

KYE Systems Corp. and Subsidiaries

**Consolidated Financial Statements for the
Six Months Ended June 30, 2024 and 2023 and
Independent Auditors' Review Report**

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INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
KYE Systems Corp.

Introduction

We have reviewed the accompanying consolidated balance sheets of KYE Systems Corp and its subsidiaries (collectively, the "Group") as of June 30, 2024 and 2023, and the related consolidated statements of comprehensive income for the three months ended June 30, 2024 and 2023 and for the six months ended June 30, 2024 and 2023, the consolidated statements of changes in equity and cash flows for the six months ended, and the related notes to the consolidated financial statements, including material accounting policy information (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 the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the following paragraph, we conducted our reviews in accordance with the Standards on Review Engagements of the Republic of China 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of (consolidated) financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As disclosed in Note 12 to the consolidated financial statements, the financial statements of some non-significant subsidiaries included in the consolidated financial statements referred to in the first paragraph were not reviewed. As of June 30, 2024 and 2023, combined total assets of these non-significant subsidiaries were NT\$599,274 thousand and NT\$554,149 thousand, respectively, representing 16% and 15%, respectively, of the consolidated total assets, and combined total liabilities of these subsidiaries were NT\$2,056 thousand and NT\$4,470 thousand, respectively, representing 0.3% and 1%, respectively, of the consolidated total liabilities; for the three months ended and six months ended June 30, 2024 and 2023, the amounts of combined comprehensive income of these subsidiaries were NT\$5,090 thousand, NT\$8,672 thousand, NT\$7,353 thousand and NT\$12,213 thousand respectively, representing 6%, 16%, 5% and 18%, respectively, of the consolidated total comprehensive income. As disclosed in Note 13 to the consolidated financial statements, the balance of investments accounted for using the equity method amounted to NT\$404,018 thousand and NT\$422,357 thousand as of June 30, 2024 and 2023, respectively, and the investment profits and losses recognized for the three months ended and six months ended June

30, 2024 and 2023 amounted to NT\$4,050 thousand, NT\$8,072 thousand, NT\$8,845 thousand and NT\$11,044 thousand, respectively, which were recognized based on the investee's financial statements for the same period that have not been reviewed.

Qualified Conclusion

Based on our reviews, except for adjustments, if any, as might have been determined to be necessary had the financial statements of the non-significant subsidiaries as described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not give a true and fair view of (or “do not present fairly, in all material respects,”) the consolidated financial position of the Group as of June 30, 2024 and 2023, its consolidated financial performance for the three months ended June 30, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the six months ended June 30, 2024 and 2023 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.

The engagement partners on the reviews resulting in this independent auditors' report are Yao-Lin Huang and Han-Ni Fang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

August 9, 2024

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

KYE SYSTEMS CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2024		December 31, 2023		June 30, 2023	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 992,180	27	\$ 883,381	25	\$ 1,052,329	29
Financial assets at fair value through profit or loss - current (Note 7)	982	-	1,010	-	1,144	-
Financial assets at fair value through other comprehensive income - current (Note 8)	49,604	1	37,165	1	38,638	1
Financial assets at amortized cost - current (Note 6)	374,656	10	376,548	11	188,790	5
Notes and accounts receivables (Notes 9, 22 and 28)	108,393	3	83,002	2	53,957	2
Other receivables (Note 28)	16,002	-	7,811	-	4,232	-
Current tax assets (Note 4)	116	-	-	-	13,741	-
Inventories (Note 10)	143,001	4	158,633	4	180,211	5
Non-current assets held for sale (Notes 11, 29 and 30)	174,796	5	-	-	-	-
Other current assets	65,111	2	56,081	2	60,442	2
Total current assets	1,924,841	52	1,603,631	45	1,593,484	44
NON-CURRENT ASSETS						
Financial assets at fair value through other comprehensive income - non-current (Note 8)	148,369	4	118,571	3	117,379	3
Investments accounted for using the equity method (Note 13)	404,018	11	399,620	11	422,357	12
Property, plant and equipment (Notes 14 and 29)	615,352	16	618,043	17	634,066	18
Right-of-use assets (Note 15)	59,388	2	63,008	2	76,983	2
Investment properties (Notes 11, 16 and 29)	467,425	12	640,162	18	639,560	18
Deferred tax assets (Note 4)	84,738	2	90,833	3	92,914	2
Other non-current assets	23,705	1	21,765	1	25,655	1
Total non-current assets	1,802,995	48	1,952,002	55	2,008,914	56
TOTAL	\$ 3,727,836	100	\$ 3,555,633	100	\$ 3,602,398	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Contract liabilities - current (Note 22)	\$ 39,515	1	\$ 20,088	1	\$ 26,189	1
Notes and accounts payables (Note 18)	42,741	1	19,721	-	47,299	1
Other payables (Note 19)	121,685	3	65,014	2	94,392	3
Current tax liabilities (Note 4)	20,829	1	10,551	-	189	-
Lease liabilities - current (Note 15)	10,951	-	27,825	1	27,583	1
Current portion of long-term borrowings (Notes 11, 17 and 29)	81,547	2	86,584	2	20,661	1
Other current liabilities	13,412	1	27,017	1	15,756	-
Total current liabilities	330,680	9	256,800	7	232,069	7
NON-CURRENT LIABILITIES						
Long-term borrowings (Notes 11, 17 and 29)	221,065	6	226,975	6	303,812	8
Deferred tax liabilities (Note 4)	22,607	1	15,291	1	16,687	1
Lease liabilities - non-current (Note 15)	52,416	1	35,598	1	49,572	1
Net defined benefit liabilities - non-current (Notes 4 and 20)	1,828	-	2,069	-	3,062	-
Other non-current liabilities	2,978	-	2,938	-	2,898	-
Total non-current liabilities	300,894	8	282,871	8	376,031	10
Total liabilities	631,574	17	539,671	15	608,100	17
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 21)						
Share capital						
Ordinary shares	2,215,285	59	2,215,285	62	2,215,285	61
Capital reserves	227,445	6	227,216	6	227,003	6
Retained earnings						
Legal reserves	458,944	12	451,653	13	451,653	13
Special reserves	623,883	17	639,147	18	639,147	18
Unappropriated earnings (Notes 8 and 13)	91,050	3	75,387	2	48,972	1
Total retained earnings	1,173,877	32	1,166,187	33	1,139,772	32
Other equity (Note 4)	(552,735)	(15)	(623,882)	(17)	(618,711)	(17)
Total equity attributable to owners of Company	3,063,872	82	2,984,806	84	2,963,349	82
NON-CONTROLLING INTERESTS	32,390	1	31,156	1	30,949	1
Total equity	3,096,262	83	3,015,962	85	2,994,298	83
TOTAL	\$ 3,727,836	100	\$ 3,555,633	100	\$ 3,602,398	100

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

(With Deloitte & Touche review report dated August 9, 2024)

KYE SYSTEMS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2024		2023		2024		2023	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUES (Notes 22 and 28)								
Sales	\$ 263,528	100	\$ 174,664	100	\$ 487,179	100	\$ 349,813	100
Other operating revenue	<u>-</u>	<u>-</u>	<u>3</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3</u>	<u>-</u>
Total operating revenue	<u>263,528</u>	<u>100</u>	<u>174,667</u>	<u>100</u>	<u>487,179</u>	<u>100</u>	<u>349,816</u>	<u>100</u>
OPERATING COST								
Cost of goods sold (Notes 10 and 23)	<u>153,835</u>	<u>59</u>	<u>113,444</u>	<u>65</u>	<u>292,042</u>	<u>60</u>	<u>218,685</u>	<u>63</u>
GROSS PROFIT	<u>109,693</u>	<u>41</u>	<u>61,223</u>	<u>35</u>	<u>195,137</u>	<u>40</u>	<u>131,131</u>	<u>37</u>
OPERATING EXPENSES (Notes 9, 20, 23 and 28)								
Selling and marketing expenses	24,702	9	15,949	9	47,113	9	35,624	10
General and administrative expenses	52,375	20	45,838	27	101,411	21	95,102	27
Research and development expenses	1,894	1	1,788	1	3,675	1	3,083	1
Expected credit loss (gain)	<u>5,259</u>	<u>2</u>	<u>(9)</u>	<u>-</u>	<u>5,167</u>	<u>1</u>	<u>(97)</u>	<u>-</u>
Total operating expenses	<u>84,230</u>	<u>32</u>	<u>63,566</u>	<u>37</u>	<u>157,366</u>	<u>32</u>	<u>133,712</u>	<u>38</u>
PROFIT (LOSS) FROM OPERATIONS	<u>25,463</u>	<u>9</u>	<u>(2,343)</u>	<u>(2)</u>	<u>37,771</u>	<u>8</u>	<u>(2,581)</u>	<u>(1)</u>
NON-OPERATING INCOME AND EXPENSES								
Other gains and losses (Notes 23, 28 and 31)	10,431	4	16,424	9	29,640	6	31,318	9
Share of profit of associates (Note 13)	4,050	2	8,072	5	8,845	2	11,044	3
Interest income	10,825	4	8,517	5	20,980	4	14,959	4
Interest expenses	<u>(2,148)</u>	<u>(1)</u>	<u>(2,155)</u>	<u>(1)</u>	<u>(4,372)</u>	<u>(1)</u>	<u>(3,888)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>23,158</u>	<u>9</u>	<u>30,858</u>	<u>18</u>	<u>55,093</u>	<u>11</u>	<u>53,433</u>	<u>15</u>
INCOME BEFORE INCOME TAX	48,621	18	28,515	16	92,864	19	50,852	14
INCOME TAX EXPENSE (Notes 4 and 24)	<u>9,199</u>	<u>3</u>	<u>940</u>	<u>-</u>	<u>18,633</u>	<u>4</u>	<u>5,108</u>	<u>1</u>
NET INCOME FOR THE PERIOD	<u>39,422</u>	<u>15</u>	<u>27,575</u>	<u>16</u>	<u>74,231</u>	<u>15</u>	<u>45,744</u>	<u>13</u>

(Continued)

