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京元電子股份有限公司
The Testing Industry Benchmark

2022 Annual Report

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One. Letter to Shareholders

Ladies and gentlemen:

2022 is a year of changes and challenges. The semiconductor industry saw continuous economic growth in the first half of the year but came to a halt unexpectedly in the second half of the year. Despite the global economic changes and political turmoil, the Company continued to perform favorably in terms of operating income and profits, pushing the company again toward a new milestone.

Business Plan Implementation Results

The consolidated operating revenue was NT\$36.782 billion last year, up by 8.95%. Gross profit margin was 35.5%, an increase of 4.8% compared with previous year. Earnings per share (EPS) was NT\$5.59, also up by NT\$1.36 from previous year. The Company delivered favorable business performance in general.

A review of last year's performance up until Q3, customers have adjusted their inventories, which reflected the significant impact that the general political and economic environment has on demand. The establishment of economic recession resulted in low visibility, exposing the semiconductor industry to severe challenges. With the concerted efforts of our employees, the Company was able to further increase its operating revenue for the year, thanks to contributions in terms of automotive applications, industrial applications, servers, data center, network communication products, and increased production outsourcing by foreign customers. Our gross profit market increased considerably, which is attributable to increase in average unit price and improved cost management. Net income before tax also increased significantly owing to our adequate control of management and sales expenses. Over the years, the Company observed that recruiting talents is not easy. We have therefore continuously invested in resources to automate factory operations, adopt smart manufacturing practices, streamline processes, improve production efficiency, and reduce our reliance on labor work. Our investments have gradually come to fruition. The Company also continued making changes and improvements in the areas of production flexibility, technical know-how, quality standard, delivery speed, customer service satisfaction, information management, employee cultural literacy, ESG performance, and operational systems to unleash our powerful resilience in adapting to the fast-changing environment.

Financial income and profit analysis

With respect to financial and profit status in 2022, the Company saw a sound financial structure, with debt to total assets ratio of 50.31% down slightly by 1.4% from previous year, and long-term capital to fixed assets ratio of 133.53%, up 5.4% compared

with last year. Current ratio and quick ratio increased by 48.92% and 47.22% from previous year, reaching 218.06% and 201.13%, respectively, which suggests favorable short-term liquidity. In terms of profitability, the Company's return on assets (ROA), return on equity (ROE), net profit margin, and earnings per share were 10.13%, 19.44%, 18.98%, and NT\$5.59, respectively, which increased by 1.88%, 3.14%, 3.48%, and NT\$1.36 compared with previous year, demonstrating record-high performance.

R&D status

The Company's R&D center is not only committed to helping customers solve technical problems in product testing but also spares no effort in following a R&D blueprint to develop and improve the functions and performance of testing equipment and key components. We constantly update the specifications of our testing machines to meet customer needs and requirements for high-tech product development, while also focusing on ensuring the conversion compatibility of testing equipment adapters and testing platforms. With respect to testing software, we respond to the increased complexity of testing equipment and customer products by devoting to the development of testing software and adoption of artificial intelligence to improve production efficiency and user convenience. In terms of testing system integration, we endeavor to improve the scalability and functional performance of self-developed testing machines and burn-in ovens, both of which are available in abundance (1800+ machines) at KYEC and its subsidiaries. In the areas of self-developed equipment applications, our testing platform encompasses a broad category of products, including System on Chip (SoC), image sensor chip, driver chip, microelectromechanical chip, memory chip, and biochip, etc. We stay ahead of technological advancements by developing new testing technologies such as high-frequency, high-power, high-order packaging and heterogeneous packaging technologies to maintain our unique competitive edge in the field of IC testing.

Current business plan overview

We plan to develop our business by achieving breakthrough in performance growth targets, accurately deploying new investments, and promoting our self-developed machine business. Specifically, we strive to improve customer services by taking the lead in customer satisfaction evaluations, preventing significant quality costs, taking response measures and performing monitoring; improve production and manufacturing processes by reducing ineffective operations, enhancing production efficiency, expanding the scope of smart manufacturing and automation, and refining our professional competency and technical know-how; enforce cost control by focusing on the costs of materials and accessories and adopting mechanisms that ensure reasonable use of materials and strengthened inventory management; engage in R&D innovation with a focus on

developing core technologies, expanding the applications of key equipment and components, and continuing to ensure the quality of our intellectual properties and patents; and enhance human resources by retaining key talents, supporting management associates who show potential, and cultivating key technical competencies.

Future development strategy

The environment of the semiconductor industry has changed in recent years, resulting in the concentration of high-end semiconductor manufacturing in Taiwan. The Company's future development strategy will be focused on two aspects. The first focus is on customer service, where we aim to strengthen the core value of the manufacturing supply chain, improve the operational efficiency and performance of systems used in the lengthy manufacturing process, support customers' product launch, and grow together with customers as their trusted partner. The second focus is on leveraging the Company's unique competitive advantages in the research and development of semiconductor testing to deepen customer adhesion toward our services.

We will also continue to expand the business of our fabless semiconductor design company in Europe, the United States, and Japan, cultivate potential customers, and increase the proportion of IDM outsourcing orders to strengthen and stabilize our profitability. Given the technological conflict between China and the United States and the fragmentation of the global semiconductor supply chain, the Company will, at all times, evaluate and adjust its supply chain plans in Taiwan and China to prepare for any possible changes in the environment.

The effect of external competition, the legal environment, and the overall business environment

According to Gartner, a research and consulting firm, worldwide semiconductor revenue increased 1.1% in 2022 to a total of \$602 billion, and is projected to decrease 6.5% in 2023 to US\$563 billion. The World Semiconductor Trade Statistics (WSTS) expected the worldwide semiconductor market to reach 4.4% growth or US\$580 billion in 2022, followed by a decline of 4% in 2023 to US\$557 billion. Destocking of both memory and logic products remains prevalent in the first half of this year, while a new product inventory cycle will be established in the second half of the year. Most semiconductor operators were generally conservative about the annual growth of the worldwide semiconductor industry due to global overall economic and political uncertainties.

The IMF's global growth forecast for 2022 was at 3.2% while its projection for 2023 was lowered to 2.7%. The World Bank predicted that global GDP will grow by 2.9% in 2022 and slashed its estimates to 1.7% for 2023. This year's global economic

growth is extremely concerning due to uncertainties from a mixture of factors such as inflation, interest rate, exchange rate, unemployment rate, consumer spending power, U.S. dollar liquidity, U.S. debt ceiling, and complex geopolitical issues.

In terms of external competition, the node of worldwide semiconductor IC design and manufacturing has reached the limitations of Moore's Law, and advanced manufacturing and packaging technologies have been mass-produced for use by major international design companies. Taiwan dominates the outsourcing of semiconductor manufacturing, and much of that dominance comes down to only a handful of companies. KYEC has become the second largest manufacturer in the world in the field of semiconductor IC testing, making significant strides to stay ahead of its competitors. Taiwan accounts for 62% and 61.5% of the global wafer manufacturing market and packaging and testing industry, both ranking No. 1 in the world. In the worldwide semiconductor manufacturing supply chain, Taiwan holds 97% of the share of packaging and testing capacity in the Asian market. The semiconductor industry has an extremely extensive and complex ecosystem consisting of tens of thousands of upstream and downstream suppliers that specialize in consumer demand, IC design, manufacturing, system combination, hardware sales, and product applications for different industrial sectors, which render cluster formation, migration, and replication difficult. Semiconductor OEMs in Taiwan have held strong advantages in terms of technology, cost, experience, talent, and efficiency. The formation of a semiconductor supply chain in China and the establishment of semiconductor fabrication plants in the United States, Japan, and Europe are undoubtedly a competition for Taiwanese manufacturers.

In terms of laws and the general business environment, the United States has in recent years clamped down on China's technology and semiconductor development by enforcing more stringent laws. China's semiconductor industry will become an integrated entity confined to the field of mature manufacturing products. In the United States, crack down on China and championing deglobalization will affect the restructuring of certain industry chains in various countries. Although there are inquiries in the semiconductor sector, feasibility consideration remains difficult.

Against the backdrop of rapid global inflation, U.S. interest hikes, and tightened monetary policy in the previous year, the ripples of the economic shock have caused shrinking demand, GDP decline, and uncertain economic outlook. Governments worldwide will have their own challenges to tackle in the future. This year, regardless of political interferences, the world remains situated in a highly uncertain environment characterized by high inflation, high unemployment rate, high interest rate, and low economic growth.

Looking forward to 2023, unfavorable factors are improving; for instance,

pandemic restrictions have been lifted, the economy is recovering slowly, the alleviation of supply chain disruption has lifted tensions around semiconductor manufacturing, inflation and sharp interest hikes have eased; the resumption of the semiconductor business cycle is anticipated in the second half of the year following a year of supply-demand adjustments to address the destocking problem. Asian countries with high population density such as China and India may see faster growth opportunities.

In light of science and technology advances, humans are working more efficiently in pursuit of more convenient and comfortable lifestyles; therefore, more functions and new applications for technological products and services will be developed. The rapid development of advanced semiconductor manufacturing processes and high-end advanced packaging technologies will make people's dream come true through 5G, AI, IoT, HPC, Metaverse scenarios, and other everyday solutions. Because of the increasing complexity of the core SoC for advanced processes, the upgrading of peripheral mature process chip is promoted so as to increase the silicon content of end products. Base stations and network communication products have emerged as needed to keep pace with transmission bandwidth and speed in communication. Smart cars, smart homes, smart cities, smart health care, smart manufacturing, smart robots, smart stores, which are vigorously developed concepts, will create infinite possibilities and bright prospects for the development of worldwide semiconductor industry.

Feeling optimistic about future business opportunities, the Company will continue to invest in talent development and equipment operations, serve customers, and work closely with suppliers in order to prosper together and deliver favorable performance that will increase shareholders' equity. Finally, I would like to thank our shareholders for their long-term support, and I look forward to maintaining a longstanding relationship with all shareholders to create a more promising outlook.

Chin-Kung Lee, Chairman

An-Hsuan Liu, President

Two. Company profile

I. Date of incorporation: May 28, 1987

II. Corporate history:

- | | | |
|------|-----------|--|
| 1987 | May | Incorporated at No. 15, Lane 576, Sec. 1, Guangfu Rd., Hsinchu City officially, with the authorized capital in the amount of NT\$7 million and paid-in capital in the amount of NT\$7 million. |
| 1990 | February | Capital increase by NT\$2.5 million in cash and the Company's capital increased to NT\$9.5 million. |
| 1994 | July | Capital increase by NT\$11 million in cash and the Company's capital increased to NT\$20.5 million. |
| 1995 | October | Capital increase by NT\$9.5 million in cash and the Company's capital increased to NT\$30 million. |
| 1996 | July | Added logical reasoning test operations. |
| | September | Capital increase by NT\$20 million in cash and the Company's capital increased to NT\$50 million. |
| 1997 | May | Capital increase by NT\$40 million in cash and the Company's capital increased to NT\$90 million. |
| | July | Added memory test operations. |
| | September | Capital increase by NT\$80 million in cash and the Company's capital increased to NT\$170 million. |
| | December | Received ISO9002 certification. |
| 1998 | January | Completed the construction of Zhao-Nan Factory and started mass production. |
| | February | Capital increase by NT\$180 million in cash and the Company's capital increased to NT\$350 million. |
| | August | Capital increase by NT\$199.75 million in cash and by recapitalization of retained earnings, and the Company's capital increased to NT\$549.75 million. |
| | September | Capital increase by NT\$100.25 million by recapitalization of capital surplus, and the Company's capital increased to NT\$650 million. |
| | December | Capital increase by NT\$50 million in cash and the Company's capital increased to NT\$700 million. |
| 1999 | March | Commenced the construction of KYEC Technology Headquarters on Gongdaowu Rd., Hsinchu City. |
| | May | Approved to engage in the public offering of stock by the Securities and Futures Bureau, Ministry of Finance, and also reported to TWSE for the pre-listing tutoring. |
| | July | Capital increase by NT\$293.75 million in cash and by recapitalization of retained earnings and capital surplus, and the Company's capital increased to NT\$993.75 million. |
| | August | Established Optoelectronic Products Division, and adjusted the organization. |

	October	Acquired one more land on Chunghua Rd., Chu-Nan Township, Miaoli County for the factory construction project.
	December	Capital increase by NT\$250 million in cash and the Company's capital increased to NT\$1.24375 billion.
2000	March	Commenced the construction of Chunghua 1st Factory.
	July	Capital increase by NT\$1.38850446 billion in cash and by recapitalization of retained earnings and capital surplus, and the Company's paid-in capital stock to NT\$2.63225446 billion. Completed the construction of KYEC Headquarters and officially opened the Headquarters.
	December	The application for listing of stock was approved by TWSE.
2001	January	The listing of stock was approved by the Securities and Futures Bureau, Ministry of Finance.
	March	Completed the construction of Chunghua 1st Factory and formally activated the Factor.
	May	Traded stock on TWSE officially.
	July	Capital increase by NT\$1.73446768 billion by recapitalization of retained earnings and capital surplus, and the Company's paid-in capital increased to NT\$4.36672214 billion.
	August	Passed the ISO9000, TL9000 and QS9000 certifications.
	October	Established the branch company in Chu-Nan Township.
2002	April	Issued the overseas convertible bonds in the amount of USD120 million.
	December	The special shareholders' meeting passed the motion for private placement and reelection of one director, and SPIL occupied one seat of directors accordingly.
2003	February	Passed ISO14001 for environmental management certification and OHSAS18001 for occupational safety and health management certification. Completed the motion for private placement, and the Company's capital increased to NT\$5.56871604 billion.
2004	January	Issued the overseas convertible bonds in the amount of USD100 million.
	August	Capital increase by recapitalization of retained earnings, and the Company's capital increased to NT\$7.54955164 billion.
2005	August	Capital increase by recapitalization of retained earnings, and the Company's capital increased to NT\$9.07897897 billion.
	December	Commenced the construction of Chunghua 2nd Factory.
2006	August	Capital increase by recapitalization of retained earnings, and the Company's capital increased to NT\$10.89670967 billion. Completed the construction of Chunghua 2nd Factory.
2007	April	Commenced the construction of Chunghua 3rd Factory. Acquired a piece of land occupying an area of 5,588 square meters on Chunghua Rd., Chu-Nan Township, Miaoli County for the factory construction project.

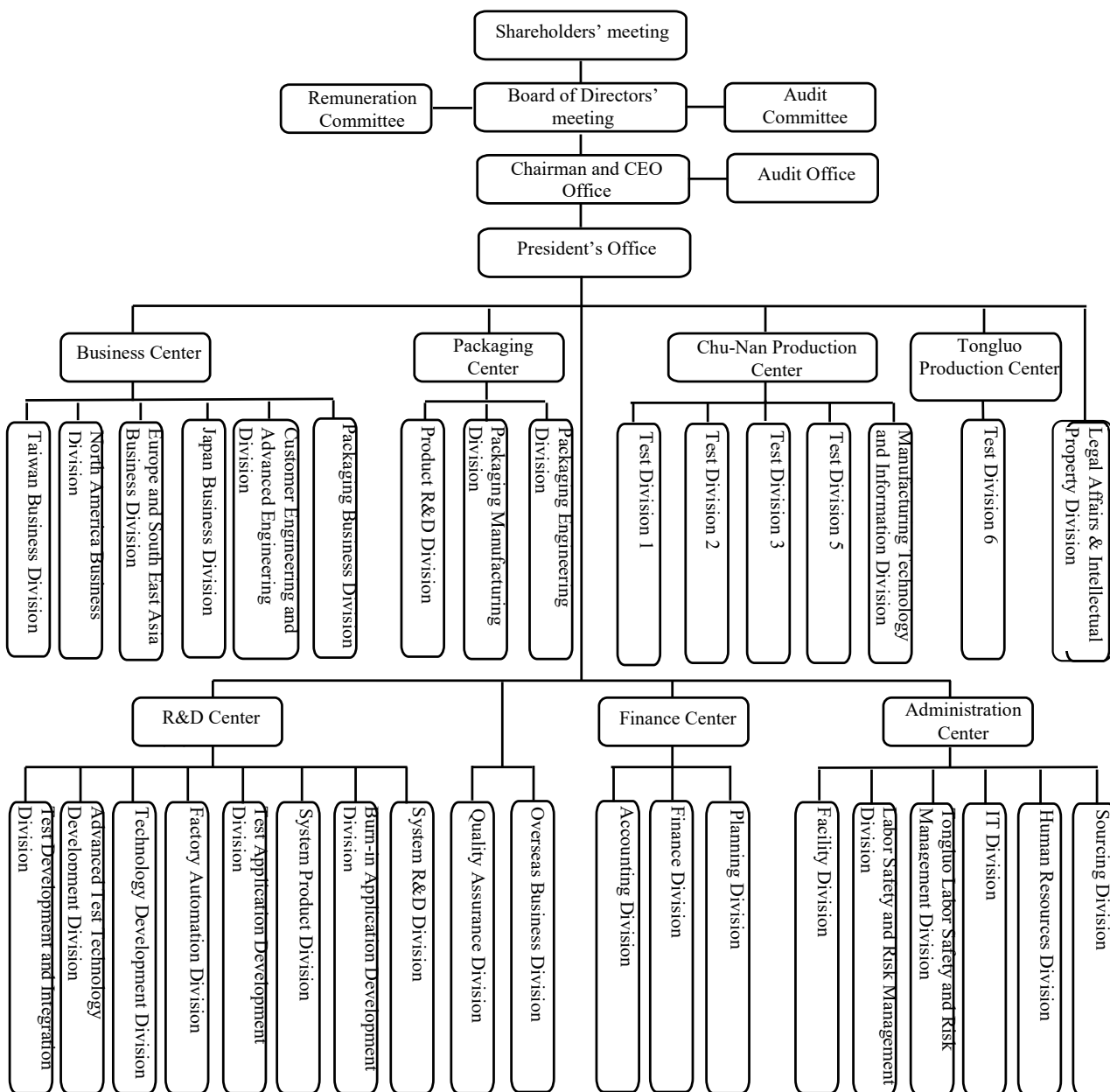
	August	Capital increase by recapitalization of retained earnings, and the Company's capital increased to NT\$12.14696675 billion.
	December	Passed ISO14064 for international GHG management accreditation. Completed the construction of Chunghua 3rd Factory.
2008	February	Commenced the construction of Chunghua 4th Factory.
	August	Capital increase by recapitalization of retained earnings, and the Company's capital increased to NT\$12.80854009 billion.
	September	Completed the construction of Chunghua 4th Factory.
	November	Passed OHSAS18001:2007 for revision certification. Passed TOSHMS certification.
2009	August	Capital increase by recapitalization of retained earnings, and the Company's capital increased to NT\$12.59735760 billion.
	December	Passed ISO14001, OHSAS18001 and TOSHMS for annual follow-up audit.
2010	October	Issued the overseas convertible bonds in the amount of USD40 million.
	December	Passed ISO14001/OHSAS18001/TOSHMS for annual follow-up audit.
2011	October	Honored as the excellent plant for cleaner production in TSMC Center-Satellite system.
2012	December	Passed TOHMAS for conversion into CNS15506:2011. Chunghua Factories passed the AEO safety accreditation.
2013	February	Commenced the construction of Tongluo Factory for Stage 1.
	December	Completed the construction of Tongluo Factory for Stage 1.
2014	December	Commenced the construction of Tongluo Factory for Stage 2.
2015	December	Chu-Nan Factory was honored as the excellent entity for "Low Carbon Action Award" conferred by the Environmental Protection Administration, Executive Yuan.
2016	January	Completed the construction of Tongluo Factory for Stage 2.
	April	Tongluo Factory for Stage 1 received the "Green Building—Bronze Medal" awarded by the Ministry of Interior.
	July	Issued the overseas convertible bonds in the amount of USD50 million. Purchased green power and awarded the "2016 Green Power Logo" by the Ministry of Economic Affairs.
	October	Tongluo Factory received the "Green Power Plant Label" awarded by the Industrial Development Bureau, Ministry of Economic Affairs.
	November	Received the excellence award for the "2015 Green Procurement Implemented by Private Enterprises and Groups" conferred by the Environmental Protection Bureau of Miaoli County Government. Chu-Nan Factory passed ISO50001 for energy management accreditation.
2017	September	Purchased green power and awarded the "Green Power Logo" by the Bureau of Energy, Ministry of Economic Affairs.
	November	Honored as the excellent entity for "2016 Green Procurement" awarded by the Environmental Protection Administration, Executive Yuan. Received the excellence award in "Landscaping and Environmental

- Maintenance Competition” organized by Hsinchu Science Park.
- December Received the excellence award for the “2016 Green Procurement Implemented by Private Enterprises and Groups” conferred by the Environmental Protection Bureau of Miaoli County Government.
Tongluo Factory passed ISO50001 for energy management accreditation.
- 2018 November Received the excellence award in “Landscaping and Environmental Maintenance Competition” organized by Hsinchu Science Park.
- December Received the excellence award for the “2017 Green Procurement Implemented by Private Enterprises and Groups” conferred by the Environmental Protection Bureau of Miaoli County Government.
- 2019 November Received the excellence award in “Landscaping and Environmental Maintenance Competition” organized by Hsinchu Science Park.
Honored as the excellent entity for “2018 Green Procurement” awarded by the Environmental Protection Administration, Executive Yuan.
- December Received the excellence award for the “2018 Green Procurement Implemented by Private Enterprises and Groups” conferred by the Environmental Protection Bureau of Miaoli County Government.
- 2020 September Honored as the excellent entity for “2019 Green Procurement” awarded by the Environmental Protection Administration, Executive Yuan.
- November Received the excellence award in “Landscaping and Environmental Maintenance Competition” organized by Hsinchu Science Park.
Received the excellence award for the “2019 Green Procurement Implemented by Private Enterprises and Groups” conferred by Environmental Protection Bureau of Miaoli County Government
- December Passed OHSAS18001 for conversion into ISO45001:2018.
Passed CNS15506 for conversion into CNS45001:2018.
Passed ISO22301:2019 business continuity management system.
Commenced the construction of Tongluo Factory for Stage 3.
- 2021 September Received “The 210 National QCC Headquarters” special merit award by Association of Pioneer Quality Control Research.
- October Received “Excellent Bonded Factory” by Customs Administration, Ministry of Finance.
- November Received “Miaoli 2021 Gold Industrial Vendor Excellence Award” – for Sustainable Development Award by Miaoli County Government.
Received the “Golden Trade Award” for the Best Trade Contribution Award in the electrical and electronics category by Bureau of Foreign Trade.
Received the bronze award for “2021 Taiwan Corporate Sustainability Award” by the TAISE.
Received the excellence award for the “2020 Green Procurement Implemented by Private Enterprises and Groups” conferred by Environmental Protection Bureau of Miaoli County Government - special merit award.

- December Honored as the excellent entity for “2020 Green Procurement” awarded by the Environmental Protection Administration, Executive Yuan.
Received the bronze award for the “2021 Taiwan Continuous Improvement Award” by CSD.
- 2022 June Passed ISO14064-1:2018 verification for GHG Inventory.
- October Hsinchu Factory passed ISO50001 for energy management accreditation.
- November Received the “National QCC Headquarters” Gold Award by Association of Pioneer Quality Control Research.
Received the bronze award for “Taiwan Sustainability Award” by the TAISE.
Received the excellence award for the “2021 Green Procurement Implemented by Private Enterprises and Groups” conferred by Environmental Protection Bureau of Miaoli County Government - special merit award.
- December Received the silver award for the “Taiwan Continuous Improvement Award” by CSD.
Honored as the excellent entity for “2021 Green Procurement” awarded by the Environmental Protection Administration, Executive Yuan.

Three. Corporate Governance Report

I. Organization (I) Organizational structure



(II) Departmental Business Operations

Chairman and CEO office	Responsible for the decision making of the Group's overall operations.
President's Office	Establish the Company's business objectives and strategies, take charge of the Company's business plans and annual business policy, establish the Company's quality policy, and communicate, coordinate with and supervise the Company's departments/divisions.
Audit Office	Responsible for setting up the Company's internal control system, formulating and implementing the annual audit plan, preparing an audit report after it has conducted an audit, reporting audit deficiencies and anomalies, follow-up and improvement, and regularly report audits to the independent directors and the audit committee, the reports of which are then submitted to the board of directors.
Business Center (Including Taiwan Business Division, North America Business Division, Europe and South East Asia Business Division, Japan Business Division and Customer Engineering and Advanced Technology Engineering Division, Packaging Business Division)	Responsible for verifying the market condition, planning the merchandising in domestic/overseas markets, concluding sales contracts, providing forecasts to ensure delivery conditions which ensure the satisfaction of production schedule with customers' demand, and proceeding with annual marketing plans and customized engineering solutions and new product introduction services, etc.
Chu-Nan Production Center	Establish and execute the business plans to achieve profitability and turnover objectives; responsible for the financial and operational results; responsible for maintaining fair relationships with key customers and partners; promote and execute the customer demand to practice the promotion and execution of projects in the production lines; balance the vision and business purposes.
Test Division 1	Provide diversified Wafer and CIS IC testing service; develop and introduce testing technology; control the production to meet the shipping requirements; provide customers with excellent testing environment and fair testing quality.
Test Division 2	Responsible for such processing operations as wafer fabrication, grinding, cutting, selection and testing; control the production, delivery date and quality required under purchase orders; improve production technology,

	and establish standard operating procedures; assess, introduce and maintain production equipment, jigs, knives and measuring tools.
Test Division 3	Responsible for supervising and assessing logical reasoning test and mixed signal test of finished IC goods; responsible for supervising and assessing various departments' performance; control the production to meet the shipping requirements; test technology development and introduction; control product quality.
Test Division 5	Provide tests of finished IC goods and burn-in services; responsible for supervising and assessing various departments' performance; control the production to meet the shipping requirements; test and burn-in technology development and introduction; control product quality.
Manufacturing Technology and Information Division	Plan, design and develop the automation equipment and manufacturing management information systems required by various business divisions' production process, and provide any support required by the production process to upgrade the output.
Tongluo Production Center	Establish and execute the business plans of Tongluo Factory to achieve profitability and turnover objectives; responsible for the financial and operational results; responsible for maintaining fair relationships with key customers and partners; promote and execute the customer demand to practice the promotion and execution of projects in the production lines; balance the vision and business purposes.
Test Division 6	Provide customers with chips and IC test services; control the production to meet the shipping requirements; test technology development and introduction; control product quality.
R&D Center	Plan and execute R&D strategies, integrate and control R&D resources, integrate cross-group R&D projects, and lead the key R&D programs.
Test Development and Integration Division	Evaluation, development, and mass production of new products for image sensors of new customers. Development and integration of new testing technology for image sensors and test applications for proprietary test machines; provide customers with comprehensive test solutions, mass production service, and assist in the resolution of engineering problems on the production line.
Advanced Test Technology Development Division	Take charge of PCB design, manufacturing and stimulation technology, development and research of new test technology, develop system diagnostic technology, produce the automatic test programs and develop conversion systems, and design and manufacture new test

	machine interfaces.
Factory Automation Division	Creation and implementation of test environment; research and development of technologies needed to produce key components and perform specialized tests.
Test Application Development Division	Applying self-manufactured test equipment to provide customers with comprehensive IC test solutions. Planning and designing a customized test environment for differentiated test services to match with special test conditions.
System Product Division	Self-make test machines, produce and maintain Burn-in Oven and the development platform for mass production of parts to improve the stability of production lines.
Burn-in Application Development Division	Applying the self-developed burn-in machine to design customized systems and programs based on customer specifications and provide a comprehensive and high-quality burn-in process.
System R&D Division	Research and development of self-made test machines and high-power burn-in machine system/equipment, and focus on the functional expansion/upgrade of self-made test machines.
Technology Development Division	Set up a testing environment and smart facilities required for a smart factory, develop visual and control systems, and provide each business division with accessories and transport equipment required for production process and output problem improvement.
Administration Center	Integrate the Group's administrative resources and support the Group's operation to seek maximum interest for the Company at the lowest cost.
Facility Division	Responsible for factory layout, facility planning and construction as well as operation and maintenance of system.
Labor Safety and Risk Management Division	Responsible for assessing risk over factory premises and planning/executing EHS operations.
Tongluo Labor Safety and Risk Management Division	Responsible for assessing risk over factory premises and planning/executing EHS operations at Tongluo Factory premises.
IT Division	Responsible for planning, implementing, reviewing and improving the Company's information system, and maintaining, safeguarding and supervising information systems.
Human Resources Division	Responsible for establishing, reviewing and revising the Company's HR development plans.
Sourcing Division	Responsible for procuring raw materials and supplies and equipment, warehousing & logistics and import and export management, and bonding for the Company.
Quality Assurance Division	Coordinate the product quality upgrading, establish quality strategies, improve quality systems, control company documentation, conduct quality activities, serve as an analysis and calibration laboratory for equipment and instruments, and manage supplier quality.

Finance Center	Formulate financial strategies for the Company and the Group, plan related affairs such as finance, accounting, investment, corporate governance, corporate communication, and maintain relationships with the media.
Planning Division	Responsible for relationship management and communication with institutional investors, media relations, public affairs and coordination of cross-department projects.
Accounting Division	Comprehensive management of the Company's tax planning, budgeting, account settlement, customer credit management, fixed asset management and operations and cost analysis.
Finance Division	Responsible for matters including comprehensive management of the Company's stock affairs and corporate governance, working capital finance and schedules, and financial risk management.
Legal Affairs & Intellectual Property Division	Oversees legal affairs, including management of contractual arrangements, patents and other intellectual property rights, litigations etc.
Overseas Business Division	A unit prepared to assign overseas employees.
Packaging Center	Establish and execute the business plans to achieve profitability and turnover objectives; responsible for the financial and operational results; responsible for maintaining fair relationships with key customers and partners; promote and execute the customer demand to practice the promotion and execution of projects in the production lines; balance the vision and business purposes.
Product R&D Division	Responsible for the development and implementation of new packaging machinery, development of new products/technologies, layout design and assessment/introduction of new suppliers.
Packaging Manufacturing Division	Plan, execute and monitor progress of the production schedule; develop standardized operating guidelines and operational environment needed to deliver excellent and timely packaging service; responsible for improving production efficiency and supervising accomplishment of performance targets.
Packaging Engineering Division	Responsible for the planning, assessment and implementation of new packaging process and equipment purchase; responsible for making improvements to packaging yield, output, production process and use of materials to deliver customers' requirements toward the quality of packaging service.

II. Information on Directors, Presidents, Vice Presidents, Assistant Vice Presidents, and managers of each department and division

(I) Information on Directors

April 01, 2023

Title	Nationality or Place of Registration	Name	Gender/age (years of age)	Date elected/appointed	Term (years)	Date when first elected	Shares held at election		Shares currently held (Note 1)		Shareholdings of spouse and underage children		Shareholdings under another		Education/work experience	Concurrent positions in the Company and in other companies	Spouse or relatives of the second degree or closer acting as directors or department heads			Remarks
							Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)			Title	Name	Relationship	
Chairman	R.O.C.	Chin-Kung Lee	Male 61-70	2020.06.10	3	1996.09.25	34,000,941	2.78	34,100,941	2.79	4,265,053	0.35	0	0	Bachelor President of KYEC	CEO Chairman of KYEC Investment International Co., Ltd. Chairman of KYEC Technology Management Co., Ltd. Chairman of KYEC Microelectronics Co., Ltd. Director of King Long Technology (Suzhou) Ltd. Director of Suzhou Zhen Kun Technology Ltd. Independent Director of Quang Viet Enterprise Co., Ltd.	None	None	None	Note 4
Vice-Chairman	R.O.C.	Chi-Chun Hsieh	Male 61-70	2020.06.10	3	1999.04.20	5,552,037	0.45	5,552,037	0.45	567,120	0.05	0	0	Bachelor Supervisor of KYEC	Physician	None	None	None	None
Director	R.O.C.	An-Hsuan Liu	Male 61-70	2020.06.10	3	2014.06.12	1,200,000	0.10	1,250,000	0.10	0	0	0	0	PhD President of Intematix Technology Center Corporation	Chairman of KYEC USA Corp. Chairman of KYEC Japan K.K. Chairman of KYEC SINGAPORE PTE. LTD. Chairman of King Long Technology (Suzhou) Ltd. Chairman of Suzhou Zhen Kun Technology Ltd.	None	None	None	None
Director	R.O.C.	Kao-Yu Liu	Male 51-60	2020.06.10	3	2011.06.15	4,808,267	0.39	4,808,267	0.39	1,506,766	0.12	0	0	PHD Supervisor of KYEC	Chairman of LC Architecture Realization Company, Inc. Chairman of Ji-Ze Construction Development Co.,	Director Kuan-Hua Chen	None	Brother-in-law	None

Director	R.O.C.	Kuan-Hua Chen	Male 51-60	2020.06.10	3	2008.06.13	3,168,574	0.26	3,168,574	0.26	1,173,496	0.10	0	0	0	0	0	Master's in Financial Engineering, Carnegie Mellon University Supervisor of Weikeng Industrial Co., Ltd.	Ltd. Director of Weikeng Industrial Co., Ltd.	Director	Kao-Yu Liu	Spouse's brother	None
Director	Not applicable.	Yann Yuan Investment Co., Ltd.	-	2020.06.10	3	2017.06.08	52,600,000	4.30	52,600,000	4.30	0	0	0	0	0	0	0	-	Director of Acufit Enterprise Co., Ltd.	None	None	None	None
Director	R.O.C.	Representative: Chao-Jung Tsai (Note 2)	Male 61-70	2020.06.10	3	2017.06.08	0	0	0	0	0	0	0	0	0	0	0	Director of ChipMOS Technologies Inc. President of SPIL Investment Co., Ltd.	Director of Acufit Enterprise Co., Ltd.	None	None	None	None
Independent director	R.O.C.	Representative: Ping-Kun Hung (Note 3)	Male 61-70	2022.02.15	3	2022.02.15	0	0	0	0	0	0	0	0	0	0	0	Chairman of Hsun Chieh Investment Co., Ltd. CFO of KYEC	Director of Silicon Integrated Systems Co., Ltd.	None	None	None	None
Independent director	R.O.C.	Hui-Chun Hsu	Male 61-70	2020.06.10	3	2014.06.12	0	0	0	0	0	0	0	0	0	0	0	Master	Member of the Audit Committee and Remuneration Committee of KYEC Physician	None	None	None	None
Independent director	R.O.C.	Dar-Yeh Hwang	Male 61-70	2020.06.10	3	2017.06.08	0	0	0	0	0	0	0	0	0	0	0	PhD Chair of both Department and Institute of Finance, National Taiwan University Independent director of DBS (Taiwan) Independent Director of Chailase Holding Distinguished Professor of International College of Renmin University of China (Suzhou Campus)	Member of the Audit Committee and Remuneration Committee of KYEC Chairman of McBor AFMA Chairman of Academy of Promoting Economic Legislation (APEL) Co-director of ZIBS China Banking Research Center, Zhejiang University	None	None	None	None

Independent director	R.O.C.	Semi Wang	Male 61-70	2020.06.10	3	2020.06.10	10,000	0.00	10,000	0.00	0	0	0	Bachelor Vice President of KYEC Director of Cheng Uei Precision Industry Co., Ltd. Supervisor of Glory Science Co., Ltd. Chairman of Mingxiang Culture Co., Ltd. Supervisor of Kuokuang Power Plant Co., Ltd.	Member of the Audit Committee and Remuneration Committee of KYEC Member of Homenema Technology Incorporation Compensation Committee Director of Mingxing Creative Management Consultations Inc. Independent Director of Creative Sensor Inc. Director of FIT Holding Co., Ltd	None	None	None	None
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Note 1. Calculated based on the outstanding common stock on the date of suspension of stock transfer by the general shareholders' meeting.

Note 2. The representative of corporate director Yann Yuan Investment Co., Ltd. stepped down on February 15, 2022.

Note 3. The representative of corporate director Yann Yuan Investment Co., Ltd. assumed office on February 15, 2022.

Note 4. Where the company's chairman and president or person of an equivalent post (the highest-level manager) of a company are the same person, spouses or relatives within the first degree of kinship, an explanation shall be given of the reason, reasonableness, necessity thereof, and the measures (such as adding independent directors, and more than half of the directors not serving as concurrent employees or managers of another company) adopted in response thereto:

In order to enhance operating efficiency and decision execution, the Company's chairman also serves as the CEO. In addition, the chairman also closely communicates with the Company's directors on business operations, and formulates policies to implement corporate governance. In the future, depending on the development situations, the Company also plans on eliminating the chairman of the board of directors from serving as the CEO or adding independent directors to enhance the functions of the board of directors and strengthen supervision. Currently, the Company has also set up the following specific measures:

1. The current three independent directors are specialized in fields such as finance and the semiconductor industry in order to achieve effective supervision.
2. Each director is encouraged to take part in professional courses of external organizations such as the Securities and Futures Institute on an annual basis, in the aim of improving the operational efficiency of the board of directors.
3. Independent directors can fully discuss and make suggestions for the board of directors in each functional committee in order to implement corporate governance.
4. More than half of the directors did not serve as concurrent employees or managers of another company.

1-1 The Company's directors are the major shareholders of corporate shareholders

December 31, 2022

Name of the corporate shareholder	Major shareholders of corporate shareholders (Note)
Yann Yuan Investment Co., Ltd.	Siliconware Precision Industries Co., Ltd. (27.94%), United Microelectronics Corporation (26.78%), King Yuan Electronics Co., Ltd. (14.55%), Unimicron Technology Corp. (11.64%), Coretronic Corporation (11.06%), Sigurd Microelectronics Corporation (5.70%)

Note: The major shareholders refer to the shareholders who hold more than 10% of the Company's shares or the Company's 10 largest shareholders.

1-2 Major shareholders of corporate shareholders are major shareholders of legal persons

Corporate shareholders	Corporate shareholders' major shareholders (Note)
Siliconware Precision Industries Co., Ltd.	ASE Technology Holding Co., Ltd. (100%)
United Microelectronics Corporation	JPMorgan Chase Bank, N.A. acting in its capacity as depositary and representative to the holders of ADRs (4.90%), Hsun Chieh Investment Co., Ltd. (3.54%), Fubon Life Insurance Co., Ltd. (2.42%), Silicon Integrated Systems Corp (2.29%), Taiwan Life Insurance Co., Ltd. (1.76%), CTBC Bank Employee Stock Ownership Trust Account of United Microelectronics Corp. (1.55%), New Labor Pension Fund (1.50%), Yann Yuan Investment Co., Ltd. (1.28%), China Life Insurance Co., Ltd. (1.17%), JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (1.11%)
King Yuan Electronics Co., Ltd.	Yuanta Taiwan High Dividend Fund (4.69%), Yann Yuan Investment Co., Ltd. (4.30%), New Labor Pension Fund (2.97%), Chin-Kung Lee (2.79%), Stichting Depositary APG Emerging Markets Equity Pool (2.47%), Fubon Life Insurance Co., Ltd. (2.17%), United Microelectronics Corporation (1.89%), Investment account of Norges Bank managed by Citibank Taiwan (1.66%), Fubon Taiwan high dividend 30 ETF (1.58%), Labor Insurance Fund (1.39%)
Unimicron Technology Corp.	United Microelectronics Corporation (13.30%), New Labor Pension Fund (4.64%), Yann Yuan Investment Co., Ltd. (1.56%), Old Labor Pension Fund (1.49%), JP Morgan Chase Bank Custody of JP Morgan Securities Co., Ltd. Account (1.43%), Nan Shan Life Insurance Company, Ltd. (1.26%), Cathay Life Insurance Company (1.23%), Morgan Managed Van Gard Emerging Markets Equity Index Fund Account (1.20%), JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (1.11%), HSBC Bank in Custody for Morgan Stanley & Co. International Plc Account (1.08%)
Sigurd Microelectronics Corporation	Yann Yuan Investment Co., Ltd. (3.14%), Shin-Yang Huang (1.59%), Investment Account of Vanguard Emerging Markets Stock Index, under custody of Taipei Branch, JP Morgan (1.36%), Dedicated Account of LSV Emerging Market Equity Fund Limited Partnership under the custody of HSBC (1.35%), Ming-Chun Chiu (1.28%), Investment Account of PGIA

	Advanced Comprehensive International Stock Index, under custody of the Taipei Branch, JP Morgan (1.26%), Taiwan Cooperative Bank (0.98%), Union Bank of Taiwan (0.89%), iShares Core MSCI Emerging Markets ETF under the custody of Standard Chartered Bank (Taiwan) Ltd. (0.83%), Ensign Peak Advisors Inc. under the custody of HSBC (0.77%)
Coretronic Corporation	Taiwei Advanced Company (11.71%), Yann Yuan Investment Co., Ltd. (7.87%), HannStar Display Corporation (4.19%), Hsun Chieh Investment Company (3.96%), Huali Investment Company (3.04%), Wei-Yi Chang (2.39%), Chunghwa Post Co., Ltd. (2.12%), CitiBank (Taiwan) acting in its capacity as depository and representative to investment by Norges Bank (1.68%), JP Morgan Chase Bank, N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (1.34%), Hannshine Investment Corporation (1.29%)

Note: The latest information disclosed by various companies on the company website or MOPS.

(II) Information on Directors

I. Disclosure of professional qualifications of directors and independence of independent directors

Name	Qualification	Professional qualifications and experience	Independence	Number of positions as an Independent Director in other public listed companies
Chairman Chin-Kung Lee	Graduated from Department of Shipping & Transportation Management, NTOU. He currently serves as the Company's chairman and CEO, with more than five years of working experience in commercial, legal, financial, accounting or other work experience required to perform the assigned duties, and 30 years of working experience in corporate operations management and the semiconductor industry. Not a person of the conditions specified in any of the sub-paragraphs of Article 30 of the Company Act	Not applicable.	1	
Vice-Chairman Chi-Chun Hsieh	Graduated from School of Medicine, College of Medicine, Taipei Medical University. He has passed national examinations and attained a certificate to practice as a doctor. He possesses more than five years of working experience in commercial, legal, financial, accounting or other work experience required to perform the assigned duties, and is currently a doctor and director of Xiang-An Clinic. Not a person of the conditions specified in any of the sub-paragraphs of Article 30 of the Company Act		0	
Director An-Hsuan Liu	Holds a PhD in Mechanical Engineering, North Carolina State University. He current serves as the Company's president and has 20 years of working experience in corporate operations management and the semiconductor industry. Not a person of the conditions specified in any of the sub-paragraphs of Article 30 of the Company Act		0	
Director Kao-Yu Liu	Holds a PhD in Architecture Engineering, the University of Tokyo. He has more than five years of working experience in commercial, legal, financial, accounting or other work experience required to perform the assigned duties. He is currently the chairman of LC Architecture Realization Company, Inc. and Ji-Ze Construction Development Co., Ltd. Not a person of the conditions specified in any of the sub-paragraphs of Article 30 of the Company Act		0	
Director Kuan-Hua Chen	Holds a Master's in Financial Engineering, Carnegie Mellon University. He has more than five years of working experience in commercial, legal, financial, accounting or other work experience required to perform the assigned duties. He is concurrently serving as a director of Weikeng Industrial Co., Ltd. Not a person of the conditions specified in any of the sub-paragraphs of Article 30 of the Company Act		0	
Director Yann Yuan Investment Co., Ltd.	Representative: Ping-Kun Hung	Graduated from Department of Finance and Taxation of National Chengchi University. He has more than five years of working experience in commercial, legal, financial, accounting or other work experience required to perform the assigned duties. He was the chairman of Hsun Chieh Investment Co., Ltd. Not a person of the conditions specified in any of the sub-paragraphs of Article 30 of the Company Act	0	

<p>Independent director Hui-Chun Hsu</p>	<p>Holds a Master's degree in preventive medicine from the Institute of Health Policy and Management, National Taiwan University. He has passed national examinations and attained a certificate to practice as a doctor. He possesses more than five years of working experience in commercial, legal, financial, accounting or other work experience required to perform the assigned duties. He is currently a doctor and director of Bo-Xin Clinic and Executive Director at New Taipei City Medical Association.</p>	<p>The following independence assessment criteria has been met in the two years prior to and during the term of office:</p> <p>(1) Not an employee of the company or an affiliate. (2) Not a director or supervisor of the Company or its subsidiaries or affiliates (except an independent director appointed in accordance with the Securities and Exchange Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent). (3) The director, or his or her spouse or minor child, does not hold, in his or her own name or in another name, more than 1% of the Company's total outstanding shares, nor is one of the Company's ten largest natural-person shareholders. (4) Not a manager listed in (1), nor a spouse, relative within the second degree of kinship, or direct blood relative within the third degree of kinship of a person listed in (2) and (3). (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the Company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the Company under Article 27, paragraph 1 or 2 of the Company Act (except an independent director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary of the same parent). (6) Not a majority of the Company's director seats or voting shares and those of any other company controlled by the same person: a director, supervisor, or employee of that other company (except an independent director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary of the same parent). (7) Not a chairman, president, or person holding an equivalent position of the Company and a person in any of those positions at another company or institution is the same person or they are spouses: a director (or executive director), supervisor, or employee of that other company or institution (except an independent director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent). (8) Not a director (executive director), supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution that has a financial or business relationship with the Company (except a specified company or institution that holds 20% or more and no more than 50% of the total number of issued shares of</p>	<p>Number of shares and shareholding ratio held by directors, their spouse, or relatives within the second degree of kinship (or held under the name of a third person): 0.</p> <p>Compensation received for providing commercial, legal, financial, accounting or related services to the Company or its affiliates in the past two years: 0.</p> <p>Compliance with the independence provision stipulated in Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.</p>	<p>0</p>
<p>Independent director Dar-Yeh Hwang</p>	<p>Holds a Master's degree and a doctorate degree in finance from Rutgers, the State University of New Jersey. He was the chairman and director of the Department of Finance at National Taiwan University. He possesses more than five years of working experience in commercial, legal, financial, accounting or other work experience required to perform the assigned duties. He is currently the chairman of McBorner AFMA and Academy of Promoting Economic Legislation.</p>	<p>The following independence assessment criteria has been met in the two years prior to and during the term of office:</p> <p>(1) Not an employee of the company or an affiliate. (2) Not a director or supervisor of the Company or its subsidiaries or affiliates (except an independent director appointed in accordance with the Securities and Exchange Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent). (3) The director, or his or her spouse or minor child, does not hold, in his or her own name or in another name, more than 1% of the Company's total outstanding shares, nor is one of the Company's ten largest natural-person shareholders. (4) Not a manager listed in (1), nor a spouse, relative within the second degree of kinship, or direct blood relative within the third degree of kinship of a person listed in (2) and (3). (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the Company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the Company under Article 27, paragraph 1 or 2 of the Company Act (except an independent director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary of the same parent). (6) Not a majority of the Company's director seats or voting shares and those of any other company controlled by the same person: a director, supervisor, or employee of that other company (except an independent director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary of the same parent). (7) Not a chairman, president, or person holding an equivalent position of the Company and a person in any of those positions at another company or institution is the same person or they are spouses: a director (or executive director), supervisor, or employee of that other company or institution (except an independent director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent). (8) Not a director (executive director), supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution that has a financial or business relationship with the Company (except a specified company or institution that holds 20% or more and no more than 50% of the total number of issued shares of</p>	<p>Number of shares and shareholding ratio held by directors, their spouse, or relatives within the second degree of kinship (or held under the name of a third person): 0.</p> <p>Compensation received for providing commercial, legal, financial, accounting or related services to the Company or its affiliates in the past two years: 0.</p> <p>Compliance with the independence provision stipulated in Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.</p>	<p>0</p>

<p>Independent director Semi Wang</p>	<p>Graduated from Department of Aeronautics and Astronautics, National Cheng Kung University. He possesses more than five years of working experience in commercial, legal, financial, accounting or other work experience required to perform the assigned duties. He is currently serving as the director of Mingxing Creative Management Consultations Inc., and concurrently serving as an independent director of Creative Sensor, Inc.; director of FIT Holding Co., Ltd.; member of Homenema Technology Incorporation Compensation Committee.</p>	<p>the public company, or an independent director appointed in accordance with the Securities and Exchange Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent.</p> <p>(9) Not a professional individual, or an owner, partner, director (executive director), supervisor, or officer of a sole proprietorship, partnership, company, or institution, that provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof. This restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.</p> <p>(10) Is not the spouse or relative within the second degree of kinship of another director.</p> <p>(11) Is not a person of the conditions specified in any of the sub-paragraphs of Article 30 of the Company Act.</p> <p>(12) Has not been elected as a government unit, institution, or their representative as prescribed in Article 27 of the Company Act.</p>	<p>Number of shares and shareholding ratio held by directors, their spouse, or relatives within the second degree of kinship (or held under the name of a third person): 10,000 Shares (0.00%)</p> <p>Compensation received for providing commercial, legal, financial, accounting or related services to the Company or its affiliates in the past two years: 0.</p> <p>All are in compliance with the provision of independence in Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.</p>
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II. Diversity and independence of the Board of Directors:

(I) Diversity of the Board of Directors

The Company’s Corporate Governance Best-Practice Principles specify the diversity policy of the composition of members of the Board and the policy is implemented. The Company adopts a candidate nomination system for its composition of Board of Directors. In addition to evaluating each candidate’s academic qualifications, the Company takes into account opinions of stakeholders and complies with the regulations set forth in the “Method of Election of Directors,” “Corporate Governance Best-Practice Principles,” and “Articles of Incorporation” to ensure the diversity and independence of the Board members. Pursuant Paragraph 3, Article 20 of the Company’s Corporate Governance Best-Practice Principles, the composition of the board of directors shall be determined by taking diversity into consideration. It is advisable that directors concurrently serving as company officers not exceed one-third of the total number of the board members, and that an appropriate policy on diversity based on the company’s business operations, operating dynamics, and development needs be formulated and include, without being limited to, the following two general standards:

- I. Basic requirements and values: Gender, age, nationality, and culture.
- II. Professional knowledge and skills: Professional background (e.g. law, accounting, industry, finance, marketing, or technology), professional skills, and industry experience.

All members of the board shall have the knowledge, skills, and experience necessary to perform their duties. To achieve the ideal goal of corporate governance, the board of directors shall possess the following abilities:

1. Ability to make operational judgments.
2. Ability to perform accounting and financial analysis.
3. Ability to conduct management administration.
4. Ability to conduct crisis management.
5. Knowledge of the industry.
6. An international market perspective.
7. Ability to lead.
8. Ability to make policy decisions.

Members of the Company are all nationals of Taiwan. The Company's Board is composed of a diverse group of professionals from different backgrounds, each possessing extensive experiences and professionalism in industries and academia, including business management, finance and accounting, aerospace engineering, mechanical engineering, medical and construction expertise.

The Company has formulated and implemented the diversity policy with respect to the Board members. In doing so, we strive for improving the structure of the Company's Board. For the competencies of the Board members, please see the following table:

The implementation of the diversity policy for the Board is as follows:

Core items for diversity		Basic composition			Length of service of independent directors	Professional competence							
		Gender	With employee status	Age		Operational judgments	Accounting and financial analysis	Management administration	Crisis management	Knowledge of the industry	International market perspective	Leadership and decision-making	
51-60	61-70												
Directors					3 to 9 years								
Chairman	Chin-Kung Lee	Male	V		V		H	M	H	H	H	H	H
Vice-Chairman	Chi-Chun Hsieh	Male			V		H	M	H	H	H	H	H
Director	An-Hsuan Liu	Male	V		V		H	M	H	H	H	H	H
Director	Kao-Yu Liu	Male		V			H	M	H	H	M	H	H

Director	Kuan-Hua Chen	Male		v			H	M	H	H	M	H	H
Director	Yann Yuan Investment Co., Ltd. Representative: Ping-Kun Hung (Note)	Male			v		H	H	H	H	H	H	H
Independent director	Hui-Chun Hsu	Male			v	v	H	M	H	H	M	H	H
Independent director	Dar-Yeh Hwang	Male			v	v	H	H	H	H	M	H	H
Independent director	Semi Wang	Male			v	v	H	M	H	H	H	H	H

H:High; M:Medium

(II) Independence of Board of Directors:

The Company's Board of Directors consists of nine directors, including three independent directors, which account for 33% of the total number of directors. The Board conducts assessment and evaluation on the independence of independent directors in accordance with applicable laws. Three independent directors have served 3–9 years and not more than three consecutive terms. Two directors are concurrently serving as managerial officers at the company, accounting for 22% of all directors, which did not exceed one-third of the total number of board members.

The independent directors of the Company have complied with the provisions of Article 26-3, paragraphs 3 and 4 of the Securities and Exchange Act, including the provision concerning spousal relationship or familial relationship within the second degree of kinship that may exist between any directors, between any supervisors, or between any director(s) and supervisor(s).

