

KYE Systems Corp. and Subsidiaries

Consolidated Financial Report and CPA's Audit Report 2022 and 2021

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

Address: No. 492, Sec. 5, Chongxin Rd., Sanchong Dist.,
New Taipei City, Taiwan (R.O.C.)
Telephone: (02)2995-6645

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Declaration on Consolidated Financial Report of Affiliates

For the year of 2022 (from January 1 to December 31, 2022), the companies which shall be included in the consolidated financial report of affiliates prepared in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those which shall be included in the consolidated financial report of the parent company and subsidiaries pursuant to IFRS 10, and the relevant information which shall be disclosed in the consolidated financial report of affiliates has been disclosed in the foregoing consolidated financial report of the parent company and subsidiaries. Therefore, no separate consolidated financial report of affiliates has been prepared.

Declarant:

Company name: KYE Systems Corp.

Owner: Shih-Kun Tso

March 14, 2023

CPA's Audit Report

To KYE Systems Corp.:

Audit Opinions

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

In our opinion, with respect to all material aspects, the foregoing consolidated financial statements were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, interpretations and pronouncements of interpretation approved and published by the Financial Supervisory Commission, and thus provided a fair presentation of the consolidated financial positions of KYE Systems Corp. and subsidiaries as of December 31, 2022 and 2021 and the consolidated 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 "Responsibilities of CPAs for the Audit of Consolidated 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 subsidiaries 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 consolidated financial statements of KYE Systems Corp. and subsidiaries for 2022. Such matters were addressed in the context of our audit of the consolidated 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 consolidated financial statements of KYE Systems Corp. and subsidiaries for 2022:

Occurrence of recognition of sales revenue

The sales revenue of KYE Systems Corp. and subsidiaries 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 consolidated financial statements of KYE Systems Corp. and subsidiaries for 2022. For the accounting policy for recognition of revenue, see Notes 4 and 22 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.

Other Matters

KYE Systems Corp. has prepared the parent-only financial statements for 2022 and 2021, with an unqualified audit report issued by us for reference.

Responsibilities of the Management and Governing Bodies for Consolidated 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 the International Financial Reporting Standards, International Accounting Standards, interpretations and pronouncements of interpretation approved and published by the Financial Supervisory Commission, and maintaining the necessary internal control related to preparation of the consolidated financial statements to ensure that the consolidated financial statements are free of material misstatement due to fraud or error.

During preparation of the consolidated financial statements, the management is also responsible for evaluating KYE Systems Corp. and subsidiaries' 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. and subsidiaries, or there are no other actual feasible solutions other than liquidation or cessation of operation.

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

Responsibilities of CPAs for the Audit of Consolidated Financial Statements

The purpose of our audit of the consolidated financial statements is to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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. and subsidiaries.

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. and subsidiaries 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 consolidated 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. and subsidiaries are no longer able to remain a going concern.
5. We assess the overall presentation, structure and contents of the consolidated financial statements (including relevant notes) and whether the consolidated 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 the group to provide opinions regarding the consolidated financial statements. We are responsible for guidance, supervision and implementation in relation to audit cases and for formation of audit opinions for the group.

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 consolidated financial statements of KYE Systems Corp. and subsidiaries 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 communicate certain matters in the audit report due to the reasonable expectation that any negative effect arising from such communication would be greater than the public interest enhanced.

Deloitte Taiwan
CPA Yao-Lin Huang

CPA Han-Ni Fang

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

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

March 22, 2023

KYE Systems Corp. and Subsidiaries
Consolidated Balance Sheet
December 31, 2022 and 2021

Unit: NTD thousand

Code	Asset	December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
Current assets					
1100	Cash and cash equivalents (Notes 4 and 6)	\$ 1,102,008	32	\$ 1,072,364	30
1110	Financial assets measured at fair value through profit/loss – current (Notes 4 and 7)	1,085	-	1,511	-
1120	Financial assets measured at fair value through other comprehensive income – current (Notes 4 and 8)	36,459	1	43,226	1
1170	Notes and accounts receivable (Notes 4, 9, 22 and 28)	60,267	2	112,826	3
1197	Finance lease payments receivable – current (Notes 4 and 10)	1,099	-	7,506	-
1200	Other receivables (Note 4)	2,916	-	1,852	-
1220	Income tax assets for the current period (Notes 4 and 24)	13,596	-	8,647	-
130X	Inventory (Notes 4 and 11)	229,246	6	339,845	10
1470	Other current assets	60,329	2	112,898	3
11XX	Total current assets	<u>1,507,005</u>	<u>43</u>	<u>1,700,675</u>	<u>47</u>
Non-current assets					
1517	Financial assets measured at fair value through other comprehensive income – non-current (Notes 4 and 8)	98,796	3	207,506	6
1550	Investments accounted for using the equity method (Notes 4 and 13)	409,990	12	298,410	8
1600	Property, plant and equipment (Notes 4, 14 and 29)	644,673	18	662,049	18
1755	Right-of-use assets (Notes 4 and 15)	4,775	-	28,477	1
1760	Net investment property (Notes 4, 16 and 29)	694,414	20	562,104	16
1840	Deferred income tax assets (Notes 4 and 24)	99,033	3	94,721	3
194D	Finance lease payments receivable – non-current (Notes 4 and 10)	-	-	1,099	-
1990	Other non-current assets (Note 4)	29,525	1	27,452	1
15XX	Total non-current assets	<u>1,981,206</u>	<u>57</u>	<u>1,881,818</u>	<u>53</u>
1XXX	Total assets	<u>\$ 3,488,211</u>	<u>100</u>	<u>\$ 3,582,493</u>	<u>100</u>
Liabilities and equity					
Current liabilities					
2170	Notes and accounts payable (Notes 18 and 28)	\$ 46,462	1	\$ 41,153	1
2200	Other payables (Note 19)	60,242	2	67,149	2
2230	Income tax liabilities for the current period (Notes 4 and 24)	-	-	22	-
2280	Lease liabilities – current (Notes 4 and 15)	5,670	-	29,338	1
2320	Long-term loans maturing within 1 year (Notes 17 and 29)	19,337	1	10,000	-
2399	Other current liabilities	45,243	1	95,802	3
21XX	Total current liabilities	<u>176,954</u>	<u>5</u>	<u>243,464</u>	<u>7</u>
Non-current liabilities					
2540	Long-term loans (Notes 17 and 29)	314,496	9	333,833	9
2570	Deferred income tax liabilities (Notes 4 and 24)	15,288	1	20,693	1
2580	Lease liabilities – non-current (Notes 4 and 15)	335	-	8,281	-
2640	Net defined benefit liabilities – non-current (Notes 4 and 20)	5,283	-	27,076	1
2670	Other non-current liabilities – others (Note 4)	3,739	-	2,401	-
25XX	Total non-current liabilities	<u>339,141</u>	<u>10</u>	<u>392,284</u>	<u>11</u>
2XXX	Total liabilities	<u>516,095</u>	<u>15</u>	<u>635,748</u>	<u>18</u>
Equity attributable to owners of KYE (Note 21)					
Share capital					
3110	Common shares	2,215,285	63	2,215,285	62
3200	Capital reserves	270,903	8	309,638	9
Retained earnings					
3310	Legal reserves	448,031	13	442,525	12
3320	Special reserves	609,031	17	559,471	16
3350	Undistributed earnings (Notes 4, 8 and 13)	36,216	1	55,066	1
3300	Total retained earnings	<u>1,093,278</u>	<u>31</u>	<u>1,057,062</u>	<u>29</u>
3400	Other equity (Notes 4, 8 and 13)	(639,147)	(18)	(667,200)	(19)
31XX	Total equity of owners of KYE	<u>2,940,319</u>	<u>84</u>	<u>2,914,785</u>	<u>81</u>
36XX	Non-controlling interests	31,797	1	31,960	1
3XXX	Total equity	<u>2,972,116</u>	<u>85</u>	<u>2,946,745</u>	<u>82</u>
Total liabilities and equity		<u>\$ 3,488,211</u>	<u>100</u>	<u>\$ 3,582,493</u>	<u>100</u>

The notes attached hereto constitute part of this consolidated financial report.

Chairman: Shih-Kun Tso

President: Pai-Hsiang Li

Accounting Manager: An-Min Kao

KYE Systems Corp. and Subsidiaries
Consolidated Statement of Comprehensive Income
January 1 to December 31, 2022 and 2021

Code		Unit: NTD thousand; Earnings per share (EPS): NTD			
		2022		2021	
		Amount	%	Amount	%
	Operating revenue (Notes 4, 22 and 28)				
4100	Sales revenue	\$ 1,018,366	100	\$ 1,356,943	99
4800	Other operating revenues	<u>2,309</u>	<u>-</u>	<u>8,970</u>	<u>1</u>
4000	Total operating revenue	<u>1,020,675</u>	<u>100</u>	<u>1,365,913</u>	<u>100</u>
	Operating costs				
5110	Sales cost (Notes 4, 11, 23 and 28)	<u>731,981</u>	<u>72</u>	<u>1,023,797</u>	<u>75</u>
5000	Total operating costs	<u>731,981</u>	<u>72</u>	<u>1,023,797</u>	<u>75</u>
5900	Gross operating profit	<u>288,694</u>	<u>28</u>	<u>342,116</u>	<u>25</u>
	Operating expense (Notes 9, 20, 23 and 28)				
6100	Marketing expense	76,383	7	99,068	7
6200	Management expense	199,717	20	196,241	14
6300	R&D expense	2,099	-	1,091	-
6450	Expected credit Impairment reversal profit	(<u>621</u>)	<u>-</u>	(<u>5,289</u>)	<u>-</u>
6000	Total operating expenses	<u>277,578</u>	<u>27</u>	<u>291,111</u>	<u>21</u>
6900	Net operating profit	<u>11,116</u>	<u>1</u>	<u>51,005</u>	<u>4</u>
	Non-operating revenues and expenses				
7020	Other profits and losses (Note 23)	44,082	4	32,085	2
7060	Share of profits/losses of associates accounted for using the equity method (Notes 4 and 13)	(<u>4,355</u>)	<u>-</u>	1,996	-
7100	Interest income	9,191	1	2,662	-
7510	Interest expense	(<u>5,716</u>)	(<u>1</u>)	(<u>5,174</u>)	<u>-</u>
7000	Total other non-operating revenues and expenses	<u>43,202</u>	<u>4</u>	<u>31,569</u>	<u>2</u>

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Code		2022		2021	
		Amount	%	Amount	%
7900	Pre-tax net profit	\$ 54,318	5	\$ 82,574	6
7950	Income tax expense (Notes 4 and 24)	<u>522</u>	<u>-</u>	<u>31,997</u>	<u>2</u>
8200	Net profit in the current year	<u>53,796</u>	<u>5</u>	<u>50,577</u>	<u>4</u>
	Other comprehensive income (Note 4)				
	Items not reclassified as profit/loss:				
8311	Remeasurement of defined benefit plans (Note 20)	5,313	1	310	-
8316	Unrealized valuation profit/loss on investments in equity instruments measured at fair value through other comprehensive income	(76,641)	(8)	18,812	1
8320	Share of other comprehensive income of associates accounted for using the equity method (Note 13)	(1,021)	-	909	-
8349	Income tax related to items not reclassified (Note 24)	<u>24,984</u>	<u>2</u>	<u>230</u>	<u>-</u>
8310		(<u>47,365</u>)	(<u>5</u>)	<u>20,261</u>	<u>1</u>
	Items likely to be subsequently reclassified as profit/loss:				
8361	Exchange differences on translation of financial statements of foreign operations	69,940	7	(40,568)	(3)
8370	Share of other comprehensive income of associates accounted for using the equity method (Note 13)	(64)	-	(510)	-
8399	Income tax related to items likely to be reclassified as profit/loss (Note 24)	(<u>12,217</u>)	(<u>1</u>)	<u>7,298</u>	<u>1</u>
8360		<u>57,659</u>	<u>6</u>	(<u>33,780</u>)	(<u>2</u>)
8300	Net other comprehensive income	<u>10,294</u>	<u>1</u>	(<u>13,519</u>)	(<u>1</u>)
8500	Total comprehensive income in the current year	<u>\$ 64,090</u>	<u>6</u>	<u>\$ 37,058</u>	<u>3</u>

