

KYE Systems Corp. and Subsidiaries

Consolidated Financial Statements for the Six Months Ended June 30, 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.)

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

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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 June 30, 2023 and 2022, the consolidated statements of comprehensive income for the three months ended June 30, 2023 and 2022 and for the six months ended June 30, 2023 and 2022, the consolidated statements of changes in equity and consolidated statements of cash flows for the six 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 June 30, 2023 and 2022 were NT \$554,149,000 and NT \$664,530,000, respectively, accounting for 15% and 19% of the consolidated total assets, respectively, and the total liabilities were NT \$4,470,000 and NT \$4,239,000, respectively, accounting for 1% and

1% of the consolidated total liabilities, respectively. The total comprehensive income for the three months ended June 30, 2023 and 2022, and for the six months ended June 30, 2023 and 2022, were gain of NT \$8,672,000, loss of NT \$14,261,000, gain of NT \$12,213,000 and loss of NT \$8,741,000, respectively, which accounted for 16%, 34%, 18% and 16% 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 \$422,357,000 and NT \$411,729,000 as of June 30, 2023 and 2022, respectively, and the investment gains and losses recognized for the three months ended June 30, 2023 and 2022 and for the six months ended June 30, 2023 and 2022 amounted to gain of NT \$8,072,000, loss of NT \$4,614,000, gain of NT \$11,044,000 and loss of NT \$13,753,000, 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 June 30, 2023 and 2022, and the consolidated financial performance for the three months ended as well as for the six months ended June 30, 2023 and 2022, and the consolidated cash flows for the six months ended June 30, 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

August 8, 2023

KYE Systems Corp. and Subsidiaries
Consolidated Balance Sheets

Unit: NTD thousand

Code	Assets	June 30, 2023		December 31, 2022		June 30, 2022	
		Amount	%	Amount	%	Amount	%
CURRENT ASSETS							
1100	Cash and cash equivalents (Note 6)	\$ 1,052,329	29	\$ 1,102,008	32	\$ 1,013,956	29
1110	Financial assets at fair value through profit or loss – current (Notes 7)	1,144	-	1,085	-	1,235	-
1120	Financial assets at fair value through other comprehensive income - current (Note 8)	38,638	1	36,459	1	48,508	1
1136	Financial assets at amortized cost - current (Note 6)	188,790	5	-	-	-	-
1170	Notes and accounts receivable (Notes 9, 22 and 28)	53,957	2	60,267	2	71,768	2
1197	Finance lease receivables - current (Note 10)	-	-	1,099	-	4,550	-
1200	Other receivables	4,232	-	2,916	-	1,695	-
1220	Income tax assets for the current period (Note 4)	13,741	-	13,596	-	12,057	-
130X	Inventories (Note 11)	180,211	5	229,246	6	269,501	8
1470	Other current assets	60,442	2	60,329	2	66,373	2
11XX	Total current assets	<u>1,593,484</u>	<u>44</u>	<u>1,507,005</u>	<u>43</u>	<u>1,489,643</u>	<u>42</u>
NON-CURRENT ASSETS							
1517	Financial assets at fair value through other comprehensive income – non-current (Notes 8 and 13)	117,379	3	98,796	3	159,073	4
1550	Investments accounted for using the equity method (Note 13)	422,357	12	409,990	12	411,729	12
1600	Property, plant and equipment (Notes 14 and 29)	634,066	18	644,673	18	654,171	19
1755	Right-of-use assets (Note 15)	76,983	2	4,775	-	17,396	-
1760	Investment properties net (Notes 16 and 29)	639,560	18	694,414	20	692,557	20
1840	Deferred income tax assets (Note 4)	92,914	2	99,033	3	80,638	2
1990	Other non-current assets	25,655	1	29,525	1	28,389	1
15XX	Total non-current assets	<u>2,008,914</u>	<u>56</u>	<u>1,981,206</u>	<u>57</u>	<u>2,043,953</u>	<u>58</u>
1XXX	TOTAL ASSETS	<u>\$ 3,602,398</u>	<u>100</u>	<u>\$ 3,488,211</u>	<u>100</u>	<u>\$ 3,533,596</u>	<u>100</u>
Liabilities and Equity							
CURRENT LIABILITIES							
2170	Notes and accounts payable (Notes 18 and 28)	\$ 47,299	1	\$ 46,462	1	\$ 22,882	1
2200	Other payables (Note 19)	94,392	3	60,242	2	98,745	3
2230	Income tax liabilities for the current period (Note 4)	189	-	-	-	8,527	-
2280	Lease liabilities - current (Note 15)	27,583	1	5,670	-	20,514	1
2320	Current portion of long-term borrowings (Notes 17 and 29)	20,661	1	19,337	1	14,118	-
2399	Other current liabilities	41,945	1	45,243	1	46,408	1
21XX	Total current liabilities	<u>232,069</u>	<u>7</u>	<u>176,954</u>	<u>5</u>	<u>211,194</u>	<u>6</u>
NON-CURRENT LIABILITIES							
2540	Long-term borrowings (Notes 17 and 29)	303,812	8	314,496	9	324,716	9
2570	Deferred income tax liabilities (Note 4)	16,687	1	15,288	1	20,561	1
2580	Lease liabilities – non-current (Note 15)	49,572	1	335	-	1,804	-
2640	Net defined benefit liabilities – non-current (Notes 4 and 20)	3,062	-	5,283	-	11,683	-
2670	Other non-current liabilities	2,898	-	3,739	-	2,831	-
25XX	Total noncurrent liabilities	<u>376,031</u>	<u>10</u>	<u>339,141</u>	<u>10</u>	<u>361,595</u>	<u>10</u>
2XXX	Total liabilities	<u>608,100</u>	<u>17</u>	<u>516,095</u>	<u>15</u>	<u>572,789</u>	<u>16</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 21)							
Share capital							
3110	Common shares	2,215,285	61	2,215,285	63	2,215,285	63
3200	Capital surplus	227,003	6	270,903	8	268,559	7
Retained earnings							
3310	Legal reserves	451,653	13	448,031	13	448,031	13
3320	Special reserves	639,147	18	609,031	17	609,031	17
3350	Undistributed earnings (Notes 8 and 13)	48,972	1	36,216	1	2,646	-
3300	total retained earnings	<u>1,139,772</u>	<u>32</u>	<u>1,093,278</u>	<u>31</u>	<u>1,059,708</u>	<u>30</u>
3400	Other equity (Note 4)	(618,711)	(17)	(639,147)	(18)	(614,489)	(17)
31XX	Total equity attributable to owners of the company	<u>2,963,349</u>	<u>82</u>	<u>2,940,319</u>	<u>84</u>	<u>2,929,063</u>	<u>83</u>
36XX	NON-CONTROLLING INTERESTS	<u>30,949</u>	<u>1</u>	<u>31,797</u>	<u>1</u>	<u>31,744</u>	<u>1</u>
3XXX	Total equity	<u>2,994,298</u>	<u>83</u>	<u>2,972,116</u>	<u>85</u>	<u>2,960,807</u>	<u>84</u>
TOTAL LIABILITIES AND EQUITY		<u>\$ 3,602,398</u>	<u>100</u>	<u>\$ 3,488,211</u>	<u>100</u>	<u>\$ 3,533,596</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 8 August 2023)

Chairman: Shih-Kun Tso

President: Pai-Hsiang Li

Accounting Manager: An-Min Kao

KYE Systems Corp. and Subsidiaries
Consolidated Statements of Comprehensive Income

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

Code		For The Three Months Ended June 30				For The Six Months Ended June 30			
		2023		2022		2023		2022	
		Amount	%	Amount	%	Amount	%	Amount	%
	OPERATING REVENUE (Notes 22 and 28)								
4100	Sales revenue	\$ 174,664	100	\$ 262,955	100	\$ 349,813	100	\$ 545,707	100
4800	Other operating revenue	<u>3</u>	-	<u>37</u>	-	<u>3</u>	-	<u>96</u>	-
4000	Total operating revenue	<u>174,667</u>	<u>100</u>	<u>262,992</u>	<u>100</u>	<u>349,816</u>	<u>100</u>	<u>545,803</u>	<u>100</u>
	OPERATING COSTS								
5110	Cost of goods sold (Notes 11, 23 and 28)	<u>113,444</u>	<u>65</u>	<u>169,856</u>	<u>64</u>	<u>218,685</u>	<u>63</u>	<u>376,435</u>	<u>69</u>
5900	GROSS PROFIT	<u>61,223</u>	<u>35</u>	<u>93,136</u>	<u>36</u>	<u>131,131</u>	<u>37</u>	<u>169,368</u>	<u>31</u>
	OPERATING EXPENSES (Notes 9, 20, 23 and 28)								
6100	Selling and marketing expenses	15,949	9	20,391	8	35,624	10	41,974	8
6200	Administrative expenses	45,838	27	50,818	19	95,102	27	94,552	17
6300	Research and development expenses	1,788	1	268	-	3,083	1	1,139	-
6450	Expected credit loss (gain)	(9)	-	1,297	1	(97)	-	2,237	1
6000	Total operating expenses	<u>63,566</u>	<u>37</u>	<u>72,774</u>	<u>28</u>	<u>133,712</u>	<u>38</u>	<u>139,902</u>	<u>26</u>
6900	PROFIT (LOSS) FROM OPERATIONS	(<u>2,343</u>)	(<u>2</u>)	<u>20,362</u>	<u>8</u>	(<u>2,581</u>)	(<u>1</u>)	<u>29,466</u>	<u>5</u>
	NON-OPERATING INCOME AND EXPENSES								
7020	Other gains and losses (Notes 23, 28 and 31)	16,424	9	8,965	3	31,318	9	22,965	4
7060	Share of profits of associates (Note 13)	8,072	5	(4,614)	(2)	11,044	3	(13,753)	(2)
7100	Interest income	8,517	5	1,010	-	14,959	4	1,289	-
7510	Interest expense	(<u>2,155</u>)	(<u>1</u>)	(<u>1,453</u>)	-	(<u>3,888</u>)	(<u>1</u>)	(<u>2,644</u>)	-
7000	Total non-operating income and expenses	<u>30,858</u>	<u>18</u>	<u>3,908</u>	<u>1</u>	<u>53,433</u>	<u>15</u>	<u>7,857</u>	<u>2</u>
7900	INCOME BEFORE INCOME TAX	28,515	16	24,270	9	50,852	14	37,323	7
7950	INCOME TAX EXPENSES (Notes 4 and 24)	<u>940</u>	-	<u>7,145</u>	<u>2</u>	<u>5,108</u>	<u>1</u>	<u>12,631</u>	<u>3</u>
8200	NET INCOME	<u>27,575</u>	<u>16</u>	<u>17,125</u>	<u>7</u>	<u>45,744</u>	<u>13</u>	<u>24,692</u>	<u>4</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	18,782	11	19,238	7	20,806	6	(8,610)	(1)
8320	Share of other total profits and losses of associates accounted for using the equity method (Note 13)	(765)	(1)	(631)	-	(2,185)	(1)	(611)	-
8349	Income tax related to Items that will not be reclassified (Note 24)	(<u>2,206</u>)	(<u>1</u>)	(<u>83</u>)	-	(<u>1,929</u>)	-	(<u>82</u>)	-
8310		<u>15,811</u>	<u>9</u>	<u>18,524</u>	<u>7</u>	<u>16,692</u>	<u>5</u>	(<u>9,303</u>)	(<u>1</u>)

