

# **KYE Systems Corp. and Subsidiaries**

**Consolidated Financial Statements for the  
Nine Months Ended September 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 September 30, 2024 and 2023, and the related consolidated statements of comprehensive income for the three months ended September 30, 2024 and 2023 and for the nine months ended September 30, 2024 and 2023, the consolidated statements of changes in equity and cash flows for the nine 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 11 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 September 30, 2024 and 2023, combined total assets of these non-significant subsidiaries were NT\$615,388 thousand and NT\$555,267 thousand, respectively, representing 17% and 15%, respectively, of the consolidated total assets, and combined total liabilities of these subsidiaries were NT\$3,952 thousand and NT\$2,285 thousand, respectively, representing 0.8% and 0.4%, respectively, of the consolidated total liabilities; for the three months ended and nine months ended September 30, 2024 and 2023, the amounts of combined comprehensive income of these subsidiaries were gain of NT\$1,567 thousand, gain of NT\$615 thousand, gain of NT\$8,920 thousand and gain of NT\$12,828 thousand, respectively, representing 6%, 1%, 5% and 12%, respectively, of the consolidated total comprehensive income. As disclosed in Note 12 to the consolidated financial statements, the balance of investments accounted for using the equity method amounted to NT\$387,519 thousand and NT\$391,718 thousand as of September 30, 2024 and 2023, respectively, and the investment profits and losses recognized for the three

months ended and nine months ended September 30, 2024 and 2023 amounted to gain of NT\$820 thousand, loss of NT\$5,717 thousand, gain of NT\$9,665 thousand and gain of NT\$5,327 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 September 30, 2024 and 2023, its consolidated financial performance for the three months ended September 30, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the nine months ended September 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

November 8, 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	September 30, 2024		December 31, 2023		September 30, 2023	
	Amount	%	Amount	%	Amount	%
<b>CURRENT ASSETS</b>						
Cash and cash equivalents (Note 6)	\$ 1,161,398	32	\$ 883,381	25	\$ 929,668	26
Financial assets at fair value through profit or loss - current (Note 7)	945	-	1,010	-	962	-
Financial assets at fair value through other comprehensive income - current (Note 8)	45,282	1	37,165	1	35,137	1
Financial assets at amortized cost - current (Note 6)	333,782	9	376,548	11	356,964	10
Notes and accounts receivables (Notes 9, 21 and 27)	113,272	3	83,002	2	74,409	2
Other receivables (Note 27)	9,496	-	7,811	-	8,313	-
Current tax assets (Note 4)	126	-	-	-	68	-
Inventories (Note 10)	132,803	4	158,633	4	181,111	5
Other current assets	58,655	2	56,081	2	51,877	1
Total current assets	<u>1,855,759</u>	<u>51</u>	<u>1,603,631</u>	<u>45</u>	<u>1,638,509</u>	<u>45</u>
<b>NON-CURRENT ASSETS</b>						
Financial assets at fair value through other comprehensive income - non-current (Note 8)	133,588	4	118,571	3	120,620	3
Investments accounted for using the equity method (Note 12)	387,519	11	399,620	11	391,718	11
Property, plant and equipment (Notes 13 and 28)	611,457	17	618,043	17	630,973	17
Right-of-use assets (Note 14)	58,018	1	63,008	2	69,995	2
Investment properties (Notes 15 and 28)	469,050	13	640,162	18	638,684	18
Deferred tax assets (Note 4)	82,058	2	90,833	3	92,118	3
Other non-current assets	23,880	1	21,765	1	23,300	1
Total non-current assets	<u>1,765,570</u>	<u>49</u>	<u>1,952,002</u>	<u>55</u>	<u>1,967,408</u>	<u>55</u>
<b>TOTAL</b>	<u>\$ 3,621,329</u>	<u>100</u>	<u>\$ 3,555,633</u>	<u>100</u>	<u>\$ 3,605,917</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Contract liabilities - current (Note 21)	\$ 37,390	1	\$ 20,088	1	\$ 22,906	1
Notes and accounts payables (Note 17)	43,495	1	19,721	-	34,660	1
Other payables (Note 18)	59,669	2	65,014	2	59,701	2
Current tax liabilities (Note 4)	24,504	1	10,551	-	6,840	-
Lease liabilities - current (Note 14)	11,522	-	27,825	1	27,703	1
Current portion of long-term borrowings (Notes 16 and 28)	10,731	-	86,584	2	89,041	2
Other current liabilities	18,250	1	27,017	1	25,892	1
Total current liabilities	<u>205,561</u>	<u>6</u>	<u>256,800</u>	<u>7</u>	<u>266,743</u>	<u>8</u>
<b>NON-CURRENT LIABILITIES</b>						
Long-term borrowings (Notes 16 and 28)	218,073	6	226,975	6	229,988	6
Deferred tax liabilities (Note 4)	19,485	1	15,291	1	21,444	1
Lease liabilities - non-current (Note 14)	50,604	1	35,598	1	42,600	1
Net defined benefit liabilities - non-current (Notes 4 and 19)	1,708	-	2,069	-	2,954	-
Other non-current liabilities	2,228	-	2,938	-	2,899	-
Total non-current liabilities	<u>292,098</u>	<u>8</u>	<u>282,871</u>	<u>8</u>	<u>299,885</u>	<u>8</u>
Total liabilities	<u>497,659</u>	<u>14</u>	<u>539,671</u>	<u>15</u>	<u>566,628</u>	<u>16</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 20)</b>						
Share capital						
Ordinary shares	<u>2,215,285</u>	<u>61</u>	<u>2,215,285</u>	<u>62</u>	<u>2,215,285</u>	<u>61</u>
Capital reserves	<u>227,445</u>	<u>6</u>	<u>227,216</u>	<u>6</u>	<u>227,074</u>	<u>6</u>
Retained earnings						
Legal reserves	458,944	13	451,653	13	451,653	13
Special reserves	623,883	17	639,147	18	639,147	18
Unappropriated earnings (Notes 8 and 12)	138,768	4	75,387	2	79,842	2
Total retained earnings	<u>1,221,595</u>	<u>34</u>	<u>1,166,187</u>	<u>33</u>	<u>1,170,642</u>	<u>33</u>
Other equity (Note 4)	<u>(574,692)</u>	<u>(16)</u>	<u>(623,882)</u>	<u>(17)</u>	<u>(604,739)</u>	<u>(17)</u>
Total equity attributable to owners of Company	3,089,633	85	2,984,806	84	3,008,262	83
<b>NON-CONTROLLING INTERESTS</b>	<u>34,037</u>	<u>1</u>	<u>31,156</u>	<u>1</u>	<u>31,027</u>	<u>1</u>
Total equity	<u>3,123,670</u>	<u>86</u>	<u>3,015,962</u>	<u>85</u>	<u>3,039,289</u>	<u>84</u>
<b>TOTAL</b>	<u>\$ 3,621,329</u>	<u>100</u>	<u>\$ 3,555,633</u>	<u>100</u>	<u>\$ 3,605,917</u>	<u>100</u>

