

# KYE Systems Corp. and Subsidiaries

## Consolidated Financial Statements for the Nine Months Ended September 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.)

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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 September 30, 2023 and 2022, the consolidated statements of comprehensive income for the three months ended September 30, 2023 and 2022 and for the nine months ended September 30, 2023 and 2022, the consolidated statements of changes in equity and consolidated statements of cash flows for the nine 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 September 30, 2023 and 2022 were NT \$555,267,000 and NT \$599,932,000, respectively, accounting for 15% and 17% of the consolidated total assets, respectively, and the total liabilities were NT \$2,285,000 and NT \$4,062,000, respectively, accounting for 0.4% and 0.7% of the consolidated total liabilities, respectively. The total comprehensive income for the three months ended September 30, 2023 and 2022,

and for the nine months ended September 30, 2023 and 2022, were gain of NT \$615,000, loss of NT \$9,617,000, gain of NT \$12,828,000 and loss of NT \$18,358,000, respectively, which accounted for 1%, 53%, 12% and (50%) 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 \$391,718,000 and NT \$420,331,000 as of September 30, 2023 and 2022, respectively, and the investment gains and losses recognized for the three months ended September 30, 2023 and 2022 and for the nine months ended September 30, 2023 and 2022 amounted to loss of NT \$5,717,000, gain of NT \$9,885,000, gain of NT \$5,327,000 and loss of NT \$3,868,000, 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 September 30, 2023 and 2022, and the consolidated financial performance for the three months ended as well as for the nine months ended September 30, 2023 and 2022, and the consolidated cash flows for the nine months ended September 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

November 7, 2023

KYE Systems Corp. and Subsidiaries  
Consolidated Balance Sheets

Unit: NTD thousand

Code	Assets	September 30, 2023		December 31, 2022		September 30, 2022	
		Amount	%	Amount	%	Amount	%
<b>CURRENT ASSETS</b>							
1100	Cash and cash equivalents (Note 6)	\$ 929,668	26	\$ 1,102,008	32	\$ 1,093,583	31
1110	Financial assets at fair value through profit or loss – current (Notes 7)	962	-	1,085	-	1,047	-
1120	Financial assets at fair value through other comprehensive income - current (Note 8)	35,137	1	36,459	1	37,185	1
1136	Financial assets at amortized cost - current (Note 6)	356,964	10	-	-	-	-
1170	Notes and accounts receivable (Notes 9, 22 and 28)	74,409	2	60,267	2	47,642	1
1197	Finance lease receivables - current (Note 10)	-	-	1,099	-	2,511	-
1200	Other receivables	8,313	-	2,916	-	2,732	-
1220	Income tax assets for the current period (Note 4)	68	-	13,596	-	13,604	1
130X	Inventories (Note 11)	181,111	5	229,246	6	246,861	7
1470	Other current assets	51,877	1	60,329	2	58,691	2
11XX	Total current assets	<u>1,638,509</u>	<u>45</u>	<u>1,507,005</u>	<u>43</u>	<u>1,503,856</u>	<u>43</u>
<b>NON-CURRENT ASSETS</b>							
1517	Financial assets at fair value through other comprehensive income – non-current (Notes 8 and 13)	120,620	3	98,796	3	98,443	3
1550	Investments accounted for using the equity method (Note 13)	391,718	11	409,990	12	420,331	12
1600	Property, plant and equipment (Notes 14 and 29)	630,973	17	644,673	18	649,024	19
1755	Right-of-use assets (Note 15)	69,995	2	4,775	-	11,966	-
1760	Investment properties net (Notes 16 and 29)	638,684	18	694,414	20	693,666	20
1840	Deferred income tax assets (Note 4)	92,118	3	99,033	3	78,657	2
1990	Other non-current assets	23,300	1	29,525	1	31,311	1
15XX	Total non-current assets	<u>1,967,408</u>	<u>55</u>	<u>1,981,206</u>	<u>57</u>	<u>1,983,398</u>	<u>57</u>
1XXX	TOTAL ASSETS	<u>\$ 3,605,917</u>	<u>100</u>	<u>\$ 3,488,211</u>	<u>100</u>	<u>\$ 3,487,254</u>	<u>100</u>
<b>Liabilities and Equity</b>							
<b>CURRENT LIABILITIES</b>							
2170	Notes and accounts payable (Notes 18 and 28)	\$ 34,660	1	\$ 46,462	1	\$ 31,760	1
2200	Other payables (Note 19)	59,701	2	60,242	2	64,399	2
2230	Income tax liabilities for the current period (Note 4)	6,840	-	-	-	-	-
2280	Lease liabilities - current (Note 15)	27,703	1	5,670	-	13,207	-
2320	Current portion of long-term borrowings (Notes 17 and 29)	89,041	3	19,337	1	16,805	1
2399	Other current liabilities	48,798	1	45,243	1	42,337	1
21XX	Total current liabilities	<u>266,743</u>	<u>8</u>	<u>176,954</u>	<u>5</u>	<u>168,508</u>	<u>5</u>
<b>NON-CURRENT LIABILITIES</b>							
2540	Long-term borrowings (Notes 17 and 29)	229,988	6	314,496	9	319,528	9
2570	Deferred income tax liabilities (Note 4)	21,444	1	15,288	1	37,861	1
2580	Lease liabilities – non-current (Note 15)	42,600	1	335	-	1,532	-
2640	Net defined benefit liabilities – non-current (Notes 4 and 20)	2,954	-	5,283	-	11,580	1
2670	Other non-current liabilities	2,899	-	3,739	-	3,700	-
25XX	Total noncurrent liabilities	<u>299,885</u>	<u>8</u>	<u>339,141</u>	<u>10</u>	<u>374,201</u>	<u>11</u>
2XXX	Total liabilities	<u>566,628</u>	<u>16</u>	<u>516,095</u>	<u>15</u>	<u>542,709</u>	<u>16</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 21)</b>							
<b>Share capital</b>							
3110	Common shares	<u>2,215,285</u>	<u>61</u>	<u>2,215,285</u>	<u>63</u>	<u>2,215,285</u>	<u>63</u>
3200	Capital surplus	<u>227,074</u>	<u>6</u>	<u>270,903</u>	<u>8</u>	<u>270,393</u>	<u>8</u>
<b>Retained earnings</b>							
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)	79,842	2	36,216	1	41,220	1
3300	total retained earnings	<u>1,170,642</u>	<u>33</u>	<u>1,093,278</u>	<u>31</u>	<u>1,098,282</u>	<u>31</u>
3400	Other equity	( 604,739 )	( 17 )	( 639,147 )	( 18 )	( 671,385 )	( 19 )
31XX	Total equity attributable to owners of the company	<u>3,008,262</u>	<u>83</u>	<u>2,940,319</u>	<u>84</u>	<u>2,912,575</u>	<u>83</u>
36XX	NON-CONTROLLING INTERESTS	<u>31,027</u>	<u>1</u>	<u>31,797</u>	<u>1</u>	<u>31,970</u>	<u>1</u>
3XXX	Total equity	<u>3,039,289</u>	<u>84</u>	<u>2,972,116</u>	<u>85</u>	<u>2,944,545</u>	<u>84</u>
<b>TOTAL LIABILITIES AND EQUITY</b>							
		<u>\$ 3,605,917</u>	<u>100</u>	<u>\$ 3,488,211</u>	<u>100</u>	<u>\$ 3,487,254</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 7 November 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 September 30				For The Nine Months Ended September 30			
		2023		2022		2023		2022	
		Amount	%	Amount	%	Amount	%	Amount	%
	OPERATING REVENUE (Notes 22 and 28)								
4100	Sales revenue	\$ 219,946	99	\$ 305,289	99	\$ 569,759	100	\$ 850,996	100
4800	Other operating revenue	<u>2,676</u>	<u>1</u>	<u>1,994</u>	<u>1</u>	<u>2,679</u>	<u>-</u>	<u>2,090</u>	<u>-</u>
4000	Total operating revenue	<u>222,622</u>	<u>100</u>	<u>307,283</u>	<u>100</u>	<u>572,438</u>	<u>100</u>	<u>853,086</u>	<u>100</u>
	OPERATING COSTS								
5110	Cost of goods sold (Notes 11, 23 and 28)	<u>130,418</u>	<u>59</u>	<u>231,911</u>	<u>75</u>	<u>349,103</u>	<u>61</u>	<u>608,346</u>	<u>72</u>
5900	GROSS PROFIT	<u>92,204</u>	<u>41</u>	<u>75,372</u>	<u>25</u>	<u>223,335</u>	<u>39</u>	<u>244,740</u>	<u>28</u>
	OPERATING EXPENSES (Notes 9, 20, 23 and 28)								
6100	Selling and marketing expenses	20,374	9	21,082	7	55,998	10	63,056	8
6200	Administrative expenses	50,029	22	53,033	17	145,131	25	147,585	17
6300	Research and development expenses	1,811	1	1,008	1	4,894	1	2,147	-
6450	Expected credit loss (gain)	<u>102</u>	<u>-</u>	<u>(2,611)</u>	<u>(1)</u>	<u>5</u>	<u>-</u>	<u>(374)</u>	<u>-</u>
6000	Total operating expenses	<u>72,316</u>	<u>32</u>	<u>72,512</u>	<u>24</u>	<u>206,028</u>	<u>36</u>	<u>212,414</u>	<u>25</u>
6900	PROFIT (LOSS) FROM OPERATIONS	<u>19,888</u>	<u>9</u>	<u>2,860</u>	<u>1</u>	<u>17,307</u>	<u>3</u>	<u>32,326</u>	<u>3</u>
	NON-OPERATING INCOME AND EXPENSES								
7020	Other gains and losses (Notes 23, 28 and 31)	17,676	8	14,131	5	48,994	9	37,096	4
7060	Share of profits of associates (Note 13)	( 5,717)	( 2)	9,885	3	5,327	1	( 3,868)	-
7100	Interest income	9,503	4	2,787	1	24,462	4	4,076	-
7510	Interest expense	( 2,157)	( 1)	( 1,469)	( 1)	( 6,045)	( 1)	( 4,113)	-
7000	Total non-operating income and expenses	<u>19,305</u>	<u>9</u>	<u>25,334</u>	<u>8</u>	<u>72,738</u>	<u>13</u>	<u>33,191</u>	<u>4</u>
7900	INCOME BEFORE INCOME TAX	39,193	18	28,194	9	90,045	16	65,517	7
7950	INCOME TAX EXPENSES (Notes 4 and 24)	<u>8,215</u>	<u>4</u>	<u>(10,476)</u>	<u>(4)</u>	<u>13,323</u>	<u>3</u>	<u>2,155</u>	<u>-</u>
8200	NET INCOME	<u>30,978</u>	<u>14</u>	<u>38,670</u>	<u>13</u>	<u>76,722</u>	<u>13</u>	<u>63,362</u>	<u>7</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	( 3,003)	( 1)	( 74,661)	( 25)	17,803	3	( 83,271)	( 10)
8320	Share of other comprehensive income of associates accounted for using the equity method (Note 13)	( 906)	( 1)	( 302)	-	( 3,091)	( 1)	( 913)	-
8349	Income tax related to Items that will not be reclassified (Note 24)	<u>149</u>	<u>-</u>	<u>(12,685)</u>	<u>(4)</u>	<u>(1,780)</u>	<u>-</u>	<u>(12,767)</u>	<u>(1)</u>
8310		<u>(3,760)</u>	<u>(2)</u>	<u>(87,648)</u>	<u>(29)</u>	<u>12,932</u>	<u>2</u>	<u>(96,951)</u>	<u>(11)</u>

