporate management.

Article 5: The Company shall formulate policies based on the management concept of honesty, transparency and responsibility. The Company also establishes good corporate governance and risk control mechanisms to create a business environment for sustainable developments.

Article 6: The Company shall formulate its ethical management policy clearly and thoroughly prescribe the specific ethical management practices and actively prevent unethical behaviors. If deemed necessary formulate preventive programs including operational procedures, behavioral guidelines, and education and training. When establishing the preventive programs, the Company shall comply with relevant laws and regulations of the territory where the Company and its group are operating.

The Company shall establish operational procedures and guidelines in accordance with the preceding paragraph. The procedures and guidelines should at least contain the following matters:

1. Standards for determining whether improper benefits have been offered or accepted.
2. Procedures for offering legitimate political donations.
3. Procedures and the standard rates for offering charitable donations or sponsorship.
4. Rules for avoiding work-related conflicts of interests and how they should be reported and handled.
5. Rules for keeping confidential trade secrets and sensitive business information obtained in the ordinary course of business.
6. Regulations and procedures for dealing with suppliers, clients and business transaction counterparties suspected of unethical conduct.
7. Handling procedures for violations of these Principles.
8. Disciplinary measures on offenders.

Article 7: Upon Company's establishment of preventive programs, it shall analyze business activities which are at a high risk of being involved in unethical conduct and strengthen relevant preventive measures.

Upon Company's establishment of preventive programs, it shall at least include preventive measures against the following:

1. Offering and acceptance of bribes.
2. Illegal political donations.
3. Improper charitable donations or sponsorship.
4. Offering or acceptance of unreasonable presents or hospitality, or other improper benefits.
5. Misappropriation of trade secrets and infringement of trademark rights, patent rights, copyrights, and other intellectual property rights.
6. Engaging in unfair competitive practices.

7. Damage directly or indirectly caused to the rights or interests, health, or safety of consumers or other stakeholders in the course of research and development, procurement, manufacture, provision, or sale of products and services.

Article 8: The Company and its respective business group shall clearly specify in their rules and documents and the ethical corporate management policies and the commitment by the board of directors and senior management on rigorous and thorough implementation of such policies, and shall carry out the policies in internal management and in commercial activities.

Article 9: The Company shall engage in commercial activities in a fair and transparent manner based on the principle of ethical management.

The Company shall take into consideration the legitimacy of its agents, suppliers, customers or other business trading counterparts and whether they are involved in any unethical activities before engaging in transactions, in order to avoid engaging in transactions with unethical ones.

The agreements/contracts concluded by the Company with its agents, suppliers, customers or other business trading counterparts shall include the ethical corporate management policy and the clauses providing that the agreements/contracts shall be rescinded or terminated where the trading counterparts are involved in any unethical activities.

Article 10: When conducting business, the Company and its directors, managers, employees, mandators, and substantial controllers, may not directly or indirectly offer, promise to offer, request, or accept any improper benefits in whatever form to or from clients, agents, contractors, suppliers, public servants, or other stakeholders.

Article 11: When directly or indirectly offering a donation to political parties or organizations or individuals participating in political activities, the Company and its directors, managers, employees, mandators, and substantial controllers, shall comply with the Political Donations Act and their own relevant internal operational procedures, and shall not make such donations in exchange for commercial gains or business advantages.

Article 12: When making or offering donations and sponsorship, the Company and its directors, managers, employees, mandators, and substantial controllers shall comply with relevant laws and regulations and internal operational procedures, and shall not surreptitiously engage in bribery.

Article 13: The Company and its directors, managers, employees, mandators, and substantial controllers shall not directly or indirectly offer or accept any unreasonable presents, hospitality or other improper benefits to establish business relationship

or influence commercial transactions.

Article 14: The Company and its directors, managers, employees, mandators, and substantial controllers shall observe applicable laws and regulations, the company's internal operational procedures, and contractual provisions concerning intellectual property, and may not use, disclose, dispose, or damage intellectual property or otherwise infringe intellectual property rights without the prior consent of the intellectual property rights holder.

Article 15: The Company shall engage in business activities in accordance with applicable competition laws and regulations, and may not fix prices, make rigged bids, establish output restrictions or quotas, or share or divide markets by allocating customers, suppliers, territories, or lines of commerce.