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Code	Item may be reclassified subsequently to profit or loss:	For The Three Months Ended June 30				For The Six Months Ended June 30			
		2023		2022		2023		2022	
		Amount	%	Amount	%	Amount	%	Amount	%
8361	Exchange differences on translation of foreign financial statements	\$ 13,100	7	\$ 11,976	5	\$ 3,673	1	\$ 46,782	9
8370	Share of other comprehensive income of associates accounted for using the equity method (Note 13)	(188)	-	(1,210)	(1)	1,354	-	1,392	-
8399	Income tax related to items may be reclassified (Note 24)	(<u>2,068</u>)	(<u>1</u>)	(<u>4,496</u>)	(<u>2</u>)	(<u>1,381</u>)	-	(<u>8,422</u>)	(<u>2</u>)
8360		<u>10,844</u>	<u>6</u>	<u>6,270</u>	<u>2</u>	<u>3,646</u>	<u>1</u>	<u>39,752</u>	<u>7</u>
8300	Other comprehensive income- net	<u>26,655</u>	<u>15</u>	<u>24,794</u>	<u>9</u>	<u>20,338</u>	<u>6</u>	<u>30,449</u>	<u>6</u>
8500	Total comprehensive income	<u>\$ 54,230</u>	<u>31</u>	<u>\$ 41,919</u>	<u>16</u>	<u>\$ 66,082</u>	<u>19</u>	<u>\$ 55,141</u>	<u>10</u>
8610	Net profit attributable to:								
8620	Owner of the company	\$ 27,844	16	\$ 17,334	7	\$ 46,408	13	\$ 25,105	4
8600	Non-controlling interests	(<u>269</u>)	-	(<u>209</u>)	-	(<u>664</u>)	-	(<u>413</u>)	-
		<u>\$ 27,575</u>	<u>16</u>	<u>\$ 17,125</u>	<u>7</u>	<u>\$ 45,744</u>	<u>13</u>	<u>\$ 24,692</u>	<u>4</u>
8710	Total comprehensive income attributable to:								
8720	Owners of the company	\$ 54,358	31	\$ 42,784	16	\$ 66,930	19	\$ 55,357	10
8700	Non-controlling interests	(<u>128</u>)	-	(<u>865</u>)	-	(<u>848</u>)	-	(<u>216</u>)	-
		<u>\$ 54,230</u>	<u>31</u>	<u>\$ 41,919</u>	<u>16</u>	<u>\$ 66,082</u>	<u>19</u>	<u>\$ 55,141</u>	<u>10</u>
9710	Earnings per share (Note 25)								
9810	Basic	<u>\$ 0.13</u>		<u>\$ 0.08</u>		<u>\$ 0.21</u>		<u>\$ 0.11</u>	
	Dilution	<u>\$ 0.13</u>		<u>\$ 0.08</u>		<u>\$ 0.21</u>		<u>\$ 0.11</u>	

The accompanying notes are an integral part of the consolidated financial statements.
(Please refer to the review report of Deloitte & Touche dated 8 August 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

Unit: NTD thousand

C o d e	Equity attributable to the owners of the company						Other Equity Interest		Total	Non-controlling Interests	Total Equity
	Share Capital	Capital Surplus	Retained earnings			Foreign currency exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets at fair value through other comprehensive income				
			Legal Reserve	Special Reserve	Undistributed Earnings						
A1	Balance at January 1, 2022	\$ 2,215,285	\$ 309,638	\$ 442,525	\$ 559,471	\$ 55,066	(\$ 66,113)	(\$ 601,087)	\$ 2,914,785	\$ 31,960	\$ 2,946,745
	Allocation and distribution of earnings in 2021:										
B1	Legal reserves set aside	-	-	5,506	-	(5,506)	-	-	-	-	-
B3	Special reserves set aside	-	-	-	49,560	(49,560)	-	-	-	-	-
C7	Changes in equity of associates accounted for using equity method	-	3,227	-	-	-	-	-	3,227	-	3,227
C15	Cash dividends distributed by capital reserves	-	(44,306)	-	-	-	-	-	(44,306)	-	(44,306)
D1	Net profit (loss) from January 1 to June 30, 2022	-	-	-	-	25,105	-	-	25,105	(413)	24,692
D3	Other comprehensive income from January 1 to June 30, 2022	-	-	-	-	-	39,501	(9,249)	30,252	197	30,449
D5	Total comprehensive income from January 1 to June 30, 2022	-	-	-	-	25,105	39,501	(9,249)	55,357	(216)	55,141
Q1	Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(22,459)	-	22,459	-	-	-
Z1	Balance, June 30, 2022	\$ 2,215,285	\$ 268,559	\$ 448,031	\$ 609,031	\$ 2,646	(\$ 26,612)	(\$ 587,877)	\$ 2,929,063	\$ 31,744	\$ 2,960,807
A1	Balance, January 1, 2023	\$ 2,215,285	\$ 270,903	\$ 448,031	\$ 609,031	\$ 36,216	(\$ 8,938)	(\$ 630,209)	\$ 2,940,319	\$ 31,797	\$ 2,972,116
	Earning allocation and distribution in 2022:										
B1	Legal reserves set aside	-	-	3,622	-	(3,622)	-	-	-	-	-
B3	Special reserves set aside	-	-	-	30,116	(30,116)	-	-	-	-	-
C7	Changes in equity of associates accounted for using equity method	-	406	-	-	-	-	-	406	-	406
C15	Cash dividends distributed by capital reserves	-	(44,306)	-	-	-	-	-	(44,306)	-	(44,306)
D1	Net profit (loss) from January 1 to June 30, 2023	-	-	-	-	46,408	-	-	46,408	(664)	45,744
D3	Other comprehensive income from January 1 to June 30, 2023	-	-	-	-	-	3,830	16,692	20,522	(184)	20,338
D5	Total comprehensive income and loss from January 1 to June 30, 2023	-	-	-	-	46,408	3,830	16,692	66,930	(848)	66,082
Q1	Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	86	-	(86)	-	-	-
Z1	Balance, June 30, 2023	\$ 2,215,285	\$ 227,003	\$ 451,653	\$ 639,147	\$ 48,972	(\$ 5,108)	(\$ 613,603)	\$ 2,963,349	\$ 30,949	\$ 2,994,298

The accompanying notes are an integral part of the consolidated financial statements.
(Please refer to the review report of Deloitte & Touche dated 8 August 2023)

Chairman: Shih-Kun Tso

President: Pai-Hsiang Li

Accounting Manager: An-Min Kao

KYE Systems Corp. and Subsidiaries
Consolidated Statement of Cash Flows

Code		Unit: NTD thousand	
		Six Months Ended June 30	
		2023	2022
CASH FLOW FROM OPERATING ACTIVITIES			
A00010	Profit before tax	\$ 50,852	\$ 37,323
A20010	Items:		
A20100	Depreciation expense	23,921	24,692
A21200	Interest income	(14,959)	(1,289)
A29900	Gain on reversal of inventory net realizable value	(11,917)	(12,439)
A22300	Share of profit of associates accounted for using equity method	(11,044)	13,753
A22700	Gain on disposal of investment properties	(8,820)	-
A20200	Amortization expense	3,974	1,577
A20900	Interest expense	3,888	2,644
A23100	Gain on disposal of investments	(3,022)	(4,403)
A24100	Unrealized foreign exchange loss (gain)-net	1,516	932
A20300	Expected credit loss (gain)	(97)	2,237
A22500	Gain on disposal of property, plant and equipment	(94)	117
A20400	Loss (gain) on valuation of financial assets at fair value through profit or loss	(59)	276
A21300	Dividend income	-	(12)
A30000	Changes in operating assets and liabilities		
A31150	Notes and accounts receivable	6,115	39,516
A31180	Other receivables	(1,652)	272
A31200	Inventories	63,347	93,414
A31240	Other current assets	(1,329)	47,525
A32150	Notes and accounts payable	160	(19,799)
A32180	Other payables	(11,219)	(16,142)
A32230	Other current liabilities	(3,789)	(50,295)
A32240	Net defined benefit liability	(2,221)	(15,393)
A33000	Cash generated from operations	83,551	144,506
A33100	Interest received	13,987	1,237
A33200	Dividends received	-	12
A33500	Income tax paid	(267)	(3,045)
AAAA	Net cash flows from operating activities	97,271	142,710

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Code		Six Months Ended June 30	
		2023	2022
	CASH FLOW FROM INVESTING ACTIVITIES		
B00040	Acquisition of financial assets at amortized cost	(\$ 182,643)	\$ -
B05500	Proceeds from disposal of investment properties	61,585	-
B02700	Acquisition of property, plant and equipment	(1,335)	(4,107)
B06700	Increase in other non-current assets	(1,244)	(886)
B00020	Disposal of financial assets at fair value through other comprehensive income	1,199	4,536
B03700	Decrease (Increase) in deposits paid	1,143	(1,084)
B06100	Decrease in finance lease receivables	1,102	4,107
B02800	Proceeds from disposal of property, plant and equipment	416	-
B05400	Acquisition of investment properties	-	(128,823)
B01800	Acquisition of long-term equity investments accounted for using the equity method	-	(80,000)
BBBB	Net cash used in investing activities	(<u>119,777</u>)	(<u>206,257</u>)
	Cash Flow from Financing Activities		
C04020	Repayment of the principal portion of lease liabilities	(12,423)	(15,301)
C01700	Repayment of long-term borrowings	(9,360)	(4,999)
C05600	Interest paid	(3,875)	(2,613)
C03000	Increase (decrease) in guarantee deposits	(841)	430
CCCC	Net cash used in financing activities	(<u>26,499</u>)	(<u>22,483</u>)
DDDD	Effect of exchange rate changes on cash and cash equivalents	(<u>674</u>)	<u>27,622</u>
EEEE	Net decrease in cash and cash equivalents	(49,679)	(58,408)
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>\$ 1,052,329</u>	<u>\$ 1,013,956</u>

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

(Please refer to the review report of Deloitte & Touche dated 8 August 2023)

Chairman: Shih-Kun Tso

President: Pai-Hsiang Li

Accounting Manager: An-Min Kao

KYE Systems Corp. and Subsidiaries

Notes to Consolidated Financial Statements

For the six months ended June 30, 2023 and 2022

(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 REPORT

The consolidated financial statements were approved by the Company's board of directors and authorized for issue on August 8, 2023.