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Code	Item may be reclassified subsequently to profit or loss:	For The Three Months Ended September 30				For The Nine Months Ended September 30			
		2023		2022		2023		2022	
		Amount	%	Amount	%	Amount	%	Amount	%
8361	Exchange differences on translation of foreign financial statements	\$ 23,108	10	\$ 38,488	12	\$ 26,781	5	\$ 85,270	10
8370	Share of other comprehensive income of associates accounted for using the equity method (Note 13)	( 641)	-	( 414)	-	713	-	978	-
8399	Income tax related to items may be reclassified (Note 24)	( 4,765)	( 2)	( 7,192)	( 2)	( 6,146)	( 1)	( 15,614)	( 2)
8360		<u>17,702</u>	<u>8</u>	<u>30,882</u>	<u>10</u>	<u>21,348</u>	<u>4</u>	<u>70,634</u>	<u>8</u>
8300	Other comprehensive income- net	<u>13,942</u>	<u>6</u>	( <u>56,766</u> )	( <u>19</u> )	<u>34,280</u>	<u>6</u>	( <u>26,317</u> )	( <u>3</u> )
8500	Total comprehensive income	<u>\$ 44,920</u>	<u>20</u>	( <u>\$ 18,096</u> )	( <u>6</u> )	<u>\$ 111,002</u>	<u>19</u>	<u>\$ 37,045</u>	<u>4</u>
8610	Net profit attributable to:								
8620	Owner of the company	\$ 30,870	14	\$ 38,574	13	\$ 77,278	13	\$ 63,679	7
8600	Non-controlling interests	<u>108</u>	<u>-</u>	<u>96</u>	<u>-</u>	( <u>556</u> )	<u>-</u>	( <u>317</u> )	<u>-</u>
		<u>\$ 30,978</u>	<u>14</u>	<u>\$ 38,670</u>	<u>13</u>	<u>\$ 76,722</u>	<u>13</u>	<u>\$ 63,362</u>	<u>7</u>
8710	Total comprehensive income attributable to:								
8720	Owners of the company	\$ 44,842	20	( \$ 18,322)	( 6)	\$ 111,772	19	\$ 37,035	4
8700	Non-controlling interests	<u>78</u>	<u>-</u>	<u>226</u>	<u>-</u>	( <u>770</u> )	<u>-</u>	<u>10</u>	<u>-</u>
		<u>\$ 44,920</u>	<u>20</u>	( <u>\$ 18,096</u> )	( <u>6</u> )	<u>\$ 111,002</u>	<u>19</u>	<u>\$ 37,045</u>	<u>4</u>
9710	Earnings per share (Note 25)								
9810	Basic	<u>\$ 0.14</u>		<u>\$ 0.17</u>		<u>\$ 0.35</u>		<u>\$ 0.29</u>	
	Dilution	<u>\$ 0.14</u>		<u>\$ 0.17</u>		<u>\$ 0.35</u>		<u>\$ 0.29</u>	

The accompanying notes are an integral part of the consolidated financial statements.  
(Please refer to the review report of Deloitte & Touche dated 7 November 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

