

**Stock Code: 5498**

**keyware** 凱 歲 電 子 股 份 有 限 公 司  
**KEY WARE ELECTRONICS CO., LTD.**

# **Meeting Handbook**

**2023 Annual Shareholders' Meeting**

**Date: June 16, 2023**

**Address: No. 128, Dehua St., Taoyuan Dist., Taoyuan City  
(Boyann Hall)**

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Key Ware Electronics Co., Ltd.

2023 Annual Shareholders' Meeting Procedure

- I. Call the Meeting to Order.
- II. Chairman's Remarks
- III. Announcements
- IV. Management Presentations
- V. Discussions
- VI. Extempore Motions
- VII. Adjournment

Key Ware Electronics Co., Ltd.  
2023 Annual Shareholders' Meeting Agenda

Convening Method: Physical Shareholders Meeting

Time: 9:00 a.m. on June 16, 2023 (Friday)

Address: No. 128, Dehua St., Taoyuan Dist., Taoyuan City (Boyann Hall)

Chairperson for the Meeting: Chairman Chow, Pong-Chi

- I. Call the Meeting to Order.
- II. Chairman's Remarks
- III. Report Items
  - Report No. 1: 2022 Operating Report.
  - Report No. 2: 2022 Financial Statement Report of the Company reviewed by the Audit Committee.
  - Report No. 3: Report on Investment in Mainland China 2022.
  - Report No. 4: Report on the Company's endorsement and guarantee in 2022.
  - Report No. 5: Report on the Company's allocation of employee compensation and director remuneration for 2022.
  - Report No. 6: Report on the Implementation of the Third Domestic Unsecured Convertible Bonds Issued by the Company.
- IV. Proposal
  - Proposal No. 1: Proposal of the Company's 2022 Business Report and Financial Statements (including Consolidated Financial Statements).
  - Proposal No. 2: Proposal of 2022 Earnings Distribution.
- V. Discussions
  - Discussion No. 1: Proposal of capitalization of the earnings to issue new shares.
  - Discussion No. 2: Proposal of amendments to the "Rules and Procedure for Shareholders Meetings" of the Company.
- VI. Extempore Motions
- VII. Adjournment

## Report Items

Report No. 1

Proposed by the Board

2022 Operating Report.

Explanation:

- I. The Company's consolidated sales revenue for 2022 was NT\$1,453,993 thousand and net income after tax was NT\$3,166 thousand. The 2022 Business Report is attached as pp.9-11, Attachment I.
- II. The above is hereby reported for your consideration.

Report No. 2

Proposed by the Board

2022 Financial Statement Report of the Company reviewed by the Audit Committee.

Explanation:

- I. The Audit Committee's Review Report and the Auditor's Review Report are attached as pp. 12, Attachment II and pp. 14-17 and 24-27, Attachment IV.
- II. The above is hereby reported for your consideration.

Report No. 3

Proposed by the Board

Report on Investment in Mainland China 2022.

Explanation:

- I. In 2022, the Company indirectly invested in China through its subsidiary, Key Ware International Limited, to engage in the production, manufacture and sale of related electronic products, which was approved by the Investment Committee of the Ministry of Economic Affairs.
- II. The summary table of investment in Mainland China for 2022 is attached as pp. 13, Attachment III.
- III. The above is hereby reported for your consideration.

## Report on the Company's endorsement and guarantee in 2022.

Explanation:

- I. The following table presents the Company's endorsements and guarantees for the year ended December 31, 2022:

Unit: NT\$ thousand

| Name of endorsement/guarantee provider | Subject of endorsements/guarantees           | Limits on endorsement/guarantee | Actual amount used | Limit of Endorsements/Guarantees for a Single Entity | Maximum endorsement/guarantee amount | Relationship                             |
|--|--|---------------------------------|--------------------|--|--------------------------------------|--|
| Key Ware Electronics Co., Ltd.         | Key De Precise Industries Co., Ltd.          | 200,000                         | 8,000              | 419,287  | 1,257,862                            | Holding company with 51% shareholding    |
| Key Ware Electronics Co., Ltd.         | Jia Chi Co., Ltd.                            | 30,000                          | 25,000             | 419,287  | 1,257,862                            | Holding company with 83.63% shareholding |
| Kunshan Key Ware Electronics Co., Ltd. | Kunshan Laserware Laser Technology Co., Ltd. | 41,678                          | 22,048             | 315,986  | 947,958                              | Holding company with 100% shareholding   |

Note: The above limits were calculated based on the net financial statements audited or reviewed by the auditors for 2022.

- II. The above is hereby reported for your consideration.

Report No. 5

Proposed by the Board

Report on the Company's allocation of employee compensation and director remuneration for 2022.

Explanation:

- I. The proposal was discussed and approved by the Remuneration Committee, and it is proposed to distribute NT\$10,504 in cash to the Company's employees and no remuneration to directors.
- II. The employee's remuneration has been expensed and there is no difference between the amount charged to expense and the amount proposed to be allotted by the Board of Directors.
- III. The above is hereby reported for your consideration.

Report No. 6

Proposed by the Board

Report on the Implementation of the Third Domestic Unsecured Convertible Bonds Issued by the Company.

Explanation:

- I. The issuance of the third domestic unsecured convertible bonds was approved by the board of directors on February 26, 2021 for the purpose of plant renovation and the purchase of machinery and equipment, and was reported as effective by the Financial Supervisory Commission in its official letter No. 11003390391 dated April 21, 2021, and was issued and traded on the Taipei Exchange starting from May 10, 2021, with the following main conditions:
  - 1. Use of Funds: Plant renovation and purchase of machinery and equipment.
  - 2. Amount of Issuance: NT\$200,000 thousand.
  - 3. Price per bond: NT\$ 100 thousand.
  - 4. Issue Price: Issue at face value.
  - 5. Issuance Period: 3 years (May 10, 2021 to May 10, 2024).
  - 6. Coupon rate: 0%.
  - 7. Conversion Price: NT\$21 at issue, currently NT\$19.80.
  - 8. Guarantee situation: None.
- II. The conversion situation as of April 20, 2023 is as follows:

| Item                                 | Cumulative Converted | Not yet converted    |
|--------------------------------------|----------------------|----------------------|
| Total Face Amount of Corporate Bonds | -                    | NT\$200,000 thousand |

- III. The above is hereby reported for your consideration.

## Proposal

Proposal No. 1

Proposed by the Board

Proposal of the Company's 2021 Business Report and Financial Statements (including Consolidated Financial Statements).

Explanation:

- I. The Company's 2022 financial statements (including consolidated financial statements) have been prepared and are attached as pp. 14-33, Attachment IV.
- II. The 2022 Annual Report on Operations is attached as pp. 9-11, Attachment I.
- III. The above financial statements have been audited by Deloitte & Touche, Li, Kuan-Hao and Lin, Wang-Sheng, Certified Public Accountants, who have issued an unqualified audit report.
- IV. The proposal has been approved by the Board of Directors and sent to the Audit Committee for review, and a written review report has been issued.
- V. Please acknowledge the above.

Resolution:

Proposal No. 2

Proposed by the Board

Proposal of 2022 Earnings Distribution,.

Explanation:

- I. The Company had after-tax earnings of NT\$2,647,313 in 2022. After deducting NT\$2,258,535 from the remeasurement of defined benefit plans and adding NT\$7,059,668 from the disposal of accumulated benefits from investments in equity instruments measured at fair value through other comprehensive income, NT\$744,845 from the legal reserve and NT\$34,141,227 from the reversal of the legal special reserve, NT\$40,844,828 is available for distribution for the year. Cash dividends of NT\$18,992,838 and stock dividends of NT\$21,851,990 are proposed to be paid, resulting in an undistributed surplus of NT\$0 at the end of the year.
- II. The cash dividend is rounded off to the nearest New Taiwan Dollar, with the decimal places removed, based on the distribution ratio. The total rounded off amounts are accounted as other income in the Company's financial statements.
- III. Upon the approval of the shareholders' meeting, the Chairman of the Board of Directors is authorized to set the base date for dividend distribution and other related matters.
- IV. Earnings Distribution Table is attached as pp. 34, Attachment V.
- V. Please acknowledge the above.

Resolution:



## Discussions

Discussion No. 1

Proposed by the Board

Proposal of capitalization of the earnings to issue new shares.

Explanation:

- I. The Company proposes to allot surplus to issue new shares totaling NT\$21,851,990 (NT\$0.115 per share).
- II. Stock dividends are distributed to shareholders in proportion to their shareholdings as shown on the record date of the stock allotment, and it is estimated that 11.5 shares will be allotted for every 1,000 shares of earnings. If, in the future, the number of issued and outstanding shares of the Company is required to change the allotment rate for shareholders due to the repurchase of the Company's shares, the transfer, conversion or cancellation of treasury stock, the exercise of employee stock options by employees in accordance with the Employee Stock Option Issuance Regulations, or other factors affecting the total number of outstanding shares of the Company due to laws and regulations, it is proposed that the shareholders' meeting authorize the Board of Directors to handle the matter at its sole discretion. If there are any remaining fractional shares, the Company shall, in accordance with Article 240 of the Company Act, change the cash amount to NT\$ (rounded down to the nearest NT\$), and the resulting difference in shares shall be subscribed by the Chairman of the Board of Directors in consultation with certain persons at par value.
- III. The rights and obligations of the new shares issued under the capital increase are the same as the original shares issued.
- IV. After the capital increase is approved by the shareholders' meeting and reported to the competent authorities for approval, it is proposed to request the shareholders' meeting to authorize the board of directors to set another base date for the capital increase and allotment of shares.
- V. If the above matters related to the capital increase are approved by the competent authority for amendment, or if changes are necessary to meet the operational needs of the objective environment, it is proposed to the shareholders' meeting to authorize the board of directors to handle the matter at its sole discretion.
- VI. The above is for discussion.

Resolution:

Discussion No. 2

Proposed by the Board

Proposal of amendments to the "Rules and Procedure for Shareholders Meetings" of the Company.

Explanation:

- I. The "Rules of Procedure of the Shareholders' Meeting" of the Company are proposed to be amended to comply with the Act.
- II. Comparison Table of the Rules and Procedure for Shareholders' Meetings before and after revision is attached as pp. 35-40, Attachment VI.
- III. The above is for discussion.

Resolution:

**Extempore Motions**

**Adjournment**

## Attachment 1. 2022 Business report

Dear Shareholders,

Thank you very much for your attendance at the 2023 Annual Shareholders' Meeting. 2022 was a very difficult year due to the Zero-COVID policy on the COVID-19 in mainland China, which led to frequent lockdown and suspension of work, as well as inflation caused by rising price of raw materials, resulting in a negative global economic impact. The high inventory of consumer electronics products has also resulted in sluggish orders, which has caused significant sunk costs for the Company's new capital expenditures in the foundry division over the past two years; The operating results for 2022 and the operating plan for 2023 are reported as follows:

### I. 2022 Operating Results

#### (I) Results of the business plan:

In 2022, the net operating income of the Company was NT\$1,453,993 thousand, net operating loss was NT\$97,875 thousand, net income after tax was NT\$3,166 thousand, and earnings per share after tax was NT\$0.01.

#### (II) Budget execution:

The Company did not prepare public financial estimates for 2022.

#### (III) Financial income and expenditure and profitability analysis:

##### 1. Financial income and expenditure:

In 2022, the net cash inflow from consolidated operating activities was NT\$50,207 thousand, the net cash outflow from investing activities was NT\$200,169 thousand, the net cash inflow from financing activities was NT\$64,043 thousand, and the effect of exchange rate changes on cash and cash equivalents was NT\$5,417 thousand, resulting in a net cash outflow of NT\$80,502 thousand for the period.

##### 2. Profitability analysis:

| Item          |   | 2022    | 2021  |
|---------------|---|---------|-------|
| Profitability | Return on assets (%)                              | 0.69%   | 1.45% |
|               | Return on equity (%)                              | 0.15%   | 1.87% |
|               | Ratio of operating income to paid-in capital (%)  | (5.15)% | 1.49% |
|               | Ratio of income before tax to paid-in capital (%) | 1.04%   | 2.95% |
|               | Net profit margin (%)                             | 0.22%   | 2.39% |
|               | Earnings per share                                | 0.01    | 0.18  |

#### (IV) Research and development:

1. With high-frequency material and production technology, we continue to develop

drilling and milling tool coating technology to increase tool chip removal and wear resistance, in order to improve tool efficiency, optimize drilling and cutting quality, strengthen product competitiveness and expand industrial applications.

2. The Company has a complete supply chain of PCB raw materials and dry process CNC foundry, and has assisted customers in solving various production technology and capacity bottleneck problems.
3. We continue to be a solution provider and provide good service to our customers.

## II. Overview of Business Plan for 2023

### (I) Management principles:

1. Consistently invest in the development of niche products, such as ABF carrier drill needles and automotive board coating drill needles.
2. Appropriately allocate the production product structure and production area according to the market demand.
3. Precise management of production costs to maintain a competitive cost advantage.
4. Promote and implement ESG-related requirements and regulations, comply with regulations and fulfill corporate social responsibility.

