

KYE Systems Corp. and Subsidiaries

Consolidated Financial Statements for the Three Months Ended March 31, 2023 and 2022 and Independent Auditors' Review Report

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

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INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
KYE Systems Corp.

Foreword

We have reviewed the accompanying consolidated financial statements of KYE Systems Corp. and its subsidiaries (collectively referred to as the "Company"), which comprise the consolidated balance sheets as of 31 March 2023 and 2022, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the three months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope

Except for those described in the Basis for Qualified Conclusion section, we conducted our review in accordance with the Standard on Review Engagements 2410, "Review of Financial Statements". The procedures performed in reviewing the consolidated financial statements included inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical procedures and other review procedures. Since the scope of our review is significantly less than that of our audit, we may not be able to detect all material matters that can be identified in an audit and therefore we do not express an audit opinion.

Basis for Qualified Conclusion

As stated in Note 12 to the consolidated financial statements, the financial statements of some non-significant subsidiaries included in the consolidated financial statements above for the same period have not been reviewed by accountants. The total assets of these subsidiaries as of 31 March 2023 and 2022 were NT \$549,970,000 and NT \$632,623,000, respectively, accounting for 16% and 18% of the consolidated total assets, respectively, and the total liabilities

were NT \$7,106,000 and NT \$4,688,000, respectively, accounting for 2% and 1% of the consolidated total liabilities, respectively. The total comprehensive income from January 1 to 31 March 2023 and 2022 were NT \$3,541,000 and NT \$5,520,000, respectively, which accounted for 30% and 41% of total comprehensive income. As stated in Note 13 to the consolidated financial statements, the balance of investments accounted for using the equity method amounted to NT \$414,689,000 and NT \$414,691,000 as of 31 March 2023 and 2022, respectively, and the investment gains and losses recognized from January 1 to 31 March 2023 and 2022 amounted to NT \$2,972,000 and NT \$9,139,000, respectively, which were recognized based on the investee's financial statements for the same period that have not been reviewed by CPAs. In addition, the information related to the investee's business described in Note 32 of the consolidated financial statements, which is related to some of the aforementioned non-significant subsidiaries and investee companies, has not been reviewed by CPAs.

Qualified Conclusion

Based on our review, except for the possible adjustments due to financial statements of certain insignificant subsidiaries and investee companies, described in the basis for qualified conclusion section, if reviewed by CPAs, the consolidated financial statements referred to above are not found not complying with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission in all material respects, resulting in the inability of fairly to express the consolidated financial position of KYE Systems Corp. and its subsidiaries as of 31 March 2023 and 2022, and the consolidated financial performance and consolidated cash flows from January 1 to 31 March 2023 and 2022.

Deloitte & Touche

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

9 May 2023

KYE Systems Corp. and Subsidiaries
Consolidated Balance Sheet
31 March 2023, 31 December 2022 and 31 March 2022

Unit: NTD thousands

Code	Assets	31 March 2023 (reviewed)		31 December 2022 (Audited)		31 March 2022 (reviewed)	
		Amount	%	Amount	%	Amount	%
Current Assets							
1100	Cash and cash equivalents (Note 6)	\$ 1,151,089	33	\$ 1,102,008	32	\$ 946,270	27
1110	Financial assets at fair value through profit or loss-current (Note 7)	1,258	-	1,085	-	1,384	-
1120	Financial assets at fair value through other comprehensive income-current (Note 8)	39,616	1	36,459	1	40,383	1
1136	Financial assets at amortized cost-current (Note 6)	1,928	-	-	-	-	-
1170	Notes and accounts receivable (Notes 9, 22 and 28)	69,164	2	60,267	2	101,696	3
1197	Finance lease receivables-current (Note 10)	-	-	1,099	-	6,581	-
1200	Other receivables	3,701	-	2,916	-	847	-
1220	Income tax assets for the current period (Note 4)	13,533	1	13,596	-	11,991	-
130X	Inventories (Note 11)	200,319	6	229,246	6	300,172	9
1479	Other current assets	59,437	2	60,329	2	97,616	3
11XX	Total current assets	<u>1,540,045</u>	<u>45</u>	<u>1,507,005</u>	<u>43</u>	<u>1,506,940</u>	<u>43</u>
NON-CURRENT ASSETS							
1517	Financial assets at fair value through other comprehensive income-non-current (Notes 8 and 13)	97,096	3	98,796	3	147,286	4
1550	Investments accounted for using the equity method (Note 13)	414,689	12	409,990	12	414,691	12
1600	Property, plant and equipment (Notes 14 and 29)	638,307	18	644,673	18	660,507	19
1755	Right-of-use assets (Note 15)	398	-	4,775	-	22,881	1
1760	Investment properties net (Notes 16, 29 and 30)	638,730	18	694,414	20	571,384	16
1840	Deferred income tax assets (Note 4)	95,541	3	99,033	3	86,847	2
1990	Other non-current assets (Note 30)	28,227	1	29,525	1	104,971	3
15XX	Total non-current assets	<u>1,912,988</u>	<u>55</u>	<u>1,981,206</u>	<u>57</u>	<u>2,008,567</u>	<u>57</u>
1XXX	Total assets	<u>\$ 3,453,033</u>	<u>100</u>	<u>\$ 3,488,211</u>	<u>100</u>	<u>\$ 3,515,507</u>	<u>100</u>
Liabilities and Equity							
Current liabilities							
2170	Notes and accounts payable (Notes 18 and 28)	\$ 30,535	1	\$ 46,462	1	\$ 22,284	1
2200	Other payables (Note 19)	42,969	1	60,242	2	46,059	1
2230	Income tax liabilities for the current period (Note 4)	-	-	-	-	2,804	-
2280	Lease liabilities – current (Note 15)	91	-	5,670	-	27,673	1
2320	Current portion of long-term borrowings (Notes 17 and 29)	20,686	1	19,337	1	11,366	-
2399	Other current liabilities	44,284	1	45,243	1	78,289	2
21XX	Total current liabilities	<u>138,565</u>	<u>4</u>	<u>176,954</u>	<u>5</u>	<u>188,475</u>	<u>5</u>
Non-current liabilities							
2540	Long-term borrowings (Notes 17 and 29)	309,219	9	314,496	9	329,967	10
2570	Deferred income tax liabilities (Note 4)	14,676	1	15,288	1	20,791	1
2580	Lease liabilities – non-current (Note 15)	312	-	335	-	2,253	-
2640	Net defined benefit liabilities-non-current (Notes 4 and 20)	3,891	-	5,283	-	10,903	-
2670	Other non-current liabilities	2,180	-	3,739	-	3,151	-
25XX	Total non-current liabilities	<u>330,278</u>	<u>10</u>	<u>339,141</u>	<u>10</u>	<u>367,065</u>	<u>11</u>
2XXX	Total liabilities	<u>468,843</u>	<u>14</u>	<u>516,095</u>	<u>15</u>	<u>555,540</u>	<u>16</u>
Equity attributable to owners of the Company (Note 21)							
Share capital							
3110	Common Shares	2,215,285	64	2,215,285	63	2,215,285	63
3200	Capital surplus	271,125	8	270,903	8	309,638	9
Retained earnings							
3310	Legal reserve	448,031	13	448,031	13	442,525	12
3320	Special reserve	609,031	18	609,031	17	559,471	16
3350	Undistributed earnings (Note 13)	54,780	1	36,216	1	35,852	1
3300	Total retained earnings	<u>1,111,842</u>	<u>32</u>	<u>1,093,278</u>	<u>31</u>	<u>1,037,848</u>	<u>29</u>
3400	Other equity (Note 4)	(645,139)	(19)	(639,147)	(18)	(635,413)	(18)
31XX	Total equity attributable to owners of the Company	<u>2,953,113</u>	<u>85</u>	<u>2,940,319</u>	<u>84</u>	<u>2,927,358</u>	<u>83</u>
36XX	Non-controlling interests	31,077	1	31,797	1	32,609	1
3XXX	Total equity	<u>2,984,190</u>	<u>86</u>	<u>2,972,116</u>	<u>85</u>	<u>2,959,967</u>	<u>84</u>
Total liabilities and equity							
		<u>\$ 3,453,033</u>	<u>100</u>	<u>\$ 3,488,211</u>	<u>100</u>	<u>\$ 3,515,507</u>	<u>100</u>

The accompanying notes are an integral part of the consolidated financial statements.
(Please refer to the review report of Deloitte & Touche dated 9 May 2023)

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 31 March 2023 and 2022

(Only reviewed, not audited in accordance with auditing standards)

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

Code		January 1 to 31 March 2023		January 1 to 31 March 2022	
		Amount	%	Amount	%
	OPERATING REVENUE (Notes 22 and 28)				
4100	Sales revenue	\$ 175,149	100	\$ 282,752	100
4800	Other operating revenue	-	-	59	-
4000	Total operating revenue	<u>175,149</u>	<u>100</u>	<u>282,811</u>	<u>100</u>
	Operating costs				
5110	Cost of goods sold (Notes 11, 23 and 28)	<u>105,241</u>	<u>60</u>	<u>206,579</u>	<u>73</u>
5000	Total operating costs	<u>105,241</u>	<u>60</u>	<u>206,579</u>	<u>73</u>
5900	Gross profit	<u>69,908</u>	<u>40</u>	<u>76,232</u>	<u>27</u>
	OPERATING EXPENSES (Notes 9, 20, 23 and 28)				
6100	Selling and marketing expenses	19,675	11	21,583	8
6200	Administrative expenses	49,264	28	43,734	16
6300	Research and development expenses	1,295	1	871	-
6450	Expected credit loss (gain)	(88)	-	940	-
6000	Total operating expenses	<u>70,146</u>	<u>40</u>	<u>67,128</u>	<u>24</u>
6900	PROFIT (LOSS) FROM OPERATIONS	<u>(238)</u>	<u>-</u>	<u>9,104</u>	<u>3</u>
	Non-operating income and expenses				
7020	Other gains and losses (Notes 23 and 31)	14,894	8	14,000	5
7060	Share of profit of associates (Note 13)	2,972	2	(9,139)	(3)
7100	Interest income	6,442	4	279	-
7510	Interest expense	(1,733)	(1)	(1,191)	-
7000	Total non-operating income and expenses	<u>22,575</u>	<u>13</u>	<u>3,949</u>	<u>2</u>

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Code		January 1 to 31 March 2023		January 1 to 31 March 2022	
		Amount	%	Amount	%
7900	Net profit before tax	\$ 22,337	13	\$ 13,053	5
7950	income tax expenses (Notes 4 and 24)	<u>4,168</u>	<u>3</u>	<u>5,486</u>	<u>2</u>
8200	Net income	<u>18,169</u>	<u>10</u>	<u>7,567</u>	<u>3</u>
	Other Comprehensive Income Items not be reclassified to profit or loss:				
8316	Unrealized gains (losses) from investments in equity instruments at fair value through other comprehensive income	2,024	1	(27,848)	(10)
8320	Share of other total profits and losses of associates accounted for using the equity method (Note 13)	(1,420)	-	20	-
8349	Income tax related to Items that will not be reclassified (Note 24)	<u>277</u>	<u>-</u>	<u>1</u>	<u>-</u>
8310	Item may be reclassified subsequently to profit or loss:	<u>881</u>	<u>1</u>	<u>(27,827)</u>	<u>(10)</u>
8361	Exchange differences on translation of foreign financial statements	(9,427)	(5)	34,806	12
8370	Share of other comprehensive income of associates accounted for using the equity method (Note 13)	1,542	1	2,602	1
8399	Income tax related to items may be reclassified (Note 24)	<u>687</u>	<u>-</u>	<u>(3,926)</u>	<u>(1)</u>
8360		<u>(7,198)</u>	<u>(4)</u>	<u>33,482</u>	<u>12</u>
8300	Other Comprehensive Income-net	<u>(6,317)</u>	<u>(3)</u>	<u>5,655</u>	<u>2</u>
8500	Total Comprehensive Income	<u>\$ 11,852</u>	<u>7</u>	<u>\$ 13,222</u>	<u>5</u>