		Equity attributable to the owners of the company					Other Equity Interest				
		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	Total	Non-controlling Interests	Total Equity
C o d e		Share Capital	Capital Surplus	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 of 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	-	5,061	-	-	-	-	-	5,061	-	5,061
C15	Cash dividends distributed by capital reserves	-	( 44,306 )	-	-	-	-	-	( 44,306 )	-	( 44,306 )
D1	Net profit (loss) from January 1 to September 30, 2022	-	-	-	-	63,679	-	-	63,679	( 317 )	63,362
D3	Other comprehensive income from January 1 to September 30, 2022	-	-	-	-	-	70,246	( 96,890 )	( 26,644 )	327	( 26,317 )
D5	Total comprehensive income from January 1 to September 30, 2022	-	-	-	-	63,679	70,246	( 96,890 )	37,035	10	37,045
Q1	Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	( 22,459 )	-	22,459	-	-	-
Z1	Balance, September 30, 2022	\$ 2,215,285	\$ 270,393	\$ 448,031	\$ 609,031	\$ 41,220	\$ 4,133	(\$ 675,518)	\$ 2,912,575	\$ 31,970	\$ 2,944,545
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
	Allocation and distribution of earning of 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	-	477	-	-	-	-	-	477	-	477
C15	Cash dividends distributed by capital reserves	-	( 44,306 )	-	-	-	-	-	( 44,306 )	-	( 44,306 )
D1	Net profit (loss) from January 1 to September 30, 2023	-	-	-	-	77,278	-	-	77,278	( 556 )	76,722
D3	Other comprehensive income from January 1 to September 30, 2023	-	-	-	-	-	21,561	12,933	34,494	( 214 )	34,280
D5	Total comprehensive income and loss from January 1 to September 30, 2023	-	-	-	-	77,278	21,561	12,933	111,772	( 770 )	111,002
Q1	Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	86	-	( 86 )	-	-	-
Z1	Balance, September 30, 2023	\$ 2,215,285	\$ 227,074	\$ 451,653	\$ 639,147	\$ 79,842	\$ 12,623	(\$ 617,362)	\$ 3,008,262	\$ 31,027	\$ 3,039,289

The accompanying notes are an integral part of the consolidated financial statements.  
(Please refer to the review report of Deloitte & Touche dated 7 November 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	
		Nine Months Ended September 30	
		2023	2022
CASH FLOW FROM OPERATING ACTIVITIES			
A00010	Profit before tax	\$ 90,045	\$ 65,517
A20010	Items:		
A20100	Depreciation expense	37,014	36,744
A21200	Interest income	( 24,462)	( 4,076)
A29900	Gain on reversal of inventory net realizable value	( 15,953)	( 12,969)
A22700	Gain on disposal of investment properties	( 8,820)	-
A20900	Interest expense	6,045	4,113
A20200	Amortization expense	5,700	2,773
A22300	Share of profit of associates accounted for using equity method	( 5,327)	3,868
A21300	Dividend income	( 3,043)	( 1,794)
A23100	Gain on disposal of investments	( 3,022)	( 4,941)
A24100	Unrealized foreign exchange loss (gain)-net	820	3,243
A20400	Loss on valuation of financial assets at fair value through profit or loss	123	464
A22500	Loss (gain) on disposal of property, plant and equipment	( 91)	117
A20300	Expected credit loss (gain)	5	( 374)
A30000	Changes in operating assets and liabilities		
A31150	Notes and accounts receivable	( 14,071)	65,976
A31180	Other receivables	( 5,518)	( 668)
A31200	Inventories	71,690	125,782
A31240	Other current assets	21,046	56,631
A32150	Notes and accounts payable	( 13,503)	( 12,282)
A32180	Other payables	( 2,938)	( 9,155)
A32230	Other current liabilities	2,402	( 55,144)
A32240	Net defined benefit liability	( 2,329)	( 15,496)
A33000	Cash generated from operations	135,813	248,329
A33100	Interest received	20,417	3,221
A33200	Dividends received	3,043	3,739
A33500	Income tax refunded (paid)	13,050	( 3,055)
AAAA	Net cash flows from operating activities	172,323	252,234

(continued on next page)

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Code		Nine Months Ended September 30	
		2023	2022
	CASH FLOW FROM INVESTING ACTIVITIES		
B00040	Acquisition of financial assets at amortized cost	(\$ 350,181)	-
B05500	Proceeds from disposal of investment properties	61,585	-
B02400	Refund of share from capital reduction of investee company using the equity method	20,910	-
B07600	Dividends received	3,889	-
B02700	Acquisition of property, plant and equipment	( 3,852)	( 4,856)
B03700	Decrease (Increase) in deposits paid	2,640	( 71)
B06700	Increase in other non-current assets	( 1,693)	( 6,500)
B00020	Disposal of financial assets at fair value through other comprehensive income	1,199	4,536
B06100	Decrease in finance lease receivables	1,102	6,160
B02800	Proceeds from disposal of property, plant and equipment	416	19
B05400	Acquisition of investment properties	-	( 128,944)
B01800	Acquisition of long-term equity investments accounted for using the equity method	-	( 80,000)
B01900	Disposal of long-term equity investments accounted for under the equity method	-	1,280
BBBB	Net cash used in investing activities	<u>( 263,985)</u>	<u>( 208,376)</u>
	Cash Flow from Financing Activities		
C04500	Distribution of cash dividends	( 44,306)	( 44,306)
C04020	Repayment of the principal portion of lease liabilities	( 19,274)	( 22,880)
C01700	Repayment of long-term borrowings	( 14,804)	( 7,500)
C05600	Interest paid	( 6,038)	( 4,062)
C03000	Increase (decrease) in guarantee deposits	<u>( 840)</u>	<u>1,299</u>
CCCC	Net cash used in financing activities	<u>( 85,262)</u>	<u>( 77,449)</u>
DDDD	Effect of exchange rate changes on cash and cash equivalents	<u>4,584</u>	<u>54,810</u>
EEEE	Increase(decrease) in cash and cash equivalents	( 172,340)	21,219
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>\$ 929,668</u>	<u>\$ 1,093,583</u>

The accompanying notes are an integral part of the consolidated financial statements.  
(Please refer to the review report of Deloitte & Touche dated 7 November 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 Nine months ended September 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 November 7, 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) IFRSs approved by the FSC and applicable in 2024

<u>New/Amended/Revised standards and interpretations</u>	<u>Effective date published by the IASB (Note 1)</u>
Amendment to IFRS 16 – "Lease Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
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 (Note 3)

Note 1: 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.

Note 2: 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.

Note 3: When this amendment is applied for the first time, partial disclosure provisions are waived.

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.

(3) IFRSs that have been published by the IASB but have not yet been endorsed and published 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
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
Amendments to IAS 21 "Lack of Exchangeability"	January 1, 2025 (Note 2)

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: Applicable to annual reporting periods beginning on or after January 1, 2025. When the amendment is applied for the first time, the impact is recognized as the retained earning on the date of the first application. When the combined company uses non-functional currency as the denomination currency, the effect will be adjusted to the exchange difference of the foreign operating institution under the equity on the first applicable date.

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**

	September 30, 2023	December 31, 2022	September 30, 2022
Cash on hand and petty cash	\$ 2,524	\$ 2,480	\$ 2,466
Checking accounts and demand deposits	459,068	455,842	548,319
Cash equivalents			
Time deposit	252,877	434,446	398,335
Commercial papers with repurchase agreements	215,199	209,240	144,463
	<u>\$ 929,668</u>	<u>\$ 1,102,008</u>	<u>\$ 1,093,583</u>

As of September 30, 2023, KYE and subsidiaries held time deposits with an original maturities of more than three months of NTD 356,964 thousand, which were recognized as financial assets at amortized cost-current and the carried interest at market interest rate was 1.40%~5.62%.