3. APPLICATION OF NEW AND AMENDED 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 Issued 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"	January 1, 2024 (Note 2)
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 - Comparative Information"	January 1, 2023

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<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Date Issued by IASB (Note 1)</u>
Amendments to IAS 1 "Classification of Liabilities as Current or Non-Current"	January 1, 2024
Amendments to IAS 1 "Non-current liabilities with contractual terms"	January 1, 2024
Amendments to IAS 7 and IFRS 7 "Supplier Financing Arrangements"	January 1, 2024
Amendments to IAS 12 "International Taxation Reform - Pillar 2 Rules Model"	Note 3

Note1: Unless otherwise specified, the above-mentioned newly issued/amended/revised standards or interpretations are effective for the annual reporting period starting after the respective dates.

Note2: The seller and lessee shall apply the amendments of IFRS 16 retrospectively to the sale and leaseback transactions signed after the first application of IFRS 16.

Note3: After the release of these amendments, the exceptions and disclosed facts that have already been applied will be applied immediately, and will be applied retrospectively in accordance with the provisions of IAS 8; These other disclosure requirements are not applicable to the interim financial report of the period ending before December 31, 2023.

As of the release date of this consolidated financial report, the company and its subsidiaries are still continuously assessing the impact of the amendments to the above standards and interpretations on the financial status and financial performance, and the relevant impact will be disclosed when the assessment is completed.

4. SUMMARY OF MATERIAL 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 measured at fair value and net defined benefit liabilities recognized at the present value of defined benefit obligations less the fair value of plan assets.

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 input value: refers to the quoted price (unadjusted) in an active market for the same asset or liability that can be obtained on the measurement date.
- B. Level 2 input value: Refers to the observable input value of an asset or liability that is directly (that is, price) or indirect (that is, derived from price) in addition to quotations at level 1 .
- C. Level 3 input value: Refers to the unobservable input value of assets or liabilities.

(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 comprehensive incomes of subsidiaries 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 5 "Information on Investees" and Table 6 "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. **MAIN SOURCES OF SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND UNCERTAINTY OF ASSUMPTIONS**

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

6. **CASH AND CASH EQUIVALENTS**

	June 30, 2023	December 31, 2022	June 30, 2022
Cash on hand and petty cash	\$ 2,605	\$ 2,480	\$ 2,613
Checking accounts and demand deposits	560,767	455,842	683,023
Cash equivalents			
Time deposit	349,550	434,446	328,320
Commercial papers with repurchase agreements	139,407	209,240	-
	<u>\$ 1,052,329</u>	<u>\$ 1,102,008</u>	<u>\$ 1,013,956</u>

As of June 30, 2023, KYE and subsidiaries held time deposits with an original maturities of more than three months of NTD 188,790 thousand, which were recognized as financial assets at amortized cost-current and the carried interest at market interest rate was 1.40%~5.40%.

7. **FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS**

	June 30, 2023	December 31, 2022	June 30, 2022
<u>Financial assets - current</u>			
Measured at fair value through profit or loss on a mandatory basis			
Non-derivative financial assets			
Domestic listing (OTC) common stock	\$ 1,144	\$ 1,085	\$ 1,235

8. **FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

	June 30, 2023	December 31, 2022	June 30, 2022
<u>Current</u>			
Investments in equity instruments measured at fair value through other comprehensive income			
Domestic listed (OTC) common stocks	\$ 38,638	\$ 36,459	\$ 48,508
<u>Non-current</u>			
Investments in equity instruments measured at fair value through other comprehensive income			
Foreign non-listed (non-OTC) common stocks	\$ 82,915	\$ 70,369	\$ 120,960
Domestic non-listed (non-OTC) common stocks	21,110	13,260	20,311
Domestic non-listed (non-OTC) preferred stocks	9,100	9,100	9,100
Domestic listed (OTC) common stocks	4,254	6,067	8,702
Total	\$ 117,379	\$ 98,796	\$ 159,073

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

In May 2023, KYE and subsidiaries adjusted their investment positions and disposed of the shares of Dynamic Medical Technologies Inc. at a fair value of NTD 1,199 thousand. Other related equity – unrealized valuation gains on financial assets measured at fair value through other comprehensive income, amounting to NTD86 thousand, was transferred to retained earnings.

In April 2022, KYE and subsidiaries adjusted their investment positions and disposed of the shares of Ta Shee Resort Co., Ltd. at a fair value of NTD 4,536,000. Other related

equity – unrealized valuation gains on financial assets measured at fair value through other comprehensive income, amounting to NTD 4,526,000, was transferred to retained earnings.

9. NOTES AND ACCOUNTS RECEIVABLE

	June 30, 2023	December 31, 2022	June 30, 2022
<u>Notes and Accounts</u>			
<u>Receivable</u>			
Measured at amortized cost			
Total carrying amount	\$ 54,148	\$ 60,555	\$ 77,076
Less: Allowance for impairment loss	(<u>191</u>)	(<u>288</u>)	(<u>5,308</u>)
	<u>\$ 53,957</u>	<u>\$ 60,267</u>	<u>\$ 71,768</u>

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

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

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

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

The loss allowances of KYE and subsidiaries for notes and accounts receivable measured using a provision matrix are as follows:

June 30, 2023

	Account age of no more than 60 days	Account age of 61–90 days	Account age of 91–120 days	Account age of more than 120 days	Total
Expected credit loss rate	0% ~ 1%	1% ~ 5%	5% ~ 10%	100%	
Total carrying amount	\$ 52,384	\$ 1,764	\$ -	\$ -	\$ 54,148
Loss allowance (full lifetime expected credit loss)	(<u>138</u>)	(<u>53</u>)	-	-	(<u>191</u>)
Amortized cost	<u>\$ 52,246</u>	<u>\$ 1,711</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,957</u>

December 31, 2022

	Account age of no more than 60 days	Account age of 61–90 days	Account age of 91–120 days	Account age of more than 120 days	Total
Expected credit loss rate	0% ~ 1%	1% ~ 5%	5% ~ 10%	100%	
Total carrying amount	\$ 56,073	\$ 4,417	\$ 65	\$ -	\$ 60,555
Loss allowance (full lifetime expected credit loss)	(<u>150</u>)	(<u>132</u>)	(<u>6</u>)	-	(<u>288</u>)
Amortized cost	<u>\$ 55,923</u>	<u>\$ 4,285</u>	<u>\$ 59</u>	<u>\$ -</u>	<u>\$ 60,267</u>

June 30, 2022

	Account age of no more than 60 days	Account age of 61–90 days	Account age of 91–120 days	Account age of more than 120 days	Total
Expected credit loss rate	0% ~ 1%	1% ~ 5%	5% ~ 10%	100%	
Total carrying amount	\$ 69,364	\$ 220	\$ 2,563	\$ 4,929	\$ 77,076
Loss allowance (full lifetime expected credit loss)	(<u>120</u>)	(<u>3</u>)	(<u>256</u>)	(<u>4,929</u>)	(<u>5,308</u>)
Amortized cost	<u>\$ 69,244</u>	<u>\$ 217</u>	<u>\$ 2,307</u>	<u>\$ -</u>	<u>\$ 71,768</u>

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

	For the six months ended June 30	
	2023	2022
Opening Balance	\$ 288	\$ 3,028
Plus: Impairment losses recognized (reversed)	(97)	2,237
Foreign currency translation difference	-	43
Ending balance	<u>\$ 191</u>	<u>\$ 5,308</u>

10. FINANCE LEASE RECEIVABLES

	June 30, 2023	December 31, 2022	June 30, 2022
Undiscounted lease payments			
1st year	\$ -	\$ 1,102	\$ 4,574
Lease payments receivable	-	1,102	4,574
Less: Unearned financing income	-	(<u>3</u>)	(<u>24</u>)
Net investments in leases (presented as finance lease payments receivable)	<u>\$ -</u>	<u>\$ 1,099</u>	<u>\$ 4,550</u>
Carrying amount of finance lease payments receivable			
Current	<u>\$ -</u>	<u>\$ 1,099</u>	<u>\$ 4,550</u>

KYE and subsidiaries have subleased the premises and buildings rented by them in Neihu District and their plant in Dongguan to other companies, receiving a fixed payment of NTD3,807 thousand and NTD4,407 thousand respectively on an annual basis. Since the remaining lease term of the master lease agreement has been fully subleased, it is classified as a finance lease.

The interest rate implicit in the lease over the lease term has not changed after it was determined on the date of agreement. As of December 31, 2022, the interest rate implicit in the finance lease was an annual interest rate of 1.50%.

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

11. INVENTORY

	June 30, 2023	December 31, 2022	June 30, 2022
Finished goods	\$ 93,589	\$ 121,968	\$ 134,441
WIP	22,004	33,009	54,636
Raw material	64,618	74,269	80,424
	<u>\$ 180,211</u>	<u>\$ 229,246</u>	<u>\$ 269,501</u>

The nature of cost of sales is as follows:

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
Cost of inventories sold	\$ 117,085	\$ 177,558	\$ 230,602	\$ 388,874
Profit on recovery of the net realizable value of inventory	(3,641)	(7,702)	(11,917)	(12,439)
	<u>\$ 113,444</u>	<u>\$ 169,856</u>	<u>\$ 218,685</u>	<u>\$ 376,435</u>

The recovery of the net realizable value of inventory was due to a better depletion of inventories with valuation loss .

12. SUBSIDIARIES

(1) Subsidiaries included in the consolidated financial report

Entities in the consolidated financial report prepared are as follows:

Name of Investment company	Name of Subsidiary	Name of Business	Shareholding %			Description
			June 30,2023	December 31,2022	June 30,2022	
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 imaging products	100.00%	100.00%	100.00%	Note 1
	KYE Systems (Hong Kong) Corp., Ltd.	Sales of computer peripherals, consumer electronics and video imaging 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) Corporation Limited	Genius Labuan Inc.	Sales of computer peripherals, consumer electronics and video / imaging 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 and Note 3
Digilife Technologies Co., Ltd.	KYE Trade (HK) Co., Ltd.	Sales of computer peripherals, consumer electronics and video / imaging products	100.00%	100.00%	100.00%	Note 1 and Note 4
	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 and Note 5

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Name of Investment company	Name of Subsidiary	Name of Business	Shareholding %			Description
			June 30,2023	December 31,2022	June 30,2022	
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 6
	You-Xiang Electronic Technology (Shanghai) Ltd.	-	-	-	-	Note 6
Moustek Investment Co., Ltd.	Dongguan Gaoying Electronic Technology Co., Ltd.	Sales of computer peripherals, consumer electronics and video / imaging products	-	100.00%	100.00%	Note 1 and Note seven

Note 1: The subsidiaries are not significant subsidiaries for the six months ended June 30, 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: Moustek Investment Co., Ltd. ceased operations in June 2023 and is currently in liquidation.