Article 16: In the course of research and development, procurement, manufacture, provision, or sale of products and services, the Company and its directors, managers, employees, mandators, and substantial controllers shall observe applicable laws and regulations and international standards to ensure the transparency of information about, and safety of, their products and services. They shall also adopt and publish a policy on the protection of the rights and interests of consumers or other stakeholders, and carry out the policy in their operations, with a view to preventing their products and services from directly or indirectly damaging the rights and interests, health, and safety of consumers or other stakeholders. Where there are sufficient facts to determine that the Company's products or services are likely to pose any hazard to the safety and health of consumers or other stakeholders, the company shall, in principle, recall those products or suspend the services immediately.

Article 17: The directors, supervisors, managers, employees, mandators, and substantial controllers of a TWSE/GTSM listed company shall exercise the due care of good administrators to urge the company to prevent unethical conduct, always review the results of the preventive measures and continually make adjustments so as to ensure thorough implementation of its ethical corporate management policies.

To achieve sound ethical corporate management, the Company shall establish a dedicated unit that is under the Board of Directors, responsible for establishing and supervising the implementation of the ethical corporate management policies and preventive programs. The dedicated unit shall mainly be in charge of the following matters, and shall report to the Board of Directors on a regular basis:

1. Assisting in incorporating ethics and moral values into the company's business strategy and adopting appropriate preventive measures against corruption and

malfeasance to ensure ethical management in compliance with the requirements of laws and regulations.

2. Adopting programs to prevent unethical conduct, and setting out in each program the standard operating procedures and conduct guidelines with respect to the company's operations and business.
3. Planning the internal organization, structure, and allocation of responsibilities and setting up check-and-balance mechanisms for mutual supervision of the business activities within the business scope which are possibly at a higher risk for unethical conduct.
4. Promoting and coordinating awareness and educational activities with respect to ethics policy.
5. Developing a whistle-blowing system and ensuring its operating effectiveness.
6. Assisting the Board of Directors and management in auditing and assessing whether the preventive measures taken for the purpose of implementing ethical management are effectively operating, and preparing reports on the regular assessment of compliance with ethical management in operating procedures.

Article 18: The Company and its directors, managers, employees, mandators, and substantial controllers shall comply with laws and regulations and the prevention programs when conducting business.

Article 19: The Company shall adopt policies for preventing conflicts of interest to identify, monitor, and manage risks possibly resulting from unethical conduct, and shall also offer appropriate means for directors, supervisors, managers, and other stakeholders attending or present at board meetings to voluntarily explain whether their interests would potentially conflict with those of the company.

When a proposal at a given board of directors meeting concerns the personal interest of, or the interest of the juristic person represented by, any of the directors, managers, and other stakeholders attending or present at board meetings of the Company, the concerned person shall state the important aspects of the relationship of interest at the given board meeting. If his or her participation is likely to prejudice the interest of the company, the concerned person may not participate in discussion of or voting on the proposal and shall recuse himself or herself from the discussion or the voting, and may not exercise voting rights as proxy for another director. The directors shall practice self-discipline and must not support one another in improper dealings.

The Company's directors, managers, employees, mandators, and substantial controllers shall not take advantage of their positions or influence in the

companies to obtain improper benefits for themselves, their spouses, parents, children or any other person.

Article 20: The Company shall establish effective accounting systems and internal control systems for business activities possibly at a higher risk of being involved in an unethical conduct, not have under-the-table accounts or keep secret accounts, and conduct reviews regularly so as to ensure that the design and enforcement of the systems are showing results.

The internal audit unit shall regularly examine the compliance with the preventive programs in the preceding system and put down in writing in the form of an audit report to be submitted to the Board of Directors. The internal audit unit may engage a certified public accountant to carry out the audit, and may engage professionals to assist if necessary.

Article 21: The chairperson, president, or senior management of the Company shall communicate the importance of corporate ethics to its directors, employees, and mandators on a regular basis.

The Company shall periodically organize training and awareness programs for directors, managers, employees, mandators, and substantial controllers and invite the companies' commercial transaction counterparties so they understand the companies' resolve to implement ethical corporate management, the related policies, prevention programs and the consequences of committing unethical conduct.

The Company shall apply the policies of ethical corporate management when creating its employee performance appraisal system and human resource policies to establish a clear and effective reward and discipline system.

Article 22: The Company shall adopt a concrete whistle-blowing system accordingly and scrupulously operate the system. The whistle-blowing system shall include at least the following:

1. An independent mailbox or hotline, either internally established and publicly announced or provided by an independent external institution, to allow internal and external personnel of the company to submit reports.
2. Dedicated personnel or unit appointed to handle the whistle-blowing system. Any tip involving a director or senior management shall be reported to the independent directors. Categories of reported misconduct shall be delineated and standard operating procedures for the investigation of each shall be adopted.