(II) Information on Presidents, Vice Presidents, Assistant Vice Presidents, and managers of each department and division

April 1, 2023

Title	Nationality	Name	Gender	Date on-board	Shareholding		Shareholdings of spouse and underage children		Shareholdings under another		Education/work experience	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship			Remarks
					Shares	Shareholding ratio (%) (Note 1)	Shares	Shareholding ratio (%) (Note 1)	Shares	Shareholding ratio (%)			Title	Name	Relationship	
CEO	R.O.C.	Chin-Kung Lee	Male	2011.11.28	34,100,941	2.79	4,263,053	0.35	0	0	Bachelor President of KYEC	Chairman of KYEC Investment International Co., Ltd. Chairman of KYEC Technology Management Co., Ltd. Chairman of KYEC Microelectronics Co., Ltd. Director of King Long Technology (Suzhou) Ltd. Director of Suzhou Zhen Kun Technology Ltd. Independent Director of Quang Viet Enterprise Co., Ltd.	None	None	None	Note 5
President	R.O.C.	An-Hsuan Liu	Male	2012.03.01	1,250,000	0.10	0	0	0	0	PhD President of Intematix Technology Center Corporation	Chairman of KYEC USA Corp. Chairman of KYEC SINGAPORE PTE. LTD. Chairman of KYEC Japan K.K. Chairman of King Long Technology (Suzhou) Ltd. Chairman of Suzhou Zhen Kun Technology Ltd.	None	None	None	None
Executive Vice President	R.O.C.	Gauss Chang	Male	2006.04.25	3,051,294	0.25	146,981	0.01	0	0	Master Senior Vice President of KYEC	Director of KYEC USA Corp. Director of KYEC SINGAPORE PTE. LTD. Supervisor of King Long Technology (Suzhou) Ltd. Director of Suzhou Zhen Kun Technology Ltd.	None	None	None	None
Senior Vice President (Note 2)	R.O.C.	K.K Lee	Male	2008.11.03	-	-	-	-	-	-	-	-	-	-	-	-

Senior Vice President	R.O.C.	Steven Chang	Male	2011.11.28	1,046,182	0.09	0	0	0	0	0	0	0	0	0	0	0	0	None	None	None	None	None
Senior Vice President (Note 3)	R.O.C.	Andy Liang	Male	2022.10.06	590,936	0.05	0	0	0	0	0	0	0	0	0	0	0	0	None	None	None	None	None
Vice President	R.O.C.	Hans Han	Male	2020.10.30	60,000	0.00	10,000	0.00	0	0	0	0	0	0	0	0	0	0	None	None	None	None	None
Vice President and CFO	R.O.C.	Logan Chao	Male	2016.03.02	139,740	0.01	72,214	0.01	0	0	0	0	0	0	0	0	0	0	None	None	None	None	None
Assistant Vice President	R.O.C.	Wendy Chen	Female	2016.12.05	0	0	0	0	0	0	0	0	0	0	0	0	0	0	None	None	None	None	None
Assistant Vice President	R.O.C.	Chung-Jung Tsai	Male	2021.12.28	14,000	0.00	0	0	0	0	0	0	0	0	0	0	0	0	None	None	None	None	None

Assistant Vice President (Note 4)	R.O.C.	TK Chen	Male	2022.10.06	0	0	0	0	0	0	0	0	0	0	None	None	None	None
Assistant Vice President (Note 4)	R.O.C.	Ta-Kang Liu	Male	2022.10.06	60,844	0.00	20,000	0.00	0	0	0	0	0	0	None	None	None	None
Assistant Vice President (Note 4)	R.O.C.	Jerry Su	Male	2022.10.06	1,000	0.00	0	0	0	0	0	0	0	0	None	None	None	None

Note 1: Calculated based on the outstanding common stock on the date of suspension of stock transfer by the general shareholders' meeting.

Note 2: Dismissed on October 6, 2022.

Note 3: Promoted on October 6, 2022.

Note 4: Appointed on October 6, 2022.

Note 5: Where the company's chairman and president or person of an equivalent post (the highest-level manager) of a company are the same person, spouses or relatives within the first degree of kinship, an explanation shall be given of the reason, reasonableness, necessity thereof, and the measures (such as adding independent directors, and more than half of the directors not serving as concurrent employees or managers of another company) adopted in response thereto:

In order to enhance operating efficiency and decision execution, the Company's chairman also serves as the CEO. In addition, the chairman also closely communicates with the Company's directors on business operations, and formulates policies to implement corporate governance. In the future, depending on the development situations, the Company also plans on eliminating the chairman of the board of directors from serving as the CEO or adding independent directors to enhance the functions of the board of directors and strengthen supervision. Currently, the Company has also set up the following specific measures:

1. The current three independent directors are specialized in fields such as finance and the semiconductor industry in order to achieve effective supervision.
2. Each director is encouraged to take part in professional courses of external organizations such as the Securities and Futures Institute on an annual basis, in the aim of improving the operational efficiency of the board of directors.
3. Independent directors can fully discuss and make suggestions for the board of directors in each functional committee in order to implement corporate governance.
4. More than half of the directors did not serve as concurrent employees or managers of another company.

III. Remuneration to Directors, Presidents and Vice Presidents of the Company in the most recent year

(I) Remuneration to Directors and Independent Directors in 2022

Units: NTD thousand

Title	Name	Remuneration to directors						Remuneration from concurrently servings as employees				Ratio of total compensation (A+B+C+D+E+F+G) and to net profit after tax(%)		Remuneration from invested non-subsidiary enterprise(s) or the parent company										
		Remuneration (A)		Pension upon retirement (B)		Remuneration to directors (C)		Service Expenses (D)		The sum of A, B, C and D to Earnings after Tax (%)		Salary, bonuses, and special allowances, etc (E)			Pension upon retirement (F)		The Company	Companies included into the financial statement						
		The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement											
Chairman	Chin-Kung Lee																							
Vice-Chairman	Chi-Chun Hsieh																							
Director	An-Hsuan Liu																							
Director	Kao-Yu Liu																							
Director	Kuan-Hua Chen	0	0	0	0	49,753	0	0	49,753	0.73%	49,753	0.73%	23,030	45,450	108	108	16,000	0	88,891	1.30%	111,311	1.63%	None	
Director	Representative: Ping-Kun Hung (Note 2)																							
Independent director	Hui-Chun Hsu	0	0	0	0	24,877	0	0	24,877	0.36%	24,877	0.36%	0	0	0	0	0	0	24,877	0.36%	24,877	0.36%	None	
Independent director	Dar-Yeh Hwang																							
Independent director	Semi Wang																							

1. Please describe the remuneration policy, system, standards, and structure for independent directors, and the linkage of factors such as duties, risks, and period of service to the amount of remuneration.

Directors' remuneration is handled as stipulated in Articles 16 and 19 of the Company's Articles of Incorporation. However, directors' remuneration is currently distributed in accordance with provisions of Article 19. Depending on the company's operational development in the future, the Company's board of directors will resolve whether to pay directors' remuneration in accordance with Article 16. Presently, the total amount of directors' (independent directors) remuneration shall not exceed 1% of the current year's profit as stipulated in Article 19 of the Company's Articles of Incorporation. The distribution shall be handled equally among each director as suggested by the Remuneration Committee, and their remuneration standard may be adjusted to the Company's operating performance.

2. Other than the remuneration disclosed in said table, the remuneration received by any of the Company's directors for providing services to the parent company/any companies included in the financial statement/investment business, e.g. as an advisor other than employee in the most recent year: None.

Note 1: Proposed allocated amount.

Note 2: The representative Chao-Jung Tsai of corporate director of Yamm Yuan Investment Co., Ltd. was replaced by Ping-Kun Hung on February 15, 2022.

Remuneration scale

Breakdown of remuneration to directors	Directors			
	Sum of foregoing four items(A+B+C+D)		Sum of foregoing seven items(A+B+C+D+E+F+G)	
	The Company	Companies included into the financial statement (H)	The Company	Companies included into the financial statement (I)
Below NT\$1,000,000	-	-	-	-
NT\$1,000,000 (inclusive)-NT\$2,000,000 (exclusive)	-	-	-	-
NT\$2,000,000 (inclusive)-NT\$3,500,000 (exclusive)	-	-	-	-
NT\$3,500,000 (inclusive)-NT\$5,000,000 (exclusive)	-	-	-	-
NT\$5,000,000 (inclusive)-NT\$10,000,000 (exclusive)	General directors: Chin-Kung Lee, Chi-Chun Hsieh, An-Hsuan Liu, Kao-Yu Liu, Kuan-Hua Chen, Representative of Yann Yuan Investment Co., Ltd.: Ping-Kun Hung Independent directors: Hui-Chun Hsu, Dar-Yeh Hwang, Semi Wang	General directors: Chin-Kung Lee, Chi-Chun Hsieh, An-Hsuan Liu, Kao-Yu Liu, Kuan-Hua Chen, Representative of Yann Yuan Investment Co., Ltd.: Ping-Kun Hung Independent directors: Ping-Kun Hung Hui-Chun Hsu, Dar-Yeh Hwang, Semi Wang	General directors: Chi-Chun Hsieh, Kao-Yu Liu, Kuan-Hua Chen, Representative of Yann Yuan Investment Co., Ltd.: Ping-Kun Hung Independent directors: Hui-Chun Hsu, Dar-Yeh Hwang, Semi Wang	General directors: Chi-Chun Hsieh, Kao-Yu Liu, Kuan-Hua Chen, Representative of Yann Yuan Investment Co., Ltd.: Ping-Kun Hung Independent directors: Hui-Chun Hsu, Dar-Yeh Hwang, Semi Wang
NT\$10,000,000 (inclusive)-NT\$15,000,000 (exclusive)	-	-	-	-
NT\$15,000,000 (inclusive)-NT\$30,000,000 (exclusive)	-	-	General directors: Chin-Kung Lee	General directors: Chin-Kung Lee
NT\$30,000,000 (inclusive)-NT\$50,000,000 (exclusive)	-	-	General directors: An-Hsuan Liu	-
NT\$50,000,000 (inclusive)-NT\$100,000,000 (exclusive)	-	-	-	General directors: An-Hsuan Liu
Over NT\$100,000,000	-	-	-	-
Total	9	9	9	9

(II) Remuneration to President, and Vice Presidents

Unit: NTD thousand

Title	Name	Salary (A)		Pension upon retirement (B)		Bonus and special allowance, etc. (C)		Amount of employee remuneration (D) (Note 1)			The sum of A, B, C and D to Earnings after Tax (%)		Remuneration from invested non-subsiary enterprise(s) or the parent company	
		The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	Cash	Stock	The Company		Companies included into the financial statement
CEO	Chin-Kung Lee													
President	An-Hsuan Liu													
Executive Vice President	Gauss Chang													
Senior Vice President (Note 2)	K. K. Lee	32,660	32,660	732	732	21,110	43,530	53,621	0	53,621	0	108,123	130,543	
Senior Vice President	Steven Chang											1.58%	1.91%	
Senior Vice President (Note 3)	Andy Liang													
Vice President	Hans Han													
Vice President and CFO	Logan Chao													

Note 1: Proposed allocated amount.

Note 2: Dismissed on October 6, 2022.

Note 3: Promoted on October 6, 2022

Remuneration scale

Breakdown of remuneration to president and vice presidents	President and vice presidents	
	The Company	Companies included into the financial statement
Below NT\$1,000,000	-	-
NT\$1,000,000 (inclusive)-NT\$2,000,000 (exclusive)	-	-
NT\$2,000,000 (inclusive)-NT\$3,500,000 (exclusive)	-	-
NT\$3,500,000 (inclusive)-NT\$5,000,000 (exclusive)	-	-
NT\$5,000,000 (inclusive)-NT\$10,000,000 (exclusive)	K. K. Lee, Logan Chao	K. K. Lee, Logan Chao
NT\$10,000,000 (inclusive)-NT\$15,000,000 (exclusive)	Andy Liang, Hans Han	Andy Liang, Hans Han
NT\$15,000,000 (inclusive)-NT\$30,000,000 (exclusive)	Chin-Kung Lee, Gauss Chang, Steven Chang	Chin-Kung Lee, Gauss Chang, Steven Chang
NT\$30,000,000 (inclusive)-NT\$50,000,000 (exclusive)	An-Hsuan Liu	-
NT\$50,000,000 (inclusive)-NT\$100,000,000 (exclusive)	-	An-Hsuan Liu
Over NT\$100,000,000	-	-
Total	8	8

(III) Names of managers entitled to employee remuneration and amount entitled to

December 31, 2022, unit: NTD thousand

	Title	Name	Stock	Cash (Note 1)	Total	Percentage of total bonuses to net profit after tax (%)
Managers	CEO	Chin-Kung Lee				
	President	An-Hsuan Liu				
	Executive Vice President	Gauss Chang				
	Senior Vice President (Note 2)	K.K Lee				
	Senior Vice President	Steven Chang				
	Senior Vice President (Note 3)	Andy Liang				
	Vice President	Hans Han				
	Vice President and CFO	Logan Chao	0	74,222	74,222	1.0857
	Assistant Vice President	Wendy Chen				
	Assistant Vice President	Chung-Jung Tsai				
	Assistant Vice President (Note 4)	TK Chen				
	Assistant Vice President (Note 4)	Ta-Kang Liu				
	Assistant Vice President (Note 4)	Jerry Su				
	Corporate Governance Officer	Neil Chung				

Note 1: Proposed allocated amount.

Note 2: Dismissed on October 6, 2022.

Note 3: Promoted on October 6, 2022.

Note 4: Appointed on October 6, 2022.

(IV) Amount of remuneration paid in the last 2 years by the Company and all companies included in the consolidated financial statements to the Company's directors, President, and Vice Presidents, and their respective proportions to separate and consolidated net income, as well as the policies, standards, and packages by which they were paid, the procedures through which remunerations were determined, and their association with business performance and future risks.

1. Analysis on the respective proportions of the amount of remuneration paid in the last 2 years by the Company to the directors (including independent directors), President, and Vice President to the net income of the parent company only financial report:

Units: NTD thousand

Year	2022				2021			
	Total remuneration		The sum as a percentage of earnings after tax (%)		Total remuneration		The sum as a percentage of earnings after tax (%)	
Title	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement
Directors (including independent directors)	113,768	136,188	1.66%	1.99%	97,381	106,357	1.88%	2.06%
President and vice presidents	108,123	130,543	1.58%	1.91%	102,654	111,630	1.98%	2.16%

Note: The remuneration to employees means the amount proposed to be allocated.

2. Remuneration policies, standards and packages, procedures for determining remuneration and its linkage to operating performance and future risk exposure:

For the remuneration of the Company's directions (including independent directors), subject to the profit sought for the current year, the Company shall allocate no more than 1% of the profit as the remuneration to directors according to the Company's Articles of Incorporation. However,

if the Company has cumulative losses, an amount sufficient to make up losses shall be retained. The Company may, by a resolution adopted by a majority vote at a meeting of board of directors attended by two-thirds of the total number of directors, have the profit distributable as directors' compensation, and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting. According to the Company's Articles of Incorporation, the remunerations to all directors (including independent directors) shall be commensurate with their level of participation and value of contribution to the operation of the Company with reference to industry standard, and shall be determined by the board of directors under authorization. Accordance with the regulations of the Company's Charter for the Remuneration Committee, the remuneration to directors (including independent directors) shall require the approval of one-half or more of all Remuneration Committee members, and furthermore shall be submitted for a resolution by the board of directors.

The remuneration to the Company's managerial personnel shall be handled in accordance with the Company Act and the Company's Charter for the Remuneration Committee, as required by the Company's Articles of Incorporation. Besides referring to the overall business performance of the Company, the position of all managerial personnel, the contribution to the Company's operation, individual performance, and reference to payment in industry standard, the remuneration committee reviews and evaluates the overall remuneration rationality and then submits to the board of directors for resolution. The committee also considers the rationality between the relation of individual performance, the Company's business performance and future risk.

IV. Status of Corporate Governance

(I) Information about operation of the Board of Directors

1. The board of directors met 10 times in 2022. The details of attendance are as follows:

Term	Title	Name	Actual attendance	Attendance by proxy	Actual attendance rate (%)	Remarks
14th	Chairman	Chin-Kung Lee	10	0	100%	
	Vice-Chairman	Chi-Chun Hsieh	10	0	100%	
	Director	An-Hsuan Liu	10	0	100%	
	Director	Kao-Yu Liu	10	0	100%	
	Director	Kuan-Hua Chen	10	0	100%	
	Director	Yann Yuan Investment Co., Ltd. Representative: Ping-Kun Hung	10	0	100%	
	Independent director	Hui-Chun Hsu	10	0	100%	
	Independent director	Dar-Yeh Hwang	10	0	100%	
	Independent director	Semi Wang	10	0	100%	

Other items to be stated:

- I. For board of directors' meetings that meet any of the following descriptions, state the date, session, the discussed agenda, independent directors' opinions and how the Company has responded to such opinions:
- (I) Matters listed in Article 14-3 of the Securities and Exchange Act: The Company has established an Audit Committee and is not subject to matters listed in Article 14-3 of the Securities and Exchange Act. For details, please refer to the Operating Status of the Audit Committee in p.43-47.
- (II) Any other resolution(s) passed but with independent directors voicing opposing or qualified opinions on the record or in writing: None.
- II. In instances where a director recused himself/herself due to a conflict of interest, the minutes shall clearly state the director's name, contents of the proposal and resolution thereof, reason for not voting and actual voting counts:

Board of directors meeting date/session	Motion	Reasons for the required recusal, and participation in the voting process
2022/04/08 14th meeting of the 14th board	Discussion of the adjustments made by the remuneration committee regarding managers' remuneration for year 2022.	As Chairman Chin-Kung Lee and Director An-Hsuan Liu are also the Company's managers, and therefore recused themselves from the discussion and voting on the motion. The motion was passed by all directors present at the meeting who participated in the discussion and voting with no objection.
2022/08/05 17th meeting of the 14th board	Discussion of the adjustments made by the remuneration committee regarding the proposed distribution of cash remuneration to the Company's managers for 2021.	As Chairman Chin-Kung Lee and Director An-Hsuan Liu are also the Company's managers, and therefore recused themselves from the discussion and voting on the motion. The motion was passed by all directors present at the meeting who participated in the discussion and voting with no objection.

III. Evaluation of the Board of Directors				
Evaluation cycle	Evaluation duration	Evaluation Scope	Evaluation method	Evaluation content
Annually	January 1, 2022 to December 31, 2022	Board of Directors' meeting	Self evaluation of the Board of Directors	The participation in the operation of the Company; improvement of the quality of the board of directors' decision making; composition and structure of the board of directors; election and continuing education of the directors; and internal control.
		Individual board members	Self-evaluation of Board members	Alignment of the goals and missions of the company; awareness of the duties of a director; participation in the operation of the company; management of internal relationship and communication; the director's professionalism and continuing education; and internal control.
		Functional committee	Self-evaluation of functional committee	Participation in the operation of the company; awareness of the duties of the functional committee quality of decisions made by the functional committee; makeup of the functional committee and election of its members and internal control.
<p>2022 Performance Evaluation for the Board of Directors of King Yuan Electronics Co., Ltd.</p> <p>To implement corporate governance and improve the function of the board of directors, the Company executes the 2022 performance evaluation for the board of directors based on the "Performance</p>				

Evaluation Rules for the Board of Directors” of the Company. The performance evaluation of the Company’s board of directors includes the entire board, each member and the functional committees; the evaluation methods include self-evaluations by the board of directors and individual board members. After collecting relevant questionnaires such as the “Self-Evaluation Questionnaire for Performance of the Board of Directors,” the “Self-Evaluation Questionnaire for Performance of Board Members,” and the “Self-Evaluation Questionnaire for Performance of the Functional Committees,” the execution unit records the evaluation results in a report based on the evaluation indexes in Article 8 of the “Performance Evaluation Rules for the Board of Directors.”

Performance evaluation self-assessment questionnaire results for 2022 (evaluation period: January 1 to December 31, 2022) are as follows:

I. Performance evaluation personnel:

- (I) Self-evaluation questionnaire of board of directors: Corporate Governance Officer.
- (II) Self-evaluation questionnaire of board members: Chairman Chin-Kung Lee, Vice Chairman Chi-Chun Hsieh, Director An-Hsuan Liu, Director Ping-Kun Hung, Director Kao-Yu Liu, Director Kuan-Hua Chen, Independent Director Hui-Chun Hsu, Independent Director Dar-Yeh Hwang and Independent Director Semi Wang, totaling nine persons.
- (III) Self-evaluation questionnaire of the functional committee: Corporate Governance Officer.

II. Performance evaluation statistical results:

(I) Performance evaluation of the board of directors

The performance evaluation of the board of directors covers five aspects. The average score is 4.47 and the full score is 5.

Scope of Assessment	Number of Questions	Average score
A. Participation in the operation of the company	12	4.42
B. Improvement of the quality of the board of directors’ decision making	12	4.83
C. Composition and structure of the board of directors	7	4.57
D. Election and continuing education of the directors	7	3.86
E. Internal control	7	4.43
Total/Average score	45	4.47

(II) Performance evaluation of the board members

The performance evaluation of the board members covers six aspects. The average score is 4.68 and the full score is 5.

Scope of Assessment	Number of Questions	Average score
A. Alignment of the goals and missions of the company	3	4.81
B. Awareness of the duties of a director	3	4.85
C. Participation in the operation of the company	8	4.54
D. Management of internal relationship and communication	3	4.70
E. Director's professionalism and continuing education	3	4.70
F. Internal control	3	4.70
Total/Average score	23	4.68

(III) Performance evaluation of the functional committees

The performance evaluation of the functional committees covers five aspects. The average score is 4.67 and the full score is 5.

Scope of Assessment	Number of Questions	Average score
A. Participation in the operation of the Company	4	5.00
B. Awareness of the duties of the functional committees	7	4.29
C. Improving the decision quality of the functional committees	7	5.00
D. Composition and member election of the functional committees	3	4.67
E. Internal control	3	4.33
Total/Average score	24	4.67

III. Overall comment:

(I) Performance evaluation of the board of directors

The Board of Directors operated smoothly as a whole and is able to provide timely advice for the management team; however, its role in supervising the design and execution of

internal control system requires reinforcement.

(II) Performance evaluation of the board members

Chairman Chin-Kung Lee	Fulfilled his responsibilities
Director An-Hsuan Liu	The Board of Directors operated favorably, with all directors demonstrating a full understanding of the company's strategies and operations and the capability to reach consensus on material issues.

Other supplementary description

Independent director Hui-Chun Hsu: Internal control should be strengthened in relation to auditing on subsidiaries and the parent company's procurement activities and cybersecurity.

(III) Performance evaluation of the functional committees

All functional committee members are aware of the scope of their duties and have fully performed their functions in practical operations.

In summary, the operating status of the Board of Directors and all functional committees is generally sound. The Company will continuously improve the functions of the Board of Directors according to the performance evaluation results to further strengthen the effectiveness of corporate governance.

IV. Improvement project:

Continue to improve the performance evaluation aspects of the Board and its members so as to improve the effectiveness of each aspect. Strengthen the monitoring of internal control system design and execution and encourage continuing education among directors.

IV. An evaluation of targets for strengthening the functions of the board during the current and immediately preceding fiscal years:

(I) On June 10, 2020, the re-election of overall directors was conducted on the general shareholders' meeting; a total of nine directors were elected including three independent directors to strengthen the functions of the board and corporate governance.

(II) To reinforce the Company's risk management and safeguard shareholders' equity, the Company purchases liability insurance for its directors and managers. This agenda has been reported at the 19th meeting of the 14th-term Board of Directors on October 6, 2022.

(III) As a means to implement corporate governance while improving the functions of the board of directors to strengthen its efficiency, the "Board of Directors Performance Evaluation" was approved by resolution from the board of directors' meeting held on December 27, 2019, and was approved for amendments at the board of directors' meeting held on December 25, 2020. The evaluation results shall be completed by the end of the first quarter of the following year and submitted to the Board of Directors for report.

The board evaluation results for 2022 were presented at the 24th meeting of the 14th-term Board of Directors on March 2, 2023.

2. 2022 continuing education for directors and independent directors:

Position/name	Date	Organizer	Course Name	Training Hours
Director Chi-Chun Hsieh	2022/10/06	Taiwan Stock Exchange Corporation (TWSE) and Taipei Exchange	Director and Supervisor Conference on Presentation of Reference Guides for Independent Directors and Audit Committee	3.0
Director Kao-Yu Liu	2022/07/20	Taiwan Stock Exchange Corporation (TWSE) and Taipei Exchange	Industry-Themed Seminar on Sustainability Roadmap	2.0
Director Kuan-Hua Chen	2022/03/22	Taiwan Corporate Governance Association	The Development Direction of the Green Industry: Outlook of Low-Carbon Investments and Business Strategies	3.0
	2022/05/13	Taiwan Corporate Governance Association	Insider Trading Prevention	3.0
Corporate Representative of directors Ping-Kun Hung	2022/02/16	Securities & Futures Institute	Risks and Opportunities for Business Operation Resulting from Climate Change and Zero Emission Policies	3.0
	2022/02/23	Securities & Futures Institute	On Remuneration for Employees and Directors: Based on Amendments to Article 14 of the Securities and Exchange Act	3.0
	2022/07/06	Securities & Futures Institute	Advanced Practical Seminar for Directors and Supervisors (including Independent Directors) - Circular Economy Benefits and Business Model	3.0
	2022/07/13	Securities & Futures Institute	Advanced Seminar for Directors and Supervisors: Compliance with Cyber Security Management Act under Ransomware Threats	3.0
Independent director Hui-Chun Hsu	2022/10/11	Taiwan Stock Exchange Corporation (TWSE) and Taipei Exchange	Director and Supervisor Conference on Presentation of Reference Guides for Independent Directors and Audit Committee	3.0
	2022/10/21	Securities & Futures Institute	2022 Annual Conference on Prevention of Insider Trading	3.0
Independent director Semi Wang	2022/01/11	Securities & Futures Institute	Advanced Seminar for Directors and Supervisors (including Independent) and Corporate Governance Supervisors - Practices in Business Mergers And Acquisitions	3.0
	2022/04/22	Taiwan Institute for Sustainable Energy	Taishin 30 Sustainability and Net Zero Summit: Transform to Net Zero by 2030	3.0

(II) Information on Operation of the Audit Committee

On June 24, 2014, the Company established an Audit Committee to replace the supervisory system. The committee members are independent directors (three seats) of the board of directors and all members elect an independent director to serve as the convener and chairman of the meeting. Operation Handled in accordance with the Company's "Charter for the Audit Committee" and matters that are audited by the Audit Company mainly cover:

1. Adoption or amendment of an internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
2. Assessment of the effectiveness of the internal control system.
The Company has assessed the effectiveness of the 2022 internal control system design and implementation in accordance with the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies." The 2022 Statement on Internal Control was released after review and approval at the 18th meeting of the 3rd-term Audit Committee (2023.03.02) and resolution at the 24th meeting of the 14th-term Board (2023.03.02).
3. Adoption or amendment, pursuant to Article 36-1, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, or endorsements or guarantees for others.
4. Matters bearing on the personal interest of a director.
5. Asset transactions or derivatives trading of a material nature.
6. Loans of funds, endorsements, or provision of guarantees of a material nature.
7. Offering, issuance, or private placement of equity-type securities.
8. Appointment, dismissal of, or remuneration of certified public accountants.
9. Appointment or discharge of a financial, accounting, or internal audit officer.
10. Annual financial statements signed or sealed by the chairman, managers and accounting officer, and the Q2 financial statements audited by the CPA.
11. Review merger and acquisition matters of the Company.
12. Other material matters as may be required by the Company or by the competent authority.

Pursuant to Article 31 of the Corporate Governance Best-Practice Principles, the independence and suitability of the appointed accountants shall be evaluated on a regular basis (at least once a year): The Company's Audit Committee conducts an independence assessment of CPAs on a regular basis (at least once a year) in accordance with the independence statement provided by the CPAs. The assessment result is then submitted to the Board of Directors.

The Audit Committee met 7 times in 2022. The details of the attendance are as follows:

Title	Name	Actual attendance	Attendance by proxy	Attendance rate (%)	Remarks
Independent director	Hui-Chun Hsu	7	0	100%	Convener and Chairperson
Independent director	Dar-Yeh Hwang	7	0	100%	
Independent director	Semi Wang	7	0	100%	
Other items to be stated:					
I. For Audit Committee meetings that meet any of the following descriptions, state the date and session of the Audit Committee meeting held, the discussed topics, the content of the objections, reservations or material recommendations of independent directors, the Audit Committee's resolution, and how the company has responded to Audit Committee's opinions.					

(I) Matters listed in Article 14-5 of the Securities and Exchange Act:			
Audit Committee Meeting date and session	Motion	Reservations Or material recommendations of independent directors	Resolutions of the audit committee and the Company's response to the audit committee's opinions
2022/03/04 10th meeting of the 3rd Committee	<ol style="list-style-type: none"> 2021 Declaration of Internal Control System Independence and suitability assessment for the CPAs The separate financial statement and consolidated financial statements 2021 Amendments to the Company's "Procedures for the Acquisition or Disposal of Assets" 	None	Approved by all members of the audit committee and all board members present at the meeting without objections
2022/04/08 11th meeting of the 3rd Committee	<ol style="list-style-type: none"> 2021 Business Report Motion for the 2021 Earnings Distribution Proposed to change the Company's CPAs in response to adjustments to the internal organization of EY 	None	Approved by all members of the audit committee and all board members present at the meeting without objections
2022/05/06 12th meeting of the 3rd Committee	<ol style="list-style-type: none"> Interim consolidated financial statements between January 1 and March 31, 2022 Proposed termination of the initial public offering (IPO) of RMB common stock (A shares) of the Company's subsidiary King Long Technology (Suzhou) Ltd. and its application for listing on the Shanghai Stock Exchange /Shenzhen Stock Exchange 	None	Approved by all members of the audit committee and all board members present at the meeting without objections
2022/08/05 13th meeting of the 3rd Committee	<ol style="list-style-type: none"> Interim consolidated financial statements between January 1 and June 30, 2022 Endorsement and guarantee provided by the Company's subsidiary King Long Technology (Suzhou) Ltd. to wholly-owned subsidiary Suzhou Zhen Kun Technology Ltd. Amendments to the Company's internal control system 	None	Approved by all members of the audit committee and all board members present at the meeting without objections
2022/11/04 15th meeting of the 3rd Committee	<ol style="list-style-type: none"> Interim consolidated financial statements between January 1 and September 30, 2022 2023 audit plan Proposed amendments to the 	None	Approved by all members of the audit committee and all board members present

	Company's "Internal Control System" and "Implementation Rules of Internal Audit" 4. Review of the motion for the 2022 professional fees of CPAs		at the meeting without objections
2022/11/30 16th meeting of the 3rd Committee	Discussion of a letter from Taiwan Stock Exchange Corporation (TWSE) on November 3, 2022 recommending ways for the Company's Audit Committee to handle evaluation matters	None	Approved by all members of the audit committee and all board members present at the meeting without objections

(II) Aside from said circumstances, resolution(s) not passed by the audit committee but receiving the consent of two-thirds of the board of directors: None.

II. In instances where an independent director recused himself/herself due to a conflict of interest, the minutes shall clearly state the director's name, contents of the proposal and resolution thereof, reason for not voting and actual voting counts: None.

III. Communication between independent directors and internal auditing officers as well as CPAs (such as communication of significant matters , meansand results on the Company’s finance and business, etc.):

- (1) Communication between independent directors and internal audit officer:
1. Before each month end, the Company’s chief auditor delivers last month’s audit report and follow-up report to each independent director for review, and provides a report of and communicates audit matters to the Audit Committee at least on a quarterly basis.
 2. The internal audit officer reports auditing matters to the board of directors and the audit committee on a regular basis. A summary of the communication between the independent directors and internal audit officer is as follows:

Chief auditor Meetings attended, meeting date, and meeting session	Communication Items	Communication Method	Communication Outcome
2022/03/04 Audit Committee (3-10)	1. Report on internal auditing operations for Q1, 2022 2. 2021 Declaration of Internal Control System	Attendance report and discussions on relevant issues	Full communicated and approved the report or review of the Audit Committee
2022/04/08 Audit Committee (3-11)	Internal audit reporting	Attendance report and discussions on relevant issues	Full communicated and approved the report of the Audit Committee
2022/05/06 Audit Committee (3-12)	Report on internal auditing operations for Q2, 2022	Attendance report and discussions on relevant issues	Full communicated and approved the report of the Audit Committee
2022/08/05 Audit Committee (3-13)	Report on internal auditing operations for Q3, 2022	Attendance report and discussions on relevant issues	Full communicated and approved the report of the Audit Committee
2022/08/29 Audit Committee (3-14)	Internal audit reporting	Attendance report and discussions on relevant issues	Full communicated and approved the report of the Audit Committee
2022/11/04 Audit Committee (3-15)	1. Report on internal auditing operations for Q4, 2022 2. 2023 audit plan 3. Proposed amendments to the “Internal Control System” and “Implementation Rules of Internal Audit”	Attendance report and discussions on relevant issues	Full communicated and approved the report of the Audit Committee
2022/11/30 Audit Committee (3-16)	Internal audit reporting	Attendance report and discussions on relevant issues	Full communicated and approved the report or review of the Audit Committee

*The above communication matters were submitted to the board meeting held on the same day for report or resolution after approval or review by the Audit Committee.

- (2) Communication between independent directors and CPAs:
1. From time to time, the Company's CPAs will report to the Audit Committee the audit of the company's financial status and other matters, and will also promptly report any special circumstances to members of the Audit Committee. The communication between the Company's audit committee and CPAs is fair.
 2. Communication between independent directors and CPAs is as follows:

CPA Meetings attended, meeting date, and meeting session	Communication Items	Communication Method	Communication Outcome
2022/03/04 Audit Committee (3-10)	The separate financial statement and consolidated financial statements 2021	Attended the meeting and conducted consultation, discussion and advice on relevant issues	Full communicated and reviewed by the Audit Committee and approved by resolution of the board of directors

(III) Corporation governance status and deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies

Scope of Assessment	Status		Summary	Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No		
I. Has the Company established and disclosed its corporate governance principles based on Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies ?	v		The Company has formulated the “Corporate Governance Best-Practice Principles” in accordance with the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” to enforce the responsibility of business operators while protecting the legal rights and interests of share holders as well as other stakeholders. The Company has also set up a corporate governance section on its official website for investors to download the relevant corporate governance regulations.	No significant differences
II. Equity structure and shareholders’ equity				
(I) Does the Company have the internal procedures regulated to handle shareholders’ proposals, doubts, disputes, and litigation matters, and have the procedures been implemented accordingly?	v		In an attempt to ensure the rights and interests of shareholders, we have a spokesperson and acting spokesperson in place to handle shareholder-related matters. As well as this, we also appoint a professional stock service agent to handle shareholder matters. There is also a section on our website dedicated to investors for related information as well as a contract email for shareholders for them to give feedback or ask questions.	No significant differences
(II) Whether the Company controls the list of major shareholders and the controlling parties of such shareholders?	v		The Company controls the same based on the roster of shareholders provided by the stock service agent and is disclosed on the MOPS in accordance with the law.	No significant differences
(III) Whether the Company establishes or implements some risk control and	v		The Company and its affiliates have established their internal control systems and have the parent	No significant differences

firewall mechanisms between the Company and its affiliates?			company supervise the systems. Meanwhile, each affiliate has also set up its own firewall.	
(IV) Has the Company established internal policies that prevent insiders from trading securities against non-public information ?	v		The Company has established the “Codes of Ethical Conduct” to guide directors and managerial personnel to act in line with the ethical standards, while enabling the Company’s stakeholders to better understand the Company’s ethical standards. The “Codes of Ethical Conduct” are updated and promoted from time to time.	No significant differences
III. The organization of the board of directors and its duties				
(I) Has the board formulated a diversity policy and specific management objectives, and have they been implemented?	v		The Company’s Corporate Governance Best-Practice Principles specify the diversity policy of the composition of members of the Board and the policy is implemented. The Company adopts a candidate nomination system for its composition of Board of Directors. In addition to evaluating each candidate’s academic qualifications, the Company takes into account opinions of stakeholders and complies with the regulations set forth in the “Method of Election of Directors,” “Corporate Governance Best-Practice Principles,” and “Articles of Incorporation” to ensure the diversity and independence of the Board members.	No significant differences

		<p>The composition of the Company's Board of Directors takes into consideration not only different professional backgrounds and field of work, but also the following three objectives: (1) The Board of Directors places emphasis on operational judgment, business management and crisis management capabilities, and at least two third of Board members shall possess relevant core competencies. (2) Independent directors shall serve not more than three consecutive terms of office in order to maintain their independence. (3) The number of directors who are employees of the Company, its parent, or subsidiary shall be less than (including) one third of the total number of board directors for the purpose of supervision. (4) In the future, the Company intends to increase the proportion of female directors. The current Board of Directors consists of 9 directors, including 3 independent directors and 6 directors. Two directors are aged 51–60 years, and seven directors are aged 61–70 years. Board members have extensive experiences in corporate management, relevant professional background, and the expertise, skills, and competency necessary to perform their responsibilities. At least two third of the Board members possess relevant competencies required for business execution. For details of board diversity, please refer to the Company's website. See table below for the matrix of board members' professional competencies.</p> <table border="1" data-bbox="735 1249 1262 1839"> <thead> <tr> <th>Director</th> <th>Operational judgments</th> <th>Accounting and financial analysis</th> <th>Management administration</th> <th>Crisis management</th> <th>Knowledge of the industry</th> <th>International market perspective</th> <th>Leadership and decision-making</th> </tr> </thead> <tbody> <tr> <td>Chin-Kung Lee</td> <td>H</td> <td>M</td> <td>H</td> <td>H</td> <td>H</td> <td>H</td> <td>H</td> </tr> <tr> <td>Chi-Chun Hsieh</td> <td>H</td> <td>M</td> <td>H</td> <td>H</td> <td>H</td> <td>H</td> <td>H</td> </tr> <tr> <td>An-Hsuan Liu</td> <td>H</td> <td>M</td> <td>H</td> <td>H</td> <td>H</td> <td>H</td> <td>H</td> </tr> <tr> <td>Kao-Yu Liu</td> <td>H</td> <td>M</td> <td>H</td> <td>H</td> <td>M</td> <td>H</td> <td>H</td> </tr> <tr> <td>Kuan-Hua Chen</td> <td>H</td> <td>M</td> <td>H</td> <td>H</td> <td>M</td> <td>H</td> <td>H</td> </tr> <tr> <td>Ping-Kun Hung</td> <td>H</td> <td>H</td> <td>H</td> <td>H</td> <td>H</td> <td>H</td> <td>H</td> </tr> <tr> <td>Hui-Chun Hsu</td> <td>H</td> <td>M</td> <td>H</td> <td>H</td> <td>M</td> <td>H</td> <td>H</td> </tr> <tr> <td>Dar-Yeh Hwang</td> <td>H</td> <td>H</td> <td>H</td> <td>H</td> <td>M</td> <td>H</td> <td>H</td> </tr> <tr> <td>Semi Wang</td> <td>H</td> <td>M</td> <td>H</td> <td>H</td> <td>H</td> <td>H</td> <td>H</td> </tr> </tbody> </table> <p>H:High;M:Medium</p>	Director	Operational judgments	Accounting and financial analysis	Management administration	Crisis management	Knowledge of the industry	International market perspective	Leadership and decision-making	Chin-Kung Lee	H	M	H	H	H	H	H	Chi-Chun Hsieh	H	M	H	H	H	H	H	An-Hsuan Liu	H	M	H	H	H	H	H	Kao-Yu Liu	H	M	H	H	M	H	H	Kuan-Hua Chen	H	M	H	H	M	H	H	Ping-Kun Hung	H	H	H	H	H	H	H	Hui-Chun Hsu	H	M	H	H	M	H	H	Dar-Yeh Hwang	H	H	H	H	M	H	H	Semi Wang	H	M	H	H	H	H	H	
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Semi Wang	H	M	H	H	H	H	H																																																																												
(II) Whether the company, in addition to establishing the	v	The Company has established the remuneration committee and audit committee.																																																																																	

remuneration committee and audit committee, pursuant to laws, is willing to establish any other functional committees voluntarily?	In the future, depending on laws and regulations or practical needs, the Company may establish other functional committees.	
(III) Does the company establish a standard to measure the performance of the board, implement it annually and submit the results to the board of directors as reference for the remuneration of individual directors and the nomination of candidates?	The “Board of Directors Performance Evaluation” was approved by resolution from the board of directors’ meeting held on December 27, 2019, and was approved for amendments at the board of directors’ meeting held on December 25, 2020. The performance evaluation of the Company’s board of directors, including the entire board, each member and the functional committees. The Company has been conducting an annual board evaluation as required by law in 2020. The performance evaluation outcome of the board of directors is submitted to the board meeting for reporting prior to the end of the first quarter each year. The performance evaluation outcome is also reported to the Exchange. The indicators for the performance evaluation of the board are based on the Company’s operations and needs. Contents of the indicators are determined to be consistent and suitable for the Company to enforce the evaluation. The remuneration committee reviews these contents on a regular basis while also providing suggestions. The results of the Company’s performance evaluation of the board of directors will also serve as a reference in the selection or nomination of directors. In February 2023, the Company completed the 2022 evaluation of the performance of the board as a whole, individual board members, and functional committees. The evaluation results indicated favorable operation as a whole. The results were then reported to the board of directors on March 2, 2023 and provided to the Remuneration Committee for reference.	No significant differences
(IV) Is CPAs’ independence assessed on a regular basis?	Changes of CPA are reviewed and approved by the Company’s Audit Committee and Board of Directors. As of 2023, before the Board of Directors resolves to renew the appointment of an accountant, the Company will assess the accounting firm it engages and the firm’s audit teams by following the FSC’s Audit Quality Indicator (AQI) Disclosure Framework and Template, which sets out 13 indicators covering five scopes of professionalism, quality control,	No significant differences

		<p>independence, monitoring, and creativity. The independence and competency of CPAs will be verified by analyzing and using the AQIs and taking into consideration the meanings of each indicator.</p> <p>The 2022 annual independence evaluation of CPAs was presented to the board of directors and approved on March 2, 2023. CPAs Shao-Pin Kuo and Hsin-Min Hsu of Ernst & Young were evaluated by the Company as having fulfilled the Company's independence assessment criteria, making both of them eligible as the Company's CPA. The accounting firm has issued a statement of independence. For details, please refer to page 59.</p>	
<p>IV. Does the TWSE/TPEX listed company have a dedicated unit/staff member in charge of the Company's corporate governance affairs (including but not limited to providing information required for director/supervisor's operations, convening board/shareholder meetings in compliance with the law, applying for/changing the company registry, and producing meeting minutes of board/shareholder meetings)?</p>	<p>v</p>	<p>On May 3, 2019, the Company's board of directors resolved to approve the appointment of the Senior Manager of the Stock affairs of Finance Division as the Corporate Governance Officer, who has at least 3 years of experience as a financial and stock supervisor in a public company.</p> <p>The main responsibilities of the corporate governance officer are to handle matters related to the meetings of the board of directors and shareholders' meetings in accordance with relevant laws, provide the minutes of the board of directors and shareholders' meetings, assist the directors and independent directors on continuous training, provide the information on directors and independent directors for conducting their duties in accordance with relevant laws and regulations, and other matters in accordance with the Articles of Incorporation or contract.</p> <p>2022 Corporate governance implementation:</p> <ol style="list-style-type: none"> (1) Supervising the convening notice, providing meeting information and preparing meeting minutes for shareholders' meetings and board of directors' meetings. (2) Assisting in onboarding and continuous development of directors. (3) Assisting the independent directors in their communication with the internal audit officer, CPAs or related business executives. (4) Assisting the directors in providing information and related laws and regulations necessary for them to carry out duties. (5) Evaluating and taking out suitable liability insurance for directors and managers. 	<p>No significant differences</p>

(6) Supervising the Company in the operation and enforcement of corporate governance. 2022 continuing education:			
Date	Organizer	Course Name	Number of hours
2022/05/12	TWSE, Alliance Advisors, and Taiwan Corporate Governance Association	International Twin Summit	2.0
2022/07/07	Taiwan Stock Exchange Corporation (TWSE) and Taipei Exchange	Industry-Themed Seminar on Sustainability Roadmap	2.0
2022/09/22	Taiwan Securities Association	Corporate Sustainability and ESG Development Trends	3.0
2022/10/19	Securities & Futures Institute	2022 Equity Transfer by Insiders of Legal Compliance	3.0
2022/10/21	Securities & Futures Institute	2022 Annual Conference on Prevention of Insider Trading	3.0

V. Does the company establish a communication channel and build a designated section on its website for stakeholders (including without limitation shareholders, employees, customers, suppliers, etc.), and properly respond to corporate social responsibility issues that stakeholders are concerned about?	v	The Company improves the interaction and communication through diverse and open communication channels. Various sustainability issues are reviewed and responded each year, and are disclosed to the public at the “Stakeholders” and “Sustainability Report” sections on the Company’s website. Please visit the Company’s website at Http://www.kyec.com.tw/ , click the link to “Stakeholders and Concerned Issues” under “CSR” or read the relevant contents in the “Sustainability Report” - Stakeholders and Concerned Issues - Identification and communication of stakeholders. For detailed descriptions, please refer to page 57 of the annual report.	No significant differences
VI. Has the Company commissioned a professional stock service agent to handle shareholders’ affairs?	v	The professional stock service agent, “Horizon Securities,” is entrusted by the Company to process the stock service affairs on behalf of the Company.	No significant differences
VII. Information disclosure			
(I) Has the company established a website that discloses financial, business, and corporate governance-related information?	v	The Company has a website which discloses its financial and corporate governance information, and is regularly updated for the Company’s investors. (http://www.kyec.com.tw/)	No significant differences
(II) Has the company adopted other means to disclose information (e.g.English website , assignment of specific personnel to collect and disclose corporate information, implementation of a spokesperson system, broadcasting of investor conferences via the company website)?	v	The Company discloses related information on the MOPS in accordance with the Regulations Governing Disposition of Public Information, and provides related information on the Company’s website. The Company has set up an official website in Chinese and English. Also, it appoints the spokesperson, and dedicated personnel responsible for collecting and disclosing the Company’s information.	No significant differences
(III) Does the company announce and report the annual financial statement within two months after the end of the fiscal year, and announce and report the Q1, Q2 and Q3 financial statements and monthly operations reports within the prescribed period of time?	v	After the end of each accounting year, the Company publishes and reports the financial report approved by the board of directors as required by the competent authorities. The Company also publishes and reports its Q1, Q2 and Q3 financial reports and monthly operations report to the Market Observation Post System (MOPS) within the prescribed time so that	No significant differences

		investors are able to obtain sufficient and accurate information.	
VIII. Does the Company have other information that enables a better understanding of the Company's corporate governance practices (including but not limited to, employee rights, employee care, investor relations, supplier relations, stakeholders' interests, continuing education of directors, implementation of risk management policies and risk measurements, implementation of customer policy, and maintenance of liability insurance for the Company's directors)?	v	<p>Since the Company was incorporated, the Company has upheld the management philosophy dedicated to creating mutual benefits and pursuing maximum interest for its shareholders, employees and customers, etc.</p> <p>(1) Employee rights, employee care: The Company is dedicated to building a healthy and safe working environment and an unhindered communication channel for its employees. The Company established the employees' welfare committee on September 2, 1993 to engage in planning various employees' welfare policies. Meanwhile, it also provides the pension reserves and concludes labor-management agreements in accordance with the Labor Standards Act. The Company treats its employees in good faith and with respect, stabilizes the employees' lives and improves the continuing education and training channels by broadening its welfare system, and establishes the fair relationship of mutual trust and cooperation with employees.</p> <p>(2) Investor relations: The Company has set up a dedicated spokesperson and proxy spokesperson to handle shareholders' suggestions or disputes while regularly disclosing financial and corporate governance information.</p> <p>(3) Supplier relations, rights of stakeholders: For the "Sustainability Report" prepared by the Company, please visit the Company's website at http://www.kyec.com.tw/.</p> <p>(4) For continuing education of the directors, the Company also follows the "Model Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies" promulgated by TWSE.</p> <p>(5) Implementation: of the risk management policy and risk</p>	No significant differences

			<p>measurement standards: The Company has established management measures for important management indicators which are executed accordingly.</p> <p>(6) Implementation: of the customer policy: The Company adheres to the contracts signed with customers and their relevant regulations in a stringent manner to ensure the rights of customers.</p> <p>(7) The Company takes out liability insurance for directors: The Company has taken out the liability insurance for directors and managers.</p>	
<p>IX. Please explain the improvements made, based on the latest Corporate Governance Evaluation results published by TWSE Corporate Governance Center, and propose enhancement items and measures for any issues that are yet to be improved.</p> <p>As a means to enhance corporate governance, we continue to make gradual improvements according to the results of the corporate governance evaluation. Improvements we have made for the items we did not score in the Company's 9th corporate governance evaluation are as follows:</p> <p>(1) The Company's financial report was approved by or presented to the Board of Directors 7 days before the announced deadline, and published within 1 day after the date of approval or presentation.</p> <p>(2) The Company uploaded the English version of its sustainability report to the MOPS and the company website.</p> <p>(3) The Company disclosed the professional qualifications and experience of the Audit Committee members as well as the key tasks and status of operations of the Audit Committee for that fiscal year on the MOPS and the company website.</p> <p>(4) The Company disclosed in its annual report and on MOPS information on environmental, social, and governance (ESG) practices.</p> <p>(5) For the items that were not yet scored, the Company continues evaluate and consider possible improvement options.</p>				

Note 1: The issues, channels and frequency of stakeholder communication are as follows:

Stakeholder	Communication issues	Communication channels	Frequency
Investor	<ul style="list-style-type: none"> • Operations strategy • Corporate governance • Financial Performance • Dividend policy 	Disclosed on MOPS	From time to time
		Domestic and international investment forum	From time to time
		Annual shareholders meetings:	Each year
Customers	<ul style="list-style-type: none"> • Corporate social responsibility • Customer commitments and services • Fire equipment installation and management • Disaster prevention and emergency response • Greenhouse gas emissions and management • Environmental and safety and health laws and regulations • Environmental protection • Customer privacy • Customer relationship management 	Customer satisfaction survey	Each year
		Customer questionnaire	From time to time
		Email	From time to time
		Customer document release	From time to time
		Customer audit	From time to time
		Company website	From time to time
Employees	<ul style="list-style-type: none"> • Recruitment • Leave system • Salary and bonus • Career development • Employee wellness • Employee satisfaction • Employee benefits • Welfare Committee activities • Communication between labor and management • Accident and public injury management • Club activities 	Labor and management meeting	Quarterly
		Departmental meeting	Weekly/Monthly
		Welfare Committee meeting	Quarterly
		Staff meeting	Quarterly
		New staff/foreign staff meeting	Quarterly
		Employee survey form	Each year
		Employee message board	Permanent
		Improvement system by proposals	From time to time
		Grievance Handling Committee	As needed
		Personnel Review Committee	As needed
		Occupational Safety and Health Committee	Quarterly

Supplier	<ul style="list-style-type: none"> • Quality performance evaluation • Hazardous material management • Procurement policy • Supplier Responsibility Business Alliance Code of Conduct • Management of conflict minerals 	Supplier education and training	Each year
		Supplier assessment	Monthly/quarterly
		Email	Immediately
Contractors	<ul style="list-style-type: none"> • In-plant safety and health operations • COVID-19 pandemic monitoring and management 	Contractor meetings	Monthly
		Email	From time to time
Communities	<ul style="list-style-type: none"> • Industry–academia cooperation • Care for disadvantage individuals • Social welfare 	Company managers teach classes in partnering schools, and partnering schools visit in-plant facilities	From time to time
		Feedback from village chiefs	From time to time
		Sponsor arts and cultural activities	From time to time
		Public hearing on laws and regulations	From time to time
Government institution	<ul style="list-style-type: none"> • Corporate governance • Regulatory compliance • Financial information transparency • Contract and change management • COVID-19 pandemic monitoring and management • Wastewater discharge and management • Waste management • Water resource management • Disaster prevention and emergency response • Hazardous substances/dangerous goods management • Machinery and equipment safety management • GHG management • Green energy subscription and energy management 	Correspondence and Emails	From time to time
		Awareness seminars/compliance conferences	From time to time
		Letter order release	From time to time
		External correspondence	From time to time
		Survey of COVID-19 vaccination rate	From time to time
		On-site inspection	From time to time
		Public hearing on laws and regulations	From time to time

Note 2: Assessment table in the AQI Report

The AQIs Disclosure Framework and Template published by the FSC provides a comprehensive and comparable set of 13 quantitative audit quality indicators categorized into 5 dimensions.

Independence and competency of CPAs based on AQIs

Scope of Assessment	Item	AQI	Description	CPA Shao-Pin Kuo	CPA Hsin-Min Hsu
Dimension 1: Professionalism	1	Audit Experience	Assessment of these AQIs (Dimension 1: Professionalism) considering firm-level and engagement-level indicators, shows that audit experience, training hours, attrition rate, and professional support were comparable to those of industry peers.	Meet criteria	
	2	Training Hours			
	3	Attrition Rate			
	4	Professional Support			
Dimension 2: Quality Control	5	Workload	Assessment of these AQIs (Dimension 2: Quality control) considering firm-level and engagement-level indicators, shows that workload, involvement, engagement quality control review (EQCR), and quality supporting capacity were comparable to those of industry peers.	Meet criteria	
	6	Involvement			
	7	Engagement quality control review(EQCR)			
	8	Quality supporting capacity			
Dimension 3: Independence	9	Non Audit Service	Assessment of these AQIs (Dimension 3: Independence) shows that non-audit services in the past two years were primarily tax compliance checks and ESG consultation and guidance services. Familiarity refers to audit firm tenure; evaluation shows an absence of relationship or matter that may be considered to have an	Meet criteria	
	10	Familiarity			

			effect on the independence of CPA.	
Dimension 4: Monitoring	11	External Inspection Results & Enforcement	Assessment of these AQIs (Dimension 4: Monitoring) shows that in the past three years, the FSC did not identify any deficiencies during inspection of the accounting firm and the CPA did not receive any Official Improvement Letters from authorities.	Meet criteria
	12	Number of Official Improvement Letters Issued by Authority		
Dimension 5: Innovation	13	Innovative Planning or Initiatives	Assessment of these AQIs (Dimension 5: Innovation) shows that the CPA has undertaken appropriate planning or initiatives, including education and training, internal quality review, periodic e-newsletters, and digital audit promotion, to improve audit quality.	Meet criteria

Note: The above evaluation items are based on the Company's AQI information and statement of independence issued by Ernst & Young.