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

(With Deloitte & Touche review report dated November 8, 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 September 30				For the Nine Months Ended September 30			
	2024		2023		2024		2023	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUES (Notes 21 and 27)								
Sales	\$ 262,741	99	\$ 219,946	99	\$ 749,920	100	\$ 569,759	100
Other operating revenue	<u>1,960</u>	<u>1</u>	<u>2,676</u>	<u>1</u>	<u>1,960</u>	<u>-</u>	<u>2,679</u>	<u>-</u>
Total operating revenue	<u>264,701</u>	<u>100</u>	<u>222,622</u>	<u>100</u>	<u>751,880</u>	<u>100</u>	<u>572,438</u>	<u>100</u>
OPERATING COST								
Cost of goods sold (Notes 10 and 22)	<u>154,480</u>	<u>58</u>	<u>130,418</u>	<u>59</u>	<u>446,522</u>	<u>59</u>	<u>349,103</u>	<u>61</u>
GROSS PROFIT	<u>110,221</u>	<u>42</u>	<u>92,204</u>	<u>41</u>	<u>305,358</u>	<u>41</u>	<u>223,335</u>	<u>39</u>
OPERATING EXPENSES (Notes 9, 19, 22 and 27)								
Selling and marketing expenses	28,678	11	20,374	9	75,791	10	55,998	10
General and administrative expenses	53,675	20	50,029	22	155,086	21	145,131	25
Research and development expenses	1,822	1	1,811	1	5,497	1	4,894	1
Expected credit loss (gain)	<u>(654)</u>	<u>-</u>	<u>102</u>	<u>-</u>	<u>4,513</u>	<u>-</u>	<u>5</u>	<u>-</u>
Total operating expenses	<u>83,521</u>	<u>32</u>	<u>72,316</u>	<u>32</u>	<u>240,887</u>	<u>32</u>	<u>206,028</u>	<u>36</u>
PROFIT (LOSS) FROM OPERATIONS	<u>26,700</u>	<u>10</u>	<u>19,888</u>	<u>9</u>	<u>64,471</u>	<u>9</u>	<u>17,307</u>	<u>3</u>
NON-OPERATING INCOME AND EXPENSES								
Other gains and losses (Notes 22, 27 and 29)	26,974	10	17,676	8	56,614	8	48,994	9
Share of profit of associates (Note 12)	820	-	(5,717)	(2)	9,665	1	5,327	1
Interest income	9,562	4	9,503	4	30,542	4	24,462	4
Interest expenses	<u>(1,669)</u>	<u>-</u>	<u>(2,157)</u>	<u>(1)</u>	<u>(6,041)</u>	<u>(1)</u>	<u>(6,045)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>35,687</u>	<u>14</u>	<u>19,305</u>	<u>9</u>	<u>90,780</u>	<u>12</u>	<u>72,738</u>	<u>13</u>
INCOME BEFORE INCOME TAX	62,387	24	39,193	18	155,251	21	90,045	16
INCOME TAX EXPENSE (Notes 4 and 23)	<u>14,477</u>	<u>6</u>	<u>8,215</u>	<u>4</u>	<u>33,110</u>	<u>5</u>	<u>13,323</u>	<u>3</u>
NET INCOME FOR THE PERIOD	<u>47,910</u>	<u>18</u>	<u>30,978</u>	<u>14</u>	<u>122,141</u>	<u>16</u>	<u>76,722</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 September 30				For the Nine Months Ended September 30			
	2024		2023		2024		2023	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME								
Items that will not be reclassified subsequently to profit or loss								
Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	\$ (17,043)	(7)	\$ (3,003)	(1)	\$ 20,812	3	\$ 17,803	3
Share of other comprehensive income (loss) of associates accounted for using the equity method (Note 12)	(289)	-	(906)	(1)	(2,289)	-	(3,091)	(1)
Income tax related to items that will not be reclassified subsequently to profit or loss (Note 23)	<u>1,889</u>	<u>1</u>	<u>149</u>	<u>-</u>	<u>(436)</u>	<u>-</u>	<u>(1,780)</u>	<u>-</u>
	<u>(15,443)</u>	<u>(6)</u>	<u>(3,760)</u>	<u>(2)</u>	<u>18,087</u>	<u>3</u>	<u>12,932</u>	<u>2</u>
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translation of foreign operations	(9,900)	(3)	23,108	10	31,949	4	26,781	5
Share of other comprehensive income (loss) of associates accounted for using the equity method (Note 12)	575	-	(641)	-	4,077	1	713	-
Income tax related to items that may be reclassified subsequently to profit or loss (Note 23)	<u>3,303</u>	<u>1</u>	<u>(4,765)</u>	<u>(2)</u>	<u>(4,178)</u>	<u>(1)</u>	<u>(6,146)</u>	<u>(1)</u>
	<u>(6,022)</u>	<u>(2)</u>	<u>17,702</u>	<u>8</u>	<u>31,848</u>	<u>4</u>	<u>21,348</u>	<u>4</u>
Other comprehensive income for the period, net of income tax	<u>(21,465)</u>	<u>(8)</u>	<u>13,942</u>	<u>6</u>	<u>49,935</u>	<u>7</u>	<u>34,280</u>	<u>6</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 26,445</u>	<u>10</u>	<u>\$ 44,920</u>	<u>20</u>	<u>\$ 172,076</u>	<u>23</u>	<u>\$ 111,002</u>	<u>19</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO:								
Owners of the Company	\$ 47,718	18	\$ 30,870	14	\$ 121,862	16	\$ 77,278	13
Non-controlling interests	<u>192</u>	<u>-</u>	<u>108</u>	<u>-</u>	<u>279</u>	<u>-</u>	<u>(556)</u>	<u>-</u>
	<u>\$ 47,910</u>	<u>18</u>	<u>\$ 30,978</u>	<u>14</u>	<u>\$ 122,141</u>	<u>16</u>	<u>\$ 76,722</u>	<u>13</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:								
Owner of the Company	\$ 25,761	10	\$ 44,842	20	\$ 171,057	23	\$ 111,772	19
Non-controlling interests	<u>684</u>	<u>-</u>	<u>78</u>	<u>-</u>	<u>1,019</u>	<u>-</u>	<u>(770)</u>	<u>-</u>
	<u>\$ 26,445</u>	<u>10</u>	<u>\$ 44,920</u>	<u>20</u>	<u>\$ 172,076</u>	<u>23</u>	<u>\$ 111,002</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 September 30				For the Nine Months Ended September 30			
	2024		2023		2024		2023	
	Amount	%	Amount	%	Amount	%	Amount	%
EARNINGS PER SHARE								
(Note 24)								
Basic	<u>\$ 0.22</u>		<u>\$ 0.14</u>		<u>\$ 0.55</u>		<u>\$ 0.35</u>	
Diluted	<u>\$ 0.22</u>		<u>\$ 0.14</u>		<u>\$ 0.55</u>		<u>\$ 0.35</u>	

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

(With Deloitte & Touche review report dated November 8, 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	-	477	-	-	-	-	-	477	-	477
Cash dividends distributed from capital surplus	-	(44,306)	-	-	-	-	-	(44,306)	-	(44,306)
Net profit (loss) for the nine months ended September 30, 2023	-	-	-	-	77,278	-	-	77,278	(556)	76,722
Other comprehensive income for the nine months ended September 30, 2023	-	-	-	-	-	21,561	12,933	34,494	(214)	34,280
Total comprehensive income for the nine months ended September 30, 2023	-	-	-	-	77,278	21,561	12,933	111,772	(770)	111,002
Disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	86	-	(86)	-	-	-
BALANCE, SEPTEMBER 30, 2023	\$ 2,215,285	\$ 227,074	\$ 451,653	\$ 639,147	\$ 79,842	\$ 12,623	\$ (617,362)	\$ 3,008,262	\$ 31,027	\$ 3,039,289
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 nine months ended September 30, 2024	-	-	-	-	121,862	-	-	121,862	279	122,141
Other comprehensive income for the nine months ended September 30, 2024	-	-	-	-	-	31,140	18,055	49,195	740	49,935
Total comprehensive income for the nine months ended September 30, 2024	-	-	-	-	121,862	31,140	18,055	171,057	1,019	172,076
Non-controlling interests	-	-	-	-	-	-	-	-	1,862	1,862
Disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	5	-	(5)	-	-	-
BALANCE, SEPTEMBER 30, 2024	\$ 2,215,285	\$ 227,445	\$ 458,944	\$ 623,883	\$ 138,768	\$ 20,722	\$ (595,414)	\$ 3,089,633	\$ 34,037	\$ 3,123,670