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Code		2022		2021	
		Amount	%	Amount	%
	Net profit attributable to:				
8610	Owners of KYE	\$ 54,408	5	\$ 50,512	4
8620	Non-controlling interests	(612)	-	65	-
8600		<u>\$ 53,796</u>	<u>5</u>	<u>\$ 50,577</u>	<u>4</u>
	Total comprehensive income attributable to:				
8710	Owners of KYE	\$ 64,269	6	\$ 47,842	4
8720	Non-controlling interests	(179)	-	(10,784)	(1)
8700		<u>\$ 64,090</u>	<u>6</u>	<u>\$ 37,058</u>	<u>3</u>
	EPS (Note 25)				
9710	Basic	<u>\$ 0.25</u>		<u>\$ 0.23</u>	
9810	Diluted	<u>\$ 0.25</u>		<u>\$ 0.23</u>	

The notes attached hereto constitute part of this consolidated financial report.

Chairman: Shih-Kun Tso

President: Pai-Hsiang Li

Accounting Manager: An-Min Kao

KYE Systems Corp. and Subsidiaries
Consolidated Statement of Changes in Equity
January 1 to December 31, 2022 and 2021

Unit: NTD thousand

		Equity attributable to owners of the parent company					Other equity					
		Retained 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	Non-controlling interests	Total equity
Code		Share capital	Capital reserves	Legal reserves	Special reserves	Undistributed earnings						
A1	Balance on January 1, 2021	\$ 2,245,285	\$ 382,898	\$ 428,064	\$ 429,317	\$ 144,615	(\$ 35,723)	(\$ 625,354)	\$ -	\$ 2,969,102	\$ 33,073	\$ 3,002,175
	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)	-	-	(67,359)
D1	Net profit in 2021	-	-	-	-	50,512	-	-	-	50,512	65	50,577
D3	Other comprehensive income in 2021	-	-	-	-	248	(31,491)	28,573	-	(2,670)	(10,849)	(13,519)
D5	Total comprehensive income in 2021	-	-	-	-	50,760	(31,491)	28,573	-	47,842	(10,784)	37,058
L1	Purchase of treasury stocks	-	-	-	-	-	-	-	(35,901)	(35,901)	-	(35,901)
M3	Disposal of subsidiaries	-	-	-	-	-	1,101	-	-	1,101	-	1,101
L3	Cancellation of treasury stocks	(30,000)	(5,901)	-	-	-	-	-	35,901	-	-	-
O1	Non-controlling interests	-	-	-	-	-	-	-	-	9,671	-	9,671
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	31,960	2,946,745
	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)	-	-	(44,306)
D1	Net profit (loss) for 2022	-	-	-	-	54,408	-	-	-	54,408	(612)	53,796
D3	Other comprehensive income in 2022	-	-	-	-	4,250	57,175	(51,564)	-	9,861	433	10,294
D5	Total comprehensive income in 2022	-	-	-	-	58,658	57,175	(51,564)	-	64,269	(179)	64,090
C7	Changes in associates accounted for using the equity method	-	5,571	-	-	-	-	-	-	5,571	16	5,587
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	\$ 31,797	\$ 2,972,116

The notes attached hereto constitute part of this consolidated financial report.

Chairman: Shih-Kun Tso

President: Pai-Hsiang Li

Accounting Manager: An-Min Kao

KYE Systems Corp. and Subsidiaries
Consolidated Statement of Cash Flows
January 1 to December 31, 2022 and 2021

Code		2022	Unit: NTD thousand 2021
	Cash flow from operating activities		
A00010	Pre-tax net profit in the current year	\$ 54,318	\$ 82,574
A20010	Profits, expenses and losses		
A20100	Depreciation expense	47,902	53,673
A21200	Interest income	(9,191)	(2,662)
A29900	Profit on recovery of the net realizable value of inventory	(7,937)	(12,533)
A23100	Profit on disposal of investments – net	(6,377)	-
A20900	Interest expense	5,716	5,174
A20200	Amortization expense	4,496	6,367
A22300	Share of profits/losses of associates accounted for using the equity method	4,355	(1,996)
A24100	Unrealized loss (profit) on foreign currency exchange – net	3,556	(2,146)
A21300	Dividend revenue	(1,794)	(2,151)
A20300	Expected credit Impairment reversal profit	(621)	(5,289)
A20400	Loss (Profit) on valuation of financial assets measured at fair value through profit/loss	426	(591)
A22500	Net loss on disposal and obsolescence of property, plant and equipment	42	44
A23700	Profit on reversal of impairment loss of non-financial assets	-	(2,635)
A30000	Net changes in operating assets and liabilities		
A31115	Financial assets measured at fair value through profit or loss on a mandatory basis	-	793
A31150	Notes and accounts receivable	52,395	17,391
A31180	Other receivables	(518)	2,626
A31200	Inventory	135,117	(67,924)
A31240	Other current assets	54,932	(27,892)
A32150	Notes and accounts payable	2,552	(104,617)
A32180	Other payables	(12,500)	(30,227)
A32230	Other current liabilities	(51,709)	31,258
A32240	Net defined benefit liabilities	(16,645)	(5,443)
A33000	Cash generated from operations	258,515	(66,206)
A33100	Interest received	8,004	2,465
A33200	Dividends received	1,794	2,151
A33500	Income tax paid	(3,112)	(36,236)
AAAA	Net cash inflow (outflow) from operating activities	<u>265,201</u>	<u>(97,826)</u>

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Code		2022	2021
	Cash flow from investing activities		
B05400	Acquisition of investment property	(\$ 128,998)	(\$ 180,178)
B01800	Acquisition of long-term equity investments accounted for using the equity method	(80,000)	(12,360)
B01900	Disposal of investments accounted for under the equity method	12,048	-
B06700	Increase in other non-current assets	(9,734)	(6,850)
B06100	Decrease in finance lease payments receivable	7,580	8,300
B00030	Share payments returned from capital reduction of financial assets measured at fair value through other comprehensive income	6,577	-
B02700	Acquisition of property, plant and equipment	(6,316)	(26,056)
B00020	Disposal of financial assets measured at fair value through other comprehensive income	4,536	21,286
B03700	Decrease (Increase) in deposits paid	3,212	(359)
B07600	Dividends received	1,945	1,945
B02800	Disposal of property, plant and equipment	94	993
B00010	Acquisition of financial assets measured at fair value through other comprehensive income	-	(4,821)
BBBB	Net cash outflow from investing activities	(189,056)	(198,100)
	Cash flow from financing activities		
C04500	Distribution of cash dividends	(44,306)	(67,359)
C04020	Repayment of principal of lease liabilities	(29,056)	(30,661)
C01700	Repayment of long-term loans	(10,000)	(2,262)
C05600	Interest paid	(5,607)	(4,781)
C03000	Increase in deposits received	1,503	48
C01600	Borrowing of long-term loans	-	110,000
C04900	Cost of repurchase of treasury stocks	-	(35,901)
C04300	Decrease in other liabilities	-	(58)
CCCC	Net cash outflow from financing activities	(87,466)	(30,974)
DDDD	Effect of changes in exchange rate on cash and cash equivalents	40,965	(4,417)
EEEE	Increase (Decrease) in cash and cash equivalents for the current year	29,644	(331,317)
E00100	Starting balance of cash and cash equivalents	1,072,364	1,403,681
E00200	Ending balance of cash and cash equivalents	\$ 1,102,008	\$ 1,072,364

The notes attached hereto constitute part of this consolidated financial report.

Chairman: Shih-Kun Tso

President: Pai-Hsiang Li

Accounting Manager: An-Min Kao

KYE Systems Corp. and Subsidiaries
Notes to Consolidated Financial Report
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 consolidated financial report is presented in NTD, our functional currency.

2. Date and procedures of approval of the financial report

This consolidated 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 the accounting policies of KYE Systems Corp. (hereinafter “KYE”) and subsidiaries.

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

<u>New/Amended/Revised standards and interpretations</u>	<u>Effective date published by the IASB</u>
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 consolidated financial report, KYE and subsidiaries 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

<u>New/Amended/Revised standards and interpretations</u>	<u>Effective date published by the IASB (Note 1)</u>
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 consolidated financial report, KYE and subsidiaries 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 consolidated financial report has been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs which have been approved and published by the FSC.

- (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 consolidated 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.

- (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) Basis of consolidation

This consolidated financial report includes the financial reports of KYE and the entities controlled by KYE (subsidiaries). The consolidated statement of comprehensive income has included the operating profits or losses of subsidiaries acquired or disposed of in the current period from the date of acquisition or until the date of disposal. The financial reports of subsidiaries have been adjusted to ensure their accounting policies are consistent with those of KYE and subsidiaries. All transactions, account balances, profits, expenses and losses between entities have been eliminated during preparation of the consolidated financial report. The total comprehensive income of a subsidiary is attributable to the owners of KYE and non-controlling interests, even when non-controlling interests become a loss balance as a result.

Changes in the ownership equity of KYE and subsidiaries in a subsidiary are treated as equity transactions if such changes have not resulted in a loss of control. The carrying amount of KYE and subsidiaries and non-controlling interests have been adjusted to reflect changes in their relative equity in the subsidiary. The difference between the adjusted amount of non-controlling interests and the fair value of considerations paid or received is directly recognized in equity and attributable to the owners of KYE.

Where KYE and subsidiaries have lost control of a subsidiary, the profit/loss on disposal is the difference between the following: (1) The sum of the fair value of considerations received and the residual investment in the former subsidiary, calculated based on the fair value on date of loss of control, and (2) the sum of the assets (including goodwill) and liabilities of the former subsidiary and non-controlling interests, calculated based on the carrying amount on the date of loss of control. For KYE and subsidiaries, the accounting treatment of all amounts related to the subsidiary recognized in other comprehensive income is on the same basis as that required for direct disposal of the relevant assets or liabilities by KYE and subsidiaries.

The residual investment in the former subsidiary is treated as an initially recognized amount based on the fair value on the date of loss of control.

For the details, shareholdings and scope of business of subsidiaries, see Note 12 "Subsidiaries," Table 5 "Information of Investee Companies, Their Areas of

Establishment...and Other Relevant Information” and Table 6 “Information of Investments in Mainland China.”

(5) Foreign currency

For each entity preparing a financial report, a transaction in a currency other than the functional currency (a foreign currency) of the entity has been recorded by translating that currency into its 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.

In preparing the consolidated financial report, the assets and liabilities of foreign operations (including subsidiaries and associates whose countries of operation are different from those of KYE or which use currencies different from those used by KYE) are translated into NTD at the exchange rate on each balance sheet date. Profit, expense and loss items are translated at the average exchange rate in the current period, and the resulting exchange differences are recognized in other comprehensive income (and attributable to the owners of KYE and non-controlling interests, respectively).