3. Documentation of case acceptance, investigation processes, investigation results, and relevant documents.
4. Confidentiality of the identity of whistle-blowers and the content of reported cases.
5. Measures for protecting whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing.
6. Whistle-blowing incentive measures.

When material misconduct or likelihood of material impairment to the Company comes to their awareness upon investigation, the dedicated personnel or unit handling the whistle-blowing system shall immediately prepare a report and notify the independent directors in written form.

Article 23: The Company shall adopt and publish a well-defined disciplinary and appeal system for handling violations of the ethical corporate management rules, and shall make immediate disclosure on the company's internal website of the title and name of the violator, the date and details of the violation, and the actions taken in response.

Article 24: The Company shall collect quantitative data about the promotion of ethical management and continuously analyze and assess the effectiveness of the promotion of ethical management policy. They shall also disclose the measures taken for implementing ethical corporate management, the status of implementation, the foregoing quantitative data, and the effectiveness of promotion on their company websites, annual reports, and prospectuses, and shall disclose their ethical corporate management best practice principles on the Market Observation Post System.

Article 25: The Company shall at all times monitor the development of relevant local and international regulations concerning ethical corporate management and encourage their directors, supervisors, managers, and employees to make suggestions, based on which the adopted ethical corporate management policies and measures taken will be reviewed and improved with a view to achieving better implementation of ethical management.

Article 26: The Principles of the Company shall be implemented after the board of directors grants the approval, and reported at a shareholders' meeting. The same procedure shall be followed when the principles have been amended.

When the Company submits its ethical corporate management best practice principles to the board of directors for discussion pursuant to the preceding paragraph, the board of directors shall take into full consideration each

independent director's opinions. Any objections or reservations of any independent director shall be recorded in the minutes of the board of directors meeting. An independent director that cannot attend the board meeting in person to express objections or reservations shall provide a written opinion before the board meeting, unless there is some legitimate reason to do otherwise, and the opinion shall be specified in the minutes of the board of directors meeting.

(Appendix 6)

King Yuan Electronics Co., Ltd.

Operational Procedures for Loaning Funds to Others

Article 1: Purpose

Due to actual operational needs, the Company loans funds to others (borrowers), and “Operational Procedures for Loaning of Company Funds” (the Operational Procedures) have been established. The Procedures are established in accordance with Article 36-1 of the Securities and Exchange Act and “Regulations Governing the Publication of Financial Forecasts of Public Companies, Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” (the Regulations).

Article 2: Loan entities and evaluation standards

Under Article 15 of the Company Act, the Company shall not loan funds to any of its shareholders or any other person except under the following circumstances:

1. Any inter-company or inter-firm that have business dealings with the Company
“Business dealings” refers to any purchase or sale with the Company.
2. Where an inter-company or inter-firm short-term financing facility is necessary. It is limited to those Inter-companies or inter-firms which hold 20% or more of the Company’s shares and financing facility is necessary due to operational needs.

“Short-term” as referred to in the preceding paragraph, according to the interpretation of the Ministry of Economic Affairs, refers to a year or a business cycle (whichever is longer).

Article 3: The aggregate amount of loans and the maximum amount permitted to a single borrower

The amount of such financing facility shall not exceed 40 percent of the amount of the net worth of the lending enterprise which are divided into the following:

1. When engaging loans with an inter-company or inter-firm, the aggregate amount of the loan of funds shall not exceed 20 percent of the Company’s net worth, and shall not exceed the business transaction amount in the past year between the two companies. “Business transaction amount” refers to the amount of purchase or sale between the two parties, whichever is higher.
2. Where an inter-company or inter-firm short-term financing facility is necessary, the amount of the loan of funds shall not exceed 20% of the Company’s net worth, and each individual loan shall not exceed 10 percent of the net worth of the Company.

Where overseas companies in which the Company holds, directly or indirectly, 100 percent of the voting shares, the amount of loans of funds shall not exceed 50 percent of the net worth of the Company.

Article 4: Duration of loans and calculation of interest

1. Duration of loans

Duration of loans shall not exceed one year. Where overseas companies in which the Company holds, directly or indirectly, 100 percent of the voting shares, the duration of loans and calculation of interest apply the same.

2. Calculation of interest

The calculation of interest of the Company's loan of funds shall not be lower than the highest interest rate of the Company's borrowing funds from financial institution during the same period, and interest is to be calculated daily and paid monthly.