KYE SYSTEMS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2024		2023		2024		2023	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME								
Items that will not be reclassified subsequently to profit or loss								
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	\$ 32,018	12	\$ 18,782	11	\$ 37,855	8	\$ 20,806	6
Share of other comprehensive income (loss) of associates accounted for using the equity method (Note 13)	(1,362)	-	(765)	(1)	(2,000)	-	(2,185)	(1)
Income tax related to items that will not be reclassified subsequently to profit or loss (Note 24)	<u>(2,450)</u>	<u>(1)</u>	<u>(2,206)</u>	<u>(1)</u>	<u>(2,325)</u>	<u>(1)</u>	<u>(1,929)</u>	<u>-</u>
	<u>28,206</u>	<u>11</u>	<u>15,811</u>	<u>9</u>	<u>33,530</u>	<u>7</u>	<u>16,692</u>	<u>5</u>
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translation of foreign operations	16,354	6	13,100	7	41,849	9	3,673	1
Share of other comprehensive income (loss) of associates accounted for using the equity method (Note 13)	1,401	1	(188)	-	3,502	1	1,354	-
Income tax related to items that may be reclassified subsequently to profit or loss (Note 24)	<u>(2,091)</u>	<u>(1)</u>	<u>(2,068)</u>	<u>(1)</u>	<u>(7,481)</u>	<u>(2)</u>	<u>(1,381)</u>	<u>-</u>
	<u>15,664</u>	<u>6</u>	<u>10,844</u>	<u>6</u>	<u>37,870</u>	<u>8</u>	<u>3,646</u>	<u>1</u>
Other comprehensive income for the period, net of income tax	<u>43,870</u>	<u>17</u>	<u>26,655</u>	<u>15</u>	<u>71,400</u>	<u>15</u>	<u>20,338</u>	<u>6</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	\$ <u>83,292</u>	<u>32</u>	\$ <u>54,230</u>	<u>31</u>	\$ <u>145,631</u>	<u>30</u>	\$ <u>66,082</u>	<u>19</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO:								
Owners of the Company	\$ 39,361	15	\$ 27,844	16	\$ 74,144	15	\$ 46,408	13
Non-controlling interests	<u>61</u>	<u>-</u>	<u>(269)</u>	<u>-</u>	<u>87</u>	<u>-</u>	<u>(664)</u>	<u>-</u>
	\$ <u>39,422</u>	<u>15</u>	\$ <u>27,575</u>	<u>16</u>	\$ <u>74,231</u>	<u>15</u>	\$ <u>45,744</u>	<u>13</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:								
Owner of the Company	\$ 82,899	32	\$ 54,358	31	\$ 145,296	30	\$ 66,930	19
Non-controlling interests	<u>393</u>	<u>-</u>	<u>(128)</u>	<u>-</u>	<u>335</u>	<u>-</u>	<u>(848)</u>	<u>-</u>
	\$ <u>83,292</u>	<u>32</u>	\$ <u>54,230</u>	<u>31</u>	\$ <u>145,631</u>	<u>30</u>	\$ <u>66,082</u>	<u>19</u>

(Continued)

KYE SYSTEMS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2024		2023		2024		2023	
	Amount	%	Amount	%	Amount	%	Amount	%
EARNINGS PER SHARE								
(Note 25)								
Basic	<u>\$ 0.18</u>		<u>\$ 0.13</u>		<u>\$ 0.33</u>		<u>\$ 0.21</u>	
Diluted	<u>\$ 0.18</u>		<u>\$ 0.13</u>		<u>\$ 0.33</u>		<u>\$ 0.21</u>	

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

(With Deloitte & Touche review report dated August 9, 2024)

(Concluded)

KYE SYSTEMS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Parent Company					Other Equity		Total	Non-controlling Interests	Total Equity
	Shares Capital	Capital Reserves	Retained Earnings			Exchange Differences on Translation of Financial Statements of Foreign Operation	Unrealized Gain/Loss on Financial Assets Measured at Fair Value Through Other Comprehensive Income			
			Legal Reserve	Special Reserve	Unappropriated Earnings					
BALANCE AT 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
Appropriation of 2022 earnings:										
Legal reserves	-	-	3,622	-	(3,622)	-	-	-	-	-
Special reserves	-	-	-	30,116	(30,116)	-	-	-	-	-
Changes in associates accounted for using the equity method	-	406	-	-	-	-	-	406	-	406
Cash dividends distributed from capital surplus	-	(44,306)	-	-	-	-	-	(44,306)	-	(44,306)
Net profit (loss) for the six months ended June 30, 2023	-	-	-	-	46,408	-	-	46,408	(664)	45,744
Other comprehensive income for the six months ended June 30, 2023	-	-	-	-	-	3,830	16,692	20,522	(184)	20,338
Total comprehensive income for the six months ended June 30, 2023	-	-	-	-	46,408	3,830	16,692	66,930	(848)	66,082
Disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	86	-	(86)	-	-	-
BALANCE, JUNE 30, 2023	<u>\$ 2,215,285</u>	<u>\$ 227,003</u>	<u>\$ 451,653</u>	<u>\$ 639,147</u>	<u>\$ 48,972</u>	<u>\$ (5,108)</u>	<u>\$ (613,603)</u>	<u>\$ 2,963,349</u>	<u>\$ 30,949</u>	<u>\$ 2,994,298</u>
BALANCE, JANUARY 1, 2024	\$ 2,215,285	\$ 227,216	\$ 451,653	\$ 639,147	\$ 75,387	\$ (10,418)	\$ (613,464)	\$ 2,984,806	\$ 31,156	\$ 3,015,962
Appropriation of 2023 earnings:										
Legal reserve	-	-	7,291	-	(7,291)	-	-	-	-	-
Reversal of special reserve	-	-	-	(15,264)	15,264	-	-	-	-	-
Cash dividends	-	-	-	-	(66,459)	-	-	(66,459)	-	(66,459)
Changes in associates accounted for using the equity method	-	229	-	-	-	-	-	229	-	229
Net profit for the six months ended June 30, 2024	-	-	-	-	74,144	-	-	74,144	87	74,231
Other comprehensive income for the six months ended June 30, 2024	-	-	-	-	-	37,636	33,516	71,152	248	71,400
Total comprehensive income for the six months ended June 30, 2024	-	-	-	-	74,144	37,636	33,516	145,296	335	145,631
Non-controlling interests	-	-	-	-	-	-	-	-	899	899
Disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	5	-	(5)	-	-	-
BALANCE, JUNE 30, 2024	<u>\$ 2,215,285</u>	<u>\$ 227,445</u>	<u>\$ 458,944</u>	<u>\$ 623,883</u>	<u>\$ 91,050</u>	<u>\$ 27,218</u>	<u>\$ (579,953)</u>	<u>\$ 3,063,872</u>	<u>\$ 32,390</u>	<u>\$ 3,096,262</u>

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

(With Deloitte & Touche review report dated August 9, 2024)

KYE SYSTEMS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Six Months Ended June 30	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 92,864	\$ 50,852
Adjustments for		
Interest income	(20,980)	(14,959)
Depreciation expense	17,047	23,921
Reversal of write-down of inventory	(17,038)	(11,917)
Share of profit of associates	(8,845)	(11,044)
Expected credit loss recognized (reversed) on accounts receivables	5,167	(97)
Gain on disposal of property, plant and equipment, net	(4,703)	(94)
Interest expense	4,372	3,888
Unrealized loss (gain) on foreign currency exchange, net	(3,944)	1,516
Amortization expense	3,069	3,974
Loss (gain) on fair value changes of financial assets at fair value through profit or loss	28	(59)
Gain on disposal of investment properties	-	(8,820)
Gain on disposal of investments	-	(3,022)
Changes in operating assets and liabilities		
Notes and accounts receivable	(28,446)	6,115
Other receivables	(47)	(1,652)
Inventories	40,121	63,347
Other current assets	(8,689)	(1,329)
Contract liabilities	19,427	(3,890)
Notes and accounts payable	21,634	160
Other payables	(11,728)	(11,219)
Other current liabilities	(14,054)	101
Net defined benefit liabilities	(241)	(2,221)
Cash generated from operations	85,014	83,551
Interest received	18,975	13,987
Income tax paid	(4,076)	(267)
Net cash generated from operating activities	<u>99,913</u>	<u>97,271</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of financial assets at amortized cost	288,135	-
Acquisition of financial assets at amortized cost	(265,338)	(182,643)
Payments for property, plant and equipment	(6,784)	(1,335)
Proceeds from disposal of property, plant and equipment	6,072	416
Decrease (increase) in refundable deposits	(2,167)	1,143
Increase in other non-current assets	(1,363)	(1,244)
Acquisition of investment properties	(93)	-
Proceeds from disposal of investment properties	-	61,585

(Continued)

KYE SYSTEMS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Six Months Ended June 30	
	2024	2023
Proceeds from disposal of financial assets at fair value through other comprehensive income	\$ -	\$ 1,199
Decrease in finance lease receivables	<u>-</u>	<u>1,102</u>
Net cash generated from (used in) investing activities	<u>18,462</u>	<u>(119,777)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of long-term borrowings	(10,947)	(9,360)
Interest paid	(4,392)	(3,875)
Repayment of the principal portion of lease liabilities	(3,995)	(12,423)
Change in non-controlling interests	899	-
Increase (decrease) in deposits received	<u>40</u>	<u>(841)</u>
Net cash used in financing activities	<u>(18,395)</u>	<u>(26,499)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>8,819</u>	<u>(674)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	108,799	(49,679)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>883,381</u>	<u>1,102,008</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 992,180</u>	<u>\$ 1,052,329</u>

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

(With Deloitte & Touche review report dated August 9, 2024)

(Concluded)

KYE SYSTEMS CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2024 AND 2023 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

KYE Systems Corporation (the “Company”) was incorporated in November 1983. The Company was formerly known as KYE Enterprise Co., Ltd., and was renamed as KYE Systems Corp. in November 1988 and becoming a public company in 1991. The Company’s shares have been listed on the Taiwan Stock Exchange (TWSE) since November 3, 1997.

The Company is mainly engaged in the manufacturing, processing and trading of computer peripheral products such as computer mice, keyboards, 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 the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on August 9, 2024.

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

- a. 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 “IFRS Accounting Standards”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies.

- b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2025

New, Amended and Revised Standards and Interpretations	Effective Date Announced by International Accounting Standards Board (IASB)
Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025 (Note)

Note: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments to IAS 21, the Group shall not restate the comparative information and shall recognize any effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or, if applicable, to the cumulative amount of translation differences in equity as well as affected assets or liabilities.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing impacts of the above amended standards and interpretations on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

- c. The IFRS Accounting Standards in issue but not yet endorsed and issued into effect by the FSC

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note)</u>
Annual Improvements to IFRS Accounting Standards - Volume 11	January 1, 2026
Amendments to IFRS 9 and IFRS 7 "Amendments to the Classification and Measurement of Financial Instruments"	January 1, 2026
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
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
IFRS 18 "Presentation and Disclosure in Financial Statements"	January 1, 2027
IFRS 19 "Subsidiaries without Public Accountability: Disclosures"	January 1, 2027

Note: Unless stated otherwise, the above IFRS Accounting Standards are effective for annual reporting periods beginning on or after their respective effective dates.