### (II) Sales volume forecast and basis:

Driven by applications such as artificial intelligence (AI), Internet of Things (IoT), high performance computing (HPC) and DRAM for high-bandwidth mobile devices, demand for ABF carriers and servers has been on the high side. The sales volume of the Company's Drilling Needle Division's ABF-specific needles, HLC high aspect ratio needles, and back-drilling needles continue to grow. The production capacity of the foundry business unit has been expanded to meet the growing demand for high-end carrier boards and high-end HDI, and future revenue and profit growth is expected. The Board Division is focusing on the marketing strategy of high frequency and high speed boards for 5G products. It is optimistically estimated that the global sales of drilling tools will be over 120 million units in 2023, and the contribution from foundry services will grow by 5~15%, and the sales of various boards will be over 1 million units.

### (III) Key production and sales policy:

Diversified operation, integration of upstream, midstream and downstream raw materials, consumables products and foundry services:

1. Optimize production and sales schedules to achieve full production and sales; shorten production cycles to meet customers' urgent needs.
2. Develop high-tech products and enhance product advantages.
3. Endeavor to explore, seek collaboration, and create opportunities.



**Attachment 2. Audit Committee's Review Report**

Key Ware Electronics Co., Ltd.

**Audit Committee's Review Report**

The 2022 Financial Statements prepared and submitted by the Board of Directors have been audited by CPA Li, Kuan-Hao and CPA Lin, Wang-Sheng of Deloitte & Touche. The above statements and reports have been examined and reviewed by the Audit Committee, and no irregularities were found. According to the Article 219 of the Company Act, we hereby submit this report.

To:

The 2023 Annual Shareholders' Meeting of the Company

Key Ware Electronics Co., Ltd.

Convener of the Audit Committee: Lin, Tsung-Tan

February 24, 2023

**Attachment 3. Summary of Investment in Mainland China in 2022**

**Key Ware Electronics Co., Ltd.  
Summary of Investment in Mainland China in 2022**

Unit: NT\$ thousand

| Investee in Mainland China                    | Principal Business Activities   | Paid-in Capital | Investment Amount Remitted or Received for the Current Period |          | Profit or Loss of Investee Company in the Current Period (Note) | Investment Gains Repatriated by the End of the Current Period |
|---|---------------------------------|-----------------|---|----------|---|---|
|   |                                 |                 | Remitted  | Received |   |   |
| Kunshan Key Ware Electronics Co., Ltd.        | Drilling tools, hand tools      | 337,810         | 0   | 0        | 56,806  | 0   |
| Kunshan Wei Xing Electronics Co., Ltd.        | Drilling tools, hand tools      | 404,359         | 0   | 0        | 0   | 0   |
| Kunshan Laserware Laser Technology Co., Ltd.  | Drilling foundry                | 30,866          | 0   | 0        | (19,510)  | 0   |
| King Ware (Chongqing) Electronics Co., Ltd.   | Electronic Components Wholesale | 4,409           | 0   | 0        | (53)  | 0   |
| Wuhan Laserware Laser Technology Co., Ltd.    | Drilling foundry                | 171,968         | 0   | 0        | (1,256)   | 0   |
| Shenzhen Laserware Laser Technology Co., Ltd. | Drilling foundry                | 23,194          | 0   | 0        | (6,500)   | 0   |

| Accumulated Investment Remitted from Taiwan to Mainland China at the End of the Period | Investment Amount Approved by the Investment Commission of the Ministry of Economic Affairs (MOEAIC) | Upper Limit on Investment Authorized by MOEAIC |
|--|--|--|
| \$680,441  | \$744,011  | \$1,274,986                                    |

Note: Shenzhen Laserware Laser Technology Co., Ltd. was recognized on the basis of the unaudited financial statements for 2022, while the rest of the investees were recognized on the basis of the audited financial statements for 2022.

## **Attachment 4. 2022 Auditor's Report and Financial Statements**

### **Independent Auditors' Report**

To the Board of Directors of Key Ware Electronics Co., Ltd.:

#### **Opinions**

We have audited the Consolidated Balance Sheets of Key Ware Electronics Co., Ltd. and its subsidiaries (Hereinafter referred to as “Key Ware Group” ) as of December 31, 2022, and 2021, the Statements of Comprehensive Income, Statements of Changes in Equity, Statements of Cash Flows, and Notes to Consolidated Financial Statements (including Summary of Significant Accounting Policies) for the annual periods from January 1 to December 31, 2022, and 2021.

In our opinion, the aforementioned Consolidated Financial Statements present fairly, in all material respects, the financial position of Key Ware Group as of December 31, 2022, and 2021, and its financial performance and cash flows for the annual periods ended December 31, 2022, and 2021, in conformity with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers.”

#### **Basis for Opinions**

We conducted our audits in accordance with the Regulations Governing the Auditing and Attestation of Financial Statements by Certified Public Accountants and Generally Accepted Auditing Standards (GAAS). 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 Key Ware Group 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 key matters refer to those most material key matters for the audit on the Consolidated Financial Statements of the year 2022 of Key Ware Group, based on the professional judgment of the accountant. 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.

In our judgment, key audit matters for the Group's Consolidated Financial Statements for the year ended December 31, 2022 are stated as follows:



### Truthfulness of Sales Revenue

Key Ware Group's sales revenue is derived from the sale of drill bits. We believe that because of the competition in the industry and the possible pressure on management to meet projected operating targets Shareholding%, the truthfulness of sales revenue is the key audit matter for 2022. Refer to Note 4(14) for the accounting policy on revenue recognition.

The major audit procedures performed by us for revenue recognition are as follows:

1. We understood and tested the effectiveness of the design and implementation of internal controls in the recognition of sales revenue.
2. We obtained detailed information on sales revenue, examined the relevant supporting documents for shipment and the status of collection of payment, and verified the consistency of the sales counterparties and the recipients to confirm the truthfulness of sales transactions.

### **Other Matters**

We have also audited the Parent Company Only Financial Statements of Key Ware Electronics Co., Ltd. for the years ended December 31, 2022 and 2021, on which we have issued an unqualified opinion.

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

To ensure that the Consolidated Financial Statements do not contain material misstatements caused by fraud or errors, the management is responsible for preparing prudent Consolidated Financial Statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, as well as the IFRS, IAS, law and regulation reviews and their announcements recognized and announced by the Financial Supervisory Commission, and for preparing and maintaining necessary internal control procedures pertaining to the Consolidated Financial Statements.

In preparing the Consolidated Financial Statements, the management is responsible for assessing Key Ware Group's ability to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going concern basis of accounting unless the management either intends to liquidate Key Ware Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the Audit Committee) are responsible for overseeing Key Ware Group's financial reporting process.

### **Auditors' 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 misstatements, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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 the 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 evaluate the risk of material misstatements due to fraud or error in the Consolidated Financial Statements; design and carry out appropriate countermeasures for the evaluated risk; and obtain sufficient and appropriate evidence as the basis for their audit 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 controls 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 controls of Key Ware Group.
3. Assess the appropriateness of the accounting policies adopted by the management, as well as the reasonableness of their accounting estimates and relevant disclosures.
4. Conclude on the appropriateness of the 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 Key Ware Group's ability to operate as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause Key Ware Group to cease to continue as a going concern.
5. Evaluate the overall expression, structure and contents of the Consolidated Financial Statements (including relevant Notes), and whether the Consolidated Financial Statements fairly present relevant transactions and items.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Key Ware Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision, and performance of the audit and for expressing an opinion on the Consolidated Financial Statements of Key Ware Group.

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 the key audit matters of Key Ware Group's Consolidated Financial Statements for the year ended December 31, 2022. We describe these matters in our auditors' 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.

Deloitte & Touche  
CPA, Li, Kuan-Hao

CPA, Lin, Wang-Sheng

Financial Supervisory Commission Approval  
Document No.:  
FSC Approval Document No. 1100372936

Financial Supervisory Commission Approval  
Document No.:  
FSC Approval Document No. 1060023872

March 24, 2023

## Key Ware Electronics Co., Ltd. and Subsidiaries

## Consolidated Balance Sheets

As of December 31, 2022 and 2021

Unit: NT\$ thousand

| Code   | Assets  | December 31, 2022   |            | December 31, 2021   |            |
|--|---|---------------------|------------|---------------------|------------|
|  |   | Amount              | %          | Amount              | %          |
| <b>Current Assets</b>                              |   |                     |            |                     |            |
| 1100   | Cash and cash equivalents (Notes IV and VI)   | \$ 198,745          | 5          | \$ 279,247          | 7          |
| 1110   | Financial assets at fair value through profit or loss - current (Notes IV and VII)                      | 75,516              | 2          | 53,176              | 1          |
| 1120   | Financial assets at fair value through other comprehensive income - current (Notes IV, VIII and XXVIII) | 354,046             | 9          | 339,771             | 8          |
| 1150   | Notes receivable (Notes IV and IX)  | 158,669             | 4          | 109,941             | 3          |
| 1170   | Accounts receivable (Notes IV and IX)   | 671,632             | 16         | 696,494             | 17         |
| 1180   | Accounts receivable - related parties (Notes IV and XXVII)  | 65                  | -          | 107                 | -          |
| 1200   | Other receivables (Notes IV and IX)   | 100,684             | 2          | 54,183              | 2          |
| 130X   | Inventories (Notes IV and X)  | 490,164             | 12         | 466,423             | 11         |
| 1421   | Prepayments for goods   | 14,469              | -          | 7,761               | -          |
| 1470   | Other current assets  | 28,088              | 1          | 53,408              | 1          |
| 11XX   | Total current assets  | <u>2,092,078</u>    | <u>51</u>  | <u>2,060,511</u>    | <u>50</u>  |
| <b>Non-current assets</b>                          |   |                     |            |                     |            |
| 1517   | Financial assets at fair value through other comprehensive income - current (Notes IV and VIII)         | 52,765              | 1          | 40,144              | 1          |
| 1550   | Investments accounted for using the equity method (Notes IV and XII)                                    | 20,658              | 1          | 20,543              | -          |
| 1600   | Property, plant, and equipment (Notes IV, XIII and XXVIII)  | 1,636,419           | 40         | 1,542,576           | 37         |
| 1755   | Right-of-use assets (Notes IV, XIV and XXVII)   | 108,434             | 3          | 135,044             | 3          |
| 1805   | Goodwill  | 7,277               | -          | 7,165               | -          |
| 1821   | Other intangible assets (Notes IV and XV)   | 21,573              | 1          | 24,936              | 1          |
| 1840   | Deferred tax assets (Notes IV and XXII)   | 90,949              | 2          | 73,124              | 2          |
| 1920   | Refundable deposits   | 3,377               | -          | 5,192               | -          |
| 1915   | Prepayment - non-current (Note XIII)  | 10,097              | -          | 243,599             | 6          |
| 1990   | Other non-current assets  | 49,601              | 1          | 6,474               | -          |
| 15XX   | Total non-current assets  | <u>2,001,150</u>    | <u>49</u>  | <u>2,098,797</u>    | <u>50</u>  |
| 1XXX   | Total assets  | <u>\$ 4,093,228</u> | <u>100</u> | <u>\$ 4,159,308</u> | <u>100</u> |
| <b>Liabilities and Equity</b>                      |   |                     |            |                     |            |
| <b>Current Liabilities</b>                         |   |                     |            |                     |            |
| 2100   | Short-term loans (Note XVI)   | \$ 724,855          | 18         | \$ 685,482          | 17         |
| 2110   | Short-term notes and bills payable (Note XVI)   | 44,965              | 1          | 34,991              | 1          |
| 2120   | Financial liabilities at fair value through profit or loss - current (Notes IV, VII and XVII)           | 4,380               | -          | -                   | -          |
| 2150   | Notes and accounts payables   | 134,251             | 3          | 163,126             | 4          |
| 2180   | Accounts payable - related parties (Note XXVII)   | 28,507              | 1          | 58,039              | 1          |
| 2219   | Other payables (Note XVIII)   | 88,965              | 2          | 338,150             | 8          |
| 2220   | Other payables - related parties (Note XXVII)   | 171                 | -          | 135                 | -          |
| 2230   | Current tax liabilities (Notes IV and XIII)   | 91,224              | 2          | 19,286              | -          |
| 2280   | Lease liabilities - current (Note IV, XIV and XXVII)  | 19,896              | 1          | 26,422              | 1          |
| 2320   | Long-term liabilities with a maturity of less than one year (Note XVI)                                  | 25,460              | 1          | 419,467             | 10         |
| 2399   | Other current liabilities   | 8,309               | -          | 7,960               | -          |
| 21XX   | Total current liabilities   | <u>1,170,983</u>    | <u>29</u>  | <u>1,753,058</u>    | <u>42</u>  |
| <b>Non-current liabilities</b>                     |   |                     |            |                     |            |
| 2500   | Financial liabilities at fair value through profit or loss - current (Notes IV, VII and XVII)           | -                   | -          | 1,220               | -          |
| 2530   | Corporate bonds payable (Notes IV and XVII)   | 193,912             | 5          | 188,856             | 5          |
| 2540   | Long-term loans (Note XVI)  | 528,680             | 13         | 74,274              | 2          |
| 2570   | Deferred income tax liabilities (Notes IV and XXII)   | 42,226              | 1          | 85,133              | 2          |
| 2580   | Lease liabilities - non-current (Note IV, XIV and XXVII)  | 20,239              | -          | 39,185              | 1          |
| 2670   | Other non-current liabilities (Note XIX)  | 12,210              | -          | 7,882               | -          |
| 25XX   | Total non-current liabilities   | <u>797,267</u>      | <u>19</u>  | <u>396,550</u>      | <u>10</u>  |
| 2XXX   | Total liabilities   | <u>1,968,250</u>    | <u>48</u>  | <u>2,149,608</u>    | <u>52</u>  |
| <b>Equity attributable to owners of the parent</b> |   |                     |            |                     |            |
| 3100   | Share capital   | 1,899,283           | 46         | 1,899,309           | 46         |
| 3200   | Capital surplus   | 80,139              | 2          | 79,217              | 2          |
| 3300   | Retained earnings   | 224,607             | 6          | 217,158             | 5          |
| 3400   | Other equity  | (107,592)           | (3)        | (222,881)           | (6)        |
| 31XX   | Total equity attributable to owners of the Company  | <u>2,096,437</u>    | <u>51</u>  | <u>1,972,803</u>    | <u>47</u>  |
| 36XX   | Non-controlling Interests   | <u>28,541</u>       | <u>1</u>   | <u>36,897</u>       | <u>1</u>   |
| 3XXX   | Total equity  | <u>2,124,978</u>    | <u>52</u>  | <u>2,009,700</u>    | <u>48</u>  |
| <b>Total liabilities and equity</b>                |   |                     |            |                     |            |
|  |   | <u>\$ 4,093,228</u> | <u>100</u> | <u>\$ 4,159,308</u> | <u>100</u> |

The accompanying notes are an integral part of the Consolidated Financial Statements.