Note 3: Procedures of the CPA's independence evaluation

Company Name:	King Yuan Electronics Co., Ltd.
Accounting period:	January 1 to December 31, 2022

Description

- The procedures for the independence evaluation of Certified Public Accountants are based on the Certified Public Accountant Act, the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and Statements on Auditing Standards.
- According to the Bulletin of the Norm of Professional Ethics for Certified Public Accountant of the Republic of China No.10 "Integrity, Objectivity and Independence," the definitions are as follows:

Financial interest: An interest in an equity or other security, debenture, loan or other debt instrument of an entity, including rights and obligations to acquire such an interest and derivatives directly related to such interest.

Direct financial interest:

- Owned directly by and under the control of an individual or entity, including those managed on a discretionary basis by others.
- Beneficially owned through a collective investment vehicle, estate, trust or other intermediary over which the individual or entity has control, or the ability to influence investment decisions.

Indirect financial interest: A financial interest beneficially owned through a collective investment vehicle, estate, trust or other intermediary over which the individual or entity has no control or ability to influence investment decisions.

Family: A spouse (or equivalent) or underage children.

Immediate family: Lineal, immediate affinity and sibling.

Procedures of the accountant's independence evaluation	Compliance	
	Yes	No
1. Financial benefits		
(i) Whether or not the members of the audit team and their family members have any direct financial interest or material indirect financial interest in the Company?	Yes	
(ii) Whether or not the other accountants in the accounting firm and their family members have any direct financial interest or material indirect	Yes	

financial interest in the Company? (iii) Whether or not the accounting firm and their affiliated companies have any direct financial interest or material indirect financial interest in the Company?	Yes	
Summary of Conclusion: None of the above		
2. Financing and guarantees (applied to non-financial industries)		
Is there mutual financing or providing of guarantees between the accounting firm, its affiliated companies and audit service team members?	Yes	
Summary of Conclusion: None of the above		
3. Business relationship		
Procedures of the accountant's independence evaluation	Compliance	
	Yes	No
(i) Do members of the accounting firm, its affiliated companies or audit service team members have a close business relationship with the Company, between the Company's directors, supervisor or managers? Relationship such as: <ul style="list-style-type: none"> ■ Having strategic alliance with the Company or its controlling shareholders, directors and supervisors or managers with significant interests. ■ Combining services and products provided by the Company with the services or products of the accounting firm or its affiliated companies while marketing them externally. ■ Mutually promoting or marketing products or services between the accounting firm or its affiliated companies and the Company to gain benefits. 	Yes	
(ii) Does the Company sell goods or provide services to the accounting firm, its affiliated companies or the audit service team members based on the normal business behavior?	N/A	
Summary of Conclusion: None of the above		
4. Family and individual relationship		
(i) Have family members of the audit service team served as the Company's directors, supervisors, managers, or conducted duties that have significant impact on the audit, or any of the previously mentioned duties during the auditing period?	Yes	

(ii) Have close relatives of the audit service team served as the Company's directors, supervisors, or managers, or conducted duties that have significant impact on the audit, or any of the previously mentioned duties during the auditing period?	Yes	
Summary of Conclusion: None of the above		
5. Employment relationship		
(i) Does the accounting firm, its affiliated companies or the audit service team members serve as the Company's directors, supervisors, or managers, or conduct duties that have significant impact on the audit?	Yes	
(ii) Audit service team members, accountants or accountants departed from the accounting firm hired by the Company should take into account the following situations to determine the level of impact on the accountant's independence: <ul style="list-style-type: none"> ■ The position held in the Company. ■ The duration of employment with the Company from the time of departure from the accounting firm. ■ The importance of the position held in the previous accounting firm. (iii) Whether or not the party knows that the audit service members are hired by the Company in the future. (iv) Do accountants or employees of the accounting firm or its affiliated companies provide services to the Company's directors, supervisors, managerial or equivalent positions?	N/A	
Summary of Conclusion: None of the above		
Procedures of the accountant's independence evaluation	Compliance	
	Yes	No
6. Gifts and special offers		
Are gifts or special offers given to the audit service team members based on social courtesy or business practices and are not of significant value and without any motive or intent to affect professional decisions or to obtain confidential information?	N/A	
Summary of Conclusion: None of the above		
7. Rotation of CPAs		
Has the Company's primary accountant served for less than seven years	Yes	

and with at least a two-year interval between rotations before returning to the Company?		
Summary of Conclusion: The Company has complied with related rotation rules		
8. Non-audit business		
Ask the accountant regarding details of the non-audit business provided by the Company and its impact on independence?	Yes	
Summary of Conclusion: The non-audit fees this year included ESG consultation of NT\$1,580 thousand, tax compliance checks of NT\$260 thousand, and direct deduction checks of NT\$60 thousand, all of which were handled in accordance with applicable regulations and did not have an impact on the independence of the CPAs.		
9. Statement of Independence for Accountants		
Obtained the Statement of Independence prepared by the audit committee.	Yes	
Summary of Conclusion: The Statement of Independence for Accountants has been obtained.		

(IV) The composition, duties and operation of the Company's remuneration committee

1. Information about remuneration committee members

Qualification	Professional qualifications and experience	Independence	Number of other public companies in which the member also serves as a member of their remuneration committee
<p>Independent director (Convener)</p> <p>Hui-Chun Hsu</p>	<p>Holds a Master's degree in preventive medicine from the Institute of Health Policy and Management, National Taiwan University. He has passed national examinations and attained a certificate to practice as a doctor. He possesses more than five years of working experience in commercial, legal, financial, accounting or other work experience required to perform the assigned duties. He is currently a doctor and director of Bo-Xin Clinic.</p>	<p>The following independence assessment criteria has been met in the two years prior to and during the term of office:</p> <p>(1) Not an employee of the company or an affiliate.</p> <p>(2) Not a director or supervisor of the Company or its subsidiaries or affiliates (except an independent director appointed in accordance with the Securities and Exchange Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).</p> <p>(3) The director, or his or her spouse or minor child, does not hold, in his or her own name or in another name, more than 1% of the Company's total outstanding shares, nor is one of the Company's ten largest natural-person shareholders.</p> <p>(4) Not a manager listed in (1), nor a spouse, relative within the second degree of kinship, or direct blood relative within the third degree of kinship of a person listed in (2) and (3).</p> <p>(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the Company, or that ranks among the top</p>	<p>0</p>

		<p>Holds a Master's degree and a doctorate degree in finance from Rutgers, the State University of New Jersey. He was the chairman and director of the Department of Finance at National Taiwan University. He possesses more than five years of working experience in commercial, legal, financial, accounting or other work experience required to perform the assigned duties. He is currently the chairman of McBorter AFMA and Academy of Promoting Economic Legislation.</p>	<p>five in shareholdings, or that designates its representative to serve as a director or supervisor of the Company under Article 27, paragraph 1 or 2 of the Company Act (except an independent director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).</p> <p>(6) Not a majority of the Company's director seats or voting shares and those of any other company controlled by the same person: a director, supervisor, or employee of that other company (except an independent director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).</p> <p>(7) Not a chairman, president, or person holding an equivalent position of the Company and a person in any of those positions at another company or institution is the same person or they are spouses: a director (or executive director), supervisor, or employee of that other company or institution (except an independent director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).</p> <p>(8) Not a director (executive director), supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution that has a financial or business relationship with the Company (except a specified company or institution that holds 20% or more and no more than 50% of the total number of issued shares of the public company, or an independent director appointed in accordance with the Securities and Exchange Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).</p> <p>(9) Not a professional individual, or an owner, partner, director (executive director), supervisor, or officer of a sole proprietorship, partnership, company, or institution, that provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of</p>	<p>or a "non-audit service".</p> <p>Independent Director (or nominee arrangement) as well as his/her spouse and minor children do not hold any KYEC shares.</p> <p>Received no compensation or benefits for providing commercial, legal, financial, accounting services or consultation to the Company or to any its affiliates within the preceding two years, and the service provided is either an "audit service" or a "non-audit service".</p>	<p>0</p>
<p>Independent director</p>	<p>Dar-Yeh Hwang</p>				
<p>Independent director</p>	<p>Semi Wang</p>	<p>Graduated from Department of Aeronautics and Astronautics, National Cheng Kung University. He possesses more than five years of working experience in commercial, legal, financial, accounting or other work experience required to perform the assigned duties. He is currently serving as the chairman of Mingxing Creative Management Consultations Inc., and concurrently serving as an independent director of Creative Sensor, Inc.; juridical person representative of FIT Holding Co., Ltd.; member of Homenema Technology Incorporation Compensation Committee.</p>			<p>1</p>

Others	Chung-Chi Huang	<p>Graduated from School of Medicine, College of Medicine, Taipei Medical University. He has passed national examinations and attained a certificate to practice as a physician. He possesses more than five years of working experience in commercial, legal, financial, accounting or other work experience required to perform the assigned duties, and is currently an attending physician in the Department of Respiratory Diseases, Department of Thoracic Medicine, Chang Gung University, Lin Kou, and a professor at Chang Gung University.</p>	<p>the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof. This restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.</p> <p>(10) Is not a person of the conditions specified in any of the sub-paragraphs of Article 30 of the Company Act.</p>	<p>Company or to any its affiliates within the preceding two years, and the service provided is either an "audit service" or a "non-audit service".</p>	
				<p>Independent Director (or nominee arrangement) as well as his/her spouse and minor children do not hold any KYEC shares. Received no compensation or benefits for providing commercial, legal, financial, accounting services or consultation to the Company or to any its affiliates within the preceding two years, and the service provided is either an "audit service" or a "non-audit service".</p>	0

2. Information concerning the remuneration committee

(1) Terms of reference for the remuneration committee:

Members of the remuneration committee are appointed under the resolution of the board of directors. The committee comprises four directors, one of whom is appointed as the convener.

Accordance with the Company's Charter for the Remuneration Committee – the remuneration committee shall exercise the care of a good administrator to faithfully perform the following duties and present its recommendations to the board of directors for discussion.

- Prescribe and periodically review the performance review and remuneration policy, system, standards, and structure for directors and managers
- Periodically evaluate and prescribe the remuneration of directors and managers

(2) The current Remuneration Committee has 4 members.

(3) Duration of service: June 24, 2020–June 9, 2023. The Remuneration Committee has met 5 times in 2022. The qualifications and attendance of the members are as follows:

Term	Title	Name	Actual Attendance Times	Attendance by proxy	Attendance rate (%)	Remarks
4th	Convener	Hui-Chun Hsu	5	0	100%	Convener and Chairperson
	Member	Dar-Yeh Hwang	5	0	100%	
	Member	Semi Wang	5	0	100%	
	Member	Chung-Chi Huang	5	0	100%	

Other items to be stated:

- I. If the board of directors declines to adopt or modify a recommendation of the compensation committee, the date, session, topic discussed and the resolution of the board meeting and handling of the resolution of the compensation committee shall be specified (if the compensation package approved by the Board is better than the recommendation made by the committee, please specify the discrepancy and its reason): None.
- II. For resolution(s) made by the remuneration committee with the committee members voicing opposing or qualified opinions on the record or in writing, please state the meeting date, term, contents of motion, opinions of all members and the company's handling of the said opinions: None.
- III. Discussions and resolutions by the Company's 2022 remuneration committee meeting and the Company's response to opinions of its members:

Remuneration Committee Date/Session	Motion	Resolutions adopted by the Remuneration Committee	The Company's response to remuneration committee's opinions
2022/03/04 8th meeting of the 4th Committee	Motion for the Company's 2021 remuneration to directors	Approved by all members of the remuneration committee present at the meeting without objections	Approved by all board members present at the meeting without objections
2022/04/08 9th meeting of the 4th Committee	Adjustment of the 2022 remuneration for the Company's managerial officers	Approved by all members of the remuneration committee present at the meeting without objections	Chairman Chin-Kung Lee and Director An-Hsuan Liu are also managerial officers at the Company and, therefore, recused themselves from discussion and voting on the motion. The motion was passed by all directors present at the meeting who participated in the discussion and voting with no objection
2022/05/06 10th meeting of the 4th Committee	The 2021 proposed remuneration distribution for directors	Approved by all members of the remuneration committee present at the meeting without objections	Approved by all board members present at the meeting without objections
2022/08/05 11th meeting of the 4th Committee	The review of the 2021 proposed employee's cash remuneration to the Company's managerial officers	Approved by all members of the remuneration committee present at the meeting without objections	Chairman Chin-Kung Lee and Director An-Hsuan Liu are also managerial officers at the Company and, therefore, recused themselves from discussion and voting on the motion. The motion was passed by all directors present at the meeting who participated in the discussion and voting with no objection
2022/10/06 12th meeting of the 4th Committee	Approval of remunerations for the newly appointed Senior Vice President Andy Liang and newly appointed Assistant Vice Presidents TK Chen, Ta-Kang Liu, and Jerry Su	Approved by all members of the remuneration committee present at the meeting without objections	Approved by all board members present at the meeting without objections

3. Information on the members of the Nomination Committee and its operating status: Not applicable.

(V) Implementation of sustainable development promotion and difference from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof

Promotion	Implementation			Difference from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof						
	Yes	No	Summary							
I. Has the company constructed a governance structure to promote sustainable development and established a dedicated (part-time) unit for the promotion of sustainable development, which is managed by senior management by authorization of the board of directors and is supervised by the board of directors?	V		The Company has set up a Sustainability Committee to oversee the Company's sustainable development, CSR strategies, and target setting. The committee is chaired by the head of the Administration Center. Moreover, we established an ESG Task Force in 2021 to handle important issues concerned by stakeholders. The Task Force reviews the performance of project promotion and achievement of targets on a regular basis (6 months), and that reports to the board of directors on behalf of the ESG Task Force the implementation results of sustainable development and future plans each year.	No significant differences						
II. Does the Company conduct risk assessments on environmental, social and corporate governance issues related to the Company's operations in accordance with the materiality principle, and set up relevant risk management policies or strategies?	V		<p>We have built rigorous and stringent risk management for material risks. The board of directors is responsible for overseeing the risk management mechanism and control and reviewing related regulations and important reports.</p> <p>For related issues (including ESG issues), please visit the Company's website at http://www.kyec.com.tw/, go to "CSR" > "Report" > "Sustainability Report" > "Corporate Governance – Risk Strategies and Responses" and "Stakeholders and Concerned Issues – Management Guidelines and Target Performances for Major Topics".</p> <p>We have formulated the following management policies or strategies based on the risks after assessment:</p> <table border="1"> <thead> <tr> <th>Material issues</th> <th>Risk assessment</th> <th>Description</th> </tr> </thead> <tbody> <tr> <td>Environment</td> <td>Environmental impact and management</td> <td>1. By providing process safety management and systematic management cycle, we are able to effectively reduce the emissions of</td> </tr> </tbody> </table>	Material issues	Risk assessment	Description	Environment	Environmental impact and management	1. By providing process safety management and systematic management cycle, we are able to effectively reduce the emissions of	No significant differences
Material issues	Risk assessment	Description								
Environment	Environmental impact and management	1. By providing process safety management and systematic management cycle, we are able to effectively reduce the emissions of								

				<p>pollution and their impact on the environment.</p> <p>2. We have attained environmental and energy management certifications including ISO 14001 in 2002 and ISO 50001 in 2016, and have been regularly certified since.</p> <p>3. We regularly make an inventory on GHG emissions in accordance with ISO 14064 -1 as an attempt to review the impact faced by the Company's operations. We continuously adopt carbon reduction measures according to our carbon inventory results to effectively reduce the risk of Scope 1 emissions and indirect Scope 2 emissions from electricity use.</p> <p>4. An annual internal audit plan is formulated targeting the compliance of the Company with environmental regulations, while ensuring that all operation processes are on par with regulations.</p>	
		Society	Occupational safety	<p>1. In 2021, all plants and subsidiaries of China completed the ISO" 45001 occupational health and safety management system" certification.</p> <p>2. We conduct periodic fire drills and industrial safety education and training each year to improve the ability to respond in the event of an emergency.</p>	
		Corporate governance	Regulatory compliance	<p>1. We ensure that all employees</p>	

					<p>and operations are in compliance with the applicable laws and regulations by establishing a governance organization and implementing an internal control mechanism.</p> <p>2. We take out insurance policies for our directors and managers to protect them against lawsuits or claims.</p>	
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III. Environmental issues			
(I) Whether the Company establishes environmental policies suitable for the Company's industrial characteristics?	V	All factories and mainland China subsidiaries have established an environmental management system in accordance with ISO 14001 and continued to undergo third-party verification. Inventory of GHGs is conducted annually in accordance with the ISO 14064-1 regulations to track the effectiveness of carbon footprint reduction. The results are disclosed in sustainability reports and on company website. (http://www.kyec.com.tw/csr/csrreport.aspx)	No significant differences
(II) Is the company committed to enhancing the utilization efficiency of energy and use renewable materials that are with low impact on the environmental?	V	Every year, the Company follows the ISO 50001 management system standards to identify significant energy use and equipment with improved energy performance. We also adopt energy-saving solutions, such as replacing in-plant equipment that uses a significant amount of energy. In addition to improving existing facilities, we opted to purchase energy-efficient products, such as high-efficiency or thermal recycling machines, high-efficiency rotational motors, and energy-saving products. In 2021, the total electricity consumption of our plants and mainland China subsidiaries was 756,304MWh, up 59,448MWh from 696,856MWh in 2020, representing an increase of 8.5%. Such increase in power consumption was due to plant expansion. For the sake of corporate growth and sustainable development, the Company continues to adopt power/energy-saving solutions across our plants to increase energy efficiency and reduce the environmental impact of business growth. Our electricity consumption intensity is decreasing annually, to 6.9% compared with that in 2020. As for green manufacturing, we reduce unnecessary resource waste and seek technology development on waste reduction and reuse. We will work together with our upstream and downstream partners of the value chain to recycle and reuse packaging materials, maximizing the benefits of a circular economy. We strive for creating circular value through recycling of process materials and waste reduction.	No significant differences
(III) Has the company assessed the potential risks and opportunities for business operations now and in the future regarding climate change and will the company adopt response measures?	V	Global warming has been extreme weather in Taiwan, such as typhoons, floods, rainstorm, and droughts, which are becoming more and more noticeable. In light of changing natural disasters, we have been carrying out operations under the ISO 22301 business continuity management system model. By taking this approach, we reduce	No significant differences

		<p>large property losses and irreversible operational impacts brought by natural or man-made disasters or other incidents, while also ensuring minimum level of operation under any circumstances. In November 2020, we passed the ISO 22301:2019 certification. Details of the analysis of the Company's climate change risks and opportunities are disclosed in the Company's sustainability reports. (http://www.kyec.com.tw/csr/csrreport.aspx)</p>																		
<p>(IV) Has the company inspected greenhouse gas emissions, water consumption, and total waste in the past two years, and formulated policies for greenhouse gas emissions, and water consumption, or other waste management policies?</p>	<p>V</p>	<p>In 2021, all factories and mainland China subsidiaries have completed ISO 14064 -1 Scopes 1 and 2 inventories and third-party verification. In 2021, our factories in Taiwan have completed the ISO 50001 inventory and third-party verification. GHG emissions for the past 2 years: (Scopes 1 and 2 information covers all factories and subsidiaries of KYEC) tCO₂e</p> <table border="1" data-bbox="715 808 1219 1151"> <thead> <tr> <th rowspan="2">Emissions Category</th> <th colspan="2">Year</th> </tr> <tr> <th>2020</th> <th>2021</th> </tr> </thead> <tbody> <tr> <td>Category 1</td> <td>4,543.51</td> <td>7,111.28</td> </tr> <tr> <td>Category 2</td> <td>379,768.51</td> <td>407,078.64</td> </tr> <tr> <td>Category 3-6</td> <td>71,387.05</td> <td>70,677.64</td> </tr> <tr> <td>Total</td> <td>455,699.07</td> <td>484,867.56</td> </tr> </tbody> </table> <p>In 2021, total emissions were 484,868.56 tCO₂e, with Categories 1, 2, and 3-6 accounting for 1.5%, 84%, and 14.6%, respectively. The main source of emissions was use of purchased electricity. In terms of proportion, the Company's GHG emissions were due to purchased electricity. Total emissions in 2021 increased by 29,169 tCO₂e or 6.4% compared to 2020. However, the emission intensity in 2021 was 1,436.26 tCO₂e/NT\$100 million revenue, a decrease of 8.73% from 1,573.63 tCO₂e/NT\$100 million in 2020. In addition to conducting inventory and reduction of Categories 1 and 2 GHGs within the boundaries of the organization every year, our factories in Taiwan have incorporated inventory data for Categories 3-6 as of 2021, which have been verified by a third party, and are expanding the scope of inventory every year. It is our longstanding effort to focus on water-saving issues. In terms of water-saving plans, the design of water-saving process was set as the standard and the use of every drop of water is optimized through wastewater recovery and reuse. By doing this, we are able to reduce</p>	Emissions Category	Year		2020	2021	Category 1	4,543.51	7,111.28	Category 2	379,768.51	407,078.64	Category 3-6	71,387.05	70,677.64	Total	455,699.07	484,867.56	<p>No significant differences</p>
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Total	455,699.07	484,867.56																		

		<p>tap water consumption. Additionally, each department has also established a water-saving promotion team responsible for formulating an annual plan and reviewing the use of change in water consumption. We ensure the performance of the facilities in our plants on a regular basis and replace water-consuming facilities to avoid waste. Water consumption in the past 2 years: (all plants and subsidiaries) (Unit: million liters)</p> <table border="1" data-bbox="715 517 1197 763"> <thead> <tr> <th data-bbox="715 517 890 566">Year</th> <th data-bbox="890 517 1042 566">2020</th> <th data-bbox="1042 517 1197 566">2021</th> </tr> </thead> <tbody> <tr> <td data-bbox="715 566 890 663">Total water consumption</td> <td data-bbox="890 566 1042 663">3,361.272</td> <td data-bbox="1042 566 1197 663">3,753.632</td> </tr> <tr> <td data-bbox="715 663 890 763">Water consumption</td> <td data-bbox="890 663 1042 763">1,790.237</td> <td data-bbox="1042 663 1197 763">1,820.439</td> </tr> </tbody> </table> <p>In 2021, the total water consumption of the Company's factories and mainland China subsidiaries was 3,753.632 million liters. Approximately 2,339.585 million liters of water used were sourced from raw water supply, accounting for 62.3% of the total water consumption. The amount of water recycled from process wastewater or water treatment system was 1,490.979 million liters, accounting for 37.6% of the total water consumption. We will continue to implement recycling and reuse projects including the recycling or recovery of UF and RO concentrated water and rainwater/condensate, to recycle water for reuse.</p>	Year	2020	2021	Total water consumption	3,361.272	3,753.632	Water consumption	1,790.237	1,820.439	
Year	2020	2021										
Total water consumption	3,361.272	3,753.632										
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		<p>As we continue to carry out recycling and reuse of process and water systems, through promoting a variety of water-saving projects, our Chu-Nan Plant and subsidiary saved a total of 883.01 million liters of water and reduced carbon emissions by 488.3 tons in 2021. In 2022, we continued planning and implemented water conservation projects, setting water consumption reduction targets for for Chu-Nan Factory and subsidiary, which are our main consumers of water. We will improve our pure water system and evaluate the addition of recycling systems. Our Chu-Nan Factory is expected to invest NT\$23 million in RO recycling and ROR recycling and reuse for a recycling period of approximately 2.5 years, while subsidiaries in China (King Long and Zhen Kun) will continuously improve pure water processes to save water and reduce waste. With our dedication to environmental protection, we have established waste reduction plans. Each quarter, we carry out a performance review and internal and external audits. In 2020, all plants and subsidiaries of China passed the ISO 14001 environmental management system certification. The Company is mainly involved in semiconductor testing, packaging, and grinding/dicing processes. All client-commissioned products (wafer/IC) are delivered to clients. We do not have our own products. The wastes we generate are mostly discarded packaging materials. The Company does not use toxic substances, so our testing processes do not contribute to air pollution problems. The organic gasses of COG cutting, grinding and alcohol wiping of the subsidiary of China are treated by photocatalysis and discharged via a 15-meter-high exhaust pipe; hence, there is only wastewater treatment and waste generation. Waste generated is treated by outsourced qualified vendors; no waste is being transported outside of Taiwan. Each year, we take into account the Company's environmental policy and establish various waste and energy reduction objectives and periodically and track waste and energy reduction within the plant. Furthermore, we have also built an auditing system on waste treatment vendors and perform audits on a consistent basis without early warning, ensuring the legality of our outsourced treatment vendors. Waste generation intensity for the past 2 years. (all plants and subsidiaries)</p>	
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			<table border="1"> <thead> <tr> <th colspan="2">Year</th> <th>2020</th> <th>2021</th> </tr> </thead> <tbody> <tr> <td rowspan="2">General businesses</td> <td>Weight (ton)</td> <td>2,866.047</td> <td>2,604.92</td> </tr> <tr> <td>Intensity (tons/NT \$100 million)</td> <td>8.230</td> <td>7.716</td> </tr> <tr> <td rowspan="2">Harmful businesses</td> <td>Weight (ton)</td> <td>371.58</td> <td>364.17</td> </tr> <tr> <td>Intensity (tons/NT \$100 million)</td> <td>1.067</td> <td>0.936</td> </tr> </tbody> </table> <p>Waste is mainly treated by incineration, burial and reuse. Our waste reuse rate has increased from 80.2% in 2020 to 86.3% in 2021. From 2018, we stopped bury waste. In the future, we will continue to manage our wastes by reusing them and strengthen our waste management practices by effectively sorting, recycling, reusing, and disposing of waste properly. Our target is to reach a reuse rate of > 80% and reuse waste resources.</p>	Year		2020	2021	General businesses	Weight (ton)	2,866.047	2,604.92	Intensity (tons/NT \$100 million)	8.230	7.716	Harmful businesses	Weight (ton)	371.58	364.17	Intensity (tons/NT \$100 million)	1.067	0.936	
Year		2020	2021																			
General businesses	Weight (ton)	2,866.047	2,604.92																			
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	Intensity (tons/NT \$100 million)	1.067	0.936																			
IV. Social issues																						
(I) Whether the Company has established the related management policies and procedures in accordance with the relevant laws and international human rights conventions?	V	<p>The Company recognizes and voluntarily follows internationally recognized human rights standards, including the UN Universal Declaration of Human Rights, ILO Declaration on Fundamental Principles and Rights at Work, 10 principles of the UN Global Compact, UN Guiding Principles on Business and Human Rights, and International Bill of Human Rights. The Company has enforced the KYEC Human Rights Management Policy and published it on the company website to show our respect for international human rights conventions. The Company's human rights management policy and specific plans are summarized as follows:</p> <table border="1"> <thead> <tr> <th>Human rights management policy</th> <th>Specific plans</th> </tr> </thead> <tbody> <tr> <td>Abide by regulatory requirements</td> <td>Employees are provided with a safety and healthy working environment as required by the regulations set forth in the Labor Standards Act and Gender Equality in Employment Act</td> </tr> <tr> <td>Establish an interactive labor-management relationship</td> <td>Forced or compulsory employment and unlawful discrimination is prohibited. Equal employment opportunities and equal pay for equal work is</td> </tr> </tbody> </table>	Human rights management policy	Specific plans	Abide by regulatory requirements	Employees are provided with a safety and healthy working environment as required by the regulations set forth in the Labor Standards Act and Gender Equality in Employment Act	Establish an interactive labor-management relationship	Forced or compulsory employment and unlawful discrimination is prohibited. Equal employment opportunities and equal pay for equal work is	No significant differences													
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			carried out.	
		Support public information transparency	Education and training on human rights is promoted; the Company's human rights advocacy is conveyed through the Company's website and public announcements.	
		Build a friendly workplace.	Establish diverse communication and grievance channels to smoothly express views in a timely manner and effectively solve problems.	
		Promote family life and work balance	Set up health management and promotion plans to emphasize the health of employees.	
		In 2022, we provided human rights protection training on employees, which saw 9,445 participants. In the future, the Company will continue to pay attention to human rights protection issues and promote related education and training, further raising the awareness of human rights protection.		
(II) Has the company established and implemented reasonable measures for employee benefits (including remuneration, holidays and other benefits), and appropriately reflected the business performance or achievements in the employee remuneration?	V	Conducted the employees' performance evaluation each year as the basis for remuneration to employees and promotion and career development planning for the employees. Combined the reward & punishment to employees, performance and raise, based on the level of remuneration applicable in the same trade. In 2022, female employees accounted for 44% and female supervisors accounted for 33%.		No significant differences
(III) Whether the Company provides the existence of a safe and healthy work environment, and regular safety and health training to employees?	V	<p>The Company organizes the employees' health checkup and various health promotion activities each year, and also provides the employees whose health condition is found to be abnormal with care and health education information case by case.</p> <p><u>Occupational Safety and Health Policy</u></p> <p>We abide by the Occupational Safety and Health Act and policies formulated by customers and related organizations. Moreover, we also respect the policies established by stakeholders for organizations as well as requirements on occupational safety and health by stakeholders so as to construct a healthy and happy workplace. The Company has developed a comprehensive occupational safety and health policy. The policy has been announced by the President of the Company and implemented by all employees and managers. The policy specifies the Company's principles with respect</p>		No significant differences

	<p>to the implementation of occupational and health improvement actions, overall safety and health objectives, and commitment to improving safety and health performance. We use the ISO 45001 occupational safety and health management system as the structure and the autonomous management spirit of PDCA continuous improvement to formulate various safety and health management processes and work rules. As well as this, by following the guidelines for operating activities, not only are we able to reduce the incidence of occupational hazards, but at the same time we also minimize the damage and impact to property, personal and environment. In 2021, the Group recorded 25 occupational injury-related incidents. Occupational injury-related mortality rate was 0. Severe occupational injury rate was 0. Recordable rate of occupational injury was 1.32. Occupational injury-related deaths and rate were 0. Recordable cases of occupational disease were 0. We continue to conduct risk assessments each year and implement improvement measures for major risks and hazards, effectively reducing the incidence of occupational disasters.</p> <p><u>Monitoring the workplace</u> To ensure that workers are protected from hazards of harmful substances in the workplace and provide them with a healthy and comfortable workplace, we conduct workplace monitoring twice a year. In doing this, we are able to better understand the actual state of exposure of workers to hazards.</p> <p><u>Work safety inspection</u> We perform a work safety inspection on a monthly basis and unscheduled inspections on vendors. We issue monthly NCR improvement according to suggestions made from the inspections conducted, and review deficiencies on the monthly meeting with vendors.</p> <p><u>Machinery and equipment safety management</u> The safety of the Company's machinery and equipment is managed at source. Prior to the introduction of equipment, hazard identification and risk level assessment are conducted. We also implement change management procedures and personnel education and training, to further reduce the incidence of disasters and accidents. To ensure the safety of operators, a Release system is implemented after the machinery has been installed. This way, we ensure that the safety devices function properly and other safety facilities or labeling are completed. Normal production and operation can only be carried out, provided the safety requirements are met. The safety devices and hazard warning</p>
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		labeling of machinery and equipment are included in the procurement and acceptance criteria. Safety operation standards for equipment removal, installation, operation, maintenance and repairs are established. Safety protection functions at routine maintenance or repair of equipment are included in the inspection items.																																	
		<p>Work safety education and training and emergency response drills for the past 3 years (all plants and subsidiaries)</p> <p>Work safety and education and training:</p> <table border="1"> <thead> <tr> <th>Year</th> <th>2019</th> <th>2020</th> <th>2021</th> </tr> </thead> <tbody> <tr> <td>Education and training (persons)</td> <td>20,559</td> <td>29,527</td> <td>59,343</td> </tr> </tbody> </table> <p>Emergency response drill:</p> <table border="1"> <thead> <tr> <th>Type</th> <th>2019</th> <th>2020</th> <th>2021</th> </tr> </thead> <tbody> <tr> <td>Fire rescue/Earthquake disaster</td> <td>28</td> <td>32</td> <td>32</td> </tr> <tr> <td>Chemical leakage</td> <td>3</td> <td>4</td> <td>3</td> </tr> <tr> <td>Plant-wide evacuation</td> <td>4</td> <td>3</td> <td>3</td> </tr> <tr> <td>Transportation bus drill</td> <td>26</td> <td>25</td> <td>32</td> </tr> <tr> <td>Total</td> <td>61</td> <td>64</td> <td>70</td> </tr> </tbody> </table> <p><u>Company Verification</u> All of the Company's plants and subsidiaries have attained the ISO 45001 certification.</p>	Year	2019	2020	2021	Education and training (persons)	20,559	29,527	59,343	Type	2019	2020	2021	Fire rescue/Earthquake disaster	28	32	32	Chemical leakage	3	4	3	Plant-wide evacuation	4	3	3	Transportation bus drill	26	25	32	Total	61	64	70	
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(IV) Whether the Company has established some effective career development training plans for employees?	V	The Company has established the regulations governing educational training systems applicable to the various levels. The Company will also fulfill and organize annual training plans each year.	No significant differences																																
(V) Has the company complied with laws and international standards with respect to issues such as customers' health, safety and privacy, marketing and labeling of all products and services offered, and implemented consumer or customers protection policies and complaint procedures?	V	Not applicable and, therefore, no related consumer protection policy or complaints procedure needs to be established.	No significant differences																																
(VI) Has the company established supplier	V	The Company has formulated a "Supplier Code of Conduct" and management concepts for																																	

<p>management policies demanding compliance with relevant regulations and their execution status regarding issues such as environmental, occupational safety, and health or labor rights?</p>		<p>suppliers to follow. We work side by side with suppliers to make an effort to promote CSR commitments to the respective group of our suppliers. Meanwhile, we also concentrate on social, economic, and environmental sustainability risk management. Examples of relevant requirements and implementations are as follows:</p> <table border="1" data-bbox="708 421 1249 1668"> <tr> <td data-bbox="708 421 887 837">Supplier management</td> <td data-bbox="887 421 1249 837">All suppliers must comply with the product quality management system, environmental safety and health management system, and supplier chain safety management system assessment. They are also required to sign the “Statement of Commitment to Responsible Business Alliance (RBA) Code of Conduct” for CSR management.</td> </tr> <tr> <td data-bbox="708 837 887 1285">Supplier selection</td> <td data-bbox="887 837 1249 1285">All suppliers are required to complete and submit a Supplier Evaluation Questionnaire and Raw Material (Accessory) Supplier Evaluation, and sign a Statement of Commitment to RBA Code of Conduct, Letter of Guarantee to Not Use Banned Substances, and KYEC Supplier Integrity Rules, all of which serve as the basis for evaluation and review.</td> </tr> <tr> <td data-bbox="708 1285 887 1668">Supplier audit</td> <td data-bbox="887 1285 1249 1668">The scope of audit on supplier sustainability encompasses economic, environmental, and social factors as well as five RBA dimensions. In 2022, the risks of 66 key suppliers were identified, 14 key and high-risk suppliers were subject to onsite (paper-based) inspection. All suppliers have improved deficiencies within the prescribed time.</td> </tr> </table> <p>For supplier-related issues, please visit the Company’s website at http://www.kyec.com.tw/, go to “CSR” > “Sustainability Report” > see “Sustainable Supply Chain” section.</p>	Supplier management	All suppliers must comply with the product quality management system, environmental safety and health management system, and supplier chain safety management system assessment. They are also required to sign the “Statement of Commitment to Responsible Business Alliance (RBA) Code of Conduct” for CSR management.	Supplier selection	All suppliers are required to complete and submit a Supplier Evaluation Questionnaire and Raw Material (Accessory) Supplier Evaluation, and sign a Statement of Commitment to RBA Code of Conduct, Letter of Guarantee to Not Use Banned Substances, and KYEC Supplier Integrity Rules, all of which serve as the basis for evaluation and review.	Supplier audit	The scope of audit on supplier sustainability encompasses economic, environmental, and social factors as well as five RBA dimensions. In 2022, the risks of 66 key suppliers were identified, 14 key and high-risk suppliers were subject to onsite (paper-based) inspection. All suppliers have improved deficiencies within the prescribed time.	No significant differences
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<p>V. Does the company adopt internationally widely recognized standards or guidelines when producing sustainability reports and</p>	<p>V</p>	<p>The Company followed the internationally accepted GRI Standards when compiling the “2022 KYEC Sustainability Report” and passed the AA1000 Type 1 Medium Assurance Level by a third-party certification</p>	<p>No significant differences</p>						

<p>reports disclosing the company's non-financial information? Have the aforementioned disclosures been assured, verified or certified by a third party?</p>		<p>entity (SGS). For compilation standards and assurance, please see the Company's website at Http://www.kyec.com.tw/, go to "CSR" > "Sustainability" > "About the Report" > "Reporting Standards" and "External Assurance"</p>	
<p>VI. Has the Company established its own Sustainability Development Best-Practice Principles based on "Sustainability Development Best-Practice Principles for TWSE/TPEX Listed Companies"? If any, please describe any discrepancy between the principles and their implementation: The Company's Board of Directors approved the formulation of the "Corporate Social Responsibility Best-Practice Principles" in April 2015 and amendments to the Principles were approved by the Board of Directors in March 2017 to strengthen the implementation of our corporate social responsibility. The actual operation is not significantly different from the Principles.</p>			
<p>VII. Other important information that helps understand the implementation of sustainable development:</p> <p>(I) The Company values the energy management, environmental protection and occupational safety & health areas very much. Hsin-Chu Factory and Chu-Nan Factory have won the "Five-Star Award" for labor safety and health from the Council of Labor Affairs, Executive Yuan in 2010 and 2013. In order to fulfill the Company's corporate social responsibility, the Company participates in the adoption of peripheral roads by Chu-Nan Factory each year. The Company is used to promoting the effective resource utilization voluntarily. In 2015, the Company was honored as the excellent entity for the "Low Carbon Action Award" by the Environmental Protection Administration, Executive Yuan. In 2018, the Company's factory premises received the "Badge of Accredited Healthy Workplace" from the Health Promotion Administration. In 2020, Chu-Nan Factory and Tongluo Factory were honored as the excellent entities for "2019 Green Procurement" by the Environmental Protection Bureau of Miaoli County, and Chu-Nan Factory was honored as the excellent entity for "2019 Green Procurement" awarded by the Environmental Protection Administration, Executive Yuan. Tongluo Factory for Stage 1 received the "Green Building—Bronze Medal" awarded by the Ministry of Interior in 2016, and received the excellence award in "Landscaping and Environmental Maintenance Competition" organized by Hsinchu Science Park during 2017 to 2020. In 2021–2022, the Company received the "2020 Green Procurement by Private Companies and Groups" Special Merit Award by Environmental Protection Bureau of Miaoli County Government and "2020 Green Procurement" by the Environmental Protection Administration, Executive Yuan.</p> <p>(II) The Company is engaged in the technical service industry for the IC industry and, therefore, there is no such problem about discharge of pollutants in the process of production. Meanwhile, the management values the various pollution prevention works very much. The various inspections all comply with the governmental laws and regulations. The Company has obtained the following certifications: ISO14001 environmental management system (changed to ISO14001:2015 in 2017), OHSAS18001 occupational health and safety management systems (changed into ISO45001:2018 in 2020), ISO14064 for international GHG system (changed to ISO 14064-1:2018 in 2021), and TOSHMS Taiwan occupational safety and health management system certification in 2008 (changed CNS45001:2018 in 2020). Chu-Nan Factory passed ISO50001 energy management system certification in 2016, and Tongluo Factory was included into the scope of certification in 2017. It was converted into ISO50001:2018, and the packaging factory was included into the scope of certification in 2019. Passed ISO22301:2019 business continuity management system in 2020.</p> <p>(III) The Company responds to the multiple employment plans prepared by the government. It received the "Employment Creation Contribution Award" for the agricultural and industrial group awarded by the Ministry of Economic Affairs and Council of Labor Affairs, Executive Yuan on November 30, 2010. Meanwhile, the Company establishes the Employees' Welfare Committee, implements the pension system, organizes various employee training programs and group insurance, arranges periodic health checkups and values the harmonious labor-management relationship. The Company also actively works with local schools. For</p>			

the time being, it is working with the schools including National Kaohsiung University of Science and Technology, National Yunlin University of Science and Technology, National Changhua University of Education, National United University, National Quemoy University, Chaoyang University of Technology, National Formosa University and Yu Da University of Science and Technology, etc. The Company not only fulfills its social responsibility but also trains professional human resources. It has been 16 years since the Company adopted the industry-academia cooperation, and a total of 2,588 persons have been involved in the industry-academia cooperation already.

- (IV) For social involvement, the Company established the KYEC Care Association. The Company takes care of disadvantaged groups, cares for the independent-living elderly, participates in community activities and actively sponsors various activities organized by city/county governments as its mission and philosophy. It will also set up public welfare booths in large-scale activities of the Company each year and work with various public welfare groups in some bazaars. It spares no effort in boosting the fund-raising activities organized by the public welfare groups. At the same time, it hopes to fulfill its corporate social responsibility.
- (V) The Company has prepared sustainability reports, which can be found on the Company's website at <http://www.kyec.com.tw/>, under CSR > Report.

(VI.) The state of the company’s performance in the area of ethical corporate management, any variance from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such variance

Scope of Assessment	Status			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
I. Enactment of ethical management policy and program				
(I) Has the Company formulated an ethical policy approved by the board of directors and does the Company expressly state the ethical policy and its fulfillment by the board of directors and the management in its Articles of Incorporation and public documents?	V		The “Ethical Corporate Management Best-Practice Principles” and “Procedures for Ethical Management and Guidelines for Conduct” are adopted to assist the Company to foster a corporate culture of ethical management and sound development, and offer a reference framework for establishing good commercial practices.	No significant differences
(II) Does the company establish appropriate precautions against high potential unethical conducts, with analysis and assessments on business activities of high potential unethical conducts, and formulate a prevention plan stated in Article 7, Paragraph 2 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies?	V		The Company has Formulated the “Ethical Corporate Management Rules” approved by the Board of Directors. A risk assessment mechanism against unethical conduct has also been set up to periodically analyze and assess business activities of relatively higher unethical conduct risks within the business scope. Based on this, we establish preventive programs accordingly and review the adequacy and effectiveness of the preventive programs periodically, while strengthening relevant preventive measures. The preventive programs established by the Company cover the following	No significant differences

			prevention of conduct: I. Offering and acceptance of bribes. II. Illegal political donations. III. Improper charitable donations or sponsorship. IV. Offering or acceptance of unreasonable presents or hospitality, or other improper benefits. V. Misappropriation of trade secrets and infringement of trademark rights, patent rights, copyrights, and other intellectual property rights. VI. Engaging in unfair competitive practices. VII. Damage directly or indirectly caused to the rights or interests, health, or safety of consumers or other stakeholders in the course of research and development, procurement, manufacture, provision, or sale of products and services.	
(III) Has the company specified operational procedures, behavioral guidelines, disciplines of violations, as well as an appeal system in the program against unethical behavior, and implemented such programs, and reviewed and revised the previous program on a regular basis?	V		The Company engages in commercial activities following the principles of fairness, honesty, faithfulness, and transparency, and in order to fully implement a policy of ethical management and actively prevent unethical conduct, these “Procedures for Ethical Management and Guidelines for Conduct” are adopted with a view to providing all personnel of this Corporation with clear directions for the performance of their duties, including the specified operating procedures and behavior guidelines for each program, disciplinary actions, and complaints system, after approval by resolution made in the board meeting held on October 30, 2020. The scope of application of these	No significant differences

			Procedures and Guidelines includes the subsidiary of this Corporation, any incorporated foundation in which this Corporation's accumulated contributions, direct or indirect, exceed 50% of the total funds of the foundation, and other group enterprises and organizations, such as institutions or juristic persons, substantially controlled by the Company. Not only are these Procedure senforced on our new recruits, but they are also implemented in the Company's operations.	
II. Implementation of ethical management				
(I) Whether the Company assesses a trading counterpart's ethical management record, and expressly states the ethical management clause in the contract to be signed with the trading counterpart?	V		The Company shall take into consideration the legitimacy of its agents, suppliers, customers or other business trading counterparts and whether they are involved in any unethical activities before engaging in transactions, in order to avoid engaging in transactions with unethical ones. The agreements/ contracts concluded by the Company with its agents, suppliers, customers or other business trading counterparts shall include the ethical corporate management policy and the clauses providing that the agreements/contracts shall be rescinded or terminated where the trading counterpart sare involved in any unethical activities.	No significant differences
(II) Does the company establish an exclusively (or concurrently) dedicated unit supervised by the board to be in charge of corporate integrity? Does the Company report policies to the board on a regular basis (once a year) to prevent conflicts of interest and provide proper statement channels?	V		The Company has appointed the President's Office as the dedicated unit subordinated to the board of directors responsible for establishing and supervising the execution of ethical corporate management policies and preventivemeasures, taking charge of various matters and reporting to the board of directors periodically. In	No significant differences

			<p>2022, the Company organized general RBA and human rights training courses for all employees. The courses cover human rights issues (including forced labor, child labor, discrimination, harassment, freedom of association, privacy, standard on working hours, and suitable salaries and benefits), labor workers, health and safety, environmental protection, code of ethics (including ethical management and anti-corruption), and management systems. Training completion rate was 100%.</p>	
<p>(III) Whether the Company defines any policy against conflict of interest, provides adequate channels thereof, and fulfills the same precisely?</p>	V		<p>The “Ethical Corporate Management Best-Practice Principles” and “Procedures for Ethical Management and Guidelines for Conduct” are adopted to assist the Company to foster a corporate culture of ethical management and sound development, and offer a reference framework for establishing good commercial practices. The Company also provides open channels for employees to express their opinions within the Company and through its official website. The primary principle of the directors and managerial officers of the Company is ethical corporate management. If any decision or transaction involves their own conflict of interest, based on the principles of preventing conflicts of interests, directors and managerial officers are prohibited from voting.</p>	<p>No significant differences</p>

<p>(IV) Has the company established an effective accounting system and internal control system in order to implement ethical management, propose relevant audit plans according to the assessment results of the risks of unethical behaviors, and review the compliance status of the prevention of unethical behaviors, or entrusted an accountant to carry out the review?</p>	<p>V</p>	<p>In order to implement ethical corporate management, the Company has set up an effective accounting system and internal control system to ensure that ethical corporate management has been enforced. The audit division reviews the compliance of the said systems according to the annual auditing plans. The Company also complies with applicable regulations of the “Company Act” and the “Securities and Exchange Act,” and the Company’s accountants are responsible for the auditing of accounting books.</p>	<p>No significant differences</p>
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<p>(V) Whether the Company organizes internal/external education training programs for ethical management periodically?</p>	<p>V</p>		<p>The Company has established the “Procedures for Ethical Management and Guidelines for Conduct” and promotes ethical corporate management in employee education & training and meetings from time to time. In 2022, the Company organized online courses (including legal education and training, information security and intellectual property protection policy, insider trading prevention promotion). A total of 9,445 employees took part in these training courses.</p> <table border="1" data-bbox="826 801 1209 1440"> <thead> <tr> <th data-bbox="826 801 922 958">For Whom the Course is Designed</th> <th data-bbox="922 801 1075 958">Name</th> <th data-bbox="1075 801 1209 958">Date</th> </tr> </thead> <tbody> <tr> <td data-bbox="826 958 922 1245" rowspan="3">All employees</td> <td data-bbox="922 958 1075 1039">Education & Training on Legal Matters</td> <td data-bbox="1075 958 1209 1039">2022/02/14~2022/02/23</td> </tr> <tr> <td data-bbox="922 1039 1075 1144">Information Safety and Intellectual Property Protection Policy</td> <td data-bbox="1075 1039 1209 1144">2022/10/27~2022/11/09</td> </tr> <tr> <td data-bbox="922 1144 1075 1245">Information on Promotion on Prevention of Insider Trading</td> <td data-bbox="1075 1144 1209 1245">2022/08/25</td> </tr> <tr> <td data-bbox="826 1245 922 1440">All directors</td> <td data-bbox="922 1245 1075 1440">Education and Promotion of Prevention of Insider Trading and Ethical Corporate Management</td> <td data-bbox="1075 1245 1209 1440">2022/12/30</td> </tr> </tbody> </table>	For Whom the Course is Designed	Name	Date	All employees	Education & Training on Legal Matters	2022/02/14~2022/02/23	Information Safety and Intellectual Property Protection Policy	2022/10/27~2022/11/09	Information on Promotion on Prevention of Insider Trading	2022/08/25	All directors	Education and Promotion of Prevention of Insider Trading and Ethical Corporate Management	2022/12/30	<p>No significant differences</p>
For Whom the Course is Designed	Name	Date															
All employees	Education & Training on Legal Matters	2022/02/14~2022/02/23															
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All directors	Education and Promotion of Prevention of Insider Trading and Ethical Corporate Management	2022/12/30															
<p>III. Status of the Company’s complaint system</p>																	
<p>(I) Whether the Company has defined a specific complaints and rewards system, and established some convenient complaint channel, and assigned competent dedicated personnel to deal with the situation?</p>	<p>V</p>		<p>Internal grievance channels: The Company has set up the employees’ message board, opinion mailbox and hotline dedicated to accepting the complaints from employees.</p>	<p>No significant differences</p>													
<p>(II) Has the company implemented any standard procedures, subsequent measures or confidentiality measures for handling</p>	<p>V</p>		<p>Investigations are conducted by the Company’s Human Resources Department and are conducted confidentially.</p>	<p>No significant differences</p>													

reported misconducts?				
(III) Whether the Company has adopted any measures to prevent the complainants from being abused after filing complaints?	V		According to Article 22 of the Company's "Ethical Corporate Management Best-Practice Principles" and Article 21 of the "Procedures for Ethical Management and Guidelines for Conduct," the Company protects the identify and content of the whistleblower so that he/she is not improperly treated due to whistleblowing. The Company's grievance channel for external parties is established on its official website at "Business Conduct and Ethics Grievance System."	No significant differences
IV. Enhancing Information Disclosure Has the company disclosed the contents or its ethical corporate management principles as well as relevant implementation results on its website and on the Market Observation Post System?	V		The Company has disclosed information associated with its Ethical Corporate Management Best-Practice Principles, Code of Ethical Conduct, Procedures for Ethical Management and Guidelines for Conduct. Contents of the Company's Ethical Management Principles and its implementation are announced on the MOPS.	No significant differences
V. Has the Company established its own ethical business best-practice principles based on "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies"? If any, please describe any discrepancy between the principles and their implementation: The Company has established its own "Ethical Corporate Management Best-Practice Principles" to establish and develop a corporate culture of ethical corporate management. The actual operation does not differ from the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies."				
VI. Other important information to help the better understanding of the Company's ethical corporate management (e.g. review and amendments on the ethical corporate management best-practice principles established by itself):				
<ol style="list-style-type: none"> 1. To be in line with the amendment to "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" made in 2019, the amendment to the Company's "Ethical Corporate Management Best-Practice Principles" has been approved by the board of directors meeting held on December 27, 2019. The contents of the Principles have been thoroughly implemented. 2. In addition to developing human rights policies for employees, suppliers, and community residents, the Company also arranges face-to-face or online training programs every year for new hires and existing employees. Training programs cover topics on business conduct (e.g., safeguarding human rights, ethical management), ethics, workers' rights, human rights policies, the Responsible Business Alliance (RBA) Code of Conduct, and Employee Code of Conduct. Through training, employees are made aware of how much the Company values and respects employees. Course training totaled 4,815 hours, and training completion rate was 100%. 3. In 2022, a total of 9,445 employees took part in training courses. The related education 				

& training and promotion situation is as follows:			
For Whom the Course is Designed	Name	Date	Method and Passing Criteria
All employees	Education & Training on Legal Matters	2022/02/14~ 2022/02/23	Passing the online course within the reading period (full score of the test is 100)
	Information Safety and Intellectual Property Protection Policy	2022/10/27~ 2022/11/09	Passing the online course within the reading period (full score of the test is 100)
	Information on Promotion on Prevention of Insider Trading	2022/08/25	Announcement on Intranet
All directors	Education and Promotion of Prevention of Insider Trading and Ethical Corporate Management	2022/12/30	Related education and promotion provided to directors at the 14th session of the 22nd board meeting

(VII) If the company has established corporate governance principles or other relevant guidelines, references to such principles must be disclosed:

Please visit the MOPS at <https://mops.twse.com.tw/> or the Company's website at <https://www.kyec.com.tw/csr/csreport.aspx>.

(VIII) Disclosure of other information enabling better understanding of the Company's corporate governance: The Company has established the Procedures for Handling Material Inside Information to avoid improper disclosure of information and ensure that the information disclosed is consistent and accurate.

(IX.) Implementation of the internal control system

1. Declaration of Internal Control System

King Yuan Electronics Co., Ltd.