Where KYE and subsidiaries have disposed of all equity of a foreign operation or have partially disposed of the equity of any subsidiary of a foreign operation but lost control thereof, or where the retained equity after disposal of a foreign operation is a financial asset and treated according to the accounting policy for financial instruments, all accumulated exchange differences which are attributable to the owners of KYE and related to the foreign operation will be reclassified as profit or loss.

If partial disposal of any subsidiary of a foreign operation has not resulted in a loss of control, the accumulated exchange differences are reattributed, in proportion, to the non-controlling interests of the subsidiary and not recognized in profit or loss. For any other partial disposal of a foreign operation, the accumulated exchange differences are reclassified, in proportion to the disposal, as profit or loss.

(6) 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.

(7) Investments in associates

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

KYE and subsidiaries use the equity method to account for investments in associates. Under the equity method, the investment in an associate is initially recognized at cost, and the carrying amount is increased or decreased with the share of KYE and subsidiaries of the profit or loss and other comprehensive income of and the profit distributed from the associate or joint venture after the date of acquisition. Moreover, changes in the share of KYE and subsidiaries of the equity of an associate are recognized in proportion to their shareholdings.

If the acquisition cost exceeds the share of KYE and subsidiaries 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 the share of KYE and subsidiaries 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 the failure of KYE and subsidiaries to subscribe to new shares issued by an associate in proportion to their shareholdings, changes have occurred their shareholdings 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 the share of KYE and subsidiaries of losses of an associate equals or exceeds their interests in the associate, they will discontinue recognizing further losses. KYE and subsidiaries recognize additional losses and liabilities only to the extent where they have incurred legal or constructive obligations or made payments on behalf of the associate.

In evaluating impairment, KYE and subsidiaries 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 is not allocated to any asset constituting 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.

KYE and subsidiaries discontinue using the equity method from the date when their investment ceases to be an associate, and they 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 they 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. If an investment in an associate becomes an investment in a joint venture, or an investment in a joint venture becomes an investment in an associate, KYE and subsidiaries continue to use the equity method without any remeasurement of the retained earnings.

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

(8) 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. KYE and subsidiaries 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.

(9) Investment property

Investment property means property held for earning rents or capital appreciation or for both purposes.

Investment property is initially measured at cost (including transaction cost) and subsequently measured at cost less accumulated depreciation and impairment losses. Investment property is accounted for in depreciation on a straight-line basis.

Investment property under construction is recognized at cost less accumulated impairment losses. The cost includes professional service fees and the loan costs eligible for capitalization. Such assets start to be accounted for in depreciation when they are ready for their intended use.

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

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

KYE and subsidiaries assess whether there is any sign of possible impairment of property, plant and equipment, right-of-use assets, investment property 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, KYE and subsidiaries estimate the recoverable amount of the cash generating unit of the asset. Common assets are allocated to each cash generating unit or the smallest group of cash generating units on a reasonable and consistent basis.

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.

(11) Financial instruments

Financial assets and liabilities are recognized in the consolidated balance sheet when KYE and subsidiaries 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

KYE and subsidiaries 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 27.

b. Financial assets measured at amortized cost

If the investments of KYE and subsidiaries 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, KYE and subsidiaries 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 the right of KYE and subsidiaries 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

KYE and subsidiaries 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 KYE and subsidiaries determine that any internal or external information has indicated the debtor is unable to pay off debts without considering the collateral they 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

KYE and subsidiaries 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 KYE and subsidiaries 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 KYE and subsidiaries 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 KYE's 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.

(12) Liability provision

An amount recognized as liability provision (including the contractual obligations to maintain or restore infrastructure before it is returned to the grantor, as specified in a service concession arrangement) is an optimal estimate of expenses required for the settlement obligations on the balance sheet date, taking into account the risk and uncertainty of the obligations. A liability provision is measured at the estimated discounted value of cash flows of settlement obligations.

(13) Recognition of revenue

Once KYE and subsidiaries have identified the performance obligations in the contract with a customer, they 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.

(14) Leases

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

- A. KYE and subsidiaries 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 KYE and subsidiaries, 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 KYE and subsidiaries 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 the outstanding net investment of KYE and subsidiaries 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. KYE and subsidiaries 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 consolidated 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, KYE and subsidiaries 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 consolidated balance sheet.

(15) 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.

(16) Income tax

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

A. Current income tax

KYE and subsidiaries determine the current income in accordance with the laws enacted by the jurisdiction in which they file their 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 KYE and subsidiaries 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 the tax consequences of KYE and subsidiaries 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, the management of KYE and subsidiaries 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.

KYE and subsidiaries 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. Their 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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand and petty cash	\$ 2,480	\$ 2,695
Bank checks and demand deposits	455,842	982,548
Cash equivalents		
Time deposits	434,446	87,121
Repurchase of commercial papers	<u>209,240</u>	<u>-</u>
	<u>\$ 1,102,008</u>	<u>\$ 1,072,364</u>

The following are the interest rate ranges of time deposits on the balance sheet date:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Time deposits	1.44%~4.93%	0.12%~0.81%

7. Financial instruments measured at fair value through profit/loss

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
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Financial assets – current

Measured at fair value through profit or loss on a mandatory basis

Non-derivative financial assets

 Domestic listed (OTC)

 common stocks

\$ 1,085

\$ 1,511

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Current</u>		
Investments in equity instruments measured at fair value through other comprehensive income		
Domestic listed (OTC) common stocks	<u>\$ 36,459</u>	<u>\$ 43,226</u>
<u>Non-current</u>		
Investments in equity instruments measured at fair value through other comprehensive income		
Foreign non-listed (non-OTC) common stocks	\$ 70,369	\$ 112,898
Domestic non-listed (non-OTC) common stocks	13,260	87,260
Domestic non-listed (non-OTC) preferred stocks	9,100	30
Domestic listed (OTC) common stocks	<u>6,067</u>	<u>7,318</u>
Total	<u>\$ 98,796</u>	<u>\$ 207,506</u>

KYE and subsidiaries make investments in equity instruments according to their medium- to long-term strategies, and they expect profits through long-term investments. The management of KYE and subsidiaries 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 April 2022, KYE and subsidiaries adjusted their 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, KYE and subsidiaries adjusted their investment positions and disposed of the shares of Solteam Incorporation, Cheng-Shih International Co., Ltd. and AlgolTek Inc. at a fair value of NTD21,286,000. Other related equity – unrealized valuation gains on financial assets measured at fair value through other comprehensive income, amounting to NTD4,306,000, was transferred to retained earnings.

9. Notes and accounts receivable

<u>Notes and accounts receivable</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Measured at amortized cost		
Total carrying amount	\$ 60,555	\$ 115,854
–: Loss allowance	(288)	(3,028)
	<u>\$ 60,267</u>	<u>\$ 112,826</u>

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

In order to mitigate credit risk, the management of KYE and subsidiaries 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 accounts receivable. Furthermore, KYE and subsidiaries 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, the management of KYE considers that the credit risk of KYE and subsidiaries has reduced significantly.

KYE and subsidiaries 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 the historical experience of KYE and subsidiaries 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 KYE and subsidiaries are not able to reasonably expect any recoverable amount, KYE and subsidiaries directly write off the relevant accounts receivable, and they will continue to pursue recourse actions. All amounts recovered through recourse are recognized in profit or loss.

The loss allowances of KYE and subsidiaries 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	\$ 56,073	\$ 4,417	\$ 65	\$ -	\$ 60,555
Loss allowance (full lifetime expected credit loss)	(<u>150</u>)	(<u>132</u>)	(<u>6</u>)	-	(<u>288</u>)
Amortized cost	<u>\$ 55,923</u>	<u>\$ 4,285</u>	<u>\$ 59</u>	<u>\$ -</u>	<u>\$ 60,267</u>

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%	5%~10%	100%	
Total carrying amount	\$ 90,797	\$ 22,248	\$ 630	\$ 2,179	\$ 115,854
Loss allowance (full lifetime expected credit loss)	(<u>330</u>)	(<u>487</u>)	(<u>32</u>)	(<u>2,179</u>)	(<u>3,028</u>)
Amortized cost	<u>\$ 90,467</u>	<u>\$ 21,761</u>	<u>\$ 598</u>	<u>\$ -</u>	<u>\$ 112,826</u>

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

	<u>2022</u>	<u>2021</u>
Starting balance	\$ 3,028	\$ 8,394
-: Actual write-offs in the current year	(2,164)	-
-: Impairment losses reversed in the current year	(621)	(5,289)
Differences on foreign currency translation	<u>45</u>	(<u>77</u>)
Ending balance	<u>\$ 288</u>	<u>\$ 3,028</u>

10. Finance lease payments receivable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Undiscounted lease payments		
1st year	\$ 1,102	\$ 7,579
2nd year	<u>-</u>	<u>1,102</u>
Lease payments receivable	1,102	8,681
-: Unearned finance income	(<u>3</u>)	(<u>76</u>)
Net investments in leases (presented as finance lease payments receivable)	<u>\$ 1,099</u>	<u>\$ 8,605</u>
Carrying amount of finance lease payments receivable		
Current	\$ 1,099	\$ 7,506
Non-current	<u>-</u>	<u>1,099</u>
	<u>\$ 1,099</u>	<u>\$ 8,605</u>

KYE and subsidiaries have subleased the premises and buildings rented by them in Neihu District and their plant in Dongguan to other companies, receiving a fixed

payment of NTD3,807 thousand and NTD4,407 thousand respectively 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, 2022, the interest rate implicit in the finance lease was an annual interest rate of 1.50%.

KYE and subsidiaries 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, KYE and subsidiaries consider that the above-mentioned finance lease payments receivable are not impaired.