Note 4: In August 2022, KYE Trade (HK) Co., Ltd. carried out a cash capital increase, where 2,713 thousand shares were purchased by Genius Holding Co., Ltd.

Note 5: DIGILIFE PTY LTD handled cash capital reduction of AUD 3,000 thousand in April 2023 .

Note 6: Suo-Yi Electronic Technology (Shanghai) Ltd. and You-Xiang Electronic Technology (Shanghai) Ltd. applied for incorporation in January 2015, but had invested no capital and had yet to start operation. In September 2022, they completed the revocation of their registration.

Note 7: Dongguan Gaoying Electronic Technology Co., Ltd. ceased operations in December 2022, and was liquidated in April 2023, and the deregistration process was completed.

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

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

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in associates

	June 30, 2023	December 31, 2022	June 30, 2022
Associates with materiality			
Timing Pharmaceutical Co., Ltd. (Timing Pharmaceutical Company)	\$ 235,137	\$ 223,170	\$ 213,920
Coretek Opto Corporation (Coretek Opto))	<u>110,820</u>	<u>118,213</u>	<u>119,213</u>
	345,957	341,383	333,133
Individual immaterial associates	<u>76,400</u>	<u>68,607</u>	<u>78,596</u>
	<u>\$ 422,357</u>	<u>\$ 409,990</u>	<u>\$ 411,729</u>

Shareholding and voting rights ratio

Company Name	June 30, 2023	December 31, 2022	June 30, 2023
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 on January 1, 2023	\$ 470,839	\$ 218,825	\$ 160,232	\$ 23,736	\$ 96,620	\$ 970,252
Additions	-	-	-	-	1,335	1,335
Disposals	-	-	(782)	(1,638)	(1,403)	(3,823)
Net exchange difference	-	-	(331)	-	(45)	(376)
Transfer between items	-	-	-	-	27	27
Balance on June 30, 2023	<u>\$ 470,839</u>	<u>\$ 218,825</u>	<u>\$ 159,119</u>	<u>\$ 22,098</u>	<u>\$ 96,534</u>	<u>\$ 967,415</u>
<u>Accumulated depreciation and impairment</u>						
Balance on January 1, 2023	\$ 11,046	\$ 92,936	\$ 139,160	\$ 10,880	\$ 71,557	\$ 325,579
Disposal	-	-	(460)	(1,638)	(1,403)	(3,501)
Depreciation expense	-	2,085	2,038	2,374	4,967	11,464
Net exchange difference	-	-	(148)	-	(45)	(193)
Balance on June 30, 2023	<u>\$ 11,046</u>	<u>\$ 95,021</u>	<u>\$ 140,590</u>	<u>\$ 11,616</u>	<u>\$ 75,076</u>	<u>\$ 333,349</u>
Net amount on June 30, 2023	<u>\$ 459,793</u>	<u>\$ 123,804</u>	<u>\$ 18,529</u>	<u>\$ 10,482</u>	<u>\$ 21,458</u>	<u>\$ 634,066</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 on January 1, 2022	\$ 470,839	\$ 218,825	\$ 176,560	\$ 51,335	\$ 216,843	\$ 1,134,402
Additions	-	-	-	246	3,861	4,107
Disposals	-	-	(2,168)	(17,070)	(384)	(19,622)
Net exchange difference	-	-	603	-	71	674
Transfer between items	-	-	-	252	-	252
Balance on June 30, 2022	<u>\$ 470,839</u>	<u>\$ 218,825</u>	<u>\$ 174,995</u>	<u>\$ 34,763</u>	<u>\$ 220,391</u>	<u>\$ 1,119,813</u>
<u>Accumulated depreciation and impairment</u>						
Balance on January 1, 2022	\$ 11,046	\$ 88,766	\$ 151,581	\$ 32,891	\$ 188,069	\$ 472,353
Disposal	-	-	(2,051)	(17,070)	(384)	(19,505)
Depreciation expense	-	2,085	2,456	3,495	4,492	12,528
Net exchange difference	-	-	196	-	70	266
Balance on June 30, 2022	<u>\$ 11,046</u>	<u>\$ 90,851</u>	<u>\$ 152,182</u>	<u>\$ 19,316</u>	<u>\$ 192,247</u>	<u>\$ 465,642</u>
Net amount on June 30, 2022	<u>\$ 459,793</u>	<u>\$ 127,974</u>	<u>\$ 22,813</u>	<u>\$ 15,447</u>	<u>\$ 28,144</u>	<u>\$ 654,171</u>

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

Premises and buildings	50 to 55 years
Machine/Equipment	3 to 10 years
Leasehold improvement	5 years
Miscellaneous equipment	2 to 10 years

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

15. LEASE AGREEMENT

(1) Right-of-use assets

	June 30, 2023	December 31, 2022	June 30, 2022	
Carrying amount of right-of-use assets				
Building	\$ 76,608	\$ 4,354	\$ 13,589	
Office equipment	375	421	467	
Transportation equipment	-	-	3,340	
	<u>\$ 76,983</u>	<u>\$ 4,775</u>	<u>\$ 17,396</u>	
	The three months ended June 30		The six months ended June 30	
	2023	2022	2023	2022
Addition of right-of-use assets			\$ 83,573	\$ -
Depreciation expense of right-of-use assets				
Building	\$ 6,965	\$ 4,750	\$ 11,319	\$ 9,499
Office equipment	23	23	46	46
Transportation equipment	-	712	-	1,536
	<u>\$ 6,988</u>	<u>\$ 5,485</u>	<u>\$ 11,365</u>	<u>\$ 11,081</u>

(2) Lease liabilities

	June 30, 2023	December 31, 2022	June 30, 2022
Carrying amount of lease liabilities			
Current	\$ 27,583	\$ 5,670	\$ 20,514
Non-current	\$ 49,572	\$ 335	\$ 1,804

The discount rate range for the lease liability is as follows:

	June 30, 2023	December 31, 2022	June 30, 2022
Building	1.75%	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

	The three months ended June 30		The six months ended June 30	
	2023	2022	2023	2022
Short-term lease expense	\$ 429	\$ 1,293	\$ 665	\$ 2,559
Expenses relating to low-value asset leases	\$ 9	\$ 15	\$ 21	\$ 30
Total cash outflows for leases			<u>\$ 13,109</u>	<u>\$ 18,119</u>

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

	June 30, 2023	December 31, 2022	June 30, 2022
Lease commitments	<u>\$ 792</u>	<u>\$ -</u>	<u>\$ 1,492</u>

16. INVESTMENT PROPERTY

	<u>Investment property</u>
<u>Cost</u>	
Balance on January 1, 2023	\$ 730,108
Disposals	(52,765)
Net exchange differences	(1,035)
Balance on June 30, 2023	<u>\$ 676,308</u>
<u>Accumulated depreciation and impairment</u>	
Balance on January 1, 2023	(\$ 35,694)
Depreciation expense	(1,092)
Net exchange differences	38
Balance on June 30, 2023	<u>(\$ 36,748)</u>
Balance on June 30, 2023	<u>\$ 639,560</u>
Balance on December 31, 2022 and January 1, 2023	<u>\$ 694,414</u>
<u>Cost</u>	
Balance on January 1, 2022	\$ 595,521
Additions	128,823
Net exchange differences	2,755
Balance on June 30, 2022	<u>\$ 727,099</u>
<u>Accumulated depreciation and impairment</u>	
Balance on January 1, 2022	(\$ 33,417)
Depreciation expense	(1,083)
Net exchange differences	(42)
Balance on June 30, 2022	<u>(\$ 34,542)</u>
Balance on June 30, 2022	<u>\$ 692,557</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 30 June 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. LOANS

Long term loans

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Loans with a floating interest rate:			
China Trust Commercial Bank			
Mortgage loan, maturing in February 2043 (Note 1)	\$ 135,742	\$138,000	\$ 138,000
Mortgage loan, maturing in August 2026 (Note 2)	80,833	85,833	90,834
Chang Hwa Bank			
Mortgage loan, maturing in January 2041 (Note 3)	<u>107,898</u>	<u>110,000</u>	<u>110,000</u>
Total	324,473	333,833	338,834
Less: Long-term loans maturing within 1 year	(<u>20,661</u>)	(<u>19,337</u>)	(<u>14,118</u>)
	<u>\$ 303,812</u>	<u>\$ 314,496</u>	<u>\$ 324,716</u>

Note 1: The interest rate on June 30, 2023 and December 31, 2022 and June 30, 2022 were 2.2%, 2.1 % and 1.6% respectively. The principal and interest will be amortized on a monthly basis from March 2023.

Note 2: The interest rate on June 30, 2023 and December 31, 2022 and June 30, 2022 were 2.2%, 2.1 % and 1.6% respectively. The principal and interest will be amortized on a monthly basis from August 2021.

Note 3: The interest rate on June 30, 2023 and December 31, 2022 and June 30, 2022 were 2.2%, 2.0 % and 1.8% respectively. The principal and interest will be amortized on a monthly basis from February 2023.

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

18. NOTES AND ACCOUNTS PAYABLE

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

19. OTHER PAYABLES

	June 30, 2023	December 31, 2022	June 30, 2022
Dividends payable	\$ 44,306	\$ -	\$ 44,306
Salaries and bonuses payable	20,780	31,248	20,619
Service fees payable	3,691	5,044	3,860
Market promotion fees payable	3,654	2,118	5,519
Others	<u>21,961</u>	<u>21,832</u>	<u>24,441</u>
	<u>\$ 94,392</u>	<u>\$ 60,242</u>	<u>\$ 98,745</u>

20. POST-EMPLOYMENT BENEFIT PLANS

The pension costs under the defined benefit plans for the three months ended June 30, 2023 and for the six months ended June 30, 2023 were \$19,000、\$30,000、\$38,000 and \$60,000, respectively, and were calculated using the actuarially determined pension cost rate as of 31 December 2022 and 2021.