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Code		January 1 to 31 March 2023		January 1 to 31 March 2022	
		Amount	%	Amount	%
	NET PROFIT				
	ATTRIBUTABLE TO:				
8610	Owners of the Company	\$ 18,564	10	\$ 7,771	3
8620	Non-controlling interests	(395)	-	(204)	-
8600		<u>\$ 18,169</u>	<u>10</u>	<u>\$ 7,567</u>	<u>3</u>
	Total COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
8710	Owners of the Company	\$ 12,572	7	\$ 12,573	5
8720	Non-controlling interests	(720)	-	649	-
8700		<u>\$ 11,852</u>	<u>7</u>	<u>\$ 13,222</u>	<u>5</u>
	Earnings per share (Note 25)				
9710	Basic	<u>\$ 0.08</u>		<u>\$ 0.04</u>	
9810	Diluted	<u>\$ 0.08</u>		<u>\$ 0.04</u>	

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

(Please refer to the review report of Deloitte & Touche dated 9 May 2023)

Chairman: Shih-Kun Tso

President : Pai-Hsiang Li

Accounting Manager: An-Min Kao

KYE Systems Corp. and Subsidiaries
Consolidated Statements of Changes in Equity
January 1 to 31 March 2023 and 2022
(Only reviewed, not audited in accordance with auditing standards)

Unit: NTD thousand

Code		Equity attributable to owners of the Company					Other Equity Interest		Total	Non-controlling interests	Total equity
		Share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Foreign Currency Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets at fair value through other comprehensive income			
A1.	Balance at 1 January 2022	\$ 2,215,285	\$ 309,638	\$ 442,525	\$ 559,471	\$ 55,066	(\$ 66,113)	(\$ 601,087)	\$ 2,914,785	\$ 31,960	\$ 2,946,745
D1	Net profit from January 1 to 31 March 2022	-	-	-	-	7,771	-	-	7,771	(204)	7,567
D3	Other comprehensive income from January 1 to 31 March 2022	-	-	-	-	-	33,482	(28,680)	4,802	853	5,655
D5	Total comprehensive income from January 1 to 31 March 2022	-	-	-	-	7,771	33,482	(28,680)	12,573	649	13,222
Q1	Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(26,985)	-	26,985	-	-	-
Z1	Balance as of 31 March 2022	\$ 2,215,285	\$ 309,638	\$ 442,525	\$ 559,471	\$ 35,852	(\$ 32,631)	(\$ 602,782)	\$ 2,927,358	\$ 32,609	\$ 2,959,967
A1.	Balance at 1 January 2023	\$ 2,215,285	\$ 270,903	\$ 448,031	\$ 609,031	\$ 36,216	(\$ 8,938)	(\$ 630,209)	\$ 2,940,319	\$ 31,797	\$ 2,972,116
D1	Net profit from January 1 to 31 March 2023	-	-	-	-	18,564	-	-	18,564	(395)	18,169
D3	Other comprehensive income from January 1 to 31 March 2023	-	-	-	-	-	(6,877)	885	(5,992)	(325)	(6,317)
D5	Total comprehensive income From January 1 to 31 March 2023	-	-	-	-	18,564	(6,877)	885	12,572	(720)	11,852
C7	Changes in equity of associates accounted for using equity method	-	222	-	-	-	-	-	222	-	222
Z1	Balance at 31 March 2023	\$ 2,215,285	\$ 271,125	\$ 448,031	\$ 609,031	\$ 54,780	(\$ 15,815)	(\$ 629,324)	\$ 2,953,113	\$ 31,077	\$ 2,984,190

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

(Please refer to the review report of Deloitte & Touche dated 9 May 2023)

Chairman: Shih-Kun Tso

President : Pai-Hsiang Li

Accounting Manager: An-Min Kao

KYE Systems Corp. and Subsidiaries
Consolidated Statements of Cash Flows
January 1 to 31 March 2023 and 2022

(Only reviewed, not audited in accordance with auditing standards)

Unit: NTD thousand

Code		1 January to 31 March 2023	1 January to 31 March 2022
	CASH FLOWS FROM OPERATING ACTIVITIES		
A00010	Profit before tax	\$ 22,337	\$ 13,053
A20010	Item:		
A20100	Depreciation expense	10,663	12,300
A22700	Gain on disposal of investment properties	(8,820)	-
A29900	Gain on reversal of inventory net realizable value	(8,276)	(4,737)
A21200	Interest income	(6,442)	(279)
A22300	Share of profit of associates accounted for using equity method	(2,972)	9,139
A24100	Unrealized foreign exchange loss (gain)-net	2,199	(667)
A20200	Amortization expense	1,974	833
A20900	Interest expense	1,733	1,191
A20400	Loss (gain) on valuation of financial assets at fair value through profit or loss	(173)	127
A22500	Gain on disposal of property, plant and equipment	(92)	-
A20300	Expected credit loss (gain)	(88)	940
A23100	Gain on disposal of investments	-	(4,403)
A21300	Dividend income	-	(12)
A30000	Changes in operating assets and liabilities		
A31130	Notes and accounts receivable	(9,194)	11,317
A31180	Other receivables	(1,180)	843
A31200	Inventories	35,904	49,624
A31240	Other current assets	(260)	16,151
A32150	Notes and accounts payable	(15,658)	(18,769)
A32180	Other payables	(17,489)	(22,531)
A32230	Other current liabilities	(1,301)	(17,885)
A32240	Net defined benefit liabilities	(2,111)	(16,173)
A33000	Cash generated from operations	754	30,062
A33100	Interest received	6,007	249

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Code		1 January to 31 March 2023	1 January to 31 March 2022
A33200	Dividends received	\$ -	\$ 12
A33500	income tax paid	(74)	(3,045)
AAAA	Net cash flows from operating activities	<u>6,687</u>	<u>27,278</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
B05500	Proceeds from disposal of investment properties	61,585	-
B06100	Decrease in finance lease receivables	1,102	2,054
B06700	Increase in other non-current assets	(661)	(77,055)
B02800	Proceeds from disposal of property, plant and equipment	416	-
B02700	Acquisition of property, plant and equipment	(116)	(3,030)
B03800	Increase in refundable deposits	(23)	(1,521)
B01800	Acquisition of long-term equity investments accounted for using the equity method	-	(80,000)
B05400	Acquisition of investment properties	-	(12)
BBBB	Net cash flows from (used in) investing activities	<u>62,303</u>	<u>(159,564)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
C04020	Repayment of the principal portion of lease liabilities	(5,602)	(7,693)
C01700	Repayments of long-term borrowings	(3,928)	(1,134)
C05600	Interest paid	(1,714)	(1,194)
C03000	Increase (decrease) in guarantee deposits received	(840)	750
CCCC	Net cash used in financing activities	<u>(12,084)</u>	<u>(9,271)</u>
DDDD	Effect of exchange rate changes on cash and cash equivalents	<u>(7,825)</u>	<u>15,463</u>
EEEE	Net increase (decrease) in cash and cash equivalents	49,081	(126,094)
E00100	Cash and cash equivalents at beginning of period	<u>1,102,008</u>	<u>1,072,364</u>
E00200	Cash and cash equivalents at end of period	<u>\$ 1,151,089</u>	<u>\$ 946,270</u>

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

(Please refer to the review report of Deloitte & Touche dated 9 May 2023)

Chairman: Shih-Kun Tso

President : Pai-Hsiang Li

Accounting Manager: An-Min Kao

KYE Systems Corp. and Subsidiaries
Notes to the Consolidated Financial Report
January 1 to March 31, 2023 and 2022

(Only reviewed, not audited in accordance with auditing standards)

(All amounts are in NTD thousand unless otherwise specified)

1. COMPANY HISTORY

The Company was established in November 1983, formerly known as KYE Enterprise Co., Ltd., and was renamed as KYE Systems Corp. in November 1988, becoming a public company. The Company's shares have been listed on the Taiwan Stock Exchange since 3 November 1997. The Company is mainly engaged in the manufacturing, processing and trading of computer peripheral products such as computer mice, keyboards and card readers, video image products such as network and security cameras, and consumer electronic products such as headphone speakers and game console peripherals. The consolidated financial statements are presented in New Taiwan Dollars (NTD), which is the Company's functional currency.

2. DATE AND PROCEDURES OF APPROVAL OF THE FINANCIAL REPORTS

The consolidated financial statements were approved by the Company's board of directors and authorized for issue on 9 May 2023.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- (1) Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group's accounting policies.

- (2) New IFRSs in issue but not yet endorsed and issued into effect by the FSC

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Date Announced by 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"	To be determined
Amendment to IFRS 16 "Lease liabilities in sale and leaseback"	1 January 2024 (Note 2)
IFRS 17 "Insurance Contracts"	1 January 2023

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<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendment to IFRS 17	1 January 2023
Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9-Comparative Information”	1 January 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	1 January 2024
Amendments to IAS 1 “Non-current Liabilities with Contract Terms”	1 January 2024

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The seller and lessee shall apply the amendment to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC. The consolidated financial statements do not include all IFRSs disclosures required for the entire annual financial statements.

(2) Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

A. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

B Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

C. Level 3 inputs are unobservable inputs for an asset or liability.

(3) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Corporation and its subsidiaries. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total gains and losses of total are attributed to the owners of the Corporation and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Corporation and its subsidiaries' ownership interests in subsidiaries that do not result in the Corporation and its subsidiaries losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Company's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (1) the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (2) the assets (including any goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. The Corporation and its subsidiaries account for all amounts previously recognized in profit or loss in relation to total on the same basis as would be required if the Corporation and its subsidiaries had directly disposed of the related assets or liabilities.

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the cost on initial recognition of an investment.

See Note 12 "Subsidiaries", Table 4 "Information on Investees" and Table 5 "Information on Investments in Mainland China" for the detailed information of subsidiaries (including the percentages of ownership and main businesses) Item.

(4) Other significant accounting policies

Except for the following, please refer to the summary of significant accounting policies in the 2022 consolidated financial report.

A. Defined benefit obligation

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

B. Income tax Fee

Income tax expense is the sum of current income tax and deferred income tax. Income tax for the interim period is evaluated on an annual basis, and the tax rate applicable to the expected total annual earnings is calculated based on the profit before tax for the interim period.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY

The significant accounting judgments, estimates and key sources of assumption uncertainty are the same as those that applied to the consolidated financial statements for the year ended 31 December 2022.

6. CASH AND CASH EQUIVALENTS

	31 March 2023	31 December 2022	31 March 2022
Cash on hand and petty cash	\$ 2,394	\$ 2,480	\$ 2,815
Checking accounts and demand deposits	529,922	455,842	567,098
Cash equivalents			
Time deposits	429,345	434,446	376,357
Commercial papers with repurchase agreements	189,428	209,240	-
	<u>\$ 1,151,089</u>	<u>\$ 1,102,008</u>	<u>\$ 946,270</u>

As of 31 March 2023, the Corporation and its subsidiaries held time deposits with original maturities of more than 3 months of \$1,928,000, which were recognized as financial assets at amortized cost-current and carried interest at market rates of 1.40% to 3.10% per annum.