11. Inventories

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Finished goods	\$ 121,968	\$ 161,160
Work in process	33,009	87,096
Raw materials	<u>74,269</u>	<u>91,589</u>
	<u>\$ 229,246</u>	<u>\$ 339,845</u>

The nature of cost of sales is as follows:

	<u>2022</u>	<u>2021</u>
Cost of inventories sold	\$ 739,918	\$ 1,036,330
Profit on recovery of the net realizable value of inventory	(<u>7,937</u>)	(<u>12,533</u>)
	<u>\$ 731,981</u>	<u>\$ 1,023,797</u>

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

12. Subsidiaries

(1) Subsidiaries included in the consolidated financial report

Entities in the consolidated financial report prepared are as follows:

<u>Name of investor company</u>	<u>Name of subsidiary</u>	<u>Nature of business</u>	<u>Shareholding (%)</u>		<u>Descripti on</u>
			<u>December 31, 2022</u>	<u>December 31, 2021</u>	
KYE	Genius Holding Co., Ltd.	Investment holdings	100.00%	100.00%	-
	Chung-Chiang Investment Co., Ltd.	Investment business	100.00%	100.00%	Note 1
	Hung-Cheng Investment Co., Ltd.	Investment business	100.00%	100.00%	-
	KYE Systems Europe GmbH	Sales of computer peripherals and consumer electronics	-	-	Note 2
	KYE International Corporation	Sales of computer peripherals and consumer electronics	100.00%	100.00%	-
	KYE Systems (Hong Kong) Corporation Limited	Sales of computer peripherals and consumer electronics	100.00%	100.00%	-
KYE Systems (Hong Kong) Corporation Limited	Digilife Technologies Co., Ltd.	Digital video/audio products	94.61%	94.61%	-
	Genius Labuan Inc.	Sales of computer peripherals and consumer electronics	100.00%	100.00%	-
Genius Holding Co., Ltd.	Globalink Holding Co., Ltd.	Investment holdings	100.00%	100.00%	-
	Moustek Investment Co., Ltd.	Investment holdings	100.00%	100.00%	-

	KYE Trade (HK) Co., Ltd.	Sales of computer peripherals and consumer electronics	100.00%	100.00%	Note 3
	KYE Inc.	Investment holdings	100.00%	100.00%	—
Digilife Technologies Co., Ltd.	Life Technologies Co., Ltd.	Investment holdings	100.00%	100.00%	—
	DIGILIFE PTY LTD	Tourism and real estate development	100.00%	100.00%	—
Life Technologies Co., Ltd.	Life Technologies (Hong Kong) Co., Limited	Indirect investments and processing business in third areas and Mainland China	100.00%	100.00%	—
Life Technologies (Hong Kong) Co., Limited	Ziser Technologies (Shen Zhen) Co., Ltd.	Sales of digital video/audio products	100.00%	100.00%	—
KYE Inc.	Dongguan Kunying Computer Products Co., Ltd.	Manufacturing and sales of computer mice and computer game consoles	100.00%	100.00%	—
Dongguan Kunying Computer Products Co., Ltd.	Suo-Yi Electronic Technology (Shanghai) Ltd.	—	-	-	Note 4
	You-Xiang Electronic Technology (Shanghai) Ltd.	—	-	-	Note 4
Moustek Investment Co., Ltd.	Dongguan Gaoying Electronic Technology Co., Ltd.	Sales of computer peripherals and consumer electronics	100.00%	100.00%	Note 5

Note 1: Chung-Chiang Investment Co., Ltd. carried out cash capital increases in April 2021 and March and April 2022. KYE purchased 8,748 thousand, 2,000 thousand and 3,500 thousand shares.

Note 2: KYE Systems Europe GmbH ceased operations in December 2017 and completed its liquidation in December 2021.

Note 3: In August 2022, KYE Trade (HK) Co., Ltd. carried out a cash capital increase, where 2,713 thousand shares were purchased by Genius Holding Co., Ltd.

Note 4: Suo-Yi Electronic Technology (Shanghai) Ltd. and You-Xiang Electronic Technology (Shanghai) Ltd. applied for incorporation in January 2015, but had invested no capital and had yet to start operation. In September 2022, they completed the revocation of their registration.

Note 5: Dongguan Gaoying Electronic Technology Co., Ltd. ceased operations in December 2022, and is currently under liquidation.

(2) Subsidiaries not included in the consolidated financial report: None.

(3) Information of subsidiaries with material non-controlling interests: None.

13. Investments accounted for using the equity method

Investments in associates

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Associates with materiality		
Timing Pharmaceutical Co., Ltd. (Timing Pharmaceutical Company)	\$ 223,170	\$ 210,561
Coretek Opto Corporation (Coretek Opto)	<u>118,213</u>	<u>-</u>
	341,383	210,561
Individual immaterial associates	<u>68,607</u>	<u>87,849</u>
	<u>\$ 409,990</u>	<u>\$ 298,410</u>

(1) Associates with materiality

Company name	Shareholding and voting rights (%)	
	111年12月31日	110年12月31日
Timing Pharmaceutical Company	22.64%	22.64%
Coretek Opto	33.28%	-

For information regarding the nature of business, the principal place of business and the country of registration of the above-mentioned associates, see Table 5 “Information of Investee Companies, Their Areas of Establishment...and Other Relevant Information.”

The following summary of 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)
	<u>\$ 985,649</u>	<u>\$ 932,964</u>
Shareholding of KYE and subsidiaries (%)	22.64%	22.64%
Equity of KYE and subsidiaries	<u>\$ 223,170</u>	<u>\$ 210,561</u>
Carrying amount of investments	<u>\$ 223,170</u>	<u>\$ 210,561</u>
Operating revenue	<u>\$ 1,136,246</u>	<u>\$ 799,843</u>
Net profit in the current year	\$ 55,688	\$ 4,853
Other comprehensive income	(967)	(2,254)
Total comprehensive income	<u>\$ 54,721</u>	<u>\$ 2,599</u>
Dividends received from Timing Pharmaceutical Company	<u>\$ 1,945</u>	<u>\$ 1,945</u>

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	-
	<u>\$ 350,069</u>
Shareholding of KYE and subsidiaries (%)	33.28%

Equity of KYE and subsidiaries	<u>\$ 116,495</u>
Carrying amount of investments	<u>\$ 118,213</u>
Operating revenue	<u>\$ 319,973</u>
Net profit (loss) for the current year	(\$ 18,688)
Other comprehensive income	<u>64</u>
Total comprehensive income	<u>(\$ 18,624)</u>
Dividends received from Coretek Opto	<u>\$ -</u>

In 2022, Timing Pharmaceutical Company disposed of financial assets measured at fair value through other comprehensive income. Therefore, KYE and subsidiaries 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, KYE and subsidiaries purchased 8,000 thousand common shares of Coretek Opto at NTD 80,000 thousand, and their shareholding increased to 32.08% after the purchase, making them 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 26,946 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, the shareholding of KYE and subsidiaries increased to 33.28% due to a decrease in the number of outstanding shares of Coretek Opto.

Holding 33.28% of the voting rights of Coretek Opto, KYE and subsidiaries 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, KYE and subsidiaries are unable to appoint a majority of the members of the governing bodies, and therefore have no control over Coretek Opto since they cannot guide its relevant activities. The management of KYE and subsidiaries considers that they only have material influence on Coretek Opto, and has thus designated it as their associate.

(2) Summary of individual immaterial associates

	<u>2022</u>	<u>2021</u>
Share of KYE and subsidiaries		
Net profit in the current year	(\$ 9,236)	\$ 897
Other comprehensive income	<u>(1,025)</u>	<u>909</u>
Total comprehensive income	<u>(\$ 10,261)</u>	<u>\$ 1,806</u>

The shares of KYE and subsidiaries of profits/losses and other comprehensive income on investments accounted for using the equity method 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, the management of KYE and subsidiaries 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.

14. Property, plant and equipment

	Land	Premises and buildings	Machine/Equipment	Leasehold improvement	Miscellaneous equipment	Total
<u>Cost</u>						
Balance on January 1, 2022	\$ 470,839	\$ 218,825	\$ 176,560	\$ 51,335	\$ 216,843	\$ 1,134,402
Addition	-	-	-	660	5,656	6,316
Disposal	-	-	(17,542)	(28,511)	(125,943)	(171,996)
Net exchange differences	-	-	1,214	-	64	1,278
Transfer between account titles	-	-	-	252	-	252
Balance on December 31, 2022	<u>\$ 470,839</u>	<u>\$ 218,825</u>	<u>\$ 160,232</u>	<u>\$ 23,736</u>	<u>\$ 96,620</u>	<u>\$ 970,252</u>
<u>Accumulated depreciation and impairment</u>						
Balance on January 1, 2022	\$ 11,046	\$ 88,766	\$ 151,581	\$ 32,891	\$ 188,069	\$ 472,353
Disposal	-	-	(17,430)	(28,511)	(125,919)	(171,860)
Depreciation expense	-	4,170	4,550	6,500	9,344	24,564
Net exchange differences	-	-	459	-	63	522
Balance on December 31, 2022	<u>\$ 11,046</u>	<u>\$ 92,936</u>	<u>\$ 139,160</u>	<u>\$ 10,880</u>	<u>\$ 71,557</u>	<u>\$ 325,579</u>
Net amount on December 31, 2022	<u>\$ 459,793</u>	<u>\$ 125,889</u>	<u>\$ 21,072</u>	<u>\$ 12,856</u>	<u>\$ 25,063</u>	<u>\$ 644,673</u>
<u>Cost</u>						
Balance on January 1, 2021	\$ 469,631	\$ 221,316	\$ 203,089	\$ 81,695	\$ 213,916	\$ 1,189,647
Addition	1,208	426	353	4,057	20,012	26,056
Disposal	-	(2,762)	(24,234)	(36,653)	(17,057)	(80,706)
Net exchange differences	-	(155)	(2,989)	-	(257)	(3,401)
Transfer between account titles	-	-	341	2,236	229	2,806
Balance on December 31, 2021	<u>\$ 470,839</u>	<u>\$ 218,825</u>	<u>\$ 176,560</u>	<u>\$ 51,335</u>	<u>\$ 216,843</u>	<u>\$ 1,134,402</u>
<u>Accumulated depreciation and impairment</u>						
Balance on January 1, 2021	\$ 11,046	\$ 87,483	\$ 169,752	\$ 56,264	\$ 198,791	\$ 523,336
Disposal	-	(2,729)	(24,226)	(36,653)	(16,061)	(79,669)
Depreciation expense	-	4,165	6,930	13,280	5,595	29,970
Net exchange differences	-	(153)	(875)	-	(256)	(1,284)
Balance on December 31, 2021	<u>\$ 11,046</u>	<u>\$ 88,766</u>	<u>\$ 151,581</u>	<u>\$ 32,891</u>	<u>\$ 188,069</u>	<u>\$ 472,353</u>
Net amount on December 31, 2021	<u>\$ 459,793</u>	<u>\$ 130,059</u>	<u>\$ 24,979</u>	<u>\$ 18,444</u>	<u>\$ 28,774</u>	<u>\$ 662,049</u>

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

Premises and buildings	10 to 55 years
Machine/Equipment	2 to 12 years
Leasehold improvement	4 to 15 years
Miscellaneous equipment	1 to 15 years

For the amount of the property, plant and equipment of KYE and subsidiaries pledged as collateral for loans, see Note 29.

15. Lease agreement

(1) Right-of-use assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Carrying amount of right-of-use assets		
Buildings	\$ 4,354	\$ 23,088
Office equipment	421	513
Transport equipment	<u>-</u>	<u>4,876</u>
	<u>\$ 4,775</u>	<u>\$ 28,477</u>
	<u>2022</u>	<u>2021</u>
Addition of right-of-use assets	<u>\$ -</u>	<u>\$ 3,537</u>
Depreciation expense of right-of-use assets		
Buildings	\$ 18,734	\$ 18,396
Office equipment	92	118
Transport equipment	<u>2,336</u>	<u>3,011</u>
	<u>\$ 21,162</u>	<u>\$ 21,525</u>

(2) Lease liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Carrying amount of lease liabilities		
Current	<u>\$ 5,670</u>	<u>\$ 29,338</u>
Non-current	<u>\$ 335</u>	<u>\$ 8,281</u>

The discount rate ranges for lease liabilities are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Buildings	1.50%~1.69%	1.50%~1.69%
Office equipment	1.50%	1.50%
Transport equipment	1.25%~1.69%	1.25%~1.69%

(3) Material lease activities and terms

KYE and subsidiaries 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, KYE and subsidiaries will not be entitled to any renewal of the lease or any bargain purchase of the rented assets.

(4) Other lease information

	<u>2022</u>	<u>2021</u>
Short-term lease expense	<u>\$ 3,495</u>	<u>\$ 4,216</u>
Expense on lease of low-value assets	<u>\$ 60</u>	<u>\$ 44</u>
Total cash outflow from lease	<u>\$ 32,611</u>	<u>\$ 35,688</u>

KYE and subsidiaries 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.

