Stock Code: 2365

KYE Systems Corp.

Parent-only Financial Report and CPA's Audit Report

2022 and 2021

(For the convenience of readers, this English individual financial statements and independent auditors' report are translated from the original Chinese version. The English version is not Audited or Certified by a CPA.)

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CPA's Audit Report

To KYE Systems Corp.:

Audit Opinions

We audited the parent-only balance sheets of KYE Systems Corp. as of December 31, 2022 and 2021, its parent-only statements of comprehensive income, parent-only statements of changes in equity and parent-only statements of cash flows for the periods from January 1 to December 31, 2022 and 2021, and the notes to its parent-only financial statements (including the summary of material accounting policies).

In our opinion, with respect to all material aspects, the foregoing parent-only financial statements were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and thus provided a fair presentation of the parent-only financial positions of KYE Systems Corp. as of December 31, 22022 and 2021 and the parent-only financial performance and cash flows for the periods from January 1 to December 31, 2022 and 2021.

Basis of Audit Opinions

We conducted audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and relevant auditing standards. Our responsibilities under such standards are further described in the section of "Responsibilities of CPAs for the Audit of Parent-only Financial Statements." Our CPAs who are subject to independence requirements have, in accordance with the Standards of Professional Ethics for Certified Public Accountants, remained independent from KYE Systems Corp. and have fulfilled all other responsibilities under the standards. We believe that we have acquired sufficient and appropriate audit evidence as the basis of our audit opinions.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the parent-only financial statements of KYE Systems Corp. for 2022. Such matters were addressed in the context of our audit of the parent-only financial statements as a whole and, in forming our opinions thereon, we have not provided any separate opinion on these matters.

The following are the key audit matters in the parent-only financial statements of KYE Systems Corp. for 2022:

Occurrence of recognition of sales revenue

The sales revenue of KYE Systems Corp. in 2022 was lower than that in 2021, and the sales revenue from certain sales customers in the current year saw a significant increase from that in the previous year. Since the amount and proportion thereof are a matter of significance, we have deemed the occurrence of recognition of the sales revenue from those certain sales customers to be a key audit matter of the parent-only financial statements of KYE Systems Corp. for 2022. For the accounting policy for recognition of revenue, see Notes 4 and 18 to the parent-only financial report.

The audit procedures which we performed for the above-mentioned key audit matter included understanding and testing of the design and implementation effectiveness of the internal controls related to the recognition of sales revenue. We analyzed the reasons for change in the amount of the sales revenue from the above-mentioned sales customers. We conducted an audit by sampling the transaction details of the sales revenue from the above-mentioned sales customers. We also reviewed the relevant shipment certificates and payment receipts to confirm the occurrence of the sales revenue. We reviewed whether there were material sales returns or discounts subsequently on the part of the above-mentioned sales customers.

Responsibilities of the Management and Governing Bodies for Parent-only Financial Statements

The management is responsible for preparing the financial statements with fair presentation in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and maintaining the necessary internal control related to preparation of the parent-only financial statements to ensure that the parent-only financial statements are free of material misstatement due to fraud or error.

During preparation of the parent-only financial statements, the management is also responsible for evaluating KYE Systems Corp.'s going concern ability, disclosure of relevant matters and application of the going concern basis of accounting, unless the management intends to liquidate or cease the operation of KYE Systems Corp., or there are no other actual feasible solutions other than liquidation or cessation of operation.

The governing bodies of KYE Systems Corp. (including the Audit Committee) are responsible for supervising the process of financial reporting.

Responsibilities of CPAs for the Audit of Parent-only Financial Statements

The purpose of our audit of the parent-only financial statements is to obtain reasonable assurance about whether the parent-only financial statements are free of material misstatements due to fraud or error, with an audit report issued thereafter. Reasonable assurance means a high degree of assurance. However, there is no guarantee that any material misstatement contained in the parent-only financial statements will be discovered during an audit conducted in accordance with relevant auditing standards. A misstatement may be due to fraud or error. A misstatement is deemed material if the individual or aggregate amount misstated is reasonably expected to affect economic decisions made by users of the parent-only financial statements.

We rely on our professional judgment and professional skepticism during an audit conducted in accordance with relevant auditing standards. We also perform the following tasks:

1. We identify and assess the risk of misstatement in the parent-only financial statements due to fraud or error, design and implement appropriate measures in response to the assessed risk, and acquire sufficient and appropriate audit evidence as the basis of our audit opinions. Since fraud may involve collusion, forgery, intentional omission, fraudulent statement or violation of internal control, the risk of misstatement due to fraud is higher than that due to error.

2. We acquire necessary understanding of the internal control related to an audit to design audit procedures appropriate for the current circumstances, provided that the purpose of the foregoing is not to express opinions regarding the effectiveness of the internal control of KYE Systems Corp.
3. We assess the appropriateness of the accounting policies adopted by the management and the reasonableness of the accounting estimates and relevant disclosures made by the management.
4. We have drawn a conclusion about the appropriateness of the application of the going concern basis of accounting by the management and whether there is material uncertainty in an event or circumstances which may cast significant doubt about the ability of KYE Systems Corp. to remain a going concern. If any material uncertainty is deemed to exist in such event or circumstance, we must provide a reminder in the audit report for the users of the parent-only financial statements to pay attention to the relevant disclosures therein, or revise our audit opinions when any such disclosure is inappropriate. Our conclusion is based on the audit evidence obtained as of the date of this audit report. However, future events or circumstances could result in a situation where KYE Systems Corp. is no longer able to remain a going concern.
5. We assess the overall presentation, structure and contents of the parent-only financial statements (including relevant notes) and whether the parent-only financial statements provide a fair presentation of the relevant transactions and events.
6. We acquire sufficient and appropriate audit evidence of the financial information of the entities forming KYE Systems Corp. to provide opinions regarding the parent-only financial statements. We are responsible for guidance, supervision and implementation in relation to audit cases and for formation of audit opinions for KYE Systems Corp.

The matters for which we communicate with the governing bodies include the planned scope and time of audit, and our material audit findings (including the significant deficiencies of internal control identified during the audit).

We also provide a declaration to the governing bodies stating that our CPAs who are subject to independence requirements have complied with the independence requirements in the Standards of Professional Ethics for Certified Public Accountants, and we communicate with the governing bodies regarding all relationships and other matters (including relevant safeguard measures) which are deemed likely to affect the independence of CPAs.

The key audit matters in the audit of the parent-only financial statements of KYE Systems Corp. for 2022 have been determined by us from the matters regarding which we have communicated with the governing bodies. We have specified such matters in the audit report, except where public disclosure of certain matters is prohibited by applicable laws or regulations, or where, under very exceptional circumstances, we have decided not to cover or communicate certain matters in the audit report due to the expectation that any negative effect arising from such communication would be greater than the public interest enhanced.

Deloitte Taiwan

CPA Yao-Lin Huang

Approval No. from the Financial Supervisory Commission
Jin-Guan-Zheng-Shen-Zi No. 1060004806

CPA Han-Ni Fang

Approval No. from the Financial Supervisory Commission
Jin-Guan-Zheng-Shen-Zi No. 1090347472

March 22, 2023

KYE Systems Corp.
Parent-only Balance Sheet
December 31, 2022 and 2021

Unit: NTD thousand

Code	Asset	December 31, 2022 Amount	%	December 31, 2021 Amount	%
	Current assets				
1100	Cash and cash equivalents (Notes 4 and 6)	$ 383,170	12	$ 289,750	9
1170	Notes and accounts receivable (Notes 4, 8, 18 and 24)	58,526	2	81,336	3
1197	Finance lease payments receivable – current (Notes 4 and 9)	-	-	3,150	-
1220	Income tax assets for the current period (Note 4)	13,596	-	8,647	-
1200	Other receivables (Notes 4, 15 and 24)	475,993	16	566,112	18
130X	Inventory (Notes 4 and 10)	84,422	3	234,718	8
1410	Prepayments	1,150	-	3,145	-
1470	Other current assets	32,901	1	34,112	1
11XX	Total current assets	1,049,758	34	1,220,970	39
	Non-current assets				
1517	Financial assets measured at fair value through other comprehensive income – non-current (Notes 4, 7 and 11)	27,527	1	93,606	3
1550	Investments accounted for using the equity method (Notes 4 and 11)	1,463,719	48	1,278,902	41
1600	Property, plant and equipment (Notes 4, 12 and 25)	414,636	14	419,121	14
1755	Right-of-use assets (Notes 4 and 13)	421	-	1,827	-
1840	Deferred income tax assets (Notes 4 and 20)	86,480	3	84,378	3
1990	Other non-current assets (Note 4)	15,514	-	11,470	-
15XX	Total non-current assets	2,008,297	66	1,889,304	61
1XXX	Total assets	$ 3,058,055	100	$ 3,110,274	100
Code	**Liabilities and equity**				
	Current liabilities				
2170	Notes and accounts payable (Notes 14 and 24)	$ 3,618	-	$ 31,251	1
2219	Other payables (Notes 15 and 24)	32,087	1	36,644	1
2280	Lease liabilities – current (Notes 4 and 13)	90	-	4,597	-
2399	Other current liabilities (Note 24)	60,316	2	73,242	3
21XX	Total current liabilities	96,111	3	145,734	5
	Non-current liabilities				
2570	Deferred income tax liabilities (Notes 4 and 20)	15,288	1	20,693	-
2580	Lease liabilities – non-current (Notes 4 and 13)	335	-	425	-
2640	Net defined benefit liabilities – non-current (Notes 4 and 16)	5,283	-	27,076	1
2670	Other non-current liabilities (Note 4)	719	-	1,561	-
25XX	Total non-current liabilities	21,625	1	49,755	1
2XXX	Total liabilities	117,736	4	195,489	6
	Equity (Note 17)				
	Share capital				
3110	Common shares	2,215,285	72	2,215,285	71
3200	Capital reserves	270,903	9	309,638	10
	Retained earnings				
3310	Legal reserves	448,031	15	442,525	14
3320	Special reserves	609,031	20	559,471	18
3350	Undistributed earnings (Notes 4, 7 and 11)	36,216	1	55,066	2
3300	Total retained earnings	1,093,278	36	1,057,062	34
3400	Other equity (Notes 4, 7 and 11)	(639,147)	(21)	(667,200)	(21)
3XXX	Total equity	2,940,319	96	2,914,785	94
	Total liabilities and equity	$ 3,058,055	100	$ 3,110,274	100

The notes attached hereto constitute part of this parent-only financial report.

Chairman: Shih-Kun Tso President: Pai-Hsiang Li Accounting Manager: An-Min Kao

KYE Systems Corp.
Parent-only Statement of Comprehensive Income
January 1 to December 31, 2022 and 2021

Unit: NTD thousand; Earnings per share (EPS): NTD

		2022		2021	
Code		Amount	%	Amount	%
4110	Total operating revenue	$ 554,267	103	$ 971,259	104
4170	Sales returns and discounts	15,963	3	33,581	4
4100	Net operating revenue (Notes 4, 18 and 24)	538,304	100	937,678	100
5110	Operating cost (Notes 4, 10, 19 and 24)	392,730	73	714,149	76
5900	Gross operating profit	145,574	27	223,529	24
	Operating expense (Notes 8, 16 and 19)				
6100	Marketing expense	29,747	5	47,590	5
6200	Management expense	90,215	17	90,698	10
6300	R&D expense	2,099	-	1,091	-
6450	Expected credit impairment loss (reversal profit)	(391)	-	2,077	-
6000	Total operating expenses	121,670	22	141,456	15
6900	Net operating profit	23,904	5	82,073	9
	Non-operating revenues and expenses				
7070	Share of profits/losses of subsidiaries and associates accounted for using the equity method (Notes 4 and 11)	15,292	3	(14,392)	(1)
7020	Other profits and losses (Notes 19 and 27)	17,899	3	13,175	1

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Code		2022 Amount	2022 %	2021 Amount	2021 %
7100	Interest income	$ 842	-	$ 962	-
7510	Interest expense	(106)	-	(246)	-
7000	Total other non-operating revenues and expenses	33,927	6	(501)	-
7900	Pre-tax net profit	57,831	11	81,572	9
7950	Income tax expense (Notes 4 and 20)	3,423	1	31,060	4
8200	Net profit in the current year	54,408	10	50,512	5
	Other comprehensive income (Note 4)				
	Items not reclassified as profit/loss:				
8311	Remeasurement of defined benefit plans (Note 16)	5,313	1	310	-
8316	Unrealized valuation profit/loss on investments in equity instruments measured at fair value through other comprehensive income	(16,936)	(3)	15,654	2
8320	Share of other comprehensive income of subsidiaries and associates accounted for using the equity method (Note 11)	(60,675)	(11)	12,627	1
8349	Income tax related to items not reclassified (Note 20)	24,984	4	230	-
8310		(47,314)	(9)	28,821	3

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Code		2022 Amount	2022 %	2021 Amount	2021 %
	Items likely to be subsequently reclassified as profit/loss:				
8361	Exchange differences on translation of financial statements of foreign operations	$ 69,392	13	($ 38,789)	(4)
8399	Income tax related to items likely to be reclassified as profit/loss (Note 20)	(12,217)	(2)	7,298	1
8360		57,175	11	(31,491)	(3)
8300	Net other comprehensive income	9,861	2	(2,670)	-
8500	Total comprehensive income in the current year	$ 64,269	12	$ 47,842	5
	EPS (Note 21)				
9710	Basic	$ 0.25		$ 0.23	
9810	Diluted	$ 0.25		$ 0.23	

The notes attached hereto constitute part of this parent-only financial report.

Chairman: Shih-Kun Tso President: Pai-Hsiang Li Accounting Manager: An-Min Kao

KYE Systems Corp.
Parent-only Statement of Changes in Equity
January 1 to December 31, 2022 and 2021

Unit: NTD thousand

				Retained earnings			Other equity			
Code		Share capital	Capital reserves	Legal reserves	Special reserves	Undistributed earnings	Exchange differences on translation of financial statements of foreign operations	Unrealized profit/loss on financial assets measured at fair value through other comprehensive income	Treasury stocks	Total equity
A1	Balance on January 1, 2021	$ 2,245,285	$ 382,898	$ 428,064	$ 429,317	$ 144,615	($ 35,723)	($ 625,354)	$ -	$ 2,969,102
	Allocation and distribution of earnings in 2020									
B1	Legal reserves set aside	-	-	14,461	-	(14,461)	-	-	-	-
B3	Special reserves set aside	-	-	-	130,154	(130,154)	-	-	-	-
B5	Cash dividend for common shares	-	(67,359)	-	-	-	-	-	-	(67,359)
D1	Net profit in 2021	-	-	-	-	50,512	-	-	-	50,512
D3	Other comprehensive income in 2021	-	-	-	-	248	(31,491)	28,573	-	(2,670)
D5	Total comprehensive income in 2021	-	-	-	-	50,760	(31,491)	28,573	-	47,842
L1	Purchase of treasury stocks	-	-	-	-	-	-	-	(35,901)	(35,901)
M3	Disposal of subsidiaries	-	-	-	-	-	1,101	-	-	1,101
L3	Cancellation of treasury stocks	(30,000)	(5,901)	-	-	-	-	-	35,901	-
Q1	Disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	4,306	-	(4,306)	-	-
Z1	Balance on December 31, 2021	2,215,285	309,638	442,525	559,471	55,066	(66,113)	(601,087)	-	2,914,785
	Allocation and distribution of earnings in 2021									
B1	Legal reserves set aside	-	-	5,506	-	(5,506)	-	-	-	-
B3	Special reserves set aside	-	-	-	49,560	(49,560)	-	-	-	-
B5	Cash dividend for common shares	-	(44,306)	-	-	-	-	-	-	(44,306)
D1	Net profit in 2022	-	-	-	-	54,408	-	-	-	54,408
D3	Other comprehensive income in 2022	-	-	-	-	4,250	57,175	(51,564)	-	9,861
D5	Total comprehensive income in 2022	-	-	-	-	58,658	57,175	(51,564)	-	64,269
C7	Changes in associates accounted for using the equity method	-	5,571	-	-	-	-	-	-	5,571
Q1	Disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	(22,442)	-	22,442	-	-
Z1	Balance on December 31, 2022	$ 2,215,285	$ 270,903	$ 448,031	$ 609,031	$ 36,216	($ 8,938)	($ 630,209)	$ -	$ 2,940,319

The notes attached hereto constitute part of this parent-only financial report.