IFRS 18 "Presentation and Disclosure in Financial Statements"

IFRS 18 will supersede IAS 1 "Presentation of Financial Statements". The main changes comprise:

- Items of income and expenses included in the statement of profit or loss shall be classified into the operating, investing, financing, income taxes and discontinued operations categories.
- The statement of profit or loss shall present totals and subtotals for operating profit or loss, profit or loss before financing and income taxes and profit or loss.
- Provides guidance to enhance the requirements of aggregation and disaggregation: The Group shall identify the assets, liabilities, equity, income, expenses and cash flows that arise from individual transactions or other events and shall classify and aggregate them into groups based on shared characteristics, so as to result in the presentation in the primary financial statements of line items that have at least one similar characteristic. The Group shall disaggregate items with dissimilar characteristics in the primary financial statements and in the notes. The Group labels items as "other" only if it cannot find a more informative label.
- Disclosures on Management-defined Performance Measures (MPMs): When in public communications outside financial statements and communicating to users of financial statements management's view of an aspect of the financial performance of the Group as a whole, the Group shall disclose related information about its MPMs in a single note to the financial statements, including the description of such measures, calculations, reconciliations to the subtotal or total specified by IFRS Accounting Standards and the income tax and non-controlling interests effects of related reconciliation items.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing other impacts of the above amended standards and interpretations on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

a. 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. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual consolidated financial statements.

b. Basis of preparation

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

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

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

c. 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 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 of the Group. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group’s ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Group 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 (i) 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 (ii) 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 Group accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Group 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 fair value on initial recognition of an investment.

See Note 12 “Subsidiaries”, Table 5 “Information of Investee Companies” and Table 6 “Information on Investments in Mainland China” for the detailed information of subsidiaries (including percentages of ownership and main businesses).

d. Other material accounting policies

Except for the following, please refer to the consolidated financial statements for the year ended December 31, 2023.

1) Classification of current and non-current assets and liabilities

Current assets include:

- Assets held primarily for the purpose of trading;
- Assets expected to be realized within 12 months after the reporting period; and
- Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- Liabilities held primarily for the purpose of trading;
- Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- Liabilities for which the Group does not have the substantial right at the end of the reporting period to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

2) Retirement benefits

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.

3) Income tax expense

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The significant accounting judgments, estimates and key sources of assumption uncertainty are the same as those that applied to the consolidated financial statements for the year ended 31 December 2023.

6. CASH AND CASH EQUIVALENTS

	June 30, 2024	December 31, 2023	June 30, 2023
Cash on hand and petty cash	\$ 2,599	\$ 2,401	\$ 2,605
Checking accounts and demand deposits	371,260	413,321	560,767
Cash equivalents			
Time deposits	283,725	267,500	349,550
Repurchase agreements collateralized by commercial papers	<u>334,596</u>	<u>200,159</u>	<u>139,407</u>
	<u>\$ 992,180</u>	<u>\$ 883,381</u>	<u>\$ 1,052,329</u>

At June 30, 2024, December 31, 2023 and June 30, 2023, the Group held time deposits with original maturities of more than three months of \$374,656 thousand, \$376,548 thousand and \$188,790 thousand, which were recognized as financial assets at amortized cost - current. The market rate intervals of time deposits and recognized as financial assets at amortized cost - current at the end of the year were as follows:

	June 30, 2024	December 31, 2023	June 30, 2023
Time deposits	1.17%-5.35%	1.09%-5.63%	1.96%-5.37%
Financial assets at amortized cost - current	1.53%-5.31%	1.40%-5.65%	1.40%-5.40%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2024	December 31, 2023	June 30, 2023
<u>Financial assets - current</u>			
Financial assets mandatorily classified as at FVTPL			
Non-derivative financial assets			
Domestic listed ordinary shares	<u>\$ 982</u>	<u>\$ 1,010</u>	<u>\$ 1,144</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	June 30, 2024	December 31, 2023	June 30, 2023
<u>Current</u>			
Investments in equity instruments measured at fair value through other comprehensive income			
Domestic listed ordinary shares	<u>\$ 49,604</u>	<u>\$ 37,165</u>	<u>\$ 38,638</u>

(Continued)

	June 30, 2024	December 31, 2023	June 30, 2023
<u>Non-current</u>			
Investments in equity instruments measured at fair value through other comprehensive income			
Foreign unlisted ordinary shares	\$ 94,217	\$ 76,609	\$ 82,915
Domestic unlisted ordinary shares	37,356	27,054	21,110
Domestic unlisted preference shares	9,100	9,100	9,100
Domestic listed ordinary shares	<u>7,696</u>	<u>5,808</u>	<u>4,254</u>
	<u>\$ 148,369</u>	<u>\$ 118,571</u>	<u>\$ 117,379</u>
			(Concluded)

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

In May 2023, the Group sold its shares in Dynamic Medical Technologies Inc. in order to adjust investment positions. The shares sold had a fair value of \$1,199 thousand and its related unrealized valuation gain of \$86 thousand was transferred from other equity to retained earnings.

9. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLES

	June 30, 2024	December 31, 2023	June 30, 2023
<u>Notes and accounts receivables</u>			
At amortized cost			
Gross carrying amount	\$ 114,161	\$ 83,603	\$ 54,148
Less: Allowance for impairment loss	<u>(5,768)</u>	<u>(601)</u>	<u>(191)</u>
	<u>\$ 108,393</u>	<u>\$ 83,002</u>	<u>\$ 53,957</u>

The average credit period of sales of goods is 60 days, and no interest is charged on unpaid accounts receivable.

In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits and credit approvals to ensure that appropriate follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at balance sheet date to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

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

The Group writes off a trade receivable when there is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of notes and trade receivables based on the Group's provision matrix.

June 30, 2024

	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%	
Gross carrying amount	\$ 85,967	\$ 23,231	\$ 112	\$ 4,851	\$ 114,161
Loss allowance (Lifetime ECLs)	<u>(209)</u>	<u>(698)</u>	<u>(10)</u>	<u>(4,851)</u>	<u>(5,768)</u>
Amortized cost	<u>\$ 85,758</u>	<u>\$ 22,533</u>	<u>\$ 102</u>	<u>\$ -</u>	<u>\$ 108,393</u>

December 31, 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%	
Gross carrying amount	\$ 72,538	\$ 11,012	\$ 30	\$ 23	\$ 83,603
Loss allowance (Lifetime ECLs)	<u>(244)</u>	<u>(331)</u>	<u>(3)</u>	<u>(23)</u>	<u>(601)</u>
Amortized cost	<u>\$ 72,294</u>	<u>\$ 10,681</u>	<u>\$ 27</u>	<u>\$ -</u>	<u>\$ 83,002</u>

June 30, 2023

	Account Age of No More Than 60 Days	Account Age of 61- 90 Days	Account Age of 91-120 Days	Account Age of More Than 120 Days	Total
Expected credit loss rate	0%-1%	1%-5%	5%-10%	100%	
Gross carrying amount	\$ 52,384	\$ 1,764	\$ -	\$ -	\$ 54,148
Loss allowance (Lifetime ECLs)	<u>(138)</u>	<u>(53)</u>	<u>-</u>	<u>-</u>	<u>(191)</u>
Amortized cost	<u>\$ 52,246</u>	<u>\$ 1,711</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,957</u>

The movements of the loss allowance of notes and trade receivables were as follows:

	For the Six Months Ended June 30	
	2024	2023
Balance at January 1	\$ 601	\$ 288
Add: Net remeasurement of loss allowance	<u>5,167</u>	<u>(97)</u>
Balance at June 30	<u>\$ 5,768</u>	<u>\$ 191</u>

10. INVENTORIES

	June 30, 2024	December 31, 2023	June 30, 2023
Finished goods	\$ 73,266	\$ 82,703	\$ 93,589
Work in progress	24,544	20,487	22,004
Raw materials	<u>45,191</u>	<u>55,443</u>	<u>64,618</u>
	<u>\$ 143,001</u>	<u>\$ 158,633</u>	<u>\$ 180,211</u>

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
Cost of inventories sold	\$ 164,812	\$ 117,085	\$ 309,080	\$ 230,602
Reversal of write-downs of inventory	<u>(10,977)</u>	<u>(3,641)</u>	<u>(17,038)</u>	<u>(11,917)</u>
	<u>\$ 153,835</u>	<u>\$ 113,444</u>	<u>\$ 292,042</u>	<u>\$ 218,685</u>

Inventory write-downs were reversed as a result of inventories destocking.

11. NON-CURRENT ASSETS HELD FOR SALE

	June 30, 2024
Investment property held for sale	<u>\$ 174,796</u>
Liabilities directly associated with non-current assets classified as held for sale	<u>\$ 70,833</u>

On January 18, 2024, the board of directors of Digilife Technologies Co., Ltd., a subsidiary of the Company, approved the sale of investment property located in Neihu District, Taipei City, to a third party unrelated to the Group, and has already completed the disposal process in July 2024. No impairment loss was recognized on the classification of the investment property as non-current assets held for sale for the six months ended June 30, 2024.

Non-current assets held for sale pledged as collateral for bank borrowings are set out in Note 29.

12. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

Investor	Investee	Nature of Activities	Proportion of Ownership (%)			Remark
			June 30, 2024	December 31, 2023	June 30, 2023	
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
	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) Corporation Limited	Sales of computer peripherals, consumer electronics and video imaging products	100.00%	100.00%	100.00%	Note 1
	Digilife Technologies Co., Ltd.	Design, processing and sales of digital video/audio products	94.61%	94.61%	94.61%	-
	KYE Systems (Hong Kong) Corporation Limited	Genius Labuan Inc.	Sales of computer peripherals, consumer electronics and video imaging products	100.00%	100.00%	100.00%
Genius Holding Co., Ltd.	Globalink Holding Co., Ltd.	Investment holdings	100.00%	100.00%	100.00%	Note 1
	Moustek Investment Co., Ltd.	Investment holdings	-	-	100.00%	Notes 1 and 2
	KYE Trade (HK) Co., Ltd.	Sales of computer peripherals, consumer electronics and video imaging products	100.00%	100.00%	100.00%	Note 1
Digilife Technologies Co., Ltd.	KYE Inc.	Investment holdings	100.00%	100.00%	100.00%	-
	Life Technologies Co., Ltd.	Investment holdings	100.00%	100.00%	100.00%	Note 1
	DIGILIFE PTY LTD	Tourism and real estate development	100.00%	100.00%	100.00%	Notes 1 and 3
Life Technologies Co., Ltd.	MUFU TECHNOLOGIES CO., LTD.	Sale of digital video/audio products	96%	-	-	Notes 1 and 4
	Life Technologies (Hong Kong) Co., Limited	Investment holdings	100.00%	100.00%	100.00%	Note 1
Life Technologies (Hong Kong) Co., Limited	Ziser Technologies (Shenzhen) Co., Ltd.	Sale of digital video/audio products	100.00%	100.00%	100.00%	Note 1
KYE Inc.	Dongguan Kuning Computer Products Co., Ltd.	R & D, manufacturing and sales of computer peripherals, consumer electronics and video image products	100.00%	100.00%	100.00%	-
Moustek Investment Co., Ltd.	Dongguan Gaoying Electronic Technology Co., Ltd.	Sales of computer peripherals, consumer electronics and video imaging products	-	-	-	Notes 1 and 5

Note 1: For the six months ended June 30, 2024 and 2023, its financial statements have not been reviewed, and the subsidiaries are non-significant.