21. EQUITY**(1) Share capital**

	June 30, 2023	December 31, 2022	June 30, 2022
Number of authorized shares (thousand shares)	<u>390,000</u>	<u>390,000</u>	<u>390,000</u>
Authorized share capital	<u>\$ 3,900,000</u>	<u>\$ 3,900,000</u>	<u>\$ 3,900,000</u>
Number of issued shares with full payment received (thousand shares)	<u>221,528</u>	<u>221,528</u>	<u>221,528</u>
Issued share capital	<u>\$ 2,215,285</u>	<u>\$ 2,215,285</u>	<u>\$ 2,215,285</u>

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

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

(2) Capital reserve

	June 30, 2023	December 31, 2022	June 30, 2022
Shares issued in excess of par value	\$ 41,221	\$ 5,527	\$ 85,527
Trading of treasury stocks	156,114	156,114	156,114
Long-term investment	<u>29,668</u>	<u>29,262</u>	<u>26,918</u>
	<u>\$ 227,003</u>	<u>\$ 270,903</u>	<u>\$ 268,559</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 dividend 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. 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 June 21, 2023 and June 9, 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, the company passed the resolutions of the general meeting of shareholders on June 21, 2023 and June 9, 2022. According to the provisions of Article 241 of the Company Law, the capital reserve of \$44,306,000 in excess of the par value of the premium issued by ordinary shares was distributed in cash dividends to shareholders.

- (4) Other equity items
a. Foreign exchange differences on translation of foreign companys' financial statements

	<u>For the six months ended June 30</u>	
	2023	2022
Beginning balance	(\$ 8,938)	(\$ 66,113)
Arising during the period		
Exchange differences of foreign operations	2,476	38,109
Share from associates accounted for using the equity method	<u>1,354</u>	<u>1,392</u>
Other comprehensive income this period	<u>3,830</u>	<u>39,501</u>
Ending balance	<u>(\$ 5,108)</u>	<u>(\$ 26,612)</u>

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

	<u>For the six months ended June 30</u>	
	2023	2022
Beginning balance	(\$630,209)	(\$601,087)
Arising during the period		
Unrealized gain (loss)- equity instruments	18,877	(8,638)
Share from associates accounted for using the equity method	(2,185)	(611)
Other comprehensive income this period	<u>16,692</u>	(9,249)
Disposal gain (loss) of equity instruments transferred to retained earnings	(86)	<u>22,459</u>
Ending balance	<u>(\$ 613,603)</u>	<u>(\$ 587,877)</u>

22. REVENUE

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	2023	2022	2023	2022
Revenue from contracts with customers				
Sale of goods	\$ 174,664	\$ 262,955	\$ 349,813	\$ 545,707
Other operating revenue				
Other income	<u>3</u>	<u>37</u>	<u>3</u>	<u>96</u>
	<u>\$ 174,667</u>	<u>\$ 262,992</u>	<u>\$ 349,816</u>	<u>\$ 545,803</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

	June 30, 2023	December 31, 2022	June 30, 2022	January 1, 2022
Total notes and accounts receivable (Note 9)	\$ 54,148	\$ 60,555	\$ 77,076	\$ 115,854

(3) Disaggregation of revenue

	For the six months ended June 30	
	2023	2022
Computer peripherals	\$ 243,800	\$ 260,025
Video and optoelectronic products	101,425	278,805
Consumer electronics	4,466	5,513
Others	<u>122</u>	<u>1,364</u>
	<u>\$ 349,813</u>	<u>\$ 545,707</u>

23. COMPREHENSIVE INCOME

(1) Other gains and losses

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
Rent revenue	\$ 5,469	\$ 4,096	\$ 10,787	\$ 7,454
Gain on disposal of investment properties	-	-	8,820	-
Gain on disposal of investments	3,022	-	3,022	4,403
Net foreign exchange (loss) gain	1,786	3,260	1,171	8,773
Other income and expenses	<u>6,147</u>	<u>1,609</u>	<u>7,518</u>	<u>2,335</u>
	<u>\$ 16,424</u>	<u>\$ 8,965</u>	<u>\$ 31,318</u>	<u>\$ 22,965</u>

(2) Depreciation and amortization

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
Property, plant and equipment	\$ 5,726	\$ 6,359	\$ 11,464	\$ 12,528
Investment property	544	548	1,092	1,083
Right-of-use assets	6,988	5,485	11,365	11,081
Other non-current assets	<u>2,000</u>	<u>744</u>	<u>3,974</u>	<u>1,577</u>
	<u>\$ 15,258</u>	<u>\$ 13,136</u>	<u>\$ 27,895</u>	<u>\$ 26,269</u>
An analysis of depreciation by function				
Operating costs	\$ 7,031	\$ 4,589	\$ 11,595	\$ 9,147
Operating expenses	5,683	7,255	11,234	14,462
Other gains and losses	<u>544</u>	<u>548</u>	<u>1,092</u>	<u>1,083</u>
	<u>\$ 13,258</u>	<u>\$ 12,392</u>	<u>\$ 23,921</u>	<u>\$ 24,692</u>
An analysis of amortization by function				
Operating costs	\$ 325	\$ 55	\$ 613	\$ 136
Operating expenses	<u>1,675</u>	<u>689</u>	<u>3,361</u>	<u>1,441</u>
	<u>\$ 2,000</u>	<u>\$ 744</u>	<u>\$ 3,974</u>	<u>\$ 1,577</u>

(3) Employee benefits expenses

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
Post-employment benefits				
Defined contribution plan	\$ 1,001	\$ 993	\$ 1,984	\$ 1,990
Defined benefit plan (Note 20)	19	30	38	60
	<u>1,020</u>	<u>1,023</u>	<u>2,022</u>	<u>2,050</u>
Termination benefits	2	462	606	1,004
Other employee benefits	<u>40,846</u>	<u>40,931</u>	<u>80,500</u>	<u>75,088</u>
Total employee benefit expenses	<u>\$ 41,868</u>	<u>\$ 42,416</u>	<u>\$ 83,128</u>	<u>\$ 78,142</u>
Summarized by function				
Operating costs	\$ 6,828	\$ 5,891	\$ 11,215	\$ 7,737
Operating expenses	<u>35,040</u>	<u>36,525</u>	<u>71,913</u>	<u>70,405</u>
	<u>\$ 41,868</u>	<u>\$ 42,416</u>	<u>\$ 83,128</u>	<u>\$ 78,142</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 six months ended June 30, 2023 and 2022 were as follows:

Estimated ratio

	For the six months ended June 30	
	2023	2022
Employees' compensation	2 %	2 %
Remuneration of directors	1 %	1 %

Amount

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
Employees' compensation	<u>\$ 587</u>	<u>\$ 696</u>	<u>\$ 1,025</u>	<u>\$ 990</u>
Remuneration of directors	<u>\$ 295</u>	<u>\$ 262</u>	<u>\$ 512</u>	<u>\$ 408</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:

Amounts

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

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:

	<u>For the three months ended</u>		<u>For the six months ended</u>	
	<u>June 30</u>	<u>June 30</u>	<u>June 30</u>	<u>June 30</u>
	2023	2022	2023	2022
Income tax				
Arising from current period	\$ 476	\$ 5,871	\$ 762	\$ 7,106
Tax on undistributed surplus earnings	-	-	124	-
Adjusted from prior years	49	-	49	-
Deferred income tax				
Arising from current period	<u>415</u>	<u>1,274</u>	<u>4,173</u>	<u>5,525</u>
Income tax expense recognized in profit or loss	<u>\$ 940</u>	<u>\$ 7,145</u>	<u>\$ 5,108</u>	<u>\$ 12,631</u>

(2) Income tax recognized in other comprehensive income

	<u>For the three months ended</u>		<u>For the six months ended</u>	
	<u>June 30</u>	<u>June 30</u>	<u>June 30</u>	<u>June 30</u>
	2023	2022	2023	2022
<u>Deferred income tax</u>				
Arising during the period				
- Translation of foreign operations	(\$ 2,068)	(\$4,496)	(\$ 1,381)	(\$ 8,422)
- Unrealized gains (losses) from financial assets measured at fair value through OCI	(<u>2,206</u>)	(<u>83</u>)	(<u>1,929</u>)	(<u>82</u>)
Recognized in other comprehensive income	<u>(\$ 4,274)</u>	<u>(\$ 4,579)</u>	<u>(\$ 3,310)</u>	<u>(\$ 8,504)</u>

(3) Approval of income tax

The income tax returns declaration of KYE, Chung-Chiang Investment Co., Ltd. and Hong Cheng Investment Co., Ltd. as of the year 2021 has been ratified by the tax collection authority; The income tax return declaration of Digilife Technologies Co., Ltd. as of the end of 2020 has been ratified by the tax collection authority.

25. EARNINGS 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>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	2023	2022	2023	2022
Net profit attributable to owners of the Company	\$ 27,844	\$17,334	\$ 46,408	\$ 25,105
Effect of potentially dilutive ordinary shares:				
Employees' compensation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 27,844</u>	<u>\$ 17,334</u>	<u>\$ 46,408</u>	<u>\$ 25,105</u>

Shares

Unit: thousand shares

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	2023	2022	2023	2022
Weighted average number of ordinary shares used in the computation of basic earnings per share	221,528	221,528	221,528	221,528
Effect of potentially dilutive ordinary shares:				
Employees' compensation	<u>83</u>	<u>95</u>	<u>130</u>	<u>162</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>221,611</u>	<u>221,623</u>	<u>221,658</u>	<u>221,690</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 RISK MANAGEMENT

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

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

KYE and subsidiaries are not required to comply with other external capital requirements.

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

27. FINANCIAL INSTRUMENTS

- (1) Fair value information – financial instruments not measured at fair value
 Since the carrying amount of KYE and subsidiaries’ financial instruments not measured at fair value, including cash and cash equivalents, notes and accounts receivable, finance lease payments receivable, other receivables, deposits paid, notes and accounts payable, other payables, long-term liabilities maturing within 1 year, long-term loans and deposits received, is a reasonable approximation of fair value, its fair value is not disclosed.
- (2) Fair value information – financial instruments measured at fair value on a recurring basis

A. Fair value hierarchy
June 30, 2023

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>total</u>
<u>Financial assets at fair value through profit or loss</u>				
Equity instrument investment				
-Domestic listed (OTC) stocks	\$ 1,144	\$ -	\$ -	\$ 1,144
<u>Financial assets at fair value through other comprehensive income</u>				
Equity instrument investment				
-Domestic listed (OTC) stocks	\$ 38,638	\$ -	\$ 4,254	\$ 42,892
-Domestic unlisted (non-OTC) stocks	-	-	30,210	30,210
-Overseas unlisted (non-OTC) stocks	-	-	82,915	82,915
Total	<u>\$ 38,638</u>	<u>\$ -</u>	<u>\$117,379</u>	<u>\$156,017</u>

<u>December 31, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>total</u>
<u>Financial assets at fair value through profit or loss</u>				
Equity instrument investment				
-Domestic listed (OTC) stocks	<u>\$ 1,085</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,085</u>
<u>Financial assets at fair value through other comprehensive income</u>				
Equity instrument investment				
-Domestic listed (OTC) stocks	\$ 36,459	\$ -	\$ 6,067	\$ 42,526
-Domestic unlisted (non-OTC) stocks	-	-	22,360	22,360
-Overseas unlisted (non-OTC) stocks	-	-	<u>70,369</u>	<u>70,369</u>
Total	<u>\$ 36,459</u>	<u>\$ -</u>	<u>\$ 98,796</u>	<u>\$ 135,255</u>
 <u>June 30, 2022</u>				
<u>Financial assets at fair value through profit or loss</u>				
Equity instrument investment				
-Domestic listed (OTC) stocks	<u>\$ 1,235</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,235</u>
<u>Financial assets at fair value through other comprehensive income</u>				
Equity instrument investment				
-Domestic listed (OTC) stocks	\$ 48,508	\$ -	\$ 8,702	\$ 57,210
-Domestic unlisted (non-OTC) stocks	-	-	29,411	29,411
-Foreign unlisted (non-OTC) stocks	-	-	<u>120,960</u>	<u>120,960</u>
Total	<u>\$ 48,508</u>	<u>\$ -</u>	<u>\$ 159,073</u>	<u>\$ 207,581</u>

There were no transfers between Level 1 and Level 2 during the period of six months ended June 30, 2023 and 2022.