Chairman: Shih-Kun Tso President: Pai-Hsiang Li Accounting Manager: An-Min Kao

KYE Systems Corp.
Parent-only Statement of Cash Flows
January 1 to December 31, 2022 and 2021

Unit: NTD thousand

Code		2022	2021
	Cash flow from operating activities		
A10000	Pre-tax net profit in the current year	$ 57,831	$ 81,572
A20010	Profits, expenses and losses:		
A22300	Share of profits/losses of subsidiaries and associates accounted for using the equity method	(15,292)	14,392
A29900	Profit on reversal of losses from preparation of materials	(14,100)	(3,600)
A23700	Loss on inventory depreciation and excess (Profit on recovery of net realizable value)	7,800	(8,900)
A23100	Profit on disposal of investments	(6,358)	-
A20100	Depreciation expense	6,225	5,910
A24100	Unrealized loss (profit) on foreign currency exchange – net	3,758	(2,449)
A21300	Dividend revenue	(1,655)	(97)
A20200	Amortization expense	1,545	853
A21200	Interest income	(842)	(962)
A20300	Expected credit impairment loss (reversal profit)	(391)	2,077
A20900	Interest expense	106	246
A23200	Loss on disposal of subsidiaries accounted for using the equity method	-	1,683
A20400	Profit on valuation of financial assets measured at fair value through profit or loss	-	(672)
A29900	Loss on lease modification	-	332
A30000	Net changes in operating assets and liabilities		
A31115	Financial assets measured at fair value through profit or loss on a mandatory basis	-	2,385
A31150	Notes and accounts receivable	22,434	19,461
A31180	Other receivables	90,119	(19,306)
A31200	Inventory	142,496	(60,219)
A31230	Prepayments	2,007	3,131
A31240	Other current assets	4,404	(8,085)
A32150	Notes and accounts payable	(27,622)	(71,195)
A32180	Other payables	(6,830)	(24,528)
A32230	Other current liabilities	448	(7,372)
A32240	Net defined benefit liabilities	(16,645)	(5,443)
A33000	Cash generated from operations	249,438	(80,786)
A33100	Interest received	799	962

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Code		2022	2021
A33200	Dividends received	$ 1,655	$ 97
A33500	Income tax paid	(3,112)	(35,902)
AAAA	Net cash inflow (outflow) from operating activities	248,780	(115,629)
	Cash flow from investing activities		
B01800	Acquisition of long-term equity investments accounted for using the equity method	(125,000)	(87,482)
B01900	Disposal of long-term equity investments accounted for using the equity method	10,169	-
B00030	Share payments returned from capital reduction of financial assets measured at fair value through other comprehensive income	6,577	-
B06700	Decrease (Increase) in other non-current assets	(5,589)	2,236
B00020	Disposal of proceeds from financial assets measured at fair value through other comprehensive income	4,536	9,055
B07600	Dividends received	3,982	4,076
B02700	Acquisition of property, plant and equipment	(334)	(1,693)
BBBB	Net cash outflow from investing activities	(105,659)	(73,808)
	Cash flow from financing activities		
C04500	Distribution of cash dividends	(44,306)	(67,359)
C04020	Repayment of principal of lease liabilities	(4,597)	(5,812)
C03100	Increase (Decrease) in deposits received	(677)	8
C05600	Interest paid	(121)	(230)
C04900	Cost of repurchase of treasury stocks	-	(35,901)
CCCC	Net cash outflow from financing activities	(49,701)	(109,294)
EEEE	Increase (Decrease) in cash and cash equivalents for the current year	93,420	(298,731)
E00100	Starting balance of cash and cash equivalents	289,750	588,481
E00200	Ending balance of cash and cash equivalents	$ 383,170	$ 289,750

The notes attached hereto constitute part of this parent-only financial report.

Chairman: Shih-Kun Tso President: Pai-Hsiang Li Accounting Manager: An-Min Kao

KYE Systems Corp.
Notes to Parent-only Financial Statements
January 1 to December 31, 2022 and 2021
(All amounts are in NTD thousand unless otherwise specified)

1. Company history

We were established in November 1983 originally under the name of KYE Systems Ltd., which was changed to KYE Systems Corp. in November 1988. We became a publicly listed company in 1991. On November 3, 1997, our stock was listed for trading on the Taiwan Stock Exchange.

Our business focuses on the manufacturing, processing and sales of computer peripherals including mice, keyboards and card readers; video/image products including web and security cameras; and consumer electronics including headphone speakers and game console peripherals.

This parent-only financial report is presented in NTD, our functional currency.

2. Date and procedures of approval of the financial report

This parent-only financial report was approved by the Board of Directors on March 14, 2023.

3. Application of new and amended standards and interpretations

(1) The International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), interpretations (of IFRIC) and pronouncements of interpretation (of SIC) (hereinafter "IFRSs"), which have been approved and published by the Financial Supervisory Commission (hereinafter "FSC"), have been applied for the first time.

Application of the amended IFRSs which have been approved and published by the FSC is unlikely to cause any material change to our accounting policies.

(2) IFRSs approved by the FSC and applicable in 2023

New/Amended/Revised standards and interpretations	Effective date published by the IASB
Amendment to IAS 1 – "Disclosure of Accounting Policies"	January 1, 2023 (Note 1)
Amendment to IAS 8 – "Definition of Accounting Estimates"	January 1, 2023 (Note 2)
Amendment to IAS 12 – "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 3)

Note 1: The amendment is applicable during the annual reporting period beginning from January 1, 2023.

Note 2: The amendment is applicable to changes in accounting estimates and policies occurring during the annual reporting period beginning from January 1, 2023.

Note 3: Except for recognizing deferred tax for temporary differences related to leases and decommissioning obligations on January 1, 2022, the amendment is applicable to transactions occurring on or after January 1, 2022.

As of the date of approval and publication of this parent-only financial report, we have assessed that the amendments to the standards and interpretations above are unlikely to have any material effect on the financial condition and performance.

(3) IFRSs published by the IASB which have not been approved and published by the FSC

New/Amended/Revised standards and interpretations	Effective date published by the IASB (Note 1)
Amendments to IFRS 10 and IAS 28 – "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	TBD
Amendment to IFRS 16 – "Lease Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
IFRS 17 – "Insurance Contracts"	January 1, 2023
Amendment to IFRS 17	January 1, 2023
Amendment to IFRS 17 – "Initial Application of IFRS 17 and IFRS 9 – Comparative Information"	January 1, 2023
Amendment to IAS 1 – "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendment to IAS 1 – "Non-current Liabilities with Covenants"	January 1, 2024

Note 1: Unless otherwise specified, each of the new/amended/revised standards or interpretations above shall come into effect during the annual reporting periods beginning from its relevant date.

Note 2: The amendment to IFRS 16 shall be applied retroactively by sellers and lessees to sale and leaseback transactions for which contracts have been signed after the date of first application of IFRS 16.

As of the date of approval and publication of this parent-only financial report, we have continued to assess the effect of the amendments to the standards and interpretations above on the financial condition and performance. The relevant effect will be disclosed after completion of the assessment.

4. Summary of material accounting policies

(1) Statement of compliance

This parent-only financial report has been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and other applicable laws and regulations.

(2) Basis of preparation

Except for financial instruments measured at fair value and net defined benefit liabilities recognized at the present value of defined benefit obligations less the fair value of plan assets, this parent-only financial report has been prepared on the basis of historical cost.

For fair value measurements, the inputs are categorized into Level 1, 2, and 3 based on their observability and priority:

A. Level 1 inputs: Quoted prices in active markets for identical assets or liabilities accessible on the measurement date (unadjusted).

B. Level 2 inputs: Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly (i.e., the price) or indirectly (i.e., deriving from the price).

C. Level 3 inputs: Unobservable inputs for the asset or liability.

In preparing this parent-only financial report, we have adopted the equity method for investments in subsidiaries and associates. To ensure the profit/loss, other comprehensive income and equity for the current period in this parent-only financial report are identical to the profit/loss, other comprehensive income and equity for the current year attributable to our owners in our consolidated financial report, the differences in accounting treatments on parent-only and consolidated bases are presented as adjustments to “investments accounted for using the equity method,” “share of profits/losses of subsidiaries and associates accounted for using the equity method,” “share of other comprehensive income of subsidiaries and associates accounted for using the equity method” and other related items of equity.

(3) Criteria for classification of assets and liabilities as current and non-current

Current assets include:

A. assets held primarily for the purpose of trading;

B. assets expected to be realized within 12 months after the balance sheet date; and

C. cash and cash equivalents (excluding those restricted to being used for exchange or settlement of liabilities within 12 months after the balance sheet date).

Current liabilities include:

A. liabilities held primarily for the purpose of trading;

B. liabilities due to be settled within 12 months after the balance sheet date (liabilities are current even if an agreement for refinancing or rescheduling of payments on a long-term basis is completed after the balance sheet date and before the date of approval and publication of the financial report); and

C. liabilities whose settlement cannot be unconditionally deferred for at least 12 months after the balance sheet date. Terms of liabilities that could, at the option of the counterparty, result in their settlement by the issuance of equity instruments do not affect their classification.

Assets or liabilities other than those classified above as current are classified as non-current.

(4) Foreign currency

In preparing this financial report, a transaction in a currency other than our functional currency (a foreign currency) has been recorded by translating that currency into our functional currency at the exchange rate on the date of the transaction.

Foreign currency monetary items are translated at the closing rate on each balance sheet date. Exchange differences arising from the settlement or translation of monetary items are recognized in profit or loss of the period in which they arise.

Foreign currency non-monetary items measured at fair value are translated at the exchange rate on the date when the fair values were determined, with the resulting exchange differences recognized in profit or loss of the period. Exchange differences arising from fair value changes recognized in other comprehensive income are recognized in other comprehensive income.

Foreign currency non-monetary items measured at historical cost are translated at the exchange rate on the date of the transaction without being retranslated.

(5) Inventories

Inventories include raw materials, finished goods and work in process. Inventories are measured at the lower of cost and net realizable value. Costs and net realizable values are compared on an item by item basis. Net realizable value means the estimated selling price in the ordinary course of business, less the estimated cost required for completion and the estimated cost necessary to complete the sale. The cost of inventories is calculated as the standard cost plus or less the difference allocated. The price of inventories is calculated based on the standard cost in the ordinary course of business and is adjusted on the accounting date to make it approximate to the cost calculated using the weighted average method.

(6) Investments accounted for using the equity method

We use the equity method to account for investments in subsidiaries and associates.

A. Investments in subsidiaries

A subsidiary means an entity controlled by us.

Under the equity method, the investment in a subsidiary is initially recognized at cost, and the carrying amount is increased or decreased with our share of the profit or loss and other comprehensive income of and the profit distributed from the subsidiary after the date of acquisition. Additionally, changes in our share of other equity of a subsidiary are recognized in proportion to our shareholding.

Changes in our ownership interest in a subsidiary that do not result in a loss of control are treated as equity transactions. The difference between the carrying amount of an investment and the fair value of consideration paid or received is directly recognized in equity.

If our share of losses of a subsidiary equals or exceeds our interest in the subsidiary, we will continue to recognize losses in proportion to our shareholding.

If the acquisition cost exceeds our share of the net fair value of the identifiable assets and liabilities of a subsidiary constituting a business on the date of acquisition, such excess is recognized in goodwill, which is included in the carrying amount of the investment and may not be amortized. If our share of the net fair value of the identifiable assets and liabilities of a subsidiary constituting a business on the date of acquisition exceeds the acquisition cost, such excess is recognized in profit of the period.

In evaluating impairment, we consider the cash generating units in the financial report on an overall basis and compare their recoverable amounts with their carrying amounts. If the recoverable amount of an asset is increased subsequently, reversal of impairment losses is recognized in profit, provided that the carrying amount of the asset after reversal of impairment losses do not exceed the carrying amount of the asset less the amount accounted for in amortization, without recognition of impairment losses. Impairment losses attributable to goodwill should not be reversed in the subsequent period.

If our control of a subsidiary is lost, the residual investment in the former subsidiary is measured at the fair value on the date of loss of control. The difference between the fair value of the residual investment and any disposal proceeds, and the carrying amount of investment on the date of loss of control, is recognized in profit or loss of the period. Additionally, the accounting treatment of all amounts related to the subsidiary recognized in other comprehensive income is on the same basis as that required for our direct disposal of the relevant assets or liabilities.

Unrealized profits or losses from downstream transactions between us and a subsidiary are eliminated in the parent-only financial report. Profits or losses arising from upstream and side-stream transactions between us and a subsidiary are recognized in the parent-only financial report only to the extent where such profits or losses do not involve our equity in the subsidiary.

B. Investments in associates

An associate means a company other than a subsidiary or joint venture, over which we have significant influence.

Under the equity method, the investment in an associate is initially recognized at cost, and the carrying amount is increased or decreased with our share of the profit or loss and other comprehensive income of and the profit distributed from the associate after the date of acquisition. Moreover, changes in the equity of an associate are recognized in proportion to our shareholding.

If the acquisition cost exceeds our share of the net fair value of the identifiable assets and liabilities of an associate on the date of acquisition, such excess is recognized in goodwill, which is included in the carrying amount of the investment and may not be amortized. If our share of the net fair value of the identifiable assets and liabilities of an associate on the date of acquisition exceeds the acquisition cost, such excess is recognized in profit of the current period.

If, due to our failure to subscribe to new shares issued by an associate in proportion to our shareholding, changes have occurred in our shareholding and the net equity value of investment has increased or decreased, changes in capital reserves – net equity value of associates and joint ventures recognized using the equity method and investments accounted for using the equity method are adjusted by such increase or decrease. Where our ownership equity in an associate has decreased due to our failure to subscribe to or acquire its shares in proportion to our shareholding, all amounts related to the associate recognized in other comprehensive income are reclassified in proportion to such decrease, and the accounting treatment of such amounts is on the same basis as that required for direct disposal of the relevant assets or liabilities by the associate. If the aforesaid adjustment must be debited to capital reserves and the balance of capital reserves arising from investments accounted for using the equity method is insufficient, the difference is debited to retained earnings.