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 March 2023	31 December 2022	31 March 2022
<u>Financial assets at fair value</u> through profit or loss			
Mandatorily at fair value through profit or loss			
Measurement			
Non-derivative financial assets			
Domestic listed (OTC) Common Shares	\$ 1,258	\$ 1,085	\$ 1,384

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>31 March 2023</u>	<u>31 December 2022</u>	<u>31 March 2022</u>
<u>Current</u>			
Investments of equity instruments measured at fair value through other comprehensive income			
Domestic listed (OTC) common shares	<u>\$ 39,616</u>	<u>\$ 36,459</u>	<u>\$ 40,383</u>
<u>Non-current</u>			
Investments of equity instruments measured at fair value through other comprehensive income			
Overseas unlisted ordinary shares	\$ 69,802	\$ 70,369	\$ 116,632
Domestic unlisted ordinary shares	13,260	13,260	20,312
Domestic unlisted preferred stocks	9,100	9,100	30
Domestic listed (OTC) common shares	<u>4,934</u>	<u>6,067</u>	<u>10,312</u>
Total Shares	<u>\$ 97,096</u>	<u>\$ 98,796</u>	<u>\$ 147,286</u>

These investments in equity instruments are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

9. NOTES AND ACCOUNTS RECEIVABLE

	<u>31 March 2023</u>	<u>31 December 2022</u>	<u>31 March 2022</u>
<u>Notes and accounts receivable</u>			
Measured at amortized cost	\$ 69,364	\$ 60,555	\$ 105,746
Gross carrying amount			
Less: Allowance for impairment loss	<u>(200)</u>	<u>(288)</u>	<u>(4,050)</u>
	<u>\$ 69,164</u>	<u>\$ 60,267</u>	<u>\$ 101,696</u>

The average credit period of sales of goods was 60 days. No interest was charged on unpaid accounts receivable.

In order to minimize credit risk, the management of the Corporation and its subsidiaries has delegated a team responsible for determining credit limits and credit approvals to ensure that follow-up action is taken to recover overdue debts. In addition, the Corporation and its subsidiaries

review the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Corporation and its subsidiaries' credit risk was significantly reduced.

KYE and subsidiaries recognize the loss allowance for accounts receivable based on the lifetime expected credit losses. The expected credit losses on trade receivables are estimated using a provision matrix prepared by reference to the past default experience of the customer, the customer's current financial position, economic condition of the industry in which the customer operates, as well as the GDP forecasts and industry outlook. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Corporation and its subsidiaries write off accounts receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For accounts receivable that have been written off, the Corporation and its subsidiaries continue to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of accounts receivable based on the Corporation and its subsidiaries' provision matrix.

31 March 2023

	Aging Within 60 days	Aging 61 ~ 90 days	Aging 91 to 120 days	Aging Over 120 days	Total
Expected credit loss rate	0% ~ 1%	1% ≥ 5%	5% ≥ 10%	100%	
Gross carrying amount	\$ 69,364	\$ -	\$ -	\$ -	\$ 69,364
Loss allowance (lifetime ECLs)	(200)	-	-	-	(200)
Amortized cost	<u>\$ 69,164</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 69,164</u>

31 December 2022

	Aging Within 60 days	Aging 61 ~ 90 days	Aging 91 to 120 days	Aging Over 120 days	Total
Expected credit loss rate	0% ~ 1%	1% ≥ 5%	5% ≥ 10%	100%	
Gross carrying amount	\$ 56,073	\$ 4,417	\$ 65	\$ -	\$ 60,555
Loss allowance (lifetime ECLs)	(150)	(132)	(6)	-	(288)
Amortized cost	<u>\$ 55,923</u>	<u>\$ 4,285</u>	<u>\$ 59</u>	<u>\$ -</u>	<u>\$ 60,267</u>

31 March 2022

	Aging Within 60 days	Aging 61 ~ 90 days	Aging 91 to 120 days	Aging Over 120 days	Total
Expected credit loss rate	0% ~ 1%	1% ≥ 5%	5% ≥ 10%	100%	
Gross carrying amount	\$ 63,922	\$ 21,110	\$ 18,451	\$ 2,263	\$ 105,746
Loss allowance (lifetime ECLs)	(321)	(397)	(1,069)	(2,263)	(4,050)
Amortized cost	<u>\$ 63,601</u>	<u>\$ 20,713</u>	<u>\$ 17,382</u>	<u>\$ -</u>	<u>\$ 101,696</u>

The movements of the loss allowance of notes and accounts receivable were as follows:

	1 January to 31 March 2023	1 January to 31 March 2022
Beginning balance	\$ 288	\$ 3,028
Plus: Impairment losses recognized (reversed)	(88)	940
Foreign currency translation differences	-	82
Ending balance	<u>\$ 200</u>	<u>\$ 4,050</u>

10. FINANCE LEASE RECEIVABLES

	31 March 2023	31 December 2022	31 March 2022
Undiscounted lease payments			
First year	\$ -	\$ 1,102	\$ 6,628
Lease payments received	-	1,102	6,628
Less: Unearned finance income	-	(3)	(47)
Lease investments net (presented as finance lease receivables)	<u>\$ -</u>	<u>\$ 1,099</u>	<u>\$ 6,581</u>
Carrying amount of finance lease receivables			
Current	<u>\$ -</u>	<u>\$ 1,099</u>	<u>\$ 6,581</u>

The Corporation and its subsidiaries leased buildings and structures located in Neihu and factory building of DONGGUAN.

The Company leases to other companies with fixed lease payments of \$3,807,000 and \$4,407,000 per annum, respectively. The Company subleases all the remaining lease term of the head lease and classifies the lease as a finance lease.

The interest rate inherent in the lease was fixed at the contract date for the entire lease term. The interest rate inherent in the finance lease was 1.50% per annum as of 31 December 2022.

The Group measures the loss allowance for finance lease receivables at an amount equal to lifetime ECLs. As of the balance sheet date, there are no overdue or unrecovered finance lease receivables, and taking into account the past default records of the counterparty and the value of the collateral, the Company and its subsidiaries believe that the above-mentioned finance lease receivables are not impaired.

11. INVENTORIES

	31 March 2023	31 December 2022	31 March 2022
Finished goods	\$ 105,322	\$ 121,968	\$ 156,192
Work in progress	24,570	33,009	59,827
Raw materials and supplies	70,427	74,269	84,153
	<u>\$ 200,319</u>	<u>\$ 229,246</u>	<u>\$ 300,172</u>

The nature of the cost of goods sold is as follows:

	1 January to 31 March 2023	1 January to 31 March 2022
Cost of inventories sold	\$ 113,517	\$ 211,316
Gain on reversal of inventory net realizable value	(8,276)	(4,737)
	<u>\$ 105,241</u>	<u>\$ 206,579</u>

Inventory net realizable value were reversed as a result of depletion.

12. SUBSIDIARIES

(1) Subsidiaries included in the consolidated financial statements

The consolidated entities are listed as follows:

Name of investor company	Name of Subsidiary	Nature of business	O w n e r s h i p (%)			Explanation
			Year 2023	Year 2022		
			March 31	December 31	March 31	
KYE	Genius Holding Co., Ltd.	Investment holdings	100.00%	100.00%	100.00%	—
	Chung-Chiang Investment Co., Ltd.	Investment business	100.00%	100.00%	100.00%	Note 1 and Note 2
	Hung-Cheng Investment Co., Ltd.	Investment business	100.00%	100.00%	100.00%	Note 1
	KYE International Corporation	Sales of computer peripherals, consumer electronics and video/image products	100.00%	100.00%	100.00%	Note 1
	KYE Systems (Hong Kong) Corp., Ltd.	Sales of computer peripherals, consumer electronics and video/image products	100.00%	100.00%	100.00%	Note 1
	Digilife Technologies Co., Ltd.	Design, processing, and sales of digital video/audio products	94.61%	94.61%	94.61%	—
KYE Systems (Hong Kong) Corp., Ltd.	Genius Labuan Inc.	Sales of computer peripherals, consumer electronics and video/image products	100.00%	100.00%	100.00%	Note 1
Genius Holding Co., Ltd.	Globalink Holding Co., Ltd.	Investment holding	100.00%	100.00%	100.00%	Note 1
	Moustek Investment Co., Ltd.	Investment holding	100.00%	100.00%	100.00%	Note 1
KYE Inc.	KYE Trade (HK) Co., Ltd.	Sales of computer peripherals, consumer electronics and video/image products	100.00%	100.00%	100.00%	Note 1 and Note 3
	KYE Inc.	Investment holding	100.00%	100.00%	100.00%	—
	Life Technologies Co., Ltd.	Investment holding	100.00%	100.00%	100.00%	Note 1
	DIGILIFE PTY LTD	Tourism and real estate development	100.00%	100.00%	100.00%	Note 1
Life Technologies Co., Ltd.	Life Technologies (Hong Kong) Co., Limited	Investment holding	100.00%	100.00%	100.00%	Note 1
Life Technologies (Hong Kong) Co., Limited	Ziser Technologies (Shenzhen) Co., Ltd.	Sale of digital video/audio products	100.00%	100.00%	100.00%	Note 1
KYE Inc.	Dongguan Kunying Computer Products Co., Ltd.	R & D, manufacturing and sales of computer peripherals, consumer electronics and video/image products	100.00%	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, consumer electronics and video/image products	100.00%	100.00%	100.00%	Note 1 and Note 5

Note 1: The subsidiaries are not significant subsidiaries from January 1 to 31 March 2023 and 2022, and their financial reports have not been reviewed by CPAs.

Note 2: Chung-Chiang Investment Co., Ltd. increased its capital in March and April 2022, and the Company subscribed for 2,000,000 and 3,500,000 shares, respectively.

Note 3: KYE Trade (HK) Co., Ltd. increased its capital in August 2022. British Cayman Islands Genius Holding Co., Ltd. subscribed for 2,713,000 shares.

Note 4: Suo-Yi Electronic Technology (Shanghai) Ltd. and You-Xiang Electronic Technology (Shanghai) Ltd. applied for establishment in January 2015, but both companies did not invest capital and operate, and the cancelation of registration was completed in September 2022.

Note 5: Dongguan Gaoying Electronic Technology Co., Ltd. has ceased operations in December 2022 and completed its liquidation in April 2023.

(2) Subsidiaries excluded from the consolidated financial statements: None.

(3) Details of subsidiaries that have material non-controlling interests: None.

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

INVESTMENTS IN ASSOCIATES

	<u>31 March 2023</u>	<u>31 December 2022</u>	<u>31 March 2022</u>
Material associates			
Timing Pharmaceutical Co., Ltd. (Timing Pharmaceutical Company)	\$ 231,392	\$ 223,170	\$ 207,204
Coretek Opto Corporation (Coretek Opto)	<u>112,211</u>	<u>118,213</u>	<u>122,488</u>
	343,603	341,383	329,692
Associates that are not individually material	<u>71,086</u>	<u>68,607</u>	<u>84,999</u>
	<u>\$ 414,689</u>	<u>\$ 409,990</u>	<u>\$ 414,691</u>

	<u>Shareholding and voting rights ratio</u>		
<u>Company name</u>	<u>31 March 2023</u>	<u>31 December 2022</u>	<u>31 March 2022</u>
Timing Pharmaceutical Company	22.64%	22.64%	22.64%
Coretek Opto	33.28%	33.28%	32.08%

In March 2022, KYE and its subsidiaries acquired 8,000,000 ordinary shares of Coretek Opto for \$80,000,000. The Corporation and its subsidiaries' percentage of ownership increased to 32.08% after the acquisition. The Company had significant influence on it and reclassified financial assets at fair value through other comprehensive income to investments accounted for using equity method, and recognized a loss on disposal of equity instruments at fair value through other comprehensive income of \$26,985,000 to retained earnings. Coretek Opto bought back 1,300,000 treasury shares in April 2022, so the shareholding ratio of the company and its subsidiaries increased to 33.28% due to the decrease in the number of outstanding shares of Coretek Opto. The Company hold 33.28% of the voting rights of Coretek Opto and is the single largest shareholder. After considering the number and distribution of voting rights relative to other shareholders, and the voting pattern of the previous shareholders' meeting shows that other shareholders are not

passive, the Company cannot appoint more than half of the members of the governance unit, so they cannot direct the relevant activities of Coretek Opto and therefore have no control over it. The management of the Company believe that it only has a significant impact on Coretek Opto, so it is listed as an associate of the Corporation and its subsidiaries.