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

(With Deloitte & Touche review report dated November 8, 2024)

# KYE SYSTEMS CORP. AND SUBSIDIARIES

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

	For the Nine Months Ended September 30	
	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 155,251	\$ 90,045
Adjustments for		
Interest income	(30,542)	(24,462)
Depreciation expense	23,777	37,014
Gain on disposal of investment properties	(22,265)	(8,820)
Reversal of write-down of inventory	(20,248)	(15,953)
Share of profit of associates	(9,665)	(5,327)
Interest expense	6,041	6,045
Dividend income	(5,919)	(3,043)
Expected credit loss recognized on accounts receivables	4,513	5
Amortization expense	4,270	5,700
Gain on disposal of property, plant and equipment, net	(3,576)	(91)
Unrealized (gain) loss on foreign currency exchange, net	(1,637)	820
Loss on fair value changes of financial assets at fair value through profit or loss	65	123
Gain on disposal of investments	-	(3,022)
Changes in operating assets and liabilities		
Notes and accounts receivable	(34,422)	(14,071)
Other receivables	(1,519)	(5,518)
Inventories	52,319	71,690
Other current assets	(2,422)	21,046
Contract liabilities	17,263	(7,791)
Notes and accounts payable	23,462	(13,503)
Other payables	(6,347)	(2,938)
Other current liabilities	(9,020)	10,193
Net defined benefit liabilities	(361)	(2,329)
Cash generated from operations	139,018	135,813
Interest received	26,681	20,417
Dividends received	5,919	3,043
Income tax (paid) refunded	(9,914)	13,050
Net cash generated from operating activities	<u>161,704</u>	<u>172,323</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of financial assets at amortized cost	385,434	-
Acquisition of financial assets at amortized cost	(330,457)	(350,181)
Proceeds from disposal of investment properties	197,061	61,585
Proceeds from capital reduction of investments accounted for using equity method	18,254	20,910
Dividends received from associates	7,778	3,889
Payments for property, plant and equipment	(7,225)	(3,852)
Proceeds from disposal of property, plant and equipment	6,087	416

(Continued)

# KYE SYSTEMS CORP. AND SUBSIDIARIES

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

	For the Nine Months Ended September 30	
	2024	2023
Increase in other non-current assets	\$ (2,487)	\$ (1,693)
(Increase) decrease in refundable deposits	(2,262)	2,640
Acquisition of investment properties	(93)	-
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>272,090</u>	<u>(263,985)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayments of long-term borrowings	(84,755)	(14,804)
Distribution of cash dividends	(66,459)	(44,306)
Repayment of the principal portion of lease liabilities	(6,826)	(19,274)
Interest paid	(6,146)	(6,038)
Change in non-controlling interests	1,862	-
Decrease in deposits received	<u>(710)</u>	<u>(840)</u>
Net cash used in financing activities	<u>(163,034)</u>	<u>(85,262)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>7,257</u>	<u>4,584</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	278,017	(172,340)
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>\$ 1,161,398</u>	<u>\$ 929,668</u>

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

(With Deloitte & Touche review report dated November 8, 2024)

(Concluded)

# KYE SYSTEMS CORP. AND SUBSIDIARIES

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

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### 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 November 8, 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

<b>New, Amended and Revised Standards and Interpretations</b>	<b>Effective Date Announced by International Accounting Standards Board (IASB)</b>
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 11 “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 December 31, 2023.

## 6. CASH AND CASH EQUIVALENTS

	September 30, 2024	December 31, 2023	September 30, 2023
Cash on hand and petty cash	\$ 2,941	\$ 2,401	\$ 2,524
Checking accounts and demand deposits	585,633	413,321	459,068
Cash equivalents			
Time deposits	269,630	267,500	252,877
Repurchase agreements collateralized by commercial papers	<u>303,194</u>	<u>200,159</u>	<u>215,199</u>
	<u>\$ 1,161,398</u>	<u>\$ 883,381</u>	<u>\$ 929,668</u>

At September 30, 2024, December 31, 2023 and September 30, 2023, the Group held time deposits with original maturities of more than three months of \$333,782 thousand, \$376,548 thousand and \$356,964 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:

	September 30, 2024	December 31, 2023	September 30, 2023
Time deposits	1.29%-5.18%	1.09%-5.63%	2.70%-5.40%
Financial assets at amortized cost - current	1.53%-5.31%	1.40%-5.65%	1.40%-5.62%

## 7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2024	December 31, 2023	September 30, 2023
<u>Financial assets - current</u>			
Financial assets mandatorily classified as at FVTPL			
Non-derivative financial assets			
Domestic listed ordinary shares	<u>\$ 945</u>	<u>\$ 1,010</u>	<u>\$ 962</u>



## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	September 30, 2024	December 31, 2023	September 30, 2023
<u>Current</u>			
Investments in equity instruments measured at fair value through other comprehensive income			
Domestic listed ordinary shares	\$ 45,282	\$ 37,165	\$ 35,137
<u>Non-current</u>			
Investments in equity instruments measured at fair value through other comprehensive income			
Foreign unlisted ordinary shares	\$ 82,876	\$ 76,609	\$ 85,797
Domestic unlisted ordinary shares	34,176	27,054	21,110
Domestic unlisted preference shares	9,100	9,100	9,100
Domestic listed ordinary shares	<u>7,436</u>	<u>5,808</u>	<u>4,613</u>
	<u>\$ 133,588</u>	<u>\$ 118,571</u>	<u>\$ 120,620</u>

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

	September 30, 2024	December 31, 2023	September 30, 2023
<u>Notes and accounts receivables</u>			
At amortized cost			
Gross carrying amount	\$ 118,386	\$ 83,603	\$ 74,702
Less: Allowance for impairment loss	<u>(5,114)</u>	<u>(601)</u>	<u>(293)</u>
	<u>\$ 113,272</u>	<u>\$ 83,002</u>	<u>\$ 74,409</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.

September 30, 2024

	<b>Account Age of No More Than 60 Days</b>	<b>Account Age of 61- 90 Days</b>	<b>Account Age of 91-120 Days</b>	<b>Account Age of More Than 120 Days</b>	<b>Total</b>
Expected credit loss rate	0%-1%	1%-5%	5%-10%	100%	
Gross carrying amount	\$ 92,160	\$ 17,339	\$ 5,010	\$ 3,877	\$ 118,386
Loss allowance (Lifetime ECLs)	<u>(215)</u>	<u>(521)</u>	<u>(501)</u>	<u>(3,877)</u>	<u>(5,114)</u>
Amortized cost	<u>\$ 91,945</u>	<u>\$ 16,818</u>	<u>\$ 4,509</u>	<u>\$ -</u>	<u>\$ 113,272</u>

December 31, 2023

	<b>Account Age of No More Than 60 Days</b>	<b>Account Age of 61- 90 Days</b>	<b>Account Age of 91-120 Days</b>	<b>Account Age of More Than 120 Days</b>	<b>Total</b>
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>