Note 2: Moustek Investment Co., Ltd. ceased operations in June 2023 and was liquidated in September 2023, and the deregistration process was completed.

Note 3: DIGILIFE PTY LTD handled cash capital reduction of AUD3,000 thousand in April 2023.

Note 4: Digilife Technologies Co., Ltd. established its subsidiary, MUFU TECHNOLOGIES CO., LTD., in April 2024 and invested THB \$24,000 thousand.

Note 5: Dongguan Gaoying Electronic Technology Co., Ltd. ceased operations in December 2022 and was liquidated in April 2023, and the deregistration process was completed.

b. Subsidiaries excluded from the consolidated financial statements: None.

c. Details of subsidiaries that have material non-controlling interests: None.

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in associates

	June 30, 2024	December 31, 2023	June 30, 2023
Materiality associates			
Timing Pharmaceutical Co., Ltd. (Timing Pharmaceutical Company)	\$ 235,262	\$ 230,682	\$ 235,137
Coretek Opto Corporation (Coretek Opto)	<u>101,340</u>	<u>108,190</u>	<u>110,820</u>
	336,602	338,872	345,957
Associates that are not individually material	<u>67,416</u>	<u>60,748</u>	<u>76,400</u>
	<u>\$ 404,018</u>	<u>\$ 399,620</u>	<u>\$ 422,357</u>

Name of Associate	<u>Proportion of Ownership and Voting Rights</u>		
	June 30, 2024	December 31, 2023	June 30, 2023
Timing Pharmaceutical Company	22.64%	22.64%	22.64%
Coretek Opto	33.28%	33.28%	33.28%

For the six months ended June 30, 2024, the Group's investment Company accounted for using the equity method sold its financial assets at fair value through other comprehensive income. The related unrealized valuation gain of \$5 thousand was transferred from other equity to retained earnings according to the shareholding ratios by the Group.

The holds 33.28% of the voting rights in Coretek Opto and is the single largest shareholder. After considering the amount and distribution of voting rights held by other shareholders, and the voting pattern of previous shareholders' meetings shows that other shareholders are not passive, the Group can't appoint more than half of the members of the governance unit, so it is unable to direct the relevant activities of Coretek Opto and therefore has no control. The Group's management believes that it has only significant influence on Coretek Opto, so it is listed as an associate of the Group.

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

14. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and Structures	Machine/ Equipment	Leasehold Improvement	Miscellaneous Equipment	Total
<u>Cost</u>						
Balance on January 1, 2024	\$ 470,839	\$ 218,825	\$ 153,368	\$ 21,992	\$ 99,554	\$ 964,578
Additions	-	-	-	407	6,377	6,784
Disposals	-	-	(111,082)	(21,992)	(6,409)	(139,483)
Effects of foreign currency exchange differences	-	-	852	-	48	900
Balance on June 30, 2024	<u>\$ 470,839</u>	<u>\$ 218,825</u>	<u>\$ 43,138</u>	<u>\$ 407</u>	<u>\$ 99,570</u>	<u>\$ 832,779</u>

(Continued)

	Land	Buildings and Structures	Machine/ Equipment	Leasehold Improvement	Miscellaneous Equipment	Total
<u>Accumulated depreciation and impairment</u>						
Balance on January 1, 2024	\$ 11,046	\$ 97,106	\$ 136,177	\$ 21,992	\$ 80,214	\$ 346,535
Disposals	-	-	(110,193)	(21,992)	(5,929)	(138,114)
Depreciation expense	-	2,085	1,382	7	5,011	8,485
Effects of foreign currency exchange differences	-	-	474	-	47	521
Balance on June 30, 2024	<u>\$ 11,046</u>	<u>\$ 99,191</u>	<u>\$ 27,840</u>	<u>\$ 7</u>	<u>\$ 79,343</u>	<u>\$ 217,427</u>
Net amount on June 30, 2024	<u>\$ 459,793</u>	<u>\$ 119,634</u>	<u>\$ 15,298</u>	<u>\$ 400</u>	<u>\$ 20,227</u>	<u>\$ 615,352</u>
Net amount at December 31, 2023 and January 1, 2024	<u>\$ 459,793</u>	<u>\$ 121,719</u>	<u>\$ 17,191</u>	<u>\$ -</u>	<u>\$ 19,340</u>	<u>\$ 618,043</u>
<u>Cost</u>						
Balance on January 1, 2023	\$ 470,839	\$ 218,825	\$ 160,232	\$ 23,736	\$ 96,620	\$ 970,252
Additions	-	-	-	-	1,335	1,335
Disposals	-	-	(782)	(1,638)	(1,403)	(3,823)
Effects of foreign currency exchange differences	-	-	(331)	-	(45)	(376)
Transfer between account titles	-	-	-	-	27	27
Balance on June 30, 2023	<u>\$ 470,839</u>	<u>\$ 218,825</u>	<u>\$ 159,119</u>	<u>\$ 22,098</u>	<u>\$ 96,534</u>	<u>\$ 967,415</u>
<u>Accumulated depreciation and impairment</u>						
Balance on January 1, 2023	\$ 11,046	\$ 92,936	\$ 139,160	\$ 10,880	\$ 71,557	\$ 325,579
Disposals	-	-	(460)	(1,638)	(1,403)	(3,501)
Depreciation expense	-	2,085	2,038	2,374	4,967	11,464
Effects of foreign currency exchange differences	-	-	(148)	-	(45)	(193)
Balance on June 30, 2023	<u>\$ 11,046</u>	<u>\$ 95,021</u>	<u>\$ 140,590</u>	<u>\$ 11,616</u>	<u>\$ 75,076</u>	<u>\$ 333,349</u>
Net amount on June 30, 2023	<u>\$ 459,793</u>	<u>\$ 123,804</u>	<u>\$ 18,529</u>	<u>\$ 10,482</u>	<u>\$ 21,458</u>	<u>\$ 634,066</u>

(Concluded)

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

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 ARRANGEMENTS

a. Right-of-use assets

	June 30, 2024	December 31, 2023	June 30, 2023
Carrying amount			
Buildings	\$ 56,754	\$ 62,679	\$ 76,608
Office equipment	283	329	375
Transportation equipment	<u>2,351</u>	<u>-</u>	<u>-</u>
	<u>\$ 59,388</u>	<u>\$ 63,008</u>	<u>\$ 76,983</u>
	For the Three Months Ended June 30		For the Six Months Ended June 30
	2024	2023	2024
	2023	2024	2023
Additions to right-of-use assets			<u>\$ 64,735</u>
			<u>\$ 83,573</u>
Depreciation charge for right-of-use assets			
Buildings	\$ 2,579	\$ 6,965	\$ 7,480
Office equipment	23	23	46
Transportation equipment	<u>235</u>	<u>-</u>	<u>470</u>
	<u>\$ 2,837</u>	<u>\$ 6,988</u>	<u>\$ 7,996</u>
			<u>\$ 11,365</u>

b. Lease liabilities

	June 30, 2024	December 31, 2023	June 30, 2023
Carrying amount			
Current	<u>\$ 10,951</u>	<u>\$ 27,825</u>	<u>\$ 27,583</u>
Non-current	<u>\$ 52,416</u>	<u>\$ 35,598</u>	<u>\$ 49,572</u>

Range of discount rates for lease liabilities was as follows:

	June 30, 2024	December 31, 2023	June 30, 2023
Buildings	2.10%	1.75%	1.75%
Office equipment	1.50%	1.50%	1.50%
Transportation equipment	2.20%	-	-

c. 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 2029. The Group does not have renewal or bargain purchase options to acquire the assets at the end of the lease terms.

d. Other lease information

	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2024	2023	2024	2023
Expenses relating to short-term leases	\$ 761	\$ 429	\$ 1,647	\$ 665
Expenses relating to low-value asset leases	\$ 11	\$ 9	\$ 18	\$ 21
Total cash outflows for leases			\$ 5,660	\$ 13,109

All lease commitments (the Group as a lessee) with lease terms commencing after the balance sheet dates are as follows:

	June 30, 2024	December 31, 2023	June 30, 2023
Lease commitments	\$ 3,749	\$ 80	\$ 792

16. INVESTMENT PROPERTIES

	Investment Properties
<u>Cost</u>	
Balance on January 1, 2024	\$ 678,083
Addition	93
Reclassified as non-current assets held for sale (Note 11)	(207,830)
Effects of foreign currency exchange differences	<u>2,666</u>
Balance on June 30, 2024	\$ <u>473,012</u>
<u>Accumulated depreciation and impairment</u>	
Balance on January 1, 2024	\$ (37,921)
Depreciation expense	(566)
Reclassified as non-current assets held for sale (Note 11)	33,034
Effects of foreign currency exchange differences	<u>(134)</u>
Balance on June 30, 2024	\$ <u>(5,587)</u>
Balance on June 30, 2024	\$ <u>467,425</u>
Balance on December 31, 2023 and January 1, 2024	\$ <u>640,162</u>

(Continued)

	Investment Properties
<u>Cost</u>	
Balance on January 1, 2023	\$ 730,108
Disposal	(52,765)
Effects of foreign currency exchange differences	<u>(1,035)</u>
Balance on June 30, 2023	<u>\$ 676,308</u>
<u>Accumulated depreciation and impairment</u>	
Balance on January 1, 2023	\$ (35,694)
Depreciation expense	(1,092)
Effects of foreign currency exchange differences	<u>38</u>
Balance on June 30, 2023	<u>\$ (36,748)</u>
Balance on June 30, 2023	<u>\$ 639,560</u> (Concluded)

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

The fair value of investment property for the years ended December 31, 2023 and 2022 was \$522,413 thousand and \$748,348 thousand, respectively. The management of the Group assessed that there was no significant change in the fair value as of June 30, 2024 and 2023, as compared to that as of December 31, 2023 and 2022.