Chairman: Chow, Pong-Chi

President: Hsu, Wei-Chieh

Accounting Manager: Lee, Yun-Ting

Key Ware Electronics Co., Ltd. and Subsidiaries  
Consolidated Statements of Comprehensive Income  
From January 1 to December 31, 2022 and 2021

Unit: NT\$ Thousands, except for  
Earnings per share (in Dollars)

| Code |   | 2022              |              | 2021              |              |
|------|---|-------------------|--------------|-------------------|--------------|
|      |   | Amount            | %            | Amount            | %            |
| 4000 | Operating revenue (Notes IV and XXVII)                                    | \$ 1,453,993      | 100          | \$ 1,579,047      | 100          |
| 5000 | Operating costs (Notes IV, X, XIX, XXI and XXVII)                         | <u>1,402,438</u>  | <u>97</u>    | <u>1,407,047</u>  | <u>89</u>    |
| 5900 | Gross profit  | <u>51,555</u>     | <u>3</u>     | <u>172,000</u>    | <u>11</u>    |
|      | Operating expenses (Notes IV, IX, XIX, and XXI)                           |                   |              |                   |              |
| 6100 | Selling and marketing expenses  | 74,646            | 5            | 76,272            | 5            |
| 6200 | General and administrative expenses                                       | 65,531            | 5            | 71,772            | 5            |
| 6300 | Research and development expenses   | 2,287             | -            | 3,295             | -            |
| 6450 | Expected credit losses (gains)  | <u>6,966</u>      | <u>-</u>     | <u>( 7,662 )</u>  | <u>( 1 )</u> |
| 6000 | Total operating expenses  | <u>149,430</u>    | <u>10</u>    | <u>143,677</u>    | <u>9</u>     |
| 6900 | Net operating income  | <u>( 97,875 )</u> | <u>( 7 )</u> | <u>28,323</u>     | <u>2</u>     |
|      | Non-operating income and expenses (Notes IV, XII, XIII, XXI and XXVII)    |                   |              |                   |              |
| 7100 | Interest income   | 2,379             | -            | 1,261             | -            |
| 7010 | Other income  | 2,378             | -            | 3,360             | -            |
| 7020 | Other gains and losses  | 143,541           | 10           | 44,532            | 3            |
| 7050 | Finance costs   | <u>( 31,833 )</u> | <u>( 2 )</u> | <u>( 22,626 )</u> | <u>( 2 )</u> |
| 7060 | Shares of profits or loss of associates accounted for using equity method | <u>1,103</u>      | <u>-</u>     | <u>1,098</u>      | <u>-</u>     |
| 7000 | Total non-operating income and expenses                                   | <u>117,568</u>    | <u>8</u>     | <u>27,625</u>     | <u>1</u>     |
| 7900 | Net income before tax   | 19,693            | 1            | 55,948            | 3            |
| 7950 | Tax expenses (Notes IV and XXII)  | <u>16,527</u>     | <u>1</u>     | <u>18,162</u>     | <u>1</u>     |
| 8200 | Net income  | <u>3,166</u>      | <u>-</u>     | <u>37,786</u>     | <u>2</u>     |

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| Code |   | 2022              |          | 2021                 |              |
|------|---|-------------------|----------|----------------------|--------------|
|      |   | Amount            | %        | Amount               | %            |
|      | Other comprehensive income  |                   |          |                      |              |
| 8310 | Components that will not be reclassified to profit or loss  |                   |          |                      |              |
| 8311 | Gains (losses) on re-measurements of defined benefit plans (Notes IV and XIX)   | (\$ 2,824)        | -        | \$ 3,487             | -            |
| 8316 | Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income (Notes IV and XX) | 103,510           | 7        | ( 242,714)           | ( 15)        |
| 8349 | Income tax related to components that will not be reclassified to profit or loss (Note IV and XXII)                               | 565               | -        | ( 697)               | -            |
| 8360 | Components that may be reclassified to profit or loss   |                   |          |                      |              |
| 8361 | Exchange differences on translation of financial statements of foreign operations (Notes IV and XX)                               | 23,549            | 1        | ( 7,815)             | -            |
| 8399 | Income tax related to components that may be reclassified to profit or loss (Notes IV, XX and XXII)                               | ( 4,710)          | -        | 1,562                | -            |
| 8300 | Other comprehensive income  | <u>120,090</u>    | <u>8</u> | <u>( 246,177)</u>    | <u>( 15)</u> |
| 8500 | Total comprehensive income  | <u>\$ 123,256</u> | <u>8</u> | <u>( \$ 208,391)</u> | <u>( 13)</u> |
|      | Net income attributable to:   |                   |          |                      |              |
| 8610 | Owners of the Company   | \$ 2,648          | -        | \$ 31,431            | 2            |
| 8620 | Non-controlling Interests   | 518               | -        | 6,355                | -            |
| 8600 |   | <u>\$ 3,166</u>   | <u>-</u> | <u>\$ 37,786</u>     | <u>2</u>     |
|      | Total comprehensive income attributable to:   |                   |          |                      |              |
| 8710 | Owners of the Company   | \$ 122,738        | 8        | ( \$ 214,746)        | ( 14)        |
| 8720 | Non-controlling Interests   | 518               | -        | 6,355                | 1            |
| 8700 |   | <u>\$ 123,256</u> | <u>8</u> | <u>( \$ 208,391)</u> | <u>( 13)</u> |
|      | Earnings per share (Note XXIII)   |                   |          |                      |              |
| 9750 | Basic   | <u>\$ 0.01</u>    |          | <u>\$ 0.18</u>       |              |
| 9850 | Diluted   | <u>\$ 0.01</u>    |          | <u>\$ 0.18</u>       |              |

The accompanying notes are an integral part of the Consolidated Financial Statements.

Chairman:  
Chow, Pong-Chi

President:  
Hsu, Wei-Chieh

Accounting Manager:  
Lee, Yun-Ting

Key Ware Electronics Co., Ltd. and Subsidiaries  
Consolidated Statements of Changes in Equity  
From January 1 to December 31, 2022 and 2021

Unit: NT\$ thousand

|   |   | Equity attributable to owners of the parent (Note IV, VIII and XIX) |                              |                   |               |                 |   | Other equity   |               |                           |              |                         |
|---|---|---|------------------------------|-------------------|---------------|-----------------|---|--|---------------|---------------------------|--------------|-------------------------|
|   |   | Share capital   |                              | Retained earnings |               |                 | Exchange differences on translation of financial statements of foreign operations | Unrealized valuation gains (losses) on financial assets at fair value through other comprehensive income | Total         | Non-controlling Interests | Total Equity |                         |
| Code  |   | Capital stock - common shares                                       | Capital collected in advance | Capital surplus   | Legal reserve | Special reserve |   |  |               |                           |              | Unappropriated earnings |
| A1  | Balance as of January 1, 2021   | \$ 1,693,397  | \$ -                         | \$ 3,439          | \$ 11,993     | \$ 186,681      | \$ 84,705   | ( \$ 103,079 )   | \$ 130,327    | \$ 2,007,463              | \$ 33,972    | \$ 2,041,435            |
| D1  | Net income in 2021  | -   | -                            | -                 | -             | -               | 31,431  | -  | -             | 31,431                    | 6,355        | 37,786                  |
| D3  | Other comprehensive income after tax in 2021                                    | -   | -                            | -                 | -             | -               | 2,790   | ( 6,253 )  | ( 242,714 )   | ( 246,177 )               | -            | ( 246,177 )             |
| D5  | Total comprehensive income in 2021  | -   | -                            | -                 | -             | -               | 34,221  | ( 6,253 )  | ( 242,714 )   | ( 214,746 )               | 6,355        | ( 208,391 )             |
| Appropriation and distribution of earnings for 2021 |   |   |                              |                   |               |                 |   |  |               |                           |              |                         |
| B1  | Legal reserve   | -   | -                            | -                 | 8,842         | -               | ( 8,842 )   | -  | -             | -                         | -            | -                       |
| B3  | Reversal of special reserve   | -   | -                            | -                 | -             | ( 28,037 )      | 28,037  | -  | -             | -                         | -            | -                       |
| B5  | Cash dividends of common stock  | -   | -                            | -                 | -             | -               | ( 33,868 )  | -  | -             | ( 33,868 )                | -            | ( 33,868 )              |
| B9  | Stock dividends of common stock   | 67,736  | -                            | -                 | -             | -               | ( 67,736 )  | -  | -             | -                         | -            | -                       |
| E1  | Cash capital increase   | 138,000   | -                            | 63,480            | -             | -               | -   | -  | -             | 201,480                   | -            | 201,480                 |
| N1  | Share-based payment - employee stock option compensation cost (Note XXIV)       | -   | 176                          | 3,742             | -             | -               | -   | -  | -             | 3,918                     | -            | 3,918                   |
| I1  | Equity component of convertible bond issued by the Corporation                  | -   | -                            | 8,556             | -             | -               | -   | -  | -             | 8,556                     | -            | 8,556                   |
| O1  | Disposal of equity instruments at fair value through other comprehensive income | -   | -                            | -                 | -             | -               | 1,162   | -  | ( 1,162 )     | -                         | -            | -                       |
| O1  | Cash dividends distributed by subsidiaries                                      | -   | -                            | -                 | -             | -               | -   | -  | -             | -                         | ( 3,430 )    | ( 3,430 )               |
| Z1  | Balance as of December 31, 2021   | 1,899,133   | 176                          | 79,217            | 20,835        | 158,644         | 37,679  | ( 109,332 )  | ( 113,549 )   | 1,972,803                 | 36,897       | 2,009,700               |
| D1  | Net income in 2022  | -   | -                            | -                 | -             | -               | 2,648   | -  | -             | 2,648                     | 518          | 3,166                   |
| D3  | Other comprehensive income after tax in 2022                                    | -   | -                            | -                 | -             | -               | ( 2,259 )   | 18,839   | 103,510       | 120,090                   | -            | 120,090                 |
| D5  | Total comprehensive income in 2022  | -   | -                            | -                 | -             | -               | 389   | 18,839   | 103,510       | 122,738                   | 518          | 123,256                 |
| Appropriation and distribution of earnings for 2022 |   |   |                              |                   |               |                 |   |  |               |                           |              |                         |
| B1  | Legal reserve   | -   | -                            | -                 | 3,538         | -               | ( 3,538 )   | -  | -             | -                         | -            | -                       |
| B3  | Provision of special reserve  | -   | -                            | -                 | -             | 34,141          | ( 34,141 )  | -  | -             | -                         | -            | -                       |
| N1  | Share-based payment - employee stock option exercise                            | 150   | ( 176 )                      | 26                | -             | -               | -   | -  | -             | -                         | -            | -                       |
| N1  | Share-based payment - employee stock option compensation cost (Note XXIV)       | -   | -                            | 896               | -             | -               | -   | -  | -             | 896                       | -            | 896                     |
| O1  | Disposal of equity instruments at fair value through other comprehensive income | -   | -                            | -                 | -             | -               | 7,060   | -  | ( 7,060 )     | -                         | -            | -                       |
| O1  | Cash dividends distributed by subsidiaries                                      | -   | -                            | -                 | -             | -               | -   | -  | -             | -                         | ( 8,874 )    | ( 8,874 )               |
| Z1  | Balance as of December 31, 2022   | \$ 1,899,283  | \$ -                         | \$ 80,139         | \$ 24,373     | \$ 192,785      | \$ 7,449  | ( \$ 90,493 )  | ( \$ 17,099 ) | \$ 2,096,437              | \$ 28,541    | \$ 2,124,978            |

The accompanying notes are an integral part of the Consolidated Financial Statements.