1. Interest calculated daily: Daily loan is multiplied by its interest rate and divided by 365 to obtain the interest.
2. Payment of interest: Exception for special requirements, in principle, the payment of loan interest shall be paid on a monthly basis. The borrower is notified the payment of interest within a week from the agreed payment date. If the borrower fails to pay on time, the interest will be calculated based on the number of overdue days and the penalty will be added.

Article 5: Processing and reviewing procedures

1. Processing procedures

1. A borrower shall provide basic information and financial information and fill out an application form stating the purpose of the loan, duration of the loan and the amount of the loan prior to submitting the form to the Company's financial unit.
2. Where funds are loaned for reasons of business dealings, the handling personnel of the Company's financial unit shall evaluate and determine whether the amount of a loan is commensurate to the amount of trading between the two companies. Whereas a short-term financing facility is necessary, reasons and situations of loaning of funds shall be specified, and a credit check shall be carried out. Relevant information and the prepared terms of the loan shall be submitted to the manager of the financial unit and the president. It shall then be submitted to the audit committee and board of directors for a resolution.
3. Loans of funds between the Company and its subsidiaries, or between its

subsidiaries, shall be submitted for a resolution by the board of directors pursuant to the preceding paragraph, and the chairperson may be authorized, for a specific borrowing counterparty, within a certain monetary limit resolved by the board of directors, and within a period not to exceed one year, to give loans in installments or to make a revolving credit line available for the counterparty to draw down.

4. The "certain monetary limit" mentioned in the preceding paragraph on authorization for loans extended by the Company or any of its subsidiaries to any single entity shall not exceed 10% of the net worth on the most current financial statements of the lending company, except in cases of companies in compliance with Article 3, paragraph 2.
5. When the Company loans funds to others, it shall take into full consideration each independent director's opinions; independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the board of directors' meeting.

2. Credit check

1. Those who borrow for the first time shall provide basic information and financial information for a smooth credit check.
2. A credit check, in principle, shall be carried out again for continuing borrowers. in a case of urgent matter or emergency, it shall be handled at any time according to the actual needs.
3. If the borrower has good financial conditions, and has entrusted accountant to certify his/her annual financial report, an investigation report within a year shall be adapted. The current period of review certified by the accountant will be taken into consideration as a reference to loaning of funds
4. When the Company carries out a credit check, operational risks, financial status and impact on shareholders' interest shall also be evaluated.

3. Loan approval and notice

1. If, after credit investigation and evolution the board of directors has resolved not to make the loan, the handling personnel shall reply to the borrower as soon as possible including the reason for decline.
2. After the credit check and evaluation have been carried out and the board of directors have approved the loan, the handler shall send a letter to inform the borrower, specifying the Company's loan terms including amount, duration, interest, collateral and guarantor. The borrower shall

complete the procedures of contract within the time limit.

4. Identity verification

1. Terms of the contract of a loan case shall be drawn up by the handling personnel which shall be reviewed by managerial personnel and submitted to the legal consultant for approval before proceeding with signing procedures.
2. The content of the contract shall be consistent with the approved loan terms. After the signing of the borrower and guarantors, the handler shall complete the verification procedures.

5. Assessment of collateral value and rights set-up (the company decides whether to require collateral)

The borrower shall provide collateral, and complete the procedures for establishing a pledge or mortgage. The Company also needs to evaluate the value of the collateral, ensuring the Company's claims.

6. Insurance

1. Except for land or marketable securities, all collateral shall be insured with fire insurance and related insurance. The principle for the amount for the insurance shall not be less than the guarantee pledge and the Company shall be noted as the beneficiary on the insurance form. The name, quantity, storage location, insurance terms insurance endorsement and so on, shall be consistent with the Company's original loan terms.
2. The handler shall notify the borrower the continuance of the insurance before it expires.

7. Allocation of funds

After the loan terms have been approved and signed by the borrower as well as the registration for guarantee pledge has been set, and all the procedures have been checked and proved to be correct, the allocation of funds may proceed.

8. Decision making procedures

When the Company loans funds to others, 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.

If the approval of one-half or more of all audit committee members as required in the preceding paragraph is not obtained, the Operational Procedures may be implemented if approved by two-thirds or more of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.

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

Article 6: Repayment

After the loan has been allocated, the Company shall keep a close eye on the financial, business and credit status of the borrower and guarantor. If collateral is provided, the Company shall keep a close eye on its change of value. The borrower shall be notified of the principal and interest settlement a month before the loan duration is up.