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

17. BORROWINGS

Long-term borrowings

	June 30, 2024	December 31, 2023	June 30, 2023
<u>Loans with a floating interest rate</u>			
CTBC Bank			
Mortgage loan, maturing in February 2043 (Note 1)	\$ 128,968	\$ 132,367	\$ 135,742
Mortgage loan, maturing in August 2024 (Note 2)	70,833	75,833	80,833
Chang Hwa Commercial Bank			
Mortgage loan, maturing in January 2041 (Note 3)	<u>102,811</u>	<u>105,359</u>	<u>107,898</u>
	302,612	313,559	324,473
Less: Current portion	<u>(81,547)</u>	<u>(86,584)</u>	<u>(20,661)</u>
	<u>\$ 221,065</u>	<u>\$ 226,975</u>	<u>\$ 303,812</u>

Note 1: The interest rate on June 30, 2024, December 31, 2023 and June 30, 2023 were 2.4%, 2.2% and 2.2% respectively. The principal and interest will be amortized on a monthly basis from March 2023.

Note 2: The interest rate on June 30, 2024, December 31, 2023 and June 30, 2023 were 2.4%, 2.2% and 2.2% respectively. The principal and interest will be amortized on a monthly basis from August 2021.

Note 3: The interest rate on June 30, 2024, December 31, 2023 and June 30, 2023 were 2.3%, 2.2% and 2.2% 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 the Group pledged as collateral for loans, see Note 29.

18. NOTES AND ACCOUNTS PAYABLES

No interest is charged on an trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

19. OTHER PAYABLES

	June 30, 2024	December 31, 2023	June 30, 2023
Dividends payable	\$ 66,459	\$ -	\$ 44,306
Salaries and bonuses payable	23,344	39,298	20,780
Professional service fees payable	3,677	4,302	3,691
Market promotion fees payable	3,582	1,600	3,654
Others	<u>24,623</u>	<u>19,814</u>	<u>21,961</u>
	<u>\$ 121,685</u>	<u>\$ 65,014</u>	<u>\$ 94,392</u>

20. RETIREMENT BENEFIT PLANS

Employee benefit expense for the three months ended and six months ended June 30, 2024 and 2023 were \$7 thousand, \$19 thousand, \$13 thousand and \$38 thousand, respectively. Employee benefit expense was calculated on the basis of the actuarial valuations in December 31, 2023 and 2022.

21. EQUITY

a. Share capital

	June 30, 2024	December 31, 2023	June 30, 2023
Shares authorized (in thousands of shares)	<u>390,000</u>	<u>390,000</u>	<u>390,000</u>
Capital authorized	<u>\$ 3,900,000</u>	<u>\$ 3,900,000</u>	<u>\$ 3,900,000</u>
Shares issued and fully paid (in thousands of shares)	<u>221,528</u>	<u>221,528</u>	<u>221,528</u>
Capital issued and fully paid	<u>\$ 2,215,285</u>	<u>\$ 2,215,285</u>	<u>\$ 2,215,285</u>

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

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

b. Capital surplus

	June 30, 2024	December 31, 2023	June 30, 2023
Issuance of ordinary shares in excess of face value	\$ 41,221	\$ 41,221	\$ 41,221
Treasury share transactions	156,114	156,114	156,114
Long-term investments	<u>30,110</u>	<u>29,881</u>	<u>29,668</u>
	<u>\$ 227,445</u>	<u>\$ 227,216</u>	<u>\$ 227,003</u>

The capital surplus from shares issued in excess of par (including ordinary shares issued in excess of face value, share capital in excess of par from share issued due to mergers, and trading of treasury stocks, etc.) and donations received may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital, limited to a certain percentage of the Company's capital surplus and once a year.

The effect of equity transaction recognized in capital surplus is attributable to changes in the Company's equity when the Company has not actually acquired or disposed of an equity interest in a subsidiary, or the adjustment of capital surplus of subsidiaries recognized by the Company under the equity method, which can only be used to offset a loss.

c. Retained earnings and dividend policy

Under the dividends policy as set forth in the 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 \$0.1 (inclusive), it may not be paid, and it will be paid in stock dividends instead.

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

The shareholders of KYE held their regular meeting on June 21, 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. The legal reserve may be used to offset deficits. 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 2023 and 2022 which were approved in the shareholders' meetings on June 21, 2024 and June 21, 2023, respectively, were as follows:

	Appropriation of Earnings	
	For the Year Ended December 31	
	2023	2022
Legal reserve	<u>\$ 7,291</u>	<u>\$ 3,622</u>
Appropriate (reversal) of special reserve	<u>\$ (15,264)</u>	<u>\$ 30,116</u>
Cash dividends	<u>\$ 66,459</u>	<u>\$ -</u>
Cash dividends per share (NT\$)	<u>\$ 0.3</u>	<u>\$ -</u>

In addition, the company passed the resolutions of the general meeting of shareholders on June 21, 2023. According to the provisions of Article 241 of the Company Law, the capital reserve of \$44,306 thousand in excess of the par value of the premium issued by ordinary shares was distributed in cash dividends to shareholders.

d. Other equity items

1) Exchange differences on the translation of the financial statements of foreign operations

	For the Six Months Ended	
	June 30	
	2024	2023
Balance at January 1	<u>\$ (10,418)</u>	<u>\$ (8,938)</u>
Recognized for the year		
Exchange differences on the translation of the financial statements of foreign operations	34,134	2,476
Share from associates accounted for using the equity method	<u>3,502</u>	<u>1,354</u>
Other comprehensive income recognized for the year	<u>37,636</u>	<u>3,830</u>
Balance at June 30	<u>\$ 27,218</u>	<u>\$ (5,108)</u>

2) Unrealized valuation gain (loss) on financial assets at FVTOCI

	For the Six Months Ended June 30	
	2024	2023
Balance at January 1	\$ (613,464)	\$ (630,209)
Recognized for the year		
Unrealized profits or losses - equity instruments	35,516	18,877
Share from associates accounted for using the equity method	<u>(2,000)</u>	<u>(2,185)</u>
Other comprehensive income recognized for the year	<u>33,516</u>	<u>16,692</u>
Cumulative unrealized gain or loss of equity instruments transferred to retained earnings due to disposal	<u>(5)</u>	<u>(86)</u>
Balance at June 30	<u>\$ (579,953)</u>	<u>\$ (613,603)</u>

22. REVENUE

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
Revenue from contracts with customers				
Revenue from the sale of goods	\$ 263,528	\$ 174,664	\$ 487,179	\$ 349,813
Other operating revenue				
Other revenues	<u>-</u>	<u>3</u>	<u>-</u>	<u>3</u>
	<u>\$ 263,528</u>	<u>\$ 174,667</u>	<u>\$ 487,179</u>	<u>\$ 349,816</u>

a. Contract information

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.

b. Contract balances

	June 30, 2024	December 31, 2023	June 30, 2023	January 1, 2023
Total notes and accounts receivables (Note 9)	<u>\$ 114,161</u>	<u>\$ 83,603</u>	<u>\$ 54,148</u>	<u>\$ 60,555</u>
Total contract liabilities - current	<u>\$ 39,515</u>	<u>\$ 20,088</u>	<u>\$ 26,189</u>	<u>\$ 30,079</u>

c. Disaggregation of revenue

	For the Six Months Ended June 30	
	2024	2023
Computer peripherals	\$ 288,484	\$ 243,800
Video and optoelectronic products	188,128	101,425
Consumer electronics	7,576	4,466
Others	<u>2,991</u>	<u>122</u>
	<u>\$ 487,179</u>	<u>\$ 349,813</u>

23. COMPREHENSIVE INCOME

a. Other gains and losses

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
Rental revenue	\$ 4,778	\$ 5,469	\$ 10,348	\$ 10,787
Net profit on foreign currency exchange	1,941	1,786	9,672	1,171
Gain (loss) on disposal of property, plant and equipment	(260)	2	4,703	94
Gain on disposal of investment properties	-	-	-	8,820
Gain on disposal of investments	-	3,022	-	3,022
Other revenues and expenses	<u>3,972</u>	<u>6,145</u>	<u>4,917</u>	<u>7,424</u>
	<u>\$ 10,431</u>	<u>\$ 16,424</u>	<u>\$ 29,640</u>	<u>\$ 31,318</u>

b. Depreciation and amortization

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
Property, plant and equipment	\$ 4,130	\$ 5,726	\$ 8,485	\$ 11,464
Investment property	287	544	566	1,092
Right-of-use assets	2,837	6,988	7,996	11,365
Other non-current assets	<u>1,486</u>	<u>2,000</u>	<u>3,069</u>	<u>3,974</u>
	<u>\$ 8,740</u>	<u>\$ 15,258</u>	<u>\$ 20,116</u>	<u>\$ 27,895</u>
An analysis of depreciation by function				
Operating costs	\$ 2,633	\$ 7,031	\$ 7,356	\$ 11,595
Operating expense	4,334	5,683	9,125	11,234
Other gains and losses	<u>287</u>	<u>544</u>	<u>566</u>	<u>1,092</u>
	<u>\$ 7,254</u>	<u>\$ 13,258</u>	<u>\$ 17,047</u>	<u>\$ 23,921</u>

(Continued)

	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2024	2023	2024	2023
An analysis of amortization by function				
Operating costs	\$ -	\$ 325	\$ 38	\$ 613
Operating expense	<u>1,486</u>	<u>1,675</u>	<u>3,031</u>	<u>3,361</u>
	<u>\$ 1,486</u>	<u>\$ 2,000</u>	<u>\$ 3,069</u>	<u>\$ 3,974</u>

(Concluded)

c. Employee benefits expense

	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2024	2023	2024	2023
Post-employment benefits				
Defined contribution plan	\$ 1,087	\$ 1,001	\$ 2,151	\$ 1,984
Defined benefit plan (Note 20)	<u>7</u>	<u>19</u>	<u>13</u>	<u>38</u>
	1,094	1,020	2,164	2,022
Termination benefits	14	2	31	606
Other employee benefits	<u>46,430</u>	<u>40,846</u>	<u>89,826</u>	<u>80,500</u>
Total employee benefit expenses	<u>\$ 47,538</u>	<u>\$ 41,868</u>	<u>\$ 92,021</u>	<u>\$ 83,128</u>
An analysis of employee benefits expense by function				
Operating costs	\$ 6,181	\$ 6,828	\$ 12,170	\$ 11,215
Operating expenses	<u>41,357</u>	<u>35,040</u>	<u>79,851</u>	<u>71,913</u>
	<u>\$ 47,538</u>	<u>\$ 41,868</u>	<u>\$ 92,021</u>	<u>\$ 83,128</u>

d. Compensation of employees and remuneration of directors

The Company accrues compensation of employees and remuneration of directors at rates of no less than 1% and no higher than 15%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The employees' compensation and remuneration of directors for the six months ended June 30, 2024 and 2023, respectively, were as follows:

Accrual rate

	For the Six Months Ended	
	June 30	
	2024	2023
Compensation of employees	2%	2%
Remuneration of directors	1%	1%

Amount

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
Compensation of employees	<u>\$ 999</u>	<u>\$ 587</u>	<u>\$ 1,904</u>	<u>\$ 1,025</u>
Remuneration of directors	<u>\$ 499</u>	<u>\$ 295</u>	<u>\$ 951</u>	<u>\$ 512</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 compensation of employees and the remuneration of directors and supervisors for the years ended December 31, 2023 and 2022, which were approved by the Company's board of directors on March 12, 2024 and March 14, 2023, respectively, are as follows:

Amounts

	For the Year Ended December 31	
	2023	2022
Compensation of employees	<u>\$ 1,823</u>	<u>\$ 1,192</u>
Remuneration of directors	<u>\$ 911</u>	<u>\$ 596</u>

There is no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2023 and 2022.