Declaration of Internal Control System

Date: March 2, 2023

The following declaration had been made based on the 2022 self-assessment of the Company's internal control system:

- I. The Company acknowledges and understands that the establishment, implementation and maintenance of the internal control system are the responsibility of the board and managers, and that such a system has been implemented within the Company. The purpose of this system is to provide reasonable assurance in terms of business performance, efficiency (including profitability, performance, asset security, etc.), reliability, timely and transparent financial reporting, and regulatory compliance.
- II. The internal control system is designed with inherent limitations. No matter how perfect the internal control system is, it can only provide a reasonable assurance to the fulfillment of the three objectives referred to above. Moreover, the effectiveness of the internal control system could be affected by the changes of environment and circumstances. However, a self-monitor mechanism is installed in the internal control system of the Company. The Company will make corrections once the deficiencies are identified.
- III. The Company has assessed the effectiveness of the internal control system design and implementation in accordance with the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as "The Regulations"). Criteria introduced by "The Regulations" consists of five major elements, each representing a different stage of internal control: 1. Control environment; 2. Risk evaluation; 3. Procedural control; 4. Information and communication; and 5. Supervision. Each element further encompasses several sub-elements. Please refer to the Regulations for details.
- IV. The Company has adopted the abovementioned criteria to validate the effectiveness of its internal control system design and execution.
- V. The following major deficiencies were identified in the Company's evaluation: (See Attachment for details on each deficiency)
- VI. Based on the results of evaluation, the Company believes that the design and implementation of its internal control system (including its supervision and management of subsidiaries) on December 31, 2022, encompassing internal controls for knowledge of the degree of achievement of operational effectiveness and efficiency objectives, reliability, timeliness, and transparency of reporting, and compliance with applicable laws and regulations, are effective, except for the items mentioned in the preceding paragraph.
- VII. This Statement of Declaration will be the major content of the annual report and prospectus of the Company and disclosed to the public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- VIII. This declaration was passed unanimously without objection by all 9 directors present at the board meeting dated March 2, 2023.

King Yuan Electronics Co., Ltd.

Director & Chairman: Chin-Kung Lee Signature and Seal

President: An-Hsuan Liu Signature and Seal

Major Deficiencies and Improvement Actions for Internal Control System

Internal Control System Major Deficiency	Aspect of Major Deficiency			Improvement Actions
	Design	Implementation	Supervision and Management	
<u>The Company</u>				
I. The content of the “Supplier Evaluation Questionnaire” was not appropriately designed, and some parts of the supplier evaluation and supplier data were incomplete.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<ol style="list-style-type: none"> 1. Develop a delta flow system for “Supplier Evaluation Questionnaire” to replace paper-based processes. 2. Rules will be observed for relevant evaluation fields. 3. Re-examine the “Supplier Evaluation Questionnaire” scoring criteria and revise it so that it can differentiate supplier scores to effectively evaluate their ability to supply goods. 4. The system will be designed such that it checks whether required fields have been completed and whether time series is correct before submission for review.
II. Internal control system - The contract terms for procure-to-pay cycle are inconsistent with procurement control procedures, and the scope of contract procurement excludes consumable materials.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Amend procurement terms and conditions, specify the category of suppliers signing the procurement contract, follow the new terms and conditions when signing procurement contract with suppliers, and revise terms and conditions to ensure consistency.
III. Requisition in relation to plant construction failed to follow procurement control procedures and rules; inquiry,	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<ol style="list-style-type: none"> 1. Initiate price negotiation/bid opening when requisition application form is submitted to the procurement unit in order to ensure that the price at time of ordering is the final price. 2. Amend procurement control procedures

Internal Control System Major Deficiency	Aspect of Major Deficiency			Improvement Actions
	Design	Implementation	Supervision and Management	
comparison, price negotiation procedures or bid opening procedures were carried out without approval by the head of the requesting unit.				<p>and plant operation rules to specify when to use the Building (Facility) Repair Order Form, and ensure that the request of the unit using the form has been approved by its department head or that the request of a plant department can be approved directly by the department head on the requisition form system.</p> <p>3. Compile the company's procurement rules into training materials for use in training, instead of sending verbal notices reminding employees to learn the rules.</p> <p>4. Conduct procurement discipline testing twice in a year.</p>

Internal Control System Major Deficiency	Aspect of Major Deficiency			Improvement Actions
	Design	Implementation	Supervision and Management	
<p>IV. A part of the clean room has been completed by a supplier without going through contracting procedures and signing an agreement. A job by a supplier is still ongoing and not yet completed, but it has not been contracted and an agreement has not been signed yet.</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<ol style="list-style-type: none"> 1. Procurement rules will be enforced again. Vendors must be notified of an emergency job through the Draft PO mechanism. 2. Compile the company's procurement rules into training materials for use in training, instead of sending verbal notices reminding employees to learn the rules. 3. Conduct procurement discipline testing twice in a year.
<p><u>Main Subsidiary - King Long Technology (Suzhou) Ltd.</u></p>				

Internal Control System Major Deficiency	Aspect of Major Deficiency			Improvement Actions
	Design	Implementation	Supervision and Management	
I. The internal control system - procure-to-pay cycle is inconsistent with the price inquiry and comparison rules for vendors subject to the procurement control procedures.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Revise the monetary amount specified in the procurement rules as instructed by the parent company to ensure that the rules are consistent.
II. Circuit board repair system is only provided to a single supplier for approval and not to other repair suppliers for approval.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Include RMS circuit board repair procedures and rules in the procurement control procedures so that when a procurement unit decides to send a circuit board for repair, RMS approval will be obtained from the repair company.
III. Parts of the "Supplier Evaluation Questionnaire" and supplier data were incomplete.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Adopt a supplier evaluation system with reference to the parent company's system.
IV. Rules for the procure-to-pay cycle were not observed in various parts of the inquiry, comparison, price negotiation procedures.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<ol style="list-style-type: none"> 1. Establish an instruction manual for procurement personnel. 2. Incorporate monthly performance evaluation of procurement personnel.
V. Some deliveries were made earlier than the date indicated on the order form.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Revise procurement rules with reference to those adopted by the parent company.

2. The internal control audit report issued by the CPA commissioned to conduct an internal control audit, if any: Please refer to Appendix 1.

(X) If there has been any legal penalty against the company or its internal personnel, or any disciplinary penalty by the company against its internal personnel for violation of the internal control system, during the most recent fiscal year or during the current fiscal year up to the publication date of the annual report, where the result of such penalty could have a material effect on shareholder equity or securities prices, the annual report shall disclose the penalty, the main shortcomings, and condition of improvement, specify its content, main deficit and improvement situation:

Penalty against the Company	Improvement Situation
<p>According to TWSE letter Tai-Zheng-Shang-Yi-Zi No. 1111805135 dated October 19, 2022, the Company was fined NT\$200,000 for violating Paragraph 2, Article 9 of the Taiwan Stock Exchange Corporation Directions for Auditing Internal Control Systems of Listed Companies. The letter requested the Company to employ a non-certifying accountant to review its internal control system prescribed for the purchase and payment cycle between January 1, 2021 and September 30, 2022. A report of this review should be completed within 3 months after receipt of this letter. Inspection results of the review report, disciplinary penalty against its internal personnel, and implementation status must be forwarded to the Audit Committee and Board of Directors for approval. Additionally, the letter requested the accountant to ramp up inspection efforts and provide guidance on the appropriateness and legality of the purchase and payment cycle.</p>	<p>We have comprehensively reviewed and improved the deficiencies mentioned therein. An external accountant was employed to conduct a review of our internal control system. Improvement actions taken have been presented to the Audit Committee and Board of Directors.</p>
<p>According to TWSE letter Tai-Zheng-Shang-Yi-Zi No. 1111805480 dated November 3, 2022, the Company resolved at a meeting of the Board of Directors on January 11, 2019 to acquire real property, and later made changes to the scope of acquisition on April 12, 2019. Following investigation, such change is subject to Subparagraph 20, Paragraph 1, Article 4 of the Taiwan Stock Exchange Corporation Procedures for Verification</p>	<p>The Company has paid the penalty fine and will abide by laws and regulations in the future.</p>

<p>and Disclosure of Material Information of Companies with Listed Securities. The Company, however, only disclosed this information on the Market Observation Post System on May 2, 2019. The part about estimates in the said information disclosed on May 2 was not corrected in response to scope changes, thus rendering said information unconfirmed. The Company only updated the information on the MOPS on November 1, 2022, which is a violation of Subparagraph 3, Paragraph 1, Article 15 of the Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities. Therefore, a fine of NT\$200,000 was imposed by TWSE.</p>	
<p>According to Letter FSC-Zheng-Fa-Zi No. 1110365047 issued by the Financial Supervisory Commission (FSC) on December 12, 2022, the Company purchased real property without obtaining a valuation report nor submitting it to the Audit Committee and Board of Directors for resolution, which is a violation of Subparagraph 5, Paragraph 1, Article 14 and Article 36-1 of the Securities and Exchange Act and Paragraph 1, Article 9 of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies. In accordance with Subparagraphs 2 and 11, Paragraph 1, Article 178 and Article 179 of the Securities and Exchange Act, the person responsible for the act was fined NT\$240,000.</p>	<p>The Company has paid the fine and will abide by laws and regulations in the future.</p>

(XI) Important resolutions made by the shareholders' meeting board of directors' meeting during the current fiscal year and up to the date of printing of the annual report

1. Resolutions made by the 2022 annual general meeting

Date	Session	Important resolutions and implementation
2022/06/29	Annual shareholders meetings:	<ol style="list-style-type: none"> The motion for business report and financial statements 2021 was ratified. Implementation: Relevant statements have been provided to the competent authority and publicly reported in accordance with the Company Act and other applicable laws. The motion for allocation of earnings 2021 was ratified. Implementation: Approved the motion for setting July 27, 2022 as the baseline date for distribution of cash dividend, and cash dividend was distributed on August 19, 2022. (cash dividend was distributed at NT\$3 per share) Approved the removal of non-competition restriction for directors. Implementation: Effective after resolution at the annual shareholders' meeting and published as material information on the MOPS. Approved the amendment to "Procedures for the Acquisition or Disposal of Assets." Implementation: Published on the MOPS on July 4, 2022 and handled in accordance with amendments.

2. Summary of the Company's important resolutions made by the shareholders' meeting board of directors' meeting for 2022 and up to the date of printing of the annual report:

Date	Session	Important resolutions
2022/03/04	Board of Directors' meeting	<ol style="list-style-type: none"> Approved the 2021 Declaration of Internal Control System. Approved the motion for the Company's 2022 budget. Approved the amendment to "Operating Procedures for Acquisition or Disposition of Assets." Approved the motion for assessment on independence and competency of CPAs. Approved the 2021 separate financial statement and consolidated financial statements. Approved the discussion of the motion for allocation of remuneration to employees in 2021 and the motion proposed by the remuneration committee for the remuneration to directors in 2021.
2022/04/08	Board of Directors' meeting	<ol style="list-style-type: none"> Approved the 2021 business report. Approved the motion for the 2021 earnings distribution. Approved the motion to change the Company's CPAs in response to adjustments to the internal organization of EY. Approved the motion for organization of the Company's 2022 general shareholders' meeting at 2F., No.6, Yule St., Toufen City, Miaoli County, Taiwan (Grand Royal Hotel Conference Room 205) on June 29, 2022 (Wednesday) at 9 a.m. Approved the adjustments made by the Remuneration Committee to the remuneration recommended for the Company's managers for 2022.
2022/05/06	Board of	<ol style="list-style-type: none"> Approved the interim consolidated financial statements for the period January 1–March 31, 2022.

	Directors' meeting	<ol style="list-style-type: none"> 2. Approved the discussion of the motion for allocation of directors' remuneration in 2021 recommended by the Remuneration Committee. 3. Approved the termination of the initial public offering (IPO) of RMB common stock (A shares) of the Company's subsidiary King Long Technology (Suzhou) Ltd. and its application for listing on the Shanghai Stock Exchange/Shenzhen Stock Exchange. 4. Approved matters relevant to the 2022 shareholders' meeting (addition of proposals).
2022/06/29	Board of Directors' meeting	<ol style="list-style-type: none"> 1. Approved the date of dividend distribution.
2022/08/05	Board of Directors' meeting	<ol style="list-style-type: none"> 1. Approved the interim consolidated financial statements for the period January 1–June 30, 2022. 2. Approved the provision of endorsement and guarantee by the Company's subsidiary King Long Technology (Suzhou) Ltd. to wholly-owned subsidiary Suzhou Zhen Kun Technology Ltd. 3. Approved amendments to the "Internal Control System." 4. Approved the employee equity incentive program for the Company's subsidiary, King Long Technology (Suzhou) Ltd. 5. Approved the discussion of the adjustments made by the Remuneration Committee regarding the proposed distribution of cash remuneration to the Company's employees for 2021.
2022/09/07	Board of Directors' meeting	<ol style="list-style-type: none"> 1. Approved the discussion of matters recommended by the Company's Audit Committee with respect to the current internal audit report.
2022/10/06	Board of Directors' meeting	<ol style="list-style-type: none"> 1. Approved the motion to apply for medium and long-term loans from a financial institution. 2. Approved the motion to apply for a syndicated loan of NT\$8 billion with a syndicate including the Bank of Taiwan (hereinafter referred to as Syndicated Loan). 3. Approved the motion for employee promotion. 4. Approved the motion for personnel changes. 5. Approved the discussion of the resolution approved during the last (18th) meeting of the (14th-term) Board of Directors regarding transfer documents prepared by the legal office.
2022/11/04	Board of Directors' meeting	<ol style="list-style-type: none"> 1. Approved the motion to apply for medium and long-term loans from a financial institution. 2. Approved the interim consolidated financial statements for the period January 1–September 30, 2022. 3. Approved the motion of the 2023 audit plan. 4. Approved amendments to "Procedures for Handling Material Inside Information" and accordingly amendments to the "Internal Control System" and "Internal Audit Implementation Rules." 5. Approved amendments to the Company's Rules of Procedures for "Board of Directors Meetings." 6. Approved the motion for the 2022 professional fees of CPAs.
2022/11/30	Board of Directors' meeting	<ol style="list-style-type: none"> 1. Approved the discussion of matters for resolution as evaluated by the Company's Audit Committee, which was suggested in a letter from the TWSE on November 3, 2022. 2. Approved the discussion of ways to handle matters as evaluated by the Company's Board of Directors, which was suggested in a letter from the TWSE on November 3, 2022.
2022/12/30	Board of	<ol style="list-style-type: none"> 1. Approved the 2023 capital expenditures for the Company and its

	Directors' meeting	subsidiaries.
2023/01/16	Board of Directors' meeting	<ol style="list-style-type: none"> 1. Approved the Company's employment of a non-certifying accountant to review its internal control system prescribed for the purchase and payment cycle between January 1, 2021 and September 30, 2022, and to issue a Statement on Internal Control and assurance report. 2. Approved the Company's disciplinary action against the person responsible for the violation and any other matters related to accountability, based on factual findings uncovered during the non-certifying accountant's review of the purchase and payment cycle between January 1, 2021 and September 30, 2022. 3. Approved the Company's resolution adopted at the 21st meeting of the 14th-term Board of Directors, which approved the documents sent to the investigation unit for assistance with investigation. The documents included suspicious points, materials, and CPAs' internal control review report, all of which were provided by the Company's legal and audit units to the lawyers.
2023/03/02	Board of Directors' meeting	<ol style="list-style-type: none"> 1. Approved the motion to have Ernst & Young and its affiliates provide non-assurance services to the Company and its subsidiaries as of December 31, 2023. 2. Approved the motion to apply for medium and long-term loans from a financial institution. 3. Approved the 2022 Declaration of Internal Control System. 4. Approved the motion for the Company's 2023 budget. 5. Approved the amendment to the "Corporate Governance Rules." 6. Approved the motion for assessment of the independence and competency of the Company's CPA. 7. Approved the discussion of the motion for allocation of remuneration to employees in 2022 and the motion proposed by the remuneration committee for the remuneration to directors in 2022. 8. Approved the 2022 separate financial statement and consolidated financial statements. 9. Approved the 2022 business report. 10. Approved the motion for the 2022 earnings distribution. 11. Approved the motion for the re-election of the Company's directors. 12. Approved the director candidates for the Company's 15th-term Board of Directors. 13. Approved the removal of non-compete clause for the Company's directors. 14. Approved the adjustments made by the Remuneration Committee to the remuneration recommended for the Company's managers for 2023. 15. Approved the motion for organization of the Company's 2023 general shareholders' meeting at 2F., No.6, Yule St., Toufen City, Miaoli County, Taiwan (Grand Royal Hotel Conference Room 205) on May 30, 2023 (Tuesday) at 9 a.m.

(XII) Where a director has expressed a dissenting opinion with respect to a material resolution passed by the board of directors, and said dissenting opinion has been recorded or prepared as a written declaration, disclose the principal content thereof in the most recent fiscal year or up to the date of publication of the annual report:

1. Agenda #1 in matters to be discussed at the 18th meeting of the 14th-term Board of Directors on September 7, 2022: Regarding the discussion of matters recommended by the Company's Audit Committee with respect to the current internal audit report, the chair has put the matter before all directors present at the meeting. The Chairman Chin-Kung Lee and Vice Chairman Chi-Chun Hsieh both opposed the motion. The other directors agreed to suspected involvement in non-arm's length transactions, for further investigation.
2. Agenda #2 in matters to be discussed at the 23th meeting of the 14th-term Board of Directors on January 16, 2023: The Company's disciplinary action against the person responsible for the violation and any other matters related to accountability, based on factual findings uncovered during the non-certifying accountant's review of the purchase and payment cycle between January 1, 2021 and September 30, 2022. The chairman has put the matter before all directors present at the meeting. Except for Director Ping-Kun Hung, the others agreed to follow the company's personal reward and punishment method.

(XIII) A summary of resignations and dismissals of the Company's chairman, president, chief accountant, executive financial officer, chief internal auditor, corporate governance officer and chief research and development officer in the most recent fiscal year or up to the date of publication of the annual report: None.

V. Information on the Professional Fees of the Attesting CPAs

Amount unit: NTD thousand

Name of accounting firm	Name of CPA		Independent Auditor's Report	Audit Fee	Non-Audit Fees	Total	Remarks
Ernst & Young	Shao-Pin Kuo	Hsin-Min Hsu	2022.01.01~2022.12.31	5,985	1,900	7,885	The non-audit fees include ESG consultation of NT\$1,580, tax compliance checks of NT\$260, and tax inventory of NT\$60.

1. When the company changes its accounting firm and the audit fees paid for the financial year in which the change took place are lower than those paid for the financial year immediately preceding the change, the amount of the audit fees before and after the change and the reason shall be disclosed: None.
2. Any reduction in audit remuneration by more than 10% compared to the previous year; state the amount, the percentage and reason of such variation: None.

VI. Change of auditor

Due to the readjustment of the internal organization of the accounting firm, from the Q1, 2022, accountants Shao-Pin Kuo and Wen-Fun Fuh replaced by Shao-Pin Kuo and Hsin-Min Hsu.

(I) Regarding the former CPA:

Date of change	As of Q1 of 2022 (approved at board meeting on April 8, 2022)		
Reason for change and description	The Company originally approved at the 12th meeting of the 14th-term Board of Directors on December 28, 2021 to appoint CPAs Shao-Pin Kuo and Chia-Ling Tu from Ernst & Young to be the Company's CPA as of Q1 of 2022. However, due to the accounting firm's organizational restructuring, the Company's CPAs will now be assumed by Shao-Pin Kuo and Hsin-Min Hsu.		
Description of whether the client or CPA terminated or discontinued the engagement	Counterparty	CPA	Client
	Circumstance		
	Terminated engagement	Not applicable.	Not applicable.
Discontinued engagement	Not applicable.	Not applicable.	
Opinion and reason if an audit report during the most recent 2 years contains an opinion other than an unqualified opinion	None.		
Disagreements with issuer	Yes		Accounting principles or practices
			Disclosure of financial reports
			Scope or step of auditing
			Others
	None	V	
	Description		
Other disclosures (Disclosures specified in Article 10, Subparagraph 6, Item 1-4 through to Item 1-7 of the Standards)	None.		

(II) Regarding the successor CPA:

Name of accounting firm	Ernst & Young
Name of CPA	CPAs Shao-Pin Kuo and Hsin-Min Hsu
Date of engagement	Approved by the Board of Directors on April 8, 2022
Matters consulted prior to engagement regarding the accounting treatment of or application of accounting principles to a specific transaction or the type of audit opinion that might be rendered on the financial report, and consultation results	None
Successor CPAs' written opinions that are different from those of the former CPAs	None

(III) The former CPA's reply to Article 10, Subparagraph 6, Item 1 and Item 2, Point 3 of the Standards: None.

VII. Where the company's Chairman, President, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or of its affiliates: None.

VIII. Changes to equity transfer or pledge loan of directors, managers, and major shareholders whose shareholding ratio exceeds 10% in the most recent year and up to the printing date of the Annual Report

(I) Changes in equity of directors, managerial officers and major shareholders

Unit: Shares

Title	Name	2022		As of April 1, 2023	
		Shares held Increase (decrease) in	Increase (decrease) in pledged shares	Shares held Increase (decrease) in	Increase (decrease) in pledged shares Increase (decrease) in
Chairman and CEO	Chin-Kung Lee	100,000	0	0	0
Vice-Chairman	Chi-Chun Hsieh	0	0	0	0
President and Director	An-Hsuan Liu	250,000	0	0	0
Director	Kao-Yu Liu	0	0	0	0
Director	Kuan-Hua Chen	0	0	0	0
Director (Note 1)	Yann Yuan Investment Co., Ltd. Representative:	Chao-Jung Tsai	0	0	0
		Ping-Kun Hung	0	0	0
Independent director	Hui-Chun Hsu	0	0	0	0
Independent director	Dar-Yeh Hwang	0	0	0	0
Independent director	Semi Wang	0	0	0	0
Executive Vice President	Gauss Chang	0	0	0	0
Senior Vice President (Note 2)	K.K Lee	0	0	Not applicable.	Not applicable.
Senior Vice President	Steven Chang	0	0	0	0
Senior Vice President	Andy Liang	39,000	0	0	0
Vice President	Hans Han	20,000	0	0	0
Vice President and CFO	Logan Chao	0	0	0	0
Assistant Vice President	Wendy Chen	0	0	0	0
Assistant Vice President	Chung-Jung Tsai	7,000	0	0	0
Assistant Vice President (Note 3)	TK Chen	0	0	0	0
Assistant Vice President (Note 3)	Ta-Kang Liu	0	0	0	0
Assistant Vice President (Note 3)	Jerry Su	0	0	0	0
Corporate Governance Officer	Neil Chung	0	0	0	0

Note 1: The representative Chao-Jung Tsai of corporate director of Yann Yuan Investment Co., Ltd. was replaced by Ping-Kun Hung on February 15, 2022.

Note 2: Changes in shares held by Senior Vice President K.K Lee are reported up to the date of his dismissal on October 6, 2022.

Note 3: Changes in shares held by Assistant Vice Presidents TK Chen, Ta-Kang Liu, and Jerry Su are calculated as of the date of their engagement.

Note 4: The Company did not transfer or pledge shares to related parties.

IX. Information on the relationship of the Top 10 shareholders by proportion of shareholding, related parties, spouse, or kindred within the 2nd degree

April 1, 2023

Name	Shareholdings by oneself		Shareholdings of spouse and underage children		Shareholding using another's name		Names and relationships of the top 10 shareholders who are related parties, spouses, or within second-degree of kinship to each other		Remarks
	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)	Title (or name)	Relationship	
Yuanta Taiwan High Dividend Fund	57,392,561	4.69	0	0	0	0	None	None	
Yann Yuan Investment Co., Ltd. Representative: Chun Kuan	52,600,000	4.30	0	0	0	0	None	None	
	-	-	-	-	-	-	-	-	
New Labor Pension Fund	36,337,703	2.97	0	0	0	0	None	None	
Chin-Kung Lee	34,100,941	2.79	4,263,053	0.35	0	0	None	None	
Stichting Depository APG Emerging Markets Equity Pool	30,244,000	2.47	0	0	0	0	None	None	
Fubon Life Insurance Co., Ltd. Representative: Ming-Hsing Tsai	26,552,000	2.17	0	0	0	0	None	None	
	-	-	-	-	-	-	-	-	
United Microelectronics Corporation Representative: Chia-Tsung Hung	23,157,696	1.89	0	0	0	0	None	None	
	-	-	-	-	-	-	-	-	
Investment account of Norges Bank managed by Citibank Taiwan	20,261,038	1.66	0	0	0	0	None	None	
Fubon Taiwan high dividend 30 ETF	19,293,000	1.58	0	0	0	0	None	None	
Labor Insurance Fund	16,997,856	1.39	0	0	0	0	None	None	

Note: Calculated based on the outstanding common stock on the date of suspension of stock transfer by this general shareholders' meeting.

X. The shareholders of the Company, the Company's directors, managers, and the business entity directly or indirectly controlled by the Company on the same invested company, and also the consolidated comprehensive shareholding ratio

December 31, 2022, unit: Share, %

Invested enterprise	Investment made by the company		Investment by directors and managers or by directly or indirectly controlled enterprises		Total investment	
	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)
KYEC USA Corp. (Note 1)	160,000	100	0	0	160,000	100
KYEC SINGAPORE PTE.LTD. (Note 2)	78,000	100	0	0	78,000	100
KYEC JAPAN K.K. (Note 3)	1,899	89.83	0	0	1,899	89.83
KYEC Investment International Co.,Ltd. (Notes 4, 7, 8)	164,923,636	100	0	0	164,923,636	100
KYEC Technology Management Co.,Ltd. (Notes 4 and 7)	7,500,000	100	0	0	7,500,000	100
KYEC Microelectronics Co.,Ltd. (Notes 4 and 7)	125,500,000	100	0	0	125,500,000	100
King Long Technology (Suzhou) Ltd. (Notes 5 and 7)	0	92.46	0	0.88	0	93.34
Suzhou Zhen Kun Technology Ltd. (Notes 6 and 8)	0	92.46	0	0.88	0	93.34
King Ding Precision Incorporated Company (Note 9)	6,600,000	100	0	0	6,600,000	100
Fixwell Technology Corp. (Note 10)	2,800,000	23.33	1,225,000	10.21	4,025,000	33.54
Wei Jiu Industrial Co., Ltd. (Note 11)	1,020,000	34.00	0	0	1,020,000	34.00

- Note: The Company's investment using the equity method.
- Note 1: Acts as the agent for business in the territories of the U.S.A. and related communications.
- Note 2: Acts as the agent for business in the territories of Southeast Asia and Europe and related communications.
- Note 3: Engages in electronic parts manufacturing and trading, and acts as the agent for business in the territories of Japan and related communications.
- Note 4: General investment.
- Note 5: Research and development, design, manufacturing, packaging, testing, processing and maintenance of semiconductor integrated circuits, transistors, electronic components, electronic materials, analog or hybrid automatic data processors, solid-state memory systems, heating ovens and related products and components. Integrated circuit-related technology transfer, technical consultation, technical services, sales of the Company's products and after-sales services.
- Note 6: Research and development, production (packaging, testing), processing of large-scale integrated circuits for electronic components, electronic materials, analog or hybrid automatic data processing machines, solid state memory systems, and heating oven controllers, sales of independently produced products, and provision of related after-sales services; integrated circuit-related technology transfer, technical consultation, technical services.
- Note 7: (1) Since 2002, the Company has been indirectly investing in King Long Technology (Suzhou) Ltd. in mainland China through KYEC Investment International Co., Ltd. (BVI) and KYEC Microelectronics Co., Ltd. (CAYMAN). As of December 31, 2022, the Company has made cumulative investments totaling USD116,155 thousand.
- (2) On November 1, 2003 and in November 2009, the Company contributed technical skills as a form of investment in KYEC Technology Management Co., Ltd. (SAMOA), thus indirectly investing in King Long Technology (Suzhou) Ltd. through KYEC Microelectronics Co., Ltd. (CAYMAN). The investments amounted to USD5,325 thousand and USD2,175 thousand, respectively, both of which were approved by the Investment Commission, Ministry of Economic Affairs, under Letter No. (92)-Jing-Shen-2-092031647 dated October 20, 2003 and (98)-Jing-Shen-2-09800350290 dated October 21, 2009, respectively.
- Note 8: (1) The Company has successively invested in Suzhou Zhen Kun Technology Ltd. in mainland China, indirectly, via KYEC Investment International Co., Ltd. (BVI) and Sino-Tech Investment Co., Ltd. (SAMOA) since September 2009. On March 6, 2019, Sino-Tech Investment Co., Ltd. transferred RMB 53,226 thousand in ownership of Suzhou Zhen Kun Technology Ltd. to King Long Technology (Suzhou) Ltd., and remitted an equivalent amount of investment capital in December 2019. Sino-Tech Investment Co., Ltd. has completed the liquidation and cancellation processes in 2020Q1. As of December 31, 2022, the Company has accumulated an outward remittance of investment capital totaling USD32,431 thousand.
- (2) The Company has successively invested in Suzhou Zhen Kun Technology Ltd. in Mainland China, indirectly, via KYEC Investment International Co., Ltd. (BVI) and Strong Outlook Investments Limited (BVI) since September 2010. On March 6, 2019, Strong Outlook Investments Ltd. transferred RMB 32,789 thousand worth of ownership of Suzhou Zhen Kun Technology Ltd. to King Long Technology (Suzhou) Ltd., and remitted an equivalent amount of investment capital in December 2019. Strong Outlook Investments Ltd. has completed the liquidation and cancellation processes in 2020Q1. As of December 31, 2022, the Company has accumulated an outward remittance of investment capital totaling USD16,337 thousand.
- Note 9: Manufacturing of electronic parts, wholesale and retail of electronic materials, and repairing of electric appliances and electronic products.
- Note 10: Manufacturing of electronic parts, wholesale and retail of electronic materials, and repairing of electric appliances and electronic products.
- Note 11: CNC & milling machine processing design and manufacturing of various precision mechanical parts.

Four. Financing Status

I. Capital and Shares

(I) Capital sources

Units: Share; NT\$

Year/Month	Issue price	Authorized capital stock		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Capital sources	Investment by properties other than cash	Others
1986.05	1,000	7,000	7,000,000	7,000	7,000,000	Capital stock at the time of incorporation	None	None
1990.02	1,000	9,500	9,500,000	9,500	9,500,000	Capital increase in cash by NT\$2,500 thousand	None	None
1994.07	10	2,050,000	20,500,000	2,050,000	20,500,000	Capital increase in cash by NT\$11,000 thousand	None	None
1995.10	10	3,000,000	30,000,000	3,000,000	30,000,000	Capital increase in cash by NT\$9,500 thousand	None	None
1996.09	10	5,000,000	50,000,000	5,000,000	50,000,000	Capital increase in cash by NT\$20,000 thousand	None	None
1997.05	10	9,000,000	90,000,000	9,000,000	90,000,000	Capital increase in cash by NT\$40,000 thousand	None	None
1997.09	10	35,000,000	350,000,000	17,000,000	170,000,000	Capital increase in cash by NT\$80,000 thousand	None	None
1998.02	20	35,000,000	350,000,000	35,000,000	350,000,000	Capital increase in cash by NT\$180,000 thousand	None	None
1998.08	20	80,000,000	800,000,000	54,975,000	549,750,000	Capital increase by NT\$140,000 thousand in cash; Recapitalized by NT\$59,750 thousand from earnings	None	None
1998.09	10	80,000,000	800,000,000	65,000,000	650,000,000	Recapitalized by NT\$100,250 thousand from capital surplus	None	None
1998.12	30	80,000,000	800,000,000	70,000,000	700,000,000	Capital increase in cash by NT\$50,000 thousand	None	None
1999.07	30	150,000,000	1,500,000,000	99,375,000	993,750,000	Capital increase by NT\$100,000 thousand in cash; Recapitalized	None	None

						by NT\$123,750 thousand from earnings; Recapitalized by NT\$70,000 thousand from capital surplus		
1999.12	46	150,000,000	1,500,000,000	124,375,000	1,243,750,000	Capital increase in cash by NT\$250,000 thousand	None	None
2000.07	70	560,000,000	5,600,000,000	263,225,446	2,632,254,460	Capital increase by NT\$700,000 thousand in cash; Recapitalized by NT\$439,754 thousand from earnings; Recapitalized by NT\$248,750 thousand from capital surplus	None	None
2001.07	10	700,000,000	7,000,000,000	436,672,214	4,366,722,140	Recapitalized by NT\$1,023,759 thousand from earnings; Recapitalized by NT\$710,708 thousand from capital surplus	None	None
2002.05	10	870,000,000	8,700,000,000	436,672,214	4,366,722,140	Change of authorized capital stock	None	None
2002.07	10	870,000,000	8,700,000,000	447,879,749	4,478,797,490	Overseas convertible bond NT\$112,075 thousand	None	None
2002.10	10	870,000,000	8,700,000,000	452,591,205	4,525,912,050	Overseas convertible bond: NT\$47,115 thousand	None	None
2003.01	10	870,000,000	8,700,000,000	452,876,747	4,528,767,470	Overseas convertible bond: NT\$2,855 thousand	None	None
2003.04	14	870,000,000	8,700,000,000	556,871,604	5,568,716,040	NT\$1,039,949 thousand for private placement	None	None
2003.11	10	870,000,000	8,700,000,000	579,303,374	5,793,033,740	Overseas convertible bond: NT\$224,318 thousand	None	None
2004.01	10	870,000,000	8,700,000,000	687,905,995	6,879,059,950	Overseas convertible bond: NT\$1,086,026 thousand	None	None
2004.04	10	870,000,000	8,700,000,000	699,942,564	6,999,425,640	Overseas convertible bond: NT\$120,366	None	None

						thousand		
2004.08	10	1,090,000,000	10,900,000,000	754,955,164	7,549,551,640	Change of authorized capital stock; Recapitalized by NT\$550,126 thousand from earnings	None	None
2004.10	10	1,090,000,000	10,900,000,000	767,839,164	7,678,391,640	Exercise of employee stock option in exchange of new shares: NT\$128,840 thousand	None	None
2005.01	10	1,090,000,000	10,900,000,000	768,405,664	7,684,056,640	Exercise of employee stock option in exchange of new shares: NT\$5,665 thousand	None	None
2005.04	10	1,090,000,000	10,900,000,000	769,176,664	7,691,766,640	Exercise of employee stock option in exchange of new shares: NT\$7,710 thousand	None	None
2005.07	10	1,090,000,000	10,900,000,000	781,266,164	7,812,661,640	Exercise of employee stock option in exchange of new shares: NT\$120,895 thousand	None	None
2005.08	10	1,090,000,000	10,900,000,000	907,897,897	9,078,978,970	Recapitalized by NT\$1,266,317 thousand from earnings	None	None
2005.10	10	1,090,000,000	10,900,000,000	912,958,739	9,129,587,390	Exercise of employee stock option in exchange of new shares: NT\$48,195 thousand Overseas convertible bond: NT\$2,413 thousand	None	None
2006.01	10	1,090,000,000	10,900,000,000	915,401,740	9,154,017,400	Exercise of employee stock option in exchange of new shares: NT\$14,535 thousand Overseas convertible bond: NT\$9,895 thousand	None	None

2006.04	10	1,090,000,000	10,900,000,000	955,024,900	9,550,249,000	Exercise of employee stock option in exchange of new shares: NT\$10,205 thousand Overseas convertible bond: NT\$386,027 thousand	None	None
2006.07	10	1,300,000,000	13,000,000,000	986,793,076	9,867,930,760	Change of authorized capital stock; Exercise of employee stock option in exchange of new shares: NT\$29,640 thousand Overseas convertible bond: NT\$288,042 thousand	None	None
2006.08	10	1,300,000,000	13,000,000,000	1,010,099,813	10,100,998,130	Exercise of employee stock option in exchange of new shares: NT\$6,085 thousand Overseas convertible bond: NT\$226,982 thousand	None	None
2006.08	10	1,300,000,000	13,000,000,000	1,089,670,967	10,896,709,670	Recapitalized by NT\$795,712 thousand from earnings	None	None
2006.10	10	1,300,000,000	13,000,000,000	1,090,079,967	10,900,799,670	Exercise of employee stock option in exchange of new shares: NT\$4,090 thousand	None	None
2007.01	10	1,300,000,000	13,000,000,000	1,090,543,467	10,905,434,670	Exercise of employee stock option in exchange of new shares: NT\$4,635 thousand	None	None
2007.04	10	1,300,000,000	13,000,000,000	1,091,078,967	10,910,789,670	Exercise of employee stock option in exchange of new shares: NT\$5,355 thousand	None	None
2007.07	10	1,300,000,000	13,000,000,000	1,091,594,467	10,915,944,670	Exercise of employee stock option in	None	None

						exchange of new shares: NT\$5,155 thousand		
2007.08	10	1,500,000,000	15,000,000,000	1,214,696,675	12,146,966,750	Change of authorized capital stock; Recapitalized by NT\$1,231,022 thousand from earnings	None	None
2008.01	10	1,500,000,000	15,000,000,000	1,214,706,675	12,147,066,750	Exercise of employee stock option in exchange of new shares: NT\$100 thousand	None	None
2008.04	10	1,500,000,000	15,000,000,000	1,215,037,175	12,150,371,750	Exercise of employee stock option in exchange of new shares: NT\$3,305 thousand	None	None
2008.07	10	1,500,000,000	15,000,000,000	1,215,154,175	12,151,541,750	Exercise of employee stock option in exchange of new shares: NT\$1,170 thousand	None	None
2008.08	10	1,500,000,000	15,000,000,000	1,280,854,009	12,808,540,090	Recapitalized by NT\$656,998 thousand from earnings	None	None
2009.03	10	1,500,000,000	15,000,000,000	1,256,675,009	12,566,750,090	Capital decrease by NT\$241,790 thousand upon cancellation of treasury stock	None	None
2009.08	10	1,500,000,000	15,000,000,000	1,259,735,576	12,597,355,760	Recapitalized by NT\$30,606 thousand from earnings	None	None
2009.12	10	1,500,000,000	15,000,000,000	1,247,287,576	12,472,875,760	Capital decrease by NT\$124,480 thousand upon cancellation of treasury stock	None	None
2010.05	10	1,500,000,000	15,000,000,000	1,237,287,576	12,372,875,760	Capital decrease by NT\$100,000 thousand upon cancellation of treasury stock	None	None
2010.12	10	1,500,000,000	15,000,000,000	1,224,410,576	12,244,105,760	Capital decrease by NT\$128,770 thousand upon cancellation of treasury stock	None	None
2011.01	10	1,500,000,000	15,000,000,000	1,245,037,914	12,450,379,140	Capital	None	None

						decrease by NT\$300,000 thousand upon cancellation of treasury stock; Overseas convertible bond: NT\$306,273 thousand		
2011.04	10	1,500,000,000	15,000,000,000	1,272,549,545	12,725,495,450	Capital decrease by NT\$300,000 thousand upon cancellation of treasury stock; Overseas convertible bond: NT\$375,116 thousand	None	None
2011.07	10	1,500,000,000	15,000,000,000	1,274,814,783	12,748,147,830	Overseas convertible bond: NT\$22,652 thousand	None	None
2011.12	10	1,500,000,000	15,000,000,000	1,224,888,354	12,248,883,540	Capital decrease by NT\$500,000 thousand upon cancellation of treasury stock; Overseas convertible bond NT 736 thousand	None	None
2012.04	10	1,500,000,000	15,000,000,000	1,197,544,282	11,975,442,820	Capital decrease by NT\$300,000 thousand upon cancellation of treasury stock; Overseas convertible bond: NT\$26,559 thousand	None	None
2012.07	10	1,500,000,000	15,000,000,000	1,170,241,900	11,702,419,000	Capital decrease by NT\$300,000 thousand upon cancellation of treasury stock; Overseas convertible bond: NT\$26,976 thousand	None	None
2012.10	10	1,500,000,000	15,000,000,000	1,186,889,400	11,868,894,000	New restricted employee shares: NT\$30,000 thousand; Overseas convertible bond:	None	None

						NT\$136,475 thousand		
2013.01	10	1,500,000,000	15,000,000,000	1,190,751,900	11,907,519,000	Overseas convertible bond: NT\$38,625 thousand	None	None
2013.04	10	1,500,000,000	15,000,000,000	1,190,671,900	11,906,719,000	Cancellation of new restricted employee shares: NT\$800 thousand	None	None
2013.05	10	1,500,000,000	15,000,000,000	1,192,671,900	11,926,719,000	New restricted employee shares: NT\$20,000 thousand	None	None
2013.05	10	1,500,000,000	15,000,000,000	1,192,631,900	11,926,319,000	Cancellation of new restricted employee shares: NT\$400 thousand	None	None
2013.08	10	1,500,000,000	15,000,000,000	1,192,536,900	11,925,369,000	Cancellation of new restricted employee shares: NT\$950 thousand	None	None
2014.03	10	1,500,000,000	15,000,000,000	1,192,442,400	11,924,424,000	Cancellation of new restricted employee shares: NT\$945 thousand	None	None
2014.07	10	1,500,000,000	15,000,000,000	1,192,318,400	11,923,184,000	Cancellation of new restricted employee shares: NT\$1,240 thousand	None	None
2015.03	10	1,500,000,000	15,000,000,000	1,192,303,400	11,923,034,000	Cancellation of new restricted employee shares: NT\$150 thousand	None	None
2015.05	10	1,500,000,000	15,000,000,000	1,192,294,400	11,922,944,000	Cancellation of new restricted employee shares: NT\$90 thousand	None	None
2015.11	10	1,500,000,000	15,000,000,000	1,162,294,400	11,622,944,000	Capital decrease by NT\$300,000 thousand upon cancellation of treasury stock	None	None
2016.10	10	1,500,000,000	15,000,000,000	1,167,483,269	11,674,832,690	Overseas convertible bond: NT\$51,889 thousand	None	None
2017.03	10	1,500,000,000	15,000,000,000	1,171,173,138	11,711,731,380	Overseas convertible bond: NT\$36,899 thousand	None	None
2017.07	10	1,500,000,000	15,000,000,000	1,173,709,921	11,737,099,210	Overseas convertible	None	None

						bond: NT\$25,368 thousand		
2017.10	10	1,500,000,000	15,000,000,000	1,206,542,676	12,065,426,760	Overseas convertible bond: NT\$328,328 thousand	None	None
2018.01	10	1,500,000,000	15,000,000,000	1,220,238,284	12,202,382,840	Overseas convertible bond: NT\$136,956 thousand	None	None
2018.04	10	1,500,000,000	15,000,000,000	1,221,277,681	12,212,776,810	Overseas convertible bond: NT\$10,394 thousand	None	None
2018.05	10	1,500,000,000	15,000,000,000	1,222,745,065	12,227,450,650	Overseas convertible bond: NT\$14,674 thousand	None	None

1. Registration of incorporation: The capital was NT\$7 million at the time of incorporation.
2. Capital increase in cash: Authorized capital stock NT\$9.5 million and paid-in capital NT\$9.5 million.
3. Capital increase in cash: (83) Jian-San-Bing-Zi No. 340845, authorized capital stock NT\$20.5 million and paid-in capital NT\$20.5 million.
4. Capital increase in cash: (84) Jian-San-Ren-Zi No. 487475, authorized capital stock NT\$30 million and paid-in capital NT\$30 million.
5. Capital increase in cash: (85) Jian-San-Jia-Zi No. 226939, authorized capital stock NT\$50 million and paid-in capital NT\$50 million.
6. Capital increase in cash: (86) Jian-San-Ding-Zi No. 162044, authorized capital stock NT\$90 million and paid-in capital NT\$90 million.
7. Capital increase in cash: Jing (86)-Shang-Zi No. 120076, authorized capital stock NT\$350 million and paid-in capital NT\$170 million.
8. Capital increase in cash: Jing (87)-Shang-Zi No. 130077, authorized capital stock NT\$350 million and paid-in capital NT\$350 million.
9. Capital increase in cash and recapitalization from earnings: Jing-Shou-Shang-Zi No. 087123302, authorized capital stock NT\$800 million and paid-in capital NT\$549.75 million.
10. Recapitalization from capital surplus: Jing-Shou-Shang-Zi No. 087128734, authorized capital stock NT\$800 million and paid-in capital NT\$650 million.
11. Capital increase in cash: Jing-Shou-Shang-Zi No. 087142402, authorized capital stock NT\$800 million and paid-in capital NT\$700 million.
12. Capital increase in cash and recapitalization from earnings and capital surplus: Jing-Shou-Shang-Zi No. 088127133, authorized capital stock NT\$1.5 billion and paid-in capital NT\$993.75 million.
13. Capital increase in cash: Jing-Shou-Shang-Zi No. 088143309, authorized capital stock NT\$1.5 billion and paid-in capital NT\$1.24375 billion.
14. Capital increase in cash and recapitalization from earnings and capital surplus: Jing-Shou-Shang-Zi No. 089122231, authorized capital stock NT\$5.6 billion and paid-in capital NT\$2.63225446 billion.
15. Recapitalization from earnings and capital surplus: Jing-Shou-Shang-Zi No. 09001276850, authorized capital stock NT\$7 billion and paid-in capital NT\$4.36672214 billion.
16. Upgraded the authorized capital stock to NT\$8.7 billion.
17. Jing-Shou-Shang-Zi No. 09101278670, authorized capital stock NT\$8.7 billion and paid-in capital NT\$4.47879749 billion.
18. Jing-Shou-Shang-Zi No. 09101442750, authorized capital stock NT\$8.7 billion and paid-in capital NT\$4.52591205 billion.
19. Jing-Shou-Shang-Zi No. 09201018710, authorized capital stock NT\$8.7 billion and paid-in capital NT\$4.52876747 billion.
20. Private placement securities: Jing-Shou-Shang-Zi No. 09201121500, authorized capital stock

- NT\$8.7 billion and paid-in capital NT\$5.56871604 billion.
21. Jing-Shou-Shang-Zi No. 09201322980, authorized capital stock NT\$8.7 billion and paid-in capital NT\$5.79303374 billion.
 22. Jing-Shou-Shang-Zi No. 09301007670, authorized capital stock NT\$8.7 billion and paid-in capital NT\$6.87905995 billion.
 23. Jing-Shou-Shang-Zi No. 09301060440, authorized capital stock NT\$8.7 billion and paid-in capital NT\$6.99942564 billion.
 24. Jing-Shou-Shang-Zi No. 09301156810, authorized capital stock NT\$10.9 billion and paid-in capital NT\$7.54955164 billion.
 25. Jing-Shou-Shang-Zi No. 09301201590, authorized capital stock NT\$10.9 billion and paid-in capital NT\$7.67839164 billion.
 26. Jing-Shou-Shang-Zi No. 09401003210, authorized capital stock NT\$10.9 billion and paid-in capital NT\$7.68405664 billion.
 27. Jing-Shou-Shang-Zi No. 09401060170, authorized capital stock NT\$10.9 billion and paid-in capital NT\$7.69176664 billion.
 28. Jing-Shou-Shang-Zi No. 09401136480, authorized capital stock NT\$10.9 billion and paid-in capital NT\$7.81266164 billion.
 29. Jing-Shou-Shang-Zi No. 09401161000, authorized capital stock NT\$10.9 billion and paid-in capital NT\$9.07897897 billion.
 30. Jing-Shou-Shang-Zi No. 09401204350, authorized capital stock NT\$10.9 billion and paid-in capital NT\$9.12958739 billion.
 31. Jing-Shou-Shang-Zi No. 09501007380, authorized capital stock NT\$10.9 billion and paid-in capital NT\$9.1540174 billion.
 32. Jing-Shou-Shang-Zi No. 09501077070, authorized capital stock NT\$10.9 billion and paid-in capital NT\$9.550249 billion.
 33. Jing-Shou-Shang-Zi No. 09501160380, authorized capital stock NT\$13 billion and paid-in capital NT\$9.86793076 billion.
 34. Jing-Shou-Shang-Zi No. 09501163350, authorized capital stock NT\$13 billion and paid-in capital NT\$10.10099813 billion.
 35. Jing-Shou-Shang-Zi No. 09501191840, authorized capital stock NT\$13 billion and paid-in capital NT\$10.89670967 billion.
 36. Jing-Shou-Shang-Zi No. 09501232620, authorized capital stock NT\$13 billion and paid-in capital NT\$10.90079967 billion.
 37. Jing-Shou-Shang-Zi No. 09601019120, authorized capital stock NT\$13 billion and paid-in capital NT\$10.90543467 billion.
 38. Jing-Shou-Shang-Zi No. 09601078430, authorized capital stock NT\$13 billion and paid-in capital NT\$10.91078967 billion.
 39. Jing-Shou-Shang-Zi No. 09601177990, authorized capital stock NT\$13 billion and paid-in capital NT\$10.91594467 billion.
 40. Jing-Shou-Shang-Zi No. 09601199070, authorized capital stock NT\$15 billion and paid-in capital NT\$12.14696675 billion.
 41. Jing-Shou-Shang-Zi No. 09701009440, authorized capital stock NT\$15 billion and paid-in capital NT\$12.14706675 billion.
 42. Jing-Shou-Shang-Zi No. 09701089030, authorized capital stock NT\$15 billion and paid-in capital NT\$12.15037175 billion.
 43. Jing-Shou-Shang-Zi No. 09701175060, authorized capital stock NT\$15 billion and paid-in capital NT\$12.15154175 billion.
 44. Jing-Shou-Shang-Zi No. 09701200320, authorized capital stock NT\$15 billion and paid-in capital NT\$12.80854009 billion.
 45. Jing-Shou-Shang-Zi No. 09801061510, authorized capital stock NT\$15 billion and paid-in capital NT\$12.56675009 billion.
 46. Jing-Shou-Shang-Zi No. 09801180250, authorized capital stock NT\$15 billion and paid-in capital NT\$12.59735576 billion.
 47. Jing-Shou-Shang-Zi No. 09801280260, authorized capital stock NT\$15 billion and paid-in capital NT\$12.47287576 billion.
 48. Jing-Shou-Shang-Zi No. 09901106450, authorized capital stock NT\$15 billion and paid-in capital NT\$12.37287576 billion.
 49. Jing-Shou-Shang-Zi No. 09901275210, authorized capital stock NT\$15 billion and paid-in capital NT\$12.24410576 billion.
 50. Jing-Shou-Shang-Zi No. 10001010550, authorized capital stock NT\$15 billion and paid-in capital

- NT\$12.45037914 billion.
51. Jing-Shou-Shang-Zi No. 10001070130, authorized capital stock NT\$15 billion and paid-in capital NT\$12.72549545 billion.
 52. Jing-Shou-Shang-Zi No. 10001157030, authorized capital stock NT\$15 billion and paid-in capital NT\$12.74814783 billion.
 53. Jing-Shou-Shang-Zi No. 10001286450, authorized capital stock NT\$15 billion and paid-in capital NT\$12.24888354 billion.
 54. Jing-Shou-Shang-Zi No. 10101055590, authorized capital stock NT\$15 billion and paid-in capital NT\$11.97544282 billion.
 55. Jing-Shou-Shang-Zi No. 10101144030, authorized capital stock NT\$15 billion and paid-in capital NT\$11.702419 billion.
 56. Jing-Shou-Shang-Zi No. 10101203850, authorized capital stock NT\$15 billion and paid-in capital NT\$11.868894 billion.
 57. Jing-Shou-Shang-Zi No. 10201002850, authorized capital stock NT\$15 billion and paid-in capital NT\$11.907519 billion.
 58. Jing-Shou-Shang-Zi No. 10201055970, authorized capital stock NT\$15 billion and paid-in capital NT\$11.906719 billion.
 59. Jing-Shou-Shang-Zi No. 10201077850, authorized capital stock NT\$15 billion and paid-in capital NT\$11.926719 billion.
 60. Jing-Shou-Shang-Zi No. 10201089780, authorized capital stock NT\$15 billion and paid-in capital NT\$11.926319 billion.
 61. Jing-Shou-Shang-Zi No. 10201167530, authorized capital stock NT\$15 billion and paid-in capital NT\$11.925369 billion.
 62. Jing-Shou-Shang-Zi No. 10301074130, authorized capital stock NT\$15 billion and paid-in capital NT\$11.924424 billion.

 63. Jing-Shou-Shang-Zi No. 10301139200, authorized capital stock NT\$15 billion and paid-in capital NT\$11.923184 billion.
 64. Jing-Shou-Shang-Zi No. 10401047430, authorized capital stock NT\$15 billion and paid-in capital NT\$11.923034 billion.
 65. Jing-Shou-Shang-Zi No. 10401086750, authorized capital stock NT\$15 billion and paid-in capital NT\$11.922944 billion.
 66. Jing-Shou-Shang-Zi No. 10401239940, authorized capital stock NT\$15 billion and paid-in capital NT\$11.622944 billion.
 67. Jing-Shou-Shang-Zi No. 10501243690, authorized capital stock NT\$15 billion and paid-in capital NT\$11.67483269 billion.
 68. Jing-Shou-Shang-Zi No. 10601033520, authorized capital stock NT\$15 billion and paid-in capital NT\$11.71173138 billion.
 69. Jing-Shou-Shang-Zi No. 10601091290, authorized capital stock NT\$15 billion and paid-in capital NT\$11.73709921 billion.
 70. Jing-Shou-Shang-Zi No. 10601144700, authorized capital stock NT\$15 billion and paid-in capital NT\$12.06542676 billion.
 71. Jing-Shou-Shang-Zi No. 10701004040, authorized capital stock NT\$15 billion and paid-in capital NT\$12.20238284 billion.
 72. Jing-Shou-Shang-Zi No. 10701034600, authorized capital stock NT\$15 billion and paid-in capital NT\$12.21277681 billion.
 73. Jing-Shou-Shang-Zi No. 10701053680, authorized capital stock NT\$15 billion and paid-in capital NT\$12.22745065 billion.

April 1, 2023, unit: Share

Types of shares	Authorized capital stock			Remarks
	Outstanding shares	Unissued shares	Total	
Registered common stock	1,222,745,065	277,254,935	1,500,000,000	Including 30 million shares available for employee stock option certificates

Note: The shares issued by the Company are listed shares.

Information relevant to the aggregate reporting policy: Not applicable.