Chairman: Chow, Pong-Chi

President: Hsu, Wei-Chieh

Accounting Manager: Lee, Yun-Ting

## Key Ware Electronics Co., Ltd. and Subsidiaries

## Consolidated Statements of Cash Flows

From January 1 to December 31, 2022 and 2021

Unit: NT\$ thousand

| Code   |   | 2022              | 2021             |
|--------|---|-------------------|------------------|
|        | Cash flows from operating activities  |                   |                  |
| A10000 | Net income before tax   | \$ 19,693         | \$ 55,948        |
| A20010 | Adjustments to reconcile income (loss):   |                   |                  |
| A20100 | Depreciation expenses   | 168,621           | 151,653          |
| A20200 | Amortization expenses   | 5,219             | 5,093            |
| A20300 | Expected credit losses (gains)  | 6,966             | ( 7,662 )        |
| A20400 | Valuation loss (gain) on financial assets and liabilities measured at fair value through profit or loss | 20,202            | ( 10,845 )       |
| A20900 | Finance costs   | 31,833            | 22,626           |
| A21200 | Interest income   | ( 2,379 )         | ( 1,261 )        |
| A21300 | Dividend income   | ( 2,256 )         | ( 3,288 )        |
| A21900 | Share-based compensation cost   | 896               | 3,742            |
| A22500 | Gains on property, plant, and equipment   | ( 53,674 )        | ( 18,664 )       |
| A22300 | Share of profit (loss) of associates and joint ventures accounted for using the equity method           | ( 1,103 )         | ( 1,098 )        |
| A23700 | Loss for market price decline and obsolete and slow-moving inventories                                  | 3,673             | -                |
| A24100 | Unrealized foreign exchange losses (gains)  | 5,301             | ( 4,905 )        |
| A30000 | Changes in operating assets and liabilities, net  |                   |                  |
| A31130 | Notes receivable  | ( 48,892 )        | 8,665            |
| A31150 | Accounts receivable   | 33,416            | ( 116,347 )      |
| A31160 | Accounts receivable - related parties   | 42                | 24               |
| A31180 | Other receivables   | ( 49,079 )        | ( 1,134 )        |
| A31200 | Inventories   | ( 28,828 )        | ( 37,903 )       |
| A31230 | Prepayments for goods   | ( 6,567 )         | 4,977            |
| A31240 | Other current assets  | 25,320            | ( 28,754 )       |
| A32130 | Notes and accounts payables   | ( 31,019 )        | 49,620           |
| A32160 | Accounts payable - related parties  | ( 29,532 )        | 13,620           |
| A32180 | Other payables  | 9,033             | ( 2,002 )        |
| A32190 | Other payables - related parties  | 36                | ( 27 )           |
| A32230 | Other current liabilities   | 349               | 4,761            |
| A32240 | Other non-current liabilities   | <u>1,504</u>      | <u>1,602</u>     |
| A33000 | Cash generated from operations  | 78,775            | 88,441           |
| A33300 | Interest paid   | ( 22,828 )        | ( 18,925 )       |
| A33100 | Interest received   | 2,379             | 1,261            |
| A33200 | Interest received   | 2,256             | 3,288            |
| A33500 | Income tax paid   | ( <u>10,375</u> ) | ( <u>2,807</u> ) |
| AAAA   | Net cash flows generated from operating activities  | <u>50,207</u>     | <u>71,258</u>    |

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| Code   |  | 2022              | 2021              |
|--------|--|-------------------|-------------------|
|        | Cash flows from investing activities   |                   |                   |
| B00010 | Acquisition of financial assets at fair value through other comprehensive income   | (\$ 15,179)       | (\$ 30,545)       |
| B00020 | Disposal of financial assets at fair value through other comprehensive income      | 91,793            | 5,103             |
| B00100 | Acquisition of financial assets at fair value through profit or loss               | ( 369,197)        | ( 404,962)        |
| B00200 | Disposal of financial assets at fair value through profit or loss                  | 330,624           | 533,197           |
| B01800 | Dividends received from associates   | 988               | ( 10,333)         |
| B02000 | Decrease (Increase) in prepayments   | 8,508             | ( 136,353)        |
| B02700 | Acquisition of property, plant, and equipment                                      | ( 44,227)         | ( 271,112)        |
| B02800 | Disposal of property, plant, and equipment   | 101,946           | -                 |
| B07100 | Decrease in equipment payable  | ( 262,188)        | ( 94,590)         |
| B03700 | Increase in refundable deposits  | ( 501)            | ( 456)            |
| B03800 | Decrease in refundable deposits  | 2,318             | -                 |
| B06700 | Increase in other non-current assets   | ( 45,054)         | ( 29)             |
| BBBB   | Net cash flows used in investing activities  | <u>( 200,169)</u> | <u>( 410,080)</u> |
|        | Cash flows from financing activities   |                   |                   |
| C00100 | Increase in short-term loans   | 30,092            | 72,605            |
| C00500 | Increase (Decrease) in short-term notes and bills payable                          | 9,974             | ( 4,970)          |
| C01600 | Proceeds from long-term loans  | 454,406           | 419,467           |
| C01700 | Repayments of long-term loans  | ( 394,007)        | ( 325,726)        |
| C04020 | Repayment of the lease principal   | ( 27,548)         | ( 22,398)         |
| C04500 | Cash dividends paid  | -                 | ( 33,868)         |
| C04600 | Cash capital increase  | -                 | 201,480           |
| C04800 | Employees stock option exercised   | -                 | 176               |
| C01200 | Issuance of corporate bonds  | -                 | 200,000           |
| C05800 | Cash dividends paid to non-controlling interests                                   | ( 8,874)          | ( 3,430)          |
| CCCC   | Net cash outflow used in financing activities                                      | <u>64,043</u>     | <u>503,336</u>    |
| DDDD   | Effects of exchange rate changes on the balance of cash held in foreign currencies | <u>5,417</u>      | <u>291</u>        |
| EEEE   | (Decrease) increase in cash and bank deposits for the year                         | ( 80,502)         | 164,805           |
| E00100 | Cash and bank deposits at the beginning of the year                                | <u>279,247</u>    | <u>114,442</u>    |
| E00200 | Cash and bank deposits at the end of the year                                      | <u>\$ 198,745</u> | <u>\$ 279,247</u> |

The accompanying notes are an integral part of the Consolidated Financial Statements.

Chairman:  
Chow, Pong-Chi

President:  
Hsu, Wei-Chieh

Accounting Manager:  
Lee, Yun-Ting

## **Independent Auditors' Report**

To the Board of Directors of Key Ware Electronics Co., Ltd.:

### **Opinions**

We have audited the parent company only Balance Sheets of Key Ware Electronics Co., Ltd. (Hereinafter referred to as “Key Ware” ) as of December 31, 2022, and 2021, the Statements of Comprehensive Income, Statements of Changes in Equity, Statements of Cash Flows, and Notes to Parent Company Only Financial Statements (including Summary of Significant Accounting Policies) for the annual periods from January 1 to December 31, 2022, and 2021.

In our opinion, the aforementioned Parent Company Only Financial Statements present fairly, in all material respects, the financial position of Key Ware Electronics Co., Ltd. as of December 31, 2022, and 2021, and its financial performance and cash flows for the annual periods ended December 31, 2022, and 2021, in conformity with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers.”

### **Basis for Opinions**

We conducted our audits in accordance with the Regulations Governing the Auditing and Attestation of Financial Statements by Certified Public Accountants and Generally Accepted Auditing Standards (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of Key Ware 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 key matters refer to those most material key matters for the audit on the Parent Company Only Financial Statements of the year 2022 of Key Ware Electronics Co., Ltd., based on the professional judgment of the accountant. 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.

In our judgment, key audit matters for the Company's Parent Company Only Financial Statements for the year ended December 31, 2022 are stated as follows:

### Truthfulness of Sales Revenue

Key Ware Electronics' sales revenue is derived from the sale of drill bits. We believe that because of the competition in the industry and the possible pressure on management to meet projected operating targets, the truthfulness of sales revenue is the key audit matter for 2022. Refer to Note 4(14) for the accounting policy on revenue recognition.

The major audit procedures performed by us for revenue recognition are as follows:

1. We understood and tested the effectiveness of the design and implementation of internal controls in the recognition of sales revenue.
2. We obtained detailed information on sales revenue, examined the relevant supporting documents for shipment and the status of collection of payment, and verified the consistency of the sales counterparties and the recipients to confirm the truthfulness of sales transactions.

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

To ensure that the Parent Company Only Financial Statements do not contain material misstatements caused by fraud or errors, the management is responsible for preparing prudent Parent Company Only Financial Statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for preparing and maintaining necessary internal control procedures pertaining to the Parent Company Only Financial Statements.

In preparing the Parent Company Only Financial Statements, the management is responsible for assessing Key Ware Electronics' ability to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going concern basis of accounting unless the management either intends to liquidate Key Ware Electronics or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the Audit Committee) are responsible for overseeing Key Ware Electronics' financial reporting process.

### **Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements**

Our objectives are to obtain reasonable assurance about whether the Parent Company Only Financial Statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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 the 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 evaluate the risk of material misstatements due to fraud or error in the Parent Company Only Financial Statements; design and carry out appropriate countermeasures for the evaluated risk; and obtain sufficient and appropriate evidence as the basis for audit 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 controls 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 controls of Key Ware Electronics.
3. Assess the appropriateness of the accounting policies adopted by the management, as well as the reasonableness of their accounting estimates and relevant disclosures.
4. Conclude on the appropriateness of the 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 Key Ware Electronics' ability to operate as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause Key Ware Electronics to cease to continue as a going concern.
5. Evaluate the overall expression, structure and contents of the Parent Company Only Financial Statements (including relevant Notes), and whether the Parent Company Only Financial Statements fairly present relevant transactions and items.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Key Ware Electronics to express an opinion on the Parent Company Only Financial Statements. We are responsible for the direction, supervision, and performance of the audit and for expressing an opinion on the Parent Company Only Financial Statements of Key Ware Electronics.

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 the key audit matters of Key Ware Electronics' Parent Company Only Financial Statements for the year ended December 31, 2022. We describe these matters in our auditors' 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.

Deloitte & Touche  
CPA, Li, Kuan-Hao

CPA, Lin, Wang-Sheng

Financial Supervisory Commission Approval  
Document No.:  
FSC Approval Document No. 1100372936

Financial Supervisory Commission Approval  
Document No.:  
FSC Approval Document No. 1060023872

March 24, 2023

Key Ware Electronics Co., Ltd.  
Parent Company Only Balance Sheets  
As of December 31, 2022 and 2021

Unit: NT\$ thousand

| Code                                     | Assets   | December 31, 2022   |            | December 31, 2021   |            |
|--|--|---------------------|------------|---------------------|------------|
|  |  | Amount              | %          | Amount              | %          |
| <b>Current Assets</b>                    |  |                     |            |                     |            |
| 1100                                     | Cash and cash equivalents (Notes IV and VI)  | \$ 123,888          | 3          | \$ 216,260          | 6          |
| 1110                                     | Financial assets at fair value through profit or loss - current (Notes IV and VII)                   | 53,468              | 2          | 6,158               | -          |
| 1120                                     | Financial assets at fair value through other comprehensive income - current (Notes IV, VII and XXVI) | 354,046             | 10         | 339,771             | 9          |
| 1150                                     | Notes receivable (Notes IV and IX)   | 3,624               | -          | 7,715               | -          |
| 1170                                     | Accounts receivable (Notes IV and IX)  | 228,947             | 6          | 159,017             | 4          |
| 1180                                     | Accounts receivable - related parties (Notes IV and XXV)   | 58,210              | 2          | 61,546              | 2          |
| 1200                                     | Other receivables (Notes IV and IX)  | 7,712               | -          | 8,771               | -          |
| 1210                                     | Other receivable - related parties (Notes IV and XXV)  | 7,462               | -          | 193,160             | 5          |
| 130X                                     | Inventories - Net (Notes IV and X)   | 210,017             | 6          | 187,757             | 5          |
| 1470                                     | Other current assets   | 34,896              | 1          | 19,676              | 1          |
| 11XX                                     | Total current assets   | <u>1,082,270</u>    | <u>30</u>  | <u>1,199,831</u>    | <u>32</u>  |
| <b>Non-current assets</b>                |  |                     |            |                     |            |
| 1510                                     | Financial assets at fair value through other comprehensive income - current (Notes IV and VIII)      | 52,765              | 1          | 40,144              | 1          |
| 1550                                     | Investments accounted for using the equity method (Notes IV and XI)                                  | 1,674,722           | 46         | 1,611,996           | 43         |
| 1600                                     | Property, plant, and equipment (Notes IV, XII and XXVI)  | 777,377             | 21         | 797,509             | 21         |
| 1755                                     | Right-of-use assets (Notes IV and XIII)  | 19,998              | 1          | 25,966              | 1          |
| 1840                                     | Deferred tax assets (Notes IV and XX)  | 39,076              | 1          | 37,182              | 1          |
| 1915                                     | Prepayment - non-current (Note XXII)   | 12,339              | -          | 37,105              | 1          |
| 1920                                     | Refundable deposits (Note IV)  | 1,539               | -          | 3,787               | -          |
| 1990                                     | Other non-current assets   | 2,569               | -          | 3,079               | -          |
| 15XX                                     | Total non-current assets   | <u>2,580,385</u>    | <u>70</u>  | <u>2,556,768</u>    | <u>68</u>  |
| 1XXX                                     | Total assets   | <u>\$ 3,662,655</u> | <u>100</u> | <u>\$ 3,756,599</u> | <u>100</u> |
| <b>Liabilities and Equity</b>            |  |                     |            |                     |            |
| <b>Current Liabilities</b>               |  |                     |            |                     |            |
| 2100                                     | Short-term loans (Note XIV)  | \$ 599,257          | 17         | \$ 603,775          | 16         |
| 2110                                     | Short-term notes and bills payable (Note XIV)  | 44,965              | 1          | 34,991              | 1          |
| 2120                                     | Financial liabilities at fair value through profit or loss - current (Notes IV, VII and XV)          | 4,380               | -          | -                   | -          |
| 2150                                     | Notes and accounts payables  | 66,292              | 2          | 64,942              | 2          |
| 2180                                     | Accounts payable - related parties (Note XXV)  | 27,190              | 1          | 38,420              | 1          |
| 2219                                     | Other payables (Note XVI)  | 34,557              | 1          | 299,567             | 8          |
| 2220                                     | Other payables - related parties (Note XXV)  | 12,725              | -          | 965                 | -          |
| 2230                                     | Current tax liabilities (Notes IV and XIII)  | -                   | -          | 469                 | -          |
| 2280                                     | Lease liabilities - current (Notes IV and XIII)  | 6,871               | -          | 7,730               | -          |
| 2320                                     | Long-term loans with a maturity of less than one year (Note XIV)                                     | 21,621              | 1          | 419,467             | 11         |
| 2399                                     | Other current liabilities  | 7,262               | -          | 6,120               | -          |
| 21XX                                     | Total current liabilities  | <u>825,120</u>      | <u>23</u>  | <u>1,476,446</u>    | <u>39</u>  |
| <b>Non-current liabilities</b>           |  |                     |            |                     |            |
| 2500                                     | Financial liabilities at fair value through profit or loss - non-current (Notes IV, VII and XV)      | -                   | -          | 1,220               | -          |
| 2530                                     | Corporate bonds payable (Notes IV and XV)  | 193,912             | 5          | 188,856             | 5          |
| 2540                                     | Long-term loans (Note XIV)   | 501,808             | 14         | 74,274              | 2          |
| 2570                                     | Deferred income tax liabilities (Notes IV and XX)  | 9,870               | -          | 5,160               | -          |
| 2580                                     | Lease liabilities - non-current (Notes IV and XIII)  | 13,457              | 1          | 18,462              | 1          |
| 2630                                     | Long-term deferred revenue (Note XII)  | 9,841               | -          | 11,496              | -          |
| 2670                                     | Net defined benefit liabilities (Notes IV and XVII)  | 12,210              | -          | 7,882               | -          |
| 25XX                                     | Total non-current liabilities  | <u>741,098</u>      | <u>20</u>  | <u>307,350</u>      | <u>8</u>   |
| 2XXX                                     | Total liabilities  | <u>1,566,218</u>    | <u>43</u>  | <u>1,783,796</u>    | <u>47</u>  |
| <b>Equity (Notes IV, VIII and XVIII)</b> |  |                     |            |                     |            |
| 3100                                     | Share capital  | 1,899,283           | 52         | 1,899,309           | 51         |
| 3200                                     | Capital surplus  | 80,139              | 2          | 79,217              | 2          |
| 3300                                     | Retained earnings  | 224,607             | 6          | 217,158             | 6          |
| 3400                                     | Other equity   | (107,592)           | (3)        | (222,881)           | (6)        |
| 3XXX                                     | Total equity   | <u>2,096,437</u>    | <u>57</u>  | <u>1,972,803</u>    | <u>53</u>  |
| Total liabilities and equity             |  | <u>\$ 3,662,655</u> | <u>100</u> | <u>\$ 3,756,599</u> | <u>100</u> |