1. When the borrower repays the loan before the duration is due, the borrower shall first calculate the interest and pay back the Company along with principle. Certificates of indebtedness such as promissory notes, IOU receipt shall be cancelled and returned to the borrower.
2. If the borrower applies for the cancellation of the mortgage, the Company shall first check whether there is any balance of the loan before approving the cancellation.

Article 7: Subsequent measures for control and management of loans, and procedures for handling delinquent creditor's rights.

1. The Company shall prepare a memorandum book for its fund-loaning activities and truthfully record the following information: borrower, amount, date of approval by the board of directors, lending/borrowing date, and matters to be carefully evaluated.
2. The handler handling the loan shall place the certificates of indebtedness including the contract, promissory notes as well as collateral certificate, insurance policy and transaction documents into a deposit bag after allocation of funds. Contents inside the bag and customer's name shall be specified on the bag and shall be submitted to the financial unit manager for inspection. The bag shall be sealed immediately after the inspection and the log book for the deposit bag shall be signed or stamped by both parties for safekeeping.
3. The Company's internal auditors shall audit the Operational Procedures for Loaning Funds to Others and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify the audit committee in writing of any material violation found.
4. Where as a result of changes of condition the entity for which a loan made no longer meets the requirements of these Regulations, or the amount of loan exceeds the limit, the Company shall adopt rectification plans and submit the

rectification plans to the audit committee, and shall complete the rectification according to the timeframe set out in the plan.

5. The handling personnel shall prepare a detailed statement of loaning funds to others before the 5th day each month, and submit the statement for review.

Article 8: Procedures for controlling and managing loans of funds to others by subsidiaries.

1. In a case where the Company's subsidiary intends to loan funds to others, the subsidiary shall also establish these operational Procedures and these Procedures shall be followed when the subsidiary loans funds to others; However, the net worth is based on the subsidiary's net worth.
2. The subsidiary shall prepare a detailed statement of loaning funds to others before the 5th day each month, and submit the statement to the Company.
3. The subsidiary's internal auditors shall audit the Operational Procedures for Loaning Funds to Others and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify the audit unit of the Company in writing of any material violation found. The audit unit of the Company shall submit the written report to the audit committee.
4. When the Company's audit personnel carries out an inspection in the subsidiary according to the annual audit plans, it shall also have a thorough understanding of the subsidiary's implementation on operational procedures for loaning funds to others. If matters of impairment are found, the audit personnel shall continue to keep track of the improvement. The track of improvement is made into a report to be submitted to the board of directors.

Article 9: Information disclosure

1. The Company shall announce and report the previous month's loan balances of its head office and subsidiaries by the 10th day of each month.
2. The Company whose loans of funds reach one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence:
 1. The aggregate balance of loans to others by the Company and its subsidiaries reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.
 2. The balance of loans by the Company and its subsidiaries to a single enterprise reaches 10 percent or more of the Company's net worth as stated in its latest financial statement.
 3. The amount of new loans of funds by the Company or its subsidiaries

reaches NT\$10 million or more, and reaches 2 percent or more of the Company's net worth as stated in its latest financial statement.

3. The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to subparagraph 3 of the preceding paragraph.
4. The term "announce and report" as used in these Articles means the process of entering data to the information reporting website designated by the Financial Supervisory Commission.
5. "Date of occurrence" in these Articles means the date of contract signing, date of payment, dates of boards of directors resolutions, or other date that can confirm the counterparty and transaction amount, whichever date is earlier.
6. The Company shall evaluate the status of its loans of funds and reserve sufficient allowance for bad debts, and shall adequately disclose relevant information in its financial reports and provide certified public accountants with relevant information for implementation of necessary auditing procedures.

Article 10: Penalty

When the managerial personnel and handling personnel violate these Regulations, they shall be submitted for assessment in accordance with the human resource management rules and employee handbook and shall be disciplined according to the severity of the situation.

Article 11: Implementation and amendment

These operational procedures shall be approved by the audit committee and the board of directors and approved by the shareholders meeting prior to implementation. The same shall be followed when the procedures have been amended. When submitting to the board of directors for discussion, 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.

If the approval of one-half or more of all audit committee members as required in the preceding paragraph is not obtained, the Operational Procedures may be implemented if approved by two-thirds or more of all directors, and the resolution

of the audit committee shall be recorded in the minutes of the board of directors meeting.

The terms "all audit committee members" in paragraph 2 and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.