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

	September 30, 2023	December 31, 2022	September 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	\$ <u>962</u>	\$ <u>1,085</u>	\$ <u>1,047</u>

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

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Current</u>			
Investments in equity instruments measured at fair value through other comprehensive income			
Domestic listed (OTC) common stocks	\$ <u>35,137</u>	\$ <u>36,459</u>	\$ <u>37,185</u>
<u>Non-current</u>			
Investments in equity instruments measured at fair value through other comprehensive income			
Foreign non-listed (non-OTC) common stocks	\$ 85,797	\$ 70,369	\$ 60,568
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	<u>4,613</u>	<u>6,067</u>	<u>8,464</u>
Total	<u>\$ 120,620</u>	<u>\$ 98,796</u>	<u>\$ 98,443</u>

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

In 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 NTD 86 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**

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Notes and Accounts</u>			
<u>Receivable</u>			
Measured at amortized cost			
Total carrying amount	\$ 74,702	\$ 60,555	\$ 48,178
Less: Allowance for impairment loss	( 293)	( 288)	( 536)
	<u>\$ 74,409</u>	<u>\$ 60,267</u>	<u>\$ 47,642</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:

September 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	\$ 69,109	\$ 5,593	\$ -	\$ -	\$ 74,702
Loss allowance (full lifetime expected credit loss)	( 125)	( 168)	-	-	( 293)
Amortized cost	\$ 68,984	\$ 5,425	\$ -	\$ -	\$ 74,409

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)	( 150)	( 132)	( 6)	-	( 288)
Amortized cost	\$ 55,923	\$ 4,285	\$ 59	\$ -	\$ 60,267

September 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	\$ 39,349	\$ 5,248	\$ 3,580	\$ 1	\$ 48,178
Loss allowance (full lifetime expected credit loss)	( 90)	( 87)	( 358)	( 1)	( 536)
Amortized cost	\$ 39,259	\$ 5,161	\$ 3,222	\$ -	\$ 47,642

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

	For the nine months ended September 30	
	2023	2022
Opening Balance	\$ 288	\$ 3,028
Less: Actual write-off in the current period	-	( 2,166)
Plus: Impairment losses recognized (reversed)	5	( 374)
Foreign currency translation difference	-	48
Ending balance	\$ 293	\$ 536

**10. FINANCE LEASE RECEIVABLES**

	September 30, 2023	December 31, 2022	September 30, 2022
Undiscounted lease payments			
1st year	\$ -	\$ 1,102	\$ 2,521
Lease payments receivable	-	1,102	2,521
Less: Unearned financing income	-	( 3)	( 10)
Net investments in leases (presented as finance lease payments receivable)	<u>\$ -</u>	<u>\$ 1,099</u>	<u>\$ 2,511</u>
Carrying amount of finance lease payments receivable			
Current	<u>\$ -</u>	<u>\$ 1,099</u>	<u>\$ 2,511</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 NTD 3,807 thousand and NTD 4,407 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**

	September 30, 2023	December 31, 2022	September 30, 2022
Finished goods	\$ 104,448	\$ 121,968	\$ 128,083
WIP	19,420	33,009	40,192
Raw material	<u>57,243</u>	<u>74,269</u>	<u>78,586</u>
	<u>\$ 181,111</u>	<u>\$ 229,246</u>	<u>\$ 246,861</u>

The nature of cost of sales is as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2023	2022	2023	2022
Cost of inventories sold	\$ 134,454	\$ 232,441	\$ 365,056	\$ 621,315
Profit on recovery of the net realizable value of inventory	( 4,036)	( 530)	( 15,953)	( 12,969)
	<u>\$ 130,418</u>	<u>\$ 231,911</u>	<u>\$ 349,103</u>	<u>\$ 608,346</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
			September 30,2023	December 31,2022	September 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.	Sales of computer peripherals, consumer electronics and video imaging products	100.00%	100.00%	100.00%	Note 1
KYE Systems (Hong Kong) Corp.	Digilife Technologies Co., Ltd.	Design, processing and sales of digital video/audio products	94.61%	94.61%	94.61%	-
	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%	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.	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
Life Technologies (Hong Kong) Co., Limited	Life Technologies (Hong Kong) Co., Limited	Investment holding	100.00%	100.00%	100.00%	Note 1
	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%	-
	Suo-Yi Electronic Technology (Shanghai) Ltd.	-	-	-	-	Note 6
Dongguan Kunying Computer Products Co., Ltd.	You-Xiang Electronic Technology (Shanghai) Ltd.	-	-	-	-	Note 6
	Dongguan Gaoying Electronic Technology Co., Ltd.	Sales of computer peripherals, consumer electronics and video imaging products	-	100.00%	100.00%	Note 1 and Note 7

Note 1: The subsidiaries are not significant subsidiaries for the nine months ended September 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 was liquidated in September 2023, and the deregistration process was completed.

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

	September 30, 2023	December 31, 2022	September 30, 2022
Associates with materiality			
Timing Pharmaceutical Co., Ltd. (Timing Pharmaceutical Company)	\$ 226,621	\$ 223,170	\$ 218,876
Coretek Opto Corporation (Coretek Opto))	<u>110,941</u> 337,562	<u>118,213</u> 341,383	<u>121,227</u> 340,103
Individual immaterial associates	<u>54,156</u> <u>\$ 391,718</u>	<u>68,607</u> <u>\$ 409,990</u>	<u>80,228</u> <u>\$ 420,331</u>

Shareholding and voting rights ratio

Company Name	September 30, 2023	December 31, 2022	September 30, 2022
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	-	-	-	-	3,852	3,852
Disposals	-	-	( 6,317)	( 1,638)	( 1,477)	( 9,432)
Net exchange difference	-	-	( 428)	-	7	( 421)
Transfer between items	-	-	-	-	27	27
Balance on September 30, 2023	\$ 470,839	\$ 218,825	\$ 153,487	\$ 22,098	\$ 99,029	\$ 964,278
<u>Accumulated depreciation and impairment</u>						
Balance on January 1, 2023	\$ 11,046	\$ 92,936	\$ 139,160	\$ 10,880	\$ 71,557	\$ 325,579
Disposal	-	-	( 5,992)	( 1,638)	( 1,477)	( 9,107)
Depreciation expense	-	3,127	2,861	3,478	7,556	17,022
Net exchange difference	-	-	( 196)	-	7	( 189)
Balance on September 30, 2023	\$ 11,046	\$ 96,063	\$ 135,833	\$ 12,720	\$ 77,643	\$ 333,305
Net amount on September 30, 2023	\$ 459,793	\$ 122,762	\$ 17,654	\$ 9,378	\$ 21,386	\$ 630,973
31 December 2022 and 1 January 2023 net	\$ 459,793	\$ 125,889	\$ 21,072	\$ 12,856	\$ 25,063	\$ 644,673
<u>Cost</u>						
Balance on January 1, 2022	\$ 470,839	\$ 218,825	\$ 176,560	\$ 51,335	\$ 216,843	\$ 1,134,402
Additions	-	-	-	660	4,196	4,856
Disposals	-	-	( 2,168)	( 22,231)	( 1,931)	( 26,330)
Net exchange difference	-	-	950	-	90	1,040
Transfer between items	-	-	-	252	-	252
Balance on September 30, 2022	\$ 470,839	\$ 218,825	\$ 175,342	\$ 30,016	\$ 219,198	\$ 1,114,220
<u>Accumulated depreciation and impairment</u>						
Balance on January 1, 2022	\$ 11,046	\$ 88,766	\$ 151,581	\$ 32,891	\$ 188,069	\$ 472,353
Disposal	-	-	( 2,056)	( 22,231)	( 1,907)	( 26,194)
Depreciation expense	-	3,127	3,507	5,078	6,891	18,603
Net exchange difference	-	-	343	-	91	434
Balance on September 30, 2022	\$ 11,046	\$ 91,893	\$ 153,375	\$ 15,738	\$ 193,144	\$ 465,196
Net amount on September 30, 2022	\$ 459,793	\$ 126,932	\$ 21,967	\$ 14,278	\$ 26,054	\$ 649,024