Investments accounted for using the equity method, the Company's share of profit or loss and other comprehensive income are based on the associates' financial statements which have not been reviewed. Management believes there is no material impact on the equity method accounting or the calculation of the share of profit or loss and other comprehensive income from the associates.

14. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and structures	Machinery equipment	Leasehold improvements	Miscellaneous equipment	Total Shares
<u>Cost</u>						
Balance at 1 January 2023	\$ 470,839	\$ 218,825	\$ 160,232	\$ 23,736	\$ 96,620	\$ 970,252
Additions	-	-	-	-	116	116
Disposals	-	-	(787)	-	-	(787)
Net exchange differences	-	-	(782)	-	8	(774)
Balance at 31 March 2023	<u>\$ 470,839</u>	<u>\$ 218,825</u>	<u>\$ 158,663</u>	<u>\$ 23,736</u>	<u>\$ 96,744</u>	<u>\$ 968,807</u>
<u>Accumulated depreciation and impairment</u>						
Balance at 1 January 2023	\$ 11,046	\$ 92,936	\$ 139,160	\$ 10,880	\$ 71,557	\$ 325,579
Disposals	-	-	(463)	-	-	(463)
Depreciation expense	-	1,042	1,039	1,187	2,470	5,738
Net exchange differences	-	-	(362)	-	8	(354)
Balance at 31 March 2023	<u>\$ 11,046</u>	<u>\$ 93,978</u>	<u>\$ 139,374</u>	<u>\$ 12,067</u>	<u>\$ 74,035</u>	<u>\$ 330,500</u>
31 March 2023 net	<u>\$ 459,793</u>	<u>\$ 124,847</u>	<u>\$ 19,289</u>	<u>\$ 11,669</u>	<u>\$ 22,709</u>	<u>\$ 638,307</u>
31 December 2022 and 1 January 2023 net	<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 at 1 January 2022	\$ 470,839	\$ 218,825	\$ 176,560	\$ 51,335	\$ 216,843	\$ 1,134,402
Additions	-	-	-	246	2,784	3,030
Disposals	-	-	-	(17,070)	(318)	(17,388)
Net exchange differences	-	-	2,144	-	119	2,263
Transfer between items	-	-	-	252	-	252
Balance as of 31 March 2022	<u>\$ 470,839</u>	<u>\$ 218,825</u>	<u>\$ 178,704</u>	<u>\$ 34,763</u>	<u>\$ 219,428</u>	<u>\$ 1,122,559</u>
<u>Accumulated depreciation and impairment</u>						
Balance at 1 January 2022	\$ 11,046	\$ 88,766	\$ 151,581	\$ 32,891	\$ 188,069	\$ 472,353
Disposals	-	-	-	(17,070)	(318)	(17,388)
Depreciation expense	-	1,042	1,219	1,757	2,151	6,169
Net exchange differences	-	-	801	-	117	918
Balance as of 31 March 2022	<u>\$ 11,046</u>	<u>\$ 89,808</u>	<u>\$ 153,601</u>	<u>\$ 17,578</u>	<u>\$ 190,019</u>	<u>\$ 462,052</u>
31 March 2022 net	<u>\$ 459,793</u>	<u>\$ 129,017</u>	<u>\$ 25,103</u>	<u>\$ 17,185</u>	<u>\$ 29,409</u>	<u>\$ 660,507</u>

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings and structures	20 to 55 years
Machinery equipment	2 to 12 years
Leasehold improvements	4 to 15 years
Miscellaneous equipment	1-10 years

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 29.

15. LEASE ARRANGEMENTS

(1) Right-of-use assets

	<u>31 March 2023</u>	<u>31 December 2022</u>	<u>31 March 2022</u>
Carrying amount of right-of-use assets			
Building	\$ -	\$ 4,354	\$ 18,339
Office equipment	398	421	490
Transportation equipment	-	-	4,052
	<u>\$ 398</u>	<u>\$ 4,775</u>	<u>\$ 22,881</u>
		<u>1 January to 31 March 2023</u>	<u>1 January to 31 March 2022</u>
Depreciation charge for right-of-use assets			
Building		\$ 4,354	\$ 4,749
Office equipment		23	23
Transportation equipment		-	824
		<u>\$ 4,377</u>	<u>\$ 5,596</u>

(2) Lease liabilities

	<u>31 March 2023</u>	<u>31 December 2022</u>	<u>31 March 2022</u>
Carrying amount of lease liabilities			
Current	<u>\$ 91</u>	<u>\$ 5,670</u>	<u>\$ 27,673</u>
Non-current	<u>\$ 312</u>	<u>\$ 335</u>	<u>\$ 2,253</u>

Range of discount rate for lease liabilities was as follows:

	<u>31 March 2023</u>	<u>31 December 2022</u>	<u>31 March 2022</u>
Building	-	1.50% ~ 1.69%	1.50% ~ 1.69%
Office equipment	1.50%	1.50%	1.50%
Transportation equipment	-	1.25% ~ 1.69%	1.25% ~ 1.69%

(3) Material leasing activities and terms

The Group leases buildings, office equipment and transportation equipment for manufacturing, office and business purposes with lease terms of 2019 to 2027. The Corporation and its subsidiaries do not have renewal or bargain purchase options to acquire the assets at the end of the lease terms.

(4) Other lease information

	<u>1 January to 31 March 2023</u>	<u>1 January to 31 March 2022</u>
Expenses relating to short-term leases	<u>\$ 236</u>	<u>\$ 1,266</u>
Expenses relating to low-value asset leases	<u>\$ 12</u>	<u>\$ 15</u>
Total cash outflow for leases	<u>\$ 5,850</u>	<u>\$ 9,103</u>

All lease commitments with lease terms commencing after the balance sheet dates are as follows:

	<u>31 March 2023</u>	<u>31 December 2022</u>	<u>31 March 2022</u>
Lease commitments	<u>\$ 1,188</u>	<u>\$ -</u>	<u>\$ 2,767</u>

16. INVESTMENT PROPERTY

	<u>Investment property</u>
<u>Cost</u>	
Balance at 1 January 2023	\$ 730,108
Disposals	(52,765)
Net exchange differences	(2,464)
Balance at 31 March 2023	<u>\$ 674,879</u>
<u>Accumulated depreciation and impairment</u>	
Balance at 1 January 2023	(\$ 35,694)
Depreciation expense	(548)
Net exchange differences	93
Balance at 31 March 2023	<u>(\$ 36,149)</u>
Balance at 31 March 2023	<u>\$ 638,730</u>
Balance at 31 December 2022 and 1 January 2023	<u>\$ 694,414</u>

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	<u>Investment property</u>
<u>Cost</u>	
Balance at 1 January 2022	\$ 595,521
Additions	12
Net exchange differences	<u>9,984</u>
Balance as of 31 March 2022	<u>\$ 605,517</u>
 <u>Accumulated depreciation and impairment</u>	
Balance at 1 January 2022	(\$ 33,417)
Depreciation expense	(535)
Net exchange differences	<u>(181)</u>
Balance as of 31 March 2022	<u>(\$ 34,133)</u>
 Balance as of 31 March 2022	 <u>\$ 571,384</u>

Investment properties are depreciated using the straight-line method over their estimated useful lives of 50 years.

The fair value of investment properties for the years ended 31 December 2022 and 2021 was \$748,348,000 and \$593,716,000, respectively. The management of the Company and its subsidiaries assessed that there was no significant change in the fair value as of 31 March 2023 and 2022 compared to 31 December 2022 and 2021.

The investment properties pledged as collateral for bank borrowings are set out in Note 29.

17. BORROWINGS

LONG-TERM LOANS

	<u>31 March 2023</u>	<u>31 December 2022</u>	<u>31 March 2022</u>
Variable interest rate liabilities:			
Chinatrust Commercial Bank Mortgage loan, maturing in February 2043 (Note 1)	\$ 137,418	\$ 138,000	\$ 138,000
Mortgage loan, maturing in August 2026 (Note 2)	83,333	85,833	93,333
Chang Hwa Commercial Bank Mortgage loan, maturing in January 2041 (Note 3)	109,154	110,000	110,000
Total Shares	<u>329,905</u>	<u>333,833</u>	<u>341,333</u>
Less: Long-term loans due within 1 year	<u>(20,686)</u>	<u>(19,337)</u>	<u>(11,366)</u>
	<u>\$ 309,219</u>	<u>\$ 314,496</u>	<u>\$ 329,967</u>

Note 1: The interest rate was 2.1%, 2.1% and 1.5% on 31 March 2023, 31 December 2022 and 31 March 2022, respectively. The principal and interest will be repaid monthly from March 2023.

Note 2: The interest rate was 2.2%, 2.1% and 1.5% on 31 March 2023, 31 December 2022 and 31 March 2022, respectively. The principal and interest will be repaid monthly from August 2021.

Note 3: The interest rate was 2.2%, 2.0% and 1.6% on 31 March 2023, 31 December 2022 and 31 March 2022, respectively. The principal and interest will be repaid monthly from February 2023.

Refer to Note 29 for the carrying amount of properties and investment properties that had been pledged by the Corporation and its subsidiaries to secure borrowings.

18. NOTES AND ACCOUNTS PAYABLE

Accounts payable do not include interest. The Corporation and its subsidiaries have financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

19. OTHER PAYABLES

	<u>31 March 2023</u>	<u>31 December 2022</u>	<u>31 March 2022</u>
Payables for salaries or bonuses	\$ 11,562	\$ 31,248	\$ 16,411
Payables for professional fees	6,719	5,044	4,221
Market promotion expenses payable	4,668	2,118	4,815
Other:	<u>20,020</u>	<u>21,832</u>	<u>20,612</u>
	<u>\$ 42,969</u>	<u>\$ 60,242</u>	<u>\$ 46,059</u>

20. RETIREMENT BENEFIT PLANS

The pension costs under the defined benefit plans for the years ended 31 March 2023 and 2022 were \$19,000 and \$30,000, respectively, and were calculated using the actuarially determined pension cost rate as of 31 December 2022 and 2021.

21. EQUITY

(1) Share capital

	<u>31 March 2023</u>	<u>31 December 2022</u>	<u>31 March 2022</u>
Number of shares authorized (in thousands)	<u>390,000</u>	<u>390,000</u>	<u>390,000</u>
Authorized capital	<u>\$ 3,900,000</u>	<u>\$ 3,900,000</u>	<u>\$ 3,900,000</u>
Number of shares issued and fully paid (in thousands)	<u>221,528</u>	<u>221,528</u>	<u>221,528</u>
Shares issued	<u>\$ 2,215,285</u>	<u>\$ 2,215,285</u>	<u>\$ 2,215,285</u>

Fully paid ordinary shares, which have a par value of \$10, carry one vote per share and carry a right to dividends.

A total of 25,000,000 shares of the Company's authorized shares were reserved for the issuance of employee share options.

(2) Capital surplus

	31 March 2023	31 December 2022	31 March 2022
Share premium	\$ 85,527	\$ 85,527	\$ 129,833
Treasury share transactions	156,114	156,114	156,114
Long-term investment	<u>29,484</u>	<u>29,262</u>	<u>23,691</u>
	<u>\$ 271,125</u>	<u>\$ 270,903</u>	<u>\$ 309,638</u>

The capital surplus generated from donations and the excess of the issuance price over the par value of share capital (including the shares issued from new capital, mergers and treasury shares) may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or share dividends up to a certain percentage of the Company's paid-in capital.