The accompanying notes are an integral part of the Parent Company Only Financial Statements.

Chairman: Chow, Pong-Chi

President: Hsu, Wei-Chieh

Accounting Manager: Lee, Yun-Ting

Key Ware Electronics Co., Ltd.

Parent Company Only Statements of Comprehensive Income

From January 1 to December 31, 2022 and 2021

Unit: NT\$ Thousands, except for  
Earnings per share (in Dollars)

| Code |  | 2022              |              | 2021              |              |
|------|--|-------------------|--------------|-------------------|--------------|
|      |  | Amount            | %            | Amount            | %            |
| 4000 | Operating revenue (Notes IV and XXV)   | \$ 699,454        | 100          | \$ 573,431        | 100          |
| 5000 | Operating costs (Notes IV, X, XVII, XIX and XXV)   | <u>693,313</u>    | <u>99</u>    | <u>544,920</u>    | <u>95</u>    |
| 5900 | Gross profit   | 6,141             | 1            | 28,511            | 5            |
| 5920 | Realized (Unrealized) gains from sales   | ( <u>8</u> )      | <u>-</u>     | <u>140</u>        | <u>-</u>     |
| 5950 | Realized gross profit  | <u>6,133</u>      | <u>1</u>     | <u>28,651</u>     | <u>5</u>     |
|      | Operating expenses (Notes IV, XI, XVII, and XIX)   |                   |              |                   |              |
| 6100 | Selling and marketing expenses   | 28,562            | 4            | 20,124            | 3            |
| 6200 | General and administrative expenses  | 31,022            | 5            | 39,389            | 7            |
| 6300 | Research and development expenses  | 2,287             | -            | 3,295             | 1            |
| 6450 | Expected credit losses (gains)   | ( <u>140</u> )    | <u>-</u>     | <u>1,041</u>      | <u>-</u>     |
| 6000 | Total operating expenses   | <u>61,731</u>     | <u>9</u>     | <u>63,849</u>     | <u>11</u>    |
| 6900 | Net operating loss   | ( <u>55,598</u> ) | ( <u>8</u> ) | ( <u>35,198</u> ) | ( <u>6</u> ) |
|      | Non-operating income and expenses (Notes IV, XI, XII, XIX and XXV)                         |                   |              |                   |              |
| 7100 | Interest income  | 303               | -            | 62                | -            |
| 7010 | Other income   | 26,786            | 4            | 27,288            | 5            |
| 7020 | Other gains and losses   | 5,430             | 1            | 12,882            | 2            |
| 7050 | Finance costs  | ( 25,383 )        | ( 4 )        | ( 20,660 )        | ( 4 )        |
| 7070 | Shares of profits or loss of subsidiaries and associates accounted for using equity method | <u>49,409</u>     | <u>7</u>     | <u>48,276</u>     | <u>9</u>     |
| 7000 | Total non-operating income and expenses  | <u>56,545</u>     | <u>8</u>     | <u>67,848</u>     | <u>12</u>    |

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| Code |  | 2022              |           | 2021                 |              |
|------|--|-------------------|-----------|----------------------|--------------|
|      |  | Amount            | %         | Amount               | %            |
| 7900 | Net income before tax  | \$ 947            | -         | \$ 32,650            | 6            |
| 7950 | Income tax expense (profit)<br>(Notes IV and XX)   | ( 1,701)          | ( 1)      | 1,219                | -            |
| 8200 | Net income   | <u>2,648</u>      | <u>1</u>  | <u>31,431</u>        | <u>6</u>     |
|      | Other comprehensive income   |                   |           |                      |              |
| 8310 | Components that will not be reclassified to profit or loss   |                   |           |                      |              |
| 8311 | Gains (losses) on re-measurements of defined benefit plans (Notes IV and XVII)   | ( 2,824)          | ( 1)      | 3,487                | -            |
| 8316 | Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income (Notes IV and XVIII) | 103,510           | 15        | ( 242,714)           | ( 42)        |
| 8349 | Income tax related to components that will not be reclassified to profit or loss (Note IV and XX)                                    | 565               | -         | ( 697)               | -            |
| 8360 | Components that may be reclassified to profit or loss  |                   |           |                      |              |
| 8361 | Exchange differences on translation of financial statements of foreign operations (Notes IV and XVIII)                               | 23,549            | 4         | ( 7,815)             | ( 1)         |
| 8399 | Income tax related to components that may be reclassified to profit or loss (Notes IV, XVIII and XX)                                 | ( 4,710)          | ( 1)      | 1,562                | -            |
| 8300 | Other comprehensive income   | <u>120,090</u>    | <u>17</u> | <u>( 246,177)</u>    | <u>( 43)</u> |
| 8500 | Total comprehensive income   | <u>\$ 122,738</u> | <u>18</u> | <u>( \$ 214,746)</u> | <u>( 37)</u> |
|      | Earnings per share (Note XXI)  |                   |           |                      |              |
| 9750 | Basic  | <u>\$ 0.01</u>    |           | <u>\$ 0.18</u>       |              |
| 9850 | Diluted  | <u>\$ 0.01</u>    |           | <u>\$ 0.18</u>       |              |

The accompanying notes are an integral part of the Parent Company Only Financial Statements.

Chairman:  
Chow, Pong-Chi

President:  
Hsu, Wei-Chieh

Accounting Manager:  
Lee, Yun-Ting



Key Ware Electronics Co., Ltd.  
Parent Company Only Statements of Changes in Equity  
From January 1 to December 31, 2022 and 2021

Unit: NT\$ thousand

| Code |   | Share capital                 |                              | Retained earnings |               |                 | Other equity            |   | Total Equity  |  |
|------|---|-------------------------------|------------------------------|-------------------|---------------|-----------------|-------------------------|---|---------------|--|
|      |   | Capital stock - common shares | Capital collected in advance | Capital surplus   | Legal reserve | Special reserve | Unappropriated earnings | Exchange differences on translation of financial statements of foreign operations |               | Unrealized valuation gains (losses) on financial assets at fair value through other comprehensive income |
| A1   | Balance as of January 1, 2021   | \$ 1,693,397                  | \$ -                         | \$ 3,439          | \$ 11,993     | \$ 186,681      | \$ 84,705               | ( \$ 103,079 )  | \$ 130,327    | \$ 2,007,463   |
| D1   | Net income in 2021  | -                             | -                            | -                 | -             | -               | 31,431                  | -   | -             | 31,431   |
| D3   | Other comprehensive income after tax in 2021                                    | -                             | -                            | -                 | -             | -               | 2,790                   | ( 6,253 )   | ( 242,714 )   | ( 246,177 )  |
| D5   | Total comprehensive income in 2021  | -                             | -                            | -                 | -             | -               | 34,221                  | ( 6,253 )   | ( 242,714 )   | ( 214,746 )  |
|      | Appropriation and distribution of earnings for 2021                             |                               |                              |                   |               |                 |                         |   |               |  |
| B1   | Legal reserve   | -                             | -                            | -                 | 8,842         | -               | ( 8,842 )               | -   | -             | -  |
| B3   | Reversal of special reserve   | -                             | -                            | -                 | -             | ( 28,037 )      | 28,037                  | -   | -             | -  |
| B5   | Cash dividends of common stock  | -                             | -                            | -                 | -             | -               | ( 33,868 )              | -   | -             | ( 33,868 )   |
| B9   | Stock dividends of common stock   | 67,736                        | -                            | -                 | -             | -               | ( 67,736 )              | -   | -             | -  |
| E1   | Cash capital increase   | 138,000                       | -                            | 63,480            | -             | -               | -                       | -   | -             | 201,480  |
| N1   | Share-based payment - employee stock option compensation cost (Note XX)         | -                             | 176                          | 3,742             | -             | -               | -                       | -   | -             | 3,918  |
| I1   | Equity component of convertible bond issued by the Corporation                  | -                             | -                            | 8,556             | -             | -               | -                       | -   | -             | 8,556  |
| Q1   | Disposal of equity instruments through other comprehensive income               | -                             | -                            | -                 | -             | -               | 1,162                   | -   | ( 1,162 )     | -  |
| Z1   | Balance as of December 31, 2021   | 1,899,133                     | 176                          | 79,217            | 20,835        | 158,644         | 37,679                  | ( 109,332 )   | ( 113,549 )   | 1,972,803  |
| D1   | Net income in 2022  | -                             | -                            | -                 | -             | -               | 2,648                   | -   | -             | 2,648  |
| D3   | Other comprehensive income after tax in 2022                                    | -                             | -                            | -                 | -             | -               | ( 2,259 )               | 18,839  | 103,510       | 120,090  |
| D5   | Total comprehensive income in 2022  | -                             | -                            | -                 | -             | -               | 389                     | 18,839  | 103,510       | 122,738  |
|      | Appropriation and distribution of earnings for 2021                             |                               |                              |                   |               |                 |                         |   |               |  |
| B1   | Provision of legal reserve  | -                             | -                            | -                 | 3,538         | -               | ( 3,538 )               | -   | -             | -  |
| B3   | Provision of special reserve  | -                             | -                            | -                 | -             | 34,141          | ( 34,141 )              | -   | -             | -  |
| N1   | Share-based payment - employee stock option exercise                            | 150                           | ( 176 )                      | 26                | -             | -               | -                       | -   | -             | -  |
| N1   | Share-based payment - employee stock option compensation cost (Note XX)         | -                             | -                            | 896               | -             | -               | -                       | -   | -             | 896  |
| O1   | Disposal of equity instruments at fair value through other comprehensive income | -                             | -                            | -                 | -             | -               | 7,060                   | -   | ( 7,060 )     | -  |
| Z1   | Balance as of December 31, 2022   | \$ 1,899,283                  | \$ -                         | \$ 80,139         | \$ 24,373     | \$ 192,785      | \$ 7,449                | ( \$ 90,493 )   | ( \$ 17,099 ) | \$ 2,096,437   |

The accompanying notes are an integral part of the Parent Company Only Financial Statements.