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

	September 30, 2023	December 31, 2022	September 30, 2022
Carrying amount of right-of-use assets			
Building	\$ 69,643	\$ 4,354	\$ 8,840
Office equipment	352	421	444
Transportation equipment	-	-	2,682
	<u>\$ 69,995</u>	<u>\$ 4,775</u>	<u>\$ 11,966</u>

	The three months ended September 30		The nine months ended September 30	
	2023	2022	2023	2022
Addition of right-of-use assets			\$ 83,573	\$ -
Depreciation expense of right-of-use assets				
Building	\$ 6,965	\$ 4,749	\$ 18,284	\$ 14,248
Office equipment	23	23	69	69
Transportation equipment	-	658	-	2,194
	<u>\$ 6,988</u>	<u>\$ 5,430</u>	<u>\$ 18,353</u>	<u>\$ 16,511</u>

(2) Lease liabilities

	September 30, 2023	December 31, 2022	September 30, 2022
Carrying amount of lease liabilities			
Current	\$ 27,703	\$ 5,670	\$ 13,207
Non-current	\$ 42,600	\$ 335	\$ 1,532

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

	September 30, 2023	December 31, 2022	September 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. KYE and 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 September 30		The nine months ended September 30	
	2023	2022	2023	2022
Short-term lease expense	\$ 396	\$ 814	\$ 1,061	\$ 3,373
Expenses relating to low-value asset leases	\$ 12	\$ 15	\$ 33	\$ 45
Total cash outflows for leases			\$ 20,368	\$ 26,600

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

	September 30, 2023	December 31, 2022	September 30, 2022
Lease commitments	\$ 488	\$ -	\$ 565

16. **INVESTMENT PROPERTY**

	Investment property
<u>Cost</u>	
Balance on January 1, 2023	\$ 730,108
Disposals	( 52,765)
Net exchange differences	( 1,380)
Balance on September 30, 2023	\$ 675,963
<u>Accumulated depreciation and impairment</u>	
Balance on January 1, 2023	(\$ 35,694)
Depreciation expense	( 1,639)
Net exchange differences	54
Balance on September 30, 2023	(\$ 37,279)
Balance on September 30, 2023	\$ 638,684
Balance on December 31, 2022 and January 1, 2023	\$ 694,414
<u>Cost</u>	
Balance on January 1, 2022	\$ 595,521
Additions	128,944
Net exchange differences	4,320
Balance on September 30, 2022	\$ 728,785
<u>Accumulated depreciation and impairment</u>	
Balance on January 1, 2022	(\$ 33,417)
Depreciation expense	( 1,630)
Net exchange differences	( 72)
Balance on September 30, 2022	(\$ 35,119)
Balance on September 30, 2022	\$ 693,666

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 KYE and subsidiaries assessed that there was no significant change in the fair value as of 30 September 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

	September 30, 2023	December 31, 2022	September 30, 2022
Loans with a floating interest rate:			
China Trust Commercial Bank			
Mortgage loan, maturing in February 2043 (Note 1)	\$ 134,064	\$ 138,000	\$ 138,000
Mortgage loan, maturing in August 2024 (Note 2)	78,333	85,833	88,333
Chang Hwa Bank			
Mortgage loan, maturing in January 2041 (Note 3)	<u>106,632</u>	<u>110,000</u>	<u>110,000</u>
Total	319,029	333,833	336,333
Less: Long-term loans maturing within 1 year	( <u>89,041</u> )	( <u>19,337</u> )	( <u>16,805</u> )
	<u>\$ 229,988</u>	<u>\$ 314,496</u>	<u>\$ 319,528</u>

Note 1: The interest rate on September 30, 2023 and December 31, 2022 and September 30, 2022 were 2.2%, 2.1% and 1.8% respectively. The principal and interest will be amortized on a monthly basis from March 2023.

Note 2: The interest rate on September 30, 2023 and December 31, 2022 and September 30, 2022 were 2.2%, 2.1% and 1.8% respectively. The principal and interest will be amortized on a monthly basis from August 2021.

Note 3: The interest rate on September 30, 2023 and December 31, 2022 and September 30, 2022 were 2.2%, 2.0% and 1.9% 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**

	September 30, 2023	December 31, 2022	September 30, 2022
Salaries and bonuses payable	\$ 29,445	\$ 31,248	\$ 26,500
Market promotion fees payable	4,074	2,118	7,027
Service fees payable	3,545	5,044	4,649
Others	<u>22,637</u>	<u>21,832</u>	<u>26,223</u>
	<u>\$ 59,701</u>	<u>\$ 60,242</u>	<u>\$ 64,399</u>

**20. POST-EMPLOYMENT BENEFIT PLANS**

The pension costs under the defined benefit plans for the three months ended September 30, 2023 and 2022, and for the nine months ended September 30, 2023 and 2022 were \$19,000、\$30,000、\$57,000 and \$90,000, respectively, and were calculated using the actuarially determined pension cost rate as of 31 December 2022 and 2021.

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

	September 30, 2023	December 31, 2022	September 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**

	September 30, 2023	December 31, 2022	September 30, 2022
Shares issued in excess of par value	\$ 41,221	\$ 85,527	\$ 85,527
Trading of treasury stocks	156,114	156,114	156,114
Long-term investment	<u>29,739</u>	<u>29,262</u>	<u>28,752</u>
	<u>\$ 227,074</u>	<u>\$ 270,903</u>	<u>\$ 270,393</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 KYE has no deficit, such capital surplus may be distributed as cash dividends or share dividends up to a certain percentage of KYE'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 KYE 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 KYE’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 KYE held their regular meeting on 21 June 2019 and in that meeting, resolved the amendments to KYE’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 KYE’s paid-in capital. Legal reserve may be used to offset deficit. If KYE has no deficit and the legal reserve has exceeded 25% of KYE’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

	For the nine months ended September 30	
	2023	2022
Beginning balance	(\$ 8,938)	(\$ 66,113)
Arising during the period		
Exchange differences of foreign operations	20,848	69,268
Share from associates accounted for using the equity method	<u>713</u>	<u>978</u>
Other comprehensive income this period	<u>21,561</u>	<u>70,246</u>
Ending balance	<u>\$ 12,623</u>	<u>\$ 4,133</u>

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

	For the nine months ended September 30	
	2023	2022
Beginning balance	(\$ 630,209)	(\$ 601,087)
Arising during the period		
Unrealized gain (loss)- equity instruments	16,024	( 95,977)
Share from associates accounted for using the equity method	( <u>3,091</u> )	( <u>913</u> )
Other comprehensive income this period	<u>12,933</u>	( <u>96,890</u> )
Disposal gain (loss) of equity instruments transferred to retained earnings	( <u>86</u> )	<u>22,459</u>
Ending balance	<u>(\$ 617,362)</u>	<u>(\$ 675,518)</u>

## 22. REVENUE

	For the three months ended September 30		For the nine months ended September 30	
	2023	2022	2023	2022
Revenue from contracts with customers				
Sale of goods	\$ 219,946	\$ 305,289	\$ 569,759	\$ 850,996
Other operating revenue				
Other income	<u>2,676</u>	<u>1,994</u>	<u>2,679</u>	<u>2,090</u>
	<u>\$ 222,622</u>	<u>\$ 307,283</u>	<u>\$ 572,438</u>	<u>\$ 853,086</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	September 30, 2023	December 31, 2022	September 30, 2022	January 1, 2022
Total notes and accounts receivable (Note 9)	<u>\$ 74,702</u>	<u>\$ 60,555</u>	<u>\$ 48,178</u>	<u>\$ 115,854</u>

(3) Disaggregation of revenue	<u>For the nine months ended September 30</u>	
	2023	2022
Computer peripherals	\$ 382,773	\$ 385,873
Video and optoelectronic products	176,315	453,819
Consumer electronics	9,741	9,780
Others	<u>930</u>	<u>1,524</u>
	<u>\$ 569,759</u>	<u>\$ 850,996</u>