If our share of losses of an associate equals or exceeds our interest in the associate, we will discontinue recognizing further losses. We recognize additional losses and liabilities only to the extent where we have incurred legal or constructive obligations or made payments on behalf of the associate.

In evaluating impairment, we treat the entire carrying amount of investment (including goodwill) as a single asset and compare it with the recoverable and carrying amounts for an impairment test. Any impairment loss recognized constitutes part of the carrying amount of investment. Any reversal of impairment loss is recognized to the extent of a subsequent increase in the recoverable amount of the investment.

We discontinue using the equity method from the date when our investment ceases to be an associate, and we measure the retained equity of the former associate at fair value. The difference between the fair value and disposal proceeds and the carrying amount of investment on the date when we discontinue using the equity method is recognized in profit or loss of the current period. Moreover, the accounting treatment of all amounts related to the associate recognized in other comprehensive income is on the same basis as that required for direct disposal of the relevant assets or liabilities by the associate.

Profits or losses arising from upstream, downstream and side-stream transactions between us and an associate are recognized in the parent-only financial report only to the extent where such profits or losses do not involve our equity in the associate.

(7) Property, plant and equipment

Property, plant and equipment are initially recognized at cost and subsequently measured at cost less accumulated depreciation and impairment losses.

Each significant part of property, plant and equipment is separately accounted for in depreciation on a straight line basis over its useful life. If the lease term is shorter than the useful life, such part is accounted for in depreciation over the lease term. We review the estimated useful life, the residual value and the depreciation method at least at the end of each year and prospectively account for the effect of the application of changes in accounting estimates.

For derecognition of property, plant and equipment, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

(8) Impairment of property, plant and equipment, right-of-use assets and intangible assets (excluding goodwill)

We assess whether there is any sign of possible impairment of property, plant and equipment, right-of-use assets and intangible assets (excluding goodwill) on each balance sheet date. If any such sign of impairment exists, the recoverable amount of the asset is estimated. If the recoverable amount of an asset is not estimable, we estimate the recoverable amount of the cash generating unit of the asset. If common assets can be allocated to cash generating units on a reasonable and consistent basis, they are allocated to each cash generating unit; otherwise they are allocated to the smallest group of cash generating units to which allocation on a reasonable and consistent basis can be made.

The recoverable amount is the higher of the fair value less costs of sale and the value in use.

If the recoverable amount of an asset or cash generating unit is less than its carrying amount, the carrying amount of the asset or cash generating unit is decreased to its recoverable amount, with impairment losses recognized in profit or loss.

Where impairment losses are reversed subsequently, the carrying amount of the asset or cash generating unit is increased to the revised recoverable amount, provided that the increased carrying amount does not exceed the carrying amount (less amortization or depreciation) of the asset or cash generating unit determined under the assumption that impairment losses were not recognized in prior years. Reversal of impairment losses is recognized in profit or loss.

(9) Financial instruments

Financial assets and liabilities are recognized in the parent-only balance sheet when we become a party to the contractual provisions of the instrument.

For initial recognition of financial assets and liabilities, if financial assets or liabilities are not measured at fair value through profit or loss, they are measured at fair value plus transaction costs directly attributable to acquisition or issuance of financial assets or liabilities. Transaction costs directly attributable to acquisition or issuance of financial assets or liabilities measured at fair value through profit or loss are immediately recognized in profit or loss.

A. Financial assets

Regular transactions of financial assets are recognized and derecognized using the transaction date accounting method.

(A) Types of measurement

We hold the following types of financial assets: Financial assets measured at fair value through profit or loss; financial assets measured at amortized cost; and investments in equity instruments measured at fair value through other comprehensive income.

a. Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss include financial assets measured at fair value through profit or loss on a mandatory basis. Financial assets measured at fair value through profit or loss on a mandatory basis include investments in equity instruments not designated to be measured at fair value through other comprehensive income and investments in debt instruments not classified to be measured at amortized cost or measured at fair value through other comprehensive income.

Financial assets measured at fair value through profit or loss are measured at fair value, and their dividends, interest and remeasurement profits or losses are recognized in other profits and losses. For the method used to determine fair value, see Note 23.

b. Financial assets measured at amortized cost

If our investments in financial assets meet the following two criteria, they are classified as financial assets measured at amortized cost:

(a) Such investments are held under an operating model with the purpose of holding financial assets to receive contractual cash flows; and

(b) the cash flows generated by contractual provisions on specified dates are solely for the purpose of paying principal and interest on outstanding principal.

On initial recognition, financial assets measured at amortized cost (including cash and cash equivalents, accounts receivable measured at amortized cost, other receivables and deposits paid) are measured at the total carrying amount determined using the effective interest method less the amortized cost of any impairment loss, and any profit/loss on foreign currency exchange is recognized in profit/loss.

Interest income is calculated as the effective interest rate multiplied by the total carrying amount of financial assets, except under the following two circumstances:

(a) For any credit-impaired financial assets purchased or originated, the interest income is calculated as the credit-adjusted effective interest rate multiplied by the amortized cost of the financial assets.

(b) For any financial assets which are not credit-impaired on purchase or origination but subsequently become credit-impaired, the interest income is calculated as the effective interest rate multiplied by the amortized cost of the financial assets in the reporting period after such credit impairment.

A credit-impaired financial asset means that the issuer or debtor has incurred significant financial difficulties or defaulted, that the debtor is likely to file for bankruptcy or other financial reorganization, or that the active market of the financial asset has disappeared due to financial difficulties.

Cash equivalents include highly liquid term deposits that are readily convertible to known amounts of cash with an insignificant risk of changes in value within one year from the date of acquisition and are used to meet short-term cash commitments.

c. Investments in equity instruments measured at fair value through other comprehensive income

At initial recognition, we may make an irrevocable election to measure, at fair value through other comprehensive income, an investment in equity instruments not held for trading and not recognized by the acquirer in a business combination or with consideration.

An investment in equity instruments measured at fair value through other comprehensive income is measured at fair value. Subsequent changes in fair value are recognized in other comprehensive income and accumulated in other equity. For disposal of an investment, the cumulative profit or loss is directly transferred to retained earnings and not reclassified as profit or loss.

After our right to receive payment is determined, the dividends of investments in equity instruments measured at fair value through other comprehensive income are recognized in profit or loss, unless such dividends clearly represent a recovery of part of the investment cost.

(B) Impairment of financial assets

We assess the impairment losses on financial assets (including accounts receivable) measured at amortized cost based on expected credit losses on each balance sheet date.

A loss allowance on accounts receivable is recognized at full lifetime expected credit losses. For other financial assets, we first assess whether the credit risk has significantly increased after initial recognition. In the absence of such significant increase, the loss allowance is recognized at the 12-month expected credit losses. Where there is such significant increase, the loss allowance is recognized at full lifetime expected credit losses.

Expected credit losses are weighted average credit losses with the risks of a default occurring as the weightings. The 12-month expected credit losses represent the expected credit losses on a financial instrument resulting from possible default events within 12 months after the reporting date. Full lifetime expected credit losses represent the expected credit losses on a financial instrument from all possible default events over the life of the financial instrument.

For the purpose of internal credit risk management, if we determine that any internal or external information has indicated the debtor is unable to pay off debts without considering the collateral we hold, a default has occurred on financial assets.

Impairment losses on all financial assets are accounted for by decreasing their carrying amounts through allowance accounts.

(C) Derecognition of financial assets

We derecognize a financial asset only when the contractual rights on cash flows from the asset become invalid, or when the asset has been transferred and substantially all of the risks and rewards of ownership of the asset have been transferred to other companies.

For derecognition of a financial asset measured at amortized cost in its entirety, the difference between its carrying amount and the consideration received is recognized in profit or loss. For derecognition of an investment in equity instruments measured at fair value through other comprehensive income in its entirety, the cumulative profit or loss is directly transferred to retained earnings and not reclassified as profit or loss.

B. Equity instruments

The debt and equity instruments issued by us are classified as financial liabilities or equity according to the substance of the contract and the definitions of financial liabilities and equity instruments.

The equity instruments issued by us are recognized at the proceeds received less the direct cost of issuance.

The reacquisition of KYE's own equity instruments is recognized in and deducted from equity, with its carrying amount calculated at weighted average by share type. The purchase, sale, issuance or cancellation of our own equity instruments is not recognized in profit/loss.

C. Financial liabilities

(A) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

(B) Derecognition of financial liabilities

For derecognition of a financial liability, the difference between its carrying amount and the consideration paid (including any non-cash asset transferred or any liability assumed) is recognized in profit/loss.

(10) Recognition of revenue

Once we have identified the performance obligations in the contract with a customer, we allocate the transaction price to each performance obligation and recognize revenue after satisfying each performance obligation.

A. Revenue from the sale of goods

Revenue from the sale of goods is generated through the sale of computer peripherals. At the time computer peripherals are delivered to the location designated by a customer, the customer already possesses the right to price and use the goods, assumes the primary responsibility to resell them, and bears the risk of the goods being out-of-date. Therefore, we recognize revenue and accounts receivable at that point in time.

In the case of exporting materials for processing, control over the ownership of processed goods is not transferred, and revenue is not recognized at the time of export.

B. Service revenue

Service revenue is income arising from the rendering of services under a contract and is recognized based on the degree of completion of the contract.

(11) Leases

We assess whether a contract constitutes (or contains) a lease on the date of conclusion of the contract.

A. We are the lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incident to ownership of the asset to the lessee. All other leases are classified as operating leases.

For any sublease of right-of-use assets by us, the classification of the sublease is determined based on right-of-use assets (instead of underlying assets). Where the primary lease is a short-term lease to which we apply the recognition exemption, the sublease is classified as an operating lease.

Under a finance lease, lease payments include fixed payments. The net investment in a lease is measured at the total present value of lease payments receivable and unguaranteed residual values plus the initial direct cost and is presented as finance lease payments receivable. Finance profits are allocated to each accounting period to reflect a constant rate of return receivable on our net investment outstanding in the lease in respect of each period.

Under an operating lease, lease payments less the lease incentives are recognized in profit on a straight-line basis over the relevant lease term. Initial direct costs arising from the acquisition of an operating lease plus the carrying amount of underlying assets are recognized in expense on a straight-line basis over the lease term.

B. We are the lessee

Except that the lease payments for leases of low-value underlying assets and short-term leases to which the recognition exemption applies are recognized in expense on a straight-line basis over the lease term, other leases are recognized in right-of-use assets and lease liabilities on the lease commencement date.

Right-of-use assets are initially measured at cost (including the initially measured amount of lease liabilities, lease payments made before the lease commencement date less the lease incentives received, the initial direct cost and the estimated cost of restoring underlying assets) and subsequently measured at cost less accumulated depreciation and impairment losses, with adjusted remeasurement of lease liabilities. Right-of-use assets are separately presented in the parent-only balance sheet.

Right-of-use assets are accounted for in depreciation on a straight-line basis over the period from the lease commencement date to the earlier of the date of expiration of the useful life or the lease term.

Lease liabilities are initially measured at the present value of lease payments (including fixed payments). If the interest rate implicit in a lease can be readily determined, the lease payments are discounted at the interest rate. Where such interest rate cannot be readily determined, the lessee’s incremental borrowing rate is used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, and interest expenses are amortized over the lease term. In the event of any change in the lease term resulting in changes to future lease payments, we remeasure lease liabilities and adjust right-of-use assets accordingly. If the carrying amount of right-of-use assets is reduced to zero, the remaining remeasured amount is recognized in profit or loss. Lease liabilities are separately presented in the parent-only balance sheet.

(12) Employee benefits

A. Short-term employee benefits

Liabilities related to short-term employee benefits are measured at the undiscounted amount expected to be paid for services rendered by employees.

B. Post-employment benefits

Under a defined contribution plan, pensions are recognized in expense as the amount of pension contribution payable during the period when services are rendered by employees.

Under a defined benefit plan, defined benefit costs (including servicing costs, net interest and remeasurement) are calculated actuarially using the projected unit credit method. Service costs (including current service cost) and net interest on net defined benefit liabilities (assets) are recognized as employee benefit expenses at the time of their incurrence. Remeasurement (including actuarial profit or loss, changes in the effect of the asset ceiling, and return on plan assets less interest) is recognized as other comprehensive income and in retained earnings at occurrence, and is not subsequently reclassified to profit/loss.

Net defined benefit liabilities are a deficit in the contribution to a defined benefit plan. Net defined benefit assets must not exceed the present value of contributions refunded from the plan or the reducible amount of future contributions.

C. Other long-term employee benefits

The accounting treatment of other long-term employee benefits is the same as that of defined benefit plans, provided that any related remeasurement is recognized in profit or loss.

(13) Income tax

Income tax expense is the total of current income tax and deferred income tax.

A. Current income tax

We determine the current income in accordance with the laws enacted by the jurisdiction in which we file our income tax return to calculate the income tax payable.

The additional income tax levied on undistributed earnings calculated in accordance with the Income Tax Act of the Republic of China (Taiwan) is recognized in the year when the related resolution is adopted by a shareholders' meeting.

Adjustments to income taxes payable in prior years are recognized in current income tax.

B. Deferred income tax

Deferred income tax is calculated as the temporary difference between the carrying amounts of assets and liabilities recorded in the account and the tax base for calculation of taxable income. Deferred income tax liabilities are generally recognized in respect of all taxable temporary differences. Deferred income tax assets are recognized when it is probable that taxable income will be available for offsetting deductible temporary differences and losses or offsetting income tax arising from expenses of purchase of machine/equipment, R&D and talent training.

Taxable temporary differences associated with investments in subsidiaries and associates are recognized as deferred income tax liabilities, unless we are able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred income tax assets for deductible temporary differences associated with such investments and equity are recognized only to the extent where it is probable that sufficient taxable income will be available to realize the temporary differences and that they are expected to reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed on each balance sheet date and reduced to the extent where it is no longer probable that sufficient taxable income will be available to allow the recovery all or part of the assets. Those that are not initially recognized as deferred income tax assets are also reviewed on each balance sheet date and increased to the extent where it is probable that sufficient taxable income will be available in the future to allow the recovery all or part of the assets.

Deferred income tax assets and liabilities are measured at the tax rate of the period when the liabilities or assets are expected to be settled or realized. The tax rate is based on the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred income tax liabilities and assets are measured to reflect our tax consequences on the balance sheet date arising from the methods that are expected to be used to recover or settle the carrying amount of the assets and liabilities.

C. Current and deferred income taxes

Current and deferred income taxes are recognized in profit or loss, except for those related to items recognized in other comprehensive income or directly in equity, which are recognized separately in other comprehensive income separately or directly in equity.

5. Main sources of uncertainty of material accounting judgments, estimates and assumptions

In adopting accounting policies, our management must make judgments, estimates and assumptions in respect of information that is not readily available from other sources based on historical experience and other relevant factors. The actual results could differ from the estimates.

We have taken the possible effects of COVID-19 and the Russia-Ukraine War into the consideration of material accounting estimates, including cash flow estimation, growth rate, discount rate and profitability. Our management will continue to review the estimates and basic assumptions. If a correction of the estimates affects only the current period, it is recognized in the period when it is made. If a correction of the estimates affects both the current and future periods, it is recognized in the period when it is made and in the future period.

6. Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand	$ 1,290	$ 1,148
Bank checks and demand deposits	187,309	288,602
Cash equivalents		
Repurchase of commercial papers	194,571	-
	$ 383,170	$ 289,750

7. Financial assets measured at fair value through other comprehensive income

	December 31, 2022	December 31, 2021
Non-current		
Investments in equity instruments measured at fair value through other comprehensive income		
Domestic non-listed (non-OTC) common stocks	$ 12,360	$ 86,258
Domestic non-listed (non-OTC) preferred stocks	9,100	30
Domestic listed (OTC) common stocks	6,067	7,318
Total	$ 27,527	$ 93,606

We make investments in equity instruments according to our medium- to long-term strategies, and we expect profits through long-term investments. Our management has considered that the recognition of short-term fluctuations in the fair value of such investments in profit or loss is inconsistent with the aforesaid long-term investment plan, so they opt to have such investments measured at fair value through other comprehensive income.

In 2022, we adjusted our investment positions and disposed of the shares of Ta Shee Resort Co., Ltd. at a fair value of NTD 4,536 thousand. Other related equity – unrealized valuation gains on financial assets measured at fair value through other comprehensive income, amounting to NTD 4,526 thousand, was transferred to retained earnings.

In 2021, we adjusted our investment positions and disposed of the shares of AlgolTek Inc. and Solteam Incorporation at a fair value of NTD 9,055 thousand. Other related equity – unrealized valuation gains on financial assets measured at fair value through other comprehensive income, amounting to NTD 4,315 thousand, was transferred to retained earnings.

8. Notes and accounts receivable

	December 31, 2022	December 31, 2021
Notes and accounts receivable		
Measured at amortized cost		
Total carrying amount	$ 58,812	$ 82,013
–: Loss allowance	(286)	(677)
	$ 58,526	$ 81,336

Our average loan period for the sale of goods is 60 days, and no interest is accrued on unpaid accounts receivable.

To mitigate credit risks, our management has made decisions on setting loan limits and loan approval to ensure that appropriate actions are taken for the recovery of overdue accounts receivable. Furthermore, we review the recoverable amounts of payments receivable separately on the balance sheet date to ensure that irrecoverable payments receivable have been accounted for in appropriate impairment losses. Accordingly, our management considers that our credit risks have reduced significantly.

We recognize the loss allowance for accounts receivable based on the full lifetime expected credit losses. The full lifetime expected credit losses are calculated using a provision matrix with consideration of the default history and current financial condition of a customer, the economic situation of the industry, GDP forecasts and industrial prospects. Since our historical experience in credit losses has shown no significant difference in the types of loss between distinct customer bases, the provision matrix has made no further distinction between the customer bases and has only set the expected credit loss rate based on the number of days of the age of accounts receivable.

If there is any evidence indicating that the counterparty is faced with severe financial difficulties and that we are not able to reasonably expect any recoverable amount, we directly write off the relevant accounts receivable, and we will continue to pursue recourse actions. All amounts recovered through recourse are recognized in profit or loss.

Our loss allowances for notes and accounts receivable measured using a provision matrix are as follows:

December 31, 2022

	Account age of no more than 60 days	Account age of 61–90 days	Account age of 91–120 days	Account age of more than 120 days	Total
Expected credit loss rate	0%-1%	1%-5%	5%-10%	100%	
Total carrying amount	$ 54,352	$ 4,394	$ 66	$ -	$ 58,812
Loss allowance (full lifetime expected credit loss)	(148)	(132)	(6)	-	(286)
Amortized cost	$ 54,204	$ 4,262	$ 60	$ -	$ 58,526

December 31, 2021

	Account age of no more than 60 days	Account age of 61–90 days	Account age of 91–120 days	Account age of more than 120 days	Total
Expected credit loss rate	0%-1%	1%-5%	-	100%	
Total carrying amount	$ 68,734	$ 13,218	$ -	$ 61	$ 82,013
Loss allowance (full lifetime expected credit loss)	(219)	(397)	-	(61)	(677)
Amortized cost	$ 68,515	$ 12,821	$ -	$ -	$ 81,336

Information regarding changes in loss allowances for notes and accounts receivable is as follows:

	2022	2021
Starting balance	$ 677	$ 489
+: Impairment losses accounted for in the current year	-	2,077
–: Impairment losses reversed in the current year	(391)	-
–: Actual write-offs in the current year	-	(1,889)
Ending balance	$ 286	$ 677

9. Finance lease payments receivable

	December 31, 2022	December 31, 2021
Undiscounted lease payments		
1st year	$ -	$ 3,172
Lease payments receivable	-	3,172
–: Unearned finance income	-	(22)
Net investments in leases (presented as finance lease payments receivable)	$ -	$ 3,150
Carrying amount of finance lease payments receivable		
Current	$ -	$ 3,150

We have subleased the premises and buildings rented by us in Neihu District to other companies, receiving a fixed payment of NTD3,807 thousand on an annual basis. Since the remaining lease term of the master lease agreement has been fully subleased, it is classified as a finance lease.

The interest rate implicit in the lease over the lease term has not changed after it was determined on the date of agreement. As of December 31, 2021, the interest rate implicit in the finance lease was an annual interest rate of 1.50%.

We measure the loss allowance for finance lease payments receivable based on the full lifetime expected credit losses. Since there have been no overdue or unrecovered finance lease payments receivable as of the balance sheet date, and taking into account the default history of the counterparty and the collateral value, we consider that the above-mentioned finance lease payments receivable are not impaired.

10. Inventories

	December 31, 2022	December 31, 2021
Finished goods	$ 54,811	$ 128,496
Work in process	7,159	55,560
Raw materials	22,452	50,662
	$ 84,422	$ 234,718

The nature of cost of sales is as follows:

	2022	2021
Cost of inventories sold	$ 399,030	$ 726,649
Profit on reversal of losses from preparation of materials	(14,100)	(3,600)
Loss on inventory depreciation and excess (Profit on recovery of net realizable value)	7,800	(8,900)
	$ 392,730	$ 714,149

The recovery of the net realizable value of inventory was due to an increase in the sales price of inventory.

11. Investments accounted for using the equity method

	December 31, 2022	December 31, 2021
Investments in subsidiaries	$ 1,127,645	$ 1,052,515
Investments in associates	336,074	226,387
	$ 1,463,719	$ 1,278,902

(1) Investments in subsidiaries

	December 31, 2022		December 31, 2021	
Name of subsidiary	Amount	Shareholding (%)	Amount	Shareholding (%)
Genius Holding Co., Ltd.	$ 301,286	100.00	$ 274,049	100.00
Chung-Chiang Investment Co., Ltd.	205,897	100.00	150,768	100.00
Hung-Cheng Investment Co., Ltd.	48,793	100.00	54,818	100.00
KYE International Corporation	3,524	100.00	2,810	100.00
KYE Systems Europe GmbH	-	-	-	-
KYE Systems (Hong Kong) Corporation Limited	9,504	100.00	8,565	100.00
Digilife Technologies Co., Ltd.	558,641	94.61	561,505	94.61
	$ 1,127,645		$ 1,052,515	

KYE Systems Europe GmbH, our subsidiary, ceased operations in December 2017 and completed its liquidation in December 2021.

Chung-Chiang Investment Co., Ltd., our subsidiary, carried out cash capital increases in April 2021 and March and April 2022. We purchased 8,748 thousand, 2,000 thousand and 3,500 thousand shares, with our shareholding remaining at 100%.

In 2022, our subsidiary Hung-Cheng Investment Co., Ltd. adjusted its investment position and sold financial assets measured at fair value through other comprehensive income at a fair value of NTD 58 thousand. Other related equity – unrealized valuation losses on financial assets measured at fair value through other comprehensive income, amounting to NTD 3 thousand, was transferred to retained earnings.

In 2021, our subsidiaries Digilife Technologies Co., Ltd. and Hung-Cheng Investment Co., Ltd. adjusted their investment positions and sold financial assets measured at fair value through other comprehensive income at a fair value of NTD 12,231 thousand. Other related equity – unrealized valuation losses on financial assets measured at fair value through other comprehensive income, amounting to NTD 9 thousand, was transferred to retained earnings.

(2) Investments in associates

	December 31, 2022	December 31, 2021
Associates with materiality		
Timing Pharmaceutical Co., Ltd. (Timing Pharmaceutical Company)	$ 223,170	$ 210,561
Coretek Opto Corporation (Coretek Opto)	107,975	-
	331,145	210,561
Individual immaterial associates	4,929	15,826
	$ 336,074	$ 226,387

A. Associates with materiality

	Shareholding and voting rights (%)	
Company name	December 31, 2022	December 31, 2021
Timing Pharmaceutical Company	22.64%	22.64%
Coretek Opto	30.40%	-

For information regarding the nature of business, the principal place of business and the country of registration of the above-mentioned associates, see Table 4 “Names of Investee Companies, Their Areas of Establishment...and Other Relevant Information.”

The following financial information has been prepared based on the IFRSs consolidated financial reports of associates and has reflected the adjustments made when using the equity method.

Timing Pharmaceutical Company

	2022	2021
Current assets	$ 1,082,496	$ 818,830
Non-current assets	1,622,585	1,644,573
Current liabilities	(933,026)	(732,647)
Non-current liabilities	(435,882)	(450,391)
Equity	1,336,173	1,280,365
Non-controlling interests	(350,524)	(347,401)
	$ 985,649	$ 932,964
Our shareholding (%)	22.64%	22.64%
Our equity	$ 223,170	$ 210,561
Carrying amount of investments	$ 223,170	$ 210,561
Operating revenue	$ 1,136,246	$ 799,843
Net profit in the current year	$ 55,688	$ 4,853
Other comprehensive income	(967)	(2,254)
Total comprehensive income	$ 54,721	$ 2,599
Dividends received from Timing Pharmaceutical Company	$ 1,945	$ 1,945

Coretek Opto

	2022
Current assets	$ 248,718
Non-current assets	198,685
Current liabilities	(97,334)
Non-current liabilities	-
Equity	350,069
Non-controlling interests	-
	$ 350,069
Our shareholding (%)	30.40%
Our equity	$ 106,406
Carrying amount of investments	$ 107,975
Operating revenue	$ 319,973
Net loss in the current year	($ 18,688)
Other comprehensive income	64
Total comprehensive income	($ 18,624)
Dividends received from Coretek Opto	$ -

In 2022, Timing Pharmaceutical Company disposed of financial assets measured at fair value through other comprehensive income. Therefore, we transferred other related equity – unrealized valuation losses on financial assets measured at fair value through other comprehensive income, amounting to NTD 22 thousand, to retained earnings based on shareholding.

In March 2022, we purchased 7,000 thousand common shares of Coretek Opto at NTD 70,000 thousand, and our shareholding increased to 29.30% after the purchase, making us a shareholder with material influence. Therefore, the shareholding was reclassified from financial assets measured at fair value through other comprehensive income – non-current to investments accounted for using the equity method, and a loss of NTD 26,949 thousand on disposal of equity instruments measured at fair value through other comprehensive income was recognized and reclassified as a deduction of retained earnings. In April 2022, Coretek Opto repurchased 1,300 thousand treasury shares. As a result, our shareholding increased to 30.40% due to a decrease in the number of outstanding shares of Coretek Opto.

Holding 30.40% of the voting rights of Coretek Opto, we are its largest shareholder. Taking into account the percentages and distribution of voting rights held by other shareholders, and considering that the pattern of voting at the previous shareholders' meeting indicated no passivity on the part of other shareholders, we are unable to appoint a majority of the members of the governing bodies, and therefore have no control over Coretek Opto since we cannot guide its relevant activities. Our management considers that we only have material influence on Coretek Opto, and has thus designated it as our associate.

B. Summary of individual immaterial associates

	2022	2021
Our share		
Net loss in the current year	($ 3,368)	($ 4,521)
Other comprehensive income	-	-
Total comprehensive income	($ 3,368)	($ 4,521)

Investments accounted for using the equity method and our share of profits or losses and other comprehensive income thereof are recognized based on the CPA-audited financial report of each associate for the same period, except in the case of Timing Pharmaceutical Company, where calculation is based on the financial report not audited by a CPA. Nonetheless, our management considers that even though the financial reports of the above-mentioned investee companies are not CPA-audited, they are unlikely to result in any material effect.

12. Property, plant and equipment

	Land	Premises and buildings	Machine/Equipment	Miscellaneous equipment	Total
Cost					
Balance on January 1, 2022	$ 339,557	$ 171,905	$ 22,317	$ 155,778	$ 689,557
Addition	-	-	-	334	334
Disposal	-	-	(15,374)	(123,611)	(138,985)
Balance on December 31, 2022	$ 339,557	$ 171,905	$ 6,943	$ 32,501	$ 550,906
Accumulated depreciation and impairment					
Balance on January 1, 2022	$ 11,046	$ 87,064	$ 22,317	$ 150,009	$ 270,436
Disposal	-	-	(15,374)	(123,611)	(138,985)
Depreciation expense	-	3,231	-	1,588	4,819
Balance on December 31, 2022	$ 11,046	$ 90,295	$ 6,943	$ 27,986	$ 136,270
Net amount on December 31, 2022	$ 328,511	$ 81,610	$ -	$ 4,515	$ 414,636
Cost					
Balance on January 1, 2021	$ 339,557	$ 171,905	$ 22,806	$ 154,156	$ 688,424
Addition	-	-	-	1,693	1,693
Disposal	-	-	(489)	(71)	(560)
Balance on December 31, 2021	$ 339,557	$ 171,905	$ 22,317	$ 155,778	$ 689,557
Accumulated depreciation and impairment					
Balance on January 1, 2021	$ 11,046	$ 83,833	$ 22,806	$ 148,790	$ 266,475
Disposal	-	-	(489)	(71)	(560)
Depreciation expense	-	3,231	-	1,290	4,521
Balance on December 31, 2021	$ 11,046	$ 87,064	$ 22,317	$ 150,009	$ 270,436
Net amount on December 31, 2021	$ 328,511	$ 84,841	$ -	$ 5,769	$ 419,121

Our property, plant and equipment are accounted for in depreciation on a straight-line basis over the following useful lives:

Premises and buildings	50 to 55 years
Machine/Equipment	2 to 9 years
Miscellaneous equipment	1 to 15 years

For the amount of our property, plant and equipment pledged as collateral for loans, see Note 25.

13. Lease agreement

(1) Right-of-use assets

	December 31, 2022	December 31, 2021
Carrying amount of right-of-use assets		
Buildings	$ -	$ 1,315
Office equipment	421	512
	$ 421	$ 1,827

	2022	2021
Addition of right-of-use assets	$ -	$ 550
Depreciation expense of right-of-use assets		
Buildings	$ 1,315	$ 642
Office equipment	91	118
Transport equipment	-	629
	$ 1,406	$ 1,389

(2) Lease liabilities

	December 31, 2022	December 31, 2021
Carrying amount of lease liabilities		
Current	$ 90	$ 4,597
Non-current	$ 335	$ 425

The discount rate ranges for lease liabilities are as follows:

	December 31, 2022	December 31, 2021
Buildings	-	1.5%
Office equipment	1.5%	1.5%
Transport equipment	-	1.5%

(3) Material lease activities and terms

We have rented buildings, office equipment and transport equipment with a lease term from 2019 to 2027 for office and business purposes. When the lease term expires, we will not be entitled to any renewal of the lease or any bargain purchase of the rented assets.