The capital surplus generated from equity transactions resulting from changes in ownership interests in subsidiaries or from changes in capital surplus of subsidiaries accounted for using the equity method may only be used to offset a deficit.

(3) Retained earnings and dividends policy

Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. If there is still a surplus, it will be distributed to shareholders as dividends and bonuses with undistributed earnings. The distribution of dividends to shareholders shall be distributed in stock dividends or cash dividends. The cash dividends shall not be less than 10% of the total dividends to shareholders, and the rest shall be paid in stock dividends. However, if the cash dividend per share is less than NT \$0.1 (inclusive), it may not be paid, and it will be paid in stock dividends instead.

For the policies on the distribution of employees' compensation and remuneration of directors after the amendment, refer to employees' compensation and remuneration of directors in Note 23-(4).

The shareholders of the Company held their regular meeting on 21 June 2019 and in that meeting, resolved the amendments to the Company's Articles of Incorporation (the "Articles"). The earnings distribution and offsetting of deficit can be made after the end of each quarter.

An appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of earnings for 2022 and 2021, which were approved in the shareholders' meetings on 14 March 2023 and 9 June 2022, respectively, were as follows:

	<u>2022</u>	<u>2021</u>
Legal reserve	<u>\$ 3,622</u>	<u>\$ 5,506</u>
Special reserve	<u>\$ 30,116</u>	<u>\$ 49,560</u>

In addition, in accordance with Article 241 of the Company Act, the Company's board of directors proposed on 14 March 2023 and the resolution of the annual shareholders' meeting on 9 June 2022, to issue ordinary shares at a premium, additional paid-in capital of \$44,306,000, in excess of par value, and distribute cash dividends to shareholders.

The appropriation of earnings for 2022 is subject to the resolution of the shareholders in the shareholders' meeting to be held on 21 June 2023.

(4) Other equity Items

A. Foreign exchange differences on translation of foreign companys' financial statements

	<u>1 January to 31 March 2023</u>	<u>1 January to 31 March 2022</u>
Beginning balance	<u>(\$ 8,938)</u>	<u>(\$ 66,113)</u>
Arising during the period		
Foreign operations		
Exchange differences	(8,419)	37,408
Share from associates accounted for using the equity method	<u>1,542</u>	<u>(3,926)</u>
Other comprehensive income this period	<u>(6,877)</u>	<u>33,482</u>
Ending balance	<u>(\$ 15,815)</u>	<u>(\$ 32,631)</u>

B. Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income

	1 January to 31 March 2023	1 January to 31 March 2022
Beginning balance	<u>(\$ 630,209)</u>	<u>(\$ 601,087)</u>
Arising during the period		
Unrealized gain (loss)- equity instruments	2,305	(28,700)
Share from associates accounted for using the equity method	(1,420)	<u>20</u>
Other comprehensive income this period	<u>885</u>	<u>(28,680)</u>
Disposal gain (loss) of equity instruments transferred to retained earnings	<u>-</u>	<u>26,985</u>
Ending balance	<u>(\$ 629,324)</u>	<u>(\$ 602,782)</u>

22. REVENUE

	1 January to 31 March 2023	1 January to 31 March 2022
Revenue from contracts with customers		
Sale of goods	\$ 175,149	\$ 282,752
Other operating revenue		
Other income	<u>-</u>	<u>59</u>
	<u>\$ 175,149</u>	<u>\$ 282,811</u>

(1) Customer Contract Description

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

(2) Contract balances

	31 March 2023	31 December 2022	31 March 2022	1 January 2022
Total notes and accounts receivable (Note 9)	<u>\$ 69,364</u>	<u>\$ 60,555</u>	<u>\$ 105,746</u>	<u>\$ 115,854</u>

(3) Disaggregation of revenue

	1 January to 31 March 2023	1 January to 31 March 2022
Computer peripherals	<u>\$ 121,585</u>	<u>\$ 148,165</u>
Video and optoelectronic products	51,792	130,658
Consumer electronics	1,742	3,666
Others	<u>30</u>	<u>263</u>
	<u>\$ 175,149</u>	<u>\$ 282,752</u>

23. COMPREHENSIVE INCOME

(1) Other gains and losses

	1 January to 31 March 2023	1 January to 31 March 2022
Gain on disposal of investment properties	\$ 8,820	\$ -
Rental income	5,318	3,358
Net foreign exchange (loss) gain	(615)	5,513
Gain on disposal of investments	-	4,403
Other income and expenses	<u>1,371</u>	<u>726</u>
	<u>\$ 14,894</u>	<u>\$ 14,000</u>

(2) Depreciation and amortization

	1 January to 31 March 2023	1 January to 31 March 2022
Property, plant and equipment	\$ 5,738	\$ 6,169
Investment property	548	535
Right-of-use assets	4,377	5,596
Other non-current assets	<u>1,974</u>	<u>833</u>
	<u>\$ 12,637</u>	<u>\$ 13,133</u>

An analysis of depreciation by function

Operating costs	\$ 4,564	\$ 4,558
Operating expenses	5,551	7,207
Other gains and losses	<u>548</u>	<u>535</u>
	<u>\$ 10,663</u>	<u>\$ 12,300</u>

An analysis of amortization by function

Operating costs	\$ 288	\$ 81
Operating expenses	<u>1,686</u>	<u>752</u>
	<u>\$ 1,974</u>	<u>\$ 833</u>

(3) Employee benefits expense

	1 January to 31 March 2023	1 January to 31 March 2022
Retirement benefits		
Defined contribution plan	\$ 983	\$ 997
Defined benefit plans (Note 20)	<u>19</u>	<u>30</u>
	1,002	1,027

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	1 January to 31 March 2023	1 January to 31 March 2022
Termination benefits	\$ 604	\$ 542
Other employee benefits	<u>39,654</u>	<u>34,157</u>
Total employee benefits expense	<u>\$ 41,260</u>	<u>\$ 35,726</u>
Summary by function		
Operating costs	\$ 4,387	\$ 1,846
Operating expenses	<u>36,873</u>	<u>33,880</u>
	<u>\$ 41,260</u>	<u>\$ 35,726</u>

(4) Employees' compensation and remuneration of directors

The Company accrued employees' compensation and remuneration of directors at the rates no less than 1% and no higher than 15%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors for the years ended 31 March 2023 and 2022 were as follows:

Estimated ratio

	1 January to 31 March 2023	1 January to 31 March 2022
Employees' compensation	2%	2%
Remuneration of directors	1%	1%

Amount

	1 January to 31 March 2023	1 January to 31 March 2022
Employees' compensation	<u>\$ 438</u>	<u>\$ 294</u>
Remuneration of directors	<u>\$ 217</u>	<u>\$ 146</u>

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

The employees' compensation and remuneration of directors for the years ended 31 December 2022 and 2021 which have been approved by the Company's board of directors on 14 March 2023 and 17 March 2022, respectively, were as follows:

<u>Amount</u>	<u>2022</u>	<u>2021</u>
Employees' compensation	\$ 1,192	\$ 1,682
Remuneration of directors	\$ 596	\$ 840

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended 31 December 2022 and 2021.

Information on the compensation of employees and remuneration of directors resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

24. INCOME TAX

(1) Income tax recognized in profit or loss

The major components of income tax expenses are as follows: Item

	<u>1 January to 31 March 2023</u>	<u>1 January to 31 March 2022</u>
Income tax		
Arising from current period	\$ 286	\$ 1,235
Tax on undistributed surplus earnings	124	-
Deferred income tax		
Arising from current period	<u>3,758</u>	<u>4,251</u>
Income tax expense recognized in profit or loss	<u>\$ 4,168</u>	<u>\$ 5,486</u>

(2) Total recognized in other income tax

	<u>1 January to 31 March 2023</u>	<u>1 January to 31 March 2022</u>
<u>Deferred income tax</u>		
Arising during the period		
— Translation of foreign operations	\$ 687	(\$ 3,926)
— Unrealized gains (losses) from financial assets measured at fair value through other total	<u>277</u>	<u>1</u>
Recognized in profit or loss of other total income tax	<u>\$ 964</u>	<u>\$ 3,925</u>

(3) Approval of income tax

The income tax return declaration of the Company, Hong Cheng Investment Co., Ltd. and Digilife Technologies Co., Ltd. as of the year 2020 has been ratified by the tax collection authority; The income tax return declaration of Chung-Chiang Investment Co., Ltd. as of the end of 2019 has been ratified by the tax collection authority.

25. EARNING PER SHARE

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share were as follows:

Net income

	<u>1 January to 31 March 2023</u>	<u>1 January to 31 March 2022</u>
Net profit attributable to owners of the Company	\$ 18,564	\$ 7,771
Effect of potentially dilutive ordinary shares:		
Employees' compensation	-	-
Earnings used in the computation of diluted earnings per share	<u>\$ 18,564</u>	<u>\$ 7,771</u>

Shares

	<u>1 January to 31 March 2023</u>	Unit: thousand shares <u>1 January to 31 March 2022</u>
Weighted average number of ordinary shares used in the computation of basic earnings per share	221,528	221,528
Effect of potentially dilutive ordinary shares:		
Employees' compensation	<u>135</u>	<u>159</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>221,663</u>	<u>221,687</u>

Since the Corporation and its subsidiaries offered to settle compensation paid to employees in cash or shares, the Corporation and its subsidiaries assumed the entire amount of the compensation will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

26. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged.

The capital structure of the Corporation and its subsidiaries consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Corporation and its subsidiaries (comprising issued capital, reserves, retained earnings and other equity), Item.

The Group is not subject to any externally imposed capital requirements. Key management personnel of the Company review the capital structure on an annual basis. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Corporation and its subsidiaries may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and/or the amount of new debt issued or existing debt redeemed.

27. FINANCIAL INSTRUMENTS

(1) Fair value of financial instruments-not measured at fair value

The Group's financial instruments that are not measured at fair value, such as cash and cash equivalents, notes and accounts receivable, finance lease payments receivable, other receivables, guarantee deposits paid, notes and accounts payable, other payables, long-term borrowings due within one year, long-term borrowings, guarantee deposits received, etc., have a carrying amount that is a reasonable approximation of fair value, so their fair value is not disclosed.

(2) Fair value of financial instruments-measured at fair value on a recurring basis

A. Fair value hierarchy

31 March 2023

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total Shares</u>
<u>Financial assets at fair value</u>				
<u>through profit or loss</u>				
Equity instruments investment				
- Domestic listed (OTC) stocks	<u>\$ 1,258</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,258</u>
<u>Financial assets at fair value</u>				
<u>through other comprehensive</u>				
<u>income</u>				
Equity instruments investment				
- Domestic listed (OTC) stocks	\$ 39,616	\$ -	\$ 4,934	\$ 44,550
- Domestic unlisted (counter)				
stocks	-	-	22,360	22,360
- Overseas unlisted (non-OTC)				
stocks	<u>-</u>	<u>-</u>	<u>69,802</u>	<u>69,802</u>
Total Shares	<u>\$ 39,616</u>	<u>\$ -</u>	<u>\$ 97,096</u>	<u>\$ 136,712</u>

31 December 2022

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

31 March 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total Shares</u>
<u>Financial assets at fair value</u>				
<u>through profit or loss</u>				
Equity instruments investment				
- Domestic listed (OTC) stocks	<u>\$ 1,384</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,384</u>
<u>Financial assets at fair value</u>				
<u>through other comprehensive</u>				
<u>income</u>				
Equity instruments investment				
- Domestic listed (OTC) stocks	\$ 40,383	\$ -	\$ 10,312	\$ 50,695
- Domestic unlisted (counter) stocks	-	-	20,342	20,342
- Overseas unlisted (non-OTC) stocks	-	-	<u>116,632</u>	<u>116,632</u>
Total Shares	<u>\$ 40,383</u>	<u>\$ -</u>	<u>\$ 147,286</u>	<u>\$ 187,669</u>

There were no transfers between Level 1 and Level 2 in 2023 and January 1 to 31 March 2022.