### 23. COMPREHENSIVE INCOME

(1) Other gains and losses	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	2023	2022	2023	2022
Rental revenue	\$ 6,088	\$ 6,264	\$ 16,875	\$ 13,718
Gain on disposal of investment properties	-	-	8,820	-
Foreign exchange gain, net	7,170	3,078	8,341	11,851
Dividend income	3,043	1,794	3,043	1,794
Gain on disposal of investments	-	538	3,022	4,941
Other income and expenses	<u>1,375</u>	<u>2,457</u>	<u>8,893</u>	<u>4,792</u>
	<u>\$ 17,676</u>	<u>\$ 14,131</u>	<u>\$ 48,994</u>	<u>\$ 37,096</u>

(2) Depreciation and amortization	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
				\$ 18,603
Property, plant and equipment	\$ 5,558	\$ 6,075	\$ 17,022	1,630
	547	547	1,639	16,511
Investment property	6,988	5,430	18,353	2,773
Right-of-use assets	<u>1,726</u>	<u>1,196</u>	<u>5,700</u>	<u>2,773</u>
Other non-current assets	<u>\$ 14,819</u>	<u>\$ 13,248</u>	<u>\$ 42,714</u>	<u>\$ 39,517</u>
An analysis of depreciation by function	\$ 6,985	\$ 4,580	\$ 18,580	\$ 13,727
Operating costs	5,561	6,925	16,795	21,387
Operating expenses	<u>547</u>	<u>547</u>	<u>1,639</u>	<u>1,630</u>
Other gains and losses	<u>\$ 13,093</u>	<u>\$ 12,052</u>	<u>\$ 37,014</u>	<u>\$ 36,744</u>
An analysis of amortization by function	\$ 172	\$ 204	\$ 785	\$ 340
Operating costs	<u>1,554</u>	<u>992</u>	<u>4,915</u>	<u>2,433</u>
Operating expenses	<u>\$ 1,726</u>	<u>\$ 1,196</u>	<u>\$ 5,700</u>	<u>\$ 2,773</u>

(3) Employee benefits expenses

	For the three months ended September 30		For the nine months ended September 30	
	2023	2022	2023	2022
Post-employment benefits				
Defined contribution plan	\$ 1,024	\$ 976	\$ 3,008	\$ 2,966
Defined benefit plan (Note 20)	<u>19</u>	<u>30</u>	<u>57</u>	<u>90</u>
	1,043	1,006	3,065	3,056
Termination benefits	83	822	689	1,826
Other employee benefits	<u>46,441</u>	<u>41,097</u>	<u>126,941</u>	<u>116,185</u>
Total employee benefit expenses	<u>\$ 47,567</u>	<u>\$ 42,925</u>	<u>\$ 130,695</u>	<u>\$ 121,067</u>
Summarized by function				
Operating costs	\$ 6,738	\$ 4,859	\$ 17,953	\$ 12,596
Operating expenses	<u>40,829</u>	<u>38,066</u>	<u>112,742</u>	<u>108,471</u>
	<u>\$ 47,567</u>	<u>\$ 42,925</u>	<u>\$ 130,695</u>	<u>\$ 121,067</u>

(4) Employees' compensation and remuneration of directors

KYE 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 nine months ended September 30, 2023 and 2022 were as follows:

Estimated ratio

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

Amount

	For the three months ended September 30		For the nine months ended September 30	
	2023	2022	2023	2022
Employees' compensation	<u>\$ 798</u>	<u>\$ 390</u>	<u>\$ 1,823</u>	<u>\$ 1,380</u>
Remuneration of directors	<u>\$ 399</u>	<u>\$ 282</u>	<u>\$ 911</u>	<u>\$ 690</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 (benefit) are as follows:

	<u>For the three months ended</u>		<u>For the nine months ended</u>	
	<u>September 30</u>		<u>September 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Income tax				
Arising from current period	\$ 7,363	(\$ 8,084)	\$ 8,125	(\$ 978)
Tax on undistributed surplus earnings	( 75)	-	49	-
Adjusted from prior years	-	( 1,826)	49	( 1,826)
Deferred income tax				
Arising from current period	<u>927</u>	<u>( 566)</u>	<u>5,100</u>	<u>4,959</u>
Income tax expense (benefit) recognized in profit or loss	<u>\$ 8,215</u>	<u>(\$ 10,476)</u>	<u>\$ 13,323</u>	<u>\$ 2,155</u>

(2) Income tax recognized in other comprehensive income

	<u>For the three months ended</u>		<u>For the nine months ended</u>	
	<u>September 30</u>		<u>September 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
<u>Deferred income tax</u>				
Arising during the period				
- Translation of foreign operations	(\$ 4,765)	(\$ 7,192)	(\$ 6,146)	(\$ 15,614)
- Unrealized gains (losses) from financial assets measured at fair value through OCI	<u>149</u>	<u>( 12,685)</u>	<u>( 1,780)</u>	<u>( 12,767)</u>
Recognized in other comprehensive income	<u>(\$ 4,616)</u>	<u>(\$ 19,877)</u>	<u>(\$ 7,926)</u>	<u>(\$ 28,381)</u>

(3) Approval of income tax

The income tax returns declaration of KYE, Chung-Chiang Investment Co., Ltd. and Hung Chiang 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

	For the three months ended September 30		For the nine months ended September 30	
	2023	2022	2023	2022
Net profit attributable to owners of the Company	\$ 30,870	\$ 38,574	\$ 77,278	\$ 63,679
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>\$ 30,870</u>	<u>\$ 38,574</u>	<u>\$ 77,278</u>	<u>\$ 63,679</u>

Shares

	For the three months ended September 30		For the nine months ended September 30	
	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>158</u>	<u>128</u>	<u>189</u>	<u>172</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>221,686</u>	<u>221,656</u>	<u>221,717</u>	<u>221,700</u>

Unit: thousand shares

Since KYE and subsidiaries offered to settle compensation paid to employees in cash or shares, KYE and 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  
September 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	\$ <u>962</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>962</u>
<u>Financial assets at fair value through other comprehensive income</u>				
Equity instrument investment				
-Domestic listed (OTC) stocks	\$ 35,137	\$ -	\$ 4,613	\$ 39,750
-Domestic unlisted (non-OTC) stocks	-	-	30,210	30,210
-Overseas unlisted (non-OTC) stocks	<u>-</u>	<u>-</u>	<u>85,797</u>	<u>85,797</u>
Total	<u>\$ 35,137</u>	<u>\$ -</u>	<u>\$120,620</u>	<u>\$155,757</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	\$ 1,085	\$ -	\$ -	\$ 1,085
<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	-	-	70,369	70,369
Total	\$ 36,459	\$ -	\$ 98,796	\$ 135,255
<u>September 30, 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	\$ 1,047	\$ -	\$ -	\$ 1,047
<u>Financial assets at fair value through other comprehensive income</u>				
Equity instrument investment				
-Domestic listed (OTC) stocks	\$ 37,185	\$ -	\$ 8,464	\$ 45,649
-Domestic unlisted (non-OTC) stocks	-	-	29,411	29,411
-Foreign unlisted (non-OTC) stocks	-	-	60,568	60,568
Total	\$ 37,185	\$ -	\$ 98,443	\$ 135,628

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

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

	Financial Assets at Fair value measured through other comprehensive income
Beginning balance	\$ 98,796
Recognized in other comprehensive income	17,786
Exchange differences on translating the financial statements of foreign operations	<u>4,038</u>
Ending balance	<u>\$ 120,620</u>

For nine months ended September 30,2022

	Financial Assets at Fair value measured through other comprehensive income
Beginning balance	\$ 207,506
Recognized in other comprehensive income	( 59,792)
Disposals	( 60,043)
Exchange differences on translating the financial statements of foreign operations	<u>10,772</u>
Ending balance	<u>\$ 98,443</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

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Financial assets</u>			
Fair value through profit or loss			
Mandatorily measured at fair value through profit or loss	\$ 962	\$ 1,085	\$ 1,047
Financial Assets measured at amortized cost (Note 1)	1,376,489	1,177,179	1,160,308
Financial assets at fair value through other comprehensive income			
Equity instruments investment	155,757	135,255	135,628
<u>Financial liabilities</u>			
Measured at amortized cost (Note 2)	415,570	443,557	436,192

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 73% of the sales of KYE and subsidiaries are not denominated in KYE’s functional currency, and approximately 99% of their purchases are not denominated in KYE’s functional currency. For the management of the exposure of KYE and subsidiaries to exchange rate risk, currency options are used to manage risks to the extent permitted by policies.