(4) Other lease information

We opt to apply the recognition exemption to leases of office equipment constituting short-term leases and leases of low-value assets and do not recognize right-of-use assets and lease liabilities relevant to such leases.

As of December 31, 2022 and 2021, we did not have any short-term lease commitment to which the recognition exemption applies.

14. Accounts payable

No interest is accrued on an account payable. We have established financial risk management policies to ensure that all accounts payable are paid off within the pre-agreed credit period.

15. Other receivables – related parties and other payables

The advances we have provided primarily for purchase of materials from Dongguan Kunying Computer Products Co., Ltd., a subsidiary of KYE Inc., through KYE Trade (HK) Co., Ltd. are accounted for separately in other receivables – related parties and other payables.

16. Post-employment benefit plans

(1) Defined contribution plan

The pension system under the "Labor Pension Act," as applied by us, is a defined contribution plan managed by the government. A pension equal to 6% of an employee's monthly salary is appropriated and deposited into a special personal account at the Bureau of Labor Insurance.

(2) Defined benefit plan

The pension system we have adopted in accordance with the "Labor Pension Act" is a defined benefit plan managed by the government. The pension paid to an employee is calculated based on the length of his/her service and the average salary over the 6 months prior to the approved date of his/her retirement. We appropriate 2% of the total monthly salary of an employee as a pension and deposit it into a special account at the Bank of Taiwan in the name of the Labor Pension Fund Supervisory Committee. If, by the end of each year, the estimated balance in the special account is insufficient for payments to employees who are expected to meet the criteria for retirement in the next year, we will appropriate the difference in a lump sum by the end of March next year. The special account is managed by the Bureau of Labor Funds, Ministry of Labor, and we do not have any right to influence the investment management strategies.

The amounts of defined benefit plan included in the parent-only balance sheet are as follows:

	December 31, 2022	December 31, 2021
Present value of defined benefit obligations	$ 30,975	$ 50,065
Fair value of plan assets	(25,692)	(22,989)
Deficit in contributions	5,283	27,076
Net defined benefit liabilities	$ 5,283	$ 27,076

The changes in net defined benefit liabilities (assets) are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities (assets)
Balance on January 1, 2021	$ 49,794	($ 18,140)	$ 31,654
Current service cost	103	-	103
Interest expense (income)	249	(92)	157
Recognized in profit or loss	352	(92)	260
Remeasurement			
Return on plan assets (excluding any amount included in net interest)	-	(229)	(229)
Actuarial loss – changes in financial assumptions	812	-	812
Actuarial profit –	(893)	-	(893)

experience adjustments			
Recognized in other comprehensive income	(81)	(229)	(310)
Employer contribution	-	(4,528)	(4,528)
Balance on December 31, 2021	50,065	(22,989)	27,076
Current service cost	54	-	54
Interest expense (income)	183	(116)	67
Recognized in profit or loss	237	(116)	121
Remeasurement			
Return on plan assets (excluding any amount included in net interest)	-	(1,511)	(1,511)
Actuarial profit – changes in financial assumptions	(3,279)	-	(3,279)
Actuarial profit – experience adjustments	(523)	-	(523)
Recognized in other comprehensive income	(3,802)	(1,511)	(5,313)
Employer contribution	-	(3,101)	(3,101)
Benefit payment	(15,525)	2,025	(13,500)
Balance on December 31, 2022	$ 30,975	($ 25,692)	$ 5,283

The amounts of defined benefit plan recognized in profit or loss are summarized, by purpose, as follows:

	2022	2021
Marketing expense	$ 25	$ 62
Management expense	94	193
R&D expense	2	5
	$ 121	$ 260

Due to the pension system under the "Labor Standards Act," we are exposed to the following risks:

A. Investment risk: The Bureau of Labor Funds, Ministry of Labor has, for own discretionary use or through contracted management, invested the labor pension funds into domestic (foreign) equity and debt securities and bank deposits, even though the distributable amount of our plan assets is a profit calculated at an interest rate no less than that for a 2-year time deposit with a local bank.

B. Interest rate risk: A decrease in the interest rates of government and corporate bonds will increase the present value of defined benefit obligations, but will also increase the return on debt investments in plan assets. Both increases have a partial offsetting effect against the impact of net defined benefit liabilities.

C. Salary risk: The present value of defined benefit obligations is calculated based on the the future salary of the plan participants. As a result, an increase in the salary of the plan participants will raise the present value of defined benefit obligations.

The present value of our defined benefit obligations is calculated actuarially by a qualified actuary. The material assumptions on the date of measurement are as follows:

	December 31, 2022	December 31, 2021
Discount rate	1.500%	0.500%
Expected salary increase rate	2.250%	2.250%

In the event of reasonably possible changes in the material actuarial assumptions, the resulting increase (decrease) in the present value of defined benefit obligations where all other assumptions remain the same is as follows:

	December 31, 2022	December 31, 2021
Discount rate		
Increase by 0.25%	($ 749)	($ 993)
Decrease by 0.25%	$ 776	$ 1,032
Expected salary increase rate		
Increase by 0.25%	$ 756	$ 995
Decrease by 0.25%	($ 733)	($ 964)

Since the actuarial assumptions may be correlated and changes in only a single assumption are unlikely, the sensitivity analysis above may not reflect actual changes in the present value of defined benefit obligations.

	December 31, 2022	December 31, 2021
Expected contribution within 1 year	$ 533	$ 545
Average maturity period of defined benefit obligations	9.8 years	11.0 years

17. Equity

(1) Share capital

	December 31, 2022	December 31, 2021
Number of authorized shares (thousand shares)	390,000	390,000
Authorized share capital	$ 3,900,000	$ 3,900,000
Number of issued shares with full payment received (thousand shares)	221,528	221,528
Issued share capital	$ 2,215,285	$ 2,215,285

Common shares are issued at a par value of NTD10, with each share entitled to one voting right and the right to receive dividends.

The share capital retained from the authorized share capital for the issuance of employees' stock warrants is 25,000,000 shares.

(2) Capital reserves

	December 31, 2022	December 31, 2021
Shares issued in excess of par value	$ 85,527	$ 129,833
Trading of treasury stocks	156,114	156,114
Long-term investments	29,262	23,691
	$ 270,903	$ 309,638

In capital reserves, the amount of shares issued in excess of par value (including common shares issued in excess of par value, share capital in excess of par from share issued due to mergers, and trading of treasury stocks) and the donations received may be used to offset losses, or to distribute cash dividends or be contributed to the share capital if we have no losses, provided that such contribution to the share capital does not exceed a certain percentage of the share capital each year.

(3) Retained earnings and dividend policy

According to our earning distribution policy in the Articles of Incorporation, if we have earnings in the final accounts of a fiscal year, we shall set aside 10% of the earnings as legal reserves after paying taxes and offsetting accumulated losses as legally required, with the remaining amount of the earnings set aside or reversed as special reserves in accordance with the law. If there is still any balance, it shall be distributed together with the accumulated undistributed earnings as dividends and bonuses to shareholders. Bonuses to shareholders shall be distributed in stock or cash dividends. Cash dividends shall be no less than 10% of the total bonuses to shareholders, with the remaining distributed in stock dividends. No distribution of cash dividends is required if their amount per share is less than NTD 0.1, and all of the bonuses shall be distributed in stock dividends.

For the policy on distribution of the remuneration for employees and directors in the Articles of Incorporation, see "(4) Remuneration for employees and directors" in Note 19.

The shareholders' meeting on June 21, 2019 adopted a resolution to approve amendment to the Articles of Incorporation. Distribution of our earnings and offsetting of our losses shall be made after the end of each quarter.

Legal reserves must be allocated until their balance reaches our total paid-in capital. Legal reserves may be used to offset losses. Where we have no losses, if legal reserves exceed the total paid-in capital by 25%, the excess amount may be contributed to the share capital or distributed in cash.

At the annual shareholders' meetings held on June 9, 2022 and July 13, 2021, the proposals for distribution of the earnings of 2021 and 2020 were approved as follows:

	2021	2020
Legal reserves	$ 5,506	$ 14,461
Special reserves	$ 49,560	$ 130,154

The annual shareholders' meetings on June 9, 2022 and July 13, 2021 adopted resolutions to distribute, in accordance with Article 241 of the Company Act, cash dividends to shareholders with the capital reserves from common shares issued in excess of par value in the amounts of NTD 44,306 thousand and NTD 67,359 thousand, respectively.

On March 14, 2023, the Board of Directors proposed distribution of the earnings in 2022 as follows:

	2022
Legal reserves	$ 3,622
Special reserves	$ 30,116

On March 14, 2023, the Board of Directors proposed to distribute, in accordance with Article 241 of the Company Act, cash dividends to shareholders with the capital reserves from common shares issued in excess of par value in the amount of NTD 44,306 thousand.

The proposal for distribution of the earnings in 2022 will be subject to a resolution of an annual shareholders' meeting expected to be held on June 21, 2023.

(4) Other equity

A. Exchange differences on translation of financial statements of foreign operations

	2022	2021
Starting balance	($ 66,113)	($ 35,723)
Incurred in the current year		
Translation differences on foreign operations	57,239	(30,894)
Share of associates accounted for using the equity method	(64)	(597)
Reclassification adjustment		
Disposal of share of subsidiaries accounted for using the equity method	-	1,101
Ending balance	($ 8,938)	($ 66,113)

B. Unrealized valuation profit/loss on financial assets measured at fair value through other comprehensive income

	2022	2021
Starting balance	($ 601,087)	($ 625,354)
Incurred in the current year		
Unrealized profits or losses – equity instruments	(16,936)	15,947
Share of subsidiaries and associates accounted for using the equity method	(34,628)	12,626
Other comprehensive income in the current year	(51,564)	28,573
Cumulative profits or losses on disposal of equity instruments transferred to retained earnings	22,442	(4,306)
Ending balance	($ 630,209)	($ 601,087)

(5) Treasury stocks

Reason for repurchase	Maintenance of corporate credit and shareholders' equity (thousand shares)
Number of shares on January 1, 2021	-
Increase in the current year	3,000
Decrease in the current year	(3,000)
Number of shares on December 31, 2021	-

To maintain our corporate credit and shareholders' equity, the Board of Directors adopted a resolution on May 13, 2021 to repurchase, in accordance with Article 28-2 of the Securities and Exchange Act, 5,000 thousand shares during the period of May 14 to July 12, 2021, and to set the share repurchase price range at NTD 10–15 in accordance with Article 2 of the "Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies." In 2021, we repurchased 3,000 thousand treasury shares at a cost of NTD 35,901 thousand.

On November 1, 2021, the Board of Directors adopted a resolution to cancel the 3,000 thousand shares repurchased for the purpose of maintaining our corporate credit and shareholders' equity, and to set November 3, 2021 as the record date for cancellation of shares.

In accordance with the Securities and Exchange Act, treasury stocks held by us may not be pledged and are not entitled to any dividends distributed or voting rights.

18. Revenue

	2022	2021
Revenue from contracts with customers		
Revenue from the sale of goods	$ 538,304	$ 937,678

(1) Description of contracts with customers

The amount of revenue to be recognized is determined by goods measured at the fair value of considerations received or receivable at the time of sale to customers, less estimated customer returns, rebates and other similar discounts.

(2) Contract balance

	December 31, 2022	December 31, 2021	January 1, 2021
Total notes and accounts receivable (Note 8)	$ 58,812	$ 82,013	$ 103,363

(3) Sub-items of revenue from contracts with customers

	2022	2021
Mouse	$ 216,815	$ 363,580
Keyboards	193,012	278,451
Speaker	100,019	203,621
Others	28,458	92,026
	$ 538,304	$ 937,678

19. Net profit in the current year

(1) Other profits and losses

	2022	2021
Net profit (loss) on foreign currency exchange	$ 5,652	($ 6,246)
Profit on disposal of financial products	3,850	-
Profit on disposal of associates accounted for using the equity method	2,508	-
Dividend revenue	$ 1,655	$ 97
Rent revenue	640	474
Loss on disposal of subsidiaries accounted for using the	-	(1,683)

	2022	2021
equity method		
Profit on valuation of financial assets	-	672
Other revenues and expenses	3,594	19,861
	$ 17,899	$ 13,175

(2) Depreciation and amortization

	2022	2021
Property, plant and equipment	$ 4,819	$ 4,521
Right-of-use assets	1,406	1,389
Other non-current assets	1,545	853
	$ 7,770	$ 6,763
Summary of depreciation expenses by purpose		
Operating expense	$ 6,225	$ 5,910
Summary of amortization expenses by purpose		
Operating costs	$ -	$ 543
Operating expense	1,545	310
	$ 1,545	$ 853

(3) Employee benefit expenses

	2022	2021
Post-employment benefits		
Defined contribution plan	$ 2,203	$ 2,234
Defined benefit plan (Note 16)	121	260
	2,324	2,494
Separation benefits	1,287	430
Other employee benefits	63,501	64,738
Total employee benefit expenses	$ 67,112	$ 67,662
Summarized by purpose		
Operating expense	$ 67,112	$ 67,662

(4) Remuneration for employees and directors

From the pre-tax profit in the current year before subtracting the remuneration distributed to employees and directors, we allocate no less than 1% and no more than 15% of it as the remuneration for employees and no more than 1% of it as the remuneration for directors. The remuneration for employees and directors in 2022 and 2021 was approved by the Board of Directors on March 14, 2023 and March 17, 2022, respectively, as follows:

Estimated percentage

	2022	2021
Remuneration for employees	2%	2%
Remuneration for directors	1%	1%

Amount

	2022	2021
Remuneration for employees	$ 1,192	$ 1,682
Remuneration for directors	$ 596	$ 840

Any change in the amount after the date of approval and publication of the annual parent-only financial report is treated as a change in accounting estimates and will be adjusted to be accounted for in the next year.

There was no difference between the actually distributed amounts of the remuneration for employees and directors in 2021 and 2020 and the amounts recognized in the parent-only financial reports of 2021 and 2020.

For information of the remuneration for employees and directors as approved by the Board of Directors, visit the "Market Observation Post System" of the Taiwan Stock Exchange.