(II) Shareholder structure

Shareholder structure	Government institutions	Financial institutions	Other institutions	Individuals	Foreign institutions and juristic (corporate) persons	Total
Quantity						
Persons	8	53	256	81,200	466	81,983
Shares held	69,086,061	190,544,750	105,573,325	378,649,646	478,891,283	1,222,745,065
Shareholding ratio (%)	5.65	15.58	8.63	30.97	39.17	100

(III) Distribution of equity

Shareholding category	Number of shareholders	Shares held	Shareholding ratio (%)
1– 999	31,739	3,142,991	0.26
1,000– 5,000	39,687	80,723,919	6.60
5,001– 10,000	5,502	43,801,036	3.58
10,001– 15,000	1,608	20,395,227	1.67
15,001– 20,000	988	18,325,017	1.50
20,001– 30,000	814	20,780,950	1.70
30,001– 40,000	380	13,647,698	1.12
40,001– 50,000	258	12,118,139	0.99
50,001– 100,000	434	31,889,703	2.61
100,001– 200,000	212	30,177,453	2.47
200,001– 400,000	129	36,539,505	2.99
400,001– 600,000	41	20,301,887	1.66
600,001– 800,000	26	18,277,194	1.49
800,001– 1,000,000	21	19,572,436	1.60
Over 1,000,001	144	853,051,910	69.77
Total	81,983	1,222,745,065	100

Note: Common stocks; the Company has not issued any preferred shares.

(IV) Major Shareholders

List of shareholders with a stake of 5% or greater, or of the top ten

Base day: April 1, 2023

Major Shareholders	Type of	Shares held	Shareholding ratio (%)
Yuanta Taiwan High Dividend Fund		57,392,561	4.69
Yann Yuan Investment Co., Ltd.		52,600,000	4.30
New Labor Pension Fund		36,337,703	2.97
Chin-Kung Lee		34,100,941	2.79
Stichting Depository APG Emerging Markets Equity Pool		30,244,000	2.47
Fubon Life Insurance Co., Ltd.		26,552,000	2.17
United Microelectronics Corporation		23,157,696	1.89
Investment account of Norges Bank managed by Citibank Taiwan		20,261,038	1.66
Fubon Taiwan high dividend 30 ETF		19,293,000	1.58
Labor Insurance Fund		16,997,856	1.39
Total		316,936,795	25.92

Note1: Shareholding ratio accounts for the top ten shareholders.

Note2: This table is based on April 1, 2023, the most recent closing period of ownership transfer as the data base date.

**(V) Share prices for the past 2 fiscal years, together with the company's
net worth per share, earnings per share and dividends per share**

Units: NT\$

Item		Year	2021	2022	to April 1, 2023
Market price per share		Highest	52.00	47.75	50.50
		Lowest	34.50	29.65	36.00
		Average	42.30	39.63	45.16
Net worth per share		Before distribution	27.96	29.52	-
		After distribution	24.96	(Note1)	-
EPS	Weighted average number of shares (1,000 shares) (After retrospection)		1,222,745	1,222,745	-
	EPS	Before adjustment (retroactive)	4.23	5.59	-
		After adjustment (retroactive)	4.23	(Note1)	-
Dividends per share	Cash dividend		3.00	3.50(Note1)	-
	Stock dividends	Out of earnings	-	-	-
		Additional paid-in capital	-	-	-
	Accumulated unpaid dividend		-	-	-
ROI analysis	P/E ratio (Note 2)		10.02	7.03	-
	P/D ratio (Note 3)		14.13	11.22	-
	Cash dividend yield (Note 4)		0.071	0.089	-

Note 1: To be determined after resolution at the 2023 general shareholders' meeting.

Note 2: P/E ratio = Average closing price per share for the current year/Earnings per share.

Note 3: P/D ratio = Average closing price per share for the current year/Cash dividend per share.

Note 4: Cash dividend yield = Cash dividend per share/Average closing price per share for the current year.

(VI) Dividend policy and implementation

1. The dividend policy defined by the Articles of Incorporation:

If the Company's final statement for the year shows earnings, funds shall first be set aside for tax payments and to make up past losses, and another 10% shall be then be set aside as a statutory reserve; Furthermore, depending on the Company's operating needs and the requirements of laws and regulations, the Company may set aside or reverse a special reserve; if their are still earnings and undistributed earnings at the beginning of the period, the board may draft a proposed earnings distribution plan, which shall be presented to the shareholders meeting for resolution.

The Company's dividends distribution policy shall be determined on the basis of the Company's current and future investment environment, need for funds, state of domestic and foreign competition, and funds need budget, etc., and should also reflect shareholders' interests and strike a balance between dividends and the Company's long-term financial plans. In accordance with law, the Board shall draft an annual distribution plan, which shall be reported to the shareholders meeting. Since the industry in which the Company is situated is currently at the growth stage, and the Company expects to have future expansion plans and funding needs, with regard to the distribution of shareholders' dividends for the year, cash dividends shall comprise no less than 20% of all shareholders' dividends.

2. Distribution of dividend proposed in the current shareholders' meeting:

Unit: NT\$

Item	Amount		Projected dividend yield
Unallocated earnings – beginning		6,432,521,333	
Add: Net profit after tax	6,836,609,104		
Less: Confirmed actuarial gain/loss of welfare	(55,209,588)		
The amount of net profit after tax for the period and the amount adjusted to the current year's undistributed earnings		6,781,399,516	
Less: Provision of 10% legal reserve		(678,139,952)	
Allocable earnings		12,535,780,897	
Scope of allocation			
Dividends to shareholders – cash		4,279,607,728	NT\$3.5 per share
Total allocation		4,279,607,728	
Unallocated earnings – ending		8,256,173,169	

Note: 1. According to the Company's distribution policy, the allocable earnings for 2022 shall be allocated as the first priority. The deficit, if any, shall be allocated from the allocable earnings accumulated for the previous year according to the first-in first-out policy in the order of the years in which the earnings were generated chronically.

2. The distribution yield is calculated based on the outstanding common stock totaling 1,222,745,065 shares when the board of directors' meeting was held.

3. The cash dividend shall be rounded to the whole dollar amount according to the allocation rate. The total of the odd lots less than NT\$1 included in the distribution shall be transferred to the Employees' Welfare Committee.

4. Should the Company encounter a change of share capital that changes the number of outstanding shares on a later date, the Board of Directors shall be fully authorized to make the necessary adjustments to the percentage of cash dividends allocated to shareholders.

5. The base date for allocation of cash dividends and matters thereto shall be set by the board of directors with authorization upon resolution by the general shareholders' meeting.

3. Expected change in dividend policy: None.

(VII) Impacts of proposed stock dividends on the Company's business performance and earnings per share: Not applicable.

(VIII) Employee and directors' remuneration

- The percentage or range of remuneration to employees and directors specified in the Company's Charter:
Where there is a profit in the current year, the Company shall allocate 8 percent–10 percent of the profit as the remuneration to employees, and no more than 1 percent thereof as the remuneration to Directors. However, profits must first be taken to offset against cumulative losses if any.
- The basis for estimating the amount of employee and director remuneration shall take into account the number of shares to be distributed as stock bonuses, and the accounting treatment of any discrepancy between the actual distributed amount and the estimated

figure for the current period:

The profit sought by the Company in 2022 totaled NT\$9,328,704,652 (namely, the earnings before tax less remuneration to employees and directors), 8% or NT\$746,296,373 thereof were allocated as remuneration to employees in cash, and 0.8% or NT\$74,629,637 thereof as director's remuneration. There was no difference from the estimate for 2022.

3. Board of directors passed remuneration distribution:

- (1) Remuneration to employees/directors in cash or shares. Any discrepancy between the annual recognized distributed amount and figure, the difference, reason and response should be disclosed:

The 2022 remuneration to employees and directors resolved at the board meeting on March 2, 2023 was NT\$746,296,373 and NT\$74,629,637, respectively. There was no discrepancy with the estimates for 2022.

- (2) Proposed distribution of remuneration to employees in the form of stock bonus as a percentage to net profit after tax plus remuneration to employees in the entity or individual financial statement for the current period:

Not applicable. Remuneration to employees was not distributed in stock dividends for the current period.

4. The actual distribution of remuneration to employees and directors for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the estimated remuneration to employees and directors, additionally the discrepancy, cause, and how it is treated:

The 2021 remuneration to employees and directors resolved on the board meeting held on March 4, 2022 was NT\$569,335,713 and to NT\$56,933,571, respectively. There is no discrepancy with the 2021 estimates.

(IX) Repurchase of the Company's shares: None.

II. Instance of corporate bonds: None.

III. Instance of preference shares: None.

IV. Issuance of Overseas Depository Receipts: None.

V. Information about new restricted employee shares: None.

**VI. Status of New Shares Issuance in Connection with Mergers and
Acquisitions:** None.

VII. Implementation of Capital Utilization Plan: None.

Five. Overview of Operations

I. Business Contents

(I) Scope of business

1. Major lines of business: Design, manufacturing, test, accessories, processing, packaging and sale of various integrated circuits, manufacturing, processing and sale of various burn-in machines and spare parts thereof, and import and export of said products.
2. Weight of business lines: The Company was officially incorporated in May 1987 and primarily engaged in grinding, cutting, wire bonding and packaging of IC at the very beginning. Since 1996, the Company has successively added the testing services for various types of integrated circuits. Meanwhile, the Company invested funds to incorporate King Long Technology (Suzhou) Ltd. in 2002, and has also invested in Suzhou Zhen Kun Technology Ltd. since 2009, primarily in order to increase its package and test services for various integrated circuits in the territories of mainland China.

The consolidated company's proportion of import/export for the most recent five years is stated as follows:

In 2018, the proportion of import/export was 35.89% and 64.11% respectively.

In 2019, the proportion of import/export was 34.48% and 65.52% respectively.

In 2020, the proportion of import/export was 39.32% and 60.68% respectively.

In 2021, the proportion of import/export was 48.13% and 51.87% respectively.

In 2022, the proportion of import/export was 46.04% and 53.96% respectively.

Primary products/services and proportion of business in 2022

Units: NTD thousand

Product line	Operating revenue	Proportion of business (%)
Wafer test service	13,721,803	37.31
Integrated circuits test service	17,409,312	47.33
Others	5,650,881	15.36
Total	36,781,996	100.00

3. The Company's current primary products (services)

Wafer grinding and dicing, test and package services (Logic, Memory, and mixed signals), Burn-in test and Turnkey Service.

4. New products (services) under development

Wireless network IC test and package services, integrated IC test and package services, and power management IC test and package services.

(II) Industry Overview

1. Industry status and development

According to the questionnaire results of TSIA, ITRI's IEK statistics showed that the output value of Taiwan's entire IC industry amounted to NT\$1197.1 billion (US\$40.2B) in Q4 of 2022 (22Q4) (including IC design, IC manufacturing, IC package and IC testing), representing a decline of 3.7% from the previous quarter (22Q3) and a growth of 8.2% from the same period (21Q4) in 2021. The output value of the IC design industry amounted to NT\$260 billion (US\$8.7B), down 12.5% from the previous quarter (22Q3) and up 18.1% from the same period in 2021 (21Q4); the output value of the IC manufacturing industry amounted to NT\$769.9 billion (US\$25.8B), up 0.8% from the previous quarter (22Q3) and up 25.5% from the same period in 2021 (21Q4), including that of the foundry amounting to NT\$723.4 billion (US\$24.3B), up 1.5% from the previous quarter (22Q3) and 33.9% from the same period in 2021 (21Q4); the memory and other products amounted to NT\$46.5 billion (US\$1.6B), down 8.8% from the previous quarter (22Q3) and 36.6% from the same period in 2021 (21Q4); the output value of the IC package industry amounted to NT\$114 billion (US\$3.8B), down 10.2% from the previous quarter (22Q3) and 5.0% from the same period in 2021 (21Q4); the output value of the IC test industry amounted to NT\$53.2 billion (US\$1.8B), down 4.1% from the previous quarter (22Q3) and 3.3% from the same period in 2021(21Q4). The exchange rate of NTD against USD was 1:29.8 The test industry is identified as a capital-intensive advanced high-tech industry with considerable barriers to entry. Recently, the constant evolution of IC process and increasingly complicated functions have made the IC test become more and more important. Notwithstanding, due to the increasing capital expenditure, more and more leading IDMs and foundries have given up expansion of the back-end production capacity and

contracted the IC test services to others. As a result, the professional test industry was booming.

Looking ahead to 2023, continued destocking in the first half of the year and sluggish demand for end products have caused the IC packaging and testing industry to experience a quarterly decline. However, as the industry approaches peak season while U.S. Federal Reserve is projected to slows down its interest rate hike in the second half of the year, demand for end products may gradually pick up, slowly putting the IC packaging and testing industry back on track. Due to interest rate hikes by major central banks around the world in 2023, the suppressed demand for end products affected demand for semiconductors. The output value of Taiwan’s packaging and testing industry is projected to be NT\$663 billion in 2023, down 3.2% from 2022.

2. Association between upstream, midstream, and downstream industry participants

Upstream industry	IC design companies, foundries, and IDMs
Midstream industry	Testing equipment factories, package and test factories, and parts manufacturers
Downstream industry	IC resellers, IC design companies, and integrated device manufacturers

3. Development trends and degree of competition for our products

The global semiconductor manufacturers moved their production bases to the territories of Asia in order to cut production costs. The domestic IC industry owns a complete and dynamic vertical division-of-labor system and, therefore, is recognized for its technology, quality and delivery period. Given the increasing proportion of foundries carried out by IDMs and IC design companies in Taiwan and the multiple domestic and foreign wafer fabs that are going to be put into production, there should be few demands for commissioning domestic manufacturers to engage in the back-end test service, in consideration of the cost, delivery period and maintenance of core competitiveness.

According to an MIC report, the global top ten suppliers in the packaging and testing industry by scale of operating revenue in 2022 were ASE, Amkor, Changjiang Electronics Technology Co. Ltd., Powertech Technology Inc., Tongfu Microelectronics Co., Ltd., Huatian Technology Co., Ltd., King Yuan Electronics Co., Ltd.

(KYECC), ChipMOS Technologies Inc., Chipbond Technology Corporation, and SFA.

The Company owns complete testing machines, which afford to provide such comprehensive IC test services as logic IC, mixed signal IC, memory IC, wireless network, driver IC and integrated IC, and IC burn-in test. Meanwhile, the Company also provides the integrated services including wafer grinding and dicing and reeling & packaging to meet the customers' need for one-stop purchase and to win the competitive niche for the Company's customers.

(III) Technology and R&D overview

1. R&D expenses during the most recent year and up to the date of publication of this annual report:

Units: NTD thousand

Item/Year	2023 as of March 31	2022
R&D expenditure	290,560	1,267,045
Net operating revenue	7,764,452	36,781,996
To operating revenue (%)	3.74	3.44

Note: The information is a self-closing figure of the consolidated information as of March 31, 2023.

2. Successfully developed technology or product during the most recent year and up to the date of publication of this annual report
 - (1) Tray-based Vision Handler used in IC for tray to reel detection.
 - (2) Semi-automatic assembly/disassembly machine with gripper plate for 12-inch front opening shipping box (FOSB)
 - (3) Burn-in auxiliary line to reduce movers' workload.
 - (4) CP line probe card auto loader/unloader.
 - (5) E320 PE skew automatic measuring system.
 - (6) Develop High Power Burn In Oven& Burn In Board.
 - (7) Develop E-serial new generation logical tester.
 - (8) Develop I-serial new generation CIS tester.
 - (9) Develop D-serial new generation Driver tester.
 - (10) Develop MEMS Magnetic device wafer probing test solution

and final test system.

- (11) Develop MEMS Gas Flow device test solution and system.
- (12) Develop MEMS Bio-Sensor CP Wet Test Mass Production Test Technology.
- (13) Develop VCPC for CRES Analysis Technology.
- (14) Develop RF for <50GHz RF Signal& High Speed test interface PCB.
- (15) Develop components (relay, capacitor) diagnosis analyzer solution.

(IV) Long- and short-term business development plans

Short-term business development plan: We intend to expand current market share, fully utilize the test platform's conversion technology, upgrade the production efficiency of the testing machines, cut the production cost, and expand the production capacity to perfectly provide the production capacity to the existing product lines' customers, including Memory, Logic, RF/Base Band, LCD Driver, Mixed-Signal and Image Sensor, etc.

Long-term business development plan: To be in line with the expansion of a wide range of applications in the 5G era, the Company is dedicated to developing the test services for areas such as automotive, IOT, AI and HPC, to support mid-range and high-end panels, various hand-held or fixed sensors and wireless access points to such emerging markets as PC, NB, phone, access port, home digitalization, automotive electronics and high-speed computing servers. The Company will continue to invest in R&D of KGD and high-frequency test solutions. The Company will also develop standard interface for testing to create competitive advantages.

II. An Overview of Market and Sales

(I) Market analysis

1. Territories where main products (services) are sold (provided)

Unit: NTD thousand

Year	2022		2021	
	Domestic sales	Export sales	Domestic sales	Export sales
Area				
Sales value of primary products	Value	Value	Value	Value
Wafer test	5,980,816	7,740,987	5,311,630	6,642,385
Integrated circuits test	7,795,454	9,613,858	7,764,356	8,032,697
Others	3,158,906	2,491,975	3,173,853	2,834,468
Total	16,935,176	19,846,820	16,249,839	17,509,550

2. Market share

The Company's consolidated operating revenue amounted to NT\$36.782 billion in 2022, representing a growth of 8.95 % from 2021 that topped among peers. The turnover of annual package and test services generated

by it in 2022 ranked 7th place in the same trade in the world, securing the stable market share.

3. Future supply and demand in this market and growth outlook

Given IDMs' contracting their back-end needs to others successively and the increasing proportion of foundries carried out by domestic/foreign IC design companies in Taiwan, the demand for package and test services has been increasing day by day. Notwithstanding, in consideration of the cost, delivery period and quality, their production bases have been moved to the territories of Asia. The domestic IC industry owns a complete and dynamic vertical division-of-labor system and, therefore, is recognized for its technology, quality and delivery period. Given this, it is expected to catch this amazing business opportunity.

According to the latest research reports from domestic/foreign leading institutions, as boosted by Macroeconomy, wireless communication solutions and consumable products, the need for outsourcing production by the global semiconductor market is expected to increase and thereby drive the development of the IC test service industry.

4. Competitive niche and positive factors for future development

(1) Capital and technique intensive:

Given the machine and equipment required by the test getting more and more expensive and at large quantity, the rapid upgrading of product hierarchy, shortage of domestic R&D talents and management teams with complete experience, and difficulty in establishing long-term cooperation relationship trusted by customers, it is not easy for potential competitors to enter the industry. The Company has been dedicated to establishing close cooperation relationship with domestic IC manufacturers and IC design companies actively permanently, and won the recognition and reliance from customers in its quality and delivery period.

(2) Clear division-of-labor and outsourcing trend in the semiconductor industry

Under the development trend for professional division of labor in the semiconductor industry, IDMs have gradually increased the proportion of production commissioned to professional OEMs in consideration of the operating cost and effect and financial risks. The domestic IC industry has brought the huge business opportunity to the IC downstream test service suppliers, when the foundry suppliers were expanding their international domains and IC design service suppliers

were working hard to cooperate with the international leading manufacturers. The Company owns complete testing machines, which afford providing such comprehensive IC test services as logic IC, mixed signal IC, memory IC, sensor, wireless network and integrated IC, and IC burn-in test. Meanwhile, the Company also provides the integrated services including wafer grinding and dicing and reeling & packaging to meet the customers' need for one-stop purchase and to win the competitive niche for the Company's customers.

(3) Economies of business scale and range of product line

The entire IC industry's development emphasizes the upstream IC design and IC manufacturing capabilities. Meanwhile, the on-site support by the IC back-end package and test services is also an important factor critical to enhancement of the IC industry's competitive strength. The depreciation expenses accounted for a high proportion of the cost in the package and test industry. The profitability and risk of loss may be decided relying on the product line portfolio and economies of scale. This may be considered as a competitive strength. The Company has engaged in the test industry for many years and, therefore, secured its solid position in the industry.

5. Negative factors for the prospects of our development and our corresponding strategy

(1) Merger of competitors or alliance of upstream and downstream suppliers:

Successive expansion of domestic upstream IC manufacturers derived the massive demand for the back-end IC production process. Meanwhile, given the increasing economic recovery in the semiconductor industry and increasing proportion of outsourcing by IDMs, a lot of new IC test service providers allied with each other and, therefore, the competition will become more and more intensive in the market.

Corresponding Strategy:

A. Provide integrated services which enable customers to receive the complete service for test, Burn-in and product package by placing one order, thereby cutting the entire production period.

B. Establish long-term cooperative relationship with customers: The Company works hard to establish the long-term cooperative relationship with customers with its strength in quality, speed and cost, so that its production capacity could be utilized perfectly and

stably.

C. Strengthen technical capability: Make use of the Company's research team to improve the production process and research and develop new technology and products to increase the added value of products.

(2) Strong capital demand:

Given the business expansion and expensive price of the new generation test equipment, IC test service providers have a strong demand for working capital and funds for investment in machinery and equipment.

Corresponding Strategy: The Company raised consideration working capital through the Company's net cash inflow from operating activities to help the Company's development.

(3) More capital investment, more business risk

The annual capital expenditure of the package and test industry frequently ranges between NT\$1 billion and NT\$10 billion. The annual depreciation expenses are tremendous in this industry. Given the fluctuation of the economy in the semiconductor industry, how to keep the Company seeking profit and avoiding loss is a critical business challenge.

Corresponding Strategy: Be cautious in investing in machinery and equipment, purchase mainstream test equipment, invest in customers with high growth ability, and strengthen the integration of effects of test platforms to disperse the proportion of single customer.

(II) Main product applications and production processes

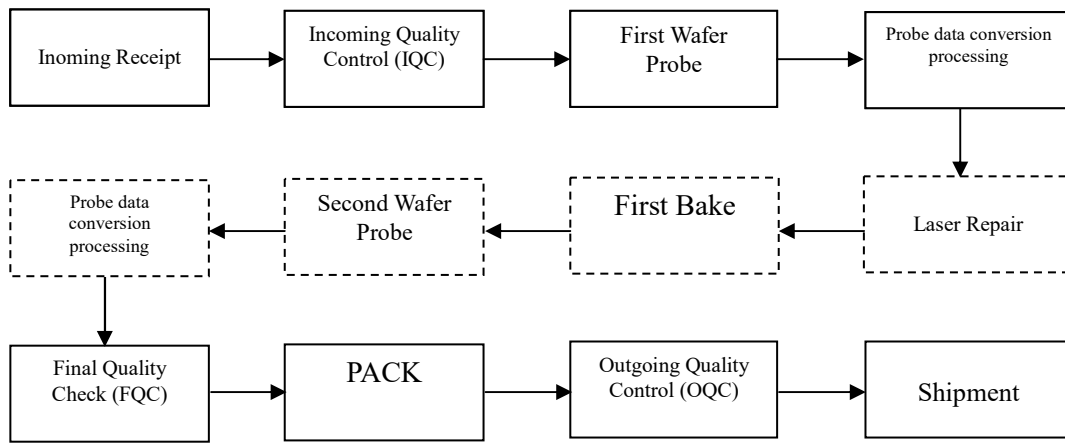
1. Important purpose of main products

Main products	Important purpose
Wafer probe	Primarily intended to check and test the defects in the wafer of the wafer before wafer grinding/dicing and wafer packing.
Wafer grinding/wafer dicing/wafer packing	After the wafer is ground and diced, the wafer is packed in the package process.
IC Final test	Primarily intended to verify whether such attributes of the IC products as function, speed, tolerance, electronic consumption, electronic emission and heat diffusion satisfy the relevant standards.
Burn-in	The selection in infant mortality period to promptly remove infant mortality products with manufacturing defects and ensure product quality.
Lead Scan & Reform/Backend Services	Help the lead scan & reform of tested IC products and pack the same into the tap-on-reel trays designated by customers for convenient shipping and processing, and also provide the Dropship service.
Package/test shipment	For the incoming from customers - e.g. chips, package/test the shipment after grinding and dicing. - e.g. in the case of wafer, package/test the shipment after packing/probing.

2. Production process of main products

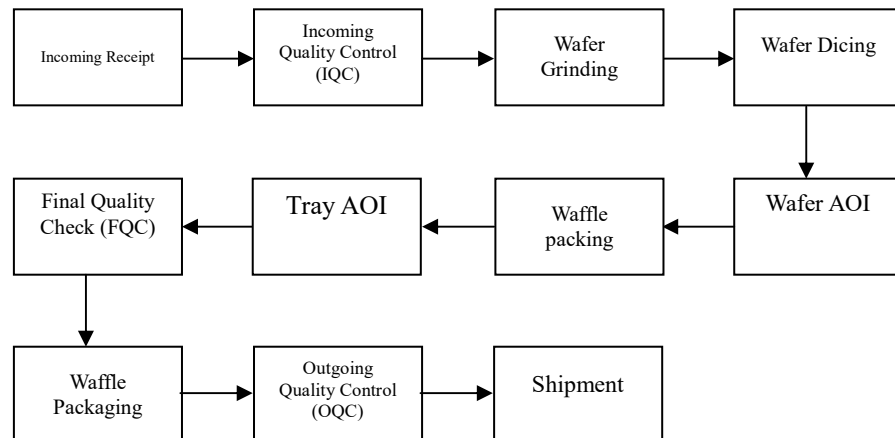
A. Wafer probing

Wafer probing refers to a process dedicated to test wafers to screen accepted and defective goods. The probing result refers to an important basis for the IC assembly, and may serve as the reference and evidence for the yield review in the front-end wafer process. The wafer probing is stated as follows:



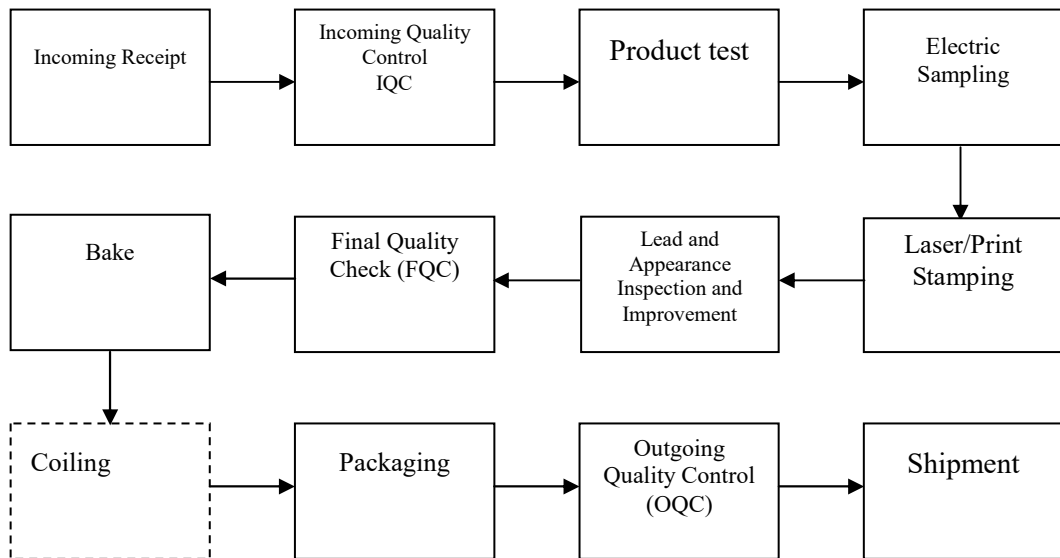
B. Wafer grinding/wafer dicing/waffle packing

The wafer grinding/dicing is primarily intended to grind the finished IC to a specified thickness, and then dice the same to dies for the following wire bonding and package. The main process thereof is stated as follows:



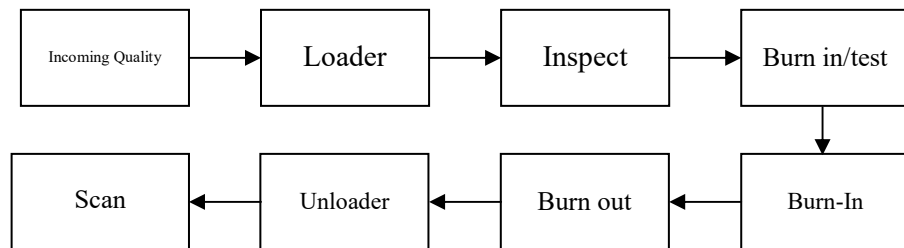
C. IC product testing procedures

The final test is intended to test the packaged IC to distinguish the product quality. The IC passing the test is identified as the finished goods. The conditions for the final test vary depending on the functions of various products. The typical final testing is stated as follows:



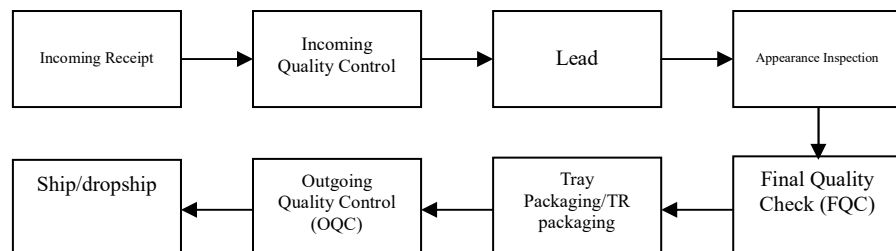
D. Burn-in

Burn-in is intended to test the reliability of IC products and screen infant mortality ones by accelerated test. The main process thereof is stated as follows:



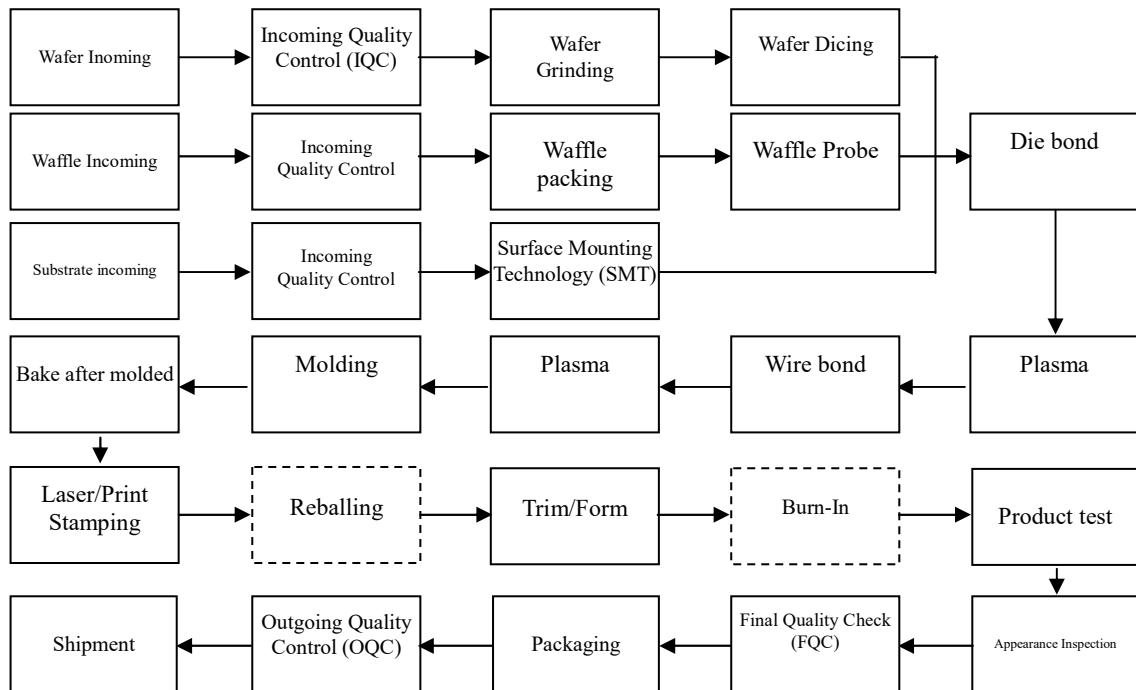
E. Lead/dropship

Help the lead scan & reform of tested IC products and pack the same into the tap-on-reel trays designated by customers for convenient shipping and processing, and also provide the Dropship service. The main process thereof is stated as following:



F. Package and Test Shipment

The Company's main package/test products include SIP (SSD/PATA/SATA), MSD/HSSD/UFD, QFN, TSOP, BGA and eMMC. Through the overall integrated circuit package and test services provided by the Company, the customers' products may be applied to such products as information, communication, office automation, automotive electronics and consumable electronics successfully. The main process thereof is stated as following:



(III) Supply of main raw materials

The Company is engaged in the technical service industry for the IC industry and, therefore, there is no such problem about supply of main raw materials.

(IV) A list of any suppliers and clients accounting for 10% or more of the company's total procurement (sales) amount in either of the 2 most recent fiscal years, the amounts bought from (sold to) each, the percentage of total procurement (sales) accounted for by each, and an explanation of the reason for increases or decreases in the above figures

1. Major import suppliers for the past 2 years: None.

Unit: NTD thousand

Item	2022				2021			
	Title	Amount	To the annual net procurement amount (%)	Relationship with the issuer	Title	Amount	To the annual net procurement amount (%)	Relationship with the issuer
	Net purchases	3,148,995	100	-	Net purchases	4,299,942	100	-

2. Information about main customers:

Unit: NTD thousand

Item	2022				2021			
	Title	Amount	Percentage of net sales %	Relationship with the issuer	Title	Amount	Percentage of net sales %	Relationship with the issuer
1	MEDIATEK INC.	4,454,468	12	Note	MEDIATEK INC.	5,044,632	15	Note
	Net sales	36,781,996	100	-	Net sales	33,759,389	100	-

Note: The Company's Chairman is a relative within 2nd degree of kinship with that company's chairman.

Explanation of the reason for increase or decrease: Most of the Company's main customers remained stable from 2020 to 2021. Generally, there was no significant difference arising. Most of the Company's main customers were renowned semiconductor design companies and semiconductor manufacturers. The Company also maintained the long-term stable relationship with the customers.

(V) Production volume and value in the latest two years

Quantity: Thousand (pcs)

Amount unit: NTD thousand

Year Production volume and value Main products	2022			2021		
	Production capacity	Quantity	Production value	Production capacity	Quantity	Production value
Wafer test	9,086	4,848	8,624,014	9,415	5,287	8,155,773
Integrated circuits test	18,596,960	10,246,468	13,226,469	21,072,908	11,700,658	12,261,020
Others	4,318,322	2,578,797	4,631,084	5,758,258	3,851,142	5,550,747
Total	-	-	26,481,567	-	-	25,967,540

(VI) Sales volume and value in the last two years

Quantity: Thousand (pcs)
Amount unit: NTD thousand

Year Sales volume and value of major products Main products	2022				2021			
	Domestic sales		Export sales		Domestic sales		Export sales	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Wafer test	2,987	5,980,816	1,822	7,740,987	3,347	5,311,630	1,939	6,642,385
Integrated circuits test	4,021,219	7,795,454	5,634,738	9,613,858	5,718,546	7,764,356	5,541,645	8,032,697
Others	1,345,954	3,158,906	1,304,126	2,491,975	1,875,224	3,173,853	1,729,614	2,834,468
Total	-	16,935,176	-	19,846,820	-	16,249,839	-	17,509,550

III. Information on Employees

Employee information during the last two years and up to the date of annual report publication

Year		2021	2022	2023 as of March 31
Number of employees	Administrative Staff	487	487	479
	R&D Engineers	4,004	4,028	3,975
	Operators	4,981	4,930	4,737
	Total	9,472	9,445	9,191
Average age		32.9	33.5	33.8
Average years of service		6.2	6.5	6.7
Education background (%)	Ph. D.	0.05	0.05	0.05
	Master's degree	7.88	7.87	7.79
	University/ college	63.56	65.72	64.97
	Senior high school	15.4	14.44	14.65
	Less than senior high school	13.1	11.92	12.53

Note: Consolidated number of employees at the Company and its subsidiaries King Long Technology (Suzhou) Ltd. and Suzhou Zhen Kun Technology Ltd.

IV. Information on Environmental Protection Expenses

- (I) Any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided:**

No losses or fines were incurred due to pollution of the environment that should be borne by the Company.

- (II) Measures being taken in the future, including improvement measures and possible expenditures:**

The Company and the subsidiary continued to establish multiple energy-saving projects in 2022, and the actual expenditure thereof was about NT\$241,771.42 thousand.

1. The Company and subsidiaries have established the ISO 50001 (energy management system) and ISO 14064-1 greenhouse gas inventory.
2. In 2022, the Company and its subsidiaries recycled approximately 939,000 tons of wastewater.
3. The Company and subsidiaries implemented energy-saving projects in 2022, saving a total electricity of 1,468,000 kWh, which generated NT\$22.08 million in benefits.
4. The Company and subsidiaries continued to implement energy-saving projects in 2022, which are estimated to save approximately 2.999 million kWh of electricity.
5. The Company and subsidiaries passed the ISO 14001 for environmental management, followed the local competent authorities' policies, and sought recycling methods to mitigate the burden imposed by the waste on the environment.

V. Employer and employee relationships

(I) Setting forth all employee benefits, continuing education, training, retirement systems, and the status of their implementation, as well as the status of agreements between the labor force and management, and all measures aimed at preserving the rights and interests of employees

1. Employee benefits, continuing education, training:

A. Employees' Welfare Committee: The Company established the Employees' Welfare Committee on September 2, 1993 to engage in planning various employees' welfare policies.

The Committee provides the following subsidies:

- a. Childbirth
- b. Gift certificates for three major festivals (Lunar Chinese New Year, Dragon Boat Festival and Moon Festival)
- c. Gift certificate for birthday
- d. Merchants
- e. Marriage
- f. Funeral
- g. Injury and sickness
- h. Company dinner party
- i. Budget of social activities
- j. Periodic organization of various activities and competitions
- k. Free massage service
- l. Field service of coffee bar
- m. Field service of convenient chain store and preferential treatment for shopping

B. Other welfare policies

- a. Remuneration to employees

Provide the allocation of incentive compensation for employees subject to their personal performance to share earnings with all colleagues.

- b. Free periodic health checkup

The Company values the employees' health very much and arranges the employees to take the free health checkup periodically.

- c. Provide diversified activities

Encourage the colleagues to relax and adjust themselves physically and mentally besides the routine work through diversified activity design.

- d. Medical room and free medical consultation with specialists

- e. Provide colleagues who are away from home with the employee dormitory (equipped with bed, chair and desk, closet, air conditioner and Wi-Fi)
 - f. Staff restaurant and meal allowance
 - g. Reading room, books and magazines, and publications loan service (regular subscription for multiple domestic/foreign books, newspapers and magazines, etc.)
 - h. Parking lots for cars and motorcycles
 - i. Incentives to senior employees (with the seniority of 5 years and 10 years)
 - j. Selection of model employees and reward to the model employees
 - k. Subsidies to budget of department activities
- C. Continuing education/training

The Company is used to sparing no efforts to train talents and develop employees' ability. Therefore, the Company believes that talents should refer to one of the important assets to the Company and also a critical factor to decide the Company's competitive strength and weakness. In order to achieve the goal to train talents, the Company's training system combines the Company's vision, mission, strategy, and core values, and constructs the core competency and management competency required for the various job ranks and required courses to be taken by them based on the analysis information. The Company's training system is categorized into in-house training, off-site training, in-service training, self-inspiration and so on.

For new employees, the Company establishes the tutorship system to train and certify their work skills to ensure the quality of the test operations. For the staff engaged in production and operation technicians, the skill test should be conducted each year to ensure improving and correcting work skills. The high-rank management should tutor and promote the management talents in person to upgrade the effectiveness of both theoretical and practical management. Meanwhile, the Company works hard to promote its core value, build common values and philosophy, and enhance its performance and foundation of competitiveness.

The training is intended to upgrade the inspiration to the colleagues in knowledge and technology, and also to shape the

Company's corporate culture, core values and organizational common view. In the future, when facing the changeable environment, the Company will continue to uphold its lifelong-learning philosophy to fulfill the purpose for holistic education.

2. Retirement system and the status of its implementation:

In order to take care of the employees' life after retirement, facilitate the labor-management relations and improve work efficiency, the Company established the Supervisory Committee of Workers' Pension Preparation Fund pursuant to laws. The Committee shall supervise the deposit and disbursement of the Fund, and provide pension reserves at 2% of the total monthly salary and deposit the same at the Bank of Taiwan on a monthly basis pursuant to the relevant requirements. As of July 1, 2005, the employees who apply the new system should contribute the pension at 6% of their personal monthly salary to be deposited at the personal pension account opened in the Bureau of Labor Insurance.

3. Labor-management agreement

In addition to complying with the Labor Standard Act, the Company also sets up the employee's message board and opinion mailbox, and organizes periodic labor-management meeting meetings and employee symposium, etc. The Company values employees' opinion and appoints dedicated personnel to process the opinion. The communication channel between the labor and management is so smooth that the relationship between the labors and management is considered harmonious.

The company respects the freedom of assembly and association in the workplace, and employees set up two trade unions on their own. However, they were notified that the affairs of the conference were suspended, so they failed to sign a collective agreement with the trade unions in 2022 and 2023.

4. Measures for preserving employees' interests and rights

The Company treats its employees in good faith and with respect, stabilizes the employees' lives and improves the continuing education and training channels by broadening its welfare system, and establishes the fair relationship of mutual trust and cooperation with employees. By aligning with the Company's policies, the employees can fully exert the spirit and effectiveness of teamwork, so that the relationship between the labor force and management is full of harmony.

- (II) Describe any losses suffered by the company in the most recent fiscal year and up to the date of publication of the annual report due to labor disputes (including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: None.**

VI. Cyber Security Management

- (I) Provides the cyber security risk management framework, Cyber Security Policy, specific management plans and cyber security management resources invested:**

1. Cyber security risk management framework:
We have established an Information Security Task Force, with the President of the Company serving as the top supervisor, the Assistant Vice President of the Information Technology Div. as the chief convener, and appointed members from each business division as members. Regular information security meetings are held to formulate and review information security management objectives and policies. As a means to implement information security management, we have also established an information security manager to regularly monitor the promotion of the Information Security Task Force.
2. Information security policy:
At KYEC, our information security policy is “to build an information security management system that aligns with the law and meets the needs of customers; to safeguard confidential information that pertains to the company and its customers; and to raise overall awareness of information security.” We continue to update and improve various internal information security management mechanisms, strengthen network security management, system access control management, system development, maintenance of security management, information asset security management, while implementing off-site backup

management, access control management and monitoring. Furthermore, we provide education and training on security information to our employees through regular internal information security knowledge promotion so that the awareness of security information is rooted in every employee.

3. Specific management plans and cyber security management resources invested :

3.1 Security information and network risk evaluation

We have constructed an information security protection network for risk prevention, further improving and strengthening information security operations from different aspects.

● Network security:

- ◆ Introduce information security information sharing to get hold of global information security events and strengthen network security in a timely manner.
- ◆ Timely update of anti-virus software.
- ◆ Introduce Security Scorecard to monitor and analyze information security risks and vulnerabilities.
- ◆ Regularly outsource a third-party information security vendor to conduct penetration testing and vulnerability scanning.

● Endpoint security:

- ◆ System scanning equipment is adopted to check and keep abreast of endpoint status at all times.
- ◆ New equipment setup must be scanned and a full report generated before use of network is allowed.
- ◆ Plant-wide daily anti-virus monitoring is performed and machinery and equipment with an abnormality is promptly handled.

● Employee information security awareness:

- ◆ Employee information security awareness education and training is carried out each year and the completion rate of training is 100%.
- ◆ Third-party information security vendors are commissioned regularly to carry out social engineering exercises.
- ◆ Promote information security management regulators through

the computers start screen.

- Information security protection:
 - ◆ Introduce information leakage protection system and keep internal confidential documents safe to prevent threat of leakage.
 - ◆ Introduce document printing record analysis and tracking to avoid data leakage.
 - ◆ Hard disk encryption mechanism is incorporated to prevent leakage of important data.
- Supply chain information security promotion:
 - ◆ Prior to entering the plant, a supplier must have their external devices scanned for virus.

As there are more information security incidents in recent years, companies have suffered from ransomware attacks, resulting in computer system and data damage. Aside from strengthening information security protection, we also carry out ransomware attack simulation exercises. By doing this we are able to strengthen our responses in the event of an emergency to ensure that it is able to promote its response capabilities at critical times and that information system operations are not interrupted.

3.2 The Company obtained ISO27001 certification in 2022.

- (II) In the most recent fiscal year and up to the annual report publication date, losses, possible impacts and countermeasures as a result of major cyber security incidents in the last year up to the publication date of this annual report, state the reasons if losses cannot be reasonably estimated:** The Company has not identified any cyber attacks that posed a significant impact on its operations.

VII. Important Contracts

(I) Supply and distribution contracts

Contract nature	Duration	Main contents	Restrictive terms
Processing contract	2022.01~	Test & processing	Confidentiality of a third party's business

(II) Technologies cooperation contracts

Contract nature	Duration	Main contents	Restrictive terms
Cooperation agreement	2022/07/21~ 2023/01/20	Equipment development contract	Confidentiality of a third party's business

(III) Engineering contracts

Contract nature	Counterparty	Duration	Main contents
Construction contract	Jiu Han Engineering Co., Ltd.	2022/02/08~2022/05/31	TL3 MEP 3rd-phase project
Construction contract	Jiu Han Engineering Co., Ltd.	2021/12/03~2022/06/30	CH5 MEP 2nd-phase system project
Construction contract	Jiu Han Engineering Co., Ltd.	2021/12/01~2022/03/31	TL3 fire prevention 2nd-phase project
Construction contract	Jiu Han Engineering Co., Ltd.	2021/11/22~2022/03/31	TL3 MEP 2nd-phase project
Construction contract	Jiu Han Engineering Co., Ltd.	2022/01/10~2022/08/30	CH1 Ice machine #4 replacement of piping and power of Hook Up project
Construction contract	Jia Xing Technology Engineering Co., Ltd.	2022/05/24~2022/08/31	CH1 3F HP93K x 40 machines Hook Up project
Construction contract	Jia Xing Technology Engineering Co., Ltd.	2021/12/14~2022/08/31	CH5 2F Project, 1st phase of machinery of Hook Up construction
Construction contract	Jia Xing Technology Engineering Co., Ltd.	2022/05/18~2022/10/31	CH2 5F electrical room partition and air-conditioner installation project
Construction contract	Jia Xing Technology Engineering Co., Ltd.	2022/03/03~2022/04/30	CH2 4F E320 93K expansion and installation of power panel and main piping project
Construction contract	Jia Xing Technology Engineering Co., Ltd.	2022/05/16~2022/12/31	CH2 1F installation of HT -1032 machine main power panel and piping project
Construction contract	Jia Xing Technology Engineering Co., Ltd.	2022/06/15~2022/07/26	CH4 2F in-plant grinding testing zone clearing and organization project
Construction contract	Jia Xing Technology Engineering Co., Ltd.	2022/05/24~2022/08/31	CH1 3F HP93K x 40 main power supply machines and PCW piping project
Construction contract	Jia Xing Technology Engineering Co., Ltd.	2022/08/12~2022/12/31	CH5 2F Project, 2nd phase of machinery of Hook Up construction

(IV) Long-term loan contracts

Unit: NTD thousand

Contract nature	Counterparty	Duration	Interest rate (%)	Amount
Loan	Shanghai Commercial & Savings Bank, Ltd.	2022/03/10~2025/03/10	5.43	USD17,000
Loan	Standard Chartered Bank	2022/06/30~2024/06/30	5.02	USD3,000
Loan	Bank of China Limited	2022/10/15~2024/10/14	5.65	USD31,000
Loan	Cathay United Bank	2022/12/25~2024/12/25	5.03	USD15,000
Loan	Sumitomo Mitsui Banking Corporation	2022/06/01~2024/05/31	5.63	USD10,000
Loan	Taiwan Business Bank	2022/04/06~2024/04/06	5.865537	USD16,000
Loan	Land Bank of Taiwan	2022/02/08~2024/02/08	5.46	USD10,000
Loan	HSBC Bank (Taiwan)	2022/09/30~2025/09/30	4.99	USD21,000
Loan	HSBC Bank (Taiwan)	2021/12/21~2024/12/20	5.47	USD29,729
Loan	HSBC Bank (Taiwan)	2021/12/01~2024/12/02	5.3	USD286
Loan	Far Eastern International Bank	2022/06/23~2025/06/23	1.857	NTD100,000
Loan	Mega International Commercial Bank	2022/03/15~2025/03/15	5.814	USD383
Loan	Chang Hwa Commercial Bank, Ltd.	2022/04/12~2027/04/12	5.24087	USD2,622
Loan	Taipei Fubon Commercial Bank Co., Ltd.	2022/01/21~2025/01/21	6.08	USD969
Loan	First Commercial Bank	2021/07/01~2026/07/01	4.92	USD30,000
Loan	Yuanta Commercial Bank	2021/06/22~2025/06/22	5.846	USD29,335
Loan	E.Sun Commercial Bank, Ltd.	2021/12/27~2025/12/26	5.80486	USD2,411
Loan	KGI Bank	2020/07/15~2024/07/15	1.84878	NTD80,000
Loan	O-Bank Co., Ltd.	2020/02/07~2025/02/07	1.8178	NTD128,571
Loan	Chang Hwa Commercial Bank, Ltd.	2020/01/20~2025/01/20	1.72078	NTD278,000
Loan	Bank of Taiwan	2022/10/20~2026/10/20	1.78799	NTD600,000
Loan	First Commercial Bank	2020/01/20~2025/01/20	1.8	NTD358,199
Loan	JihSun Bank	2021/03/12~2024/03/12	1.51	NTD250,000
Loan	D12 billion syndicated loan of Mega Bank	2020/10/12~2025/10/12	1.8628	NTD7,120,000
Mortgage loan	D12 billion syndicated loan of Mega Bank	2020/10/12~2025/10/11	1.97	NTD4,880,000

(V) Other contracts that would affect shareholders' equity: None.

VI. Overview of Finance

I. Condensed balance sheets and statements of comprehensive income for the past five fiscal years, the name of the certified public accountant and the auditor's opinion given

(I) Condensed balance sheet

Condensed consolidated balance sheet

Units: NTD thousand

Item	Year	Financial information in the most recent five (5) years				
		2022	2021	2020	2019	2018
Current assets		22,338,931	18,849,216	15,811,876	13,890,983	12,625,373
Property, plant and equipment		45,991,445	45,576,661	39,147,575	36,890,887	31,907,296
Intangible assets		39,235	73,599	86,442	73,795	171,062
Other assets		5,989,372	7,720,707	6,269,625	4,223,484	2,452,028
Total assets		74,358,983	72,220,183	61,315,518	55,079,149	47,155,759
Current liabilities	Before distribution	10,244,376	11,144,099	8,219,797	7,900,969	5,401,904
	After distribution	(Note 1)	14,812,334	10,665,287	10,101,910	7,052,610
Non-current liabilities		27,169,190	26,197,916	23,769,645	20,979,726	17,234,003
Total liabilities	Before distribution	37,413,566	37,342,015	31,989,442	28,880,695	22,635,907
	After distribution	(Note 1)	41,010,250	34,434,932	31,081,636	24,286,613
Total equity attributable to the owner of parent company		36,089,978	34,184,275	29,319,071	26,191,939	24,477,111
Capital stock		12,227,451	12,227,451	12,227,451	12,227,451	12,227,451
Additional paid-in capital		4,953,859	4,885,134	4,588,172	4,832,721	4,844,536
Retained earnings	Before distribution	16,914,771	13,801,607	11,206,995	9,534,173	8,208,297
	After distribution	(Note 1)	10,133,372	9,006,054	7,577,781	6,557,591
Other equities		1,993,897	3,270,083	1,296,453	(402,406)	(803,173)
Treasury stock		-	-	-	-	-
Non-controlling equity		855,439	693,893	7,005	6,515	42,741
Equity	Before distribution	36,945,417	34,878,168	29,326,076	26,198,454	24,519,852
Total amount	After distribution	(Note 1)	31,209,933	26,880,586	23,997,513	22,869,146

Note 1: To be resolved during the general shareholders' meeting 2023.

Note 2: Financial statements for 2018–2022 have been audited and certified by the CPA.

Condensed Summary Balance Sheet of Individual Entity

Units: NTD thousand

Item	Year	Financial information in the most recent five (5) years				
		2022	2021	2020	2019	2018
Current assets		17,499,113	14,487,436	11,351,866	11,104,729	10,682,961
Property, plant and equipment		32,335,080	34,613,760	31,370,700	30,379,042	28,321,210
Intangible assets		35,832	69,247	80,159	66,148	162,619
Other assets		16,193,850	15,962,834	12,132,949	8,891,473	7,087,793
Total assets		66,063,875	65,133,277	54,935,674	50,441,392	46,254,583
Current liabilities	Before distribution	6,841,674	7,032,776	5,527,248	6,290,525	4,666,325
	After distribution	(Note 1)	10,701,011	7,972,738	8,491,466	6,317,031
Non-current liabilities		23,132,223	23,916,226	20,089,355	17,958,928	17,111,147
Total liabilities	Before distribution	29,973,897	30,949,002	25,616,603	24,249,453	21,777,472
	After distribution	(Note 1)	34,617,237	28,062,093	26,450,394	23,428,178
Capital stock		12,227,451	12,227,451	12,227,451	12,227,451	12,227,451
Additional paid-in capital		4,953,859	4,885,134	4,588,172	4,832,721	4,844,536
Retained earnings	Before distribution	16,914,771	13,801,607	11,206,995	9,534,173	8,208,297
	After distribution	(Note 1)	10,133,372	9,006,054	7,577,781	6,557,591
Other equities		1,993,978	3,270,083	1,296,453	(402,406)	(803,173)
Treasury stock		-	-	-	-	-
Equity Total amount	Before distribution	36,089,978	34,184,275	29,319,071	26,191,939	24,477,111
	After distribution	(Note 1)	30,516,040	26,873,581	23,990,998	22,826,405

Note 1: To be resolved during the general shareholders' meeting 2023.

Note 2: Financial statements for 2018–2022 have been audited and certified by the CPA.