B. Reconciliation of Level 3 fair value measurements of financial instruments

January 1 to 31 March 2023

Beginning balance	<u>\$ 98,796</u>
Recognized in other total income	(1,133)
Exchange differences on translating the financial statements of foreign operations	<u>(567)</u>
Ending balance	<u>\$ 97,096</u>

Financial Assets at Fair value measured through other comprehensive income

January 1 to 31 March 2022

	Financial Assets at Fair value measured through other comprehensive income
Beginning balance	\$ 207,506
Recognized in other total income	(3,921)
Disposals	(60,033)
Exchange differences on translating the financial statements of foreign operations	<u>3,734</u>
Ending balance	<u>\$ 147,286</u>

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

For the domestic and foreign non-listed (non-OTC) stocks held by the Company and its subsidiaries and measured at fair value, the fair value is determined with reference to the price supported by the observable market price or estimated using the comparable company method. The fair value of the privately-placed shares of domestic listed companies is determined using the option pricing model based on the observable market price of the underlying asset.

(3) Categories of financial instruments

	<u>31 March 2023</u>	<u>31 December 2022</u>	<u>31 March 2022</u>
<u>Financial assets</u>			
Fair value through profit or loss			
Mandatorily measured at fair value through profit or loss	\$ 1,258	\$ 1,085	\$ 1,384
Financial Assets measured at amortized cost (Note 1)	1,235,680	1,177,179	1,069,902
Financial assets at fair value through other comprehensive income			
Equity instruments investment	136,712	135,255	187,669
<u>Financial liabilities</u> at amortized cost (2)	405,589	443,557	411,943

Note 1: The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes and accounts receivable, finance lease receivables, other receivables, financial assets at amortized cost-current and refundable deposits.

Note 2: The balances include financial liabilities at amortized cost, which comprise notes and accounts payable, other payables, current portion of long-term borrowings, long-term borrowings and guarantee deposits received.

(4) Financial risk management objectives and policies

The Corporation and its subsidiaries' major financial instruments include equity investments, trade receivables, trade payables, borrowings and lease liabilities. The Group's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Corporation and its subsidiaries sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Corporation and its subsidiaries' policies approved by the board of directors or shareholders' meeting, which provided written principles on foreign currency risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Corporation and its subsidiaries did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The corporate treasury function reports quarterly to the Group's board of directors.

A. Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below). The Corporation and its subsidiaries entered into a variety of derivative financial instruments to manage their exposure to foreign currency risk.

There had been no change to the Group's exposure to market risks or the manner in which these risks were managed and measured.

(a) Foreign exchange risk

The Corporation and its subsidiaries had foreign currency sales and purchases, which exposed the Corporation and its subsidiaries to foreign currency risk. More than 76% of the sales of KYE and subsidiaries are not denominated in KYE's functional currency, and more than 99% of the purchases are not denominated in KYE's functional currency. Exchange rate exposures were managed within approved policy parameters utilizing currency options.

The carrying amounts of the Corporation and its subsidiaries' foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 31.

Sensitivity analysis

The Corporation and its subsidiaries were mainly exposed to the currency USD.

The following table details the Corporation and its subsidiaries' sensitivity to a 1% increase and decrease in the New Taiwan dollar (the functional currency) against the U.S. dollar. The sensitivity analysis included only outstanding foreign currency denominated monetary items, Item, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates a decrease in pre-tax profit associated with the New Taiwan dollar strengthening 1% against the U.S. dollar. For a 1% weakening of NTD against USD, there would be an equal and opposite impact on pre-tax profit and the balances below would be negative.

	1 January to 31 March 2023	1 January to 31 March 2022
Profit or loss (Note)	\$ 6,601	\$ 5,906

(Note) This was mainly attributable to the exposure on outstanding USD receivables and payables which were not hedged at the end of the reporting period.

In management's opinion, the sensitivity analysis was unrepresentative of the inherent foreign exchange risk because the sales are seasonal and the exposure at the end of the reporting period did not reflect the exposure during the period.

(b) Interest rate risk

The Corporation and its subsidiaries were exposed to interest rate risk because entities in the Corporation and its subsidiaries borrowed funds at both fixed and floating interest rates.

The carrying amounts of the Corporation and its subsidiaries' financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	31 March 2023	31 December 2022	31 March 2022
Fair value interest rate risk			
- Financial assets	\$ 620,175	\$ 642,251	\$ 374,988
- Financial liabilities	403	6,005	29,926
Cash flow interest rate risk			
- Financial assets	519,386	387,852	497,698
- Financial liabilities	329,905	333,833	341,333

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. The analysis was prepared assuming the amount of each asset and liability outstanding at the end of the reporting period was outstanding for the whole year.

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended 31 March 2023 and 2022 would increase/decrease by \$304,000 and \$912,000, respectively.

(c) Other price risk

The Corporation and its subsidiaries were exposed to equity price risk through their investments in equity securities. Equity investments are held for strategic rather than trading purposes. The Group manages this exposure by maintaining a portfolio of investments with different risks. The Corporation and its subsidiaries' equity price risk was mainly concentrated on equity instruments operating in the electronics industry quoted in the Taiwan Stock Exchange. In addition, the Company has appointed a special team to monitor price risk.

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 1% higher/lower, pre-tax profit for the years ended 31 March 2023 and 2022 would have increased/decreased by \$13,000 and \$14,000, respectively, as a result of the changes in fair value of financial assets at FVTPL. If equity prices had been 1% higher/lower for the years ended 31 March 2023 and 2022, pre-tax other income of total would have increased/decreased by \$1,367,000 and \$1,877,000, respectively, as a result of the changes in fair value of financial assets at fair value through other comprehensive income of total.

B. Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to the failure of counterparties to discharge an obligation, could arise from the carrying amount of the respective recognized financial assets as stated in the balance sheets.

In order to minimize credit risk, the management of the Corporation and its subsidiaries has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Corporation and its subsidiaries review the recoverable amount of each individual

trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Corporation and its subsidiaries' credit risk was reduced.

In addition, since the counterparties of liquidity and derivative financial instruments are financial institutions with good credit ratings, no significant credit risk is expected.

Trade receivables consisted of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of trade receivables and, where appropriate, credit guarantee insurance cover is purchased.

As of 31 March 2023, 31 December 2022 and 31 March 2022, the Company's ten largest customers accounted for 67%, 50% and 69% of accounts receivable, respectively. The Company believes the concentration of credit risk is insignificant for the remaining accounts receivable.

C. Liquidity risk

The objective of liquidity risk management of the Corporation and its subsidiaries is to maintain cash and cash equivalents, highly liquid securities and sufficient bank financing lines required for operations to ensure that the Corporation and its subsidiaries have sufficient financial flexibility.

Liquidity and interest rate risk tables

The following table details the Corporation and its subsidiaries' remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods based on the probable earliest repayment dates. The table was drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Corporation and its subsidiaries can be required to pay. The table includes both interest and principal cash flows.

31 March 2023

	Less than 1 Year	1-2 Years	2-5 years	Over 5 years
<u>Non-derivative financial liabilities</u>				
Non-interest bearing liabilities	\$ 75,684	\$ -	\$ -	\$ -
Lease liabilities	96	96	224	-
Floating interest rate liabilities	<u>27,604</u>	<u>27,375</u>	<u>112,545</u>	<u>220,860</u>
	<u>\$ 103,384</u>	<u>\$ 27,471</u>	<u>\$ 112,769</u>	<u>\$ 220,860</u>

<u>31 December 2022</u>				
	<u>Less than 1 Year</u>	<u>1-2 Years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
<u>Non-derivative financial liabilities</u>				
<u>Non-interest bearing liabilities</u>				
Lease liabilities	\$ 109,724	\$ -	\$ -	\$ -
Floating interest rate liabilities	5,690	96	248	-
	<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>

<u>31 March 2022</u>				
	<u>Less than 1 Year</u>	<u>1-2 Years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
<u>Non-derivative financial liabilities</u>				
<u>Non-interest bearing liabilities</u>				
Lease liabilities	\$ 70,610	\$ -	\$ -	\$ -
Floating interest rate liabilities	27,913	1,289	965	-
	<u>13,172</u>	<u>26,237</u>	<u>120,669</u>	<u>224,923</u>
	<u>\$ 111,695</u>	<u>\$ 27,526</u>	<u>\$ 121,634</u>	<u>\$ 224,923</u>

Further information on the maturity analysis of the above financial liabilities is as follows:

31 March 2023

	<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>20 + Years</u>
Floating interest rate liabilities	<u>\$ 27,604</u>	<u>\$ 139,920</u>	<u>\$ 79,178</u>	<u>\$ 79,181</u>	<u>\$ 62,501</u>	<u>\$ -</u>

31 December 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>20 + Years</u>
Floating interest rate liabilities	<u>\$ 25,456</u>	<u>\$ 142,331</u>	<u>\$ 78,809</u>	<u>\$ 78,813</u>	<u>\$ 64,829</u>	<u>\$ 1,411</u>

31 March 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>20 + Years</u>
Floating interest rate liabilities	<u>\$ 13,172</u>	<u>\$ 146,906</u>	<u>\$ 75,280</u>	<u>\$ 75,281</u>	<u>\$ 67,038</u>	<u>\$ 7,324</u>

28. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Corporation and other related parties are disclosed below.

(1) Related party name and category

<u>Name of related parties</u>	<u>Relationship with the Company and subsidiaries</u>
Dongguan Xieying Computers Co., Ltd.	Related party in substance
Chen-Ping Yang	Related party in substance
Hsiu-Chin Hsu	Related party in substance

(2) Operating transactions

	<u>1 January to 31 March 2023</u>	<u>1 January to 31 March 2022</u>
<u>Processing revenue</u>		
Related party in substance	<u>\$ -</u>	<u>\$ 59</u>

The payment terms for export sales of KYE and subsidiaries are usually wire transfer, spot or forward letter of credit and delivery of payment (D/P); The sales and processing income to Dongguan Xieying Computers Co., Ltd. is calculated on a monthly basis for 30 days. The selling prices for related parties were similar to those for third-party customers.

	<u>1 January to 31 March 2023</u>	<u>1 January to 31 March 2023</u>
<u>Manufacturing expenses</u>		
Related party in substance	<u>\$ -</u>	<u>\$ 3,710</u>

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

	<u>31 March 2023</u>	<u>31 December 2022</u>	<u>31 March 2022</u>
Related party in substance	<u>\$ -</u>	<u>\$ 60</u>	<u>\$ -</u>

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

	<u>31 March 2023</u>	<u>31 December 2022</u>	<u>31 March 2022</u>
Related party in substance	<u>\$ -</u>	<u>\$ 15,408</u>	<u>\$ 1,346</u>

The outstanding trade payables to related parties are unsecured and will be settled in cash.

(3) Lease agreement

<u>Related Party Category/Name</u>	<u>1 January to 31 March 2023</u>	<u>1 January to 31 March 2022</u>
<u>Rent expense</u>		
Related party in substance	<u>\$ 224</u>	<u>\$ 1,045</u>

The Corporation and its subsidiaries rent properties from related parties in substance for the use of warehouses, offices, and employee dormitories with lease terms equivalent to general non-related parties.