20. Income tax

(1) Income taxes recognized in profit or loss

Income tax expenses consist of the following main items:

	2022	2021
Current income tax		
Incurred in the current year	$ -	$ -
Adjusted from prior years	(1,837)	3,039
	(1,837)	3,039
Deferred income tax		
Incurred in the current year	5,260	28,021
Income tax expense recognized in profit/loss	$ 3,423	$ 31,060

Adjustments to accounting income and income tax expenses are as follows:

	2022	2021
Pre-tax net profit	$ 57,831	$ 81,572
Income tax expense on pre-tax net profit calculated at the statutory tax rate	$ 11,566	$ 16,314
Expense and loss not deductible and tax-free income not included for determination of taxable income	(9,345)	15,001
Adjustment to current income tax expenses of prior years in the current year	(1,837)	3,039
Unrecognized deductible temporary difference	3,039	(3,294)
Income tax expense recognized in profit/loss	$ 3,423	$ 31,060

(2) Income tax recognized in other comprehensive income

	2022	2021
Deferred income tax		
Incurred in the current year		
- Unrealized profit/loss on financial assets measured at fair value through other comprehensive income	$ 26,047	$ 292
- Translation of foreign operations	(12,217)	7,298
- Remeasurement of defined benefit plans	(1,063)	(62)
Income tax recognized in other comprehensive income	$ 12,767	$ 7,528

(3) Deferred income tax assets and liabilities

Changes in deferred income tax assets and liabilities are as follows:

2022

Deferred income tax assets	Starting balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Temporary difference				
Inventories	$ 9,460	$ 1,560	$ -	$ 11,020
Defined retirement benefit plan	7,782	(3,296)	-	4,486
Other non-current assets	7,650	(1,076)	-	6,574
Investments accounted for using the equity method	15,466	609	-	16,075
Financial assets measured at fair value through other comprehensive income	13,513	(883)	18,416	31,046

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	Starting balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Deferred loss on purchase contracts	$ 10,620	($ 2,820)	$ -	$ 7,800
Exchange differences on foreign operations	19,712	-	(10,665)	9,047
Others	175	257	-	432
	$ 84,378	($ 5,649)	$ 7,751	$ 86,480
Deferred income tax liabilities				
Temporary difference				
Exchange differences on foreign operations	$ -	$ -	$ 1,552	$ 1,552
Defined retirement benefit plan	2,367	-	1,063	3,430
Investments accounted for using the equity method	10,245	-	-	10,245
Financial assets measured at fair value through other comprehensive income	7,631	-	(7,631)	-
Others	450	(389)	-	61
	$ 20,693	($ 389)	($ 5,016)	$ 15,288

2021

	Starting balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Deferred income tax assets				
Temporary difference				
Inventories	$ 11,240	($ 1,780)	$ -	$ 9,460
Defined retirement benefit plan	8,636	(854)	-	7,782
Other non-current assets	7,650	-	-	7,650
Investments accounted for using the equity method	20,337	(4,871)	-	15,466
Financial assets measured at fair value through other comprehensive income	32,809	(19,296)	-	13,513
Deferred loss on	11,340	(720)	-	10,620

purchase contracts				
Exchange differences on foreign operations	16,240	-	3,472	19,712
Others	480	(305)	-	175
	$ 108,732	($ 27,826)	$ 3,472	$ 84,378

Deferred income tax liabilities				
Temporary difference				
Exchange differences on foreign operations	$ 3,826	$ -	($ 3,826)	$ -
Defined retirement benefit plan	2,305	-	62	2,367
Investments accounted for using the equity method	10,391	(146)	-	10,245
Financial assets measured at fair value through other comprehensive income	7,923	-	(292)	7,631
Others	109	341	-	450
	$ 24,554	$ 195	($ 4,056)	$ 20,693

(4) Approval of income tax

The return of our income tax calculated up until 2020 was approved by the tax authority.

21. Earnings per share (EPS)

The earning and the weighted average number of common shares used for calculation of EPS are as follows:

Net profit in the current year

	2022	2021
Net profit in the current year	$ 54,408	$ 50,512
Effect of dilutive potential common shares:		
Remuneration for employees	-	-
Net profit used for calculation of diluted EPS	$ 54,408	$ 50,512

Number of shares

Unit: thousand shares

	2022	2021
Weighted average number of common shares used for calculation of basic EPS	221,528	222,903
Effect of dilutive potential common shares:		
Remuneration for employees	148	239
Weighted average number of common shares used for calculation of diluted EPS	221,676	223,142

Where we choose to distribute the remuneration for employees in shares or cash, the diluted EPS is calculated by adding the number of dilutive potential common shares to the weighted average number of outstanding shares under the assumption that the remuneration for employees will be distributed in shares. The dilutive effect of the potential common shares is taken into account when calculating the diluted EPS before the Board of Directors adopts a resolution on the number of shares distributable as the remuneration for employees.

22. Capital risk management

We engage in capital management to ensure all companies in our group are able to maximize shareholders' return through optimization of the balances of liabilities and equity, while remaining as going concerns. There has been no material change in our overall strategies.

Our capital structure consists of our net liabilities (i.e. loans less cash and cash equivalents) and the equity attributable to our owners (i.e. share capital, capital reserves, retained earnings and other equity).

We are not required to comply with other external capital requirements.

The management of KYE conducts a review of the capital structure of its group on an annual basis. Based on the suggestions of our management, we balance our overall capital structure by paying dividends, issuing new shares, repurchasing shares and issuing new liabilities or repaying existing liabilities.

23. Financial instruments

(1) Fair value information – financial instruments not measured at fair value

Since the carrying amount of our financial instruments not measured at fair value, including cash and cash equivalents, notes and accounts receivable, other receivables, deposits paid, notes and accounts payable, other payables and deposits received, is a reasonable approximation of fair value, its fair value is not disclosed.

(2) Fair value information – financial instruments measured at fair value on a recurring basis

A. Fair value hierarchy

December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through other comprehensive income				
Investments in equity instruments				
- Domestic listed (OTC) stocks	$ -	$ -	$ 6,067	$ 6,067
- Domestic non-listed (non-OTC) stocks	-	-	21,460	21,460
Total	$ -	$ -	$ 27,527	$ 27,527

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through other comprehensive income				
Investments in equity instruments				
- Domestic listed (OTC) stocks	$ -	$ -	$ 7,318	$ 7,318
- Domestic non-listed (non-OTC) stocks	-	-	86,288	86,288
Total	$ -	$ -	$ 93,606	$ 93,606

There was no transfer of fair value measurement between Level 1 and Level 2 in 2022 and 2021.

B. Adjustments to financial instruments measured at Level 3 fair value

2022

	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Total
Starting balance	$ -	$ 93,606	$ 93,606
Recognized in other comprehensive income	-	(16,935)	(16,935)
Disposal	-	(42,567)	(42,567)
Share payments returned from capital reduction by investee companies	-	(6,577)	(6,577)
Ending balance	$ -	$ 27,527	$ 27,527

2021

	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Total
Starting balance	$ 1,713	$ 82,267	$ 83,980
Recognized in profit/loss (other profits and losses)	672	-	672
Recognized in other comprehensive income	-	11,339	11,339
Disposal	(2,385)	-	(2,385)
Ending balance	$ -	$ 93,606	$ 93,606

C. Valuation techniques and inputs for Level 3 fair value measurement

For the domestic non-listed (non-OTC) stocks held by us and measured at fair value, such fair value is determined with reference to the price supported by the observable market price or with an estimate using the comparables approach. The fair value of the privately offered stocks of a domestic non-listed company is determined with an estimate using the option pricing model based on the observable market price of the target.

(3) Types of financial instruments

	December 31, 2022	December 31, 2021
Financial assets		
Financial assets measured at amortized cost (Note 1)	$ 917,807	$ 941,380
Financial assets measured at fair value through other comprehensive income		
Investments in equity instruments	27,527	93,606
Financial liabilities		
Measured at amortized cost (Note 2)	35,705	68,572

Note 1: The balance includes financial assets measured at amortized cost, such as cash and cash equivalents, notes and accounts receivable, finance lease payments receivable, other receivables, other financial assets – current and deposits paid.

Note 2: The balance includes financial liabilities measured at amortized cost, such as notes and accounts payable, other payables and deposits received.

(4) Purposes and policies of financial risk management

Our primary financial instruments include investments in equity, accounts receivable, accounts payable, loans and lease liabilities. Our financial management department is responsible for providing services to business units, planning and coordinating operations for entry into domestic and international financial markets, and monitoring and managing financial risks in relation to our operations using internal risk reports that analyze risk exposure based on the level and scope of risks. Such risks include market risks (including exchange rate risk, interest rate risk and other price risks), credit risk and liquidity risk.

We avoid risk exposure through derivative financial instruments to mitigate the effect of such risks. The use of derivative financial instruments is subject to policies adopted by the Board of Directors or shareholders' meetings. Such policies concern exchange rate risk, interest rate risk, credit risk, the use of derivative and non-derivative financial instruments, and the written principles for investment of the balance of current funds. Internal auditors review compliance with policies and risk exposure limits on an ongoing basis. We do not engage in any transaction of financial instruments (including derivative financial instruments) for speculative purposes.

Our financial management department submits a report to the Board of Directors on a quarterly basis.

A. Market risks

The risk of change in foreign exchange rates is the major financial risk we bear as a result of our operating activities (see (1) below). We engage in various derivative financial instruments to manage the foreign exchange risk we bear.

There has been no change in our exposure to the market risks of financial instruments or our methods for management and measurement of such exposure.

(A) Exchange rate risk

We engage in transactions of the sale and purchase of goods denominated in foreign currencies, exposing us to the risk of change in foreign exchange rates. More than 99% of our sales are not denominated in our functional currency, and approximately 1% of our purchases are not denominated in our functional currency. For the management of our exposure to exchange rate risk, we use currency options to manage risks to the extent permitted by policies.

For the carrying amounts of our monetary assets and liabilities denominated in non-functional currencies on the balance sheet date, see Note 27.

Sensitivity analysis

We are affected primarily by fluctuations in the exchange rate of USD.

The following table describes in detail our sensitivity analysis in the event where the exchange rate of NTD (our functional currency) to USD increases or decreases by 1%. The sensitivity analysis only includes outstanding foreign currency items, the translation of which at the end of the period is adjusted by a 1% change in the exchange rate. The positive number in the following table means the amount of decrease in the pre-tax net profit when NTD appreciates by 1% against USD. When NTD depreciates by 1% against USD, the effect on the pre-tax net profit is a negative number of the same amount.

	2022	2021
Profit/Loss (Note)	$ 1,006	$ 1,398

(Note) Mainly generated from our accounts receivable denominated in USD which are outstanding without cash flow hedges on the balance sheet date.

Our management considers that the sensitivity analysis cannot represent the inherent exchange rate risk. Since sales are seasonal, the foreign currency risk exposure on the balance sheet date cannot reflect the mid-year risk exposure.

(B) Interest rate risk

The interest rate risk exposure occurs due to our undertaking of bank deposits at a floating interest rate.

The carrying amounts of our financial assets and liabilities exposed to the interest rate risk on the balance sheet date are as follows:

	December 31, 2022	December 31, 2021
With fair value interest rate risk		
- Financial assets	$ 194,571	$ -
With cash flow interest rate risk		
- Financial assets	187,309	288,555

Sensitivity analysis

The following sensitivity analysis is based on the interest rate risk exposure of non-derivative instruments on the balance sheet date. The analysis focuses on assets with floating interest rates under the assumption that the amounts of outstanding assets and liabilities on the balance sheet date are outstanding over the reporting period.

If the interest rate increases/decreases by 25 basis points with all other variables remaining constant, our pre-tax net profits in 2022 and 2021 would increase/decrease by NTD 595 thousand and NTD 1,094 thousand respectively, mainly due to our deposits with floating rates.

(C) Other price risks

We are exposed to equity price risk as a result of investments in equity securities. Such equity investments are not held for trading but are strategic investments. Our management manages risks by holding different risk portfolios. Our equity price risk mainly concentrates in the equity instruments offered by the Taiwan Stock Exchange for the electronics industry. Moreover, we have designated a special team to monitor price risks.

Sensitivity analysis

The following sensitivity analysis is based on the equity price risk exposure on the balance sheet date.

If the equity price increases/decreases by 1%, the pre-tax other comprehensive income in 2022 and 2021 would increase/decrease by NTD 275 thousand and NTD 936 thousand respectively, due to an increase/decrease in the fair value of financial assets measured at fair value through other comprehensive income.

B. Credit risk

Credit risk means the risk of financial loss incurred by the group as a result of a delay by the counterparty in fulfilling contractual obligations. As of the balance sheet date, the greatest credit risk we are likely to be exposed to due to failure of the counterparty to fulfill its obligations mainly arises from the carrying amount of financial assets recognized in the balance sheet.

In order to mitigate credit risk, our management has designated special teams for determination of credit lines, approval of loans and other monitoring procedures to ensure that appropriate actions are taken to recover overdue payments receivable. Furthermore, we review the recoverable amounts of payments receivable separately on the balance sheet date to ensure that irrecoverable payments receivable have been accounted for in appropriate impairment losses. Therefore, our management considers that our credit risk has reduced.

Since the counterparty of current funds and derivative financial instruments is a financial institution with a good credit rating, we do not expect any material credit risk.

Accounts are receivable from a lot of customers in different industries and geographical areas. We have continued to assess the financial conditions of the customers from whom accounts are receivable and will, if necessary, purchase credit guarantee insurance contracts.

As of December 31, 2022 and 2021, the balance of accounts receivable from our top 10 customers accounted for 51% and 64% of our accounts receivable, respectively. The credit concentration risk of other accounts receivable is not material.

C. Liquidity risk

We engage in management of liquidity risk for the purpose of maintaining the cash and cash equivalents necessary for operations, high-liquidity securities and adequate banking financing facilities to ensure we have sufficient financial flexibility.

Table of liquidity and interest rate risks

The following table describes in detail the analysis of maturity of the remaining contracts of non-derivative financial liabilities within the repayment period agreed by us. The table is compiled based on the earliest date when we are likely to be required to make repayment and the undiscounted cash flow of financial liabilities (including principal and estimated interest).

December 31, 2022

	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years
Non-derivative financial liabilities				
Non-interest-bearing liabilities	$ 35,705	$ -	$ -	$ -
Lease liabilities	96	96	248	-
	$ 35,801	$ 96	$ 248	$ -

December 31, 2021

	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years
Non-derivative financial liabilities				
Non-interest-bearing liabilities	$ 68,645	$ -	$ -	$ -
Lease liabilities	4,635	96	288	56
	$ 73,280	$ 96	$ 288	$ 56

24. Related party transactions

The following are transactions between us and related parties, other than those already disclosed in other notes:

(1) Names of related parties and their relationship with us

Name of related party	Relationship with us
KYE Systems Europe GmbH	Subsidiary (liquidation was completed in December 2021)
KYE Systems (Hong Kong) Corporation Limited	Subsidiary
KYE Trade (HK) Co., Ltd. (KYE Trade)	Subsidiary
Dongguan Kunying Computer Products Co., Ltd. (Dongguan Kunying)	Subsidiary

(2) Operating transactions

Type/Name of related party	2022	2021
Sales		
Subsidiary	$ 9,186	$ -

Purchase		
KYE Trade	$ 267,172	$ 293,099

As described in Note 15 of the financial statements, we conduct purchase transactions with KYE Trade where we purchase raw materials and process them, together with the raw materials purchased by our subsidiary in Mainland China, into finished goods, which are then resold to us. In our purchase transactions with KYE Trade, we agree to bear the losses of our subsidiary in China from preparation of materials. In 2022 and 2021, we recognized NTD 14,100 thousand and NTD 3,600 thousand as profits on reversal of losses from preparation of materials respectively. As of December 31, 2022 and 2021, we recognized NTD 39,000 thousand and NTD 53,100 thousand as provisions for losses from preparation of materials respectively, which were accounted for in cost of sales and other current liabilities.