(Appendix 7)

King Yuan Electronics Co., Ltd.

Operational Procedures for Guarantees/Endorsements

Article 1: Purpose

In order for the Company to comply with matters regarding making guarantees/endorsements, the “Operational Procedures for Guarantees/Endorsements” (the Procedures) have been formulated. The Procedures are established in accordance with Article 36-1 of the Securities and Exchange Act and “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” (the Regulations).

Article 2: The scope of application

The endorsement and/or guaranty as referred in the Procedures include the following:

1. Financial endorsements/guarantees, including:
 - (1) Discounted bill financing.
 - (2) Endorsement or guaranty made for the financing needs of other companies.
 - (3) Issuing negotiable instruments for the purpose of providing guaranty to obtain finance for its own businesses to an entity other than the financial institutions.
2. "Custom Duty Endorsement and/or Guaranty", which shall mean endorsement or guarantee for the Company itself or other companies in respect of the custom duty matters.
3. "Other endorsements and/or guarantees" which shall mean other endorsements or guarantees which cannot be included in the above two subparagraphs.

The Company creates a pledge or mortgage on its chattel or real estate as security for the loans of another company shall be subject to the Procedures.

Article 3: Endorsement and/or guarantee entities

The Company may make endorsements/guarantees for the following companies:

1. A company with which it does business.
2. A company that directly and indirectly holds more than 50 percent of the voting shares in the Company.
3. A company that directly and indirectly holds more than 50 percent of the voting shares in the Company.

Companies in which the Company holds, directly or indirectly, 90% or more of the voting shares may make endorsements/guarantees for each other, and the

amount of endorsements/guarantees may not exceed 10% of the net worth of the Company. Companies in which the Company holds, directly or indirectly, 100% of the voting shares may make endorsements/guarantees for each other, and the amount of endorsements/guarantees may not exceed 15% of the net worth of the Company.

For a joint investment relationship where all capital contributing shareholders of the Company make endorsements/ guarantees for invested companies, such endorsements/guarantees may be made free of the restriction of the preceding two paragraphs.

Capital contribution referred to in the preceding paragraph shall mean capital contribution directly by the Company, or through a company in which the Company holds 100% of the voting shares.

Article 4: The ceiling on the amounts of endorsement and/or guarantee

1. The aggregate amount of making endorsements/guarantees for the Company shall not exceed 40 percent of the net worth of the Company. The aggregate amount of making endorsements/guarantees for the entire Company and subsidiaries shall not exceed 45 percent of the net worth of the Company.
2. The amount limit of making endorsements/guarantees for the Company to single enterprises shall not exceed 20 percent of the net worth of the Company. The amount limit of making endorsements/guarantees for single enterprises of the company and its subsidiaries shall not exceed 30 percent of the net worth of the Company.
3. Where making guarantees/endorsements due to business dealings, except for amount limits set out in preceding paragraph, it shall not exceed the aggregate amount of the most recent transaction with the Company (amount of purchase or sale between the two parties, whichever is higher).
4. "Net worth" as referred to in the preceding paragraph means the balance sheet equity attributable to the owners of the parent company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Article 5: Hierarchy of decision-making authority and delegation

When the Company makes endorsements/guarantees, a resolution made by the audit committee and board of directors shall be obtained before implementation. Due to time limit, the board of directors may authorize the chairman to make a decision within the total amount of NT\$100 million and NT\$50 million for a single enterprise. It shall be submitted to the next board of directors meeting for recognition and shall submit the relevant matters to the shareholders meeting for

ratification.

Before making any endorsement/guarantee pursuant to Article 3, paragraph 2, a subsidiary in which the Company holds, directly or indirectly, 90% or more of the voting shares shall submit the proposed endorsement/guarantee to the Company's board of directors for a resolution. This restriction shall not apply to endorsements/guarantees made between companies in which the Company holds, directly or indirectly, 100% of the voting shares.

Where the Company makes endorsements/guarantees for others, it shall take into full consideration each independent director's opinions; independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the board of directors' meeting.

When the Company makes endorsements/guarantees, 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.

If the approval of one-half or more of all audit committee members as required in the preceding paragraph is not obtained, the Operational Procedures may be implemented if approved by two-thirds or more of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.

The terms "all audit committee members" in paragraph 4 and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.