(4) Compensation of key management personnel

	1 January to 31 March 2023	1 January to 31 March 2022
Short-term employee benefits	\$ 7,847	\$ 8,385
Retirement benefits	<u>122</u>	<u>119</u>
	<u>\$ 7,969</u>	<u>\$ 8,504</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were pledged or mortgaged to banks as collateral for issuance of letters of credit and short-term loans:

Collateral for long-term borrowings:

	31 March 2023	31 December 2022	31 March 2022
Real estate – net	\$ 517,278	\$ 517,847	\$ 513,237
Investment property – net	<u>345,381</u>	<u>345,658</u>	<u>346,488</u>
	<u>\$ 862,659</u>	<u>\$ 863,505</u>	<u>\$ 859,725</u>

30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Corporation and its subsidiaries were as follows:

(1) Significant commitments

The total purchase price and paid price of the newly added real estate and pre-sold house purchase contracts of the Company and its subsidiaries are as follows:

	31 March 2023	31 December 2022	31 March 2022
Total contract price	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 128,000</u>
Amount paid (Note)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76,811</u>

Note: Accounted as prepayments for equipment.

(2) Contingencies

SFIPC claimed that the Company was the corporate director of Unity Opto (“Unity Opto”), and that the financial report of Unity Opto had virtual increase in operating income and virtual increase in the amount of work-in-progress to virtual increase in earnings, etc., resulting in an impairment of NT \$569,202,000 to investors, and thus filed a claim for damages against Unity Opto and its directors (including the Company). The Company reached a settlement with SFIPC on 28 December 2022, and the settlement payment (recognized as other income and expenses) has no significant impact on the Company and its subsidiaries. SFIPC has withdrawn the lawsuit against the Company on 30 December 2022.

31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Corporation and its subsidiaries and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

31 March 2023

	<u>Foreign currencies</u>	<u>Exchange Rate</u>	<u>Carrying Amount</u>
<u>Financial assets</u>			
<u>Item</u>			
USD	\$ 21,797	30.450	\$ 663,715
AUD	6,545	20.330	133,052
RMB	12,041	4.431	53,354
HKD	1,291	3.879	5,006
JPY	19,551	0.229	4,473
EUR	59	33.150	1,959
<u>Investments accounted for using equity method</u>			
USD	2,134	30.450	64,995
RMB	1,375	4.431	6,091
<u>Financial assets at fair value through other comprehensive income</u>			
RMB	15,163	4.431	66,296
THB	3,800	0.923	3,507
<u>Financial liabilities</u>			
<u>Item</u>			
RMB	9,217	4.431	40,841
USD	120	30.450	3,662
 31 December 2022			
	<u>Foreign currencies</u>	<u>Exchange Rate</u>	<u>Carrying Amount</u>
<u>Financial assets</u>			
<u>Item</u>			
USD	\$ 20,055	0.710	\$ 615,884
AUD	3,327	20.830	69,304
RMB	14,693	4.408	64,767
HKD	1,315	3.938	5,178

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	<u>F o r e i g n c u r r e n c i e s</u>	<u>E x c h a n g e R a t e</u>	<u>C a r r y i n g A m o u n t</u>
JPY	\$ 19,838	0.232	\$ 4,610
EUR	61	32.720	1,999
<u>Investments accounted for using equity method</u>			
USD	2,074	30.710	63,679
RMB	1,118	4.408	4,929
<u>Financial assets 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>Item</u>			
RMB	13,815	4.408	60,896
USD	150	30.710	4,594
 <u>31 March 2022</u>			
	<u>Foreign currencies</u>	<u>Exchange Rate</u>	<u>Carrying Amount</u>
<u>Financial assets</u>			
<u>Item</u>			
USD	\$ 20,771	28.625	\$ 594,562
RMB	18,486	4.506	83,300
AUD	3,326	21.420	71,249
HKD	1,366	3.656	4,994
JPY	20,019	0.235	4,711
<u>Investments accounted for using equity method</u>			
USD	2,349	28.625	67,292
RMB	1,768	4.506	7,967
THB	737	0.865	637
<u>Financial assets at fair value through other comprehensive income</u>			
RMB	25,197	4.506	113,125
THB	3,800	0.923	3,507
<u>Financial liabilities</u>			
<u>Item</u>			
RMB	7,080	4.506	31,904
USD	137	28.625	3,932

For the period from January 1 to 31 March 2023 and 2022, realized and unrealized foreign exchange gains (losses) were NT \$615,000 and NT \$5,513,000, respectively. Due to the variety of foreign currency transactions and functional currencies of the group entities, it is impossible to disclose foreign exchange gains and losses by each foreign currency with significant impact.

32. NOTE DISCLOSURES

- (1) Information on significant transactions:
 - A. Financing provided to others: None.
 - B. Endorsements/guarantees provided: None.
 - C. Marketable securities held (excluding investment in subsidiaries, associates and joint controlled entities) (Table 1)
 - D. Marketable securities acquired or disposed of at costs or prices of at least NT \$300,000,000 or 20% of the paid-in capital (None)
 - E. Acquisition of individual real estate at costs of at least NT \$300,000,000 or 20% of the paid-in capital (None)
 - F. Disposal of individual real estate at prices of at least NT \$300,000,000 or 20% of the paid-in capital (None)
 - G. Total purchases from or sales to related parties amounting to at least NT \$100,000,000 or 20% of the paid-in capital (None)
 - H. Receivables from related parties amounting to at least NT \$100,000,000 or 20% of the paid-in capital (Table 2)
 - I. Trading in derivative instruments (None)
 - J. Others: Intercompany relationships and significant intercompany transactions (Table 3)
- (2) Information on investees: Table 4 (attached)
- (3) Information on investments in mainland China
 - A. Information on any investee company in mainland China, showing the name, principal business activities, Item, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 5)
 - B. Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses (Table 5):
 - (a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - (b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - (c) The amount of property transactions and the amount of the resultant gains or losses.
 - (d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.

- (e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
 - (f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services.
- (4) Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder. (Table 6)

33. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. The reportable segments of the Company and subsidiaries are the electronic and other segments.

(1) Segment revenue and results

The following was an analysis of the Group's revenue and results from continuing operations by reportable segments:

January 1 to 31 March 2023			
Domestic and overseas operating segments	Electronic products	Other:	Total Shares
Revenue from customers other than the parent company and consolidated subsidiaries	\$ 175,149	\$ -	\$ 175,149
Segment profit (loss)	\$ 2,903	(\$ 3,141)	(\$ 238)
Other gains and losses	2,455	12,439	14,894
Interest income	6,312	130	6,442
Interest expense	(1,731)	(2)	(1,733)
Share of profit of associates accounted for using equity method	2,972	-	2,972
Net profit before tax	<u>\$ 12,911</u>	<u>\$ 9,426</u>	<u>\$ 22,337</u>
January 1 to 31 March 2022			
Domestic and overseas operating segments	Electronic products	Other:	Total Shares
Revenue from customers other than the parent company and consolidated subsidiaries	\$ 282,811	\$ -	\$ 282,811
Segment profit (loss)	\$ 13,130	(\$ 4,026)	\$ 9,104
Other gains and losses	11,725	2,275	14,000
Share of profit of associates accounted for using equity method	(9,139)	-	(9,139)
Interest expense	(1,191)	-	(1,191)
Interest income	279	-	279
Net profit (loss) before tax	<u>\$ 14,804</u>	<u>(\$ 1,751)</u>	<u>\$ 13,053</u>

Segment profit represented the profit before tax earned by each segment without allocation of central administration costs and directors' salaries, share of profit of associates accounted for using the equity method, gain or loss on disposal of associates, rental income, interest income, gain or loss on disposal of property, plant and equipment, gain or loss on disposal of investments, foreign exchange gain or loss, valuation gain or loss on financial instruments, finance costs and income tax expenses. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

(2) Segment total assets and liabilities

	<u>31 March 2023</u>	<u>31 December 2022</u>	<u>31 March 2022</u>
<u>Segment assets</u>			
Electronics	\$ 2,944,610	\$ 2,990,475	\$ 3,042,970
Other:	<u>508,423</u>	<u>497,736</u>	<u>472,537</u>
Consolidated total assets	<u>\$ 3,453,033</u>	<u>\$ 3,488,211</u>	<u>\$ 3,515,507</u>
 <u>Segment liabilities</u>			
Electronics	\$ 463,085	\$ 514,362	\$ 554,337
Other:	<u>5,758</u>	<u>1,733</u>	<u>1,203</u>
Consolidated total liabilities	<u>\$ 468,843</u>	<u>\$ 516,095</u>	<u>\$ 555,540</u>

KYE Systems Corp. and Subsidiaries
 Securities Held at End of Period
 31 March 2023

Table 1

Unit: NT \$ and foreign currency in thousands

Holding Company	Type and Name of Marketable Securities	Marketable securities Relationship with the issuer	Account	Ending Balance			Fair value Note 1
				Shares/Units (thousand shares/thousand units)	Carrying Amount	Shareholding Ratio	
KYE Systems Corp.	<u>Stocks</u> Monterey International Corp.	Nil.	Financial assets at fair value through other total-non-current	1,973	\$ 12,360	7.71%	\$ 12,360
	Ta Shee Resort Co., Ltd. (preferred stock)	Nil.	Financial assets at fair value through other total-non-current	-	9,100	-	9,100
	Unity Opto	Nil.	Financial assets at fair value through other total-current	1,913	-	-	-
	Tian Han (private placement)	Nil.	Financial assets at fair value through other total-non-current	472	(note 3) 4,934	1.70%	(note 3) 4,934
	Unity Opto (Private Placement)	Nil.	Financial assets at fair value through other total-non-current	15,789	-	3.42%	-
Globalink Holding Co., Ltd	<u>Stocks</u> Shenzhen CMK Technology Co., Ltd.	Nil.	Financial assets at fair value through other total-non-current	-	USD 2,177	8.25%	USD 2,177
Hung-Cheng Investment Co., Ltd	<u>Stocks</u> Flytech	Nil.	Financial assets at fair value through other total-current	486	35,659	-	35,659
	Dynamic Medical	Nil.	Financial assets at fair value through other total-current	11	815	-	815
Digilife Technologies Co., Ltd.	<u>Stocks</u> MOTOMOTO Ltd.	Nil.	Financial assets at fair value through other total-non-current	38	3,507	19.00%	3,507
	LIAN, JU Biotechnology Co., Ltd	The director of Digilife Technologies Co., Ltd. is its director	Financial assets at fair value through other total-non-current	90	900	18.00%	900

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Holding Company	Type and Name of Marketable Securities	Marketable securities Relationship with the issuer	Account	Ending Balance			
				Shares/Units (thousand shares/thousand units)	Carrying Amount	Shareholding Ratio	Fair value Note 1
Chung-Chiang Investment Co., Ltd.	Unity Opto	Nil.	Financial assets at fair value through other total-current	597	\$ - (note 3)	-	\$ - (note 3)
	Shin Kong Jin	Nil.	Financial assets at fair value through other total-current	186	1,562	-	1,562
	CPDC	Nil.	Financial assets at fair value through other total-current	160	1,580	-	1,580
	<u>Stocks</u>						
	Sysgration Ltd.	Nil.	Financial assets at fair value through profit or loss-current	20	927	-	927
	Powerchip Semiconductor	Nil.	Financial assets at fair value through profit or loss-current	10	331	-	331

Note 1: The listed and OTC stocks are calculated based on the closing price of the Taiwan Stock Exchange and the Taipei Exchange at the end of March 2023; Trading restricted listed shares in private placement, estimated using the valuation method; Domestic and foreign unlisted stocks are calculated using the valuation method.

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

Note 3: Since Unity Opto ceased trading on 7 April 2020, there was no open market circulation price and verified financial figures as the basis for evaluation. The fair value of the equity of Unity Opto was assessed to be 0.