B. Reconciliation of Level 3 fair value measurements of financial instruments
For six months ended June 30,2023

	<u>Financial Assets at Fair value measured through other comprehensive income</u>
Beginning balance	\$ 98,796
Recognized in other comprehensive income	17,427
Exchange differences on translating the financial statements of foreign operations	<u>1,156</u>
Ending balance	<u>\$ 117,379</u>

For six months ended June 30,2022

	<u>Financial Assets at Fair value measured through other comprehensive income</u>
Beginning balance	\$ 207,506
Recognized in other comprehensive income	3,549
Disposals	(60,043)
Exchange differences on translating the financial statements of foreign operations	<u>8,061</u>
Ending balance	<u>\$ 159,073</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) Types of financial instruments

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
<u>Financial assets</u>			
Fair value through profit or loss			
Mandatorily measured at fair value through profit or loss	\$ 1,144	\$ 1,085	\$ 1,235
Financial Assets measured at amortized cost (Note 1)	1,307,940	1,177,179	1,106,040
Financial assets at fair value through other comprehensive income			
Equity instruments investment	156,017	135,255	207,581
<u>Financial liabilities</u>			
Measured at amortized cost (Note 2)	468,343	443,557	463,292

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

Note 2: The balance includes financial liabilities measured at amortized cost, such as notes and accounts payable, other payables, long-term loans maturing within 1 year, long-term loans and deposits received.

(4) Purpose and policy of financial risk management

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

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

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

A. Market risk

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

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

(a) Exchange rate risk

KYE and subsidiaries engage in transactions of the sale and purchase of goods denominated in foreign currencies, exposing them to the risk of change in foreign exchange rates. More than 75% of the sales of KYE and subsidiaries are not denominated in KYE's functional currency, and approximately 98% of their purchases are not denominated in KYE's functional currency. For the management of the exposure of KYE and subsidiaries to exchange rate risk, currency options are used to manage risks to the extent permitted by policies.

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

Sensitivity Analysis

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

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

	<u>For the six months ended June 30,2023</u>	<u>For the six months ended June 30,2022</u>
Profit / loss (Note)	\$ 6,856	\$ 6,162

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

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

(b) Interest rate risk

The interest rate risk exposure occurs due to the borrowing of funds and undertaking of bank deposits by the entities in KYE and subsidiaries at both fixed and floating interest rates.

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

	June 30, 2023	December 31, 2022	June 30, 2022
Fair value interest rate risk			
-Financial assets	\$ 677,222	\$ 642,251	\$ 326,920
-Financial liabilities	77,155	6,005	22,318
Cash flow interest rate risk			
-Financial assets	552,875	387,852	616,010
-Financial liabilities	324,473	333,833	338,834

Sensitivity Analysis

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

If the interest rate increases/decreases by 25 basis points with all other variables remaining constant, the pre-tax net profits of KYE and subsidiaries for the six months ended June 30, 2023 and 2022 would increase/decrease by NTD 353 thousand and NTD 1,063 thousand, respectively.

(c) Other price risks

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

Sensitivity Analysis

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

If the equity price increases/decreases by 1%, the pre-tax profits/losses for the six months ended June 30, 2023 and 2022 would increase/decrease by NTD 11 thousand and NTD 12 thousand respectively, due to an increase/decrease in the fair value of financial assets measured at fair value through profit/loss. Other pre-tax comprehensive incomes for the six months ended June 30, 2023 and

2022 would increase/decrease by NTD 1,560 thousand and NTD 2,076 thousand respectively, due to an increase/decrease in the fair value of financial assets measured at fair value through other comprehensive income.

B. Credit risk

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

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

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

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

As of June 30, 2023, December 31, 2022, and June 30, 2022, the accounts receivable balance of the top ten customers accounted for 55%, 50% and 46% of the account receivable balance of the company and its subsidiaries respectively and 46 %, and the credit concentration risk of the remaining accounts receivable is relatively insignificant.

C. Liquidity risk

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

Table of liquidity and interest rate risks

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

June 30, 2023

	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years
<u>Non-derivative</u>				
<u>financial liabilities</u>				
No interest bearing liabilities	\$ 143,870	\$ -	\$ -	\$ -
Lease liability	28,711	28,711	21,662	-
Floating interest rate liabilities	<u>27,628</u>	<u>27,400</u>	<u>109,937</u>	<u>218,082</u>
	<u>\$ 200,209</u>	<u>\$ 56,111</u>	<u>\$ 131,599</u>	<u>\$ 218,082</u>

December 31, 2022

	less than 1 year	1 to 2 years	2 to 5 years	Over 5 years
<u>Non-derivative</u>				
<u>financial liabilities</u>				
No interest bearing liabilities	\$ 109,724	\$ -	\$ -	\$ -
Lease liability	5,690	96	248	-
Floating interest rate liabilities	<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>

June 30, 2022

	less than 1 year	1 to 2 years	2 to 5 years	Over 5 years
<u>Non-derivative</u>				
<u>financial liabilities</u>				
No interest bearing liabilities	\$ 124,458	\$ -	\$ -	\$ -
Lease liability	20,661	1,111	711	-
Floating interest rate liabilities	<u>17,085</u>	<u>26,488</u>	<u>118,617</u>	<u>223,844</u>
	<u>\$ 162,204</u>	<u>\$ 27,599</u>	<u>\$ 119,328</u>	<u>\$ 223,844</u>

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

June 30, 2023

	Less than 1 year	1 to 5 years	5 to 10 years	10 to 15 years	15 to 20 years	Over 20 years
Floating interest rate liabilities	<u>\$27,628</u>	<u>\$137,337</u>	<u>\$79,580</u>	<u>\$79,584</u>	<u>\$58,918</u>	<u>\$ -</u>

December 31, 2022

	Less than 1 year	1 to 5 years	5 to 10 years	10 to 15 years	15 to 20 years	Over 20 years
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>

June 30, 2022

	Less than 1 year	1 to 5 years	5 to 10 years	10 to 15 years	15 to 20 years	Over 20 years
Floating interest rate liabilities	<u>\$ 17,085</u>	<u>\$ 145,105</u>	<u>\$ 76,187</u>	<u>\$ 76,189</u>	<u>\$ 66,071</u>	<u>\$ 5,397</u>

28. RELATED PARTY TRANSACTIONS

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

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

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

(2) Operating transactions

<u>Type/Name of related party</u>	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	2023	2022	2023	2022
<u>Processing revenue</u>				
Related party in substance	<u>\$ -</u>	<u>\$ 26</u>	<u>\$ -</u>	<u>\$ 85</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>Type/Name of related party</u>	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	2023	2022	2023	2022
<u>Purchase</u>				
Associate	\$ -	\$ 942	\$ -	\$ 942
Related party in substance	<u>-</u>	<u>121</u>	<u>-</u>	<u>121</u>
	<u>\$ -</u>	<u>\$ 1,063</u>	<u>\$ -</u>	<u>\$ 1,063</u>

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

Type/Name of related party	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
<u>Manufacturing expenses</u>				
Related party in substance	\$ -	\$ 3,365	\$ -	\$ 7,075

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

Type/Name of related party	June 30 , 2023	December 31 ,	
		2022	June 30 , 2022
Related party in substance	\$ -	\$ 60	\$ -

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

Type/Name of related party	June 30 , 2023	December 31 ,	
		2022	June 30 , 2022
Related party in substance	\$ -	\$ 15,408	\$ 1,460
Associate	-	-	171
	\$ -	\$ 15,408	\$ 1,631

The outstanding balance of payables to related parties is unsecured and will be settled in cash.

(3) Lease agreement

Type/Name of related party	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
<u>Rental income</u>				
Related party in substance	\$ 156	\$ -	\$ 156	\$ -
<u>Rent expense</u>				
Related party in substance	\$ 384	\$ 1,051	\$ 608	\$ 2,096

KYE and subsidiaries have rented properties from related parties in substance for the used of warehouses, offices and employee dormitories. KYE and subsidiaries sublease the part of the leased factory in Dongguan to substantial related parties. The lease terms are similar to those of general non-related parties.

(4) Compensation of key management personnel

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
Short-term employee benefits	\$ 8,565	\$ 8,913	\$ 16,412	\$ 17,298
Post-employment benefits	135	119	257	238
	\$ 8,700	\$ 9,032	\$ 16,669	\$ 17,536

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

29. PLEGGED AND MORTGAGED ASSETS

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

	June 30, 2023	December 31, 2022	June 30, 2022
Property – net	\$ 516,707	\$ 517,847	\$ 512,675
Investment property – net	<u>345,104</u>	<u>345,658</u>	<u>346,211</u>
	<u>\$ 861,811</u>	<u>\$ 863,505</u>	<u>\$ 858,886</u>

30. MATERIAL CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACTUAL COMMITMENTS

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

Contingencies

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

31. INFORMATION OF FOREIGN CURRENCY FINANCIAL ASSETS AND LIABILITIES WITH MATERIAL EFFECT

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

June 30, 2023

	Foreign currency	Exchange rate	Carrying amount
<u>Financial assets</u>			
<u>Monetary item</u>			
USD	\$ 22,117	31.140	\$ 688,717
RMB	33,719	4.282	144,385
AUD	5,426	20.620	111,881
HKD	1,273	3.974	5,057
JPY	19,551	0.215	4,204
EUR	47	33.810	1,583