(II) Condensed comprehensive income statement

Condensed consolidated comprehensive Income Statements

Units: NTD thousand

Item \ Year	Financial information in the most recent five (5) years				
	2022	2021	2020	2019	2018
Operating revenue	36,781,996	33,759,389	28,959,304	25,539,437	20,815,369
Gross profit	13,072,993	10,352,067	7,953,988	7,015,916	5,363,698
Operating profit (loss)	9,164,830	6,606,516	4,650,711	4,045,014	2,719,681
Non-operating revenue and expense	(198,804)	248,731	(107,056)	(130,151)	(330,123)
Net profit before tax	8,966,026	6,855,247	4,543,655	3,914,863	2,389,558
Continuing departments net income – current period	6,982,090	5,234,242	3,637,140	3,041,484	1,793,890
Loss of discontinuing operation	-	-	-	-	-
Net income (loss) for this period	6,982,090	5,234,242	3,637,140	3,041,484	1,793,890
Other comprehensive income (OCI) for this period (net amount after tax)	(1,320,936)	1,595,123	1,691,418	343,585	(245,673)
Total comprehensive income – current period	5,661,154	6,829,365	5,328,558	3,385,069	1,548,217
Net profit attributable to the owner of parent	6,836,609	5,175,046	3,636,653	3,041,566	1,795,344
Net profit attributable to non-controlling equity	145,481	59,196	487	(82)	(1,454)
Comprehensive income attributable to the owner of parent	5,505,213	6,769,183	5,328,068	3,385,203	1,549,371
Comprehensive income attributable to non-controlling equity	155,941	60,182	490	(134)	(1,154)
EPS	5.59	4.23	2.97	2.49	1.47

Note: Financial statements for 2018–2022 have been audited and certified by the CPA.

Condensed Comprehensive Income Statement of Individual Entity

Units: NTD thousand

Item \ Year	Financial information in the most recent five (5) years				
	2022	2021	2020	2019	2018
Operating revenue	27,619,107	25,820,727	23,344,758	21,845,844	18,469,742
Gross profit	9,526,051	7,343,991	6,063,978	5,736,588	4,844,342
Operating profit (loss)	6,607,256	4,505,313	3,405,804	3,237,339	2,672,603
Non-operating revenue and expense	1,924,697	2,004,775	961,563	577,772	(318,946)
Net profit before tax	8,531,953	6,510,088	4,367,367	3,815,111	2,353,657
Continuing departments net income – current period	6,836,609	5,175,046	3,636,653	3,041,566	1,795,344
Loss of discontinuing operation	-	-	-	-	-
Net income (loss) for this period	6,836,609	5,175,046	3,636,653	3,041,566	1,795,344
Other comprehensive income (OCI) for this period (net amount after tax)	(1,331,396)	1,594,137	1,691,415	343,637	(245,973)
Total comprehensive income – current period	5,505,213	6,769,183	5,328,068	3,385,203	1,549,371
EPS	5.59	4.23	2.97	2.49	1.47

Note: Financial statements for 2018–2022 have been audited and certified by the CPA.

(III) Names of certified public accountant and audit opinions in the recent five years

Year	Name of accounting firm	Name of CPA	Audit opinion
2018	Ernst & Young	Shao-Pin Kuo, Wen-Fun Fuh	Unqualified opinion
2019	Ernst & Young	Shao-Pin Kuo, Wen-Fun Fuh	Unqualified opinion
2020	Ernst & Young	Shao-Pin Kuo, Wen-Fun Fuh	Unqualified opinion
2021	Ernst & Young	Shao-Pin Kuo, Wen-Fun Fuh	Unqualified opinion
2022	Ernst & Young	Shao-Pin Kuo, Hsin-Min Hsu	Unqualified opinion

II. Financial analysis in the most recent five years

Financial analysis consolidated statements

Analysis items		Financial analysis in the most recent five years				
		2022	2021	2020	2019	2018
Financial structure %	Ratio of liabilities to assets	50.31	51.71	52.17	52.43	48.00
	Ratio of long-term capital to property, plant and equipment	133.53	128.13	131.02	125.03	129.35
Solvency %	Current ratio	218.06	169.14	192.36	175.81	233.72
	Quick ratio	201.13	153.91	174.60	158.68	200.52
	Times Interest Earned Ratio	17.15	20.96	12.99	13.56	12.66
Operational ability	Receivables turnover (times)	5.04	4.94	4.86	4.45	4.16
	Average cash collection days	72	74	75	82	88
	Inventory turnover (times)	16.59	18.56	19.25	16.44	18.95
	Payables turnover (times)	21.79	20.42	18.85	15.88	16.44
	Average inventory turnover days	22	20	19	22	19
	Turnover of property, plant and equipment (times)	0.80	0.80	0.76	0.74	0.71
	Total asset turnover (times)	0.50	0.51	0.50	0.50	0.47
Profitability	Return on assets (%)	10.13	8.25	6.77	6.44	4.43
	Return on equity (%)	19.44	16.30	13.10	11.99	7.24
	Net income before tax to paid-in capital ratio (%)	73.33	56.06	37.16	32.02	19.54
	Net profit margin (%)	18.98	15.50	12.56	11.91	8.62
	Earnings per share (NTD)	5.59	4.23	2.97	2.49	1.47
Cash flow	Cash flow ratio (%)	185.76	123.14	150.89	137.12	156.02
	Cash flow adequacy ratio	93.64	87.72	87.39	85.75	83.43
	Cash reinvestment ratio (%)	10.19	7.86	7.90	7.84	5.72
Leverage	Operating leverage	2.01	2.39	2.81	2.75	3.47
	Financial leverage	1.06	1.05	1.09	1.08	1.08

Reasons for changes in financial ratios in past two years (Analysis is not required if the magnitude of increase or decrease is less than 20%)

1. Current ratio and quick ratio increased compared with previous year because of increase in profit, which caused cash and cash equivalents to increase.
2. ROA, ratio of pre-tax income to share capital, net profit margin, and earnings per share increased compared with previous year because of a further increase in operating revenue for the current period due to contributions in terms of automotive applications, industrial applications, servers, data center, network communication products, and increased production outsourcing by foreign customers. Net profit before tax and net profit of the term increased mainly because gross profit margin increased considerably and management expenses were adequately controlled, both of which were attributable to increase in average unit price and improved cost management.
3. Cash flow ratio and cash reinvestment ratio increased compared with previous year mainly because of increase in net cash inflows from operating activities in the current period.

Note: Financial figures for 2018–2022 were based on the financial statements audited and certified by the CPA.

Individual Statement of Financial Analysis

Analysis items		Year	Financial analysis in the most recent five years				
			2022	2021	2020	2019	2018
Financial structure %	Ratio of liabilities to assets		45.37	47.52	46.63	48.07	47.08
	Ratio of long-term capital to property, plant and equipment		174.98	160.22	151.85	141.99	145.14
Solvency %	Current ratio		255.77	206.00	205.38	176.53	228.94
	Quick ratio		238.20	190.60	189.11	158.84	201.88
	Times Interest Earned Ratio		25.46	33.47	21.07	16.92	13.29
Operational ability	Receivables turnover (times)		5.12	4.82	4.83	4.50	4.14
	Average cash collection days		71	76	76	81	88
	Inventory turnover (times)		15.99	18.79	19.28	16.97	20.50
	Payables turnover (times)		28.42	22.76	21.30	17.85	18.66
	Average inventory turnover days		23	19	19	22	18
	Turnover of property, plant and equipment (times)		0.83	0.78	0.76	0.74	0.71
	Total asset turnover (times)		0.42	0.43	0.44	0.45	0.43
Profitability	Return on assets (%)		10.85	8.89	7.23	6.69	4.50
	Return on equity (%)		19.46	16.30	13.10	12.01	7.25
	Net income before tax to paid-in capital ratio (%)		69.78	53.24	35.72	31.20	19.25
	Net profit margin (%)		24.75	20.04	15.58	13.92	9.72
	Earnings per share (NTD)		5.59	4.23	2.97	2.49	1.47
Cash flow	Cash flow ratio (%)		204.97	151.08	175.76	157.85	171.16
	Cash flow adequacy ratio		95.54	91.37	91.18	91.17	85.71
	Cash reinvestment ratio (%)		7.73	6.27	6.40	7.70	5.62
Leverage	Operating leverage		2.08	2.59	3.01	2.97	3.29
	Financial leverage		1.06	1.05	1.07	1.08	1.08

The causes resulting in changes in financial rates in the most recent two (2) years by more than 20%: (Analysis is not required if the magnitude of increase or decrease is less than 20%)

1. Current ratio and quick ratio increased compared with previous year because of increase in profit, which caused cash and cash equivalents to increase.
2. Interest protection multiples, ROA, ratio of pre-tax income to share capital, net profit margin, and earnings per share increased compared with previous year because of a further increase in operating revenue for the current period due to contributions in terms of automotive applications, industrial applications, servers, data center, network communication products, and increased production outsourcing by foreign customers. Net profit before tax and net profit of the term increased mainly because gross profit margin increased considerably and management expenses were adequately controlled, both of which were attributable to increase in average unit price and improved cost management.
3. Increase in payables turnover and average inventory turnover days compared with previous year: Mainly because customers have been adjusting their inventory since the third quarter, resulting in a decrease in purchases and end-of-period payables in the second half of the year.
4. Cash flow ratio and cash reinvestment ratio increased compared with previous year mainly because of increase in net cash inflows from operating activities in the current period.

Note: Financial figures for 2018–2022 were based on the financial statements audited and certified by the CPA.

The calculation formula for said ratios is identified as follows:

1. Financial structure
 - (1) Ratio of liabilities to assets = total liabilities/total assets.
 - (2) Ratio of long-term capital to property, plant and equipment = (Total equity + Long-term loan) / net of property, plant and equipment.
2. Solvency
 - (1) Current ratio = current assets / current liabilities.
 - (2) Quick ratio = (current assets - inventory - prepayments) / current liabilities.
 - (3) Times interest earned ratio = net profit before interest and tax / interest expenses for the current period.
3. Operational ability
 - (1) Receivables (including accounts receivable and notes receivable resulting from operation) turnover = net sales / balance (gross) of average accounts receivable (including accounts receivable and notes receivable resulting from operation).
 - (2) Average cash collection days = 365 / receivables turnover.
 - (3) Inventory turnover = sale cost / average inventory.
 - (4) Payables (including accounts payable and notes payable resulting from operation) turnover = sale cost / balance (gross) of average accounts payable (including accounts payable and notes payable resulting from operation).
 - (5) Average inventory turnover days = 365 / inventory turnover.
 - (6) Property, plant and equipment turnover = net sales / average net property, plant and equipment balance.
 - (7) Total assets turnover = net sales / average total assets.
4. Profitability
 - (1) Return on assets = [Net Income or Loss + Interest expense × (1 - tax rate)] / Average total assets.
 - (2) ROE = Income after income tax / average total equity.
 - (3) Profit margin = Income after income tax / net sales.
 - (4) Earnings per share = (attributable to the shareholder's profit and loss of the parent company - Preferred dividends) / Weighted average number of shares issued. (Note 1)
5. Cash flow
 - (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
 - (2) Cash flow adequacy ratio = net cash flow from operating activities during the most recent five years / (capital expenditure + increase in inventory + cash dividends) during the most recent five years.

(3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends) / (gross property, plant and equipment + long-term investments + intangible assets + working capital). (Note 2)

6. Leverage:

(1) Operating leverage = (net operating revenues - variable operating costs and expenses) / operating profit (Note 3).

(2) Financial leverage = operating profit / (operating profit - interest expenses).

Note 1: Calculation of earnings per share has taken the following factors into account:

1. The weighted average quantity of outstanding common stock shall be used as the standard, not the quantity of outstanding shares at the end of the year.
2. In case of raising capital through issuing new shares or transactions of treasury stocks, calculate also the weighted average quantity of outstanding shares in the period of circulation.
3. In case of capitalization of retained earnings or capitalization of capital surplus into new shares, adjustment shall be made in retrospect to the size of capitalization for each instance when calculating the earnings per shares annually or semi-annually. The time of issuance can be neglected.
4. If the preferred shares are non-convertible accumulated preferred shares, the dividend declared in the current period (whether paid or unpaid) shall be deducted from corporate earnings or as added to earnings after taxation. If the accumulated preferred shares are not accumulative in nature, dividend for preferred shares shall be deducted from corporate earnings, if any. In case of loss, no adjustment shall be made.

Note 2: Cash flow analyses have taken the following factors into account:

1. Net cash flow from operating activities refers to net cash inflow from operating activities as stated in the Statement of Cash Flow.
2. Capital expenditure refers to the amount of annual cash outflow spent on capital investments.
3. The increase in inventory is included only when the balance at the end is more than that at the beginning. If the inventory decreases at the end of the year, it shall be calculated as "zero."
4. Cash Dividends include the dividends in cash paid to holders of common stock and preferred shares.
5. Gross property, plant and equipment refers to the amount before deducting accumulated depreciation.

Note 3: The Company, as a securities issuer, is required to classify operating costs and expenses between fixed and variable portions; any estimate or subjective judgment used in the classification needs to be reasonable and consistent.

III. Audit Report from the Auditing Committee on the Latest Financial Statements

King Yuan Electronics Co., Ltd. Audit Committee's audit report

With regard to the Company's 2022 business report, consolidated financial statement (including financial statements of individual entities), and distribution of earnings resolutions prepared and submitted by the Board, the consolidated financial statement (including financial statements of individual entities) has already been audited by Ernst & Young, which has submitted an audit report. The foregoing business report, consolidated financial statement (including financial statements of individual entities), and distribution of earnings resolution has been reviewed by the Audit Committee, which found no discrepancies. The foregoing report has been made pursuant to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, please check.

King Yuan Electronics Co., Ltd.

Convener of the Audit Committee: Hui-Chun Hsu

March 2, 2023

IV. Consolidated Financial Report and Accountant's Review Report for the Most Recent Fiscal Year:

Please refer to Appendix 2.

V. Parent Company Only Financial Report and Accountant's Review Report for the Most Recent Fiscal Year:

Please refer to Appendix 3.

VI. If the Company or its affiliates have experienced financial difficulties in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the annual report shall explain how said difficulties will affect the Company's financial position: None.

Seven. Review and analysis of financial position and financial performance, and risk assessment

I. Financial Status

The main reasons for any material change in the Company's assets, liabilities, or shareholders' equity during the past two fiscal years, and the effect thereof, and the measures to be taken in response if the effect is of material significance.

Analysis of financial position

Units: NTD thousand

Year Title	2022.12.31	2021.12.31	Difference	
			Increase (decrease) amount	Variation (%)
Current assets	22,338,931	18,849,216	3,489,715	18.51
Non-current financial assets at fair value through other comprehensive income	4,794,451	6,546,477	(1,752,026)	(26.76)
Investment under equity method	91,048	79,126	11,922	15.07
Property, plant and equipment	45,991,445	45,576,661	414,784	0.91
Other non-current assets	1,143,108	1,168,703	(25,595)	(2.19)
Total assets	74,358,983	72,220,183	2,138,800	2.96
Current liabilities	10,244,376	11,144,099	(899,723)	(8.07)
Non-current liabilities	27,169,190	26,197,916	971,274	3.71
Total liabilities	37,413,566	37,342,015	71,551	0.19
Capital stock	12,227,451	12,227,451	-	-
Additional paid-in capital	4,953,859	4,885,134	68,725	1.41
Retained earnings	16,914,771	13,801,607	3,113,164	22.56
Total shareholders' equity	36,945,417	34,878,168	2,067,249	5.93
<p>Main reasons for change by more than 20% between previous and current periods and change in amount by more than NT\$10 million, and the effect thereof are analyzed and stated as follows:</p> <p>Decrease in non-current financial assets at fair value through other comprehensive income: Mainly due to decrease in the fair value of Yann Yuan Investment Co., Ltd. and Xie Yong Investment Co., Ltd.</p> <p>Increase in retained earnings: Mainly due to the increase in profit for the year.</p>				

II. Financial Performance

The main reasons for any material change in operating revenues, operating income, and income before tax during the past two fiscal years, and sales volume forecast and the basis thereof, and the effect upon the Company's financial operations as well as measures to be taken in response.

Comparison and analysis of operating results

Units: NTD thousand

Title	Year	2022	2021	Increase (decrease) amount	Variation (%)
Operating revenue		36,781,996	33,759,389	3,022,607	8.95
Operating cost		(23,709,003)	(23,407,322)	301,681	1.29
Gross profit		13,072,993	10,352,067	2,720,926	26.28
Operating expense		(3,908,163)	(3,745,551)	162,612	4.34
Net operating profit		9,164,830	6,606,516	2,558,314	38.72
Non-operating revenue and expense		(198,804)	248,731	(447,535)	(179.93)
Net profit before tax		8,966,026	6,855,247	2,110,779	30.79
Income tax expense		(1,983,936)	(1,621,005)	362,931	22.39
Net profit – current period		6,982,090	5,234,242	1,747,848	33.39
Other comprehensive income (loss) – current period		(1,320,936)	1,595,123	(2,916,059)	(182.81)
Total comprehensive income – current period		5,661,154	6,829,365	(1,168,211)	(17.11)
Main reasons for change by more than 20% between previous and current periods and change in amount by more than NT\$10 million, and the effect thereof are analyzed and stated as follows:					
Increase in gross profit, net profit, pre-tax income, income tax expense, and net income for the period: Mainly due to further increase in operating revenue for the period, attributable to contributions in terms of automotive applications, industrial applications, servers, data center, network communication products, and increased production outsourcing by foreign customers. In addition, net profit before tax increased mainly because gross profit margin increased considerably and management expenses were adequately controlled, both of which were attributable to increase in average unit price and improved cost management.					
Decrease in non-operating income and expenditure: Mainly due to increase in foreign exchange loss and loan interest caused by U.S. interest hikes, and tightened monetary policy.					
Decrease in other comprehensive income (loss) for the current period: Mainly due to loss from changes in the fair value of Yann Yuan Investment Co., Ltd. and Xie Yong Investment Co., Ltd.					

III. Cash flow

(I) Analysis of liquidity in the previous two years:

Item \ Year	2022	2021	Increase (decrease) (%)
Cash flow ratio	185.76%	123.14%	50.85
Cash flow adequacy ratio	93.64%	87.72%	6.75
Cash flow reinvestment ratio	10.19%	7.86%	29.64

Analysis of variations: Net cash inflow from operating activities increased because of an increase in operating revenue for the period due to contributions in terms of automotive applications, industrial applications, servers, data center, network communication products, and increased production outsourcing by foreign customers.

(II) Improvement plans for insufficient liquidity: None.

(III) Analysis of liquidity in the coming year:

Units: NTD thousand

Initial cash balance ①	Projected net cash flow from operating activities for the year ②	Projected cash outflow of the year ③	Expected cash surplus (deficit) ①+②-③	Remedial measures for expected cash deficit	
				Investment plans	Financing plans
10,006,747	11,985,738	25,269,492	(3,277,007)	-	8,600,000

1. Analysis of change in cash flow for the year:

- (1) Operating activities: The net cash inflow, NT\$11,985,738 thousand, is expected to be generated from operating activities.
- (2) Investing activities: Capital expenditure is projected to be NT\$7,230,483 thousand.
- (3) Financing activities: Projected repayment of NT\$10,965,977 thousand for medium and long-term loan, and distribution of cash dividends, remuneration to employees, and director's remuneration of NT\$5,100,532 thousand.

2. Remedial measures for expected cash deficit and liquidity analysis: Not applicable.

IV. Impact of Material Capital Expenditures in the Most Recent Year on Business Performance

(I) Major capital expenditure and source of capital

Units: NTD thousand

Projects	Actual or expected source of fund	Actual or expected date of completion	Total fund to be required	Actual or expected fund utilization		
				2021	2022	2023
Investment in construction of factories and machine & equipment	Own funds and bank borrowings	2021.12	15,133,352	13,339,803	1,793,549	-
Investment in construction of factories and machine & equipment	Own funds and bank borrowings	2022.12	9,665,168	-	8,598,088	1,067,080
Investment in construction of factories and machine & equipment	Own funds and bank borrowings	2023.12	7,053,592	-	-	7,053,592

(II) Projected benefits

1. Projected possible increased output/sale volume and value, and gross profit

Units: NTD thousand

Year	Item	Output volume	Sale volume	Sale value	Gross profit
2023	Integrated circuits processing and test	Note	Note	546,068	109,214
2024	Integrated circuits processing and test	Note	Note	780,097	218,427
2025	Integrated circuits processing and test	Note	Note	780,097	218,427

Note: It is impossible to enumerate the same, because the unit of measurement varies depending on different processes.

2. Other benefits

- A. Strengthen the production structure of the vertical division of labor in the semiconductor industry.
- B. Balance the fab's production capacity which is growing rapidly, and share the risk over investment in the fab investment at the latter stage to upgrade the investment efficiency in the core business.
- C. Increase the high-efficiency and low-cost professional test services to

upgrade the entire competitiveness.

D. Solve the back-end production problems with respect to the IC design companies which the Company has successively invested in.

V. The Investment Strategy in the Most Recent Year, Main Causes for Profits or Losses, Improvement Plans and the Investment Plans for the Coming Year

(I) The Company's investment strategy is primarily intended to align with the Company's enhanced development of the core business, so as to strengthen the relationship with major customers and extend the sensitivity of related industries.

(II) The investment gain, NT\$24,912 thousand, recognized by the Company under equity method in 2022, primarily resulted from the gain from the operation of the Company's investees, Fixwell Technology Corp. and Wei Jiu Industrial Co., Ltd.

(III) Investment plan for the coming one fiscal year: None.

VI. Analysis and assessment of risk factors

(I) Impact of interest rate, exchange rate, and inflation on the Company's earnings, and responsive measures:

1. Notes to the impact of interest rate and exchange rate changes and inflation on the Company's earnings

A. Impact of interest rate and exchange rate changes on the Company's earnings:

Units: NTD thousand

Item	2022	2021
Exchange gains (losses) (A)	119,898	70,474
Interest income (expense) (B)	(327,981)	(195,612)
Operating revenue (C)	27,619,107	25,820,727
Net profit before tax (D)	8,531,953	6,510,088
A/C(%)	0.43	0.27
A/D(%)	1.41	1.08
B/C(%)	-	-
B/D(%)	-	-

Source of data: The financial statements certified by the CPA.

For the interest rate and exchange rate changes, the interest expenditure rendered more substantial impact on the earnings.

B. The influence of inflation on the Company's earnings: The inflation has no material impact on the Company's earnings.

2. The Company's responsive measures against interest rate and exchange rate changes and inflation:
 - A. The capital expenditure is intended for the import of equipment. In order to mitigate the impact rendered by the fluctuation in foreign exchange rate on profit, the Company reached an agreement with major customers to collect accounts receivable in USD, in part, to make some payments.
 - B. Establish Article 12 of the Operating Procedures for Acquisition or Disposition of Assets, "Operating Procedure for Acquisition or Disposition of Derivatives" as the basis for operation of the foreign currency exchange rate hedging tools to mitigate the impact rendered by the fluctuation in foreign exchange rate on profit.
 - C. Collect the information about fluctuation in foreign exchange rate and interest rate on a daily basis to help take responsive measures in a timely manner.

(II) Policies on high-risk and highly leveraged investments, loans to third parties, endorsements/guarantees, and trading of derivatives; describe the main causes of any profits or losses incurred and future responsive measures:

1. The Company has never engaged in any high-risk and highly leveraged investments or loans to third parties. Therefore, no impact on the Company's operation was rendered by said transactions.
2. The Company adopts the stable policy to operate its financial fund. The fund is mainly deposited as term-deposit at banks and renowned money market/bond fund with fair rate of return. The Company also established the operating procedures for loaning to others and operating procedures for making endorsements/guarantees.

(III) Future research and development plans and projected expenses

Item No.	Plan	Projected duration Time	Projected expenses (NT\$)
1	AGV Robot For FT Handler L/Un Loader	2023/Q4	3,250,000
2	Tray Stocker - Automated Warehouse System	2023/Q4	3,000,000
3	Laser for Tray 2D Code	2023/Q4	1,100,000
4	CP line probe card storage	2023/Q4	5,000,000
5	D320 C8_ Interface for CP	2023/Q4	5,000,000
6	E320 cooling system.	2023/Q4	1,000,000
7	Develop cost effective Burn in system for HPC IC. 1. Implement automatic burn_in system design.	2023/Q4	4,000,000
8	Develop E-serial new generation logical tester. 1. Develop E320 new platform for new spec 2. DPS Option Module Development(HV-DPS/HADPS/Calibration board) 3. Improve system efficiency and reliability 4. Create E320 customize function	2023/Q4	31,600,000
9	Develop I-serial new generation CIS tester. 1. Design high speed Kmipi board for C-phy/D-phy solution 2. Design high speed interface(P/C) 3. Enhance more multi-site for CIS testing 4. Improve system efficiency	2023/Q4	15,000,000
10	Develop D-serial new generation Driver tester. 1. Implement high parallel test DUT 2. Add C-phy solution for speed board 1.2G 3. Add High density DPS board for pin count demand and voltage range 4. Add more LCD pin for customer demand	2023/Q4	12,000,000
11	Develop MEMS Next Gen.Gas Flow-Sensor Mass Production Test Technology. 1. Establish experimental and certification environment for second-generation MEMS Gas Flow-Sensor 2. Research and develop test modules and technology for second-generation MEMS Gas Flow-Sensor	2023/Q4	11,000,000
12	Develop MEMS Magnetic Sensor High Temp.Test Mass Production Test Technology. 1. Establish experimental and certification environment for MEMS Magnetic Sensor 2. Research and develop test modules and technology for MEMS Magnetic Sensor	2023/Q4	5,000,000
13	Develop MEMS Vibration Sensor Mass Production Test Technology. 1. Establish the experimental and certification environment for MEMS Vibration Sensor 2. R&D of MEMS Vibration Sensor test module and technology	2023/Q4	3,000,000

14	Develop VCPC for CRES Analysis Technology. 1. Develop components(relay, capacitor)diagnosis analyzer	2023/Q4	5,000,000
15	Develop RF for <50GHz RF Signal& High Speed test interface PCB.	2023/Q4	3,000,000
16	Develop IC package simulation solution. 1. Establish IC S parameter and environmental parameters for eye diagram verification 2. Establish warpage, molding flow stress, thermal, wires weep analysis and verification environment	2023/Q4	2,000,000

(IV) Impact on the Company’s financial standing due to changes in domestic or foreign policies and laws, and corresponding countermeasures

Any changes in domestic and foreign policies and laws are closely monitored and immediately assessed by relevant units of the Company at all time to ensure the adoption of appropriate response measures and, therefore there is no significant impact on the Company’s financial standing.

(V) Impact on the Company’s financial standing due to technological (including cyber security risks) or industrial changes, and corresponding countermeasures

Considering that the test technology became increasingly complicated in the recent year, the Company needs to continue investing fixed funds to purchase new machines and equipment to develop new business opportunities. The Company has sound financial structure. Therefore, the Company’s capital expenditure can satisfy the demand under the new orders for high-end test technology.

In recent years, there have been frequent information security incidents such as cyber attacks and ransomware. For this reason, the Company attaches great importance to information security risk control and protection, builds a multi-level as well as in-depth information security management and control protection network, and implements strict control measures. As of the date of this annual report, there have been no incidents affecting its finance and sales due to technological or industrial changes.

(VI) Crisis management, impacts, and responsive measures in the event of a change in corporate identity

Ethics is the first priority which the corporate identity should focus on.

The Company has specified such important principle in its corporate culture and articles of incorporation. Therefore, ethics has become an essence upheld by the Company in its corporate governance.

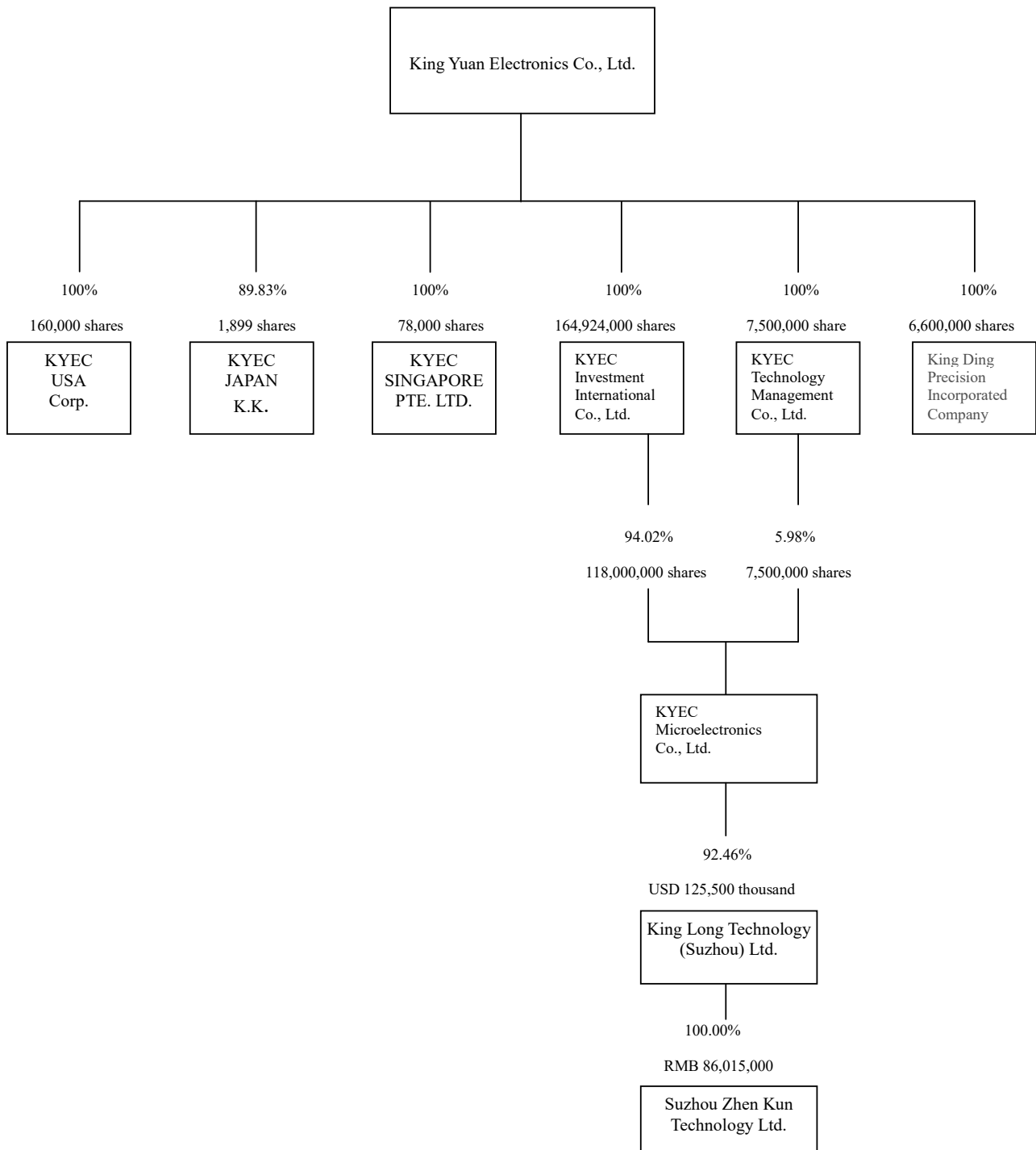
- (VII) Expected benefits, risks and responsive measures of planned mergers or acquisitions:** None.
- (VIII) Expected benefits, risks and responsive measures associated with plant expansions:** None.
- (IX) Risks associated with over-concentration in purchases or sales, and response measures:** None.
- (X) The effects and risks of large-scale share transfers or conversions by directors or major shareholders holding more than 10% of the Company's shares, and response measures:** None.
- (XI) Impacts, risks and responsive measures associated with a change of management:** None.
- (XII) Major litigations and non-contentious cases: Describe the major litigations, non-contentious cases or administrative litigations involving the Company or any director, president, person-in-charge or major shareholder with more than 10% ownership interest, whether concluded or pending judgment, that are likely to pose a significant impact to shareholder equity or security prices of the Company, and disclose the nature of dispute, the amount involved, the date the litigation first started, the key parties involved, and progress as of the publication date of this annual report:** None.
- (XIII) Other significant risks and response measures:** None.

VII. Other Significant Events: None.

Eight.Special Items

I. Information on Affiliates

(I) Organizational chart of affiliates



(II) Basic information on affiliated companies

Corporate name	Date of Establishment	Address of Establishment	Paid-in capital	Core Business
KYEC USA Corp.	July, 2000	CA USA	USD 160 thousand	Acts as the agent for business in the territories of the U.S.A. and related communications
KYEC SINGAPORE PTE.LTD.	December, 2006	SINGAPORE	SGD78,000	Acts as the agent for business in the territories of Southeast Asia and Europe and related communications
KYEC JAPAN K.K.	April, 2002	FUKUOKA JAPAN	JP¥84,560,000	Engages in electronic parts manufacturing and trading, and acts as the agent for business in the territories of Japan and related communications.
KYEC Investment International Co.,Ltd.	May, 2002	B.V.I	USD 164,924 thousand	General investment
KYEC Technology Management Co.,Ltd.	January, 2003	SAMOA	USD 7,500 thousand	General investment
KYEC Microelectronics Co.,Ltd.	May, 2002	CAYMAN	USD 125,500 thousand	General investment

King Ding Precision Incorporated Company	March, 2018	Chu-Nan Township, Miaoli County	NT\$66,000,000	Manufacturing of electronic parts, wholesale and retail of electronic materials, and repairing of electric appliances and electronic products
King Long Technology (Suzhou) Ltd.	September, 2002	Suzhou City, Jiangsu Province, China	RMB 546,176 thousand	Research and development, design, manufacturing, packaging, testing, processing and maintenance of semiconductor integrated circuits, transistors, electronic components, electronic materials, analog or hybrid automatic data processors, solid-state memory systems, heating ovens and related products and components. Integrated circuit-related technology transfer, technical consultation, technical services, sales of the Company's products and after-sales services
Suzhou Zhen Kun Technology Ltd.	December, 2005	Suzhou City, Jiangsu Province, China	RMB 533,348 thousand	Research and development, production (packaging, testing), processing of large-scale integrated circuits for electronic components, electronic materials, analog or hybrid automatic data processing machines, solid state memory systems, and heating oven controllers, sales of independently produced products, and provision of related after-sales services; integrated circuit-related technology transfer, technical consultation, technical services

(III) Entities having controlling and subordinate relations with the Company under Article 369-3 of the Company Act: None.

(IV) The industry covered by the business operated by the affiliated companies: For the industry covered by the business operated by the affiliated companies, please refer to the main business lines in the “(II) Basic information on affiliates” on the same page.

(V) Information on directors, supervisors, and presidents of affiliated corporations

December 31, 2022

Name of affiliated corporations	Title	Name or Representative	Shareholding	
			Shares	Shareholding Ratio (%)
KYECC USA Corp.	Chairman	An-Hsuan Liu (Representative of KYECC)	160,000 shares	100.00
	Director	Gauss Chang (Representative of KYECC)	160,000 shares	100.00
	Director	Pei-Liang Sun (Representative of KYECC)	160,000 shares	100.00
	Director	Neil Chung (Representative of KYECC)	160,000 shares	100.00
KYECC SINGAPORE PTE.LTD.	Chairman	An-Hsuan Liu (Representative of KYECC)	78,000 shares	100.00
	Director	Gauss Chang (Representative of KYECC)	78,000 shares	100.00
	Director	Chi-Yuan Hsueh (Representative of KYECC)	78,000 shares	100.00
	Director	Logan Chao (Representative of KYECC)	78,000 shares	100.00
KYECC JAPAN K.K.	Chairman	An-Hsuan Liu (Representative of KYECC)	1,899 shares	89.83
	Director	Gauss Chang	0 shares	0.00
	Director (concurrently serves as President)	Yoshiaki Suzuki	40 shares	1.89
	Supervisor	Logan Chao	0 shares	0.00
	Supervisor	Yoshiro Hori	58 shares	2.74
KYECC Investment International Co.,Ltd.	Chairman	Chin-Kung Lee (Representative of KYECC)	164,924,000 shares	100.00
KYECC Technology Management Co.,Ltd.	Chairman	Chin-Kung Lee (Representative of KYECC)	7,500,000 shares	100.00
KYECC Microelectronics Co.,Ltd.	Chairman	Chin-Kung Lee (Representative of KYECC Investment International Co., Ltd. and KYECC Technology Management Co., Ltd. Representative)	125,500,000 shares	100.00
King Long	Chairman	An-Hsuan Liu	RMB 504,993	92.46

Technology (Suzhou) Ltd.		(Representative of KYEC Microelectronics Co.)	thousand Equity	
	Director	Chin-Kung Lee (Representative of KYEC Microelectronics Co.)	RMB 504,993 thousand Equity	92.46
	Director	Aaron Chang (Representative of KYEC Microelectronics Co.)	RMB 504,993 thousand Equity	92.46
	Supervisor	Gauss Chang (Representative of KYEC Microelectronics Co.)	RMB 504,993 thousand of equity	92.46
Suzhou Zhen Kun Technology Ltd.	Chairman	An-Hsuan Liu (Representative of King Long Technology (Suzhou) Ltd.)	Invested RMB 86,015,000 for RMB 533,348,000 in equity	100.00
	Director	Chin-Kung Lee (Representative of King Long Technology (Suzhou) Ltd.)	Invested RMB 86,015,000 for RMB 533,348,000 in equity	100.00
	Director	Gauss Chang (Representative of King Long Technology (Suzhou) Ltd.)	Invested RMB 86,015,000 for RMB 533,348,000 in equity	100.00
	Supervisor	Logan Chao (Representative of King Long Technology (Suzhou) Ltd.)	Invested RMB 86,015,000 for RMB 533,348,000 in equity	100.00
King Ding Precision Incorporated Company	Chairman	Chin-Kung Lee (Representative of KYEC)	6,600,000 shares	100.00
	Director	Steven Chang (Representative of KYEC)	6,600,000 shares	100.00
	Director	K.K Lee (Representative of KYEC)	6,600,000 shares	100.00
	Supervisor	Logan Chao (Representative of KYEC)	6,600,000 shares	100.00

(VI) Operating overview of affiliated corporations

Units: NTD thousand

Name of affiliated corporations	Capital	Asset Total amount	Liability Total amount	Net worth	Operating Revenue	Operating income	Income (after tax) for the current period	Earnings per share (NTD) (after tax)
KYEC USA Corp.	4,973	33,427	21,606	11,821	56,128	(1,275)	(1,324)	(8.27)
KYEC SINGAPORE PTE.LTD.	1,830	13,000	2,815	10,185	24,857	2,606	2,444	31.34
KYEC JAPAN K.K.	23,897	85,380	15,160	70,220	35,268	19,305	12,396	5,863.93
KYEC Investment International Co.,Ltd.	5,292,315	9,776,053	-	9,776,053	-	-	1,662,680	10.08
KYEC Technology Management Co.,Ltd.	251,579	622,361	-	622,361	-	-	105,752	14.10
KYEC Microelectr-onics Co.,Ltd.	4,074,993	10,407,374	5	10,407,369	-	-	1,768,432	14.09
King Long Technology (Suzhou) Ltd.	2,370,525	18,331,189	7,156,936	11,174,253	8,067,248	2,436,007	1,912,652	-
Suzhou Zhen Kun Technology Ltd.	2,397,835	1,468,720	775,222	693,498	1,280,528	51,792	69,098	-
King Ding Precision Incorporated Company	66,000	75,457	158	75,300	2,500	(663)	3,391	0.51

II. Any private placement of securities in the recent years up to the publication of this annual report:

None.

III. Holding or disposition of the Company's stock by subsidiaries in the most recent year and up to the publication date of the annual report: None.**IV. Other important supplementary information:** None.**V. Corporate events with material impact on shareholders' equity or stock prices set forth in Article 36, Paragraph 3, Subparagraph 2 of Securities and Exchange Act in the most recent year and up to the publication date of this Annual Report should be listed individually:**

None.

(Appendix 1)

English Translation of Assurance Report Originally Issued in Chinese

KING YUAN ELECTRONICS CO., LTD.

INTERNAL CONTROL ASSURANCE REPORT

For the period from 1st of January, 2021 to 30th of September, 2022

Address : No. 81, 2nd Sec., Gongdao 5th Rd., Hinchu, Taiwan

Telephone : 03-575-1888

Notice to Readers

The reader is advised that this assurance report has been prepared originally in Chinese. In the event of a conflict between this assurance report and the original Chinese version or difference in interpretation between the two versions, the Chinese language assurance report shall prevail.

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ASSURANCE REPORT OF INTERNAL CONTROL SYSTEM BY THE INDEPENDENT ACCOUNTANT

To the Board of Directors of King Yuan Electronics Co., Ltd.

The assessment of the design and operating effectiveness of the internal control system in relation with external financial reporting and safeguarding of asset security of purchase and payment cycle of King Yuan Electronics Co., Ltd. (hereafter referred to as "KYEC") and King Long Technology (Suzhou) Ltd.(hereafter referred to as "KLT") for the period from 1st of January, 2021 to 30th of September, 2022 and the statement made by KYEC on 16th of January, 2023 that during 1st of January, 2021 to 30th of September, 2022 ,the partial design and operation of the internal control system relating to external financial reporting and safeguarding of asset security of purchase and payment cycle of KYEC and its major subsidiary, KLT, is considered to contain material deficiency has been completed by the accountant.

Subject Matter of Assurance and Information and Applicable Criteria of Subject Matter

The subject matter of this assurance engagement is the design and operating effectiveness of the internal control system relating to external financial reporting and safeguarding of asset security of purchase and payment cycle of KYEC and its major subsidiary, KLT, for the period from 1st of January, 2021 to 30th of September, 2022.

The subject matter information is the statement of KYEC that partial design and operation of the internal control system relating to external financial reporting and safeguarding of asset security of purchase and payment cycle of KYEC and its major subsidiary KLT for the period during 1st of January, 2021 to 30th of September, 2022 contains material deficiency.

The applicable criteria to evaluate or assess the above subject matter and subject matter information is "Regulations Governing Establishment of Internal Control Systems by Public Companies" and "Regulations Governing the Acquisition and Disposal of Assets by Public Companies."

Inherent Limitations

Any internal control system has its inherent limitations. Therefore, the above internal

control system of KYEC and its major subsidiary KLT may still fail to prevent or detect error or fraud that has occurred. In addition, the future environment may change, and the degree of compliance with internal control system may also be reduced. Therefore, an internal control system that is effective in current period does not mean it will be effective in the future.

Responsibilities of the Management

The responsibilities of the management is to set relevant policy and procedures to establish, execute and maintain internal control system based on related regulations and standards of internal control system and to assign independent internal audit department to carry out internal audit and report to board of directors on a regular basis to assure the internal control system is conducted effectively.

Responsibilities of the Accountant

The accountant has performed necessary procedures on the subject matter and information of the subject matter to acquire reasonable assurance based on “Regulations Governing Establishment of Internal Control Systems by Public Companies” and “ISAE 3000: Assurance Engagements Other than Audits or Reviews of Historical Financial Information” and expressed opinion on whether the design and execution of internal control system relating to external financial reporting and safeguarding of asset security of purchase and payment cycle effectively conforms to, in all material matters, applicable criteria and on whether the information of the subject matter has present fairly in all material respects.

Independence and Quality Control Standards

The accountant and the pertaining accounting firm has conformed to the independence and other ethical requirements prescribed in professional code of ethics of Certified Public Accountant. The basic principles of those requirements are integrity, objectivity, professional competence and due care, confidentiality, and professional behavior. In addition, the pertaining accounting firm has conformed to Standards on Quality Control No.1 “Quality Control for Public Accounting Firms” and maintained well-designed quality control system, including documenting policy and procedures relating to compliance with professional ethical requirements, professional standards, and applicable regulations.

Summary of Implemented Procedures

The accountant planned and implemented necessary procedures to acquire the evidence of relevant subject matter and subject matter information. The implemented

procedures includes evaluating the control environment and risk of purchase and payment cycles related to external financial reporting and safeguarding of asset security of KYEC and its major subsidiary, KLT, during this period and implementing inquiry, inspection, observation and reperformance for related records.

Qualified Conclusion – the Design and Operating Effectiveness of Internal Control System

In our opinion, except for the effect of major deficiency described in the basis section of the qualified conclusion, based on the internal control system judgment items of “Regulations Governing Establishment of Internal Control Systems by Public Companies “, the design and operation of internal control system related to external financial reporting and safeguarding of asset security of purchase and payment cycle of KYEC and its major subsidiary, KLT, during 1st of January, 2021 to 30th of September, 2022 conformed to the requirements of applicable criteria in all material aspects to maintain effectiveness.

Basis of Qualified Conclusion

The design and operation of internal control system related to external financial reporting and safeguarding of asset security of purchase and payment cycle of KYEC and its major subsidiary KLT contains the following material deficiency on 30th of September, 2022:

1. The design of Supplier’s Questionnaire Evaluation Report and qualification of some bidding companies in some procurement cases are inappropriate.
2. Part of the internal control system of the purchase and payment cycle is inconsistent with the Purchase Control Procedures and not prudent.
3. Some of supplier management, purchasing, price comparing and negotiating, contracting, procurement and construction, and receiving operations do not follow internal control system and related procedures.
4. Part of the procedures of acquisition of real estate do not follow the requirements of “Regulation Governing the Acquisition and Disposal of Asset by Public Companies”.

Unqualified Opinion - Items Referred to in the Statement of Internal Control System

In our opinion, the Statement issued by KYEC on 16th of January, 2023 that based on the internal control system judgment items of “Regulations Governing Establishment of Internal Control Systems by Public Companies “, part of the design and operation of the internal control system related to external financial reporting and safeguarding

of asset security contains deficiency present fairly in all material respects.

Emphasis Matters - Statement that Partial Design and operation of Internal Control System Contains Material Deficiency

During the evaluation, we discover that partial design and operation of internal control system relating to external financial reporting and safeguarding of asset security of purchase and payment cycle of KYEC and its major subsidiary, KLT, during 1st of January, 2021 to 30th of September, 2022, contains material deficiency, and KYEC disclosed the above-mentioned material deficiency in the statement issued on 16th of January, 2023. Therefore, we do not modify the conclusion regarding subject matter information of this assurance report.

Recommendation Matters – the Recommendation Letter for Material Deficiency in Partial Design and Operation of Internal Control System and Other Findings

During our evaluation, we discovered that partial design and operation of internal control system with regard to external financial reporting and safeguarding of asset security of KYEC and its major subsidiary, KLT, during 1st of January, 2021 to 30th of September, 2022 contained material deficiency as well as other findings and therefore issued the attached recommendation letter as the reference to improve the material deficiency and findings of KYEC and its major subsidiary KLT. In addition, the management of KYEC and its major subsidiary, KLT, brought up responding improvement for future follow-ups. We do not modify our conclusion regarding subject matter of this assurance report accordingly.

Other matters

We are not responsible for updating this assurance report after its issuance.

Restriction of usage

The purpose of this assurance report is for reference of KYEC and Taiwan Stock Exchange Co., Ltd. to understand and evaluate the internal control system regarding external financial reporting and safeguarding of asset security of purchase and payment cycle of KYEC and its major subsidiary, KLT.

Diwan & Company

Tina Tseng, CPA

Arnico Tseng, CPA

16th of January, 2023

KING YUAN ELECTRONICS CO., LTD.
STATEMENT OF INTERNAL CONTROL SYSTEM

Based on the result of self-inspection of internal control system regarding purchase and payment cycle of the Company and its major subsidiary, KLT, during 1st of January, 2021 to 30th of September, 2022, we hereby states as follows:

1. The Company is aware that it is the responsibility of the Company's board of director and managers to establish, implement, and maintain the internal control system. The Company has set up the system. The purpose is to provide reasonable assurance to achieve the objectives of effectiveness and efficiency of operation (including profitability, performance, safeguarding asset...etc.), reliability, timeliness and transparency of financial reporting, and compliance with relevant laws and regulations.
2. The internal control has its inherent limitation. Despite the soundness of the design, an internal control system can only provide reasonable assurance to achieve the above-mentioned three objectives. Moreover, due to changes in environment and circumstances, the effectiveness of internal control system may change accordingly. However, the internal control system of the Company has self-monitoring mechanism. Once a deficiency is identified, the Company will take corrective actions.
3. The Company determines whether the design and operation of its internal control system is effective according to the judgment items of the effectiveness of internal control system stipulated in the "Handling Guidelines for Establishing An Internal Control System by Public Companies" (hereinafter referred to as "the Handling Guidelines". The internal control system judgment items adopted in "the Handling Guidelines" are based on the process of management control, which divides internal control system into five components: 1. control environment 2.risk assessment 3.control operation 4.information and communication 5.supervision. Each component includes several items. Please refer to the Handling Guidelines for the aforementioned items.
4. The Company has adopted the above-mentioned internal control system judgment items to evaluate the design and operating effectiveness of the internal control system.
5. The Company inspected and found the following material deficiency: Please refer to the attachment for the details.
6. Based on the previous inspection result, the Company believe that the internal control system of the Company as of 30th of September, 2022(including the supervision and management of its subsidiaries) including design and operation

of internal control related to the understanding the degree of effectiveness and efficiency of operation, reliable, timely, and transparent financial reporting, and compliance with relevant laws and regulations, except for those mentioned previously, are all effective.

7. In response to the need of internal control audit of purchase and payment cycle of the Company during 1st of January, 2021 to 30th of September, 2022 as required by the Decree no.1111805135 issued by the Taiwan Stock Exchange on 19th of October, 2022, the Company engaged the Accountant to audit the internal control system related to reliability of external financial reporting and safeguarding of asset security (to prevent the unauthorized procurement, utilization and disposal of assets) of purchase and payment cycle according to Article 43 of the Handling Guidelines. Except for major deficiency listed in point 5, the others are all effective and there is no other major deficiency to effect the reliability of recording, processing, summarizing, and reporting of financial information and to impact the safeguarding of assets which leads to unauthorized procurement, utilization and disposal of assets.
8. This statement shall become the main content of the Company's annual report and prospectus, and will be open to the public. If there is falsehood or concealment in the above-disclosed content, the Company will be involved in legal liabilities under Article 20, Article 32, Article 171 and Article 174 of the Security and Exchange Law.
9. The statement was approved by the Company's board of directors on 16th of January, 2023. Nine directors were present, of which zero held objection and the rest all agreed with the content of this statement and so shall we stated.

King Yuan Electronics Co., Ltd.

Chairman: Chin-Kung Lee

(signature)

General Manager: An-Hsuan Liu

(signature)

Attachment

Major Deficiency of internal control	Aspect of deficiency			Impact on achieving control goal	Improvement measures
	Design	Execution	Supervision		
<p>The Company</p> <p>1. Design of Supplier's Questionnaire Evaluation Reports is inappropriate and Evaluation Reports of some suppliers and supplier data are not completely filled out.</p>	✓	✓		Safeguarding of asset security	<ol style="list-style-type: none"> 1. To Plan to set up Delta Flow system of Supplier Questionnaire Evaluation Report to replace paper documentation. 2. To align assessment column with guidance. 3. To reassess scoring standards of Supplier Questionnaire Evaluation Report including to differentiate supplier scoring to effectively assess supply capability. 4. The system shall add design to check whether required fields are filled out and time sequence is checked.
<p>2. Qualification of some bidding companies in some purchase cases are inappropriate.</p>	✓	✓		Safeguarding of asset security	To modify Purchase Control Procedures to require all bidding companies to be qualified suppliers.