September 30, 2023

	<b>Account Age of No More Than 60 Days</b>	<b>Account Age of 61- 90 Days</b>	<b>Account Age of 91-120 Days</b>	<b>Account Age of More Than 120 Days</b>	<b>Total</b>
Expected credit loss rate	0%-1%	1%-5%	5%-10%	100%	
Gross carrying amount	\$ 69,109	\$ 5,593	\$ -	\$ -	\$ 74,702
Loss allowance (Lifetime ECLs)	<u>(125)</u>	<u>(168)</u>	<u>-</u>	<u>-</u>	<u>(293)</u>
Amortized cost	<u>\$ 68,984</u>	<u>\$ 5,425</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 74,409</u>

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

	<b>For the Nine Months Ended September 30</b>	
	<b>2024</b>	<b>2023</b>
Balance at January 1	\$ 601	\$ 288
Add: Net remeasurement of loss allowance	<u>4,513</u>	<u>5</u>
Balance at September 30	<u>\$ 5,114</u>	<u>\$ 293</u>

## 10. INVENTORIES

	<b>September 30, 2024</b>	<b>December 31, 2023</b>	<b>September 30, 2023</b>
Finished goods	\$ 66,896	\$ 82,703	\$ 104,448
Work in progress	23,636	20,487	19,420
Raw materials	<u>42,271</u>	<u>55,443</u>	<u>57,243</u>
	<u>\$ 132,803</u>	<u>\$ 158,633</u>	<u>\$ 181,111</u>

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

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Cost of inventories sold	\$ 157,690	\$ 134,454	\$ 466,770	\$ 365,056
Reversal of write-downs of inventory	<u>(3,210)</u>	<u>(4,036)</u>	<u>(20,248)</u>	<u>(15,953)</u>
	<u>\$ 154,480</u>	<u>\$ 130,418</u>	<u>\$ 446,522</u>	<u>\$ 349,103</u>

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

## 11. SUBSIDIARIES

### a. Subsidiaries included in the consolidated financial statements

Investor	Investee	Nature of Activities	Proportion of Ownership (%)			Remark
			September 30, 2024	December 31, 2023	September 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%	-
Genius Holding Co., Ltd.	Globalink Holding Co., Ltd.	Investment holdings	100.00%	100.00%	100.00%	Note 1
	Moustek Investment Co., Ltd.	Investment holdings	-	-	-	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
	MUFU TECHNOLOGIES CO., LTD.	Sale of digital video/audio products	96.00%	-	-	Notes 1 and 4
Life Technologies Co., Ltd.	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 Kunying Computer Products Co., Ltd.	R & D, manufacturing and sales of computer peripherals, consumer electronics and video image products	100.00%	100.00%	100.00%	-
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 nine months ended September 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 THB24,000 thousand; MUFU TECHNOLOGIES CO., LTD. increased its capital by cash in September 2024. Digilife Technologies Co., Ltd. invested THB24,000 thousand based on the original shareholding ratio.

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.

## 12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

### Investments in associates

	September 30, 2024	December 31, 2023	September 30, 2023
Materiality associates			
Timing Pharmaceutical Co., Ltd. (Timing Pharmaceutical Company)	\$ 238,274	\$ 230,682	\$ 226,621
Coretek Opto Corporation (Coretek Opto)	<u>100,265</u>	<u>108,190</u>	<u>110,941</u>
	338,539	338,872	337,562
Associates that are not individually material	<u>48,980</u>	<u>60,748</u>	<u>54,156</u>
	<u>\$ 387,519</u>	<u>\$ 399,620</u>	<u>\$ 391,718</u>

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

For the nine months ended September 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 cannot 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.

### 13. 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	6,818	7,225
Disposals	-	-	(111,082)	(21,992)	(11,997)	(145,071)
Effects of foreign currency exchange differences	-	-	1,486	-	79	1,565
Balance on September 30, 2024	<u>\$ 470,839</u>	<u>\$ 218,825</u>	<u>\$ 43,772</u>	<u>\$ 407</u>	<u>\$ 94,454</u>	<u>\$ 828,297</u>
<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)	(10,375)	(142,560)
Depreciation expense	-	3,127	1,993	27	6,817	11,964
Effects of foreign currency exchange differences	-	-	826	-	75	901
Balance on September 30, 2024	<u>\$ 11,046</u>	<u>\$ 100,233</u>	<u>\$ 28,803</u>	<u>\$ 27</u>	<u>\$ 76,731</u>	<u>\$ 216,840</u>
Net amount on September 30, 2024	<u>\$ 459,793</u>	<u>\$ 118,592</u>	<u>\$ 14,969</u>	<u>\$ 380</u>	<u>\$ 17,723</u>	<u>\$ 611,457</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	-	-	-	-	3,852	3,852
Disposals	-	-	(6,317)	(1,638)	(1,477)	(9,432)
Effects of foreign currency exchange differences	-	-	(428)	-	7	(421)
Transfer between account titles	-	-	-	-	27	27
Balance on September 30, 2023	<u>\$ 470,839</u>	<u>\$ 218,825</u>	<u>\$ 153,487</u>	<u>\$ 22,098</u>	<u>\$ 99,029</u>	<u>\$ 964,278</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	-	-	(5,992)	(1,638)	(1,477)	(9,107)
Depreciation expense	-	3,127	2,861	3,478	7,556	17,022
Effects of foreign currency exchange differences	-	-	(196)	-	7	(189)
Balance on September 30, 2023	<u>\$ 11,046</u>	<u>\$ 96,063</u>	<u>\$ 135,833</u>	<u>\$ 12,720</u>	<u>\$ 77,643</u>	<u>\$ 333,305</u>
Net amount on September 30, 2023	<u>\$ 459,793</u>	<u>\$ 122,762</u>	<u>\$ 17,654</u>	<u>\$ 9,378</u>	<u>\$ 21,386</u>	<u>\$ 630,973</u>

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 28.

## 14. LEASE ARRANGEMENTS

### a. Right-of-use assets

	September 30, 2024	December 31, 2023	September 30, 2023
Carrying amount			
Buildings	\$ 55,642	\$ 62,679	\$ 69,643
Office equipment	260	329	352
Transportation equipment	<u>2,116</u>	<u>-</u>	<u>-</u>
	<u>\$ 58,018</u>	<u>\$ 63,008</u>	<u>\$ 69,995</u>
	For the Three Months Ended September 30		For the Nine Months Ended September 30
	2024	2023	2024
	2024	2023	2024
Additions to right-of-use assets			<u>\$ 66,199</u>
			<u>\$ 83,573</u>
Depreciation charge for right-of-use assets			
Buildings	\$ 2,702	\$ 6,965	\$ 10,182
Office equipment	23	23	69
Transportation equipment	<u>235</u>	<u>-</u>	<u>705</u>
	<u>\$ 2,960</u>	<u>\$ 6,988</u>	<u>\$ 10,956</u>
			<u>\$ 18,353</u>

### b. Lease liabilities

	September 30, 2024	December 31, 2023	September 30, 2023
Carrying amount			
Current	<u>\$ 11,522</u>	<u>\$ 27,825</u>	<u>\$ 27,703</u>
Non-current	<u>\$ 50,604</u>	<u>\$ 35,598</u>	<u>\$ 42,600</u>

Range of discount rates for lease liabilities was as follows:

	September 30, 2024	December 31, 2023	September 30, 2023
Buildings	2.10%-5.00%	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

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Expenses relating to short-term leases	\$ 2,248	\$ 396	\$ 3,895	\$ 1,061
Expenses relating to low-value asset leases	\$ 8	\$ 12	\$ 26	\$ 33
Total cash outflows for leases			\$ 10,747	\$ 20,368