Article 6: Procedures for making endorsements/guarantees

1. When making endorsements/guarantees to an enterprise within the limit amount, the enterprise shall provide basic information as well as financial information. An application form shall be filled out and shall be applied to the Company's financial unit. The financial unit shall thoroughly evaluate the form and carry out a credit check. Scope of assessment shall include: its necessity and reasonableness, making endorsements/guarantees due to business dealings, whether the amounts of making endorsements/guarantees is commensurate to the amount of trading between the two companies, operational risks on the Company, financial status, impact on shareholders' interest and whether or not to obtain the valuation of collateral and guarantee.
2. The Company's handling personnel of the financial unit shall put together the relevant information of the preceding paragraph and evaluation result. If the accumulated balance of the endorsement/guarantee made at the time does not

exceed NT\$100 million, it shall be submitted to the chairman for ratification, then shall submit to the next Board meeting. If the accumulated balance of the endorsement/guarantee made at the time exceeds NT\$100 million, it shall be submitted to the board of directors and handled upon the resolution made by the board of directors.

3. The memorandum book of endorsements/ guarantees established by the financial unit shall specify the entity and amount of endorsements/ guarantees the Company makes, date approval or decision by the board of directors, date of endorsements/ guarantees, matters that shall be carefully evaluated according the Procedures, content of collateral and its valuation and the terms and date for cancellation of the responsibility of endorsements/ guarantees for future reference.
4. When the entity of which the Company makes endorsements/ guarantees repays the loan, the information regarding repayment shall be reported to the Company, so as to release the responsibility of the Company's grantee. It shall be included in the memorandum book.
5. The Company shall evaluate or recognize the possible loss of making endorsements/ guarantees, and shall adequately disclose relevant information in its financial reports and provide certified public accountants with relevant information for implementation of necessary auditing procedures.

Article 7: The safekeeping of the corporate Seal and procedures

1. The Company shall use the corporate seal registered with the Ministry of Economic Affairs as the dedicated seal for endorsements/guarantees. The seal shall be kept in the custody of a financial unit approved by the board of director. In the case of change of custody, it shall be reported to the board of directors for approval and shall transfer the seal
2. After the making of the endorsement/guarantee is resolved by the board of directors or approved by the chairman, the financial unit shall fill out a "Seal Application Form". The form, the approval record and the endorsement/guarantee contract or the guarantee notes shall be approved by the financial manager. After gaining approval, the corporate Seal may be acquired at the Seal custodian.
3. Before the Seal custodian stamps the Seal, he/she shall check whether there is an approval record, and if the "Seal Application From" has been approved by the financial manager and if the documents which require the Seal are consistent. If all documents provided prove to be correct, the Seal may be used.

4. When making a guarantee for an overseas company, the Company shall have the Guarantee Agreement signed by a person authorized by the board of directors.

Article 8: Matters to be considered when making endorsement/guarantees:

1. The Company's internal auditors shall audit the Operational Procedures for Endorsement/Guarantees and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify the audit committee in writing of any material violation found.
2. Where as a result of changes of condition the entity for which an endorsement/guarantee is made no longer meets the requirements in Article 3 of the operational procedures of the Regulations, or the amount of endorsement/guarantee exceeds the limit of Article 4 of the operational procedures due to the change in the basis on which the limit is calculated, the audit unit shall ask the financial unit to adopt rectification plans and submit the rectification plans to audit committee, and shall complete the rectification according to the timeframe set out in the plan.
3. Where a public company needs to exceed the limits set out in the Operational Procedures for Endorsements/Guarantees to satisfy its business requirements, and where the conditions set out in the Operational Procedures for Endorsements/Guarantees are complied with, it shall obtain approval from the audit committee and the board of directors, and half or more of the directors shall act as joint guarantors for any loss that may be caused to the company by the excess endorsement/guarantee. It shall also amend the Operational Procedures for Endorsements/Guarantees accordingly and submit the same to the shareholders' meeting for ratification after the fact. If the shareholders' meeting does not give consent, the company shall adopt a plan to discharge the amount in excess within a given time limit.
4. Where the Company makes a discussion regarding the preceding paragraph, it shall take into full consideration each independent director's opinions; independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the board of directors' meeting.
5. For circumstances in which an entity for which the company makes any endorsement/guarantee is a subsidiary whose net worth is lower than half of its capital surplus, not only it shall be handled according to Article 6 of the Operational Procedures, relevant follow-up monitoring and control measures

shall be expressly prescribed by the financial unit. The subsidiary's financial conditions shall be evaluated quarterly, if any anomaly found, corresponding measures shall be prepared and be submitted to the chairman prior to board of directors.