KYE Systems Corp. and Subsidiaries

Receivables from related parties amounting to at least NT \$100,000,000 or 20% of the paid-in capital

31 March 2023

Table 2

Unit: NT \$thousands

Companies of account receivable	Transaction object	Relationship	Receivables from related parties balance	Turnover rate	Overdue receivables		Receivables from related parties Amount recovered after the period	Allowance Amount of loss
					Amount	Action taken		
KYE Systems Corp.	KYE Trade (HK) Co., Ltd.	Grandson company	\$ 495,997 (Note 2)	Note 1	Note 1	Note 1	Note 1	\$ -
KYE Trade (HK) Co., Ltd.	Dongguan Kunying Computer Products Co., Ltd.	The same parent company	495,997 (Note 2)	Note 1	Note 1	Note 1	Note 1	-

Note 1: In addition to the receivables of the Company for the purchase of raw materials, when buying back finished products, the Company will offset with the payables from time to time, and also include the total of the inward and outward remittances of DongGuan KYE , the intra-group pricing of DongGuan KYE , and the operating expenses of each other's advance payment, etc. Item generates the borrower's amount of other receivables.

Note 2: All the transactions were fully eliminated upon preparation of the consolidated financial statements.

KYE Systems Corp. and Subsidiaries

Business relationships and significant transactions and amounts between parent company and subsidiaries and between subsidiaries

January 1 to 31 March 2023

Table 3

Unit: NT \$thousands

No.	Name of transaction party	Transaction object	Relationship with the counterparty Note 1	Transaction details			
				Subject	Amount	Transaction terms	% of Total Consolidated Total assets ratio
0	KYE	KYE Trade	1	Purchases	\$ 77,640	Note 2	44%
		KYE Trade	1	Other receivables	495,997	Note 2	14%
1	DongGuan Kunying Computer Products Co., Ltd.	KYE Trade	3	Operating revenue	77,910	Note 2	44%
		KYE Trade	3	Other current liabilities	495,997	Note 2	14%

Note 1: There are three types of relationships with traders:

1: Parent company to subsidiary; 2: Subsidiary to parent company; 3: Subsidiary to subsidiary.

Note 2: The Company's purchase transactions with KYE Trade refer to DongGuan Kunying purchasing raw materials on its own and processing them into finished products and repurchasing them back to the Company. The accounts payable generated by the Company's purchase transactions are offset with the internal prices of both parties and advances between them.

KYE Systems Corp. and Subsidiaries
Names, locations and other information of investee companies
January 1 to 31 March 2023

Table 4 Unit: NT \$ and foreign currency in thousands

Name of investor	Investee companies	Location	Item	Original investment amount		Ending balance			Investee Company Current profit (loss)	Recognized during the period Investment income (loss)	Remark
				Ending balance	End of last year	Shares (thousand shares)	Percentage (%)	Carrying Amount			
KYE Systems Corp.	Genius Holding Co., Ltd.	Cayman Islands	Investment holding	USD 28,467	USD 28,467	21,467	100.00	\$ 310,998 Note 1	USD 430	\$ 14,383	SUBSIDIARIES
	Chung-Chiang Investment Co., Ltd.	New Taipei City	Investment	227,482	227,482	20,700	100.00	206,550 Note 1	652	652	SUBSIDIARIES
	Hung-Cheng Investment Co., Ltd.	Taipei City	Investment	85,000	85,000	9,578	100.00	52,029 Note 1	10	10	SUBSIDIARIES
	KYE International Corporation	U.S.A.	Sales of computer peripherals, consumer electronics and video/image products	USD 2,610	USD 2,610	235	100.00	3,134 Note 1	(USD 12)	(360)	SUBSIDIARIES
	KYE Systems (Hong Kong) Corporation Limited	Hong Kong	Sales of computer peripherals, consumer electronics and video/image products	HKD 500	HKD 500	500	100.00	9,361 Note 1	-	-	SUBSIDIARIES
	Digilife Technologies Co., Ltd.	Taipei City	Design, processing, and sales of digital video/audio products	652,962	652,962	51,563	94.61	545,997 Note 1	(7,324)	(6,930)	SUBSIDIARIES
	Star Reach Limited	Samoa Islands	Investment holding	USD 417	USD 417	-	25.00	6,091	RMB 1,027	1,140	Investments accounted for using equity method (Note 2)
	Timing Pharmaceutical Co., Ltd.	New Taipei City	Manufacture of Chinese medicine	288,184	288,184	19,446	22.64	231,392	28,980	6,483	Investments accounted for using equity method
	Coretek Opto Corporation	Hsinchu City	R & D, design, manufacturing and sales of optical transceiver modules	111,880	111,880	10,605	30.40	102,493	(17,854)	(5,450)	Investments accounted for using equity method
KYE Systems (Hong Kong) Corporation Limited	Genius Labuan Inc.	Malaysia	Sales of computer peripherals, consumer electronics and video/image products	USD 10	USD 10	10	100.00	-	USD -	Not applicable.	Sub-subsiary
Genius Holding Co., Ltd.	Globalink Holding Co., Ltd.	British Virgin Islands	Investment holding	USD 8,289	USD 8,289	5,250	100.00	USD 2,581 Note 1	USD 4	Not applicable.	Sub-subsiary
	Moustek Investment Co., Ltd.	British Virgin Islands	Investment holding	USD 2,806	USD 2,806	1	100.00	USD 119 Note 1	(USD 1)	Not applicable.	Sub-subsiary
	KYE Trade (HK) Co., Ltd.	Hong Kong	Sales of computer peripherals, consumer electronics and video/image products	HKD 2,723	HKD 2,723	2,723	100.00	USD 95 Note 1	(429)	Not applicable.	Sub-subsiary
	KYE Inc.	British Virgin Islands	Investment holding	USD 16,065	USD 16,065	3	100.00	(USD 10,207) Note 1	USD 220	Not applicable.	Sub-subsiary
	Maxfar Limited	Samoa Islands	Investment	USD 2,462	USD 2,462	2,462	44.37	USD 2,134	2,967	Not applicable.	Investments accounted for using equity method
Digilife Technologies Co., Ltd.	Life Technologies Co., Ltd.	Samoa Islands	Investment holding	USD 300	USD 300	455	100.00	5,661 Note 1	(USD 97)	Not applicable.	Sub-subsiary
	DIGILIFE PTY LTD	Australia	Tourism and real estate development Business	AUD 12,500	AUD 12,500	12,500	100.00	244,086 Note 1	AUD 421	Not applicable.	Sub-subsiary
	Coretek Opto Corporation	Hsinchu City	R & D, design, manufacturing and sales of optical transceiver modules	10,550	10,550	1,000	2.87	9,665	(17,854)	Not applicable.	Investments accounted for using equity method
Hung-Cheng Investment Co., Ltd.	Coretek Opto Corporation	Hsinchu City	R & D, design, manufacturing and sales of optical transceiver modules	58	58	5	0.01	53	(17,854)	Not applicable.	Investments accounted for using equity method
Life Technologies Co., Ltd.	DigiLife (Thailand) Co., Ltd.	Hong Kong	Investment holding	USD 455	USD 455	455	100.00	USD 186 Note 1	(HKD 759)	Not applicable.	Sub-subsiary

Note 1: All the transactions were fully eliminated upon preparation of the consolidated financial statements.

Note 2: Star Reach Limited has ceased operations in December 2022 and is currently in the process of liquidation.

KYE Systems Corp. and Subsidiaries
Information on investments in mainland China
January 1 to 31 March 2023

Table 5

Unit: NT \$ and foreign currency in thousands

KYE Systems Corp.

Investee in Mainland China Company name	Item	Paid-in capital	Method of Investment	Beginning Balance Remitted from Taiwan Accumulated investment amount	Remittance or recovery of investment amount in the current period		Ending balance Remitted from Taiwan Accumulated investment amount	Investee Company Current profit (loss)	% Ownership of Direct or Indirect Investment	Recognized during the period Investment profit and loss (Note 4)	Ending balance of investment Book value	As of the end of the period Investment income repatriation
					R e m i t t e d	R e l e a s e						
Dongguan Kunying Computer Products Co., Ltd.	R & D, manufacturing and sales of computer peripherals, consumer electronics and video/image products	USD 15,965	Indirect investment via Genius Holding Co., Ltd. 100% via KYE Inc.	USD 15,965	\$ -	\$ -	USD 15,965	\$ 6,693	100%	\$ 6,693 (Note 5)	(USD 10,282) (Note 5)	\$ -
Dongguan Gaoying Electronic Technology Co., Ltd. (Note 3)	Sales of computer peripherals, consumer electronics and video/image products	USD 2,706	Invested indirectly through Genius Holding Co., Ltd. in Moustek Investment Co., Ltd. in the British Virgin Islands with working capital	USD 2,706	-	-	USD 2,706	(RMB 10)	100%	(RMB 10) (Note 5)	USD 61 (Note 5)	-
Dongguan ChiayYing Electronics Co., Ltd. (Note 3)	Manufacturing and selling of computer accessories, home appliances and molds	RMB 3,722	Invest indirectly through Star Reach Limited and then invest 25% of the working capital in Bright Gain Plastics Limited	USD 417	-	-	USD 417	RMB 1,027	25%	1,140	6,091	-

Accumulated outflow from Taiwan at the end of the period Amount of investment in Mainland China	Investment Commission, MOEA Approved investment amount	In accordance with the regulations of the Investment Commission of the Ministry of Economic Affairs Upper Limit on Investment in Mainland China
USD 35,431 (Note 2)	USD 30,120 (Note 2)	\$1,771,867 (Note 1)

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

Note 2: The Company indirectly invested in Shanghai Xianglong Electronic Technology Co., Ltd., Suzhou Xianglong Plastic Co., Ltd. and Suzhou Maoli Photoelectric Technology Co., Ltd. through Global Lighting Technologies Inc. of British Cayman Islands. As Global Lighting Technologies Inc. was listed and traded on the Taiwan Stock Exchange on 28 July 2011, please refer to the public financial report of the company for this information.

Note 3: DongGuan has ceased operations in December 2022 and completed its liquidation in April 2023. DongGuan has ceased operations in December 2022 and is currently in the process of liquidation.

Note 4: Except for DongGuan KYE Computer Products Co., Ltd., the recognition of other investment gains and losses is based on the financial statements that have not been reviewed by CPAs during the same period.

Note 5: All the transactions were fully eliminated upon preparation of the consolidated financial statements.

Investee in Mainland China Company name	Item	Paid-in capital	Method of Investment	Beginning Balance Remitted from Taiwan Accumulated investment amount	Remittance or recovery of investment amount in the current period		Ending balance Remitted from Taiwan Accumulated investment amount	Investee Company Current profit (loss)	% Ownership of Direct or Indirect Investment	Recognized during the period Investment profit and loss (Note 2)	Ending balance of investment Book value	As of the end of the period Investment income repatriation
					R e m i t t e d	R e l e a s e						
Ziser Technologies (Shenzhen) Co., Ltd.	Sale of digital video/audio products	USD 200	100% held through Hong Kong Micro Technology Limited	USD 200	\$ -	\$ -	USD 200	(RMB 664)	100%	(HKD 760) (note 3)	HKD 1,105 (note 3)	\$ -

Accumulated outflow from Taiwan at the end of the period Amount of investment in Mainland China	Investment Commission, MOEA Approved investment amount	In accordance with the regulations of the Investment Commission of the Ministry of Economic Affairs Upper Limit on Investment in Mainland China
USD 334	USD 500	\$346,244 (Note 1)

Note 1: Calculated at 60% of net worth.

Note 2: The recognition basis of investment gains and losses is based on the financial statements that have not been reviewed by accountants during the same period.

Note 3: All the transactions were fully eliminated upon preparation of the consolidated financial statements.

KYE Systems Corp.
Major shareholders information
31 March 2023

Table 6

Name of Major Shareholders	Shares	
	Shares Held	Shareholding ratio
Ching-Hsin Cho	11,959,488	5.39%

Note: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.