Chairman: Chow, Pong-Chi

President: Hsu, Wei-Chieh

Accounting Manager: Lee, Yun-Ting

Key Ware Electronics Co., Ltd.  
Parent Company Only Statements of Cash Flows  
From January 1 to December 31, 2022 and 2021

Unit: NT\$ thousand

| Code   |   | 2022      | 2021       |
|--------|---|-----------|------------|
|        | Cash flows from operating activities  |           |            |
| A10000 | Net income before tax   | \$ 947    | \$ 32,650  |
| A20010 | Adjustments to reconcile income (loss):   |           |            |
| A20100 | Depreciation expenses   | 68,690    | 73,066     |
| A20200 | Amortization expenses   | 1,842     | 1,718      |
| A20300 | Expected credit impairment loss (reversal gains)  | ( 140)    | 1,041      |
| A20400 | Valuation loss (gain) on financial assets and liabilities measured at fair value through profit or loss | 20,853    | ( 8,778)   |
| A20900 | Finance costs   | 25,383    | 20,660     |
| A21300 | Dividend income   | ( 2,256)  | ( 3,288)   |
| A21200 | Interest income   | ( 303)    | ( 62)      |
| A21900 | Share-based compensation cost   | 896       | 3,742      |
| A22500 | Gains on property, plant, and equipment   | ( 1,655)  | ( 1,655)   |
| A29900 | Unrealized (Realized) gains from sales  | 8         | ( 140)     |
| A22300 | Shares of profits or loss of subsidiaries and associates accounted for using equity method              | ( 49,409) | ( 48,276)  |
| A24100 | Unrealized foreign exchange losses (gains)  | 944       | ( 4,508)   |
| A30000 | Changes in operating assets and liabilities, net  |           |            |
| A31130 | Notes receivable  | 4,091     | 1,363      |
| A31150 | Accounts receivable   | ( 65,388) | ( 9,542)   |
| A31160 | Accounts receivable - related parties   | 2,311     | ( 9,240)   |
| A31180 | Other receivables   | 1,059     | ( 3,200)   |
| A31190 | Other receivables - related parties   | 188,714   | ( 113,367) |
| A31200 | Inventories   | ( 22,260) | ( 42,327)  |
| A31230 | Prepayments   | ( 8,885)  | ( 8,680)   |
| A31240 | Other current assets  | ( 1,977)  | ( 4,516)   |
| A32130 | Notes and accounts payables   | 789       | 12,555     |
| A32160 | Accounts payable - related parties  | ( 11,880) | ( 14,294)  |
| A32190 | Other payables - related parties  | 11,760    | 965        |
| A32180 | Other payables  | 414       | 14,498     |
| A32230 | Other current liabilities   | 1,142     | 3,942      |
| A32240 | Other non-current assets  | 1,503     | 1,599      |
| A33000 | Cash inflow (outflow) generated from operations   | 167,193   | ( 104,074) |
| A33300 | Interest paid   | ( 19,364) | ( 17,323)  |
| A33100 | Interest received   | 303       | 62         |

(Continued on the next page)

(Continued from the previous page)

| Code   |   | 2022              | 2021              |
|--------|---|-------------------|-------------------|
| A33200 | Interest received   | \$ 2,256          | \$ 3,288          |
| A33500 | Income tax paid   | ( 114)            | ( 18)             |
| AAAA   | Cash inflow (outflow) from operating activities   | <u>150,274</u>    | <u>( 118,065)</u> |
|        | Cash flow from investment activities  |                   |                   |
| B00010 | Acquisition of financial assets at fair value through other comprehensive income            | ( 15,178)         | ( 30,545)         |
| B00020 | Proceeds from disposal of financial assets at fair value through other comprehensive income | 91,793            | 5,103             |
| B00100 | Acquisition of financial assets at fair value through profit or loss                        | ( 89,278)         | ( 113,607)        |
| B00200 | Disposal of financial assets at fair value through profit or loss                           | 24,275            | 112,884           |
| B01800 | Net cash outflow from acquisition of associates   | -                 | ( 10,333)         |
| B02700 | Acquisition of property, plant, and equipment   | ( 7,882)          | ( 150,483)        |
| B07100 | Decrease in equipment payable   | ( 262,924)        | ( 42,760)         |
| B03700 | Increase in refundable deposits   | -                 | ( 441)            |
| B03800 | Decrease in refundable deposits   | 2,248             | -                 |
| B07600 | Dividends received from associates  | <u>10,224</u>     | <u>3,570</u>      |
| BBBB   | Net cash flows used in investing activities   | <u>( 246,722)</u> | <u>( 226,612)</u> |
|        | Cash flows from financing activities  |                   |                   |
| C00100 | Increase in short-term loans  | -                 | 52,931            |
| C00200 | Repayments of short-term loans  | ( 26,624)         | -                 |
| C00500 | Increase in short-term notes and bills payable  | 9,974             | 26                |
| C01200 | Issuance of corporate bonds   | -                 | 200,000           |
| C01600 | Proceeds from long-term loans   | 450,199           | 419,467           |
| C01700 | Repayments of long-term loans   | ( 420,511)        | ( 325,726)        |
| C04020 | Repayment of the lease principal  | ( 8,962)          | ( 6,754)          |
| C04500 | Cash dividends paid   | -                 | ( 33,868)         |
| C04600 | Cash capital increase   | -                 | 201,480           |
| C04800 | Employees stock option exercised  | <u>-</u>          | <u>176</u>        |
| CCCC   | Net cash outflow used in financing activities   | <u>4,076</u>      | <u>507,732</u>    |
| EEEE   | (Decrease) increase in cash and bank deposits for the year                                  | ( 92,372)         | 163,055           |
| E00100 | Cash and bank deposits at the beginning of the year   | <u>216,260</u>    | <u>53,205</u>     |
| E00200 | Cash and bank deposits at the end of the year   | <u>\$ 123,888</u> | <u>\$ 216,260</u> |

The accompanying notes are an integral part of the Parent Company Only Financial Statements.

Chairman:  
Chow, Pong-Chi

President:  
Hsu, Wei-Chieh

Accounting Manager:  
Lee, Yun-Ting

**Attachment 5. 2022 Earnings Distribution Table**

2022 Earnings Distribution Table

Unit: NT\$

| Item  | Amount               |
|---|----------------------|
| Beginning balance of retained earnings  | \$ 0                 |
| Add: Net income after tax for the period  | 2,647,313            |
| Defined benefit plan remeasurement recognized in retained earnings  | (2,258,535)          |
| Disposal of accumulated gains and losses on investments in equity instruments measured at fair value through other comprehensive income and loss transferred to retained earnings | <u>7,059,668</u>     |
| Net income after tax plus the amount of items other than net income for the period included in undistributed earnings for the year  | 7,448,446            |
| Provision of legal surplus (10%)  | (744,845)            |
| Reversal of special reserve in accordance with the law  | <u>34,141,227</u>    |
| Earnings available for distribution for the year  | <u>\$ 40,844,828</u> |
| Distribution item:  |                      |
| Cash dividends to shareholders - NT\$0.1 per share (Note)   | 18,992,838           |
| Stock dividends to shareholders - NT\$0.115 per share (Note)  | <u>21,851,990</u>    |
| Undistributed retained earnings for the year  | <u><u>\$ 0</u></u>   |

Note: Share capital 189,928,346 shares

Chairman:

Chow, Pong-Chi

President:

Hsu, Wei-Chieh

Accounting Manager:

Lee, Yun-Ting

**Attachment 6. Comparison Table of the “Rules and Procedure for Shareholders' Meetings” before and after revision**

**Comparison Table of the Rules and Procedure  
for Shareholders' Meetings before and after revision**

| Current Provisions  | Provisions after Revision  | Explanation   |
|---|--|---|
| <p>Article 1: To facilitate the process of the Company's shareholders' meeting, the Rules and Procedure for Shareholders' Meeting have been established in accordance with the Securities and Futures Commission, Ministry of Finance (86) TCC (3) No. 04110.</p>   | <p>Article 1: To facilitate the process of the Company's shareholders' meeting, the Rules and Procedure for Shareholders' Meeting have been established in accordance with <u>Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.</u></p>  | <p>Revised in accordance with the existing law</p>              |
| <p>Article 3<br/>I. (Omitted)<br/>II. (Omitted)<br/>III. The Company shall furnish the attending shareholders with an attendance book to sign, or attending shareholders may hand in a sign-in card in lieu of signing in. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards handed in plus the number of shares whose voting rights are exercised by correspondence or electronically.</p> | <p>Article 3<br/><br/>III. The Company shall furnish the attending shareholders with an attendance book to sign, or attending shareholders may hand in a sign-in card in lieu of signing in. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards handed in, <u>and the shares checked in on the virtual meeting platform,</u> plus the number of shares whose voting rights are exercised by correspondence or electronically.</p> | <p>Addition of virtual shareholders meetings specifications</p> |
| <p>IV. The venue for a shareholders meeting shall be the premises of this Corporation, or a place easily accessible to shareholders and suitable for a shareholders meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m.</p>  | <p>IV. The venue for a shareholders' meeting shall be the premises of the Company, or a place easily accessible to shareholders and suitable for a shareholders' meeting. The meeting may begin no earlier than 9:00 a.m. and no later than 3:00 p.m.<br/><u>The restrictions on the place of the meeting shall not apply when this Corporation convenes a virtual-only shareholders meeting.</u></p>  | <p>Addition of virtual shareholders meetings specifications</p> |
| <p>V. (Omitted)<br/>VI. (Omitted)<br/>VII. The Company shall make an uninterrupted audio or video recording of the entire proceedings of the shareholders meeting, and the recorded materials shall be retained for at least one year.</p>  | <p>VII. The Company shall make an uninterrupted audio or video recording of the entire proceedings of the shareholders meeting, and the recorded materials shall be retained for at least one year.<br/><u>Where a shareholders meeting is held online, the Company shall keep records of shareholder registration,</u></p>  | <p>Addition of virtual shareholders meetings specifications</p> |

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|  | <p><u>sign-in, check-in, questions raised, votes cast and results of votes counted by the Company, and continuously audio and video record, without interruption, the proceedings of the virtual meeting from beginning to end. The information and audio and video recording shall be properly kept by the Company during the entirety of its existence, and copies of the audio and video recording shall be provided to and kept by the party appointed to handle matters of the virtual meeting. In case of a virtual shareholders meeting, this Corporation is advised to audio and video record the back-end operation interface of the virtual meeting platform.</u></p>   |   |
| <p>VIII. The chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than one hour, may be made. If the quorum is not met after two postponements, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act. When the attending shareholders represent a majority of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the shareholders meeting pursuant to Article 174 of the Company Act.</p> | <p>VIII. The chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than one hour, may be made. If the quorum is not met after two postponements, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act. When the attending shareholders represent a majority of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the shareholders meeting pursuant to Article 174 of the Company Act. <u>All shareholders shall be notified of the tentative resolution and another shareholders meeting shall be convened within one month. In the event of a virtual shareholders meeting, shareholders intending to attend the meeting online shall re-register to the Company.</u></p> | <p>Addition of virtual shareholders meetings specifications</p> |
| <p>IX. If a shareholders' meeting is convened by the board of directors, the meeting agenda shall be set by the board of directors. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders' meeting. The provisions</p>   | <p>IX. <u>Changes to how the Company convenes its shareholders meeting shall be resolved by the board of directors, and shall be made no later than mailing of the shareholders meeting notice.</u><br/>If a shareholders' meeting is convened by the board of directors, the meeting</p>   | <p>Addition of virtual shareholders meetings specifications</p> |

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| <p>of the preceding paragraph apply mutatis mutandis to a shareholders' meeting convened by a party with the power to convene that is not the board of directors. The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution of the shareholders meeting. If the chair declares the meeting adjourned in violation of the rules of procedure, the other members of the board of directors shall promptly assist the attending shareholders in electing a new chair in accordance with statutory procedures, by agreement of a majority of the votes represented by the attending shareholders, and then continue the meeting.</p> <p>If a written proposal made by a shareholder in accordance with Article 172-1 of the Company Act is included in a shareholders' meeting, if it is of the same nature as a proposal made by the Board of Directors, the proposal shall be handled together and subject to the preceding provisions.</p> <p>The order of discussion and voting on each motion proposed by the shareholders in the Extempore Motions shall be determined by the chairman.</p> <p>After the meeting is adjourned, the shareholders shall not elect another chairman for the meeting at the same place or another venue.</p> | <p>agenda shall be set by the board of directors. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders' meeting. The provisions of the preceding paragraph apply mutatis mutandis to a shareholders' meeting convened by a party with the power to convene that is not the board of directors. The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution of the shareholders meeting. If the chair declares the meeting adjourned in violation of the rules of procedure, the other members of the board of directors shall promptly assist the attending shareholders in electing a new chair in accordance with statutory procedures, by agreement of a majority of the votes represented by the attending shareholders, and then continue the meeting.</p> <p>If a written proposal made by a shareholder in accordance with Article 172-1 of the Company Act is included in a shareholders' meeting, if it is of the same nature as a proposal made by the Board of Directors, the proposal <u>shall be handled together and subject to the preceding provisions.</u></p> <p>The order of discussion and voting on each motion proposed by the shareholders in the Extempore Motions shall be determined by the chairman.</p> <p>After the meeting is adjourned, the shareholders shall not elect another chairman for the meeting at the same place or another venue.</p> <p><u>To convene a virtual shareholders meeting (including video auxiliary shareholders' meeting), the Company shall include the follow particulars in the shareholders meeting notice and shall be handled in accordance with the provisions of the Regulations Governing the Administration of Shareholder Services of Public Companies.</u></p> |   |
| <p>X. (Omitted)</p> <p>XI. Except with the consent of the chair, a shareholder may not speak more</p>  | <p>XI. Except with the consent of the chair, a shareholder may not speak more than</p>   | <p>Addition of virtual shareholders</p> |