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

24. INCOME TAX

a. Income taxes recognized in profit or loss

Major components of income tax expense are as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
Current tax				
In respect of the current year	\$ 7,818	\$ 476	\$ 14,283	\$ 762
Income tax on unappropriated earnings	(160)	-	685	124
Adjustments for prior year	37	49	37	49
Deferred tax				
In respect of the current year	<u>1,504</u>	<u>415</u>	<u>3,628</u>	<u>4,173</u>
Income tax expense recognized in profit or loss	<u>\$ 9,199</u>	<u>\$ 940</u>	<u>\$ 18,633</u>	<u>\$ 5,108</u>

b. Income tax recognized in other comprehensive income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
<u>Deferred tax</u>				
In respect of the current year				
Translation of foreign operations	\$ (2,091)	\$ (2,068)	\$ (7,481)	\$ (1,381)
Fair value changes of financial assets at FVTOCI	<u>(2,450)</u>	<u>(2,206)</u>	<u>(2,325)</u>	<u>(1,929)</u>
Income tax recognized in other comprehensive income	<u>\$ (4,541)</u>	<u>\$ (4,274)</u>	<u>\$ (9,806)</u>	<u>\$ (3,310)</u>

c. Income tax assessments

The income tax returns of Hung-Cheng Investment Co., Ltd. and Digilife Technologies Co., Ltd. calculated up until 2022 were approved by the tax authority. The income tax return of KYE and Chung-Chiang Investment Co., Ltd. calculated up until 2021 was approved by the tax 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 profit for the period

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
Profit for the year attributable to owners of KYE	\$ 39,361	\$ 27,844	\$ 74,144	\$ 46,408
Effect of potentially dilutive ordinary shares				
Compensation of employees	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 39,361</u>	<u>\$ 27,844</u>	<u>\$ 74,144</u>	<u>\$ 46,408</u>

Number of Shares

	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2024	2023	2024	2023
Weighted average number of ordinary shares used in the computation of basic earnings per share (in thousands)	221,528	221,528	221,528	221,528
Effect of potentially dilutive ordinary shares				
Compensation of employees (in thousands)	<u>50</u>	<u>83</u>	<u>86</u>	<u>130</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share (in thousands)	<u>221,578</u>	<u>221,611</u>	<u>221,614</u>	<u>221,658</u>

The Group may settle the compensation of employees in cash or shares; therefore, the Group assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares are 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 number of shares to be distributed to employees is resolved in the following year.

26. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. There has been no material change in the overall strategies of the Group.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and the equity attributable to owners of the Company (comprising issued capital, reserves, retained earnings and other equity).

The Group is not subject to any externally imposed capital requirements.

Key management personnel of KYE review the capital structure on an annual basis. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and/or the amount of new debt issued or existing debt redeemed.

27. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

Since the carrying amount of the Group's financial instruments not measured at fair value, including cash and cash equivalents, financial assets at amortized cost - current, notes and accounts 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.

b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

June 30, 2024

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Investments in equity instruments				
Domestic listed shares	\$ <u>982</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>982</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Domestic listed shares	\$ 49,604	\$ -	\$ 7,696	\$ 57,300
Domestic unlisted shares	-	-	46,456	46,456
Foreign unlisted shares	<u>-</u>	<u>-</u>	<u>94,217</u>	<u>94,217</u>
	<u>\$ 49,604</u>	<u>\$ -</u>	<u>\$ 148,369</u>	<u>\$ 197,973</u>

December 31, 2023

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Investments in equity instruments				
Domestic listed shares	\$ <u>1,010</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,010</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Domestic listed shares	\$ 37,165	\$ -	\$ 5,808	\$ 42,973
Domestic unlisted shares	-	-	36,154	36,154
Foreign unlisted shares	<u>-</u>	<u>-</u>	<u>76,609</u>	<u>76,609</u>
	<u>\$ 37,165</u>	<u>\$ -</u>	<u>\$ 118,571</u>	<u>\$ 155,736</u>

June 30, 2023

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Investments in equity instruments				
Domestic listed shares	<u>\$ 1,144</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,144</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Domestic listed shares	\$ 38,638	\$ -	\$ 4,254	\$ 42,892
Domestic unlisted shares	-	-	30,210	30,210
Foreign unlisted shares	<u>-</u>	<u>-</u>	<u>82,915</u>	<u>82,915</u>
	<u>\$ 38,638</u>	<u>\$ -</u>	<u>\$ 117,379</u>	<u>\$ 156,017</u>

There were no transfers between Level 1 and Level 2 during the period of six months ended June 30, 2024 and 2023.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the six months ended June 30, 2024

	Financial Assets at FVTOCI
Balance at January 1, 2024	\$ 118,571
Recognized in other comprehensive income	25,416
Translation differences on foreign operations	<u>4,382</u>
Balance at June 30, 2024	<u>\$ 148,369</u>

For the six months ended June 30, 2023

	Financial Assets at FVTOCI
Balance at January 1, 2023	\$ 98,796
Recognized in other comprehensive income	17,427
Translation differences on foreign operations	<u>1,156</u>
Balance at June 30, 2023	<u>\$ 117,379</u>

3) 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.

c. Categories of financial instruments

	June 30, 2024	December 31, 2023	June 30, 2023
<u>Financial assets</u>			
Mandatorily classified as at FVTPL	\$ 982	\$ 1,010	\$ 1,144
Financial assets at amortized cost FVTPL (Note 1)	1,498,773	1,356,117	1,307,940
Financial assets at FVTOCI Equity instruments	197,973	155,736	156,017
<u>Financial liabilities</u>			
Amortized cost (Note 2)	469,258	400,474	468,343

Note 1: The balance includes financial assets measured at amortized cost, such as cash and cash equivalents, notes and accounts receivable, other receivables, financial assets at amortized cost - 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.

d. Financial risk management objectives and policies

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

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

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

1) Market risks

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

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

a) Foreign currency risk

The Group has foreign currency denominated sales and purchases, which expose the Group to foreign currency risk. More than 69% of the sales of the Group 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 the Group to exchange rate risk, currency options are used to manage risks to the extent permitted by policies.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the year are set out in Note 31.

Sensitivity analysis

The Group is mainly exposed to the Currency USD.

The following table describes in detail the sensitivity analysis by the Group 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 profit when NTD appreciates by 1% against USD. When NTD depreciates by 1% against USD, the effect on the pre-tax profit is a negative number of the same amount.

	For the Six Months Ended	
	June 30	
	2024	2023
Profit or loss (Note)	\$ 7,145	\$ 6,856

Note: The result was mainly attributable to the exposure on outstanding receivables and payables in Currency USD that were not hedged at the end of the year.

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 the Group at both fixed and floating interest rates.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the year were as follows:

	June 30, 2024	December 31, 2023	June 30, 2023
Fair value interest rate risk			
Financial assets	\$ 992,977	\$ 843,681	\$ 677,222
Financial liabilities	63,367	63,423	77,155
Cash flow interest rate risk			
Financial assets	360,390	404,302	552,875
Financial liabilities	302,612	313,559	324,473

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 interest rates had been 25 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the six months ended June 30, 2024 and 2023 would increased/decreased by \$186 thousand and \$353 thousand.

c) Other price risks

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

Sensitivity analysis

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

If equity prices had been 1% higher/lower, pre-tax profit for the six months ended June 30, 2024 and 2023 would have increased/decreased by \$10 thousand and \$11 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income for the six months ended June 30, 2024 and 2023 would have increased/decreased by \$1,980 thousand and \$1,560 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

2) Credit risk

Credit risk refers to 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 the Group is 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 minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the year to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group credit risk was significantly reduced.

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

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

As of June 30, 2024, December 31, 2023 and June 30, 2023, the balance of accounts receivable from the top 10 customers of KYE and subsidiaries accounted for 60%, 66% and 55% of their accounts receivable, respectively. The credit concentration risk of other accounts receivable is not material.

3) Liquidity risk

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

June 30, 2024

	Less than 1 Year	1 to 2 Years	2 to 5 Years	More than 5 Years
<u>Non-derivative financial liabilities</u>				
Non-interest-bearing liabilities	\$ 166,646	\$ -	\$ -	\$ -
Lease liabilities	12,177	12,177	36,692	6,110
Instruments with a floating interest rate	<u>86,982</u>	<u>16,007</u>	<u>48,021</u>	<u>203,261</u>
	<u>\$ 265,805</u>	<u>\$ 28,184</u>	<u>\$ 84,713</u>	<u>\$ 209,371</u>

December 31, 2023

	Less than 1 Year	1 to 2 Years	2 to 5 Years	More than 5 Years
<u>Non-derivative financial liabilities</u>				
Non-interest-bearing liabilities	\$ 86,915	\$ -	\$ -	\$ -
Lease liabilities	28,711	28,711	7,306	-
Instruments with a floating interest rate	<u>92,805</u>	<u>15,878</u>	<u>47,635</u>	<u>209,597</u>
	<u>\$ 208,431</u>	<u>\$ 44,589</u>	<u>\$ 54,941</u>	<u>\$ 209,597</u>

June 30, 2023

	Less than 1 Year	1 to 2 Years	2 to 5 Years	More than 5 Years
<u>Non-derivative financial liabilities</u>				
Non-interest-bearing liabilities	\$ 143,870	\$ -	\$ -	\$ -
Lease liabilities	28,711	28,711	21,662	-
Instruments with a floating interest rate	<u>27,628</u>	<u>27,400</u>	<u>109,937</u>	<u>218,082</u>
	<u>\$ 200,209</u>	<u>\$ 56,111</u>	<u>\$ 131,599</u>	<u>\$ 218,082</u>

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

June 30, 2024

	Less than 1 Year	1 to 5 Years	5 to 10 Years	10 to 15 Years	15 to 20 Years	More than 20 Years
Instruments with a floating interest rate	<u>\$ 86,982</u>	<u>\$ 64,028</u>	<u>\$ 80,038</u>	<u>\$ 80,041</u>	<u>\$ 43,182</u>	<u>\$ -</u>

December 31, 2023

	Less than 1 Year	1 to 5 Years	5 to 10 Years	10 to 15 Years	15 to 20 Years	More than 20 Years
Instruments with a floating interest rate	\$ <u>92,805</u>	\$ <u>63,513</u>	\$ <u>79,395</u>	\$ <u>79,398</u>	\$ <u>50,804</u>	\$ <u>-</u>

June 30, 2023

	Less than 1 Year	1 to 5 Years	5 to 10 Years	10 to 15 Years	15 to 20 Years	More than 20 Years
Instruments with a floating interest rate	\$ <u>27,628</u>	\$ <u>137,337</u>	\$ <u>79,580</u>	\$ <u>79,584</u>	\$ <u>58,918</u>	\$ <u>-</u>

28. TRANSACTIONS WITH RELATED PARTIES

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

a. Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
Timing Pharmaceutical Co., Ltd.	Associate
Dongguan Xieying Computers Co., Ltd.	Related party in substance
Digilife (Thailand) Co., Ltd	Related party in substance
Chen-Ping Yang	Related party in substance
Hsiu-Chin Hsu	Related party in substance

b. Operating transactions

Related Party Category/Name	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
<u>Sales</u>				
Related party in substance	\$ <u>-</u>	\$ <u>-</u>	\$ <u>2,382</u>	\$ <u>-</u>

The payment terms for export sales of the Group are usually wire transfer, spot or forward letter of credit and delivery of payment (D/P); The Digilife (Thailand) 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.