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

	<b>September 30, 2024</b>	<b>December 31, 2023</b>	<b>September 30, 2023</b>
Lease commitments	\$ 2,198	\$ 80	\$ 488

**15. INVESTMENT PROPERTIES**

	<b>Investment Properties</b>
<u>Cost</u>	
Balance on January 1, 2024	\$ 678,083
Addition	93
Disposal	(207,830)
Effects of foreign currency exchange differences	<u>4,688</u>
Balance on September 30, 2024	<u>\$ 475,034</u>
<u>Accumulated depreciation and impairment</u>	
Balance on January 1, 2024	\$ (37,921)
Depreciation expense	(857)
Disposal	33,034
Effects of foreign currency exchange differences	<u>(240)</u>
Balance on September 30, 2024	<u>\$ (5,984)</u>
Balance on September 30, 2024	<u>\$ 469,050</u>
Balance on December 31, 2023 and January 1, 2024	<u>\$ 640,162</u>

(Continued)



	<b>Investment Properties</b>
<u>Cost</u>	
Balance on January 1, 2023	\$ 730,108
Disposal	(52,765)
Effects of foreign currency exchange differences	<u>(1,380)</u>
Balance on September 30, 2023	<u>\$ 675,963</u>
<u>Accumulated depreciation and impairment</u>	
Balance on January 1, 2023	\$ (35,694)
Depreciation expense	(1,639)
Effects of foreign currency exchange differences	<u>54</u>
Balance on September 30, 2023	<u>\$ (37,279)</u>
Balance on September 30, 2023	<u>\$ 638,684</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 September 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 28.

## 16. BORROWINGS

### Long-term borrowings

	<b>September 30, 2024</b>	<b>December 31, 2023</b>	<b>September 30, 2023</b>
<u>Loans with a floating interest rate</u>			
CTBC Bank			
Mortgage loan, maturing in February 2043 (Note 1)	\$ 127,273	\$ 132,367	\$ 134,064
Mortgage loan, maturing in August 2024 (Note 2)	-	75,833	78,333
Chang Hwa Commercial Bank			
Mortgage loan, maturing in January 2041 (Note 3)	<u>101,531</u>	<u>105,359</u>	<u>106,632</u>
	228,804	313,559	319,029
Less: Current portion	<u>(10,731)</u>	<u>(86,584)</u>	<u>(89,041)</u>
	<u>\$ 218,073</u>	<u>\$ 226,975</u>	<u>\$ 229,988</u>

Note 1: The interest rate on September 30, 2024, December 31, 2023 and September 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 December 31, 2023 and September 30, 2023 were 2.2% and 2.2%, respectively. The principal and interest will be amortized on a monthly basis from August 2021. The loan had been settled on July 2024.

Note 3: The interest rate on September 30, 2024, December 31, 2023 and September 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 28.

## 17. 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.

## 18. OTHER PAYABLES

	September 30, 2024	December 31, 2023	September 30, 2023
Salaries and bonuses payable	\$ 27,142	\$ 39,298	\$ 29,445
Market promotion fees payable	5,871	1,600	4,074
Professional service fees payable	3,605	4,302	3,545
Others	<u>23,051</u>	<u>19,814</u>	<u>22,637</u>
	<u>\$ 59,669</u>	<u>\$ 65,014</u>	<u>\$ 59,701</u>

## 19. RETIREMENT BENEFIT PLANS

Employee benefit expense for the three months ended and nine months ended September 30, 2024 and 2023 were \$6 thousand, \$19 thousand, \$19 thousand and \$57 thousand, respectively. Employee benefit expense was calculated on the basis of the actuarial valuations in December 31, 2023 and 2022.

## 20. EQUITY

### a. Share capital

	September 30, 2024	December 31, 2023	September 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

	September 30, 2024	December 31, 2023	September 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>29,739</u>
	<u>\$ 227,445</u>	<u>\$ 227,216</u>	<u>\$ 227,074</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 22(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:

	<b>Appropriation of Earnings</b>	
	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
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\$)	\$ 0.3	\$ -

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

	<b>For the Nine Months Ended</b>	
	<b>September 30</b>	
	<b>2024</b>	<b>2023</b>
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	27,063	20,848
Share from associates accounted for using the equity method	<u>4,077</u>	<u>713</u>
Other comprehensive income recognized for the year	<u>31,140</u>	<u>21,561</u>
Balance at September 30	\$ <u>20,722</u>	\$ <u>12,623</u>

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

	<b>For the Nine Months Ended</b>	
	<b>September 30</b>	
	<b>2024</b>	<b>2023</b>
Balance at January 1	\$ <u>(613,464)</u>	\$ <u>(630,209)</u>
Recognized for the year		
Unrealized profits or losses - equity instruments	20,344	16,024
Share from associates accounted for using the equity method	<u>(2,289)</u>	<u>(3,091)</u>
Other comprehensive income recognized for the year	<u>18,055</u>	<u>12,933</u>
Cumulative unrealized gain or loss of equity instruments transferred to retained earnings due to disposal	<u>(5)</u>	<u>(86)</u>
Balance at September 30	\$ <u>(595,414)</u>	\$ <u>(617,362)</u>

## 21. REVENUE

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Revenue from contracts with customers				
Revenue from the sale of goods	\$ 262,741	\$ 219,946	\$ 749,920	\$ 569,759
Other operating revenue				
Other revenues	<u>1,960</u>	<u>2,676</u>	<u>1,960</u>	<u>2,679</u>
	<u>\$ 264,701</u>	<u>\$ 222,622</u>	<u>\$ 751,880</u>	<u>\$ 572,438</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

	September 30, 2024	December 31, 2023	September 30, 2023	January 1, 2023
Total notes and accounts receivables (Note 9)	<u>\$ 118,386</u>	<u>\$ 83,603</u>	<u>\$ 74,702</u>	<u>\$ 60,555</u>
Total contract liabilities - current	<u>\$ 37,390</u>	<u>\$ 20,088</u>	<u>\$ 22,906</u>	<u>\$ 30,079</u>

### c. Disaggregation of revenue

	For the Nine Months Ended September 30	
	2024	2023
Computer peripherals	\$ 459,266	\$ 382,773
Video and optoelectronic products	274,784	176,315
Consumer electronics	10,974	9,741
Others	<u>4,896</u>	<u>930</u>
	<u>\$ 749,920</u>	<u>\$ 569,759</u>

## 22. COMPREHENSIVE INCOME

### a. Other gains and losses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Gain on disposal of investment properties	\$ 22,265	\$ -	\$ 22,265	\$ 8,820
Rental revenue	4,649	6,088	14,997	16,875
Net profit (loss) on foreign currency exchange	(2,108)	7,170	7,564	8,341
Dividend income	5,919	3,043	5,919	3,043
Gain (loss) on disposal of property, plant and equipment	(1,127)	(3)	3,576	91
Gain on disposal of investments	-	-	-	3,022
Other revenues and expenses	<u>(2,624)</u>	<u>1,378</u>	<u>2,293</u>	<u>8,802</u>
	<u>\$ 26,974</u>	<u>\$ 17,676</u>	<u>\$ 56,614</u>	<u>\$ 48,994</u>