Lease commitments beginning after the balance sheet date during the lease term are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Lease commitments	<u>\$ -</u>	<u>\$ 1,519</u>

16. Investment property

	<u>Investment property</u>
<u>Cost</u>	
Balance on January 1, 2022	\$ 595,521
Addition	128,998
Net exchange differences	<u>5,589</u>
Balance on December 31, 2022	<u>\$ 730,108</u>
<u>Accumulated depreciation and impairment</u>	
Balance on January 1, 2022	(\$ 33,417)
Depreciation expense	(2,176)
Net exchange differences	<u>(101)</u>
Balance on December 31, 2022	<u>(\$ 35,694)</u>
Balance on December 31, 2022	<u>\$ 694,414</u>
<u>Cost</u>	
Balance on January 1, 2021	\$ 371,271
Addition	180,178
Transferred prepayments for equipment	58,000
Net exchange differences	<u>(13,928)</u>
Balance on December 31, 2021	<u>\$ 595,521</u>
<u>Accumulated depreciation and impairment</u>	
Balance on January 1, 2021	(\$ 34,172)
Depreciation expense	(2,178)
Impairment losses reversed	2,635
Net exchange differences	<u>298</u>
Balance on December 31, 2021	<u>(\$ 33,417)</u>
Balance on December 31, 2021	<u>\$ 562,104</u>

The fair values of the investment property of KYE and subsidiaries on December 31, 2022 and 2021 were assessed by an independent valuation firm using the comparative method and profit method. The comparative method calculates a valuation based on the final price and proposed price of comparable property. The profit method calculates a valuation based on the estimated net profit and the rate of profit capitalization. The fair values of the investment property on December 31, 2022 and 2021 were NTD 748,348 thousand and NTD 593,716 thousand, respectively.

Since the recoverable amount of part of the investment property on December 31, 2021 increased due to change in the estimate of such amount, KYE and subsidiaries reversed an impairment loss of NTD2,635,000.

The investment property is accounted for in depreciation on a straight-line basis over a 50-year useful life.

For the amount of the investment property of KYE and subsidiaries pledged as collateral for loans, see Note 29.

17. Loans

Long-term loans

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Loans with a floating interest rate:		
ChinaTrust Commercial Bank		
Mortgage loan, maturing in February 2043 (Note 1)	\$ 138,000	\$ 138,000
Mortgage loan, maturing in August 2026 (Note 2)	85,833	95,833
Chang Hwa Bank		
Mortgage loan, maturing in January 2041 (Note 3)	<u>110,000</u>	<u>110,000</u>
Total	333,833	343,833
–: Long-term loans maturing within 1 year	(<u>19,337</u>)	(<u>10,000</u>)
	<u>\$ 314,496</u>	<u>\$ 333,833</u>

Note 1: The interest rates on December 31, 2022 and 2021 were 2.1% and 1.2% respectively. The principal and interest will be amortized on a monthly basis from March 2023.

Note 2: The interest rates on December 31, 2022 and 2021 were 2.1% and 1.2% respectively. The principal and interest will be amortized on a monthly basis from August 2021.

Note 3: The interest rates on December 31, 2022 and 2021 were 2.0% and 1.4% respectively. The principal and interest will be amortized on a monthly basis from February 2023.

For the amount of the property and investment property of KYE and subsidiaries pledged as collateral for loans, see Note 29.

18. Notes and accounts payable

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

19. Other payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Salaries and bonuses payable	\$ 31,248	\$ 32,110
Service fees payable	5,044	3,862
Market promotion fees payable	2,118	4,475
Others	<u>21,832</u>	<u>26,702</u>
	<u>\$ 60,242</u>	<u>\$ 67,149</u>

20. Post-employment benefit plans

(1) Defined contribution plan

The pension system under the “Labor Pension Act,” as applied by KYE and domestic subsidiaries, 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. The subsidiaries in Mainland China are subject to the relevant local pension insurance system, where a certain percentage of salary is appropriated as a pension contribution and deposited to the designated agency.

(2) Defined benefit plan

The pension system KYE has adopted in accordance with the “Labor Pension Act” is a defined benefit plan managed by the government. Any employee whose length of service is no more than 15 years will receive two base points for each year of service, and any employee whose length of service is more than 15 years will receive one base point for each additional year of service. The maximum number of base points is 45. The pension paid to an employee is calculated based on the length of his/her service and the average salary (base point) over the 6 months prior to the approved date of his/her retirement. KYE appropriates 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, KYE 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 KYE does not have any right to influence the investment management strategies. The amounts of defined benefit plan included in the consolidated balance sheet are as follows:

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

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	<u>\$ 49,794</u>	<u>(\$ 18,140)</u>	<u>\$ 31,654</u>
Current service cost	103	-	103
Interest expense (income)	<u>249</u>	<u>(92)</u>	<u>157</u>
Recognized in profit or loss	<u>352</u>	<u>(92)</u>	<u>260</u>
Remeasurement			
Return on plan assets (excluding any amount included in net interest)	\$ -	(\$ 229)	(\$ 229)
Actuarial loss – changes in financial assumptions	812	-	812
Actuarial profit – experience adjustments	<u>(893)</u>	<u>-</u>	<u>(893)</u>
Recognized in other comprehensive income	<u>(81)</u>	<u>(229)</u>	<u>(310)</u>
Employer contribution	<u>-</u>	<u>(4,528)</u>	<u>(4,528)</u>
Balance on December 31, 2021	<u>50,065</u>	<u>(22,989)</u>	<u>27,076</u>
Current service cost	54	-	54
Interest expense (income)	<u>183</u>	<u>(116)</u>	<u>67</u>
Recognized in profit or loss	<u>237</u>	<u>(116)</u>	<u>121</u>
Remeasurement			
Return on plan assets	-	(1,511)	(1,511)

(excluding any amount included in net interest)			
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	<u>\$ 30,975</u>	<u>(\$ 25,692)</u>	<u>\$ 5,283</u>

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

	<u>2022</u>	<u>2021</u>
Marketing expense	\$ 25	\$ 62
Management expense	94	193
R&D expense	<u>2</u>	<u>5</u>
	<u>\$ 121</u>	<u>\$ 260</u>

Due to the pension system under the “Labor Standards Act,” KYE is 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 KYE’s defined benefit obligations is calculated actuarially by a qualified actuary. The material assumptions on the date of measurement are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
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:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate		
Increase by 0.25%	(\$ 749)	(\$ 993)
Decrease by 0.25%	<u>\$ 776</u>	<u>\$ 1,032</u>

Expected salary increase rate		
Increase by 0.25%	<u>\$ 756</u>	<u>\$ 995</u>
Decrease by 0.25%	<u>(\$ 733)</u>	<u>(\$ 964)</u>

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.

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

21. Equity

(1) Share capital

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

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

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

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 KYE has 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 KYE's earning distribution policy in the Articles of Incorporation, if KYE has earnings in the final accounts of a fiscal year, KYE 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 NTD0.1, 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 23.

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

Legal reserves must be allocated until their balance reaches KYE’s total paid-in capital. Legal reserves may be used to offset losses. Where KYE has 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:

	<u>2021</u>	<u>2020</u>
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 of 2022 as follows:

	<u>2022</u>
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 of 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	<u>(\$ 66,113)</u>	<u>(\$ 35,723)</u>
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	<u>-</u>	<u>1,101</u>
Ending balance	<u>(\$ 8,938)</u>	<u>(\$ 66,113)</u>
B. Unrealized valuation profit/loss on financial assets measured at fair value through other comprehensive income		
	2022	2021
Starting balance	<u>(\$ 601,087)</u>	<u>(\$ 625,354)</u>
Incurred in the current year		
Unrealized profits or losses – equity instruments	(50,543)	27,664
Share of associates accounted for using the equity method	<u>(1,021)</u>	<u>909</u>
Other comprehensive income in the current year	<u>(51,564)</u>	<u>28,573</u>
Cumulative profits or losses on disposal of equity instruments transferred to retained earnings	<u>22,442</u>	<u>(4,306)</u>
Ending balance	<u>(\$ 630,209)</u>	<u>(\$ 601,087)</u>

(5) Treasury stocks

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

To maintain KYE’s 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, KYE 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 KYE’s 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 KYE may not be pledged and are not entitled to any dividends distributed or voting rights.

22. Revenue

	<u>2022</u>	<u>2021</u>
Revenue from contracts with customers		
Revenue from the sale of goods	\$ 1,018,366	\$ 1,356,943
Other operating revenues		
Other revenues	<u>2,309</u>	<u>8,970</u>
	<u>\$ 1,020,675</u>	<u>\$ 1,365,913</u>

(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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Total notes and accounts receivable (Note 9)	<u>\$ 60,555</u>	<u>\$ 115,854</u>	<u>\$ 134,613</u>

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

	<u>2022</u>	<u>2021</u>
Computer peripherals	\$ 495,045	\$ 822,243
Video and optoelectronic products	509,552	522,819
Consumer electronics	12,216	5,844
Others	<u>1,553</u>	<u>6,037</u>
	<u>\$ 1,018,366</u>	<u>\$ 1,356,943</u>

23. Net profit in the current year

(1) Other profits and losses

	<u>2022</u>	<u>2021</u>
Rent revenue	\$ 18,952	\$ 14,245
Net profit (loss) on foreign currency exchange	11,025	(10,344)
Profit on disposal of financial products	4,400	-
Profit on disposal of associates accounted for using the equity method	1,977	-
Dividend revenue	1,794	2,151
Profit on reversal of impairment of investment property	-	2,635
Other revenues and expenses	<u>5,934</u>	<u>23,398</u>
Total	<u>\$ 44,082</u>	<u>\$ 32,085</u>

(2) Depreciation and amortization

	<u>2022</u>	<u>2021</u>
Property, plant and equipment	\$ 24,564	\$ 29,970
Investment property	2,176	2,178
Other non-current assets	4,496	6,367
Right-of-use assets	<u>21,162</u>	<u>21,525</u>
	<u>\$ 52,398</u>	<u>\$ 60,040</u>

Summary of depreciation
expenses by purpose

Operating costs	\$ 18,321	\$ 18,541
Operating expense	27,405	32,954
Non-operating expenses	<u>2,176</u>	<u>2,178</u>
	<u>\$ 47,902</u>	<u>\$ 53,673</u>

Summary of amortization
expenses by purpose

Operating costs	\$ 627	\$ 2,930
Operating expense	<u>3,869</u>	<u>3,437</u>
	<u>\$ 4,496</u>	<u>\$ 6,367</u>

(3) Employee benefit expenses

	<u>2022</u>	<u>2021</u>
Post-employment benefits		
Defined contribution plan	\$ 3,961	\$ 3,755
Defined benefit plan (Note 20)	<u>121</u>	<u>260</u>
	4,082	4,015
Separation benefits	3,394	485
Other employee benefits	<u>155,210</u>	<u>163,307</u>
Total employee benefit expenses	<u>\$ 162,686</u>	<u>\$ 167,807</u>
Summarized by purpose		
Operating cost	\$ 17,227	\$ 22,222
Operating expense	<u>145,459</u>	<u>145,585</u>
	<u>\$ 162,686</u>	<u>\$ 167,807</u>

(4) Remuneration for employees and directors

From the pre-tax profit in the current year before subtracting the remuneration distributed to employees and directors, KYE allocates 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

	<u>2022</u>	<u>2021</u>
Remuneration for employees	2%	2%
Remuneration for directors	1%	1%

Amount

	<u>2022</u>	<u>2021</u>
Remuneration for employees	<u>\$ 1,192</u>	<u>\$ 1,682</u>
Remuneration for directors	<u>\$ 596</u>	<u>\$ 840</u>

Any change in the amount after the date of approval and publication of the annual consolidated 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 consolidated 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.