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	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Carrying amount</u>
<u>Investments accounted for using the equity method</u>			
USD	\$ 2,270	31.140	\$ 70,682
RMB	1,335	4.282	5,718
<u>Financial assets measured at fair value through other comprehensive income</u>			
RMB	18,426	4.282	79,408
THB	3,800	0.923	3,507
<u>Financial liabilities</u>			
<u>Monetary item</u>			
RMB	13,396	4.282	57,364
USD	101	31.140	3,142
<u>December 31, 2022</u>			
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Carrying amount</u>
<u>Financial assets</u>			
<u>Monetary item</u>			
USD	\$ 2 0,055	3 0.710	\$ 615,884
AUD	3,327	2 0.830	69,304
RMB	14,693	4.408	64,767
HKD	1,315	3.938	5,178
JPY	19,838	0.232	4,610
EUR	61	3 2.720	1,999
<u>Investments accounted for using the equity method</u>			
USD	2,074	3 0.710	63,679
RMB	1,118	4.408	4,929
<u>Financial assets measured at fair value through other comprehensive income</u>			
RMB	15,163	4.408	66,862
THB	3,800	0.923	3,507
<u>Financial liabilities</u>			
<u>Monetary item</u>			
RMB	13,815	4.408	60,896
USD	150	3 0.710	4,594

June 30, 2022

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Carrying amount</u>
<u>Financial assets</u>			
<u>Monetary item</u>			
USD	\$ 20,878	2 9.720	\$ 620,509
RMB	16,877	4.439	74,918
AUD	3,336	2 0.450	68,223
HKD	1,349	3.788	5,110
JPY	20,020	0. 218	4,368
EUR	61	31.0 50	1,897
<u>Investments accounted for using the equity method</u>			
USD	2,066	2 9.720	61,408
RMB	1,529	4.439	6,787
THB	972	0.847	823
<u>Financial assets measured at fair value through other comprehensive income</u>			
RMB	25,197	4.439	117,452
THB	3,800	0.923	3,507
<u>Financial liabilities</u>			
<u>Monetary item</u>			
RMB	7,528	4.439	33,419
USD	143	29.720	4,261

The realized and unrealized foreign exchange gain of KYE and subsidiaries for the three months and the six months ended June 30, 2023 and 2022 were NTD 1,786 thousand, NTD 3,260 thousand, NTD 1,171 thousand and NTD 8,773 thousand, respectively. Due to a great number of functional currencies used for foreign currency transactions and by the entities under the group, it is not possible to disclose the exchange profit/loss of each foreign currency with material effect.

32. NOTE DISCLOSURES

- (1) Information of material transactions:
 - A. Financing provided to others: None.
 - B. Endorsements/guarantees provided: None.
 - C. Marketable securities held (excluding investment in subsidiaries, associates and joint controlled entities): See Table 1 attached.
 - D. Marketable securities acquired or disposed of at costs or prices of at least NTD300 million or 20% of the paid-in capital: None.

- E. Acquisition of individual real estate at costs of at least NTD300 million or 20% of the paid-in capital: None.
 - F. Disposal of individual real estate at prices of at least NTD300 million or 20% of the paid-in capital: None.
 - G. Total purchases from or sales to related parties amounting to at least NTD100 million or 20% of the paid-in capital: See Table 2 attached.
 - H. Receivables from related parties amounting to at least NTD100 million or 20% of the paid-in capital: See Table 3 attached.
 - I. Trading in derivative instruments: None.
 - J. Others: Intercompany relationships and significant intercompany transactions: See Table 4 attached.
- (2) Information on investees : See Table 5 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: See Table 6 attached.
 - 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: See Table 6 attached.
 - (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. (See Table 7 attached)

33. **SEGMENT INFORMATION**

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

(1) Segment revenues and operating results

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

Domestic and foreign operations segments	Six Months Ended June 30, 2023		
	Electronic Products	Others	Total
Revenue from customers other than parent company and consolidated subsidiaries	<u>\$ 349,813</u>	<u>\$ 3</u>	<u>\$ 349,816</u>
Sectoral Benefit (Loss)	\$ 3,446	(\$ 6,027)	(\$ 2,581)
Other gains and losses	15,753	15,565	31,318
Share of profits and losses of related companies recognized using the equity method	11,044	-	11,044
interest expense	(3,884)	(4)	(3,888)
interest income	<u>14,582</u>	<u>377</u>	<u>14,959</u>
Net profit before tax	<u>\$ 40,941</u>	<u>\$ 9,911</u>	<u>\$ 50,852</u>

Domestic and foreign operations segments	Six Months Ended June 30, 2022		
	Electronic Product	Others	Total
Revenue from customers other than parent company and consolidated subsidiaries	<u>\$ 545,791</u>	<u>\$ 12</u>	<u>\$ 545,803</u>
Sectoral Benefit (Loss)	\$ 36,558	(\$ 7,092)	\$ 29,466
Other gains and losses	18,201	4,764	22,965
Share of profits and losses of related companies recognized using the equity method	(13,753)	-	(13,753)
interest expense	(2,644)	-	(2,644)
interest income	<u>1,286</u>	<u>3</u>	<u>1,289</u>
Net profit (loss) before tax	<u>\$ 39,648</u>	<u>(\$ 2,325)</u>	<u>\$ 37,323</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) Total Assets and Liabilities of the Segment

	June 30, 2023	December 31, 2022	June 30, 2022
<u>Segment assets</u>			
Electronics	\$ 3,155,451	\$ 2,990,475	\$ 3,028,471
Others	<u>446,947</u>	<u>497,736</u>	<u>505,125</u>
Total	<u>\$ 3,602,398</u>	<u>\$ 3,488,211</u>	<u>\$ 3,533,596</u>
<u>Segment liabilities</u>			
Electronics	\$ 604,198	\$ 514,362	\$ 569,449
Others	<u>3,902</u>	<u>1,733</u>	<u>3,340</u>
Total	<u>\$ 608,100</u>	<u>\$ 516,095</u>	<u>\$ 572,789</u>

KYE Systems Corp. and Subsidiaries
Securities Held at End of the Period
June 30, 2023

Table 1

Unit: NTD and foreign currency (thousand)

Held Company Name	Type and Name of Marketable Securities	Relationship with the Company	Financial Statement Account	June 30,2023			
				Shares/Units (In Thousands)	Carrying Value	Percentage of Ownership (%)	Fair value (Note 1)
KYE Systems Corp.	<u>Stocks</u> Monterey International Corp.	None	Financial assets at fair value through other comprehensive income - non-current	1,973	\$ 20,210	7.71 %	\$ 20,210
	Ta Shee Resort Co., Ltd. (preferred shares)	None	Financial assets at fair value through other comprehensive income - non-current	-	9,100	-	9,100
	Unity Opto	None	Financial assets at fair value through other comprehensive income - current	1,913	- (Note 3)	-	- (Note 3)
	Aiptek (private placement)	None	Financial assets at fair value through other comprehensive income - non-current	472	4,254	1.70 %	4,254
	Unity Opto (private placement)	None	Financial assets at fair value through other comprehensive income - non-current	15,789	- (Note 3)	3.42 %	- (Note 3)
British Virgin Islands Globalink Holding Co., Ltd	<u>Stocks</u> Shenzhen CMK Technology Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	-	USD 2,550	8.25 %	USD 2,550
Hongcheng Investment Co., Ltd.	<u>Stocks</u> Flytech	None	Financial assets at fair value through other comprehensive income - current	486	35,415	-	35,415
Digilife Technologies Co., Ltd.	<u>Stocks</u> MOTOMOTO Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	38	3,507	19.00 %	3,507
	LIAN, JU Biotechnology Co., Ltd	Digilife Technologies Co., Ltd. is the director of the company	Financial assets at fair value through other comprehensive income - non-current	90	900	18.00 %	900
	Unity Opto	None	Financial assets at fair value through other comprehensive income - current	597	- (Note 3)	-	- (Note 3)
	SKFH	None	Financial assets at fair value through other comprehensive income - current	186	1,651	-	1,651
	CPDC	None	Financial assets at fair value through other comprehensive income - current	160	1,572	-	1,572

(continued on next page)

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Held Company Name	Type and Name of Marketable Securities	Relationship with the Company	Financial Statement Account	June 30,2023			
				Shares/Units (In Thousands)	Carrying Value	Percentage of Ownership (%)	Fair value (Note 1)
Zhongqiang Investment Co., Ltd.	<u>Stocks</u>						
	Sysgration Ltd.	None	Financial assets at fair value through profit or loss - current	20	\$ 834	-	\$ 834
	Powerchip Semiconductor	None	Financial assets at fair value through profit or loss - current	10	310	-	310

Note 1: The determination method of the market price is as follows: listed/OTC stocks are calculated based on the closing price at the end of June 2023 at the Taiwan Stock Exchange and OTC; listed/OTC private stocks with restricted trading are estimated by evaluation methods; domestic and foreign unlisted/non-OTC stocks are calculated using evaluation methods.

Note 2: The securities held at the end of the period did not provide guarantees or pledged loans.

Note 3: Since Unity Opto has ceased trading since April 7, 2020, and there is no open market price and verifiable financial figures as the evaluation basis, the company and its subsidiaries have assessed the fair value of equity as 0.

KYE Systems Corp. and its subsidiaries
Total Purchases From Or Sales To Related Parties Of At Least NT\$100 Million Or 20% Of The Paid In Capital
For The Six Months Ended June 30, 2023

Table 2

Unit: NTD thousand

Company Name	Related Party	Nature of relationships	Transaction Details				Differences of transaction terms from those of regular transactions and reasons for such differences		Notes/Accounts receivable (payment)		Remarks
			Purchases/Sales	Amount	% to Total	Loan period	Unit price	Loan period	Balance	Share of total notes/accounts receivable (payable)	
KYE Systems Corp.	KYE Trade (HK) Co., Ltd.	The company's grandson company	Purchase (Note 1)	\$ 161,172 (Note 2)	100 %	Offset against payments receivable on a non-periodic basis	-	-	\$ -	-	
KYE Trade (HK) Co., Ltd.	Dongguan Kunying Computer Products Co., Ltd.	same parent company	purchase	160,137 (Note 2)	100 %	Offset against payments receivable on a non-periodic basis	-	-	-	-	

Note 1: The company's purchase transaction with KYE Trade is that Dongguan Kunying purchases raw materials by itself and processes them into finished products before selling them back to the company. The accounts payable arising from the purchase transaction of the company is offset against the receivables such as internal valuation and mutual advance transactions between the two parties from time to time.

Note 2: When preparing the consolidated financial report, it has been fully eliminated.

KYE Systems Corp. and Subsidiaries
Receivables From Related Parties Amounting To At Least Nt\$100 Million Or 20% Of The Paid In Capital
June 30, 2023

Table 3

Unit: NTD thousand

Company Name	Related Party	Nature of Relationships	Ending Balance	Turnover Days	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
KYE Systems Corp.	KYE Trade (HK) Co., Ltd.	The company's grandson company	\$ 496,660 (Note 2)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	\$ -
KYE Trade (HK) Co., Ltd.	Dongguan Kunying Computer Products Co., Ltd.	same parent company	496,660 (Note 2)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	-

Note 1: In addition to the receivables of the company's purchasing of raw materials, which are offset against the payables from time to time when the finished products are bought back, it also includes the receipt and payment of remittances and remittances to Dongguan Kunying, and Dongguan Kunying The total amount of debits and credits to other receivables arising from the group's internal valuation, mutual advance payment of operating expenses and other items.