### b. Depreciation and amortization

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Property, plant and equipment	\$ 3,479	\$ 5,558	\$ 11,964	\$ 17,022
Investment property	291	547	857	1,639
Right-of-use assets	2,960	6,988	10,956	18,353
Other non-current assets	<u>1,201</u>	<u>1,726</u>	<u>4,270</u>	<u>5,700</u>
	<u>\$ 7,931</u>	<u>\$ 14,819</u>	<u>\$ 28,047</u>	<u>\$ 42,714</u>
An analysis of depreciation by function				
Operating costs	\$ 2,666	\$ 6,985	\$ 10,022	\$ 18,580
Operating expense	3,773	5,561	12,898	16,795
Other gains and losses	<u>291</u>	<u>547</u>	<u>857</u>	<u>1,639</u>
	<u>\$ 6,730</u>	<u>\$ 13,093</u>	<u>\$ 23,777</u>	<u>\$ 37,014</u>
An analysis of amortization by function				
Operating costs	\$ 72	\$ 172	\$ 110	\$ 785
Operating expense	<u>1,129</u>	<u>1,554</u>	<u>4,160</u>	<u>4,915</u>
	<u>\$ 1,201</u>	<u>\$ 1,726</u>	<u>\$ 4,270</u>	<u>\$ 5,700</u>

c. Employee benefits expense

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Post-employment benefits				
Defined contribution plan	\$ 1,112	\$ 1,024	\$ 3,263	\$ 3,008
Defined benefit plan (Note 19)	6	19	19	57
	<u>1,118</u>	<u>1,043</u>	<u>3,282</u>	<u>3,065</u>
Termination benefits	3	83	34	689
Other employee benefits	<u>48,770</u>	<u>46,441</u>	<u>138,596</u>	<u>126,941</u>
Total employee benefit expenses	<u>\$ 49,891</u>	<u>\$ 47,567</u>	<u>\$ 141,912</u>	<u>\$ 130,695</u>
An analysis of employee benefits expense by function				
Operating costs	\$ 6,468	\$ 6,738	\$ 18,638	\$ 17,953
Operating expenses	<u>43,423</u>	<u>40,829</u>	<u>123,274</u>	<u>112,742</u>
	<u>\$ 49,891</u>	<u>\$ 47,567</u>	<u>\$ 141,912</u>	<u>\$ 130,695</u>

d. Compensation of employees and remuneration of directors

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

Accrual rate

	For the Nine Months Ended September 30	
	2024	2023
Compensation of employees	2%	2%
Remuneration of directors	1%	1%

Amount

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Compensation of employees	<u>\$ 1,175</u>	<u>\$ 798</u>	<u>\$ 3,079</u>	<u>\$ 1,823</u>
Remuneration of directors	<u>\$ 588</u>	<u>\$ 399</u>	<u>\$ 1,539</u>	<u>\$ 911</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

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
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.

## 23. INCOME TAX

### a. Income taxes recognized in profit or loss

Major components of income tax expense are as follows:

	<u>For the Three Months Ended</u> <u>September 30</u>		<u>For the Nine Months Ended</u> <u>September 30</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Current tax				
In respect of the current year	\$ 6,000	\$ 7,363	\$ 20,283	\$ 8,125
Income tax on unappropriated earnings	36	(75)	721	49
Adjustments for prior year	3,678	-	3,715	49
Deferred tax				
In respect of the current year	<u>4,763</u>	<u>927</u>	<u>8,391</u>	<u>5,100</u>
Income tax expense recognized in profit or loss	<u>\$ 14,477</u>	<u>\$ 8,215</u>	<u>\$ 33,110</u>	<u>\$ 13,323</u>

### b. Income tax recognized in other comprehensive income

	<u>For the Three Months Ended</u> <u>September 30</u>		<u>For the Nine Months Ended</u> <u>September 30</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
<u>Deferred tax</u>				
In respect of the current year				
Translation of foreign operations	\$ 3,303	\$ (4,765)	\$ (4,178)	\$ (6,146)
Fair value changes of financial assets at FVTOCI	<u>1,889</u>	<u>149</u>	<u>(436)</u>	<u>(1,780)</u>
Income tax recognized in other comprehensive income	<u>\$ 5,192</u>	<u>\$ (4,616)</u>	<u>\$ (4,614)</u>	<u>\$ (7,926)</u>



c. Income tax assessments

The income tax returns of KYE, 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 Chung-Chiang Investment Co., Ltd. calculated up until 2021 was approved by the tax authority.

## 24. 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 September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Profit for the year attributable to owners of KYE	\$ 47,718	\$ 30,870	\$ 121,862	\$ 77,278
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>\$ 47,718</u>	<u>\$ 30,870</u>	<u>\$ 121,862</u>	<u>\$ 77,278</u>

### Number of Shares

	For the Three Months Ended September 30		For the Nine Months Ended September 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>      58</u>	<u>      158</u>	<u>      82</u>	<u>      189</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share (in thousands)	<u>221,586</u>	<u>221,686</u>	<u>221,610</u>	<u>221,717</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.

## 25. 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 a 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.

## 26. 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

September 30, 2024

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Investments in equity instruments				
Domestic listed shares	\$ 945	\$ -	\$ -	\$ 945
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Domestic listed shares	\$ 45,282	\$ -	\$ 7,436	\$ 52,718
Domestic unlisted shares	-	-	43,276	43,276
Foreign unlisted shares	-	-	82,876	82,876
	\$ 45,282	\$ -	\$ 133,588	\$ 178,870

December 31, 2023

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<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>

September 30, 2023

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial assets at FVTPL</u>				
Investments in equity instruments				
Domestic listed shares	\$ <u>962</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>962</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Domestic listed shares	\$ 35,137	\$ -	\$ 4,613	\$ 39,750
Domestic unlisted shares	-	-	30,210	30,210
Foreign unlisted shares	<u>-</u>	<u>-</u>	<u>85,797</u>	<u>85,797</u>
	\$ <u>35,137</u>	\$ <u>-</u>	\$ <u>120,620</u>	\$ <u>155,757</u>

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

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

For the nine months ended September 30, 2024

	<b>Financial Assets at FVTOCI</b>
Balance at January 1, 2024	\$ 118,571
Recognized in other comprehensive income	12,817
Translation differences on foreign operations	<u>2,200</u>
Balance at September 30, 2024	\$ <u>133,588</u>

For the nine months ended September 30, 2023

	<b>Financial Assets at FVTOCI</b>
Balance at January 1, 2023	\$ 98,796
Recognized in other comprehensive income	17,786
Translation differences on foreign operations	<u>4,038</u>
Balance at September 30, 2023	<u>\$ 120,620</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

	<b>September 30, 2024</b>	<b>December 31, 2023</b>	<b>September 30, 2023</b>
<u>Financial assets</u>			
Mandatorily classified as at FVTPL	\$ 945	\$ 1,010	\$ 962
Financial assets at amortized cost FVTPL (Note 1)	1,625,585	1,356,117	1,376,489
Financial assets at FVTOCI			
Equity instruments	178,870	155,736	155,757
<u>Financial liabilities</u>			
Amortized cost (Note 2)	333,438	400,474	415,570

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 79% 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 29.

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.

	<b>For the Nine Months Ended</b>	
	<b>September 30</b>	
	<b>2024</b>	<b>2023</b>
Profit or loss (Note)	\$ 7,672	\$ 6,527

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:

	September 30, 2024	December 31, 2023	September 30, 2023
Fair value interest rate risk			
Financial assets	\$ 906,605	\$ 843,681	\$ 824,514
Financial liabilities	62,126	63,423	70,303
Cash flow interest rate risk			
Financial assets	573,308	404,302	451,281
Financial liabilities	228,804	313,559	319,029

Sensitivity analysis

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

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the nine months ended September 30, 2024 and 2023 would increased/decreased by \$544 thousand and \$233 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 nine months ended September 30, 2024 and 2023 would have increased/decreased by \$9 thousand and \$10 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 nine months ended September 30, 2024 and 2023 would have increased/decreased by \$1,789 thousand and \$1,558 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 September 30, 2024, December 31, 2023 and September 30, 2023, the balance of accounts receivable from the top 10 customers of KYE and subsidiaries accounted for 61%, 66% and 59% 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).