24. Income tax

(1) Income taxes recognized in profit or loss

Income tax expenses consist of the following main items:

	<u>2022</u>	<u>2021</u>
Current income tax		
Incurred in the current year	(\$ 1,621)	(\$ 2,278)
Adjusted from prior years	(<u>1,837</u>)	<u>3,039</u>
	(<u>3,458</u>)	<u>761</u>
Deferred income tax		
Incurred in the current year	3,050	27,835
Effect of exchange rate	<u>930</u>	<u>3,401</u>
	<u>3,980</u>	<u>31,236</u>
Income tax expense recognized in profit/loss	<u>\$ 522</u>	<u>\$ 31,997</u>

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

	<u>2022</u>	<u>2021</u>
Pre-tax net profit	<u>\$ 54,318</u>	<u>\$ 82,574</u>
Income tax expense on pre-tax net profit calculated at the statutory tax rate	\$ 7,380	\$ 17,186
Expense and loss not deductible and tax-free income not included for determination of taxable income	(9,200)	(19,464)
Unrecognized deductible temporary difference	4,179	31,236
Adjustment to current income tax expenses of prior years in the current year	(<u>1,837</u>)	<u>3,039</u>
Income tax expense recognized in profit/loss	<u>\$ 522</u>	<u>\$ 31,997</u>

(2) Income tax recognized in other comprehensive income

	<u>2022</u>	<u>2021</u>
<u>Deferred income tax</u>		
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	(<u>1,063</u>)	(<u>62</u>)
Income tax recognized in other comprehensive income	<u>\$ 12,767</u>	<u>\$ 7,528</u>

(3) Deferred income tax assets and liabilities

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

2022

	Starting balance	Recognized in profit or loss	Recognized in other comprehensiv e income	Ending balance
<u>Deferred income tax assets</u>				
Temporary difference				
Inventories	\$ 9,498	\$ 1,662	\$ -	\$ 11,160
Defined retirement benefit plan	7,782	(3,296)	-	4,486
Other non-current assets	12,353	(1,104)	-	11,249
Others	3,141	1,226	-	4,367
Financial assets measured at fair value through other comprehensive income	13,513	(883)	18,416	31,046
Investments accounted for using the equity method	37,814	1,776	(10,665)	28,925
Deferred loss on purchase contracts	<u>10,620</u>	<u>(2,820)</u>	<u>-</u>	<u>7,800</u>
	<u>\$ 94,721</u>	<u>(\$ 3,439)</u>	<u>\$ 7,751</u>	<u>\$ 99,033</u>
<u>Deferred income tax liabilities</u>				
Temporary difference				
Investments accounted for using the equity method	\$ 10,245	\$ -	\$ 1,552	\$ 11,797
Defined retirement benefit plan	2,367	-	1,063	3,430
Financial assets measured at fair value through other comprehensive income	7,631	-	(7,631)	-
Others	<u>450</u>	<u>(389)</u>	<u>-</u>	<u>61</u>
	<u>\$ 20,693</u>	<u>(\$ 389)</u>	<u>(\$ 5,016)</u>	<u>\$ 15,288</u>

2021

	Starting balance	Recognized in profit or loss	Recognized in other comprehensi ve income	Ending balance
<u>Deferred income tax assets</u>				
Temporary difference				
Inventories	\$ 11,280	(\$ 1,782)	\$ -	\$ 9,498
Defined retirement benefit plan	8,636	(854)	-	7,782
Other non-current assets	12,382	(29)	-	12,353
Others	3,009	132	-	3,141
Financial assets measured at fair value through other comprehensive income	32,809	(19,296)	-	13,513
Investments accounted for using the equity method	39,433	(5,091)	3,472	37,814
Deferred loss on purchase contracts	<u>11,340</u>	<u>(720)</u>	<u>-</u>	<u>10,620</u>
	<u>\$ 118,889</u>	<u>(\$ 27,640)</u>	<u>\$ 3,472</u>	<u>\$ 94,721</u>

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<u>Deferred income tax liabilities</u>				
<u>Temporary difference</u>				
Investments accounted for using the equity method	\$ 14,217	(\$ 146)	(\$ 3,826)	\$ 10,245
Defined retirement benefit plan	2,305	-	62	2,367
Financial assets measured at fair value through other comprehensive income	7,923	-	(292)	7,631
Others	<u>109</u>	<u>341</u>	<u>-</u>	<u>450</u>
	<u>\$ 24,554</u>	<u>\$ 195</u>	<u>(\$ 4,056)</u>	<u>\$ 20,693</u>

(4) Approval of income tax

The income tax returns of KYE, Hung-Cheng Investment Co., Ltd. and Digilife Technologies Co., Ltd. calculated up until 2020 were approved by the tax authority. The income tax return of Chung-Chiang Investment Co., Ltd. calculated up until 2019 was approved by the tax authority.

25. 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

	<u>2022</u>	<u>2021</u>
Net profit attributable to the owners of KYE	\$ 54,408	\$ 50,512
Effect of dilutive potential common shares:		
Remuneration for employees	-	-
Net profit used for calculation of diluted EPS	<u>\$ 54,408</u>	<u>\$ 50,512</u>

Number of shares

	<u>2022</u>	<u>2021</u>
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	<u>148</u>	<u>239</u>
Weighted average number of common shares used for calculation of diluted EPS	<u>221,676</u>	<u>223,142</u>

Where KYE and subsidiaries 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.

26. Capital risk management

KYE and subsidiaries engage in capital management to ensure all companies in their 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 the overall strategies of KYE and subsidiaries.

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

KYE and subsidiaries 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 their management, KYE and subsidiaries balance their overall capital structure by paying dividends, issuing new shares, repurchasing shares and issuing new liabilities or repaying existing liabilities.

27. 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, finance lease payments receivable, other receivables, deposits paid, notes and accounts payable, other payables, long-term liabilities maturing within 1 year, long-term loans 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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets measured at fair value through profit or loss</u>				
Investments in equity instruments				
- Domestic listed (OTC) stocks	\$ 1,085	\$ -	\$ -	\$ 1,085
<u>Financial assets measured at fair value through other comprehensive income</u>				
Investments in equity instruments				
- Domestic listed (OTC) stocks	\$ 36,459	\$ -	\$ 6,067	\$ 42,526
- Domestic non-listed (non-OTC) stocks	-	-	22,360	22,360
- Foreign non-listed (non-OTC) stocks	-	-	70,369	70,369
Total	<u>\$ 36,459</u>	<u>\$ -</u>	<u>\$ 98,796</u>	<u>\$ 135,255</u>

December 31, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets measured at fair value through profit or loss</u>				
Investments in equity instruments				
- Domestic listed (OTC) stocks	\$ 1,511	\$ -	\$ -	\$ 1,511

Financial assets measured at fair value through other comprehensive income

Investments in equity instruments				
- Domestic listed (OTC) stocks	\$ 43,226	\$ -	\$ 7,318	\$ 50,544
- Domestic non-listed (non-OTC) stocks	-	-	87,290	87,290
- Foreign non-listed (non-OTC) stocks	-	-	<u>112,898</u>	<u>112,898</u>
Total	<u>\$ 43,226</u>	<u>\$ -</u>	<u>\$ 207,506</u>	<u>\$ 250,732</u>

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	\$ -	\$ 207,506	\$ 207,506
Recognized in other comprehensive income	-	(69,878)	(69,878)
Disposal	-	(42,624)	(42,624)
Share payments returned from capital reduction by investee companies	-	(6,577)	(6,577)
Translation differences on foreign operations	-	<u>10,369</u>	<u>10,369</u>
Ending balance	<u>\$ -</u>	<u>\$ 98,796</u>	<u>\$ 98,796</u>

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	\$ 199,242	\$ 200,955
Recognized in profit/loss (other profits and losses)	672	-	672
Recognized in other comprehensive income	-	16,224	16,224
Purchase	-	4,740	4,740
Disposal	(2,385)	(9,555)	(11,940)

	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Total
Translation differences on foreign operations	-	(3,145)	(3,145)
Ending balance	<u>\$ -</u>	<u>\$ 207,506</u>	<u>\$ 207,506</u>

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

For the domestic and foreign non-listed (non-OTC) stocks held by KYE and subsidiaries 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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets measured at amortized cost (Note 1)	\$ 1,177,179	\$ 1,208,636
Measured at fair value through profit or loss		
Measured at fair value through profit or loss on a mandatory basis	1,085	1,511
Financial assets measured at fair value through other comprehensive income		
Investments in equity instruments	135,255	250,732

Financial liabilities

Measured at amortized cost (Note 2)

443,557

453,652

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, long-term loans maturing within 1 year, long-term loans and deposits received.

(4) Purposes and policies of financial risk management

The primary financial instruments of KYE and subsidiaries include investments in equity, accounts receivable, accounts payable, loans and lease liabilities. The financial management department of KYE and subsidiaries 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 their 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.

KYE and subsidiaries 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 of KYE and subsidiaries. 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. KYE and subsidiaries do not engage in any transaction of financial instruments (including derivative financial instruments) for speculative purposes.

The financial management department submits a report to the Board of Directors of KYE and subsidiaries on a quarterly basis.

A. Market risks

The risk of change in foreign exchange rates is the major financial risk borne by KYE and subsidiaries as a result of their operating activities (see (1) below). KYE and subsidiaries engage in various derivative financial instruments to manage the foreign exchange risk borne by them.

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

(A) Exchange rate risk

KYE and subsidiaries engage in transactions of the sale and purchase of goods denominated in foreign currencies, exposing them to the risk of change in foreign exchange rates. More than 82% of the sales of KYE and subsidiaries are not denominated in KYE's functional currency, and approximately 99% of their purchases are not denominated in KYE's functional currency. For the management of the exposure of KYE and subsidiaries to exchange rate risk, currency options are used to manage risks to the extent permitted by policies.

For the carrying amounts of the monetary assets and liabilities of KYE and subsidiaries denominated in non-functional currencies on the balance sheet date, see Note 31.

Sensitivity analysis

KYE and subsidiaries are affected primarily by fluctuations in the exchange rate of USD.

The following table describes in detail the sensitivity analysis by KYE and subsidiaries in the event where the exchange rate of NTD (the 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)	\$ 6,113	\$ 6,423

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

The 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 the borrowing of funds and undertaking of bank deposits by the entities in KYE and subsidiaries at both fixed and floating interest rates.

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
With fair value interest rate risk		
- Financial assets	\$ 642,251	\$ 85,780
- Financial liabilities	6,005	37,619
With cash flow interest rate risk		
- Financial assets	387,852	917,270
- Financial liabilities	333,833	343,833

Sensitivity analysis

The following sensitivity analysis is based on the interest rate risk exposure of derivative and non-derivative instruments on the balance sheet date. The analysis focuses on assets and liabilities 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, the pre-tax net profits of KYE and subsidiaries in 2022 and 2021 would increase/decrease by NTD 784 thousand and NTD 1,457 thousand respectively.