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

Sensitivity Analysis

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

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

	For the nine months ended September 30	
	2023	2022
Profit / loss (Note)	\$ 6,527	\$ 5,801

(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:

	September 30, 2023	December 31, 2022	September 30, 2022
Fair value interest rate risk			
-Financial assets	\$ 824,514	\$ 642,251	\$ 541,338
-Financial liabilities	70,303	6,005	14,739
Cash flow interest rate risk			
-Financial assets	451,281	387,852	481,310
-Financial liabilities	319,029	333,833	336,333

#### 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 nine months ended September 30, 2023 and 2022 would increase/decrease by NTD 233 thousand and NTD 898 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 nine months ended September 30, 2023 and 2022 would increase/decrease by NTD 10 thousand and NTD 10 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 nine months ended September 30, 2023 and 2022 would increase/decrease by NTD 1,558 thousand and NTD 1,356 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 September 30, 2023, December 31, 2022, and September 30, 2022, the balance of accounts receivable from the top 10 customers of KYE and subsidiaries accounted for 59%, 50% and 55% of total amounts, respectively. The credit concentration risk of other accounts receivable is not material.

C. Liquidity risk

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

Table of liquidity and interest rate risks

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

and the undiscounted cash flow of financial liabilities (including principal and estimated interest).

September 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	\$ 96,541	\$ -	\$ -	\$ -
Lease liability	28,711	28,711	14,484	-
Floating interest rate liabilities	95,758	15,896	47,688	213,822
	<u>\$ 221,010</u>	<u>\$ 44,607</u>	<u>\$ 62,172</u>	<u>\$ 213,822</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	25,456	27,268	115,063	223,862
	<u>\$ 140,870</u>	<u>\$ 27,364</u>	<u>\$ 115,311</u>	<u>\$ 223,862</u>

September 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	\$ 99,859	\$ -	\$ -	\$ -
Lease liability	13,287	1,111	441	-
Floating interest rate liabilities	21,098	26,745	116,545	222,662
	<u>\$ 134,244</u>	<u>\$ 27,856</u>	<u>\$ 116,986</u>	<u>\$ 222,662</u>

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

September 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>\$ 95,758</u>	<u>\$ 63,584</u>	<u>\$ 79,483</u>	<u>\$ 79,486</u>	<u>\$ 54,853</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>

September 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>\$ 21,098</u>	<u>\$ 143,290</u>	<u>\$ 77,091</u>	<u>\$ 77,093</u>	<u>\$ 65,062</u>	<u>\$ 3,416</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

Name of related party	Relationship with KYE and subsidiaries
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

Type/Name of related party	For the three months ended September 30		For the nine months ended September 30	
	2023	2022	2023	2022
<u>Processing revenue</u>				
Related party in substance	\$ -	\$ -	\$ -	\$ 85

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.

Type/Name of related party	For the three months ended September 30		For the nine months ended September 30	
	2023	2022	2023	2022
<u>Purchase</u>				
Associate	\$ -	\$ 1,058	\$ -	\$ 2,000
Related party in substance	-	-	-	121
	<u>\$ -</u>	<u>\$ 1,058</u>	<u>\$ -</u>	<u>\$ 2,121</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 September 30		For the nine months ended September 30	
	2023	2022	2023	2022
<u>Manufacturing expenses</u>				
Related party in substance	\$ -	\$ 3,131	\$ -	\$ 10,206



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

Type/Name of related party	September 30 , 2023	December 31 , 2022	September 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	September 30 , 2023	December 31 , 2022	September 30 , 2022
Related party in substance	\$ -	\$ 15,408	\$ 882
Associate	-	-	329
	\$ -	\$ 15,408	\$ 1,211

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 September 30		For the nine months ended September 30	
	2023	2022	2023	2022
<u>Rental income</u>				
Related party in substance	\$ 161	\$ -	\$ 317	\$ -
<u>Rent expense</u>				
Related party in substance	\$ 384	\$ 606	\$ 992	\$ 2,702

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 September 30		For the nine months ended September 30	
	2023	2022	2023	2022
Short-term employee benefits	\$ 10,071	\$ 8,274	\$ 26,483	\$ 25,572
Post-employment benefits	135	120	392	358
	\$ 10,206	\$ 8,394	\$ 26,875	\$ 25,930

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

**29. PLEDGED AND MORTGAGED ASSETS**

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

	September 30, 2023	December 31, 2022	September 30, 2022
Property – net	\$ 516,137	\$ 517,847	\$ 518,418
Investment property – net	<u>344,827</u>	<u>345,658</u>	<u>345,935</u>
	<u>\$ 860,964</u>	<u>\$ 863,505</u>	<u>\$ 864,353</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:

September 30, 2023

	Foreign currency	Exchange rate	Carrying amount
<u>Financial assets</u>			
<u>Monetary item</u>			
USD	\$ 20,360	32.270	\$ 657,015
RMB	31,325	4.415	138,300
AUD	3,319	20.550	68,203
HKD	1,317	4.123	5,430
JPY	19,221	0.216	4,156
EUR	69	33.910	2,333

(continued on next page)

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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	1,504	32.270	48,523
RMB	1,276	4.415	5,633
<u>Financial assets measured at fair value through other comprehensive income</u>			
RMB	18,426	4.415	82,289
THB	3,800	0.923	3,507
<u>Financial liabilities</u>			
<u>Monetary item</u>			
RMB	10,350	4.415	45,694
USD	133	32.270	4,302
 <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	\$ 20,055	30.710	\$ 615,884
AUD	3,327	20.830	69,304
RMB	14,693	4.408	64,767
HKD	1,315	3.938	5,178
JPY	19,838	0.232	4,610
EUR	61	32.720	1,999
<u>Investments accounted for using the equity method</u>			
USD	2,074	30.710	63,679
RMB	1,118	4.408	4,929
<u>Financial assets measured at fair value through other comprehensive income</u>			
RMB	15,163	4.408	66,862
THB	3,800	0.923	3,507
<u>Financial liabilities</u>			
<u>Monetary item</u>			
RMB	13,815	4.408	60,896
USD	150	30.710	4,594

September 30, 2022

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Carrying amount</u>
<u>Financial assets</u>			
<u>Monetary item</u>			
USD	\$ 18,525	31.750	\$ 588,159
RMB	17,649	4.473	78,942
AUD	3,301	20.660	68,208
HKD	1,321	4.044	5,343
JPY	20,019	0.220	4,406
EUR	61	31.260	1,910
<u>Investments accounted for using the equity method</u>			
USD	2,055	31.750	65,258
RMB	1,229	4.473	5,496
<u>Financial assets measured at fair value through other comprehensive income</u>			
RMB	12,760	4.473	57,061
THB	3,800	0.923	3,507
<u>Financial liabilities</u>			
<u>Monetary item</u>			
RMB	8,852	4.473	39,595
USD	252	31.750	8,015