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| <p>than twice on the same proposal, and a single speech may not exceed 5 minutes. If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chair may terminate the speech.</p>   | <p>twice on the same proposal, and a single speech may not exceed 5 minutes. If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chair may terminate the speech.<br/> <u>Shareholders attending the virtual meeting online may raise questions in writing at the virtual meeting platform from the chair declaring the meeting open until the chair declaring the meeting adjourned. No more than two questions for the same proposal may be raised. Each question shall contain no more than 200 words. The regulations in preceding two paragraphs do not apply.</u></p>   | <p>meetings specifications</p>  |
| <p>XII. (Omitted)<br/> XIII. (Omitted)<br/> XIV. If the chair considers that proposal has been discussed sufficiently to put it to a vote, the chair may announce that the discussion closed, call for a vote. If no objection is raised upon consultation with the chair, the motion shall be regarded as passed and shall have the same effect as a poll.</p> | <p>XIV. If the chair considers that proposal has been discussed sufficiently to put it to a vote, the chair may announce that the discussion closed, call for a vote. <del>If no objection is raised upon consultation with the chair, the motion shall be regarded as passed and shall have the same effect as a poll.</del><br/> <u>A shareholder shall be entitled to one vote for each share held, except when the shares are restricted shares or are deemed non-voting shares under Article 179, paragraph 2 of the Company Act.</u><br/> <u>A shareholder may issue only one proxy form and appoint only one proxy for any given shareholders' meeting, and shall deliver the proxy form to the Company at least five days before the date of the shareholders' meeting. When duplicate proxy forms are delivered, the one received earliest shall prevail. However, a declaration made to cancel the previous proxy appointment is not subject to the aforementioned rule.</u><br/> <u>After a proxy form has been delivered to the Company, if the shareholder intends to attend the meeting in person or to exercise voting rights by correspondence or electronically, a written notice of proxy cancellation shall be submitted to the Company at least two business days before the meeting date. If the cancellation notice is submitted after</u></p> | <p>Article 14 and Article 14-1 are combined into Article 14. Addition of virtual shareholders meetings specifications</p> |



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|  | <p><u>that time, votes cast at the meeting by the proxy shall prevail.</u></p> <p><u>If, after a proxy form is delivered to the Company, a shareholder wishes to attend the shareholders meeting online, a written notice of proxy cancellation shall be submitted to this Corporation two business days before the meeting date. If the cancellation notice is submitted after that time, votes cast at the meeting by the proxy shall prevail.</u></p>  |   |
| XIV-1. A shareholder has one vote per share. If a shareholder appoints a proxy to attend a shareholders' meeting, the proxy's voting rights shall not exceed 3% of the total number of outstanding shares, and if the proxy exceeds the voting rights, the excess voting rights shall not be counted.  | XIV-1. <u>(Deleted)</u>   |   |
| <p>XV. (Omitted)</p> <p>XVI. (Omitted)</p> <p>XVII. When the Company holds a shareholder meeting, it shall adopt exercise of voting rights by electronic means and may adopt exercise of voting rights by correspondence. When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the shareholders meeting notice. A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person, but to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting; it is therefore advisable that the Company avoid the submission of extraordinary motions and amendments to original proposals.</p> <p>A shareholder intending to exercise voting rights by correspondence or electronic means under the preceding paragraph shall deliver a written declaration of intent to the Company at least two days before the date of the shareholders' meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail. However, when a declaration is made to cancel an earlier declaration of intent is not</p> | <p>XVII. When the Company holds a shareholder meeting, it shall adopt exercise of voting rights by electronic means and may adopt exercise of voting rights by correspondence. When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the shareholders meeting notice. A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person, but to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting; it is therefore advisable that the Company avoid the submission of extraordinary motions and amendments to original proposals.</p> <p>A shareholder intending to exercise voting rights by correspondence or electronic means under the preceding paragraph shall deliver a written declaration of intent to the Company at least two days before the date of the shareholders' meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail. However, when a declaration is made to cancel an earlier declaration of intent is not</p> | <p>Addition of virtual shareholders meetings specifications</p> |

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| <p>subject to the limits.<br/> After a shareholder has exercised voting rights by correspondence or electronic means, in the event the shareholder intends to attend the shareholders meeting in person, a written declaration of intent to retract the voting rights already exercised under the preceding paragraph shall be made known to the Company, by the same means by which the voting rights were exercised, at least two business days before the date of the shareholders' meeting. If the notice of retraction is submitted after that time, the voting rights already exercised by correspondence or electronic means shall prevail. When a shareholder has exercised voting rights both by correspondence or electronic means and by appointing a proxy to attend a shareholders meeting, the voting rights exercised by the proxy in the meeting shall prevail.<br/> Except as otherwise provided in the Company Act and in the Company's Articles of Incorporation, the adoption of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders.</p> <p>XVIII. (Omitted)<br/> XIX. (Omitted)</p> | <p>subject to the limits.<br/> After a shareholder has exercised voting rights by correspondence or electronic means, in the event the shareholder intends to attend the shareholders meeting in person <u>or online</u>, a written declaration of intent to retract the voting rights already exercised under the preceding paragraph shall be made known to the Company, by the same means by which the voting rights were exercised, at least two business days before the date of the shareholders' meeting. If the notice of retraction is submitted after that time, the voting rights already exercised by correspondence or electronic means shall prevail. When a shareholder has exercised voting rights both by correspondence or electronic means and by appointing a proxy to attend a shareholders meeting, the voting rights exercised by the proxy in the meeting shall prevail.<br/> Except as otherwise provided in the Company Act and in the Company's Articles of Incorporation, the adoption of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders.</p> |  |
| <p>Article 5 The Rules and Procedure for Shareholders' Meetings was established on June 21, 1999. The first amendment is made on May 28, 2003. The second amendment is made on May 15, 2007. The third amendment is made on June 13, 2018.</p>  | <p>Article 5 The Rules and Procedure for Shareholders' Meetings was established on June 21, 1999. The first amendment is made on May 28, 2003. The second amendment is made on May 15, 2007. The third amendment is made on June 13, 2018. <u>The fourth amendment is made on June 16, 2023.</u></p>   | <p>Addition of the number of amendments and date</p> |

## **Appendix 1 Articles of Incorporation**

### **Articles of Incorporation**

#### Chapter 1. General Principles

- Article 1. The Company shall be incorporated under the Company Act, and its name shall be Key Ware Electronics Co., Ltd. (hereinafter referred to as Kay Ware).
- Article 2. The scope of business of the Company shall be as follows:
- I. CC01080 Electronics Components Manufacturing.
  - II. F119010 Wholesale of Electronic Materials.
  - III. F219010 Retail Sale of Electronic Materials.
  - IV. CB01010 Mechanical Equipment Manufacturing.
  - V. F113010 Wholesale of Machinery.
  - VI. F213080 Retail Sale of Other Machinery and Equipment.
  - VII. I501010 Product Designing.
  - VIII. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.
- Article 3. The Company shall have its head office in Taoyuan City, the Republic of China, and may, pursuant to a resolution adopted at the meeting of the Board of Directors, set up a branch office within or outside the territory of the Republic of China when deemed F .
- Article 4. Any and all public announcements shall be made by the Company in accordance with Article 28 of the Company Act.

#### Chapter 2. Capital Stock

- Article 5. The total capital of the Company shall be in the amount of NT\$2,500,000,000, divided into 250,000,000 shares, with a par value of NT\$10 each, and the board of directors is authorized to issue the shares in installments. Of these shares, 4,000,000 shares, at NT\$10 per share, are reserved for the exercise of subscription options, preferred shares with subscription options or corporate bonds with subscription options.
- Article 5-1. To transfer shares to employees at less than the average actual share repurchase price, the Company must have obtained the consent of at least two-thirds of the voting rights present at the most recent shareholders meeting attended by shareholders representing a majority of total issued shares prior to the transfer.
- Article 6. The Company may issue shares without physical certificates, and such shares shall be registered with a central securities depository.
- Article 7. Shareholders shall submit their names, addresses and seals to the Company on the seal card for record, and the seal shall be used as a proof of receipt of dividends or written

correspondence with the Company, as well as for any changes.

- Article 8. A shareholder who acquires shares by transfer, inheritance, gift or other reasons should file an application for transfer of shares together with the share certificate and necessary documents to the Company to claim a name change and transfer, which can only be done against the Company after it is registered in the shareholders' register.
- Article 9. In the event of transfer, loss or destruction of shares, the Company shall follow the Company Act and the "Regulations Governing the Administration of Shareholder Services of Public Companies" promulgated by the competent authorities.
- Article 10. In the event of a share split, merger, exchange of new shares, or any other request for a change of name, the Company shall follow the prescribed procedures.
- Article 11. Share transfer shall be suspended within 60 days before the date of each annual shareholders' meeting, within 30 days before the date of each extraordinary shareholders' meeting, or within five days before the record date on which dividends, bonus, or any other distributions will be paid or made by the Company. The preceding period shall be calculated from the meeting date or base date.

### Chapter 3. Shareholders' Meeting

- Article 12. There are two types of shareholders' meetings: regular meetings and extraordinary meetings. Regular meetings are convened at least once a year, within six months after the end of each fiscal year, by the board of directors in accordance with the law; extraordinary meetings are convened when necessary in accordance with the law.
- Article 12-1. The Company's shareholders' meetings shall be held by visual meeting or other means announced by the central competent authority.
- Article 13. If a shareholder is unable to attend a shareholders' meeting for any reason, he/she may appoint a proxy in accordance with Article 177 of the Company Act.
- Article 14. If the shareholders' meeting is convened by the board of directors, the chairperson of the board of directors shall be the chair. If the chairperson of the board of directors is on leave of absence or is unable to exercise his or her authority for any reason, his or her proxy shall be in accordance with Article 208 of the Company Act; if the meeting is convened by someone other than the board of directors, the chair of the meeting shall be the convener of the meeting.
- Article 15. The shareholders of the Company shall have one vote per share, unless otherwise provided by law.
- Article 16. Except as otherwise provided in the Company Act, the adoption of a proposal in a shareholders' meeting shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders, and the attending shareholders require the representation of a majority of the all shares issued by the Company.

Article 17. Matters relating to the resolutions of a shareholders' meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the chair of the meeting and a copy distributed to each shareholder within 20 days after the conclusion of the meeting. The preparation and distribution of the foregoing minutes shall be governed by the provisions of Article 183 of the Company Act.

#### Chapter 4. Director

Article 18. The Company has five to nine directors with a three-year term of office, who are nominated by candidates and elected by the shareholders' meeting from a list of director candidates.

Among the preceding number of directors, the number of independent directors shall not be less than two and shall not be less than one-fifth of the number of directors, and shall be elected by the shareholders from the list of independent director candidates. Regulations governing the professional qualifications, restrictions on shareholdings and concurrent positions held, assessment of independence, method of nomination, and other matters for compliance with respect to independent directors shall be prescribed by the competent securities authority. The remuneration of all directors is authorized to be determined by the board of directors' meeting based on the extent of their participation in the Company's operations and the value of their contributions, and with reference to domestic and international industry standards.

Article 18-1. The Company shall obtain liability insurance for the directors during their term of office in respect of their liability under the law for the performance of their business.

Article 18-2. The composition, terms of reference, rules of procedure and other matters to be followed by the Audit Committee of the Company shall be in accordance with the relevant regulations of the competent authorities.

Article 19. When the vacancies on the Board of Directors exceed one-third of the total number of the directors, the Board of Directors shall convene a special shareholders' meeting within sixty days for by-election. The newly elected directors shall serve the remaining terms

Article 20. If the directors' tenure has expired and an election fails to take place, their tenure shall be extended until the newly elected directors assume office.

Article 21. The directors shall organize the board of directors, and a chairman shall be elected by and from among the directors with the consent of a majority of the directors present at two-thirds of the board of directors' meeting, to execute all affairs of the Company in accordance with the Act, the Articles of Incorporation, and the resolutions of the shareholders' meeting and the board of directors' meeting.

Article 22. The Company's management policy and other important matters shall be resolved by the Board of Directors. Unless otherwise provided in the Company Act, the Board of Directors shall be convened by the Chairman of the Board of Directors, who shall be the Chairman. If the Chairman of the Board of Directors is absent from office or is unable to act for any reason, his or her proxy shall be governed by Article 208 of the Company Act.

Article 22-1. In addition to the provisions of Article 204 of the Company Act, the Company's Board of Directors may be convened by facsimile or e-mail.

Article 23. Unless otherwise provided in the Company Act, a majority of the directors must be present at a meeting of the board of directors and the consent of a majority of the directors present shall be required. If a director is unable to attend a meeting for any reason, he/she may appoint another director to attend a meeting of the board of directors as his/her proxy by issuing a proxy letter listing the scope of authority to convene the meeting, but only if one person is appointed by one person.

Article 24. The minutes of the board of directors' meetings shall be prepared, signed and sealed by the chairman, and distributed to each director within fifteen days after the meeting. The meeting minutes, along with the attendance list bearing the signatures of directors present at the meeting and the powers of attorney of the proxies, shall be kept at the premise of the Company.

Article 25. Deleted.