(C) Other price risks

KYE and subsidiaries 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. The management of KYE and subsidiaries manages risks by holding different risk portfolios. The equity price risk of KYE and subsidiaries mainly concentrates in the equity instruments offered by the Taiwan Stock Exchange for the electronics industry. Moreover, KYE has 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 profits/losses in 2022 and 2021 would increase/decrease by NTD 11 thousand and NTD 15 thousand respectively, due to an increase/decrease in the fair value of financial assets measured at fair value through profit/loss. Other pre-tax comprehensive incomes in 2022 and 2021 would increase/decrease by NTD 1,353 thousand and NTD 2,507 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 KYE and subsidiaries 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, the management of KYE and subsidiaries 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, KYE and subsidiaries 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, the management of KYE considers that the credit risk of KYE and subsidiaries has reduced.

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

Accounts are receivable from a lot of customers in different industries and geographical areas. KYE and subsidiaries 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 the top 10 customers of KYE and subsidiaries accounted for 50% and 66% of their accounts receivable, respectively. The credit concentration risk of other accounts receivable is not material.

C. Liquidity risk

KYE and subsidiaries 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 they 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 KYE and subsidiaries. The table is compiled based on the earliest date when KYE and subsidiaries are likely to be required to make repayment and the undiscounted cash flow of financial liabilities (including principal and estimated interest).

December 31, 2022

	<u>Less than 1 year</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>	<u>More than 5 years</u>
<u>Non-derivative financial liabilities</u>				
Non-interest-bearing liabilities	\$ 109,724	\$ -	\$ -	\$ -
Lease liabilities	5,690	96	248	-
Instruments with a floating interest rate	<u>25,456</u>	<u>27,268</u>	<u>115,063</u>	<u>223,862</u>
	<u>\$ 140,870</u>	<u>\$ 27,364</u>	<u>\$ 115,311</u>	<u>\$ 223,862</u>

December 31, 2021

	<u>Less than 1 year</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>	<u>More than 5 years</u>
<u>Non-derivative financial liabilities</u>				
Non-interest-bearing liabilities	\$ 109,819	\$ -	\$ -	\$ -
Lease liabilities	29,685	7,061	1,218	-
Instruments with a floating interest rate	<u>11,142</u>	<u>23,860</u>	<u>122,042</u>	<u>223,573</u>
	<u>\$ 150,646</u>	<u>\$ 30,921</u>	<u>\$ 123,260</u>	<u>\$ 223,573</u>

Further information for analysis of the maturity of the lease liabilities above is as follows:

December 31, 2022

	<u>Less than 1 year</u>	<u>1-5 years</u>	<u>5-10 years</u>	<u>10-15 years</u>	<u>15-20 years</u>	<u>More than 20 years</u>
Instruments with a floating interest rate	<u>\$ 25,456</u>	<u>\$ 142,331</u>	<u>\$ 78,809</u>	<u>\$ 78,813</u>	<u>\$ 64,829</u>	<u>\$ 1,411</u>

December 31, 2021

	<u>Less than 1 year</u>	<u>1-5 years</u>	<u>5-10 years</u>	<u>10-15 years</u>	<u>15-20 years</u>	<u>More than 20 years</u>
Instruments with a floating interest rate	<u>\$ 11,142</u>	<u>\$ 145,902</u>	<u>\$ 73,601</u>	<u>\$ 73,603</u>	<u>\$ 67,264</u>	<u>\$ 9,105</u>

28. Related party transactions

Since all transactions, account balances, profits, expenses and losses between KYE and subsidiaries (KYE's related parties) have been eliminated after consolidation, they are not disclosed in this note. The following are transactions between KYE and subsidiaries and related parties, other than those already disclosed in other notes:

- (1) Names of related parties and their relationship with KYE and subsidiaries

<u>Name of related party</u>	<u>Relationship with KYE and subsidiaries</u>
Dongguan Chiaying Electronics Co., Ltd.	Associate
Dongguan Julu Electronics Co., Ltd.	De facto related party
Dongguan Xieying Computers Co., Ltd.	De facto related party
Chen-Ping Yang	De facto related party
Hsiu-Chin Hsu	De facto related party

(2) Operating transactions

<u>Type/Name of related party</u>	<u>2022</u>	<u>2021</u>
<u>Sales</u>		
De facto related party	\$ <u>-</u>	\$ <u>5,632</u>
<u>Revenue from processing</u>		
De facto related party	\$ <u>304</u>	\$ <u>6,985</u>

The payment terms of KYE and subsidiaries for exports are usually T/T, sight or usance L/C, and D/P. In the case of Dongguan Xieying Computers Co., Ltd., the revenues from sales and processing are credited on a monthly basis within 30 days. The price of sales from KYE and subsidiaries to the aforesaid related parties is approximately the same as that for regular customers.

<u>Type/Name of related party</u>	<u>2022</u>	<u>2021</u>
<u>Purchase</u>		
De facto related party	\$ 16,459	\$ 23,896
Associate	<u>2,838</u>	<u>-</u>
	\$ <u>19,297</u>	\$ <u>23,896</u>

For purchase transactions between KYE and subsidiaries and Dongguan Chiaying Electronics Co., Ltd., Dongguan Julu Electronics Co., Ltd. and Dongguan Xieying Computers Co., Ltd., payments are made on a monthly basis within 30 days. The terms of transactions between KYE and subsidiaries and a related party are, except for the foregoing, the same as those of transactions with a non-related party.

<u>Type/Name of related party</u>	<u>2022</u>	<u>2021</u>
<u>Manufacturing expense</u>		
De facto related party	\$ <u>15,443</u>	\$ <u>9,777</u>

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

<u>Type/Name of related party</u>	<u>2022</u>	<u>2021</u>
De facto related party	\$ <u>60</u>	\$ <u>-</u>

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

<u>Type/Name of related party</u>	<u>2022</u>	<u>2021</u>
De facto related party	\$ <u>15,408</u>	\$ <u>1,228</u>

The outstanding balance of payments payable to related parties is not secured and will be paid in cash.

(3) Lease agreement

<u>Type/Name of related party</u>	<u>2022</u>	<u>2021</u>
<u>Rent expense</u>		
De facto related party	<u>\$ 2,702</u>	<u>\$ 2,605</u>

KYE and subsidiaries have rented properties from de facto related parties to be used as warehouses, offices and employee dormitories, under lease terms equivalent to those for non-related parties.

(4) Remuneration for key management

	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 38,988	\$ 37,162
Post-employment benefits	<u>474</u>	<u>578</u>
	<u>\$ 39,462</u>	<u>\$ 37,740</u>

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

29. Pledged and mortgaged assets

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Property – net	\$ 517,847	\$ 513,799
Investment property – net	<u>345,658</u>	<u>346,765</u>
	<u>\$ 863,505</u>	<u>\$ 860,564</u>

30. Material contingent liabilities and unrecognized contractual commitments

The following are the material commitments and contingencies of KYE and subsidiaries 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 KYE is 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 KYE). On December 28, 2022, KYE 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 KYE and subsidiaries. On December 30, 2022, the SFIPC withdrew its claim against KYE.

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

The following information is summarized and presented based on foreign currencies other than the functional currencies of the entities in KYE and subsidiaries. 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

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Carrying amount</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 20,055	30.710	\$ 615,884
AUD	3,327	20.830	69,304
RMB	14,693	4.408	64,767
HKD	1,315	3.938	5,178
JPY	19,838	0.232	4,610
EUR	61	32.720	1,999
<u>Investments accounted for using the equity method</u>			
USD	2,074	30.710	63,679
RMB	1,118	4.408	4,929
<u>Financial assets measured at fair value through other comprehensive income</u>			
RMB	15,163	4.408	66,862
THB	3,800	0.923	3,507
<u>Financial liabilities</u>			
<u>Monetary items</u>			
RMB	\$ 13,815	4.408	\$ 60,896
USD	150	30.710	4,594

December 31, 2021

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Carrying amount</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 23,399	27.680	\$ 647,673
AUD	3,330	20.080	66,857
RMB	15,182	4.344	65,950
HKD	1,456	3.549	5,167
JPY	20,206	0.241	4,860
EUR	102	31.320	3,185
<u>Investments accounted for using the equity method</u>			
USD	2,520	27.680	69,745
RMB	1,897	4.344	8,239
THB	737	0.835	615
<u>Financial assets measured at fair value through other comprehensive income</u>			
RMB	25,197	4.344	109,390
THB	3,800	0.923	3,507
<u>Financial liabilities</u>			
<u>Monetary items</u>			
RMB	17,454	4.344	75,822
USD	193	27.680	5,352

The realized and unrealized foreign exchange losses of KYE and subsidiaries in 2022 and 2021 were a profit of NTD11,025 thousand and a loss of NTD10,344 thousand, respectively. Due to a great number of functional currencies used for foreign currency transactions and by the entities under the group, it is not possible to disclose the exchange profit/loss of each foreign currency with material effect.

32. 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.
 - J. Others: Business relationship and important transactions between the parent company and subsidiaries and between subsidiaries, and the amounts of such transactions: See Table 4.
- (2) Information of investee companies: See Table 5.
- (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 6.
 - 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 Table 6.
 - (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 7)

33. Segment information

Information provided to the chief operating decision maker for allocating resources and evaluating segment performance focuses on the type of each product delivered or service rendered. The reportable segments of KYE and subsidiaries are the electronics segment and other segments.

- (1) Segment revenues and operating results

The following is an analysis of the revenues and operating results of KYE and subsidiaries by reportable segment:

Domestic and foreign operating segments	2022		
	Electronic products	Others	Total
Revenue from customers other than the parent company and consolidated subsidiaries	\$ 1,018,669	\$ 2,006	\$ 1,020,675
Segment profit (loss)	\$ 23,908	(\$ 12,792)	\$ 11,116
Other profits and losses	32,181	11,901	44,082
Share of profits/losses of associates accounted for using the equity method	(4,355)	-	(4,355)
Interest income	9,148	43	9,191
Interest expense	(5,713)	(3)	(5,716)
Pre-tax net profit (loss)	\$ 55,169	(\$ 851)	\$ 54,318
	2021		
Domestic and foreign operating segments	Electronic products	Others	Total
Revenue from customers other than the parent company and consolidated subsidiaries	\$ 1,363,929	\$ 1,984	\$ 1,365,913
Segment profit (loss)	\$ 62,324	(\$ 11,319)	\$ 51,005
Other profits and losses	19,608	12,477	32,085
Share of profits/losses of associates accounted for using the equity method	1,996	-	1,996
Interest income	2,571	91	2,662
Interest expense	(5,174)	-	(5,174)
Pre-tax net profit	\$ 81,325	\$ 1,249	\$ 82,574

Segment profit means the profit earned by each segment, excluding the allocable cost of administration of the headquarters and remuneration for directors, the share of profits/losses of associates accounted for using the equity method, the profit/loss on

disposal of associates, rent revenue, interest income, the profit/loss on disposal of property, plant and equipment, the profit/loss on disposal of investments, the net profit (loss) on foreign currency exchange, the profit/loss on valuation of financial instruments, financial cost and income tax expense. The measured amount is provided to the chief operating decision maker for allocating resources to a segment and evaluating its performance.

(2) Total segment assets and liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Segment assets</u>		
Electronics segment	\$ 2,990,475	\$ 3,141,242
Others	<u>497,736</u>	<u>441,251</u>
Consolidated total assets	<u>\$ 3,488,211</u>	<u>\$ 3,582,493</u>
<u>Segment liabilities</u>		
Electronics segment	\$ 514,362	\$ 634,680
Others	<u>1,733</u>	<u>1,066</u>
Consolidated total liabilities	<u>\$ 516,095</u>	<u>\$ 635,746</u>

(3) Revenue from primary products and services

The following is an analysis of the revenue from KYE's primary products and services:

	<u>2022</u>	<u>2021</u>
Electronic products	\$ 1,018,669	\$ 1,363,929
Investment	<u>2,006</u>	<u>1,984</u>
	<u>\$ 1,020,675</u>	<u>\$ 1,365,913</u>

(4) Information by area

KYE primarily operates in four areas: Asia, America, Europe and Taiwan.