Note 2: When preparing the consolidated financial report, it has been fully eliminated.

KYE Systems Corp. and Subsidiaries
Intercompany Relationships And Significant Intercompany Transactions
For The Six Months Ended June 30, 2023

Table 4

Unit: NTD thousand

No.	Company Name	Counterparty	Nature of Relationship (Note 1)	Intercompany Transactions			
				Financial Statements Item	Amount	Terms	Percentage of Consolidated Net Revenue or Total Assets
0	KYE	KYE Trade	1	purchase	\$ 161,172	Note 2	46 %
1	Dongguan Kunying	KYE Trade	1	other receivables	496,660	Note 2	14 %
		KYE Trade	3	operating income	160,137	Note 2	46 %
		KYE Trade	3	Other current liabilities	496,660	Note 2	14 %

Note 1: There are three types of relationships among transaction parties:

1 : parent company to subsidiary company; 2 : subsidiary company to parent company; 3 : subsidiary company to subsidiary company

Note 2: The company's purchase transaction with KYE Trade is that Dongguan Kunying purchases raw materials by itself and processes them into finished products before selling them back to the company. The accounts payable arising from the purchase transaction of the company is offset against the receivables such as internal valuation and mutual advance transactions between the two parties from time to time.

KYE Systems Corp. and Subsidiaries
Names, Locations, And Related Information Of Investees Over Which The Company Exercises Significant Influence
For The Six Months Ended June 30, 2023

Table 5

Unit: NTD and foreign currency (thousand)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of June 30, 2023			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note
				June 30, 2023	December 31, 2022	Shares (In Thousands)	Percentage of Ownership	Carrying Value			
KYE Systems Corp.	Genius Holding Co., Ltd.	Cayman Islands	Investment Holding	USD 28,467	USD 28,467	21,467	100.00	\$ 349,425 (Note 1)	USD 984	\$ 31,550	Subsidiary
	Chung-Chiang Investment Co., Ltd.	New Taipei City	Investment Business	227,482	227,482	20,700	100.00	206,667 (Note 1)	770	770	Subsidiary
	Hung-Cheng Investment Co., Ltd.	Taipei City	Investment Business	85,000	85,000	9,578	100.00	50,511 (Note 1)	40	40	Subsidiary
	KYE International Corporation	U.S.A.	Sales of computer peripherals, consumer electronics and video imaging products	USD 2,610	USD 2,610	235	100.00	2,880 (Note 1)	(USD 22)	(681)	Subsidiary
	KYE Systems (Hong Kong) Corporation Limited	Hong Kong	Sales of computer peripherals, consumer electronics and video imaging products	HKD 500	HKD 500	500	100.00	9,591 (Note 1)	-	-	Subsidiary
	Digilife Technologies Co., Ltd.	Taipei City	Design, processing and sales of digital audio-visual products	652,962	652,962	51,563	94.61	543,747 (Note 1)	(12,320)	(11,656)	Subsidiary
	Star Reach Limited	Samoa	Investment Holding	USD 417	USD 417	-	25.00	5,718	RMB 869	958	Investments using the equity method (Note 2)
	Tianming Pharmaceutical Co., Ltd.	New Taipei City	Chinese medicine manufacturing	288,184	288,184	19,446	22.64	235,137	44,671	10,036	Investments using the equity method
	Coretek Opto Corporation	Hsinchu City	Research and development, design, manufacture and sales of optical transceiver modules	111,880	111,880	10,605	30.40	101,223	(20,811)	(6,349)	Investments using the equity method
KYE Systems (Hong Kong) Corporation Limited	Genius Labuan Inc.	Malaysia	Sales of computer peripherals, consumer electronics and video imaging products	USD 10	USD 10	10	100.00	-	USD -	N/A	Sub-subsi-dary
Genius Holding Co., Ltd.	Globalink Holding Co., Ltd.	British Virgin Islands	Investment Holding	USD 8,289	USD 8,289	5,250	100.00	USD 2,958 (Note 1)	USD8	N/A	Sub-subsi-dary
	Moustek Investment Co., Ltd.	British Virgin Islands	Investment Holding	USD 2,806	USD 2,806	1	100.00	USD - (Note 1)	USD 91	N/A	Sub-subsi-dary (Note 3)
	KYE Trade (HK) Co., Ltd.	Hong Kong	Sales of computer peripherals, consumer electronics and video imaging products	HKD 2,723	HKD 2,723	2,723	100.00	USD 82 (Note 1)	(761)	N/A	Sub-subsi-dary
	KYE Inc.	British Virgin Islands	Investment Holding	USD 16,065	USD 16,065	3	100.00	(USD 9,891) (Note 1)	USD 309	N/A	Sub-subsi-dary
	Maxfar Limited	Samoa	Investment Business	USD 2,462	USD 2,462	2,462	44.37	USD 2,270	15,782	N/A	Investments using the equity method
Digilife Technologies Co., Ltd.	Life Technologies Co., Ltd.	Samoa	Investment Holding	USD 300	USD 300	455	100.00	3,354 (Note 1)	(USD 170)	N/A	Sub-subsi-dary
	DIGILIFE PTY LTD	Australia	Tourism business and real estate development business	AUD 9,500	AUD 12,500	9,500	100.00	185,867 (Note 1)	AUD 429	N/A	Sub-subsi-dary (Note 4)
	Coretek Opto Corporation	Hsinchu City	Research and development, design, manufacture and sales of optical transceiver modules	10,550	10,550	1,000	2.87	9,545	(20,811)	N/A	Investments using the equity method
Hongcheng Investment Co., Ltd.	Coretek Opto Corporation	Hsinchu City	Research and development, design, manufacture and sales of optical transceiver modules	58	58	5	0.01	52	(20,811)	N/A	Investments using the equity method
Life Technologies Co., Ltd.	Life Technologies (Hong Kong) Co., Limited	Hong Kong	Investment Holding	USD 455	USD 455	455	100.00	USD 108 (Note 1)	(HKD 1,330)	N/A	Sub-subsi-dary

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

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

Note 3: Moustek Investment Co., Ltd. in the British Virgin Islands ceased operations in June 2023 and is currently in liquidation.

Note 4: DIGILIFE PTY LTD processed a capital reduction of AUD 3,000,000 in cash in April 2023.

KYE Systems Corp. and Subsidiaries
Information of Investments in Mainland China
June 30, 2023

Table 6

Unit: NTD and foreign currency (thousand)

KYE SYSTEMS CORP.

Name of investee company in Mainland China	Scope of primary business	Paid-in capital	Method of investment	Accumulated amount of investments remitted from Taiwan at start of current period	Amount of investments remitted or recovered in current period		Accumulated amount of investments remitted from Taiwan at end of current period	Profit (loss) of investee company in the current period	KYE's shareholding in direct or indirect investments	Profit/Loss on investments recognized in the current period (Note 4)	Ending carrying value of investments	Profit on investments received as of current period
					Remitted	Recovered						
Dongguan Kunying Computer Products Co., Ltd.	R & D, manufacturing and sales of computer peripherals, consumer electronics and video/image products	USD 15,965	Indirect investment in KYE Inc. through Genius Holding Co., Ltd. with a 100% shareholding	USD 15,965	\$ -	\$ -	USD 15,965	\$ 9,472	100%	\$ 9,472 (Note 5)	(USD 9,965) (Note 5)	\$ -
Dongguan Gaoying Electronic Technology Co., Ltd. (Note 3)	Sales of computer peripherals, consumer electronics and video/image products	USD 2,706	Indirect investment in Moustek Investment Co., Ltd. through Genius Holding Co., Ltd., with the former investing operating funds	USD 2,706	-	-	USD 2,706	(RMB 10)	100%	(RMB 10) (Note 5)	USD - (Note 5)	-
Dongguan Chiaying Electronics Co., Ltd. (Note 3)	Manufacturing and selling of computer accessories, home appliances and molds	RMB 3,722	Indirect investment in Chia Ying Plastics (HK) Co., Limited through Star Reach Limited, with the former investing 25% of operating funds	USD 417	-	-	USD 417	RMB 869	25%	958	5,718	-

Accumulated amount of investments remitted from Taiwan to Mainland China at end of current period	Amount of investments approved by the Investment Commission, MOEA	Limit on amount of investments in Mainland China as required by the Investment Commission, MOEA
USD 35,431 (Note 2)	USD 30,120 (Note 2)	\$ 1,778,009 (Note 1)

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

Note 2: KYE originally made indirect investments in Shanghai Global Lighting Technologies Inc., Suzhou Global Lighting Technologies Inc, and Suzhou Opto Technologies Inc. through Global Lighting Technologies Inc. Since Global Lighting Technologies Inc. has been traded publicly at the Taiwan Stock Exchange since July 28, 2011, please see the financial statements published by the company for this information.

Note 3: Dongguan Gaoying Electronic Technology Co., Ltd. has ceased business in December 2022, and completed liquidation in April 2023, and the cancellation registration has been completed; Dongguan Chiaying Electronics Co., Ltd. has ceased business in December 2022. Currently Liquidation is in progress.

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

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

Digilife Technologies Co., Ltd.

Unit: NTD and foreign currency (thousand)

Name of investee company in Mainland China	Scope of primary business	Paid-in capital	Method of investment	Accumulated amount of investments remitted from Taiwan at start of current period	Amount of investments remitted or recovered in current period		Accumulated amount of investments remitted from Taiwan at end of current period	Profit (loss) of investee company in the current period	KYE's shareholding in direct or indirect investments	Profit or loss on investments recognized in current period (Note 2)	Ending carrying value of investments	Profit on investments received as of current period
					Remitted	Recovered						
Ziser Technologies (Shenzhen) Co., Ltd.	Sale of digital video/audio products	USD 200	Investment through Life Technologies (Hong Kong) Co., Limited with a 100% shareholding	USD 200	\$ -	\$ -	USD 200	(RMB 1,170)	100 %	(HKD 1,323) (Note 3)	HKD 497 (Note 3)	\$ -

Accumulated amount of investments remitted from Taiwan to Mainland China at end of current period	Amount of investments approved by the Investment Commission, MOEA	Limit on amount of investments in Mainland China as required by the Investment Commission, MOEA
USD 334	USD 500	\$ 344,817 (Note 1)

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

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.
Information of Major Shareholders
30 June, 2023

Table 7

Name of major shareholder	Shares	
	Shares Held	Shareholding (%)
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.