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

Related Party Category/Name	June 30, 2024	December 31, 2023	June 30, 2023
Related party in substance	\$ <u>-</u>	\$ <u>1,162</u>	\$ <u>-</u>

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

Related Party Category/Name	June 30, 2024	December 31, 2023	June 30, 2023
Timing Pharmaceutical Co., Ltd.	\$ 7,778	\$ -	\$ -
Related party in substance	<u>-</u>	<u>54</u>	<u>-</u>
	<u>\$ 7,778</u>	<u>\$ 54</u>	<u>\$ -</u>

c. Lease arrangements

Related Party Category/Name	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
<u>Rent revenue</u>				
Related party in substance	\$ <u>-</u>	\$ <u>156</u>	\$ <u>155</u>	\$ <u>156</u>
<u>Rent expense</u>				
Related party in substance	\$ <u>744</u>	\$ <u>384</u>	\$ <u>1,368</u>	\$ <u>608</u>

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

d. Remuneration of key management personnel

Related Party Category/Name	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
Short-term employee benefits	\$ 9,241	\$ 8,565	\$ 18,364	\$ 16,412
Post-employment benefits	<u>145</u>	<u>135</u>	<u>290</u>	<u>257</u>
	<u>\$ 9,386</u>	<u>\$ 8,700</u>	<u>\$ 18,654</u>	<u>\$ 16,669</u>

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

29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	June 30, 2024	December 31, 2023	June 30, 2023
Property, net	\$ 514,425	\$ 515,566	\$ 516,707
Investment property, net	169,736	344,551	345,104
Non-current assets held for sale	<u>174,796</u>	<u>-</u>	<u>-</u>
	<u>\$ 858,957</u>	<u>\$ 860,117</u>	<u>\$ 861,811</u>

30. SIGNIFICANT EVENTS AFTER REPORTING PERIODS

The Company's subsidiary Digilife Technologies Co., Ltd. passed the resolution of the board of directors on January 18, 2024 to sell the properties to non-related parties, and completed the disposal process in July 2024 with the gain of \$21,650 thousand.

31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies of the entities in the Group and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

June 30, 2024

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 22,147	32.450	\$ 718,654
RMB	17,146	4.445	76,214
AUD	3,470	21.520	74,676
THB	22,751	0.887	20,173
HKD	1,678	4.155	6,972
JPY	18,809	0.202	3,794
EUR	62	34.710	2,158
Investments accounted for using the equity method			
USD	1,923	32.450	62,387
RMB	1,131	4.445	5,029
Financial assets measured at fair value through other comprehensive income			
RMB	19,922	4.445	90,710
THB	3,800	0.923	3,507
<u>Financial liabilities</u>			
Monetary items			
RMB	11,592	4.445	51,528
USD	129	32.450	4,199

December 31, 2023

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 22,433	30.705	\$ 688,794
RMB	27,143	4.327	117,449
AUD	3,443	20.980	72,244
HKD	1,304	3.929	5,121
JPY	19,210	0.217	4,172
EUR	69	33.980	2,345
Investments accounted for using the equity method			
USD	1,803	30.705	55,374
RMB	1,242	4.327	5,374
Financial assets measured at fair value through other comprehensive income			
RMB	16,862	4.327	73,102
THB	3,800	0.923	3,507
<u>Financial liabilities</u>			
Monetary items			
RMB	6,811	4.327	29,471
USD	126	30.705	3,864

June 30, 2023

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 22,117	31.140	\$ 688,717
RMB	33,719	4.282	144,385
AUD	5,426	20.620	111,881
HKD	1,273	3.974	5,057
JPY	19,551	0.215	4,204
EUR	47	33.810	1,583
Investments accounted for using the equity method			
USD	2,270	31.140	70,682
RMB	1,335	4.282	5,718
Financial assets measured at fair value through other comprehensive income			
RMB	18,426	4.282	79,408
THB	3,800	0.923	3,507
<u>Financial liabilities</u>			
Monetary items			
RMB	13,396	4.282	57,364
USD	101	31.140	3,142

The realized and unrealized foreign exchange gain of Group for the three months ended and six months ended June 30, 2024 and 2023 were \$1,941 thousand, \$1,786 thousand, \$9,672 thousand and \$1,171 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. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions:

- 1) Funds loaned to others: None.
- 2) Endorsements/guarantees to others: None.
- 3) Marketable securities held (excluding investment in subsidiaries, associates and joint controlled entities): Table 1.
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None.
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None.
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 2.
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 3.
- 9) Trading in derivative instruments: None.
- 10) Others: Intercompany relationships and significant intercompany transactions: Table 4.

b. Information on investees: Table 5.

c. Information on investments in mainland China:

- 1) Information on any investee company in mainland China, showing the name, principal business activities, Item, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 6.
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: Table 6.
 - 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.
- d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder. (Table 7)

33. SEGMENT INFORMATION

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

a. Segment revenue and results

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

	For the Six Months Ended June 30, 2024		
	Electronic Products	Others	Total
Domestic and Foreign Operating Segments			
Revenue from customers other than parent company and consolidated subsidiaries	<u>\$ 487,179</u>	<u>\$ -</u>	<u>\$ 487,179</u>
Segment profit (loss)	\$ 44,072	\$ (6,301)	\$ 37,771
Other profits and losses	23,530	6,110	29,640
Share of profits/losses of associates accounted for using the equity method	8,848	(3)	8,845
Interest income	(4,368)	(4)	(4,372)
Interest expense	<u>20,459</u>	<u>521</u>	<u>20,980</u>
Profit before tax	<u>\$ 92,541</u>	<u>\$ 323</u>	<u>\$ 92,864</u>

Domestic and Foreign Operating Segments	For the Six Months Ended June 30, 2023		
	Electronic Products	Others	Total
Revenue from customers other than parent company and consolidated subsidiaries	\$ 349,813	\$ 3	\$ 349,816
Segment profit (loss)	\$ 3,446	\$ (6,027)	\$ (2,581)
Other profits and losses	15,753	15,565	31,318
Share of profits/losses of associates accounted for using the equity method	11,044	-	11,044
Interest expense	(3,884)	(4)	(3,888)
Interest income	14,582	377	14,959
Profit before tax	\$ 40,941	\$ 9,911	\$ 50,852

Segment profit represents the profit before tax earned by each segment without allocation of central administration costs and directors' salaries, share of profit of associates, gains recognized on disposal of interests in former associates, lease income, interest income, gains or losses on disposal of property, plant and equipment, gains or losses on disposal of financial instruments, exchange gains or losses, valuation gains or losses on financial instruments, finance costs and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Total segment assets and liabilities

	June 30, 2024	December 31, 2023	June 30, 2023
<u>Segment assets</u>			
Electronics segment	\$ 3,263,021	\$ 3,107,228	\$ 3,155,451
Others	464,815	448,405	446,947
Consolidated total assets	\$ 3,727,836	\$ 3,555,633	\$ 3,602,398
<u>Segment liabilities</u>			
Electronics segment	\$ 626,090	\$ 537,593	\$ 604,198
Others	5,484	2,078	3,902
Consolidated total liabilities	\$ 631,574	\$ 539,671	\$ 608,100

KYE SYSTEMS CORP. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

JUNE 30, 2024

(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	June 30, 2024			
				Number of Shares/Units (Thousand Shares/Units)	Carrying Amount	Percentage of Ownership	Fair Value (Note 1)
KYE Systems Corp.	<u>Shares</u> Monterey International Corp.	None	Financial assets measured at fair value through other comprehensive income - non-current	1,973	\$ 35,734	7.71	\$ 35,734
	Ta Shee Resort Co., Ltd. (preferred shares)	None	Financial assets measured at fair value through other comprehensive income - non-current	-	9,100	-	9,100
	Unity Opto	None	Financial assets measured at fair value through other comprehensive income - current	1,913	-	-	-
	Aiptek (private placement)	None	Financial assets measured at fair value through other comprehensive income - non-current	472	(Note 3) 7,696	1.70	(Note 3) 7,696
	Unity Opto (private placement)	None	Financial assets measured at fair value through other comprehensive income - non-current	15,789	-	3.42	-
Globalink Holding Co., Ltd	<u>Shares</u> Shenzhen CMK Technology Co., Ltd.	None	Financial assets measured at fair value through other comprehensive income - non-current	-	US\$ 2,795	8.25	US\$ 2,795
Hung-Cheng Investment Co., Ltd.	<u>Shares</u> Flytech Technology Co., Ltd.	None	Financial assets measured at fair value through other comprehensive income - current	486	46,119	-	46,119
	Bambu Technologies, Inc.	None	Financial assets measured at fair value through other comprehensive income - non-current	34	722	2.91	722
Digilife Technologies Co., Ltd.	<u>Shares</u> MOTOMOTO Ltd.	None	Financial assets measured at fair value through other comprehensive income - non-current	38	3,507	19.00	3,507
	LIAN, JU Biotechnology Co., Ltd	A director of Digilife Technologies Co., Ltd. is the director of the company.	Financial assets measured at fair value through other comprehensive income - non-current	90	900	18.00	900
	Unity Opto	None	Financial assets measured at fair value through other comprehensive income - current	597	-	-	-
	Shin Kong Financial Holding Co., Ltd.	None	Financial assets measured at fair value through other comprehensive income - current	186	(Note 3) 1,825	-	(Note 3) 1,825
	China Petrochemical Development Corporation	None	Financial assets measured at fair value through other comprehensive income - current	160	1,660	-	1,660

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	June 30, 2024			
				Number of Shares/Units (Thousand Shares/Units)	Carrying Amount	Percentage of Ownership	Fair Value (Note 1)
Chung-Chiang Investment Co., Ltd.	Shares Sysgration Ltd.	None	Financial assets measured at fair value through profit or loss - current	20	\$ 714	-	\$ 714
	Powerchip Semiconductor Manufacturing Corporation	None	Financial assets measured at fair value through profit or loss - current	10	268	-	268

Note 1: The market price is determined as follows: The price of listed/OTC stocks is calculated based on the closing price of the Taiwan Stock Exchange and the Taipei Exchange at the end of June 2024. The price of listed/OTC, privately offered stocks whose trading is restricted is estimated using a valuation method. The price of domestic/foreign non-listed/non-OTC stocks is calculated using a valuation method.