The following is the information of KYE's revenue from continuing operations of external customers, listed by the area of operation, and non-current assets, listed by the area where assets are located:

	Revenues from external		<u>Non-current assets</u>	
	customers		111 years	110 years
	<u>2022</u>	<u>2021</u>	<u>December 31</u>	<u>December 31</u>
America	\$ 278,314	\$ 451,497	\$ 5	\$ 23
Asia	360,305	445,549	28,863	53,575
Europe	166,204	315,048	-	-
Taiwan	196,946	137,689	1,182,942	1,145,267
Others	<u>18,906</u>	<u>16,130</u>	<u>151,802</u>	<u>-</u>
	<u>\$ 1,020,675</u>	<u>\$ 1,365,913</u>	<u>\$ 1,363,612</u>	<u>\$ 1,198,865</u>

Non-current assets do not include financial instruments and deferred income tax assets.

(5) Information of major customers

The revenues of the electronics segment in 2022 and 2021 were NTD 1,018,669 thousand and NTD 1,363,929 thousand respectively, of which NTD 260,606 thousand and NTD 144,938 thousand came from the largest customer of the group. Except for the aforesaid customer, there was no other single customer from whom the revenue equaled or exceeded 10% of the total revenue of the group in 2022 and 2021.

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

Table 1

Unit: NTD and foreign currency (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.	<u>Shares</u> 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 3)	-	- (Note 3)
	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 3)	3.42%	- (Note 3)
Globalink Holding Co., Ltd.	<u>Shares</u> Shenzhen CMK Technology Co., Ltd.	None	Financial assets measured at fair value through other comprehensive income – non-current	-	USD 2,177	8.25%	USD 2,177
Hung-Cheng Investment Co., Ltd.	<u>Shares</u> Flytech Technology Co., Ltd.	None	Financial assets measured at fair value through other comprehensive income – current	486	32,546	-	32,546
	Dynamic Medical Technologies, Inc.	None	Financial assets measured at fair value through other comprehensive income – current	11	702	-	702
Digilife Technologies Co., Ltd.	<u>Shares</u> MOTOMOTO Ltd.	None	Financial assets measured at fair value through other comprehensive income – non-current	38	3,507	19.00%	3,507

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)
Chung-Chiang Investment Co., Ltd.	LIAN, JU Biotechnology Co., Ltd	The directors of Digilife Technologies Co., Ltd. are the directors of the company.	Financial assets measured at fair value through other comprehensive income – non-current	90	900	18.00%	900
	Unity Opto	None	Financial assets measured at fair value through other comprehensive income – current	597	(Note 3) -	-	(Note 3) -
	Shin Kong Financial Holding Co., Ltd.	None	Financial assets measured at fair value through other comprehensive income – current	186	1,627	-	1,627
	China Petrochemical Development Corporation	None	Financial assets measured at fair value through other comprehensive income – current	160	1,584	-	1,584
	Shares Sysgration Ltd.	None	Financial assets measured at fair value through profit or loss – current	20	\$ 766	-	\$ 766
	Powerchip Semiconductor Manufacturing Corporation	None	Financial assets measured at fair value through profit or loss – current	10	319	-	319

Note 1: The market price is determined as follows: The price of listed/OTC stocks is calculated based on the closing price of the Taiwan Stock Exchange and the Taipei Exchange at the end of December 2022. The price of listed/OTC, privately offered stocks whose trading is restricted is estimated using a valuation method. The price of domestic/foreign non-listed/non-OTC stocks is calculated using a valuation method.

Note 2: The securities held at end of period have not been provided as collateral or pledged for loans.

Note 3: 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. KYE and subsidiaries assess that the fair value of Unity Opto's equity is 0.

KYE Systems Corp. and Subsidiaries
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

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

Note 1: KYE conducts purchase transactions with KYE Trade where KYE purchases raw materials and process them, together with the raw materials purchased by Dongguan Kunying, into finished goods, which are then resold to KYE. KYE offsets 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.

Note 2: The amount was fully written off during preparation of the consolidated financial report.

KYE Systems Corp. and Subsidiaries
 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.	KYE's sub-subsidiary	\$ 475,234 (Note 2)	(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 2)	(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.

Note 2: The amount was fully written off during preparation of the consolidated financial report.

KYE Systems Corp. and Subsidiaries
 Business Relationship and Important Transactions between the Parent Company and Subsidiaries and between Subsidiaries, and the Amounts of such Transactions
 2022

Table 4

Unit: NTD thousand

No.	Name of transacting party	Counterparty	Relationship with transacting party (Note 1)	Transaction			Percentage in consolidated total operating revenue or assets
				Title	Amount	Transaction terms	
0	KYE	KYE Trade	1	Purchase	\$ 267,172	Note 2	26%
		KYE Trade	1	Other receivables	475,234	Note 2	14%
1	Dongguan Kunying	KYE Trade	3	Operating revenue	267,990	Note 2	26%
		KYE Trade	3	Other current liabilities	475,234	Note 2	14%

Note 1: The following are three types of relationship with a transacting party:

1: The parent company to a subsidiary; 2: A subsidiary to the parent company; 3: A subsidiary to a subsidiary

Note 2: KYE conducts purchase transactions with KYE Trade where KYE purchases raw materials and process them, together with the raw materials purchased by Dongguan Kunying, into finished goods, which are then resold to KYE. KYE offsets 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. and Subsidiaries
Names of Investee Companies, Their Areas of Establishment...and Other Relevant Information
2022

Table 5

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 (Note 1)	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 (Note 1)	130	130	Subsidiary
	Hung-Cheng Investment Co., Ltd.	Taipei City	Investment business	85,000	85,000	9,578	100.00	48,793 (Note 1)	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 (Note 1)	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 (Note 1)	-	-	Subsidiary
	Digilife Technologies Co., Ltd.	Taipei City	Digital video/audio products	652,962	652,962	51,563	94.61	558,641 (Note 1)	(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 2)
	Star Reach Limited	Samoa Islands	Investment holdings	USD 417	USD 417	-	25.00	4,929	(RMB 3,115)	(3,443)	Investments accounted for using the equity method (Note 3)
	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
KYE Systems (Hong Kong) Corporation Limited	Genius Labuan Inc.	Malaysia	Sales of computer peripherals and consumer electronics	USD 10	USD 10	10	100.00	-	USD -	N/A	Sub-subsubsidiary
Genius Holding Co., Ltd.	Globalink Holding Co., Ltd.	British Virgin Islands	Investment holdings	USD 8,289	USD 8,289	5,250	100.00	USD 2,578 (Note 1)	USD 1	N/A	Sub-subsubsidiary
	Moustek Investment Co., Ltd.	British Virgin Islands	Investment holdings	USD 2,806	USD 2,806	1	100.00	USD 119 (Note 1)	(USD 116)	N/A	Sub-subsubsidiary
	KYE Trade (HK) Co., Ltd.	Hong Kong	Sales of computer peripherals and consumer electronics	HKD 2,723	HKD 10	2,723	100.00	USD 108 (Note 1)	(50)	N/A	Sub-subsubsidiary
	KYE Inc.	British Virgin Islands	Investment holdings	USD 16,065	USD 16,065	3	100.00	(USD 10,338) (Note 1)	USD 596	N/A	Sub-subsubsidiary
	Maxfar Limited	Samoa Islands	Investment business	USD 2,462	USD 2,462	2,462	44.37	USD 2,074	(13,687)	N/A	Investments accounted for using the equity method
Digilife Technologies Co., Ltd.	Life Technologies Co., Ltd.	Samoa Islands	Investment holdings	USD 300	USD 300	455	100.00	8,581 (Note 1)	(USD 134)	N/A	Sub-subsubsidiary
	Digilife Pty Ltd.	Australia	Tourism and real estate development	AUD 12,500	AUD 12,500	12,500	100.00	241,313 (Note 1)	(AUD 98)	N/A	Sub-subsubsidiary
	Shinyoptics Corp.	Tainan City	R&D, design, manufacturing and sales of optical engines	-	3,600	-	-	-	327	N/A	Investments accounted for using the equity method (Note 2)
	DigiLife (Thailand) Co., Ltd.	Thailand	Sales of digital video/audio products	THB -	THB 1,500	-	-	-	THB 783	N/A	Investments accounted for using the equity method (Note 4)

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			
	Coretek Opto Corporation	Hsinchu City	R&D, design, manufacturing and sales of optical fiber transceiver module	10,550	-	1,000	2.87	10,182	(18,688)	N/A	Investments accounted for using the equity method
Hung-Cheng Investment Co., Ltd.	Coretek Opto Corporation	Hsinchu City	R&D, design, manufacturing and sales of optical fiber transceiver module	58	-	5	0.01	56	(18,688)	N/A	Investments accounted for using the equity method
Life Technologies Co., Ltd.	Life Technologies (Hong Kong) Co., Limited	Hong Kong	Sales of digital video/audio products	USD 455	USD 455	455	100.00	USD 279 (Note 1)	(HKD 1,052)	N/A	Sub-subsiary

Note 1: The amount was entirely written off during preparation of the consolidated financial statements.

Note 2: In November 2022, KYE and Digilife Technologies Co., Ltd. disposed of all the shares of Shinyoptics Corp. held by them, and recognized NTD 2,508 thousand as a profit on disposal of investments and NTD 1,069 thousand as a loss on disposal of investments.

Note 3: Star Reach Limited ceased operations in December 2022, and is currently under liquidation.

Note 4: In September 2022, Digilife Technologies Co., Ltd. disposed of all the shares of DigiLife (Thailand) Co., Ltd. held by it, and recognized NTD 538 thousand as a profit on disposal of investments.

KYE Systems Corp. and Subsidiaries
Information of Investments in Mainland China
2022

Table 6

Unit: NTD and foreign currency (thousand)

KYE Systems Corp.

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	KYE's 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 (Note 5)	(USD 10,413) (Note 5)	\$ -
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) (Note 5)	USD 61 (Note 5)	-
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: KYE 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.

Note 5: The amount was entirely written off during preparation of the consolidated financial statements.

Digilife Technologies Co., Ltd.

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	KYE's shareholding in direct or indirect investments	Profit or loss on investments recognized in current period (Note 2)	Ending carrying value of investments	Profit on investments received as of current period
					Remitted	Recovered						
Ziser Technologies (Shen Zhen) Co., Ltd.	Sales of digital video/audio products	USD 200	Investment through Life Technologies (Hong Kong) Co., Limited with a 100% shareholding	USD 200	\$ -	\$ -	USD 200	(RMB 889)	100%	(HKD 1,045) (Note 3)	HKD 1,826 (Note 3)	\$ -

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 334	USD 500	\$ 354,263 (Note 1)

Note 1: It is calculated at 60% of the net value.

Note 2: The profit or loss on investments is recognized based on the CPA-audited financial statements for the same period.

Note 3: The amount was entirely written off during preparation of the consolidated financial statements.

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

Table 7

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 KYE 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 the consolidated financial report of KYE may differ from the actual number of shares registered and delivered on a non-physical basis due to different bases of preparation and calculation.