### September 30, 2024

	<b>Less than 1 Year</b>	<b>1 to 2 Years</b>	<b>2 to 5 Years</b>	<b>More than 5 Years</b>
<u>Non-derivative financial liabilities</u>				
Non-interest-bearing liabilities	\$ 104,634	\$ -	\$ -	\$ -
Lease liabilities	12,752	12,752	37,134	3,055
Instruments with a floating interest rate	<u>16,029</u>	<u>16,029</u>	<u>48,087</u>	<u>199,557</u>
	<u>\$ 133,415</u>	<u>\$ 28,781</u>	<u>\$ 85,221</u>	<u>\$ 202,612</u>

December 31, 2023

	<b>Less than 1 Year</b>	<b>1 to 2 Years</b>	<b>2 to 5 Years</b>	<b>More than 5 Years</b>
<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>

September 30, 2023

	<b>Less than 1 Year</b>	<b>1 to 2 Years</b>	<b>2 to 5 Years</b>	<b>More than 5 Years</b>
<u>Non-derivative financial liabilities</u>				
Non-interest-bearing liabilities	\$ 96,541	\$ -	\$ -	\$ -
Lease liabilities	28,711	28,711	14,484	-
Instruments with a floating interest rate	<u>95,758</u>	<u>15,896</u>	<u>47,688</u>	<u>213,822</u>
	<u>\$ 221,010</u>	<u>\$ 44,607</u>	<u>\$ 62,172</u>	<u>\$ 213,822</u>

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

September 30, 2024

	<b>Less than 1 Year</b>	<b>1 to 5 Years</b>	<b>5 to 10 Years</b>	<b>10 to 15 Years</b>	<b>15 to 20 Years</b>	<b>More than 20 Years</b>
Instruments with a floating interest rate	<u>\$ 16,029</u>	<u>\$ 64,116</u>	<u>\$ 80,149</u>	<u>\$ 80,152</u>	<u>\$ 39,256</u>	<u>\$ -</u>

December 31, 2023

	<b>Less than 1 Year</b>	<b>1 to 5 Years</b>	<b>5 to 10 Years</b>	<b>10 to 15 Years</b>	<b>15 to 20 Years</b>	<b>More than 20 Years</b>
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>

September 30, 2023

	<b>Less than 1 Year</b>	<b>1 to 5 Years</b>	<b>5 to 10 Years</b>	<b>10 to 15 Years</b>	<b>15 to 20 Years</b>	<b>More than 20 Years</b>
Instruments with a floating interest rate	<u>\$ 95,758</u>	<u>\$ 63,584</u>	<u>\$ 79,483</u>	<u>\$ 79,486</u>	<u>\$ 54,853</u>	<u>\$ -</u>



## 27. 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>
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

<u>Related Party Category/Name</u>	<u>For the Three Months Ended</u> <u>September 30</u>		<u>For the Nine Months Ended</u> <u>September 30</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
<u>Sales</u>				
Related party in substance	\$ <u>468</u>	\$ <u>-</u>	\$ <u>2,850</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:

<u>Related Party Category/Name</u>	<u>September 30,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>	<u>September 30,</u> <u>2023</u>
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:

<u>Related Party Category/Name</u>	<u>September 30,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>	<u>September 30,</u> <u>2023</u>
Related party in substance	\$ <u>-</u>	\$ <u>54</u>	\$ <u>-</u>

c. Lease arrangements

Related Party Category/Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
<u>Rent revenue</u>				
Related party in substance	\$ <u>-</u>	\$ <u>161</u>	\$ <u>155</u>	\$ <u>317</u>
<u>Rent expense</u>				
Related party in substance	\$ <u>724</u>	\$ <u>384</u>	\$ <u>2,092</u>	\$ <u>992</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 September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Short-term employee benefits	\$ 10,772	\$ 10,071	\$ 29,136	\$ 26,483
Post-employment benefits	<u>146</u>	<u>135</u>	<u>436</u>	<u>392</u>
	\$ <u>10,918</u>	\$ <u>10,206</u>	\$ <u>29,572</u>	\$ <u>26,875</u>

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

## 28. 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:

	September 30, 2024	December 31, 2023	September 30, 2023
Property, net	\$ 513,854	\$ 515,566	\$ 516,137
Investment property, net	<u>169,727</u>	<u>344,551</u>	<u>344,827</u>
	\$ <u>683,581</u>	\$ <u>860,117</u>	\$ <u>860,964</u>

## 29. 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:

September 30, 2024

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 24,466	31.650	\$ 774,342
AUD	3,533	21.930	77,476
RMB	12,349	4.523	55,855
THB	46,794	0.987	46,176
JPY	157,972	0.222	35,117
HKD	1,602	4.075	6,530
EUR	62	35.380	2,199
Investments accounted for using the equity method			
USD	1,385	31.650	43,829
RMB	1,139	4.523	5,151
Financial assets measured at fair value through other comprehensive income			
RMB	17,573	4.523	79,369
THB	3,800	0.923	3,507

### Financial liabilities

Monetary items			
RMB	10,395	4.523	47,016
USD	225	31.650	7,115

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

(Continued)

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
Financial assets measured at fair value through other comprehensive income			
RMB	\$ 16,862	4.327	\$ 73,102
THB	3,800	0.923	3,507
<b><u>Financial liabilities</u></b>			
Monetary items			
RMB	6,811	4.327	29,471
USD	126	30.705	3,864 (Concluded)

September 30, 2023

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<b><u>Financial assets</u></b>			
Monetary items			
USD	\$ 20,360	32.270	\$ 657,023
RMB	31,325	4.415	138,300
AUD	3,319	20.550	68,203
HKD	1,317	4.123	5,430
JPY	19,221	0.216	4,156
EUR	69	33.910	2,333
Investments accounted for using the equity method			
USD	1,504	32.270	48,523
RMB	1,276	4.415	5,633
Financial assets measured at fair value through other comprehensive income			
RMB	18,426	4.415	82,290
THB	3,800	0.923	3,507
<b><u>Financial liabilities</u></b>			
Monetary items			
RMB	10,350	4.415	45,694
USD	133	32.270	4,302

The realized and unrealized foreign exchange gain of Group for the three months ended and nine months ended September 30, 2024 and 2023 were loss of \$2,108 thousand, gain of \$7,170 thousand, gain of \$7,564 thousand and gain of \$8,341 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.