The realized and unrealized foreign exchange gain of KYE and subsidiaries for the three months and the nine months ended September 30, 2023 and 2022 were NTD 7,170 thousand, NTD 3,078 thousand, NTD 8,341 thousand and NTD 11,851 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	Nine Months Ended September 30, 2023		
	Electronic Products	Others	Total
Revenue from customers other than parent company and consolidated subsidiaries	\$ 569,759	\$ 2,679	\$ 572,438
Sectoral benefit (loss)	\$ 23,672	(\$ 6,365)	\$ 17,307
Other gains and losses	29,700	19,294	48,994
Interest income	23,831	631	24,462
Interest expense	( 6,039)	( 6)	( 6,045)
Share of profits and losses of related companies recognized using the equity method	5,330	( 3)	5,327
Net profit before tax	\$ 76,494	\$ 13,551	\$ 90,045

Domestic and foreign operations segments	Nine Months Ended September 30, 2022		
	Electronic Product	Others	Total
Revenue from customers other than parent company and consolidated subsidiaries	\$ 851,080	\$ 2,006	\$ 853,086
Sectoral benefit (loss)	\$ 41,829	(\$ 9,503)	\$ 32,326
Other gains and losses	28,427	8,669	37,096
Interest expense	( 4,112)	( 1)	( 4,113)
Interest income	4,065	11	4,076
Share of profits and losses of related companies recognized using the equity method	( 3,868)	-	( 3,868)
Net profit (loss) before tax	\$ 66,341	(\$ 824)	\$ 65,517

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	September 30, 2023	December 31, 2022	September 30, 2022
<u>Segment assets</u>			
Electronics	\$ 3,161,847	\$ 2,990,475	\$ 2,990,974
Others	<u>444,070</u>	<u>497,736</u>	<u>496,280</u>
Total	<u>\$ 3,605,917</u>	<u>\$ 3,488,211</u>	<u>\$ 3,487,254</u>
<u>Segment liabilities</u>			
Electronics	\$ 565,001	\$ 514,362	\$ 540,950
Others	<u>1,627</u>	<u>1,733</u>	<u>1,759</u>
Total	<u>\$ 566,628</u>	<u>\$ 516,095</u>	<u>\$ 542,709</u>

KYE Systems Corp. and Subsidiaries  
Securities Held at End of the Period  
September 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	September 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	4,613	1.70 %	4,613
	Unity Opto (private placement)	None	Financial assets at fair value through other comprehensive income - non-current	15,789	(Note 3 )	3.42 %	(Note 3 )
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
Hung-Cheng Investment Co., Ltd.	<u>Stocks</u> Flytech	None	Financial assets at fair value through other comprehensive income - current	486	31,913	-	31,913
	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 %
Digilife Technologies Co., Ltd.	LIAN, JU Biotechnology Co., Ltd	The director of 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 )
	<u>SKFH</u>	None	Financial assets at fair value through other comprehensive income - current	186	1,720	-	1,720
	CPDC	None	Financial assets at fair value through other comprehensive income - current	160	1,504	-	1,504

(continued on next page)



(continued from previous page)

Held Company Name	Type and Name of Marketable Securities	Relationship with the Company	Financial Statement Account	September 30, 2023			
				Shares/Units (In Thousands)	Carrying Value	Percentage of Ownership (%)	Fair value (Note 1)
Chung-Chiang Investment Co., Ltd.	<u>Stocks</u>						
	Sysgration Ltd.	None	Financial assets at fair value through profit or loss - current	20	\$ 696	-	\$ 696
	Powerchip Semiconductor	None	Financial assets at fair value through profit or loss - current	10	266	-	266

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 September 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 Nine Months Ended September 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)	\$ 247,791 (Note 2)	100 %	Offset against other receivable on a non-periodic basis	-	-	\$ -	-	
KYE Trade (HK) Co., Ltd.	Dongguan Kunying Computer Products Co., Ltd.	Same parent company	Purchase	246,784 (Note 2)	90 %	Offset against other 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 pricing 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  
 September 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	\$ 476,332 (Note 2)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	\$ -
KYE Trade (HK) Co., Ltd.	Donguan Kunying Computer Products Co., Ltd.	Same parent company	476,332 (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 from and remittances to Dongguan Kunying, and the sum of total amount of debits and credits to other receivables arising from the group's internal pricing , 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 Nine Months Ended September 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	\$ 247,791	Note 2	43%
1	Dongguan Kunying	KYE Trade	1	Other receivables	476,332	Note 2	13%
		KYE Trade	3	Operating revenues	246,784	Note 2	43%
		KYE Trade	3	Other current liabilities	476,332	Note 2	13%

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 pricing and mutual advance transactions between the two parties from time to time.

KYE Systems Corp. and Subsidiaries  
Names, Locations, And Related Information Of Investees  
For The Nine Months Ended September 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 September 30, 2023			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note
				September 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	\$ 385,102	USD 1,403	\$ 44,780	Subsidiary
	Chung-Chiang Investment Co., Ltd.	New Taipei City	Investment Business	227,482	227,482	20,700	100.00	(Note 1) 206,865	968	968	Subsidiary
	Hung-Cheng Investment Co., Ltd.	Taipei City	Investment Business	85,000	85,000	9,578	100.00	(Note 1) 49,715	2,747	2,747	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	(Note 1) 2,651	( USD 33 )	( 1,009 )	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	(Note 1) 9,950	-	-	Subsidiary
	Digilife Technologies Co., Ltd.	Taipei City	Design, processing and sales of digital audio-visual products	652,962	652,962	51,563	94.61	(Note 1) 545,113	( 10,331 )	( 9,775 )	Subsidiary
	Star Reach Limited	Samoa	Investment Holding	USD 417	USD 417	-	25.00	5,633	RMB 632	694	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	226,621	27,545	6,158	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	101,334	( 20,390 )	( 6,221 )	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-subsiary
Genius Holding Co., Ltd.	Globalink Holding Co., Ltd.	British Virgin Islands	Investment Holding	USD 8,289	USD 8,289	5,250	100.00	USD 2,963	USD 12	N/A	Sub-subsiary
	Moustek Investment Co., Ltd.	British Virgin Islands	Investment Holding	USD -	USD 2,806	-	-	USD -	USD 91	N/A	Sub-subsiary (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 74	( 930 )	N/A	Sub-subsiary
	KYE Inc.	British Virgin Islands	Investment Holding	USD 16,065	USD 16,065	3	100.00	(USD 9,288 )	USD 569	N/A	Sub-subsiary
	Maxfar Limited	Samoa	Investment Business	USD 1,797	USD 2,462	1,797	44.37	USD 1,504	11,913	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	(Note 1) 3,752	(USD 158 )	N/A	Sub-subsiary
	DIGILIFE PTY LTD	Australia	Tourism business and real estate development business	AUD 9,500	AUD 12,500	9,500	100.00	(Note 1) 185,863	AUD 460	N/A	Sub-subsiary (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	9,555	( 20,390 )	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	( 20,390 )	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 116	( HKD 1,237 )	N/A	Sub-subsiary

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. ceased operations in June 2023 and was liquidated in September 2023, and the deregistration process was completed.

Note 4: Maxfar Limited conducted a cash refund of capital reduction and returned USD 665,000 to Genius Holding Co., Ltd. in July 2023.

Note 5: 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  
September 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	\$ 17,633	100%	\$ 17,633 (Note 5)	(USD 9,363 ) (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 632	25%	694	5,633	-

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)	\$ 1,804,957 (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 1,112 )	100 %	(HKD 1,237 ) (Note 3 )	HKD 556 (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	\$ 345,684 (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 September, 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.