Article 26. Deleted.

#### Chapter 5. Managerial Personnel and Staff

Article 27. The Company may have managerial personnel. Appointment and discharge and the remuneration of the managerial personnel shall be decided in accordance with the Company Act.

Article 28. Deleted.

Article 29. Deleted.

#### Chapter 6. Accounting

Article 30. At the end of each fiscal year, the Board of Directors shall prepare the following statements and submit to the Audit Committee for review and recognition at the annual shareholders' meeting 30 days prior to the annual shareholders' meeting:

- (I) Business Report
- (II) Financial statements
- (III) Surplus earning distribution or loss off-setting proposals

Article 31. The Company shall first settle the taxes and make up for any deficit in the annual accounts and then set aside 10% of the remaining balance as legal reserve, except that the legal reserve may be waived when the legal reserve has reached the Company's capital, and after setting aside a special reserve or reversing a special reserve in accordance with the law. For the remaining surplus, the Board of Directors shall prepare a proposal for appropriation of earnings, including the undistributed earnings at the beginning of the period, and submit it to the shareholders meeting for resolution. For the current year's dividend distribution, cash dividends shall be distributed at a rate of not less than 10% of the total dividends distributed.

If the Company makes a profit in a year, the Company shall contribute 1% to 10% as compensation to employees and up to 1% as remuneration to directors, which shall be distributed in shares or cash by resolution of the Board of Directors; the distribution of compensation to employees and remuneration to directors shall be reported to the shareholders meeting. However, when the Company still has accumulated losses, it shall reserve the amount of compensation in advance, and then allocate employee compensation and directors' remuneration in proportion to the preceding paragraph. The Company executes employee treasury stock, employee stock options, employee subscription of new stock, employee restricted new stock and employee compensation to employees who meet certain criteria for control or subordinate company employees.

#### Chapter 7. Miscellaneous

- Article 32. The Company shall have the right to make investments in other entities as necessary for its business, and shall be a limited shareholder of other companies by resolution of the Board of Directors, and the total amount of such investments shall not be limited by the provisions of Article 13 of the Company Act.
- Article 33. The Company shall provide guarantees to its peers in connection with the Company's business.
- Article 34. The Company's organizational charter and by-laws shall be separately enacted by the board of directors.
- Article 35. Any matters inadequately provided for herein shall be subject to provisions concerned set forth in the Company Act and relevant laws and regulations.
- Article 36. The Article of Incorporation was established on February 17, 1997.  
The first amendment was made on August 7, 1997.  
The second amendment is made on November 13, 1998.  
The third amendment is made on January 12, 1999.  
The fourth amendment is made on June 21, 1999.

The fifth amendment was made on March 30, 2000.  
The sixth amendment is made on March 23, 2001.  
The seventh amendment is made on May 31, 2002.  
The eighth amendment is made on May 28, 2003.  
The ninth amendment is made on May 28, 2003.  
The tenth amendment is made on June 10, 2004.  
The eleventh amendment is made on June 16, 2005.  
The twelfth amendment is made on May 16, 2006.  
The thirteenth amendment is made on May 15, 2007.  
The fourteenth amendment is made on June 13, 2008.  
The fifteenth amendment is made on May 21, 2009.  
The sixteenth amendment is made on May 26, 2010.  
The seventeenth amendment is made on May 24, 2011.  
The eighteenth amendment is made on June 13, 2012.  
The nineteenth amendment is made on June 18, 2013.  
The twentieth amendment is made on June 27, 2014.  
The twenty-first amendment is made on June 28, 2016.  
The twenty-second amendment is made on June 15, 2017.  
The twenty-third amendment is made on June 18, 2020.  
The twenty-fourth amendment is made on June 22, 2022.



## **Appendix 2 Rules and Procedure for Shareholders' Meetings (Before Revision)**

### **Rules and Procedure for Shareholders' Meetings (Before Revision)**

- Article 1. To facilitate the process of the Company's shareholders' meeting, the Rules and Procedure for Shareholders' Meeting have been established in accordance with the Securities and Futures Commission, Ministry of Finance (86) TCC (3) No. 04110.
- Article 2. The Company's shareholders' meetings shall be conducted in accordance with these rules unless otherwise provided by law.
- Article 3. Operating Procedures and Notes
- I. For the purpose of these Rules, a shareholder means a shareholder whose name appears on the register of members in person or by proxy.
  - II. Attendance and voting at shareholders' meetings shall be calculated based on numbers of shares.
  - III. The Company shall furnish the attending shareholders with an attendance book to sign, or attending shareholders may hand in a sign-in card in lieu of signing in. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards handed in plus the number of shares whose voting rights are exercised by correspondence or electronically.
  - IV. The venue for a shareholders meeting shall be the premises of this Corporation, or a place easily accessible to shareholders and suitable for a shareholders meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m.
  - V. If a shareholders' meeting is convened by the board of directors, the meeting shall be chaired by the chairman of the board. When the chairman of the board is absent, one of the directors shall be appointed to act as chair. Where the chairman does not make such a designation, the directors shall select one person from among themselves to serve as the chair. If a shareholders' meeting is convened by a party with power to convene but other than the board of directors, the convening party shall chair the meeting. When there are two or more such convening parties, they shall mutually select a chair from among themselves.
  - VI. The Company may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders' meeting in a non-voting capacity. Staff handling administrative affairs of a shareholders' meeting shall wear identification cards or arm bands.
  - VII. The Company shall make an uninterrupted audio or video recording of the entire proceedings of the shareholders meeting, and the recorded materials shall be retained for at least one year.
  - VIII. The chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number

of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than one hour, may be made. If the quorum is not met after two postponements, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act. When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the shareholders' meeting pursuant to Article 174 of the Company Act.

- IX. If a shareholders' meeting is convened by the board of directors, the meeting agenda shall be set by the board of directors. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders' meeting. The provisions of the preceding paragraph apply mutatis mutandis to a shareholders' meeting convened by a party with the power to convene that is not the board of directors. The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution of the shareholders meeting.

If the chair declares the meeting adjourned in violation of the rules of procedure, the other members of the board of directors shall promptly assist the attending shareholders in electing a new chair in accordance with statutory procedures, by agreement of a majority of the votes represented by the attending shareholders, and then continue the meeting.

If a written proposal made by a shareholder in accordance with Article 172-1 of the Company Act is included in a shareholders' meeting, if it is of the same nature as a proposal made by the Board of Directors, the proposal shall be handled together and subject to the preceding provisions.

The order of discussion and voting on each motion proposed by the shareholders in the Extempore Motions shall be determined by the chairman. After the meeting is adjourned, the shareholders shall not elect another chairman for the meeting at the same place or another venue.

- X. Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chair. A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail. When an attending shareholder is speaking, other

shareholders may not speak or interrupt unless they have sought and obtained the consent of the chair and the shareholder who has the floor; the chair shall stop any violation.

- XI. Except with the consent of the chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes. If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chair may terminate the speech.
- XII. When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting. When a juristic person shareholder appoints two or more representatives to attend a shareholders' meeting, only one of the representatives so appointed may speak on the same proposal.
- XIII. After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond.
- XIV. If the chair considers that proposal has been discussed sufficiently to put it to a vote, the chair may announce that the discussion closed, call for a vote. If no objection is raised upon consultation with the chair, the motion shall be regarded as passed and shall have the same effect as a poll.
- XIV-1. A shareholder has one vote per share. If a shareholder appoints a proxy to attend a shareholders' meeting, the proxy's voting rights shall not exceed 3% of the total number of outstanding shares, and if the proxy exceeds the voting rights, the excess voting rights shall not be counted.
- XV. Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of the Company. The voting results shall be announced on site at the meeting, and a record made of the vote.
- XVI. When a meeting is in progress, the chair may announce a break based on time considerations.
- XVII. When the Company holds a shareholder meeting, it shall adopt exercise of voting rights by electronic means and may adopt exercise of voting rights by correspondence. When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the shareholders meeting notice. A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person, but to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting; it is therefore advisable that the Company avoid the submission of extraordinary motions and amendments to original proposals. A shareholder intending to exercise voting rights by correspondence or electronic means under the preceding paragraph shall deliver a written declaration of intent

to the Company at least two days before the date of the shareholders' meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail. However, when a declaration is made to cancel an earlier declaration of intent is not subject to the limits.

After a shareholder has exercised voting rights by correspondence or electronic means, in the event the shareholder intends to attend the shareholders meeting in person, a written declaration of intent to retract the voting rights already exercised under the preceding paragraph shall be made known to the Company, by the same means by which the voting rights were exercised, at least two business days before the date of the shareholders' meeting. If the notice of retraction is submitted after that time, the voting rights already exercised by correspondence or electronic means shall prevail. When a shareholder has exercised voting rights both by correspondence or electronic means and by appointing a proxy to attend a shareholders meeting, the voting rights exercised by the proxy in the meeting shall prevail.

Except as otherwise provided in the Company Act and in the Company's Articles of Incorporation, the adoption of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders.

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

XIX. The chair may direct the proctors (or security personnel) to help maintain order at the meeting venue. When proctors (or security personnel) help maintain order at the meeting venue, they shall wear an identification card bearing the word "Proctor."

Article 4. These rules shall be implemented after being resolved by the board of directors and submitted to the shareholders' meeting for approval. Subsequent amendments thereto shall be effected in the same manner.

Article 5. The Rules and Procedure for Shareholders' Meetings was established on June 21, 1999.

The first amendment is made on May 28, 2003.

The second amendment is made on May 15, 2007.

The third amendment is made on June 13, 2018.

### Appendix 3 Current Shareholding of Directors

#### Current Shareholding of Directors

I. As of the date of book closure for the Annual Shareholders' Meeting (April 18, 2023), the shareholding of the directors in the shareholder register is as follows:

| Title                   | Name  | Current Shareholding |                  |
|-------------------------|---|----------------------|------------------|
|                         |   | Number of Shares     | Shareholding (%) |
| Chairman                | Jia Ju Investment Co., Ltd.<br>Representative: Chow, Pong-Chi                     | 11,042,440           | 5.81%            |
| Director                | Jia Ju Investment Co., Ltd.<br>Representative: Chow, Chia-Chu                     | 11,042,440           | 5.81%            |
| Director                | Concord Venture Capital Group<br>Representative: Chao, Yuan-Chi                   | 6,274,944            | 3.30%            |
| Director                | Concord Venture Capital Group<br>Representative: Li, Hsiang-Yun                   | 6,274,944            | 3.30%            |
| Director                | Concord Financial Management<br>Consultant Ltd.<br>Representative: Cheng, Chung   | 7,646,238            | 4.03%            |
| Director                | Concord Financial Management<br>Consultant Ltd.<br>Representative: Hsu, Wei-Chieh | 7,646,238            | 4.03%            |
| Independent<br>Director | Lin, Tsung-Tan  | 0                    | 0%               |
| Independent<br>Director | Hsieh, Han-Ping   | 0                    | 0%               |
| Independent<br>Director | Cheng, Wen-Chung  | 0                    | 0%               |

II. As of the date of book closure for the Annual Shareholders' Meeting (April 18, 2023), the types of shares outstanding and the total number of shares: is as follows: Common stock 189,928,346 shares.

III. In accordance with Article 26 of the Securities and Exchange Act and the Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies: The minimum number of shares required to be held by all directors is 11,395,700 shares.

IV. As of the date of book closure for the Annual Shareholders' Meeting (April 18, 2023), the actual number of shares held by all directors was 24,963,622.

**Appendix 4 Effect of the Gratis Issue on the Company's Operating Results, Earnings per Share and Shareholders' Return on Investment:**

| Item  | Year   |   | 2023 (estimate) |
|---|--|---|-----------------|
| Beginning paid-in capital (NT\$)                |  |   | 1,899,283,460   |
| Distribution of dividends this year<br>(Note 1) | Cash dividend per share (NT\$)   |   | 0.1             |
|   | Number of allotted shares per share for capital increase from earnings (share)   |   | 0.0115          |
|   | Number of allotted shares per share for capital increase from capital reserve (share)  |   | -               |
| Change in operating performance                 | Operating profit   |   | N/A (Note 2)    |
|   | Operating profit increase (decrease) ratio over the same period last year  |   |                 |
|   | Net income after tax   |   |                 |
|   | Net income after tax increase (decrease) ratio over the same period last year  |   |                 |
|   | Earnings per share   |   |                 |
|   | Earning per share increase (decrease) ratio over the same period last year   |   |                 |
|   | Average annual return on investment (annual average P/E ratio)   |   |                 |
| Pro-forma earnings per share and P/E ratio      | If capital increase by retained earnings is entirely replaced by cash dividend distribution  | Pro-forma earnings per share                  | N/A (Note 2)    |
|   |  | Pro-forma average annual return on investment |                 |
|   | If capital reserve is not used for capital increase  | Pro-forma earnings per share                  |                 |
|   |  | Pro-forma average annual return on investment |                 |
|   | If capital reserve to capital increase has not yet been undertaken and the surplus to capital increase is changed to cash dividend | Pro-forma earnings per share                  |                 |
|   |  | Pro-forma average annual return on investment |                 |

Note 1. The share allotment and dividend distribution are based on the total number of issued shares of 189,928,346 shares and shall be processed in accordance with the relevant regulations after the resolution of the annual shareholders' meeting.

Note 2. The Company's financial forecast for 2023 is not publicly available, and therefore, no information is required to be disclosed for 2023.