<p>Moreover, during the audit, it is found that among companies invited for bidding, except for bid-winning companies, the others are not qualified suppliers.</p>					
<p>3. Guidance for contract purchase of purchase and payment cycle of internal control system is inconsistent with Purchase Control Procedure and materials are not included in contract purchase.</p>	✓			Safeguarding of asset security	To modify related purchase guidance, specify supplier level for signing purchase contract, sign purchase contract with suppliers based on updated guidance, and align relevant guidance.
<p>4. Part of the purchase order has been sent out without approval according to approval matrix.</p>		✓		Safeguarding of asset security	<ol style="list-style-type: none"> 1. Timing to use draft PO will be stipulated in Purchase Control procedures. 2. To modify checking mechanism to add time sensitive level of “critical” for the Request Order

					System. Draft POs can only be used in urgent cases.
5.	For some purchases, price inquiring, comparing, and negotiating by purchasing department occurred before purchase requisition was established or approved. Moreover, some of the facility engineering projects do not follow Purchase Control Procedures by proceeding with requesting for proposal, price comparing and negotiating before approval by supervisors of requesting department.	✓	✓	Safeguarding of asset security	<p>1. Upon receiving purchase requisition, the purchasing department needs to perform price comparing and negotiating/bidding to make sure the price is the final version.</p> <p>2. To modify Purchase Control Procedures and facility affairs rules to specify the timing to use the Build & Maintenance Job Order, and to make sure the project requisition of the requesting department has been approved by the supervisor of that department or in the case of facility affair department, approval of supervisor can be obtained through Request Order System.</p> <p>3. To modify rules of purchase based on materiality, and to</p>

					<p>adopt education instead of dissemination.</p> <p>4. To conduct purchase discipline test biannually.</p>
6. Part of price inquiring, comparing, and negotiating procedures do not follow rules of purchase and payment cycle.		✓	✓	Safeguarding of asset security	<p>1. To require for any purchase case greater than TWD 50,000, the previous case should be within 1 years for comparison.</p> <p>2. Purchase cases open for bidding will be put on bidding website starting 2023. Purchasing personnel shall negotiate price with lowest bidder after bid opening.</p>
7. Some of the facility engineering projects start construction before bidding procedures to determine supplier occur.		✓	✓	Safeguarding of asset security	<p>1. To conform to rules of purchase more thoroughly, even for urgent projects, Draft POs need to be used to notify suppliers.</p> <p>2. To modify rules of purchase based on materiality, and to adopt education instead of dissemination.</p> <p>3. To conduct discipline test of purchase biannually.</p>

<p>8. Construction of clean room had been completed before the board of directors approved to purchase the factory.</p>		✓	✓	Safeguarding of asset security	<ol style="list-style-type: none"> 1. To modify rules of purchase to ban construction /upgrade operation that may change the status of an asset on non-corporate assets. 2. To modify rules of purchase based on materiality, and to adopt education instead of dissemination. 3. To conduct purchase discipline test biannually.
<p>9. Some clean room constructions are completed by suppliers before contracting and contract signing.</p>		✓	✓	Safeguarding of asset security and external financial reporting	<ol style="list-style-type: none"> 1. To conform to rules of purchase more thoroughly, even for urgent projects, Draft POs need to be used to notify suppliers. 2. To modify rules of purchase based on materiality, and to adopt education instead of dissemination. 3. To conduct discipline test of purchase biannually.
<p>10. Receiving procedures are not timely performed for some delivery</p>		✓	✓	Safeguarding of asset security	<ol style="list-style-type: none"> 1. To modify rules of purchase based on materiality, and to adopt education instead of

of suppliers and are performed afterwards.					dissemination. 2. To conduct discipline test of purchase biannually.
11. Some of the facility engineering projects are paid off before receiving and inspection document provided by suppliers are received.		✓	✓	Safeguarding of asset security	1. To modify rules of purchase based on materiality, and to adopt education instead of dissemination. 2. To conduct discipline test of purchase biannually.
12. The board of directors had approved the upper limit of acreage and transaction amount for proposed real estate purchase and only authorized chairman to determine transaction amount. However, acreage was not authorized to change but was reduced in actual transaction. Upper limit of		✓	✓	Safeguarding of asset security and external financial reporting-in compliance with related rules	Any change in proposed case will be sent to audit committee and board of directors for approval.

transaction amount was not resent to audit committee or board of directors for approval.					
13. The period between obtaining signed real estate purchase contract and date of appraisal report exceeds three months and the original appraiser was not engaged to issue opinion or reassess the transaction price.		✓	✓	External financial reporting-in compliance with related rules.	In case of any change in resolution beyond three month from date of appraisal report, the original appraiser will be engaged to issue opinion or reassess transaction price.
Major subsidiary-KLT (Suzhou)					
1. Purchase requisition was not approved according to approval matrix. Approval matrix is inconsistent with electronic approval	✓	✓	✓	Safeguarding of asset security	Approval of purchase requisition was modified on December 13, 2022 to conform to approval matrix and was consistently applied.

system.					
2. Internal control system of purchase and payment cycle is not consistent with supplier price inquiry and comparing in purchase control procedures.	✓			Safeguarding of asset security	To modify dollar amount of related rules of purchase according to the Parent company for consistence.
3. Circuit board repair application system only provides one supplier for approval and no other supplier is provided for approval.		✓		Safeguarding of asset security	To add RMS circuit board repair procedures control guidelines to purchase control procedures to require purchasing unit to determine repair companies and repair companies to go through approval process.
4. Part of Supplier's Questionnaire Evaluation Report and supplier data are not filled out completely.		✓		Safeguarding of asset security	To adopt supplier evaluation system according to parent company's rules.
5. Part of price inquiring, comparing, and negotiating procedures do not follow rules of purchase and payment cycle.		✓	✓	Safeguarding of asset security	<ol style="list-style-type: none"> 1. To add purchasing personnel operation guidebook. 2. To be included in the purchasing personnel monthly performance review.

6. Part of the supplier delivery date is earlier than purchase order date.		✓		Safeguarding of asset security	To modify related rules according to parent company's rules.
7. Some payment terms on quotation are different than those on purchase order.		✓		Safeguarding of asset security	<p>To improve as parent company.</p> <ol style="list-style-type: none"> 1. To review and classify current payment terms. 2. Different purchase categories apply different payment terms. 3. Special request will leads to unfavorable performance grading for the supplier and future regular review.

KING YUAN ELECTRONICS CO., LTD
INTERNAL CONTROL SYSTEM AUDIT

1. Scope of Internal Control Audit

As required by the Decree no.1111805135 issued by the Taiwan Stock Exchange on 19th of October, 2022, King Yuan Electronics Co., Ltd. (hereafter referred to as “KYEC”) engaged the Accountant to conduct an internal control audit on internal control system related to external financial reporting and safeguarding of asset security of purchase and payment cycle during 1st of January, 2021 to 30th of September, 2022 and issue an accountant assurance report.

The subject matter of this case is the design and operating effectiveness of the internal control system relating to external financial reporting and safeguarding of asset security of purchase and payment cycle of KYEC and its major subsidiary, KLT, for the period during 1st of January, 2021 to 30th of September, 2022.

The subject matter information is the statement of KYEC that partial design and operation of the internal control system relating to external financial reporting and safeguarding of asset security of purchase and payment cycle of KYEC and its major subsidiary KLT for the period during 1st of January, 2021 to 30th of September, 2022 contains material deficiency.

The applicable criteria to evaluate or assess the above subject matter and subject matter information is “Handling Standards for Public Offering Companies to Establish Internal Control System” and “Regulations Governing the Acquisition and Disposal of Assets by Public offering Companies.”

Please refer to 2.internal control recommendation letter for deficiency found during the audit.

2. Internal Control System Recommendation Letter

- A. Deficiencies of internal control system relating to external financial reporting and safeguarding of asset security of purchase and payment cycle:

Items	Major internal control deficiency	Effect on achieving control objectives	Suggestions for improvement	Actions taken after discussion with the Management
KYEC				
1.	Design of Supplier's Questionnaire Evaluation Report is inappropriate and Evaluation Reports of some suppliers and supplier data are not completely filled out.	Safeguarding of asset security	To suggest to perform supplier qualification assessment more thoroughly.	<ol style="list-style-type: none"> 1. To Plan to set up Delta Flow system of Supplier's Questionnaire Evaluation Report to replace paper documentation. 2. To align assessment column with guidance. 3. To reassess scoring standards of Supplier's Questionnaire Evaluation Report, including to differentiate supplier scoring to effectively assess supply capability. 4. The system shall add design to check whether required fields are filled out and correctness of time sequence.
2.	Qualification of some bidding companies in some procurement cases are inappropriate. Moreover,	Safeguarding of asset security	To suggest to assess whether bidding companies are qualified suppliers to increase	<ol style="list-style-type: none"> 1. To modify Purchase Control Procedures to require all bidding companies to be qualified suppliers.

	during the audit, it is found that among companies invited for bidding, except for bid-winning companies, the others are not qualified suppliers.		choices of suppliers.	
3.	Guidance for contract procurement of purchase and payment cycle of internal control system is inconsistent with Purchase Control Procedure of purchase and materials are not included in the scope of contract procurement.	Safeguarding of asset security	To suggest the alignment of internal control system and Purchase Control Procedures and consideration whether material purchase should be ruled by guidance for contract procurement.	To modify related procurement guidance, specify supplier level for signing purchase contract, sign purchase contract with supplier based on updated guidance, and align relevant guidance.
4.	Part of the purchase order has been sent out without approval according to approval matrix.	Safeguarding of asset security	To suggest to conform to internal control system and Purchase Control Procedures more	<ol style="list-style-type: none"> 1. To stipulate timing to use draft POs in Purchase Control Procedures. 2. To modify checking mechanism to add time sensitive level of “critical” for the Request Order System.

			thoroughly.	Draft POs can only be used in urgent cases.
5.	Price inquiring, comparing, and negotiating by purchasing department occurred before purchase requisition is established or approved for some purchase. Moreover, some of the facility engineering projects did not follow Purchase Control Procedures by proceeding with requesting for proposal, price comparing and negotiating before approval by supervisors of requesting department.	Safeguarding of asset security	To suggest to conform to internal control system and purchase control procedures more strictly and thoroughly.	<ol style="list-style-type: none"> 1. Upon receiving purchase requisition, the purchasing department needs to perform price comparing and negotiating/bidding to make sure the price is the final version. 2. To modify Purchase Control Procedures and facility affairs rules to specify the timing to use contracting form for engineering construction projects, and to make sure the project requisition of the requesting department has been approved by the supervisor of that department or in the case of facility affair department, approval of supervisor can be obtained through Request Order System. 3. To modify rules of purchase based on materiality, and to adopt education instead of dissemination. 4. To conduct discipline test of purchase biannually.

6.	Part of price inquiring, comparing, and negotiating procedures do not follow rules of purchase and payment cycle	Safeguarding of asset security	To suggest to conform to internal control system and Purchase Control Procedures more thoroughly.	<ol style="list-style-type: none"> 1. To require for any purchase case greater than TWD 50,000, the previous case should be within 1 years for comparison. 2. Purchase cases open for bidding will be put on bidding website starting 2023. Purchasing personnel shall negotiate price with lowest bidder after bid opening.
7.	Some of the facility engineering projects start construction before bidding procedures to determine supplier occur.	Safeguarding of asset security	To suggest the contracting and construction of facility should follow internal control system and Purchase Control Procedures.	<ol style="list-style-type: none"> 1. To conform to rules of purchase more strictly, even for urgent projects, Draft POs need to be used to notify suppliers. 2. To modify rules of purchase based on materiality, and to adopt education instead of dissemination. 3. To conduct discipline test of purchase biannually.
8.	Construction of clean room has been completed before the board of directors approves to purchase the facility.	Safeguarding of asset security	The construction should start after the ownership of the building is obtained.	<ol style="list-style-type: none"> 1. To modify rules of purchase to ban construction /upgrade operation that may change the status of an asset on non-corporate assets. 2. To modify rules of purchase based on

				<p>materiality, and to adopt education instead of dissemination.</p> <p>3. To conduct discipline test of purchase biannually</p>
9.	<p>Some clean rooms construction was completed by suppliers before contracting and contract signing. Currently one engineering project is under construction by supplier without contracting or contract signing.</p>	<p>Safeguarding of asset security and external financial reporting</p>	<p>To suggest contracting of all engineering projects should follow rules of related internal control system and Purchase Control Procedures.</p>	<p>1. To conform to rules of purchase more thoroughly, even for urgent projects, Draft PO needs to be used to notify suppliers.</p> <p>2. To modify rules of purchase based on materiality, and to adopt education instead of dissemination.</p> <p>3. To conduct discipline test of purchase biannually.</p>
10.	<p>Receiving procedures are not timely performed for some delivery of suppliers and are performed afterwards.</p>	<p>Safeguarding of asset security</p>	<p>To suggest receiving procedures should be performed timely.</p>	<p>1. To modify rules of purchase based on materiality, and to adopt education instead of dissemination.</p> <p>2. To conduct discipline test of purchase biannually.</p>
11.	<p>Some of the facility engineering projects are paid off before receiving and inspection document provided by suppliers are</p>	<p>Safeguarding of asset security</p>	<p>To suggest receiving procedures should be followed more thoroughly according to internal control</p>	<p>1. To modify rules of purchase based on materiality, and to adopt education instead of dissemination.</p> <p>2. To conduct discipline test of purchase biannually.</p>

	received.		system and Purchase Control Procedures.	
12.	The board of directors has approved the upper limit of acreage and transaction amount for proposed real estate purchase and only authorized chairman to determine transaction amount. However, acreage was not authorized to change but was reduced in actual transaction. Upper limit of transaction amount was not resent to audit committee or board of directors for approval.	Safeguarding of asset security and external financial reporting - in compliance with related rules	To suggest to follow organizing rules for audit committee and convening rules for board of directors.	Any change in proposed case will be sent to audit committee and board of directors for approval.
13.	The period between obtaining signed real estate	External financial reporting -in	To suggest to follow related rules of Regulations	In case of change in resolution beyond three month from date of appraisal report, the original

	purchase contract and date of appraisal report exceeded three months and the original appraiser was not engaged to issue opinion or reassess the transaction price.	compliance with related rules.	Governing the Acquisition and Disposal of Assets by Public offering Companies.	appraiser will be engaged to issue opinion or reassess transaction price.
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Major subsidiary-KLT

1.	Purchase requisition was not approved according to approval matrix. Approval matrix is inconsistent with electronic approval system.	Safeguarding of asset security	To suggest rules of electronic approval system and approval matrix be consistent and followed consistently.	Approval of purchase requisition was modified on December 13, 2022 to conform to approval matrix and was consistently applied.
2.	Internal control of purchase and payment cycle is not consistent with supplier price inquiry and comparing of purchase control procedures.	Safeguarding of asset security	Purchase and payment cycle of internal control system should be consistent with purchase control procedures.	To modify dollar amount of related rules of purchase according to the Parent company for consistence.
3.	Circuit board repair application system only	Safeguarding of asset security	To suggest to follow the rules of Purchase	To add RMS circuit board repair procedures control guidance to Purchase Control Procedures to

	provides one supplier for approval and no other supplier is provided for approval.		Control Procedures.	require purchasing unit to determine repair companies and repair companies to go through approval process.
4.	Part of Supplier's Questionnaire Evaluation Report and supplier data are not filled out completely.	Safeguarding of asset security	To suggest to perform supplier assessment thoroughly	To adopt supplier evaluation system according to parent company's rules.
5.	Part of price inquiring, comparing, and negotiating procedures do not follow rules of purchase and payment cycle.	Safeguarding of asset security	To suggest to follow the rules of Purchase Control Procedures.	<ol style="list-style-type: none"> 1. To add purchasing personnel operation guidebook. 2. To be included in the purchasing personnel monthly performance review.
6.	Part of the supplier delivery date is earlier than purchase order date.	Safeguarding of asset security	To suggest to the Company to set up RMS circuit board repair procedures guidance and to align guidance and actual practice.	To modify related rules according to parent company's rules.
7.	Payment terms on some quotation are different than those on	Safeguarding of asset security	The Company should set up internal control of	<p>To improve as parent company.</p> <ol style="list-style-type: none"> 1. To review and classify current payment terms. 2. Different purchase

	purchase order.		self-check to avoid same thing from happening. Moreover, rules for changing payment terms of suppliers should be set.	categories apply different payment terms. 3. Special request will leads to unfavorable performance grading for the purchasing personnel and regular review.
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B. Findings of internal control system of asset safeguarding and external financial reporting related to purchase and payment cycle.

Items	Findings of internal control system	Effect on achieving control objectives	Suggestions for improvement	Actions taken after discussion with Management
KYEC				
1.	Part of the dollar amount of equipment purchase requisition exceeds 1million but no equipment investment approval meeting minutes are found.	Safeguarding of asset security	To suggest to conform to related rules of Purchase Control Procedures thoroughly and consistently	To design checking mechanism in Request Order System for different natures of purchase and price comparing/ negotiating to ensure meeting minutes and price negotiating record are attached as required by related rules, and not by purchasing personnel's judgment.
2.	After reviewing Qualified Vendor	Safeguarding of asset	To suggest to conform to	Certification cost of ISO9001 and

	List, it is found that most suppliers did not obtain certification, which is inconsistent with rules of Purchase Control Procedures	security	related rules of Purchase Control Procedures thoroughly.	IATFI6949 is too high. To modify rules of purchase to require essential suppliers to obtain certifications and provide bonus for non-essential suppliers with certification.
3.	Companies can become qualified suppliers shortly after setup, and directors and supervisors of some suppliers are related.	Safeguarding of asset security	To suggest to assess suppliers with short history more thoroughly to make sure they meet the company's supplier requirement. To suggest to add consultation with related parties column to Supplier's Questionnaire Evaluation Reports.	<ol style="list-style-type: none"> 1. To prohibit suppliers of the same category to have same directors and supervisors. 2. To add column for consultation with related party to Supplier's Questionnaire Evaluation Reports for cross-reference and check upon entry of new supplier and periodical review.
4.	Supplier's Questionnaire Evaluation Reports are not updated duly.	Safeguarding of asset security	To suggest to conform to related rules of Purchase Control Procedures thoroughly.	To review Supplier's Questionnaire Evaluation Report biannually, keep meeting minutes and sent to

				center-level supervisor for approval.
5.	The qualified supplier undertaking power wiring of facility engineering projects did not assess whether its supplier obtained license regulated by Management Guidelines for Electrical Contractor.	Safeguarding of asset security	To suggest to include license obtaining for supplier assessment to enhance company safety.	<ol style="list-style-type: none"> 1. To add column of special license to The Qualified Vendor List and filled out by suppliers upon review/update. 2. To add column of special license required for the project to Purchase Requisition Form and checked by purchasing department.
6.	Names of companies on bids provided by some bidding companies are inconsistent with those on tender document.	Safeguarding of asset security	To suggest to check correctness on bids upon bid opening review to avoid future dispute.	<ol style="list-style-type: none"> 1. To modify rules of purchase based on materiality, and to adopt education instead of dissemination. 2. To conduct discipline test of purchase biannually.
7.	Part of quotation and price negotiation records are not kept	Safeguarding of asset security	To suggest internal control document should	To modify material PO request system based on Purchase

	properly.		be kept properly and stored in purchase system on a timely fashion.	Requisition Form by adding price comparing and negotiating record to approval form for supervisor's approval.
8.	Some projects adopt exclusive bidding without reasons and proofs and according to Purchase Control Procedures, alternative suppliers and supply should be sought after for 2nd source and other choices.	Safeguarding of asset security	To suggest to continue search for needed suppliers.	To collaborate with research department to search for new suppliers.
9.	Purchase orders did not include written information provided by suppliers. Also, some suppliers replying with email did not fill out the system to mark supplier confirmation date.	Safeguarding of asset security	To suggest purchase orders with supplier confirmation be kept properly for a period of time for the sake of both parties.	To order IT department to develop supply portal site for PO signing-back system to ensure timely signing-back and confirmation of PO and to avoid omission of paper/email operation.
10.	Dates of some supplier signing back purchase orders are earlier than dates of revising purchase orders.	Safeguarding of asset security	To suggest to have suppliers signing back revision of purchase order for confirmation and sakes of both parties.	To order IT department to develop supply portal site for PO signing-back system by which PO revise will remind supplier for signing back to

				ensure correctness of transaction.
11.	Related rules of long-term contracting were not followed in signing purchase contract.	Safeguarding of asset security	To suggest to conform to related rules of internal control system and Purchase Control Procedures thoroughly.	To modify rules of purchase to specify supplier level for signing purchase agreement and to sign purchase agreement with suppliers according to new rules.
12.	Dates of some material receiving are earlier than dates suppliers confirming purchase order.	Safeguarding of asset security	To suggest to confirm the content of the purchase orders with suppliers in a timely fashion to avoid dispute.	To define emergency clearly in purchase guidance by which delivery of goods can go before signing-back of purchase order.
13.	Dates of receiving reports of some property is inconsistent with dates on list of property	Safeguarding of asset security/External financial reporting	To suggest to perform receiving on a timely fashion.	To urge and disseminate the user department to complete receiving procedures as soon as possible. Times on list of property should be based on date of receiving reports.
14.	Product name and type of receiving reports of some property are different from those on purchase orders and quotations.	Safeguarding of asset security	To suggest to confirm the specification of demanded product upon sending purchase order.	<ol style="list-style-type: none"> 1. To modify rules of purchase based on materiality, and to adopt education instead of dissemination. 2. To conduct

				discipline test of purchase biannually.
15.	The revision of approval matrix is not approved by chairman of board of directors.	Safeguarding of asset security	To suggest the revision should be approved by management level according to company internal guidance.	To have revision of approval matrix be sent to and approved by chairman of board of directors afterwards.
16.	The highest-level supervisor of requisition unit and purchasing unit is the same person	Safeguarding of asset security	To suggest to authorize properly according to organization structure and operation needs to avoid risk of conflict of duty and to strengthen the control and management of separation of duties.	<ol style="list-style-type: none"> 1. The Supervisors of administrative center to which sourcing division belongs only has approval authority up to 400,000 dollars. 2. To revise the process to lower the approval authority to 200,000 dollars and keep other centers at 400,000 dollars as usual.
17.	Payment terms of some suppliers are significantly different from ordinary transactions.	Safeguarding of asset security	To suggest to take business practice for reference in setting payment terms for	<ol style="list-style-type: none"> 1. To review and classify present payment terms. 2. To adopt different

			engineering projects to manage Company' capital and to control qualify of projects.	payment terms for purchase with different natures. 3. Purchase assessment scoring will be reduced for suppliers with special request for payment and be reviewed periodically.
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Major subsidiary- KLT

1.	Records of equipment purchase approval meeting were missing for some purchase requisition of real estate, facility and equipment above certain amount.	Safeguarding of asset security	To suggest to the Company to set up clear rules and record them in internal control system and control procedures and conform to it thoroughly.	To modify internal control system and control procedures to increase requirement of inspection rules for major investment.
2.	Request Order system lacks assessment remark and fails to provide information of exclusive and designated suppliers.	Safeguarding of asset security	To suggest to add assessment remark column to Request Order system pursuant to parent company.	To adopt the assessment mechanism in the Request Order system of the parent company.
3.	Transactions of circuit board was made through agents instead of repair & maintenance suppliers directly.	Safeguarding of asset security	To evaluate cost benefit of transacting with suppliers directly and through agents.	Has been transacting with supplier directly

4.	The flow of the circuit board repair system was to initiate purchase requisition, price negotiation/ comparison and purchase ordering after repair is made.	Safeguarding of asset security	To suggest to the Company to set up RMS circuit board repair procedures guidance and to align guidance and actual practice.	To add RMS circuit board repair procedures control guidance to purchase control procedures.
5.	After reviewing Supplier's Questionnaire Evaluation Report of certain supplier, it was found its business contact person is the same with the contact person shown in the Supplier's Questionnaire Evaluation Report of other supplier of the parent company. They have close relationship.	Safeguarding of asset security	To suggest to add related party consultation column to the Supplier's Questionnaire Evaluation Report.	To adopt supplier assessment system according to parent company's rules.
6.	After review, it was found that part of the approval process of Supplier's Questionnaire Evaluation Reports did not follow internal approval process	Safeguarding of asset security	To suggest to assess supplier qualification more thoroughly, and design proper approval.	Starting October of 2021, all assessment will not be sent to the parent company for approval but will be handled according to company's approval process.
7.	Supplier's Questionnaire Evaluation Reports	Safeguarding of asset security	To suggest to the company to store the Supplier's	To adopt supplier assessment system according to parent

	will be destroyed after storing for 5 years while some suppliers still transact with the Company.		Questionnaire Evaluation Report in electronic format and update duly.	company's rules, except for initial assessment, update the system regularly and keep records according to retention period of data.
8.	After reviewing Qualified Vendor List, it is found that most suppliers did not obtain certification, which is inconsistent with rules of Purchase Control Procedures	Safeguarding of asset security	To suggest to conform to related rules of Purchase Control procedures thoroughly.	To modify rules of purchase to require essential suppliers to obtain certification and provide bonus for non-essential suppliers with certification.
9.	Part of the supplier quotations are overdue.	Safeguarding of asset security	To suggest to conform to related rules of Purchase Control Procedures thoroughly.	<ol style="list-style-type: none"> 1. To add to operation guidance for purchasing personnel to require to attach signed or stamped-with-company-seal quotations and be valid. 2. To be included in monthly performance review of the purchasing personnel.
10.	Some quotations and price negotiation	Safeguarding of asset	To suggest to conform to	To follow guidance regulating suppliers

	records are not kept properly.	security	related rules of purchase guidance for transaction with Parent company.	in transacting with parent company.
11.	For suppliers providing annual quotation, their quotation marked valid for 30 days on remark column.	Safeguarding of asset security	To suggest to conform to related rules of Purchase Control Procedures thoroughly.	<ol style="list-style-type: none"> 1. To add to operation guidance for purchasing personnel to require to attach signed or stamped-with-company-seal quotations and be valid. 2. To be included in monthly performance review of the purchasing personnel.
12.	Approval column for some purchase orders are blank.	Safeguarding of asset security	To suggest to the Company to review the completeness of the document for the sake of both parties.	<ol style="list-style-type: none"> 1. Purchase personnel should confirm the process has been approved upon issuing purchase order for validity. 2. The attached invoice, purchase order and receiving report should be checked for

				<p>validity and consistency upon applying for payment.</p> <p>3. To be included in monthly performance review of the purchase personnel.</p>
13.	Some purchase orders are not signed back and confirmed by suppliers.	Safeguarding of asset security	To suggest the purchase order be signed back and confirmed by suppliers and stored properly for sakes of both parties.	To adopt supply portal site of the parent company for PO signing-back system by which PO revise will remind supplier for signing back to ensure correctness of transaction.
14.	Failed to keep delivery note of suppliers based on related rules.	Safeguarding of asset security	To suggest to store delivery notes of suppliers in the system and keep safely.	To adopt receiving/delivery system-material receiving module of parent company to receive material electronically, and integrate it into ERP receiving/payment system.
15.	Part of the information on invoice and on receiving note system is inconsistent.	Safeguarding of asset security	To suggest to align information on paper and on system.	<p>1. To check the attached invoice, purchase order, receiving notes for consistency upon payment.</p> <p>2. To be included</p>

				in monthly performance review of the purchasing personnel.
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(Appendix 2)

English Translation of a Report and Financial Statements Originally Issued in Chinese

**KING YUAN ELECTRONICS CO., LTD.
AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
WITH
INDEPENDENT AUDITOR'S REPORT TRANSLATED FROM CHINESE**

Address: No. 81, Sec. 2, Gongdao 5th Rd., Hsinchu City 300, Taiwan (R.O.C.)

Telephone: 886-3-5751888

The reader is advised that these consolidated financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

REPRESENTATION LETTER

The entities included in the consolidated financial statements as of December 31, 2022 and for the year then ended prepared under the International Financial Reporting Standards, No.10 are the same as the entities to be included in the combined financial statements of the Company, if any to be prepared, pursuant to the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises (referred to as “Combined Financial Statements”). Also, the footnotes disclosed in the Consolidated Financial Statements have fully covered the required information in such Combined Financial Statements. Accordingly, the Company did not prepare any other set of Combined Financial Statements than the Consolidated Financial Statements.

Very truly yours,

King Yuan Electronics Co., Ltd.

Chairman: C. K. Lee

March 2, 2023



安永聯合會計師事務所

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English Translation of a Report Originally Issued in Chinese

Independent Auditors' Report

To the Board of Directors and Shareholders
of King Yuan Electronics Co., Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of King Yuan Electronics Co., Ltd. and its subsidiaries as of December 31, 2022 and 2021, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2022 and 2021, and notes to the consolidated financial statements, including the summary of significant accounting policies (together “the consolidated financial statements”).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of King Yuan Electronics Co., Ltd. and its subsidiaries as of December 31, 2022 and 2021, and their consolidated financial performance and cash flows for the years ended December 31, 2022 and 2021, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effectively by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of King Yuan Electronics Co., Ltd. and its subsidiaries in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the “Norm”), and we have fulfilled our other ethical responsibilities in accordance with the Norm. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2022 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

King Yuan Electronics Co., Ltd. and its subsidiaries recognized NT\$36,781,996 thousand as net sales. Its main activities are providing testing and assembly services that represented 84%, or NT\$30,876,006 thousand in the amount, of the net operating revenue.

Since the primary activities of King Yuan Electronics Co., Ltd. and its subsidiaries are providing testing and assembly services, and the services comprise various wafers/integrated circuits testing and assembly processing and rental of machinery, timing of revenue recognition may vary due to varied nature of revenue that increases the complexity of the revenue recognition. Therefore, we determined the matter to be a key audit matter.

Our audit procedures include (but are not limited to) assessing the appropriateness of the accounting policy for revenue recognition; evaluating and testing the effectiveness of internal control relating to the timing of revenue recognition, analyzing the reasonableness of gross profit margin by products, performing cutoff testing for a period before and after the balance sheet date on a sampling basis, performing test of details on selected samples, reviewing the significant terms of sales agreements and examining relevant delivery documents, and reviewing the selected samples of the quantity, specification, period and relevant documents of machinery services.

We also considered the appropriateness of the disclosures of sales. Please refer to Note 4 and Note 6 in notes to the consolidated financial statements.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the consolidated financial statements, management is responsible for assessing the ability to continue as a going concern of King Yuan Electronics Co., Ltd. and its subsidiaries, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate King Yuan Electronics Co., Ltd. and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee, are responsible for overseeing the financial reporting process of King Yuan Electronics Co., Ltd. and its subsidiaries.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of King Yuan Electronics Co., Ltd. and its subsidiaries.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



4. Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of King Yuan Electronics Co., Ltd. and its subsidiaries. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause King Yuan Electronics Co., Ltd. and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within King Yuan Electronics Co., Ltd. and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2022 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Others

We have audited and expressed an unqualified opinion on the parent company only financial statements of King Yuan Electronics Co., Ltd. as of and for the years ended December 31, 2022 and 2021.

Kuo, Shao-Pin

Hsu, Hsin-Min

Ernst & Young, Taiwan

March 2, 2023

Notice to Readers

- The accompanying consolidated financial statements are intended only to present the financial position, results of operations 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 accepted and applied in the Republic of China.
- Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of Financial Statements Originally Issued in Chinese

KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

As of December 31, 2022 and 2021

(Amounts in thousands of New Taiwan Dollars)

ASSETS	Notes	December 31, 2022	%	December 31, 2021	%
Current assets					
Cash and cash equivalents	4, 6(1)	\$12,816,115	17	\$8,649,932	12
Contract assets-current	4, 6(16), 6(17), 7	153,753	-	178,880	-
Notes receivable, net	4, 6(3), 6(17)	7,218	-	7,706	-
Accounts receivable, net	4, 6(4), 6(17)	5,382,077	8	5,765,273	8
Accounts receivable from related parties, net	4, 6(4), 6(17), 7	1,753,148	2	2,151,913	3
Other receivables		408,138	1	326,299	1
Other receivables from related parties	4, 7	28,582	-	4,825	-
Current tax assets		-	-	315	-
Inventories, net	4, 6(5)	1,368,626	2	1,371,473	2
Prepayments	6(6)	366,144	-	325,437	-
Other current assets		55,126	-	67,160	-
Other financial assets-current	8	4	-	3	-
Total current assets		22,338,931	30	18,849,216	26
Non-current assets					
Financial assets at fair value through other comprehensive income-non-current	4, 6(2)	4,794,451	7	6,546,477	10
Investments accounted for using the equity method	4, 6(7)	91,048	-	79,126	-
Property, plant and equipment	4, 6(8), 7, 8	45,991,445	62	45,576,661	63
Right-of-use asset	4, 6(18)	651,296	1	677,896	1
Intangible assets	4, 6(9)	39,235	-	73,599	-
Deferred tax assets	4, 6(21), 6(22)	296,256	-	261,675	-
Other financial assets-non-current	8	146,462	-	105,972	-
Other non-current assets		9,859	-	49,561	-
Total non-current assets		52,020,052	70	53,370,967	74
Total assets		\$74,358,983	100	\$72,220,183	100

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

(continued)

English Translation of Financial Statements Originally Issued in Chinese
KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

As of December 31, 2022 and 2021

(Amounts in thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	Notes	December 31, 2022	%	December 31, 2021	%
Current liabilities					
Short-term loans	4, 6(10), 9	\$1,023,149	1	\$566,856	1
Contract liabilities-current	4, 6(16), 7	156,639	-	157,024	-
Notes payable		11,446	-	10,066	-
Accounts payable	7	1,008,049	1	1,119,144	2
Accounts payable to related parties		6,215	-	21,414	-
Other payables	7	3,738,122	5	3,731,749	5
Other payables to related parties		94,707	-	98,930	-
Payables on equipment	4, 6(22)	1,054,070	2	1,778,300	3
Current tax liabilities	4, 6(18)	1,165,435	2	666,596	1
Lease liabilities-current	4, 6(12), 8, 9	29,342	-	92,050	-
Current portion of long-term loans	6(11)	805,353	1	2,017,322	3
Other current liabilities		1,151,849	2	884,648	1
Total current liabilities		10,244,376	14	11,144,099	16
Non-current liabilities					
Long-term loans	4, 6(12), 8, 9	24,464,983	32	23,517,245	32
Deferred tax liabilities	4, 6(21), 6(22)	1,504,657	2	1,527,445	2
Lease liabilities-non-current	4, 6(18)	465,796	1	492,615	1
Long-term deferred income		42,820	-	16,538	-
Net defined benefit liabilities	4, 6(13)	657,844	1	610,222	1
Guarantee deposits		33,090	-	33,851	-
Total non-current liabilities		27,169,190	36	26,197,916	36
Total liabilities		37,413,566	50	37,342,015	52
Equity attributable to owners of the parent company					
Share capital	4, 6(14)				
Common stock		12,227,451	16	12,227,451	17
Capital surplus	4, 6(14), 6(15), 6(24)	4,953,859	7	4,885,134	7
Retained earnings	4, 6(2), 6(14)	3,499,434	5	3,019,879	4
Legal reserve		201,416	-	201,416	-
Special reserve		13,213,921	18	10,580,312	15
Undistributed earnings		16,914,771	23	13,801,607	19
Total retained earnings		1,993,897	3	3,270,083	4
Other equity	4, 6(14)	36,089,978	49	34,184,275	47
Equity attributable to owners of the parent company		855,439	1	693,893	1
Non-controlling interests	4, 6(14), 6(24)	36,945,417	50	34,878,168	48
Total equity		\$74,358,983	100	\$72,220,183	100
Total liabilities and equity		\$74,358,983	100	\$72,220,183	100

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

English Translation of Financial Statements Originally Issued in Chinese
KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2022 and 2021
(Amounts in thousands of New Taiwan Dollars, except for earnings per share)

Description	Notes	2022	%	2021	%
Net sales	4, 6(16), 6(18), 7	\$36,781,996	100	\$33,759,389	100
Operating costs	4, 6(5), 6(8), 6(9), 6(13), 6(18), 6(19), 7	(23,709,003)	(64)	(23,407,322)	(69)
Gross profit		13,072,993	36	10,352,067	31
Operating expenses	4, 6(8), 6(9), 6(13), 6(17), 6(18), 6(19), 7				
Selling expenses		(377,820)	(1)	(363,529)	(1)
Administrative expenses		(2,259,835)	(6)	(2,178,521)	(6)
Research and development expenses		(1,267,045)	(4)	(1,202,856)	(4)
Expected credit losses		(3,463)	-	(645)	-
Total operating expenses		(3,908,163)	(11)	(3,745,551)	(11)
Operating income		9,164,830	25	6,606,516	20
Non-operating income and expenses	4, 6(2), 6(7), 6(8), 6(20), 7				
Interest income		53,940	-	22,692	-
Other income		345,106	1	320,231	1
Other gains and losses		(67,736)	-	227,074	-
Finance costs		(555,026)	(2)	(343,526)	(1)
Share of profit of associates accounted for using the equity method		24,912	-	22,260	-
Total non-operating income and expenses		(198,804)	(1)	248,731	-
Net income before income tax		8,966,026	24	6,855,247	20
Income tax expense	4, 6(22)	(1,983,936)	(5)	(1,621,005)	(5)
Net income		6,982,090	19	5,234,242	15
Other comprehensive income	4, 6(13), 6(21)				
Items that will not be reclassified subsequently to profit or loss:					
Remeasurements of the defined benefit plan		(55,210)	-	(53,368)	-
Unrealized gains from equity instrument investments measured at fair value through other comprehensive income		(1,752,026)	(5)	2,101,279	6
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		369,890	1	(419,982)	(1)
Items that will be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial statements of foreign operations		142,897	-	(41,254)	-
Income tax related to components of other comprehensive income that will be reclassified to profit or loss		(26,487)	-	8,448	-
Other comprehensive income, net of tax		(1,320,936)	(4)	1,595,123	5
Total comprehensive income		\$5,661,154	15	\$6,829,365	20
Net income attributable to :					
Owners of the parent company		\$6,836,609	19	\$5,175,046	15
Non-controlling interests		145,481	-	59,196	-
		\$6,982,090	19	\$5,234,242	15
Total comprehensive income attributable to :					
Owners of the parent company		\$5,505,213	15	\$6,769,183	20
Non-controlling interests		155,941	-	60,182	-
		\$5,661,154	15	\$6,829,365	20
Earnings per share (NT\$)	4, 6(23)				
Basic Earnings Per Share		5.59		\$4.23	
Diluted Earnings Per Share		5.49		\$4.18	

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

English Translation of Financial Statements Originally Issued in Chinese
KING YUAN ELECTRONICS CO., L.T.D. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2022 and 2021
(Amounts in thousands of New Taiwan Dollars)

Description	Equity attributable to owners of the parent company										Total Equity
	Common stock	Capital surplus	Retained earnings			Other equity			Equity attributable to owners of the parent company	Non-controlling interests	
			Legal reserve	Special reserve	Undistributed earnings	Exchange differences resulting from translating the financial statements of foreign operations	Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income				
Balance as of January 1, 2021	\$12,227,451	\$4,588,172	\$2,656,958	\$402,406	\$8,147,631	\$(357,036)	\$1,653,489	\$29,319,071	\$7,005	\$29,326,076	
Appropriation and distribution of 2020 earnings:											
Legal reserve	-	-	362,921	-	(362,921)	-	-	-	-	-	
Cash dividends	-	(244,549)	-	-	(2,200,941)	-	-	(2,445,490)	-	(2,445,490)	
Reversal of special reserve	-	-	-	(200,990)	200,990	-	-	-	-	-	
Profit for the year ended December 31, 2021	-	-	-	-	5,175,046	-	-	5,175,046	59,196	5,234,242	
Other comprehensive income for the year ended December 31, 2021	-	-	-	-	(53,368)	(33,792)	1,681,297	1,594,137	986	1,595,123	
Total comprehensive income	-	-	-	-	5,121,678	(33,792)	1,681,297	6,769,183	60,182	6,829,365	
Changes in ownership interests in subsidiaries	-	541,511	-	-	-	-	-	541,511	626,706	1,168,217	
Disposal of equity instrument investments measured at fair value through other comprehensive income	-	-	-	-	(326,125)	-	326,125	-	-	-	
Balance as of December 31, 2021	\$12,227,451	\$4,885,134	\$3,019,879	\$201,416	\$10,580,312	\$(390,828)	\$3,660,911	\$34,184,275	\$693,893	\$34,878,168	
Balance as of January 1, 2022	\$12,227,451	\$4,885,134	\$3,019,879	\$201,416	\$10,580,312	\$(390,828)	\$3,660,911	\$34,184,275	\$693,893	\$34,878,168	
Appropriation and distribution of 2021 earnings:											
Legal reserve	-	-	479,555	-	(479,555)	-	-	-	-	-	
Cash dividends	-	-	-	-	(3,668,235)	-	-	(3,668,235)	-	(3,668,235)	
Profit for the year ended December 31, 2022	-	-	-	-	6,836,609	-	-	6,836,609	145,481	6,982,090	
Other comprehensive income for the year ended December 31, 2022	-	-	-	-	(55,210)	105,950	(1,382,136)	(1,331,396)	10,460	(1,320,936)	
Total comprehensive income	-	-	-	-	6,781,399	105,950	(1,382,136)	5,505,213	155,941	5,661,154	
Changes in ownership interests in subsidiaries	-	68,725	-	-	-	-	-	68,725	5,605	74,330	
Balance as of December 31, 2022	\$12,227,451	\$4,953,859	\$3,499,434	\$201,416	\$13,213,921	\$(284,878)	\$2,278,775	\$36,089,978	\$855,439	\$36,945,417	

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

English Translation of Financial Statements Originally Issued in Chinese

KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2022 and 2021

(Amounts in thousands of New Taiwan Dollars)

Description	2022	2021	Description	2022	2021
Cash flows from operating activities :			Cash flows from investing activities :		
Profit before tax from continuing operations	\$8,966,026	\$6,855,247	Proceeds from disposal of financial assets at fair value through other comprehensive income	\$-	\$1,365
Adjustments for :			Acquisition of property, plant and equipment	(10,391,637)	(13,963,127)
The profit or loss items which did not affect cash flows:			Proceeds from disposal of property, plant and equipment	398,363	341,578
Depreciation	9,178,388	9,162,765	Decrease in refundable deposits	39,748	32,109
Amortization	43,316	49,593	Acquisition of intangible assets	(8,875)	(36,793)
Expected credit losses	3,463	645	Acquisition of right-of-use assets	(76,557)	-
Interest expenses	555,026	343,526	Increase in other financial assets	(40,491)	-
Interest income	(53,940)	(22,692)	Decrease in other financial assets	-	9,698
Dividend income	(96,288)	(85,016)	Dividend received	109,278	98,006
Share-based payment expenses	74,414	20,452	Net cash used in investing activities	(9,970,171)	(13,517,164)
Investment gain accounted for using the equity method	(24,912)	(22,260)			
Gain on disposal of property, plant and equipment	(58,161)	(164,810)			
Impairment of non-financial assets	-	59,461			
Unrealized foreign exchange loss (gain)	755,197	(164,411)			
Changes in operating assets and liabilities :					
Contract assets	25,127	24,092			
Notes receivable	488	(4,657)			
Accounts receivable	379,969	(1,600,926)	Cash flows from financing activities :		
Accounts receivable from related parties	398,765	(426,962)	Increase in short-term loans	1,597,599	598,369
Other receivables	(72,175)	(228,799)	Decrease in short-term loans	(1,149,115)	(131,812)
Other receivables from related parties	(22,491)	22,977	Borrowing in long-term loans	20,058,327	16,299,865
Inventories	2,847	(390,504)	Repayments of long-term loans	(21,094,189)	(14,433,360)
Prepayments	(19,702)	149,415	Increase in deposits received	-	31,096
Other current assets	12,034	(15,317)	Decrease in deposits received	(761)	-
Contract liabilities	(385)	(72,579)	Cash payments for the principal portion of the lease liabilities	(91,698)	(310,374)
Notes payable	1,380	5,631	Cash dividends	(3,668,235)	(2,445,490)
Accounts payable	(111,095)	1,189	Interest paid	(501,253)	(329,548)
Accounts payable to related parties	(15,199)	1,927	Change in non-controlling interests	-	1,147,767
Other payables	(22,052)	820,074	Net cash (used in) provided by financing activities	(4,849,325)	426,513
Other payables to related parties	(1,984)	18,225			
Other current liabilities	267,201	303,792			
Accrued pension liabilities	(7,588)	(9,602)			
Other operating liabilities	26,282	16,538			
Cash generated from operating activities	20,183,951	14,647,014	Effect of changes in exchange rate on cash and cash equivalents	(44,753)	8,999
Interest received	45,229	24,861	Net increase in cash and cash equivalents	4,166,183	641,402
Income tax paid	(1,198,748)	(948,821)	Cash and cash equivalents at the beginning of the year	8,649,932	8,008,530
Net cash provided by operating activities	19,030,432	13,723,054	Cash and cash equivalents at the end of the year	\$12,816,115	\$8,649,932

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

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KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

1. Organization and Operation

King Yuan Electronics Co., Ltd. ("KYEC") was incorporated under the Company Law of the Republic of China ("R.O.C) on May 28, 1987, and commenced operations on July 23, 1987. The Company primarily engages in the business of design, manufacturing, selling, testing and assembly service of integrated circuits, and also engages in manufacturing and selling of IC Monitoring Burn-In machinery and related components. On May 9, 2001, the shares of KYEC were listed on the Taiwan Stock Exchange. KYEC's registered office and the main business location is at No. 81, Sec. 2, Gongdaowu Road, Hsinchu City 300, Republic of China (R.O.C.).

2. Date and Procedures of Authorization of Financial Statements for Issue

The accompanying consolidated financial statements of KYEC and its subsidiaries ("the Company") were approved and authorized for issue by the Board of Directors on March 2, 2023.

3. Newly Issued or Revised Standards and Interpretations

- (1) Change in accounting policies resulting from applying for the first time certain standards and amendments

The Company applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after January 1, 2022. The application of these new standards and amendments had no material effect on the Company.

- (2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are endorsed by FSC, and not yet adopted by the Company as at the end of the reporting period are listed below:

Items	New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
A	Disclosure Initiative - Accounting Policies – Amendments to IAS 1	January 1, 2023
B	Definition of Accounting Estimates – Amendments to IAS 8	January 1, 2023
C	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	January 1, 2023

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KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

(A) Disclosure Initiative - Accounting Policies – Amendments to IAS 1

The amendments improve accounting policy disclosures that to provide more useful information to investors and other primary users of the financial statements.

(B) Definition of Accounting Estimates – Amendments to IAS 8

The amendments introduce the definition of accounting estimates and include other amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to help companies distinguish changes in accounting estimates from changes in accounting policies.

(C) Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2023 and have no material impact on the Company.

- (3) Standards or interpretations issued, revised or amended, by IASB but not yet endorsed by FSC and not yet adopted by the Company as at the end of the reporting period are listed below:

Items	New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
A	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
B	IFRS 17 “Insurance Contracts”	January 1, 2023
C	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2024

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KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Items	New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
D	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	January 1, 2024
E	Non-current Liabilities with Covenants – Amendments to IAS 1	January 1, 2024

A. IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures”, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint venture. IFRS 10 requires full profit or loss recognition on the loss of control of a subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gain or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors’ interests in the associate or joint venture.

B. IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017 and it was amended in 2020 and 2021. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after January 1, 2023 (from the original effective date of January 1, 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after January 1, 2023.

C. Classification of Liabilities as Current or Non-current — Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

D. Lease Liability in a Sale and Leaseback — Amendments to IFRS 16

The amendments add seller-lessees additional requirements for the sale and leaseback transactions in IFRS 16, thereby supporting the consistent application of the standard.

E. Non-current Liabilities with Covenants — Amendments to IAS 1

The amendments improved the information companies provide about long-term debt with covenants. The amendments specify that covenants to be complied within twelve months after the reporting period do not affect the classification of debt as current or non-current at the end of the reporting period.

The abovementioned standards and interpretations issued by IASB have not yet been endorsed by FSC at the date when the Company's financial statements were authorized for issue, the local effective dates are to be determined by FSC. The new or amended standards and interpretations have no material impact on the Company.

4. Summary of Significant Accounting Policies

Statement of Compliance

The accompanying consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”) and TIFRS as endorsed by FSC.

Basis of Preparation

The accompanying consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The accompanying consolidated financial statements are expressed in thousands of New Taiwan Dollars (“NT\$”) unless otherwise stated.

Basis of Consolidation

Preparation principle of consolidated financial statement

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has:

- a. power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- b. exposure, or rights, to variable returns from its involvement with the investee; and
- c. the ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- a. the contractual arrangement with the other vote holders of the investee;
- b. rights arising from other contractual arrangements;
- c. the Company’s voting rights and potential voting rights.

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KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Company obtains control, and continue to be consolidated until the date the Company ceases to control the subsidiary. The financial statements of the subsidiaries are prepared for the same reporting period with the parent company, using consistent accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Company loses control of a subsidiary, it:

- a. derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- b. derecognizes the carrying amount of any non-controlling interest;
- c. recognizes the fair value of the consideration received;
- d. recognizes the fair value of any investment retained;
- e. recognizes any surplus or deficit in profit or loss; and
- f. reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

The consolidated entities are listed as follows:

Investor	Subsidiary	Business nature	Percentage of Ownership(%)	
			2022.12.31	2021.12.31
KYEC	KYEC USA Corp.	Sales agent and business communication in USA	100.00	100.00
KYEC	KYEC Investment International Co., Ltd.	General investing	100.00	100.00

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KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Investor	Subsidiary	Business nature	Percentage of Ownership(%)	
			2022.12.31	2021.12.31
KYEC	KYEC Technology Management Co., Ltd.	General investing	100.00	100.00
KYEC	KYEC Japan K.K.	Manufacturing and sales of electronic parts and components, sales agent and business communication in Japan	89.83	89.83
KYEC	KYEC SINGAPORE PTE. Ltd.	Sales agent and business communication in Southeast Asia and Europe	100.00	100.00
KYEC	King Ding Precision Incorporated Company	Manufacturing, selling and wholesale of electronics parts and components and repairing of electronics related products	100.00	100.00
KYEC Investment International Co., Ltd.	KYEC Microelectronics Co., Ltd.	General investing	94.02	94.02
KYEC Technology Management Co., Ltd.	KYEC Microelectronics Co., Ltd.	General investing	5.98	5.98
KYEC Microelectronics Co., Ltd.	King Long Technology (Suzhou) Ltd. (Note)	Research and development, design, manufacture, packaging, testing, processing and maintenance of semiconductor integrated circuits, transistors, electronic components, electronic materials, analog or hybrid automatic data processors, solid-state memory systems, heating ovens and related products and components. Integrated circuit related technology transfer, technical consultation, technical services, sales of self-produced products and provision of related after-sales services	92.46	92.46

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KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Investor	Subsidiary	Business nature	Percentage of Ownership(%)	
			2022.12.31	2021.12.31
King Long Technology (Suzhou) Ltd.	Suzhou Zhengkuan Technology Ltd.	R&D, production (package, testing), processing of large-scale integrated circuits for electronic components, electronic materials, analog or hybrid automatic data processors, solid-state memory systems, heating oven controllers, etc., sales of self-produced products, and provision of relevant after-sales service; integrated circuit related technology transfer, technical consultation, technical service	100.00	100.00

Note: On August 3, 2021, the Company's shareholders' meeting approved the proposal for King Long Technology (Suzhou) Ltd. to launch an initial public offering of RMB denominated ordinary shares (A-shares) on the Shanghai Stock Exchange or the Shenzhen Stock Exchange. However, on June 29, 2022, considering the timeframe of the IPO review process and the effective utilization of the Company's resources, the Company's shareholders' meeting resolved to suspend the IPO plan.

Foreign currency transactions

The Company's consolidated financial statements are presented in NT\$, which is also the parent company's functional currency. Each entity in the Company determines its functional currency upon its primary economic environment and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Company's entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

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KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

- A. exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- B. foreign currency items within the scope of IFRS 9 “Financial Instruments” are accounted for based on the accounting policy for financial instruments.
- C. exchange differences arising on a monetary item that forms part of a reporting entity’s net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into NT\$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following partial disposals are accounted for as disposals:

- A. when the partial disposal involves the loss of control of a subsidiary that includes a foreign operation; and
- B. when the retained interest after the partial disposal of an interest in a joint arrangement or a partial disposal of an interest in an associate that includes a foreign operation is a financial asset that includes a foreign operation.

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On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to non-controlling interests in that foreign operation. In partial disposal of an associate or jointly arrangement that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

Current and non-current distinction

An asset is classified as current when:

- A. the Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- B. the Company holds the asset primarily for the purpose of trading;
- C. the Company expects to realize the asset within twelve months after the reporting period; or
- D. the asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- A. the Company expects to settle the liability in its normal operating cycle;
- B. the Company holds the liability primarily for the purpose of trading;
- C. the liability is due to be settled within twelve months after the reporting period; or
- D. the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within twelve months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IFRS 9 “Financial Instruments” are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

A. Financial instruments: Recognition and Measurement

The Company accounts for regular way purchase or sales of financial assets on the trade date.

The Company classifies financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

- a. the Company’s business model for managing the financial assets and
- b. the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables, financial assets measured at amortized cost and other receivables, etc., on balance sheet as at the reporting date:

- a. the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- b. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- a. purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
- b. financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial assets measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- a. the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- b. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income is described as below:

- a. A gain or loss on a financial asset measured at fair value through other comprehensive income is recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.

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- b. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- c. Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
 - (a) purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
 - (b) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Company made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investments are recognized in profit or loss unless the dividends clearly represent a recovery of part of the cost of investment.

Financial assets measured at fair value through profit or loss

Financial assets are classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets are measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

B. Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial assets measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and does not reduce the carrying amount in the statement of financial position.

The Company measures expected credit losses of a financial instrument in a way that reflects:

- a. an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- b. the time value of money; and
- c. reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measured as follows:

- a. at an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Company measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
- b. at an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- c. for trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.
- d. For lease receivables arising from transactions within the scope of IFRS 16, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

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At each reporting date, the Company needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

C. Derecognition of financial assets

A financial asset is derecognized when:

- a. the rights to receive cash flows from the asset have expired.
- b. the Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred.
- c. the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

D. Financial liabilities and equity

Classification between liabilities or equity

The Company classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Compound instruments

The Company evaluates the terms of the convertible bonds issued to determine whether it contains both a liability and an equity component. Furthermore, the Company assesses if the

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economic characteristics and risks of the put and call options contained in the convertible bonds are closely related to the economic characteristics and risk of the host contract before separating the equity element.

For the liability component excluding the derivatives, its fair value is determined based on the rate of interest applied at that time by the market to instruments of comparable credit status. The liability component is classified as a financial liability measured at amortized cost before the instrument is converted or settled.

For the embedded derivative that is not closely related to the host contract (for example, if the exercise price of the embedded call or put option is not approximately equal on each exercise date to the amortized cost of the host debt instrument), it is classified as a liability component and subsequently measured at fair value through profit or loss unless it qualifies for an equity component. The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. Its carrying amount is not remeasured in the subsequent accounting periods. If the convertible bond issued does not have an equity component, it is accounted for as a hybrid instrument in accordance with the requirements under IFRS 9 “Financial Instruments”.

Transaction costs are apportioned between the liability and equity components of the convertible bond based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized.

On conversion of a convertible bond before maturity, the carrying amount of the liability component being the amortized cost at the date of conversion is transferred to equity.

Financial liabilities

Financial liabilities within the scope of IFRS 9 “Financial Instruments” are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss. Gains or losses

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on the subsequent measurement of liabilities held for trading including interest paid are recognized in profit or loss.