The balance of payments receivable from related parties on the balance sheet date is as follows:

Type/Name of related party	December 31, 2022	December 31, 2021
Subsidiary	$ 3,892	$ -

The balance of other payments receivable from related parties on the balance sheet date is as follows:

Type/Name of related party	December 31, 2022	December 31, 2021
Dongguan Kunying	$ 475,234	$ 565,348
Subsidiary	759	757
	$ 475,993	$ 566,105

The balance of payments payable to related parties on the balance sheet date is as follows:

Type/Name of related party	December 31, 2022	December 31, 2021
Subsidiary	$ -	$ 17,302

The outstanding balance of payments payable to related parties is not secured and will be paid in cash. No guarantee has been requested for payments receivable from related parties.

The balance of payments payable to other related parties (including expenses payable) on the balance sheet date is as follows:

Type/Name of related party	December 31, 2022	December 31, 2021
Subsidiary	$ 4,563	$ 4,866

(3) Remuneration for key management

	2022	2021
Short-term employee benefits	$ 16,624	$ 17,977
Post-employment benefits	258	378
	$ 16,882	$ 18,355

The remuneration for directors and other key management is determined by the Remuneration Committee based on personal performance and market trends.

25. Pledged and mortgaged assets

The following assets have been pledged or mortgaged to banks as collateral for issuance of letters of credit and short-term loan limit guarantees:

	December 31, 2022	December 31, 2021
Property – net	$ 342,287	$ 343,631

26. Material contingent liabilities and unrecognized contractual commitments

The following are our material commitments and contingencies on the balance sheet date, other than those already described in other notes:

Contingencies

The Securities and Futures Investors Protection Center (SFIPC) has claimed that we are a corporate director of Unity Opto Technology Co., Ltd. (hereinafter "Unity Opto"), and that the financial statements of Unity Opto have used circular transactions to inflate the operating revenue and the amount of work in process to exaggerate earnings, causing a total of NTD 569,202 thousand in damage to investors. As a result, a claim for damages was filed against Unity Opto and its directors (including us). On December 28, 2022, we reached a settlement with the SFIPC, and the expense for settlement money (accounted for in other revenues and expenses) has had no material effect on us. On December 30, 2022, the SFIPC withdrew its claim against us.

27. Information of foreign currency financial assets and liabilities with material effect

The following information is summarized and presented based on foreign currencies other than our functional currency. The disclosed exchange rate represents the rate at which each such foreign currency is translated to the functional currency. The following are foreign currency assets and liabilities with material effect:

December 31, 2022

	Foreign currency	Exchange rate	Carrying amount
Financial assets			
Monetary items			
USD	$ 3,276	30.710	$ 100,608
RMB	6,074	4.408	26,775
Investments accounted for using the equity method			
USD	9,925	30.710	304,810
RMB	1,118	4.408	4,928
HKD	2,413	3.938	9,504
Financial liabilities			
Monetary items			
RMB	$ 761	4.408	$ 3,354

(Continued to next page)

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December 31, 2021

Financial assets	Foreign currency	Exchange rate	Carrying amount
Monetary items			
USD	$ 5,052	27.680	$ 139,849
Investments accounted for using the equity method			
USD	10,002	27.680	276,859
RMB	1,897	4.344	8,239
HKD	2,413	3.549	8,565
Financial liabilities			
Monetary items			
RMB	3,189	4.344	13,851

Our realized and unrealized foreign exchange profits/losses in 2022 and 2021 were a profit of NTD 5,652 thousand and a loss of NTD 6,246 thousand, respectively. Due to a great number of functional currencies used for transactions in foreign currencies, it is not possible to disclose the exchange profit or loss of each foreign currency with material effect.

28. Note disclosures
   (1) Information of material transactions:
      A. Funds loaned to others: None.
      B. Endorsements/guarantees to others: None.
      C. Securities held at end of the period (excluding those controlled by investee subsidiaries, associates and joint ventures): See Table 1.
      D. Cumulative amount of purchase or sale of the same securities equaling or exceeding NTD300 million or 20% of the paid-up capital: None.
      E. Amount of acquisition of real property equaling or exceeding NTD300 million or 20% of the paid-up capital: None.
      F. Amount of disposal of real property equaling or exceeding NTD300 million or 20% of the paid-up capital: None.
      G. Amount of purchase/sale of goods from/to related parties equaling or exceeding NTD100 million or 20% of the paid-up capital: See Table 2.
      H. Payments receivable from related parties equaling or exceeding NTD100 million or 20% of the paid-up capital: See Table 3.
      I. Transactions of derivative instruments: None.
   (2) Information of investee companies: See Table 4.
   (3) Information of investments in Mainland China:
      A. The names, scope of primary business and amounts of paid-in capital of the investee companies in Mainland China, the methods of investment, funds remitted inwardly and outwardly, shareholdings, profits or losses on investments, the carrying amounts of investments at end of period, remitted profits or losses on investments, and limits on the amount of investments in Mainland China: See Table 5.

B. The following material transactions with the investee companies in Mainland China directly or indirectly through a third area, and the prices, payment terms and unrealized profits or losses of such transactions: See Tables 2, 3 and 5.

(A) The amount and percentage of purchases, and the ending balance and percentage of the relevant payments payable.

(B) The amount and percentage of sales, and the ending balance and percentage of the relevant payments receivable.

(C) The amount of property transactions and the resulting amount of profits or losses.

(D) The ending balance and purposes of note endorsements/guarantees or collateral provided.

(E) The maximum balance, ending balance, interest rate range and total current interest for financing of funds.

(F) Other transactions with material effect on current profits or losses or on the financial conditions, such as the rendering or receiving of services.

(4) Information of major shareholders: The names of shareholders with a shareholding of no less than 5%, and the number and percentage of shares held by each of them. (Table 6)

KYE Systems Corp.
Securities Held at End of Period
December 31, 2022

Table 1

Unit: NTD thousand

Holding company	Type and name of securities	Relationship with the securities issuer	Account title	End of period			
				Number of shares/units (thousand shares/units)	Carrying amount	Shareholding (%)	Fair value (Note 1)
KYE Systems Corp.	Shares Monterey International Corp.	None	Financial assets measured at fair value through other comprehensive income – non-current	1,973	$ 12,360	7.71%	$ 12,360
	Ta Shee Resort Co., Ltd. (preferred shares)	None	Financial assets measured at fair value through other comprehensive income – non-current	-	9,100	-	9,100
	Unity Opto	None	Financial assets measured at fair value through other comprehensive income – current	1,913	- (Note 2)	-	- (Note 2)
	Aiptek (private placement)	None	Financial assets measured at fair value through other comprehensive income – non-current	472	6,067	1.70%	6,067
	Unity Opto (private placement)	None	Financial assets measured at fair value through other comprehensive income – non-current	15,789	- (Note 2)	3.42%	- (Note 2)

Note 1: The market price is determined as follows: The price of listed/OTC, privately offered stocks whose trading is restricted is estimated using a valuation method. The price of domestic non-listed/non-OTC stocks is calculated using a valuation method.

Note 2: Unity Opto has ceased trading since April 7, 2020, so there are no open market price and verifiable financial figures that can serve as the basis of valuation. We assess that the fair value of Unity Opto’s equity is 0.

Note 3: The securities held at end of period have not been provided as collateral or pledged for loans.

KYE Systems Corp.
Amount of Purchase/Sale of Goods from/to Related Parties Equaling or Exceeding NTD100 Million or 20% of the Paid-up Capital
2022

Table 2 | Unit: NTD thousand

<table>
<tr><th rowspan="2">Purchasing (Selling) company</th><th rowspan="2">Counterparty</th><th rowspan="2">Relationship</th><th colspan="4">Transaction</th><th colspan="2">Differences of transaction terms from those of regular transactions and reasons for such differences</th><th colspan="2">Notes/Accounts receivable (payable)</th><th rowspan="2">Remarks</th></tr>
<tr><th>Purchase (Sale)</th><th>Amount</th><th>Share of total purchase (sale)</th><th>Loan period</th><th>Unit price</th><th>Loan period</th><th>Balance</th><th>Share of total notes/accounts receivable (payable)</th></tr>
<tr><td>KYE Systems Corp.</td><td>KYE Trade (HK) Co., Ltd.</td><td>Our sub-subsidiary</td><td>Purchase (Note 1)</td><td>$ 267,172</td><td>99%</td><td>Offset against payments receivable on a non-periodic basis</td><td>-</td><td>—</td><td>$ -</td><td>-</td><td></td></tr>
<tr><td>KYE Trade (HK) Co., Ltd.</td><td>Dongguan Kunying Computer Products Co., Ltd.</td><td>The parent company is the same</td><td>Purchase</td><td>267,990</td><td>99%</td><td>Offset against payments receivable on a non-periodic basis</td><td>-</td><td>—</td><td>-</td><td>-</td><td></td></tr>
</table>

Note 1: We conduct purchase transactions with KYE Trade where we purchase raw materials and process them, together with the raw materials purchased by Dongguan Kunying, into finished goods, which are then resold to us. We offset accounts payable arising from purchase transactions against accounts receivable arising from purchases of raw materials, the internal prices of both parties, prepayment transactions between both parties and other receivables and payables on a non-periodic basis.

KYE Systems Corp.
Payments Receivable from Related Parties Equaling or Exceeding NTD100 Million or 20% of the Paid-up Capital
December 31, 2022

Table 3 | Unit: NTD thousand

Company from which payments accounted for are receivable	Counterparty	Relationship	Balance of payments receivable from related party	Turnover	Overdue payments receivable from related party		Subsequently recovered amount of payments receivable from related party	Loss allowance set aside
					Amount	Treatment		
KYE Systems Corp.	KYE Trade (HK) Co., Ltd.	Our sub-subsidiary	$ 475,234	(Note 1)	(Note 1)	(Note 1)	(Note 1)	$ -
KYE Trade (HK) Co., Ltd.	Dongguan Kunying Computer Products Co., Ltd.	The parent company is the same	475,234	(Note 1)	(Note 1)	(Note 1)	(Note 1)	-

Note 1: The accounts receivable for our purchases of raw materials are offset against payables at the time of purchase of finished goods on a non-periodic basis. They also include the total amount of the borrower arising from the receipt and payment of remittances by Dongguan Kunying, the internal prices of the group of Dongguan Kunying, the operating expense of prepayment transactions and other receivables.

KYE Systems Corp.
Names of Investee Companies, Their Areas of Establishment...and Other Relevant Information
2022

Table 4

Unit: NTD and foreign currency (thousand)

Name of investor company	Name of investee company	Area of establishment	Scope of primary business	Initial investment amount		Held at end of period			Profit (loss) of investee company in the current period	Profit (loss) on investments recognized in the current period	Remarks
				End of current period	End of previous year	Number of shares (thousand shares)	Percentage (%)	Carrying amount			
KYE Systems Corp.	Genius Holding Co., Ltd.	British Cayman Islands	Investment holdings	USD 28,467	USD 28,467	21,467	100.00	$ 301,286	USD 512	$ 21,463	Subsidiary
	Chung-Chiang Investment Co., Ltd.	New Taipei City	Investment business	227,482	172,482	20,700	100.00	205,897	130	130	Subsidiary
	Hung-Cheng Investment Co., Ltd.	Taipei City	Investment business	85,000	85,000	9,578	100.00	48,793	1,873	1,873	Subsidiary
	KYE International Corporation	United States	Sales of computer peripherals and consumer electronics	USD 2,610	USD 2,610	235	100.00	3,524	USD 13	395	Subsidiary
	KYE Systems (Hong Kong) Corporation Limited	Hong Kong	Sales of computer peripherals and consumer electronics	HKD 500	HKD 500	500	100.00	9,504	-	-	Subsidiary
	Digilife Technologies Co., Ltd.	Taipei City	Digital video/audio products	652,962	652,962	51,563	94.61	558,641	(11,373)	(10,760)	Subsidiary
	Shinyoptics Corp.	Tainan City	R&D, design, manufacturing and sales of optical engines	-	61,200	-	-	-	327	75	Investments accounted for using the equity method (Note 1)
	Star Reach Limited	Samoan Islands	Investment holdings	USD 417	USD 417	-	25.00	4,929	(RMB 3,115)	(3,443)	Investments accounted for using the equity method (Note 2)
	Timing Pharmaceutical Co., Ltd.	New Taipei City	Manufacturing of Chinese medicine	288,184	288,184	19,446	22.64	223,170	55,688	12,718	Investments accounted for using the equity method
	Coretek Opto Corporation	Hsinchu City	R&D, design, manufacturing and sales of optical fiber transceiver module	111,880	-	10,605	30.40	107,975	(18,688)	(7,159)	Investments accounted for using the equity method

Note 1: In November 2022, we disposed of all the shares of Shinyoptics Corp. held by us and recognized NTD 2,508 thousand as a profit on disposal of investments.
Note 2: Star Reach Limited ceased operations in December 2022, and is currently in liquidation.

KYE Systems Corp.
Information of Investments in Mainland China
2022

Table 5

Unit: NTD and foreign currency (thousand)

Name of investee company in Mainland China	Scope of primary business	Paid-in capital	Method of investment	Accumulated amount of investments remitted from Taiwan at start of current period	Amount of investments remitted or recovered in current period		Accumulated amount of investments remitted from Taiwan at end of current period	Profit (loss) of investee company in the current period	Our shareholding in direct or indirect investments	Profit/Loss on investments recognized in the current period (Note 4)	Ending carrying value of investments	Profit on investments received as of current period
					Remitted	Recovered						
Dongguan Kunying Computer Products Co., Ltd.	Manufacturing and sales of computer mice and computer game consoles	USD 15,965	Indirect investment in KYE Inc. through Genius Holding Co., Ltd. with a 100% shareholding	USD 15,965	$ -	$ -	USD 15,965	$ 16,903	100%	$ 16,903	(USD 10,413)	$ -
Dongguan Gaoying Electronic Technology Co., Ltd. (Note 3)	R&D and sales of computers and computer peripherals	USD 2,706	Indirect investment in Moustek Investment Co., Ltd. through Genius Holding Co., Ltd., with the former investing operating funds	USD 2,706	-	-	USD 2,706	(RMB 772)	100%	(RMB 772)	USD 61	-
Dongguan Chiaying Electronics Co., Ltd. (Note 3)	Manufacturing and sales of computer accessories, appliances and molds.	RMB 3,722	Indirect investment in Chia Ying Plastics (HK) Co., Limited through Star Reach Limited, with the former investing 25% of operating funds	USD 417	-	-	USD 417	(RMB 3,115)	25%	(3,443)	4,929	-

Accumulated amount of investments remitted from Taiwan to Mainland China at end of current period	Amount of investments approved by the Investment Commission, MOEA	Limit on amount of investments in Mainland China as required by the Investment Commission, MOEA
USD 35,431 (Note 2)	USD 30,120 (Note 2)	$ 1,764,191 (Note 1)

Note 1: It is calculated at 60% of the net value.
Note 2: We originally made indirect investments in Shanghai Global Lighting Technologies Inc., Suzhou Global Lighting Technologies Inc, and Suzhou Opto Technologies Inc. through Global Lighting Technologies Inc. Since Global Lighting Technologies Inc. has been traded publicly at the Taiwan Stock Exchange since July 28, 2011, please see the financial statements published by the company for this information.
Note 3: Dongguan Gaoying Electronic Technology Co., Ltd. and Dongguan Chiaying Electronics Co., Ltd. ceased operations in December 2022, and are currently in liquidation.
Note 4: With respect to the profit/loss on investments recognized in the current year, the investee companies in Mainland China have been audited and certified by the same CPA firm in Taiwan as that engaged by the parent company.