### 30. 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)

### 31. 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:

<b>Domestic and Foreign Operating Segments</b>	<b>For the Nine Months Ended September 30, 2024</b>		
	<b>Electronic Products</b>	<b>Others</b>	<b>Total</b>
Revenue from customers other than parent company and consolidated subsidiaries	\$ 749,920	\$ 1,960	\$ 751,880
Segment profit (loss)	\$ 71,886	\$ (7,415)	\$ 64,471
Other profits and losses	47,008	9,606	56,614
Interest income	29,919	623	30,542
Interest expense	(6,034)	(7)	(6,041)
Share of profits/losses of associates accounted for using the equity method	<u>9,669</u>	<u>(4)</u>	<u>9,665</u>
Profit before tax	<u>\$ 152,448</u>	<u>\$ 2,803</u>	<u>\$ 155,251</u>
	<b>For the Nine Months Ended September 30, 2023</b>		
<b>Domestic and Foreign Operating Segments</b>	<b>Electronic Products</b>	<b>Others</b>	<b>Total</b>
Revenue from customers other than parent company and consolidated subsidiaries	\$ 569,759	\$ 2,679	\$ 572,438
Segment profit (loss)	\$ 23,672	\$ (6,365)	\$ 17,307
Other profits and losses	29,700	19,294	48,994
Interest income	23,831	631	24,462
Interest expense	(6,039)	(6)	(6,045)
Share of profits/losses of associates accounted for using the equity method	<u>5,330</u>	<u>(3)</u>	<u>5,327</u>
Profit before tax	<u>\$ 76,494</u>	<u>\$ 13,551</u>	<u>\$ 90,045</u>

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 investment property, 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

	<b>September 30, 2024</b>	<b>December 31, 2023</b>	<b>September 30, 2023</b>
<u>Segment assets</u>			
Electronics segment	\$ 3,158,441	\$ 3,107,228	\$ 3,161,847
Others	<u>462,888</u>	<u>448,405</u>	<u>444,070</u>
Consolidated total assets	<u>\$ 3,621,329</u>	<u>\$ 3,555,633</u>	<u>\$ 3,605,917</u>
<u>Segment liabilities</u>			
Electronics segment	\$ 495,364	\$ 537,593	\$ 565,001
Others	<u>2,295</u>	<u>2,078</u>	<u>1,627</u>
Consolidated total liabilities	<u>\$ 497,659</u>	<u>\$ 539,671</u>	<u>\$ 566,628</u>

## KYE SYSTEMS CORP. AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

SEPTEMBER 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	September 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	\$ 32,554	7.71	\$ 32,554
	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) 7,436	1.70	(Note 3) 7,436
	Unity Opto (private placement)	None	Financial assets measured at fair value through other comprehensive income - non-current	15,789	(Note 3) -	3.42	(Note 3) -
Globalink Holding Co., Ltd.	<u>Shares</u> Shenzhen CMK Technology Co., Ltd.	None	Financial assets measured at fair value through other comprehensive income - non-current	-	US\$ 2,508	8.25	US\$ 2,508
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	41,351	-	41,351
	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	(Note 3) -	-	(Note 3) -
	Shin Kong Financial Holding Co., Ltd.	None	Financial assets measured at fair value through other comprehensive income - current	200	2,412	-	2,412
	China Petrochemical Development Corporation	None	Financial assets measured at fair value through other comprehensive income - current	160	1,519	-	1,519

(Continued)



Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	September 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	\$ 729	-	\$ 729
	Powerchip Semiconductor Manufacturing Corporation	None	Financial assets measured at fair value through profit or loss - current	10	216	-	216

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 September 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 NINE MONTHS ENDED SEPTEMBER 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-subsidiary	Purchases (Note 1)	\$ 290,298 (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	290,501 (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 NTS100 MILLION OR 20% OF THE PAID-IN CAPITAL**

**SEPTEMBER 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	\$ 421,804 (Note 2)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	\$ -
KYE Trade (HK) Co., Ltd.	Dongguan Kunying Computer Products Co., Ltd.	The parent company is the same	421,804 (Note 2)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	-

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

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

**KYE SYSTEMS CORP. AND SUBSIDIARIES**

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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	\$ 290,298	Note 2	39
			1	Other receivables	421,804	Note 2	12
1	Dongguan Kunying	KYE Trade KYE Trade	3	Operating revenue	290,501	Note 2	39
			3	Other current liabilities	421,804	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 NINE MONTHS ENDED SEPTEMBER 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 September 30, 2024			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				September 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	\$ 429,285 (Note 1)	US\$ 1,587	\$ 50,782	Subsidiary
	Chung-Chiang Investment Co., Ltd.	New Taipei City	Investment business	227,482	227,482	20,700	100.00	207,271 (Note 1)	1,008	1,008	Subsidiary
	Hung-Cheng Investment Co., Ltd.	Taipei City	Investment business	85,000	85,000	9,578	100.00	58,708 (Note 1)	2,040	2,040	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	1,209 (Note 1)	US\$ (34)	(1,075)	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	9,424 (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	564,078 (Note 1)	5,896	5,579	Subsidiary
	Star Reach Limited	Samoa Islands	Investment holdings	US\$ 417	US\$ 417	-	25.00	5,151	RMB (412)	(458)	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	238,274	51,365	11,306	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	91,583	(21,025)	(6,870)	Investments accounted for using the equity method	
Genius Holding Co., Ltd.	Globalink Holding Co., Ltd.	British Virgin Islands	Investment holdings	US\$ 8,289	US\$ 8,289	5,250	100.00	US\$ 2,934 (Note 1)	US\$ 13	N/A	Sub-sub-sidiary
	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\$ 56 (Note 1)	(375)	N/A	Sub-sub-sidiary
	KYE Inc.	British Virgin Islands	Investment holdings	US\$ 16,065	US\$ 16,065	3	100.00	US\$ (8,979) (Note 1)	US\$ 705	N/A	Sub-sub-sidiary
	Maxfar Limited	Samoa Islands	Investment business	US\$ 1,220	US\$ 1,797	1,220	44.37	US\$ 1,385	14,286	N/A	Investments accounted for using the equity method (Note 3)
Digilife Technologies Co., Ltd.	Life Technologies Co., Ltd.	Samoa Islands	Investment holdings	US\$ 300	US\$ 300	455	100.00	1,375 (Note 1)	US\$ (50)	N/A	Sub-sub-sidiary
	Digilife Pty Ltd.	Australia	Tourism and real estate development	AUD 9,500	AUD 9,500	9,500	100.00	194,614 (Note 1)	AUD (24)	N/A	Sub-sub-sidiary
	Mufu Technologies Co., Ltd.	Thailand	Sale of digital video/audio products	THB 48,000	THB -	480	96.00	46,369 (Note 1)	THB (1,049)	N/A	Sub-sub-sidiary (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	8,636	(21,025)	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	(21,025)	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\$ 43 (Note 1)	HK\$ (394)	N/A	Sub-sub-sidiary

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.; MUFU TECHNOLOGIES CO., LTD. increased its capital by cash in September 2024. Digilife Technologies Co., Ltd. invested THB 24,000 thousand based on the original shareholding ratio.

Note 3: Maxfar Limited conducted a cash refund of capital reduction and returned USD 577 thousand to Genius Holding Co., Ltd. in September 2024.

## KYE SYSTEMS CORP. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE NINE MONTHS ENDED SEPTEMBER 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 September 30, 2024	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 3)	Carrying Amount as of September 30, 2024	Accumulated Repatriation of Investment Income as of September 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	\$ 22,731	100	\$ 22,731 (Note 4)	US\$ (9,048) (Note 4)	\$ -
Dongguan Chiaying Electronics Co., Ltd.	Manufacturing and sales of computer accessories, appliances and molds	RMB 3,722	Indirect investment in Chia Ying Plastics (HK) Co., Limited through Star Reach Limited, with the former investing 25% of operating funds	US\$ 417	-	-	US\$ 417	RMB (412)	25	(458)	5,151	-

Accumulated Outward Remittance for Investments in Mainland China as of September 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)	\$1,853,780 (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 September 30, 2024	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of September 30, 2024	Accumulated Repatriation of Investment Income as of September 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 (320)	100	HK\$ (347) (Note 3)	HK\$ 29 (Note 3)	\$ -

Accumulated Outward Remittance for Investments in Mainland China as of September 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	\$357,710 (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  
SEPTEMBER 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.