Note 2: The securities held at 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.

(Concluded)

KYE SYSTEMS CORP. AND SUBSIDIARIES

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE SIX MONTHS ENDED JUNE 30, 2024
(In Thousands of New Taiwan Dollars)**

Purchaser (Buyer)	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchases/Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
KYE Systems Corp.	KYE Trade (HK) Co., Ltd.	KYE's sub-subsiidiary	Purchases (Note 1)	\$ 175,872 (Note 2)	100	Offset against the receivables from time to time	-	-	\$ -	-	
KYE Trade (HK) Co., Ltd.	Dongguan Kunying Computer Products Co., Ltd.	The parent company is the same	Purchases	175,994 (Note 2)	100	Offset against the receivables from time to time	-	-	-	-	

Note 1: The Company's purchase transaction with KYE Trade is purchasing of raw materials by Dongguan Kunying and processed into finished products to sell back to the Company. The accounts payable arising from the Company's purchase transactions shall be offset against the receivables and receivables arising from the group's internal pricing, mutual advance payment of operating expenses and other items from time to time.

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

KYE SYSTEMS CORP. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

JUNE 30, 2024

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
KYE Systems Corp.	KYE Trade (HK) Co., Ltd.	KYE's sub-subsidiary	\$ 440,765 (Note 2)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	\$ -
KYE Trade (HK) Co., Ltd.	Donguan Kunying Computer Products Co., Ltd.	The parent company is the same	440,765 (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 SIX MONTHS ENDED JUNE 30, 2024
(In Thousands of New Taiwan Dollars)**

No.	Investee Company	Counterparty	Relationship (Note 1)	Transaction Details			
				Financial Statement Accounts	Amount	Payment Terms	% of Total Sales or Assets
0	KYE	KYE Trade KYE Trade	1	Purchase	\$ 175,872	Note 2	36
			1	Other receivables	440,765	Note 2	12
1	Dongguan Kunying	KYE Trade KYE Trade	3	Operating revenue	175,994	Note 2	36
			3	Other current liabilities	440,765	Note 2	12

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

a: Parent company to subsidiary company; b: Subsidiary company to parent company; c: 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

INFORMATION ON INVESTEEES
FOR THE SIX MONTHS ENDED JUNE 30, 2024
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of June 30, 2024			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				June 30, 2024	December 31, 2023	Number of Shares	%	Carrying Amount			
KYE Systems Corp.	Genius Holding Co., Ltd.	British Cayman Islands	Investment holdings	US\$ 28,467	US\$ 28,467	21,467	100.00	\$ 445,417 (Note 1)	US\$ 1,301	\$ 41,500	Subsidiary
	Chung-Chiang Investment Co., Ltd.	New Taipei City	Investment business	227,482	227,482	20,700	100.00	206,911 (Note 1)	648	648	Subsidiary
	Hung-Cheng Investment Co., Ltd.	Taipei City	Investment business	85,000	85,000	9,587	100.00	61,508 (Note 1)	73	73	Subsidiary
	KYE International Corporation	United States	Sales of computer peripherals, consumer electronics and video imaging products	US\$ 2,610	US\$ 2,610	235	100.00	1,605 (Note 1)	US\$ (22)	(712)	Subsidiary
	KYE Systems (Hong Kong) Corporation Limited	Hong Kong	Sales of computer peripherals, consumer electronics and video imaging products	HK\$ 500	HK\$ 500	500	100.00	10,027 (Note 1)	-	-	Subsidiary
	Digilife Technologies Co., Ltd.	Taipei City	Design, processing and sales of digital audio-visual products	652,962	652,962	51,563	94.61	553,659 (Note 1)	1,796	1,699	Subsidiary
	Star Reach Limited	Samoan Islands	Investment holdings	US\$ 417	US\$ 417	-	25.00	5,029	RMB (442)	(488)	Investments accounted for using the equity method
	Timing Pharmaceutical Co., Ltd.	New Taipei City	Manufacturing of Chinese medicine	288,184	288,184	19,446	22.64	235,262	40,172	8,772	Investments accounted for using the equity method
Coretek Opto Corporation	Hsinchu City	R&D, design, manufacturing and sales of optical fiber transceiver module	111,880	111,880	10,605	30.40	92,564	(17,794)	(5,888)	Investments accounted for using the equity method	
KYE Systems (Hong Kong) Corporation Limited	Genius Labuan Inc.	Malaysia	Sales of computer peripherals, consumer electronics and video imaging products	US\$ 10	US\$ 10	10	100.00	-	US\$ -	N/A	Sub-subsiary
Genius Holding Co., Ltd.	Globalink Holding Co., Ltd.	British Virgin Islands	Investment holdings	US\$ 8,289	US\$ 8,289	5,250	100.00	US\$ 3,218 (Note 1)	US\$ 9	N/A	Sub-subsiary
	KYE Trade (HK) Co., Ltd.	Hong Kong	Sales of computer peripherals, consumer electronics and video imaging products	HK\$ 2,723	HK\$ 2,723	2,723	100.00	US\$ 60 (Note 1)	(185)	N/A	Sub-subsiary
	KYE Inc.	British Virgin Islands	Investment holdings	US\$ 16,065	US\$ 16,065	3	100.00	US\$ (8,839) (Note 1)	US\$ 623	N/A	Sub-subsiary
	Maxfar Limited	Samoan Islands	Investment business	US\$ 1,797	US\$ 1,797	1,797	44.37	US\$ 1,923	15,793	N/A	Investments accounted for using the equity method
Digilife Technologies Co., Ltd.	Life Technologies Co., Ltd.	Samoan Islands	Investment holdings	US\$ 300	US\$ 300	455	100.00	1,704 (Note 1)	US\$ (41)	N/A	Sub-subsiary
	Digilife Pty Ltd.	Australia	Tourism and real estate development	AUD 9,500	AUD 9,500	9,500	100.00	190,911 (Note 1)	AUD (27)	N/A	Sub-subsiary
	Mufu Technologies Co., Ltd.	Thailand	Sale of digital video/audio products	THB 24,000	THB -	960	96.00	21,050 (Note 1)	THB (271)	N/A	Sub-subsiary (Note 2)
	Coretek Opto Corporation	Hsinchu City	R&D, design, manufacturing and sales of optical fiber transceiver module	10,550	10,550	1,000	2.87	8,728	(17,794)	N/A	Investments accounted for using the equity method
Hung-Cheng Investment Co., Ltd.	Coretek Opto Corporation	Hsinchu City	R&D, design, manufacturing and sales of optical fiber transceiver module	58	58	5	0.01	48	(17,794)	N/A	Investments accounted for using the equity method
Life Technologies Co., Ltd.	Life Technologies (Hong Kong) Co., Limited	Hong Kong	Investment holdings	US\$ 455	US\$ 455	455	100.00	US\$ 53 (Note 1)	HK\$ (319)	N/A	Sub-subsiary

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

Note 2: Digilife Technologies Co., Ltd. established its subsidiary, MUFU TECHNOLOGIES CO., LTD. in April 2024 and invested THB24,000 thousand.

KYE SYSTEMS CORP. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE SIX MONTHS ENDED JUNE 30, 2024
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

KYE Systems Corp.

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2024	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of June 30, 2024	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 3)	Carrying Amount as of June 30, 2024	Accumulated Repatriation of Investment Income as of June 30, 2024
					Outward	Inward						
Dongguan Kunying Computer Products Co., Ltd.	R & D, manufacturing and sales of computer peripherals, consumer electronics and video/image products	US\$ 15,965	Indirect investment in KYE Inc. through Genius Holding Co., Ltd. with a 100% shareholding	US\$ 15,965	\$ -	\$ -	US\$ 15,965	\$ 19,867	100	\$ 19,867 (Note 4)	US\$ (8,913) (Note 4)	\$ -
Dongguan Chiaying Electronics Co., Ltd.	Manufacturing and sales of computer accessories, appliances and molds	RMB 3,772	Indirect investment in Chia Ying Plastics (HK) Co., Limited through Star Reach Limited, with the former investing 25% of operating funds	US\$ 417	-	-	US\$ 417	RMB (442)	25	(488)	5,029	-

Accumulated Outward Remittance for Investments in Mainland China as of June 30, 2024	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
US\$35,431 (Note 2)	US\$27,199 (Note 2)	\$1,838,323 (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 Kunying Computer Products Co., Ltd. recognizes the profit or loss on investments based on the CPA-reviewed financial statements for the same period; Dongguan Chiaying Electronics Co., Ltd. recognizes the profit or loss on investments is recognized based on the financial statements that have not been reviewed for the same period.

Note 4: All the transactions were fully eliminated upon preparation of the consolidated financial statements.

(Continued)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2024	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of June 30, 2024	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of June 30, 2024	Accumulated Repatriation of Investment Income as of June 30, 2024
					Outward	Inward						
Ziser Technologies (Shen Zhen) Co., Ltd.	Sales of digital video/ audio products	US\$ 200	Investment through Life Technologies (Hong Kong) Co., Limited with a 100% shareholding	US\$ 200	\$ -	\$ -	US\$ 200	RMB (290)	100	HK\$ (314) (Note 3)	HK\$ 59 (Note 3)	\$ -

Accumulated Outward Remittance for Investments in Mainland China as of June 30, 2024	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
US\$334	US\$500	\$351,104 (Note 1)

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

Note 2: The profit or loss on investments is recognized based on the financial statement for the same period.

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

(Concluded)

TABLE 7**KYE SYSTEMS CORP.****INFORMATION OF MAJOR SHAREHOLDERS
FOR THE SIX MONTHS ENDED JUNE 30, 2024**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
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.