In the case of a subsidiary with shares having no par value or a par value other than NT\$10 of the preceding article, for the capital surplus, the sum of the share capital plus capital surplus in excess of par shall be substituted.

Article 9: Time limit and content of public announcements

1. The Company shall announce and report the previous month's balance of endorsements/guarantees of itself and its subsidiaries by the 10th day of each month.
2. The Company whose balance of endorsements/guarantees reaches one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence:
 - (1) The aggregate balance of endorsements/guarantees by the Company and its subsidiaries reaches 50 percent or more of the Company's net worth as stated in its latest financial statement.
 - (2) The aggregate balance of endorsements/guarantees by the Company and its subsidiaries reaches 50 percent or more of the Company's net worth as stated in its latest financial statement.
 - (3) The balance of endorsements/guarantees by the Company and subsidiaries for a single enterprise reaches NT\$10 millions or more and the aggregate amount of all endorsements/guarantees for, investment of long-term nature, and balance of loans to, such enterprise reaches 30 percent or more of the Company's net worth as stated in its latest financial statement.
 - (4) The amount of new endorsements/guarantees made by the Company or its subsidiaries reaches NT\$30 million or more, and reaches 5 percent or more of the Company's net worth as stated in its latest financial statement.
3. The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to subparagraph 4 of the preceding paragraph.
4. The term "announce and report" as used in these Articles means the process of entering data to the information reporting website designated by the Financial Supervisory Commission.
5. "Date of occurrence" in these Articles means the date of contract signing, date

of payment, dates of boards of directors resolutions, or other date that can confirm the counterparty and transaction amount, whichever date is earlier.

Article 10: Procedures for controlling and managing endorsements/guarantees by subsidiaries

1. In a case where the Company's subsidiary intends to make endorsements/guarantees, the subsidiary shall also establish these operational Procedures and these Procedures shall be followed when the subsidiary loan funds to others; However, the net worth is based on the subsidiary's net worth.
2. The subsidiary shall prepare a detailed statement of endorsements/ guarantees before the 5th day each month, and submit the statement to the Company.
3. The subsidiary's internal auditors shall audit the Operational Procedures for endorsement/guarantees and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify the audit unit of the Company in writing of any material violation found. The audit unit of the Company shall submit the written report to the audit committee.
4. When the Company's audit personnel carry out an inspection in the subsidiary according to the annual audit plans, it shall also have a thorough understanding of the subsidiary's implementation on operational procedures for endorsement/guarantees. If matters of impairment are found, the audit personnel shall continue to keep track of the improvement. The track of improvement is made into a report to be submitted to the chairman of the board of directors.

Article 11: Penalty

When the managerial personnel and handling personnel violate these Regulations, they shall be submitted for assessment in accordance with the human resource management rules and employee handbook and shall be disciplined according to the severity of the situation.

Article 12: Implementation and amendment

These operational procedures shall be approved by the audit committee and the board of directors and approved by the shareholders meeting prior to implementation. The same shall be followed when the procedures have been amended. When submitting to the board of directors for discussion, 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.

If the approval of one-half or more of all audit committee members as required in the preceding paragraph is not obtained, the Operational Procedures may be implemented if approved by two-thirds or more of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.

The terms "all audit committee members" in paragraph 2 and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.

(Appendix 8)

King Yuan Electronics Co., Ltd.

Number of Shares Held by All Directors and Minimum Number of Shares to be Held

1. The number of common stocks of the Company: 1,222,745,065 shares
2. The minimum number of authorized shares that all directors shall hold: 32,000,000 shares
3. As of the closing date of the shareholders meeting (April 12, 2020), 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	1,200,000	0.10
Director	Kao-Yu Liu	4,808,267	0.39
Director	Kuan-Hua Chen	3,168,574	0.26
Director	Representative of Yann Yuan Investment Co., Ltd.: Chao-Jung Tsai	52,600,000	4.30
Independent director	Hsien-Tsun Yang	0	0
Independent director	Hui-Chun Hsu	0	0
Independent director	Dar-Yeh Hwang	0	0
Number of shares held by all directors (excluding independent directors)		101,329,819	8.28

(Appendix 9)

The Impact of Stock dividend Issuance on Business Performance, EPS, and Shareholder's Return on Investment: Not applicable.



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.
- Chu-nanBranch : 35053 No.118,Chung-Hua Rd.,Chu-Nan,Miao-Li,Taiwan,R.O.C.
- TongluoBranch : 36645 No.8,Tongke N. Rd., Tongluo Township,Miao-Li,Taiwan,R.O.C.