KYE Systems Corp.
Information of Major Shareholders
December 31, 2022

Table 6

Name of major shareholder	Shares	
	Number of shares held	Shareholding (%)
Ching-Hsin Cho	11,959,488	5.39%

Note: The information of major shareholders in this table is based on the data where the total number of common and preferred shares held by a shareholder which have been registered and delivered on a non-physical basis (including treasury stocks) by us on the final business day at the end of the current quarter, as calculated by the Taiwan Depository and Clearing Corporation, equals or exceeds 5%. The share capital recorded in our parent-only financial report may differ from the actual number of shares registered and delivered on a non-physical basis due to different bases of preparation and calculation.

§TABLE OF CONTENTS OF STATEMENTS OF MAJOR ACCOUNT TITLES§

KYE Systems Corp.
Statement of Cash and Cash Equivalents
December 31, 2022

Statement 1 — Unit: NTD and foreign currency (thousand)

Item	Summary	Amount
Cash		
Cash on hand	Including USD 26 thousand, EUR 4 thousand, HKD 44 thousand, RMB 3 thousand and NTD 176 thousand	$ 1,290
Bank deposits		
Foreign currency deposits	Including USD 1,670 thousand, EUR 25 thousand, HKD 397 thousand and RMB 3,736 thousand	70,137
Demand deposits		117,172
Cash equivalents		
Repurchase of commercial papers		194,571
Total		$ 383,170

Note: USD, EUR, HKD and RMB are translated at the exchange rates of US$1=$30.710, EUR$1=$32.720, HK$1=$3.938 and RMB$1=$4.408, respectively.

KYE Systems Corp.
Statement of Notes and Accounts Receivable
December 31, 2022

Statement 2 Unit: NTD thousand

Name of customer	Amount
Related party	
KYE Trade (HK) Co., Ltd.	$ 3,892
Non-related party	
Company A	11,842
Company B	8,301
Company C	6,401
Company D	4,960
Company E	4,843
Company F	4,831
Company G	3,869
Others (Note)	9,873
Subtotal	54,920
–: Loss allowance	(286)
Net notes and accounts receivable	$ 58,526

Note: The balance of each customer does not exceed 5% of the balance of this title.

KYE Systems Corp.
Statement of Inventories
December 31, 2022

Statement 3

Unit: NTD thousand

Item	Amount	Market price (Note 1)
Finished goods	$ 54,811	$ 76,139
Work in process	7,159	7,116
Raw materials	22,452	22,456
Total	$ 84,422	$ 105,711

Note: The market price is valuated at the net realizable value.

KYE Systems Corp.
Statement of changes in financial assets measured at fair value through other comprehensive income – non-current
January 1 to December 31, 2022

Statement 4

Unit: NTD thousand

Name	Starting balance		Increase in the current year		Decrease in the current year		Ending balance		Provided as collateral or pledged	Remarks
	Number of shares	Carrying value	Number of shares	Amount	Number of shares	Amount	Number of shares	Carrying value		
Coretek Opto Corporation	3,604,765	$ 66,846	-	$ -	3,604,765	$ 66,846	-	$ -	None	Common shares (Note 1)
Monterey International Corp.	2,630,600	19,412	-	-	657,650	7,052	1,972,950	12,360	None	Common shares (Note 1)
Ta Shee Resort Co., Ltd.	3	30	-	13,606	1	4,536	2	9,100	None	Preferred shares (Notes 1 and 2)
Aiptek International Inc.	1,032,219	7,318	-	-	560,063	1,251	472,156	6,067	None	Common shares (Note 1)
Unity Opto Technology Co., Ltd.	15,789,000	-	-	-	-	-	15,789,000	-	None	Common shares
Total		$ 93,606		$ 13,606		$ 79,685		$ 27,527		

Note 1: The decrease is due to the valuation loss recognized in the current year, the partial disposal of shares, capital reduction by the investee company to offset its losses, share payments returned from capital reduction by the investee company, and reclassification as investments accounted for using the equity method.

Note 2: The increase is due to the valuation profit recognized in the current year.

KYE Systems Corp.
Statement of changes in investments accounted for using the equity method
January 1 to December 31, 2022

Statement 5

Unit: NTD thousand; Unit price: NTD

Name	Starting balance		Increase in the current year (Note 1)		Decrease in the current year (Note 2)		Ending balance			Net market price or equity (Note 3)		Provided as collateral or pledged
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Shareholding (%)	Number of shares	Amount	Unit price	Total amount	
Genius Holding Co., Ltd.	21,467,377	$ 274,049	-	$ 81,159	-	$ 53,922	100.00	21,467,377	$ 301,286	14.12	$ 303,086	None
Chung-Chiang Investment Co., Ltd.	15,200,000	150,768	5,500,000	55,129	-	-	100.00	20,700,000	205,897	9.95	205,897	〃
Hung-Cheng Investment Co., Ltd.	9,578,103	54,818	-	1,875	-	7,900	100.00	9,578,103	48,793	5.09	48,793	〃
KYE International Corporation	235,000	2,810	-	714	-	-	100.00	235,000	3,524	15.00	3,524	〃
KYE Systems (Hong Kong) Corporation Limited	500,000	8,565	-	939	-	-	100.00	500,000	9,504	19.01	9,504	〃
Digilife Technologies Co., Ltd.	51,562,598	561,505	-	8,790	-	11,654	94.61	51,562,598	558,641	10.83	558,641	〃
Shinyoptics Corp.	3,400,000	7,587	-	75	3,400,000	7,662	-	-	-	-	-	〃
Advance Top Limited	150,000	-	-	-	-	-	20.00	150,000	-	-	-	〃
Star Reach Limited	-	8,239	-	132	-	3,442	25.00	-	4,929	-	4,929	〃
Timing Pharmaceutical Co., Ltd.	19,445,600	210,561	-	14,773	-	2,164	22.64	19,445,600	223,170	11.48	223,170	〃
Coretek Opto Corporation	-	-	10,604,765	115,134	-	7,159	30.40	10,604,765	107,975	10.03	106,406	〃
Total		$ 1,278,902		$ 278,720		$ 93,903			$ 1,463,719		$ 1,463,950	

Note 1: The increase includes purchases, reclassification from financial assets measured at fair value through other comprehensive income to investments accounted for using the equity method, cash capital increase, profit on investments accounted for using the equity method, adjustment to foreign currency translation, adjustment to unrealized gross sales margin, unrealized profit/loss on financial products and adjustment to capital reserves in the current year.

Note 2: The decrease includes sales, cash dividends, loss on investments accounted for using the equity method, adjustment to foreign currency translation, adjustment to unrealized gross sales margin and unrealized profit/loss on financial products in the current year.

Note 3: Except in the case of Timing Pharmaceutical Co., Ltd., where calculation is based on its financial statements not audited by a CPA, calculation is based on the financial statements of the investee company audited by a CPA in the same period.

KYE Systems Corp.
Statement of Changes in Right-of-use Assets
January 1 to December 31, 2022

Statement 6 Unit: NTD thousand

Item	Starting balance	Increase in the current period	Decrease in the current period	Ending balance	Remarks
Buildings	$ 4,734	$ -	$ 4,734	$ -	-
Office equipment	550	-	-	550	-
Transport equipment	1,510	-	1,510	-	-
	$ 6,794	$ -	$ 6,244	$ 550	

KYE Systems Corp.
Statement of Changes in Accumulated Depreciation of Right-of-use Assets
January 1 to December 31, 2022

Statement 7 Unit: NTD thousand

Item	Starting balance	Increase in the current period	Decrease in the current period	Ending balance	Remarks
Buildings	$ 3,419	$ 1,315	$ 4,734	$ -	Note
Office equipment	38	91	-	129	Note
Transport equipment	1,510	-	1,510	-	Note
	$ 4,967	$ 1,406	$ 6,244	$ 129	

Note: Accounted for in depreciation on a straight-line basis over the following useful lives: 3 years for buildings, 5 years for office equipment, and 1 to 2 years for transport equipment.

KYE Systems Corp.
Statement of Other Non-current Assets
December 31, 2022

Statement 8 Unit: NTD thousand

Item	Amount	Remarks
Non-operating assets	$ 9,481	
Unamortized expenses – others	5,958	Amortized over 2 years
Deposits paid	75	
Total	$ 15,514	

KYE Systems Corp.
Statement of Notes and Accounts Payable
December 31, 2022

Statement 9 Unit: NTD thousand

Name of company	Amount
Kai Chieh Limited	$ 1,734
Shenzhen Yuxinxin Electronics Co., Ltd.	1,702
JOVIAL DAY HOLDINGS LIMITED	182
Total	$ 3,618

KYE Systems Corp.
Statement of Other Payables
December 31, 2022

Statement 10 | Unit: NTD thousand

Item	Amount
Related party	
KYE Systems (Hong Kong) Corporation Limited	$ 4,103
Others	460
Subtotal	4,563
Non-related party	
Salaries and bonuses payable	15,394
Service fees payable	4,609
Market promotion fees payable	2,063
Others (Note)	5,458
Subtotal	27,524
Total	$ 32,087

Note: The balance of each item does not exceed 5% of the balance of this title.

KYE Systems Corp.
Statement of Other Current Liabilities
December 31, 2022

Statement 11 Unit: NTD thousand

Item	Amount
Provision for losses on purchase guarantees	$ 39,000
Payments received in advance	13,546
Payments received on behalf of others	7,763
Sales tax payable	7
Total	$ 60,316

KYE Systems Corp.
Statement of Lease Liabilities
December 31, 2022

Statement 12

Unit: NTD thousand

Item	Summary	Lease term	Discount rate	Ending balance	Remarks
Office equipment – current	Printing equipment	January – December 2023	1.5%	$ 90	
Office equipment – non-current	Printing equipment	January 2024 – July 2027	1.5%	335	
				$ 425	

KYE Systems Corp.
Statement of Net Operating Revenue
January 1 to December 31, 2022

Statement 13 Unit: NTD thousand

Item	Volume (Number)	Amount
Mouse	2,226,513	$ 216,815
Keyboards	1,088,565	193,012
Speaker	457,854	100,019
Others	1,748,320	28,458
Total		$ 538,304

KYE Systems Corp.
Statement of Operating Costs
January 1 to December 31, 2022

Statement 14 Unit: NTD thousand

Item	Amount
Raw material consumption	
Starting raw materials	$ 50,662
–: Raw materials returned in the current year	(5,749)
Ending raw materials	(22,452)
Cost of sale of raw materials	(6,285)
Consumption in the current year	16,176
Transferred to other expenses	2
+: Manufacturing expense	23,555
Input cost in the current year	39,733
+: Starting work in process	55,560
Work in process purchased in the current year	13,106
–: Ending work in process	(7,159)
Cost of sale of work in process	(3,145)
Transferred to other titles	(3,304)
Cost of finished goods	94,791
+: Starting finished goods	128,496
Finished goods purchased in the current year	222,273
–: Ending finished goods	(54,811)
Transferred to other titles	(7,449)
Cost of sale of finished goods	383,300
Cost of sale of raw materials	6,285
Cost of sale of works in process	3,145
Total operating costs	$ 392,730

KYE Systems Corp.
Statement of Operating Expenses
January 1 to December 31, 2022

Statement 15 Unit: NTD thousand

	Marketing expense	Management expense	R&D expense	Expected credit impairment loss (reversal profit)	Total
Salary expense	$ 9,260	$ 40,727	$ 711	$ -	$ 50,698
Service fee	4,666	14,517	-	-	19,183
Export expenses	9,131	-	-	-	9,131
Depreciation expense	-	6,225	-	-	6,225
Others (Note)	6,690	28,746	1,388	-	36,824
Expected credit impairment loss (reversal profit)	-	-	-	(391)	(391)
Total	$ 29,747	$ 90,215	$ 2,099	($ 391)	$ 121,670

Note: The amount of each item does not exceed 5% of the amount of this title.

KYE Systems Corp.
Summary of Current Employee Benefits, Depreciation and Amortization Expenses by Purpose
January 1 to December 31, 2022 and 2021

Statement 16

Unit: NTD thousand

	2022			2021		
	Classified as operating cost	Classified as operating expense	Total	Classified as operating cost	Classified as operating expense	Total
Employee benefit expenses						
Salary expense	$ -	$ 50,698	$ 50,698	$ -	$ 51,158	$ 51,158
Labor and health insurance expenses	-	5,107	5,107	-	5,046	5,046
Pension expense	-	2,324	2,324	-	2,494	2,494
Remuneration for directors	-	3,194	3,194	-	1,805	1,805
Other employee benefit expenses	-	5,789	5,789	-	7,159	7,159
Total	$ -	$ 67,112	$ 67,112	$ -	$ 67,662	$ 67,662
Depreciation expense	$ -	$ 6,225	$ 6,225	$ -	$ 5,910	$ 5,910
Amortization expense	$ -	$ 1,545	$ 1,545	$ 543	$ 310	$ 853

Notes:

1. The numbers of employees in the current and previous years are 59 and 61 respectively, and the numbers of non-employee directors are 6 and 6 respectively.
2. (1) The average employee benefit expense in the current year is NTD 1,206 thousand ("Total employee benefit expense in the current year - total remuneration for directors" / "Number of employees in the current year - number of non-employee directors").
   The average employee benefit expense in the previous year was NTD 1,197 thousand ("Total employee benefit expense in the previous year - total remuneration for directors" / "Number of employees in the previous year - number of non-employee directors").
   (2) The average employee salary expense in the current year is NTD 957 thousand ("Total salary expense in the current year" / "Number of employees in the current year - number of non-employee directors").
   The average employee salary expense in the previous year was NTD 930 thousand ("Total salary expense in the previous year" / "Number of employees in the previous year - number of non-employee directors").
   (3) The change in adjustment to the average employee salary expense is an increase by approximately 3% ("Average employee salary expense in the current year - average employee salary expense in the previous year" / "Average employee salary expense in the previous year").
   (4) We do not have any supervisor, and we have established an Audit Committee in accordance with the law to substitute for the powers of supervisors.
   (5) In accordance with Article 25 of the Articles of Incorporation, with respect to the remuneration for our directors and independent directors, no more than 1% of our profit in the current year may be appropriated as the remuneration for directors in the current year. To provide reasonable remuneration, we may consider the overall operating results of our group and the contribution of a director to our performance. Regarding the policy of the remuneration for the President and Vice President, the remuneration is paid in accordance with our personnel regulations and based on the salary level for such positions in the market of the industry, the scope of powers and responsibilities of such positions in our company, and their contribution to our operational goals. The procedures for determination of remuneration not only takes into account our overall operating performance and future operational risks and trends of development in the industry, but also considers the rate of achievement of personal performance and personal contribution to our performance in order to provide reasonable remuneration. The relevant performance evaluations and the reasonableness of remuneration are reviewed and approved by the Remuneration Committee and the Board of Directors, and the remuneration system is also reviewed from time to time according to the actual status of operations and the applicable laws in order to ensure a balance between our sustainable management and risk control.