A financial liability is classified as held for trading if:

- a. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- b. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- c. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

- a. it eliminates or significantly reduces a measurement or recognition inconsistency; or
- b. a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

E. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Derivative financial instruments

The Company uses derivative instruments to hedge its foreign currency risks and interest rate risks. A derivative is classified in the balance sheet as assets or liabilities at fair value through profit or loss except for derivatives that are designated effective hedging instruments which are classified as derivative financial assets or liabilities for hedging.

Derivative instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of hedges, which is recognized in either profit or loss or equity according to types of hedges used.

When the host contracts are either non-financial assets or liabilities, derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not designated at fair value through profit or loss.

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Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- a. in the principal market for the asset or liability, or
- b. in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials – Purchase cost on weighted average method

Finished goods and work in progress – Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

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Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

Investments accounted for using the equity method

The Company's investment in its associates is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Company has significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

Under the equity method, the investment in the associate in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Company's share of net assets of the associate or joint venture. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Unrealized gains and losses resulting from transactions between the Company and the associate or joint venture are eliminated to the extent of the Company's related interest in the associate or joint venture.

When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affect the Company's percentage of ownership interests in the associate or joint venture, the Company recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a pro rata basis.

When the associate or joint venture issues new shares, and the Company's interest in an associate or a joint venture is reduced or increased as the Company fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in capital surplus and investments accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income

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are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Company disposes the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 “Investments in Associates and Joint Ventures”. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the ‘share of profit or loss of an associate’ in the statement of comprehensive income in accordance with IAS 36 “Impairment of Assets”. In determining the value in use of the investment, the Company estimates:

- A. its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
- B. the present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for goodwill impairment testing in IAS 36 “Impairment of Assets”.

Upon loss of significant influence over the associate or joint venture, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

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Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciation. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 “Property, Plant and Equipment”. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings and facilities	20~31 years
Plant equipment	5~16 years
Machinery and equipment	2~ 8 years
Transportation equipment	3~ 6 years
Office equipment	3~ 5 years
Right-of-use assets (Note)	4~58 years
Miscellaneous equipment	3~11 years
Leasehold improvements	10 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets’ residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Leases

The Company assesses whether the contract is, or contains, a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether the contract, throughout the period of use, has both of the following:

- (a) the right to obtain substantially all of the economic benefits from use of the identified asset;
and
- (b) the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Company for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Company estimates the stand-alone price, maximizing the use of observable information.

A. The Company as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Company recognizes right-of-use asset and lease liability for all leases which the Company is the lessee of those lease contracts.

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

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- (a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (c) amounts expected to be payable by the lessee under residual value guarantees;
- (d) the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- (e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Company measures the lease liability on an amortized cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Company measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

- (a) the amount of the initial measurement of the lease liability;
- (b) any lease payments made at or before the commencement date, less any lease incentives received;
- (c) any initial direct costs incurred by the lessee; and
- (d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Company measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Company measures the right-of-use asset applying a cost model.

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

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The Company applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Company accounted for as short-term leases or leases of low-value assets, the Company presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statement of consolidated comprehensive income statement.

For short-term leases or leases of low-value assets, the Company elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

B. The Company as a lessor

At inception of a contract, the Company classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Company recognizes assets held under a finance lease in its balance sheet and presents them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Company allocates the consideration in the contract applying IFRS 15.

The Company recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

A. Research and development costs

Research costs are expensed as incurred. Development expenditures, on an individual project, are recognized as an intangible asset when the Company can demonstrate:

- a. the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- b. its intention to complete and its ability to use or sell the asset;
- c. how the asset will generate future economic benefits;
- d. the availability of resources to complete the asset; and
- e. the ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. During the period of development, the asset is tested for impairment annually. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit.

B. Computer software

The cost of computer software is amortized on a straight-line basis over the estimated useful life (3~5 years).

Impairment of non-financial assets

The Company assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 “Impairment of Assets” may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s (“CGU”) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset’s or cash-generating unit’s recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

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Treasury shares

Acquisitions of the shares of the Company (treasury shares) are recognized at cost and deducted from equity. Any difference between the carrying amount and the consideration, if reissues, is recognized in capital surplus under equity.

When the retirement of treasury shares, capital surplus – share premiums and share capital are debited proportionately, gains on retirement of treasury shares should be recognized under existing capital surplus arising from similar types of treasury shares; losses on retirement of treasury shares should be offset against existing capital surplus from similar types of treasury shares. If there are insufficient capital reserves to be offset against, then such losses should be accounted for under retained earnings.

Revenue recognition

The Company's revenue arising from contracts with customers are mainly rendering of processing services and rental of testing machinery. The accounting policies are explained as follows:

A. Rendering of services

The Company's primary activity is to conduct testing and assembly services based on customer's specification demand. According to the customer contract, the ownership of the work in process belongs to the customer. The customer controls the work in process when the Company provides services to create or enhance it. Accordingly, the Company's performance obligation is satisfied over time and the Company, based on the consideration stated in the customer contract (less estimated volume discount), recognizes service revenue over time. The Company estimates the volume discounts using the expected value method based on historical experiences. However, revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur and when the uncertainty associated with the variable consideration is subsequently resolved. During the period specified in the contract, refund liability is recognized for the expected volume discounts.

The credit period of the Company's service revenue is from 30 to 120 days. For most of the contracts, when the Company transfers those processed assets to customers and has a right to

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an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Company usually collects the payments shortly after transferring those processed assets to customers; therefore, there is no significant financing component to the contract. For some of the contracts, the Company transfers those processed assets to customers but does not have a right to an amount of consideration that is unconditional, these contracts should be presented as contract assets. Besides, in accordance with IFRS 9, the Company measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses.

B. Revenue from rental of machinery

The Company provides rental of testing machineries based on customers' demand. According to the contract, the Company provides tailored machineries to customers for testing purposes for a certain period of time. During the contract period, those machineries are for the contracted customers' use only, and will not be mixed with other testing machineries. Meanwhile, during the contract period, those machineries are still under control of the Company, the customer does not have the right to control over or to direct the right of use of the rented machineries. Usually, the unit rental price is fixed and is stated in the contract. Accordingly, the Company's performance obligation is satisfied over time and the Company recognizes revenue from rental of the machinery by rental hours or testing volume multiplied by the fixed unit price, or over the rental period on a straight line basis.

The credit period of the Company's service revenue is from 30 to 120 days. For most of the contracts, the Company recognizes trade receivables upon the completion of rental period. These trade receivables usually have short period and no significant financial component is arisen.

For some machinery rental contracts, prepayments are received from customers upon signing the contract, the Company then has the obligation to provide the services subsequently. Accordingly, these amounts are recognized as contract liabilities.

C. Sales of machinery

The Company manufactures and sells professional testing machinery. Those machineries must be tested for specifications according to the contract signed by both parties before being delivered to customers. The Company performs the specification test in accordance with the

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contract and issues a machinery inspection report to the customer. After the customer's confirmation that the operating data and function of the machineries have met the specification stated in the inspection report, the machinery can be delivered to the customer's designated location stated in the contract and the control of the machinery can be transferred. At this time, the customer has the right to determine the sales channels and price of those testing machineries, and has the ability to prevent other companies from directing the use and obtaining the benefits of these products. Thus, the Company recognizes the revenue generated from the sales of machineries at this time.

Considering the fact that assisting customers for the machinery installation and providing safety guidance are not significant, so the Company issues an invoice with total consideration to the customer and recognizes the amount as trade receivables upon the delivery of the machinery. In addition, the period between the sales of machinery and the actual receipt of the payment is within one year, therefore, there is no significant financial component. The Company provides its customer with a warranty for refund for defectives products. Such warranty is accounted for in accordance with IAS 17 as liability provision.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period when they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

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Post-employment benefits

All regular employees of KYEC are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence not associated with KYEC. Therefore, fund assets are not included in the Company's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

- A. the date of the plan amendment or curtailment, and
- B. the date that the Company recognizes restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

Share-based payment transactions

The cost of equity-settled transactions between the Company and its subsidiaries is recognized based on the fair value of the equity instruments granted. The fair value of the equity instruments is determined by using an appropriate pricing model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions

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are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

The cost of restricted stocks issued is recognized as salary expense based on the fair value of the equity instruments on the grant date, together with a corresponding increase in other capital reserves in equity, over the vesting period. The Company recognizes unearned employee salary which is a transitional contra equity account; the balance in the account will be recognized as salary expense over the passage of vesting period.

Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

A. Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for unappropriated earnings is recognized as income tax expense in the subsequent year when distribution proposal is approved by the shareholders' meeting.

B. Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- a. where the deferred tax liability arises from the initial recognition of goodwill of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- b. in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilized, except:

- a. where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- b. in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Company's consolidated financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

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A. Fair value of Level 3 financial instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the income approach (for example the discounted cash flows model) or market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

B. Revenue recognition - sales returns and discounts

The Company estimates sales returns and allowance based on historical experience and other known factors at the time of sale, which reduces the operating revenue. In assessing the aforementioned sales returns and allowance, on the basis of highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Please refer to Note 6. (11) for more details.

6. Contents of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand	\$1,027	\$750
Checking and savings accounts	9,829,755	6,916,202
Time deposits	2,985,333	1,732,980
Total	<u>\$12,816,115</u>	<u>\$8,649,932</u>

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(2) Financial assets at fair value through other comprehensive income

	December 31, 2022	December 31, 2021
Equity instrument investments measured at fair value through other comprehensive income- non-current		
Listed company's stocks	\$39,359	\$43,028
Unlisted company's stocks	4,755,092	6,503,449
Total	<u>\$4,794,451</u>	<u>\$6,546,477</u>

The Company has equity instrument investments measured at fair value through other comprehensive income. Details on dividends recognized for the years ended of 2022 and 2021 are as follows:

	For the years ended December 31	
	2022	2021
Dividends revenue related to investments held at the end of the reporting period	<u>\$96,288</u>	<u>\$85,016</u>

In consideration of disposition or liquidation of certain investments according to the Company's investment strategy, the Company derecognized certain equity instrument investments measured at fair value through other comprehensive income. Details on derecognition of the investments for the years ended December 31, 2022 and 2021 are as follows:

	December 31, 2022	December 31, 2021
The fair value of the investments at the date of derecognition	<u>\$-</u>	<u>\$1,365</u>
The cumulative gain (loss) on disposal	<u>\$-</u>	<u>\$(326,125)</u>

Financial assets at fair value through other comprehensive income were not pledged.

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(3) Notes receivable

	December 31, 2022	December 31, 2021
Notes receivable from operating activities	\$7,218	\$7,706
Less: loss allowance	-	-
Total	<u>\$7,218</u>	<u>\$7,706</u>

Notes receivable were not pledged.

The Company adopted IFRS 9 for impairment assessment. Please refer to Note 6 (17) for more details on accumulated impairment. Please refer to Note 12 for more details on credit risk.

(4) Trade receivables and trade receivables from related parties

	December 31, 2022	December 31, 2021
Trade receivables	\$5,396,315	\$5,791,559
Less: loss allowance	(14,238)	(26,286)
Subtotal	<u>5,382,077</u>	<u>5,765,273</u>
Trade receivables from related parties	1,753,148	2,151,913
Less: loss allowance	-	-
Subtotal	<u>1,753,148</u>	<u>2,151,913</u>
Total	<u>\$7,135,225</u>	<u>\$7,917,186</u>

No trade receivables were pledged.

The receivables are generally on 30 to 120 days terms. Please refer to Note 6 (17) for more details on loss allowance of trade receivables for the years ended December 31, 2022 and 2021. Please refer to Note 12 for more details on credit risk.

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(5) Inventories

	December 31, 2022	December 31, 2021
Raw materials	\$999,074	\$967,833
Work in progress	319,274	308,687
Finished goods	50,278	94,953
Total	<u>\$1,368,626</u>	<u>\$1,371,473</u>

The cost of inventories recognized in operating costs for the year ended December 31, 2022 amounted to NT\$23,709,003 thousand, including the reversal gain of inventories of NT\$33,568 thousand, and scrap loss of NT\$65,834 thousand, respectively. The reversal is due to the fact that previous write-down of inventories had been scrapped.

The cost of inventories recognized in operating costs for the year ended December 31, 2021 amounted to NT\$23,407,322 thousand, including the reversal gain of inventories of NT\$18,523 thousand, and scrap loss of NT\$42,674 thousand, respectively. The reversal is due to the fact that previous write-down of inventories had been scrapped.

No inventories were pledged.

(6) Prepayments

	December 31, 2022	December 31, 2021
Prepaid equipment	\$57,877	\$198,251
Prepaid expenses	183,580	57,994
Input tax	106,644	53,913
Others	18,043	15,279
Total	<u>\$366,144</u>	<u>\$325,437</u>

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(7) Investments accounted for using the equity method

	December 31, 2022		December 31, 2021	
	Carrying amount	Percentage of ownership	Carrying amount	Percentage of ownership
Fixwell Technology Corp.	\$60,676	23.33%	\$50,400	23.33%
Wei Jiu Industrial Co., Ltd.	30,372	34.00%	28,726	34.00%
Total	<u>\$91,048</u>		<u>\$79,126</u>	

The Company's investments in Fixwell Technology Corp. and Wei Jiu Industrial Co., Ltd. are not individually material. The summarized financial information of the Company's ownership in those associates is as follows:

	For the years ended December 31	
	2022	2021
Net income	\$24,912	\$22,260
Other comprehensive income, net of tax	-	-
Total comprehensive income	<u>\$24,912</u>	<u>\$22,260</u>

The investments mentioned above were not pledged.

(8) Property, plant and equipment

	December 31, 2022	December 31, 2021
	Owner occupied property, plant and equipment	\$45,787,149
Property, plant and equipment leased out under operating leases	204,296	134,139
Total	<u>\$45,991,445</u>	<u>\$45,576,661</u>

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A. Owner occupied property, plant and equipment

	Land	Buildings and facilities	Plant equipment	Machinery and equipment	Office equipment	Transportation equipment	Miscellaneous equipment	Leasehold improvements	Construction in progress and equipment awaiting examination		Total
									examination	awaiting	
Cost:											
As of January 1, 2022	\$1,651,047	\$5,836,446	\$10,523,745	\$101,568,579	\$845,240	\$60,614	\$6,107,428	\$4,425	\$1,991,992	\$128,589,516	
Additions	-	11,727	641,337	3,748,055	98,278	4,567	403,367	-	4,757,837	9,665,168	
Disposals	-	-	(75,069)	(4,971,162)	(79,254)	(2,443)	(125,522)	-	-	(5,253,450)	
Transfers	9,850	953,346	449,732	2,931,075	2,778	-	146,326	-	(4,642,286)	(149,179)	
Exchange differences	-	23,120	10,291	235,824	1,683	110	25,855	-	3,476	300,359	
As of December 31, 2022	\$1,660,897	\$6,824,639	\$11,550,036	\$103,512,371	\$868,725	\$62,848	\$6,557,454	\$4,425	\$2,111,019	\$133,152,414	
As of January 1, 2021	\$1,146,274	\$4,703,395	\$9,270,901	\$92,792,664	\$766,201	\$56,522	\$5,763,620	\$4,425	\$2,009,292	\$116,513,294	
Additions	504,773	681,743	1,313,586	7,095,953	85,931	8,177	507,473	-	4,935,716	15,133,352	
Disposals	-	(21,214)	(55,895)	(3,433,743)	(8,490)	(4,056)	(239,311)	-	-	(3,762,709)	
Transfers	-	478,659	-	5,179,660	2,040	-	84,568	-	(4,950,212)	794,715	
Exchange differences	-	(6,137)	(4,847)	(65,955)	(442)	(29)	(8,922)	-	(2,804)	(89,136)	
As of December 31, 2021	\$1,651,047	\$5,836,446	\$10,523,745	\$101,568,579	\$845,240	\$60,614	\$6,107,428	\$4,425	\$1,991,992	\$128,589,516	

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	Land	Buildings and facilities	Plant equipment	Machinery and equipment	Office equipment	Transportation equipment	Miscellaneous equipment	Leasehold improvements	Construction in progress and equipment awaiting examination	Total
Accumulated depreciations and impairment:										
As of January 1, 2022	\$-	\$2,193,123	\$6,897,055	\$68,956,323	\$664,925	\$45,804	\$4,386,814	\$2,950	\$-	\$83,146,994
Depreciation	-	224,473	643,892	7,736,580	55,597	4,788	439,512	443	-	9,105,285
Disposals	-	-	(75,069)	(4,628,500)	(79,254)	(2,443)	(125,522)	-	-	(4,910,788)
Transfers	-	(105,538)	63,204	13,880	-	-	(63,339)	-	-	(91,793)
Impairment	-	-	-	-	-	-	-	-	-	-
Exchange differences	-	9,007	(642)	92,225	1,065	77	13,835	-	-	115,567
As of December 31, 2022	\$-	\$2,321,065	\$7,528,440	\$72,170,508	\$642,333	\$48,226	\$4,651,300	\$3,393	\$-	\$87,365,265
As of January 1, 2021	\$-	\$1,987,607	\$6,362,024	\$64,375,903	\$628,781	\$43,540	\$4,152,855	\$2,507	\$-	\$77,553,217
Depreciation	-	206,169	592,812	7,680,174	44,681	5,851	469,558	443	-	8,999,688
Disposals	-	(5,068)	(55,896)	(3,293,691)	(8,206)	(3,559)	(230,246)	-	-	(3,596,666)
Transfers	-	7,537	-	165,520	-	-	(79)	-	-	172,978
Impairment	-	-	-	59,461	-	-	-	-	-	59,461
Exchange differences	-	(3,122)	(1,885)	(31,044)	(331)	(28)	(5,274)	-	-	(41,684)
As of December 31, 2021	\$-	\$2,193,123	\$6,897,055	\$68,956,323	\$664,925	\$45,804	\$4,386,814	\$2,950	\$-	\$83,146,994
Net carrying amount as at:										
December 31, 2022	\$1,660,897	\$4,503,574	\$4,021,596	\$31,341,863	\$226,392	\$14,622	\$1,906,154	\$1,032	\$2,111,019	\$45,787,149
December 31, 2021	\$1,651,047	\$3,643,323	\$3,626,690	\$32,612,256	\$180,315	\$14,810	\$1,720,614	\$1,475	\$1,991,992	\$45,442,522

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B. Property, plant and equipment leased out under operating leases

	Buildings and facilities	Machinery and equipment	Total
Cost:			
As at January 1, 2022	\$168,416	\$250,873	\$419,289
Additions	-	-	-
Disposals	-	-	-
Transfers	150,576	67,348	217,924
Exchange differences	142	-	142
As at December 31, 2022	<u>\$319,134</u>	<u>\$318,221</u>	<u>\$637,355</u>
As at January 1, 2021	\$179,609	\$253,103	\$432,712
Additions	-	-	-
Disposals	-	(5,700)	(5,700)
Transfers	(11,140)	3,470	(7,670)
Exchange differences	(53)	-	(53)
As at December 31, 2021	<u>\$168,416</u>	<u>\$250,873</u>	<u>\$419,289</u>
Accumulated depreciation and impairment:			
As at January 1, 2022	\$108,563	\$176,587	\$285,150
Depreciation	8,577	25,007	33,584
Disposals	-	-	-
Transfers	105,538	8,692	114,230
Exchange differences	95	-	95
As at December 31, 2022	<u>\$222,773</u>	<u>\$210,286</u>	<u>\$433,059</u>
As at January 1, 2021	\$110,378	\$134,836	\$245,214
Depreciation	5,755	25,324	31,079
Disposals	-	(2,565)	(2,565)
Transfers	(7,537)	18,992	11,455
Exchange differences	(33)	-	(33)
As at December 31, 2021	<u>\$108,563</u>	<u>\$176,587</u>	<u>\$285,150</u>
Net carrying amounts as at:			
December 31, 2022	<u>\$96,361</u>	<u>\$107,935</u>	<u>\$204,296</u>
December 31, 2021	<u>\$59,853</u>	<u>\$74,286</u>	<u>\$134,139</u>

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C. Capitalized borrowing costs of property, plant and equipment are as follows:

	For the years ended December 31,	
	2022	2021
Construction in progress	\$43,647	\$43,685
Capitalization rate of borrowing costs	1.02~ 2.95%	0.87~ 1.02%

D. The investing activities partially influenced the cash flow are as follows:

	For the years ended December 31,	
	2022	2021
Acquisition of property, plant and equipment	\$9,665,168	\$15,133,352
Net decrease (increase) in payables to equipment suppliers	724,230	(1,154,976)
Net decrease (increase) in other payables - related parties	2,239	(15,249)
Total	<u>\$10,391,637</u>	<u>\$13,963,127</u>

	For the years ended December 31,	
	2022	2021
Disposal of property, plant and equipment	\$400,823	\$333,988
Net decrease (increase) in other receivables	(1,194)	2,135
Net decrease (increase) in other receivables - related parties	(1,266)	5,455
Total	<u>\$398,363</u>	<u>\$341,578</u>

E. In order to meet the needs of future operation and development, the Company decided to purchase three lots of land and buildings located in Miaoli County for operational use. The total purchase price was NT \$850 million (including tax). As of March 31, 2021, the Company has paid off the total consideration. Transfer of ownership has been completed in April 2021.

In order to meet the needs of future operation and development, the Company decided to acquire the additional floors of the abovementioned buildings for production efficiency improvement. The purchase price was NT \$350 million (including tax). As of March 31, 2021, the Company has paid off the total consideration. Transfer of ownership has been completed in April 2021.

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F. As of December 31, 2021, the Company recognized an impairment loss of NT\$59,461 thousand, for certain machinery and equipment which were either damaged or idle and could no longer be used. No such transaction occurred in 2022.

G. Please refer to Note 8 for property, plant and equipment under pledges.

(9) Intangible assets

	<u>Software</u>
Cost:	
As of January 1, 2022	\$286,379
Additions from acquisitions	8,875
Disposals	(39,551)
Exchange differences	911
As of December 31, 2022	<u>\$256,614</u>
As of January 1, 2021	\$320,090
Additions from acquisitions	36,793
Disposals	(70,163)
Exchange differences	(341)
As of December 31, 2021	<u>\$286,379</u>
Amortization and impairment:	
As of January 1, 2022	\$212,780
Amortization	43,316
Disposals	(39,551)
Exchange differences	834
As of December 31, 2022	<u>\$217,379</u>
As of January 1, 2021	\$233,648
Amortization	49,593
Disposals	(70,163)
Exchange differences	(298)
As of December 31, 2021	<u>\$212,780</u>

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	<u>Software</u>
Net carrying amount as of:	
December 31, 2022	\$39,235
December 31, 2021	\$73,599

Amortization expenses of intangible assets recognized are as follows:

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Operating costs	\$15,438	\$19,775
Selling and administrative expenses	22,472	23,357
Research and development expenses	5,406	6,461
Total	\$43,316	\$49,593

(10) Short-term loan

	<u>Interest Rates</u>	<u>December 31,</u>	<u>December 31,</u>
	(%)	2022	2021
Unsecured bank loans	2.80~3.75%	\$1,023,149	\$566,856

The Company's unused short-term lines of credits amounted to NT\$8,452,791 thousand and NT\$7,497,900 thousand as at December 31, 2022 and 2021, respectively.

(11) Other current liabilities

	<u>December 31,</u>	<u>December 31,</u>
	2022	2021
Refund liabilities	\$450,819	\$398,110
Receipts on behalf of others	692,493	482,752
Others	8,537	3,786
Total	\$1,151,849	\$884,648

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(12) Long-term borrowings

As of December 31, 2022

Lenders	Nature	Maturity Date	Balance	Terms of repayment
Shanghai Commercial Bank	Unsecured bank loans	2025.03.10	\$522,070	Revolving Credit
Standard Chartered Bank	Unsecured bank loans	2024.06.30	92,130	Revolving Credit
Bank of China	Unsecured bank loans	2024.10.14	952,010	Revolving Credit
Cathay United Bank	Unsecured bank loans	2024.12.25	460,650	Revolving Credit
Mizuho Bank	Unsecured bank loans	2024.05.31	307,100	Revolving Credit
Taiwan Business Bank	Unsecured bank loans	2024.04.06	491,360	Revolving Credit
Land Bank of Taiwan	Unsecured bank loans	2024.02.08	307,100	Revolving Credit
HSBC Taiwan Bank	Unsecured bank loans	2025.09.30	644,910	Revolving Credit
HSBC Taiwan Bank	Unsecured bank loans	2024.12.20	912,983	50% of principal will be repaid on December 21, 2023. The remaining principal will be repaid on maturity day.
HSBC Taiwan Bank	Unsecured bank loans	2024.12.02	8,788	Repay at maturity
Far Eastern Bank	Unsecured bank loans	2025.06.23	100,000	Repay at maturity
Mega Bank	Unsecured bank loans	2025.03.15	11,753	50% of principal will be repaid on September 15, 2024. The remaining principal will be repaid on maturity day.
Chang Hwa Commercial Bank	Unsecured bank loans	2027.04.12	80,541	The principal will be repaid in 5 semi-annual payments starting from April 12, 2025.

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Lenders	Nature	Maturity Date	Balance	Terms of repayment
Taipei Fubon Commercial Bank	Unsecured bank loans	2025.01.21	29,746	50% of principal will be repaid on July 21, 2024. The remaining principal will be repaid on maturity day.
First Bank	Unsecured bank loans	2026.07.01	921,300	75% of principal will be repaid in 3 annual payments starting from January 1, 2024. The remaining principal will be repaid on maturity day.
Yuanta Commercial Bank	Unsecured bank loans	2025.06.22	900,868	50% of principal will be repaid on December 22, 2024. The remaining principal will be repaid on maturity day.
E. Sun Bank	Unsecured bank loans	2025.12.26	74,058	Repayable semi-annually starting from December 27, 2023.
KGI Bank	Unsecured bank loans	2024.07.15	80,000	The principal will be repaid in 5 semi-annual payments starting from July 15, 2022.
O Bank	Unsecured bank loans	2025.02.07	128,571	The principal will be repaid in 7 semi-annual payments starting from February 7, 2022.
Chang Hwa Commercial Bank	Unsecured bank loans	2025.01.20	278,000	The principal will be repaid in 5 semi-annual payments starting from January 20, 2023.
Bank of Taiwan	Unsecured bank loans	2026.10.20	600,000	50% of principal will be repaid on April 20, 2025. The remaining principal will be repaid on maturity day.
First Bank	Unsecured bank loans	2025.01.20	358,199	The principal will be repaid in 5 semi-annual payments starting from July 20, 2022.
JihSun Bank	Unsecured bank loans	2024.03.12	250,000	50% of principal will be repaid on September 12, 2023. The remaining principal will be repaid on maturity day.

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Lenders	Nature	Maturity Date	Balance	Terms of repayment
Mega Bank and 13 others (Note)	Unsecured bank loans	2025.10.12	7,120,000	25% of principal will be repaid on April 12, 2024. The remaining principal will be repaid on maturity day.
Mega Bank and 13 others (Note)	Commercial paper loans	2025.10.11	4,880,000	Revolving credit. Renewable every three months. Credit has not been fully utilized.
Bank of China (King Long)	Unsecured bank loans	2029.05.30	2,078,275	Repayable in 10 semi-annual instalments from November 29, 2024.
China Construction Bank (King Long)	Unsecured bank loans	2027.07.28	1,187,709	Repayable in 10 semi-annual instalments from December 10, 2022.
China Construction Bank (King Long)	Unsecured bank loans	2027.09.28	739,219	Repayable in 10 semi-annual instalments from April 10, 2023.
Taishin Bank (King Long)	Unsecured bank loans	2024.12.27	307,136	Repayable in 4 semi-annual instalments from June 27, 2023.
Chang Hwa Commercial Bank (King Long)	Unsecured bank loans	2023.04.23	307,136	Repay at maturity
CTBC Bank (King Long)	Unsecured bank loans	2023.05.08	84,462	Repayable in 4 semi-annual instalments of US\$750 thousand (except for the last payment which is US\$2,750 thousand) from November 8, 2021.
China Bank (Zhengkuan)	Unsecured bank loans	2030.07.08	77,652	Repayable in 12 semi-annual instalments from January 31, 2025.
Subtotal			25,293,726	
Less: current portion			(805,353)	
Less: arrangement fee			(13,965)	
Less: unamortized discount			(9,425)	
Total			\$24,464,983	
Interest Rates			1.51%~6.08%	

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Lenders	Nature	Maturity Date	Balance	Terms of repayment
Shanghai Commercial Bank	Unsecured bank loans	2023.03.27	\$40,151	Revolving Credit
Shanghai Commercial Bank	Unsecured bank loans	2024.03.15	885,760	Revolving Credit
Standard Chartered Bank	Unsecured bank loans	2023.06.30	332,160	Revolving Credit
Citibank	Unsecured bank loans	2023.11.22	138,400	Revolving Credit
Bank of China	Unsecured bank loans	2023.10.14	968,800	Revolving Credit
Cathay United Bank	Unsecured bank loans	2023.12.25	442,880	Revolving Credit
Mizuho Bank	Unsecured bank loans	2024.01.01	500,000	Revolving Credit
Shin Kong Commercial Bank	Unsecured bank loans	2024.12.15	138,400	Revolving Credit
Taiwan Business Bank	Unsecured bank loans	2023.04.07	276,800	Revolving Credit
Hua Nan Commercial Bank	Unsecured bank loans	2023.04.09	138,400	Revolving Credit
Mega Bank	Unsecured bank loans	2023.04.28	138,400	Revolving Credit
Taishin Bank	Unsecured bank loans	2025.06.03	1,106,636	Revolving Credit
HSBC Taiwan Bank	Unsecured bank loans	2024.09.28	110,720	Revolving Credit
HSBC Taiwan Bank	Unsecured bank loans	2024.12.20	58,967	50% of principal will be repaid on December 21, 2023. The remaining principal will be repaid on maturity day.
HSBC Taiwan Bank	Unsecured bank loans	2024.12.02	7,920	Repay at maturity

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Lenders	Nature	Maturity Date	Balance	Terms of repayment
First Bank	Unsecured bank loans	2026.07.01	830,400	75% of principal will be repaid in 3 annual payments starting from January 1, 2024. The remaining principal will be repaid on maturity day.
Yuanta Commercial Bank	Unsecured bank loans	2025.06.22	811,983	50% of principal will be repaid on December 22, 2024. The remaining principal will be repaid on maturity day.
E. Sun Commercial Bank	Unsecured bank loans	2025.12.26	34,649	Repayable semi-annually starting from December 27, 2023.
KGI Bank	Unsecured bank loans	2024.07.15	240,000	The principal will be repaid in 5 semi-annual payments starting from July 15, 2022.
O Bank	Unsecured bank loans	2025.02.07	171,429	The principal will be repaid in 7 semi-annual payments starting from February 7, 2022.
Mega Bank	Unsecured bank loans	2025.02.07	680,000	50% of principal will be repaid on August 7, 2023. The remaining principal will be repaid on maturity day.
Chang Hwa Commercial Bank	Unsecured bank loans	2025.01.20	556,000	The principal will be repaid in 5 semi-annual payments starting from January 20, 2023.
Bank of Taiwan	Unsecured bank loans	2024.01.20	600,000	50% of principal will be repaid on July 20, 2022. The remaining principal will be repaid on maturity day.
First Bank	Unsecured bank loans	2025.01.20	814,398	The principal will be repaid in 5 semi-annual payments starting from January 20, 2022.
Far Eastern Bank	Unsecured bank loans	2023.02.07	600,000	Repay at maturity
CTBC Bank	Unsecured bank loans	2024.02.07	300,000	50% of principal will be repaid on August 7, 2023. The remaining principal will be repaid on maturity day.

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Lenders	Nature	Maturity Date	Balance	Terms of repayment
JihSun Bank	Unsecured bank loans	2024.03.12	500,000	50% of principal will be repaid on September 12, 2023. The remaining principal will be repaid on maturity day.
Mega Bank and 17 others (Note)	Commercial paper loans	2023.12.06	2,500,000	Revolving credit. Renewable every three months. Credit has not been fully utilized.
Mega Bank and 13 others (Note)	Commercial paper loans	2025.10.11	7,380,000	Revolving credit. Renewable every three months. Credit has not been fully utilized.
Bank of Taiwan and 6 others (King Long)	Secured bank loans	2024.02.01	1,485,029	Repayable in 6 semi-annual instalments from August 01, 2021.
Bank of Taiwan and 8 others (King Long)	Secured bank loans	2025.01.05	710,438	Repayable in 6 semi-annual instalments from July 05, 2022.
Shanghai Commercial Bank (King Long)	Unsecured bank loans	2022.05.23	69,180	Repayable in 4 semi-annual instalments from December 5, 2020.
Taishin Bank (King Long)	Unsecured bank loans	2022.05.29	69,180	Repayable in 4 semi-annual instalments from December 5, 2020.
Taishin Bank (King Long)	Unsecured bank loans	2024.12.27	276,720	Repayable in 4 semi-annual instalments from June 27, 2023.
Bank of Taiwan (King Long)	Unsecured bank loans	2022.07.17	177,891	Repayable in 7 quarterly instalments from January 17, 2021.
Shin Kong Commercial Bank (King Long)	Unsecured bank loans	2022.07.17	184,480	Repayable in 3 semi-annual instalments from July 17, 2021.
Yuanta Commercial Bank (King Long)	Unsecured bank loans	2022.08.12	138,360	Repayable in 6 quarterly instalments from May 30, 2021.
O Bank (King Long)	Unsecured bank loans	2022.10.10	46,120	Repayable in 6 semi-annual instalments from April 29, 2020.
E. Sun Bank (King Long)	Unsecured bank loans	2022.10.11	138,360	Repayable in 4 semi-annual instalments from April 30, 2021.

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Lenders	Nature	Maturity Date	Balance	Terms of repayment
Fubon Bank (King Long)	Unsecured bank loans	2022.11.27	46,489	After paying US\$480 thousand on May 28, 2021, repayable in 6 quarterly instalments.
Taiwan Cooperative Commercial Bank (King Long)	Unsecured bank loans	2022.12.16	158,125	Repayable in 7 quarterly instalments from June 16, 2021.
HSBC Bank (King Long)	Unsecured bank loans	2022.12.17	166,032	Repayable in 5 semi-annual instalments from December 31, 2020.
Chang Hwa Commercial Bank (King Long)	Unsecured bank loans	2023.04.23	415,079	Repay at maturity
CTBC Bank (King Long)	Unsecured bank loans	2023.05.08	117,606	Repayable in 4 semi-annual instalments of US\$750 thousand (except for the last payment which is US\$2,750 thousand) from November 8, 2021.
Shanghai Commercial Bank (Zhengkuan)	Unsecured bank loans	2022.11.07	69,180	Repayable in 4 semi-annual instalments from May 7, 2022.
Subtotal			25,571,522	
Less: current portion			(2,017,322)	
Less: arrangement fee			(21,458)	
Less: unamortized discount			(15,497)	
Total			\$23,517,245	
Interest Rates			0.50%~4.65%	

Note: Certain property, plant and equipment were pledged. Please refer to Note 8 for more details.

a. Please refer to Note 9 for the financial covenants during the loan period.

(13) Post-employment benefits

Defined contribution plan

The Company adopted a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. The Company has made monthly contribution of 6% of each individual employee's salaries or wages to employee's pension accounts.

Subsidiaries located in the People's Republic of China will contribute social welfare benefits based on a certain percentage of employee's salaries or wages to the employee's individual pension accounts.

Pension benefits for employees of overseas subsidiaries and branches are provided in accordance with the local regulations.

Pension expenses under the defined contribution plan for the years ended December 31, 2022 and 2021 were NT\$403,109 thousand and NT\$338,317 thousand, respectively.

Defined benefit plan

The Company adopts a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company contributes an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company assesses the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company will make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandation, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor

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establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statements shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Company expects to contribute NT\$17,555 thousand to its defined benefit plan during the 12 months beginning after December 31, 2022.

The maturities of the defined benefits plan as at December 31, 2022 and 2021 are in 2058 and 2052, respectively.

Pension costs recognized in profit or loss for the years ended December 31, 2022 and 2021.

	For the years ended December 31,	
	2022	2021
Current period service costs	\$5,819	\$5,791
Interest income or expense	4,149	2,266
Overestimate (underestimate)	(52)	19
Total	<u>\$9,916</u>	<u>\$8,076</u>

Changes in the defined benefit obligation and fair value of plan assets are as follows:

	For the years ended December 31,	
	2022	2021
Defined benefit obligation	\$969,496	\$902,431
Plan assets at fair value	<u>(311,652)</u>	<u>(292,209)</u>
Other non-current liabilities - accrued pension liabilities recognized on the consolidated balance sheets	<u>\$657,844</u>	<u>\$610,222</u>

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Reconciliation of liability (asset) of the defined benefit plan is as follows:

	Defined benefit obligation	Fair value of plan assets	Benefit liability (asset)
As at January 1, 2021	\$849,561	\$(283,105)	\$566,456
Current period service costs	5,791	-	5,791
Net interest expense (income)	3,398	(1,132)	2,266
Subtotal	858,750	(284,237)	574,513
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	(2,110)	-	(2,110)
Actuarial gains and losses arising from changes in financial assumptions	31,335	-	31,335
Experience adjustments	28,135	-	28,135
Return on plan assets	-	(3,992)	(3,992)
Subtotal	57,360	(3,992)	53,368
Payments from the plan	(13,679)	13,679	-
Contributions by employer	-	(17,659)	(17,659)
As at December 31, 2021	\$902,431	\$(292,209)	\$610,222
Current period service costs	5,819	-	5,819
Net interest expense (income)	6,136	(1,987)	4,149
Subtotal	914,386	(294,196)	620,190
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	4,358	-	4,358
Actuarial gains and losses arising from changes in financial assumptions	39,446	-	39,446
Experience adjustments	33,102	-	33,102
Return on plan assets	-	(21,696)	(21,696)
Subtotal	76,906	(21,696)	55,210

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	Defined benefit obligation	Fair value of plan assets	Benefit liability (asset)
Payments from the plan	(21,796)	21,796	-
Contributions by employer	-	(17,556)	(17,556)
As at December 31, 2022	\$969,496	\$(311,652)	\$657,844

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	December 31, 2022	December 31, 2021
Discount rate	1.41%	0.68%
Expected rate of salary increases	3.00%	2.00%

A sensitivity analysis for significant assumption as at December 31, 2022 and 2021 is shown as below:

	Effect on the defined benefit obligation			
	2022		2021	
	Increase in defined benefit obligation	Decrease in defined benefit obligation	Increase in defined benefit obligation	Decrease in defined benefit obligation
Discount rate increase by 0.5%	\$-	\$(75,998)	\$-	\$(70,995)
Discount rate decrease by 0.5%	84,013	-	78,279	-
Future salary increase by 0.5%	82,231	-	76,821	-
Future salary decrease by 0.5%	-	(75,228)	-	(70,449)

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

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(14) Equity

A. Share capital

As of December 31, 2022 and 2021, KYEC's authorized share capital was both NT\$15,000,000 thousand; issued share capital was both NT\$12,227,451 thousand (1,222,745 thousand shares), with par value of NT\$10 per share. Each share has one voting right and a right to receive dividends.

B. Capital surplus

	December 31, 2022	December 31, 2021
Additional paid-in capital	\$333,919	\$333,919
Arising from conversion of bonds	3,588,848	3,588,848
Treasury share transactions	390,101	390,101
Arising from the exercise of employee restricted shares	30,755	30,755
Changes in ownership interests in subsidiaries	610,236	541,511
Total	<u>\$4,953,859</u>	<u>\$4,885,134</u>

According to the Company Act, the capital surplus shall not be used except for offset the deficit of the company. When a company incurs no loss, it may distribute the capital surplus generated from the excess of the issuance price over the par value of share capital and donations. The distribution could be made in cash to its shareholders in proportion to the number of shares being held by each of them.

C. Retained earnings and dividend policy

According to KYEC's Articles of Incorporation, net profits for each fiscal year, if any, shall be distributed in following order:

- a. reserve for tax payments;
- b. offset prior year's losses;
- c. set aside 10% of the remaining amount after deducting items (a) and (b) as legal reserve;

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- d. set aside or reverse special reserve in accordance with law and regulations; and
- e. the distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

The policy of dividend distribution should reflect factors such as the current and future investment environment, fund requirements, domestic and international competition and capital budgets; as well as the interest of the shareholders, share bonus equilibrium and long-term financial planning, etc. The Board of Directors shall make the distribution proposal annually and present it at the shareholders' meeting. As the Company currently is still in the growth stage, funding may be required in the near future for expansion. Therefore, the current policy is to distribute cash dividends at no less than 20% of total dividends to be distributed.

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total authorized capital. The legal reserve can be used to offset the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal reserve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

Pursuant to existing regulations, the Company is required to set aside additional special reserve equivalent to the net debit balance of the other components of shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

Following the adoption of TIFRS, the FSC on April 6, 2012 issued Order No. Financial-Supervisory-Securities-Corporate-1010012865, which sets out the following provisions for compliance:

On a public company's first-time adoption of the TIFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded in shareholders' equity that the Company elects to transfer to retained earnings by application of the exemption under IFRS 1, the Company shall set aside an equal amount of special reserve. Following a company's adoption of the TIFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, an amount

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equal to “other net deductions from shareholders’ equity” for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements in the preceding point, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders’ equity. For any subsequent reversal of other net deductions from shareholders’ equity, the amount reversed may be distributed.

As of December 31, 2022 and 2021, special reserve set aside for the first-time adoption of TIFRS amounted to NT\$201,416 thousand.

The appropriations for earnings for 2021 were resolved by the shareholders in its meeting on June 29, 2022 while the proposed appropriation of earnings for 2022 were approved by Board of Directors on March 2, 2023. The appropriations and dividends per share were as follows:

	Appropriation of earnings		Dividend per share (NT\$)	
	2022	2021	2022	2021
Legal reserve	\$678,140	\$479,555		
Cash dividends-common stock	4,279,608	3,688,235	\$3.50	\$3.00

On August 3, 2021, the shareholders’ meeting resolved to debit capital surplus by NT\$244,549 thousand and distribute the same amounts of cash to shareholders.

Please refer to Note 6(19) for information regarding the employees’ compensations (bonuses) and remunerations to directors.

D. Non-controlling interests

	For the years ended December 31,	
	2022	2021
Beginning balance	\$693,893	\$7,005
Net gain attributable to non-controlling interests	145,481	59,196
Other comprehensive income, attributable to non-controlling interests, net of tax:		
Exchange differences resulting from translating the financial statements of foreign operations	10,460	986
Changes in ownership interests in subsidiaries	5,605	626,706
Ending balance	\$855,439	\$693,893

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(15) Share-based payment plans

Certain employees of the Company are entitled to share-based payment awards as part of their remuneration. Services are provided by the employees in return for the equity instruments granted. These plans are accounted for as equity-settled share-based payment transactions.

Restricted stocks plan for employees of subsidiaries

A. On September 28, 2022, the Board of Directors of King Long Technology (Suzhou) Ltd., (“King Long”) resolved to issue restricted stocks of 5,461,000 units to qualified employees with exercise price of RMB\$1 per unit. Restrictions and vesting conditions of restricted stocks for employees are as follows:

- (a) To issue registered capital of King Long with each unit.
- (b) After the grant date, employee’s shall remain employed by the Company for at least 5 years and achieve the specified personal performance goals during the vesting period. Restricted stocks will vest by 40%, 70%, 90%, 97%, and 100% on the first, second, third, fourth and fifth anniversary after the grant date, respectively. The unvested portions will be purchased back by King Long.
- (c) During the vesting period, employees may not sell, pledge, transfer, give to another person, create any encumbrance on, or otherwise dispose of, restricted employee stocks, excluding inheritance.
- (d) The voting rights of restricted stocks shall be exercised by a trust or a centralized custodian institution in accordance with the contract.
- (e) The fair value information of restricted stocks for employees is as follows:

Grant date	Cut-off date of lock-up period	Total units of restricted stocks issued	Total unit outstanding	Fair value per unit
2022.10.08	2027.10.07	5,461,000	5,461,000	CNY\$10.54

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The compensation cost was recognized under the fair value method and the Black-Scholes Option Pricing model was used to estimate the fair value of options granted. The estimated compensation expenses amounted to NT\$223,855 thousand in total based on the vesting conditions and will be recognized during the vesting period.

Assumptions used in calculating the fair value are disclosed as follows:

	<u>Restricted stocks for employees</u>
Expected volatility (%)	30.67%
Risk free interest rate (%)	1.78%
Expected life (Years)	5 years

The expected life of the restricted stocks is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the restricted is indicative of future trends, which may also not necessarily be the actual outcome.

- B. On May 17, 2021, the Board of Directors of King Long Technology (Suzhou) Ltd., (“King Long”) resolved to issue restricted stocks of 12,502,187 units and 22,282,749 units to qualified employees with exercise price of RMB\$4.18 and RMB\$7.42 per unit, respectively. Restrictions and vesting conditions of restricted stocks for employees are as follows:
- (a) To issue registered capital of King Long with each unit.
 - (b) During the vesting period, employees may not sell, pledge, transfer, give to another person, create any encumbrance on, or otherwise dispose of, restricted employee stocks, excluding inheritance.
 - (c) The voting rights of restricted stocks shall be exercised by a trust or a centralized custodian institution in accordance with the contract.
 - (d) Employee's continuous employment with King Long through the vesting dates, with no violation on any terms of the King Long’s employment agreement, employee policies, are eligible to receive the vested shares.

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(e) The fair value information of restricted stocks for employees is as follows:

Grant date	Cut-off date of lock-up period	Total units of restricted stocks issued	Total unit outstanding	Fair value per share
2021.05.20	2026.05.19	34,784,936	34,784,936	CNY\$7.38

The compensation cost was recognized under the fair value method and the Black-Scholes Option Pricing model was used to estimate the fair value of options granted. The estimated compensation expenses amounted to NT\$173,162 thousand in total based on the vesting conditions and will be recognized during the vesting period.

Assumptions used in calculating the fair value are disclosed as follows:

	<u>Restricted stocks for employees</u>
Expected volatility (%)	44.88%
Risk free interest rate (%)	0.08%
Expected life (Year)	5 years

The expected life of the restricted stocks is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the restricted is indicative of future trends, which may also not necessarily be the actual outcome.

Share-based compensation expenses recognized for employee services received are shown in the following table:

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Restricted stocks for employees	<u>\$74,414</u>	<u>\$20,452</u>

The Company did not modify or cancel any share-based payment plans for the years ended December 31, 2022 and 2021.

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(16) Operating revenue

	For the years ended December 31,	
	2022	2021
Assembly and testing processing revenue	\$30,876,006	\$29,660,396
Revenue from rental of machinery	3,692,860	2,555,932
Rental income from property	30,538	25,237
Other operating revenue	2,182,592	1,517,824
Total revenue	<u>\$36,781,996</u>	<u>\$33,759,389</u>

Relevant information of revenue from contracts with customers for the years ended December 31, 2022 and 2021 are as follows:

A. Disaggregation of revenue

Nature of revenue	Timing of revenue recognition	For the years ended December 31,	
		2022	2021
Rendering of services	Over time	\$30,876,006	\$29,660,396
Revenue from rental of machinery	Over time	3,692,860	2,555,932
Rental income from property	On a straight-line basis or on a systematic basis (Note)	30,538	25,237
Other operating revenue	At a point in time	2,182,592	1,517,824
Total		<u>\$36,781,996</u>	<u>\$33,759,389</u>

Note: Please refer to Note 6(18) for information regarding leases.

B. Contract balances

(a) Contract assets – current

Nature of revenue	December 31, 2022	December 31, 2021	January 1, 2021
Rendering of services	<u>\$153,753</u>	<u>\$178,880</u>	<u>\$202,972</u>

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Please refer to Note 6(17) for more details on effect of impairment. Relevant information of revenue from contracts with customers for the years ended December 31, 2022 and 2021 are as follows:

	For the years ended December 31,	
	2022	2021
The opening balance transferred to trade receivables	\$178,880	\$202,972
Degree of completion measurement	\$153,753	\$178,880

(b)Contract liabilities - current

Nature of revenue	December 31, 2022	December 31, 2021	January 1, 2021
Revenue from rental of machinery	\$-	\$-	\$11,591
Assembly and testing processing revenue	156,639	154,167	70,512
Other operating revenue	-	2,857	147,500
Total	\$156,639	\$157,024	\$229,603

The difference of the beginning and ending balances is the net effect of the various revenue contracts signed before the opening date and the assumption of the new performance obligations for new contracts signed as of the ending date.

(17)Expected credit losses

Operating expenses - expected credit losses

	For the years ended December 31,	
	2022	2021
Contract assets	\$-	\$-
Notes receivable	-	-
Trade receivables	3,222	645
Other receivables	241	-
Total	\$3,463	\$645

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Please refer to Note 12 for more details on credit risk.

The Company measures the loss allowance of its contract assets and receivables (including notes receivable and trade receivables) at an amount equal to lifetime expected credit losses. The assessment of the Company's loss allowance as at December 31, 2022 and 2021 are as follows:

- A. The gross carrying amount of contract assets is NT\$153,753 thousand and NT\$178,880 thousand, respectively. Expected credit loss ratio is estimated to be 0%.
- B. The Company considers the grouping of trade receivables by counterparties' credit ratings, geographical regions and industry sectors. Loss allowance is measured by using a provision matrix. Details are as follows:

As at December 31, 2022

Group 1	Not yet due	Overdue				Total
	(Note)	1-90 days	91-180 days	181-365 days	>366 days	
Gross carrying amount	\$6,936,915	\$195,218	\$10,050	\$4,759	\$-	\$7,146,942
Loss ratio	-%	-%	1%	2%	5%	
Lifetime expected credit losses	(4,304)	-	(100)	(95)	-	(4,499)
Subtotal	6,932,611	195,218	9,950	4,664	-	7,142,443

Group 2	Not yet due	Overdue				Total
	(Note)	1-90 days	91-180 days	181-365 days	>366 days	
Gross carrying amount	2,413	-	-	307	7,019	9,739
Loss ratio	100%	-%	-%	100%	100%	
Lifetime expected credit losses	(2,413)	-	-	(307)	(7,019)	(9,739)
Subtotal	-	-	-	-	-	-
Total						\$7,142,443

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As at December 31, 2021

Group 1	Not yet due	Overdue				Total
	(Note)	1-90 days	91-180 days	181-365 days	>366 days	
Gross carrying amount	\$7,841,319	\$84,082	\$5,227	\$1,373	\$20	\$7,932,021
Loss ratio	-%	-%	1%	2%	5%	
Lifetime expected credit losses	(7,049)	-	(52)	(27)	(1)	(7,129)
Subtotal	7,834,270	84,082	5,175	1,346	19	7,924,892

Group 2	Not yet due	Overdue				Total
	(Note)	1-90 days	91-180 days	181-365 days	>366 days	
Gross carrying amount	171	217	-	1,097	17,672	19,157
Loss ratio	100%	-%	-%	100%	100%	
Lifetime expected credit losses	(171)	(217)	-	(1,097)	(17,672)	(19,157)
Subtotal	-	-	-	-	-	-
Total						<u>\$7,924,892</u>

Note: The Company's notes receivable are not overdue.

The movement in the provision for impairment of contract assets, notes receivable, and trade receivables for the years ended December 31, 2022 and 2021 is as follows:

	Contract assets	Notes receivable	Trade receivables	Other receivables
Beginning balance at January 1, 2022	\$-	\$-	\$26,286	\$23,149
Addition for the current period	-	-	3,222	241
Write off (Note)	-	-	(15,275)	(22,946)
Effect of changes in exchange rate	-	-	5	-
Ending balance as at December 31, 2022	<u>\$-</u>	<u>\$-</u>	<u>\$14,238</u>	<u>\$444</u>

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	<u>Contract assets</u>	<u>Notes receivable</u>	<u>Trade receivables</u>	<u>Other receivables</u>
Beginning balance at January 1, 2021	\$-	\$-	\$25,180	\$23,149
Addition for the current period	-	-	645	-
Effect of changes in exchange rate	-	-	461	-
Ending balance as at December 31, 2021	<u>\$-</u>	<u>\$-</u>	<u>\$26,286</u>	<u>\$23,149</u>

Note: Although the Company wrote off the financial assets during 2022, collection activities are still underway.

(18) Leases

A. The Company as a lessee

The Company leases land and buildings with lease terms ranging from 4 to 58 years. At the end of the lease terms, the Company does not have the purchase option to acquire the leasehold land and buildings.

The Company leases machinery and equipment for operational use with lease terms of 2 years. The Company has purchase options to acquire leasehold machinery and equipment at the end of the lease terms.

The Company leases transportation equipment for operational use with lease terms of 3 years. The Company has purchase options to acquire leasehold transportation equipment at the end of the lease terms.

The effect that leases have on the financial position, financial performance and cash flows of the Company are as follows:

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a. Amounts recognized in the balance sheet

(a) Right-of-use assets

The carrying amount of right-of-use assets

	December 31, 2022	December 31, 2021
Land	\$611,878	\$554,903
Buildings	28,757	36,949
Machinery and equipment	-	72,922
Transportation equipment	10,661	13,122
Total	<u>\$651,296</u>	<u>\$677,896</u>

During the years ended December 31, 2022 and 2021, the Company's additions to right-of-use assets amounted to NT\$76,557 thousand and NT\$24,275 thousand, respectively.

During the year ended December 31, 2022 and 2021, the Company exercised the purchase option and transfer the right-of-use assets to machinery and equipment amounted to NT\$67,313 thousand and NT\$538,273 thousand, respectively.

(b) Lease liabilities

	December 31, 2022	December 31, 2021
Lease liabilities- current	\$29,342	\$92,050
Lease liabilities- non-current	465,796	492,615
Total	<u>\$495,138</u>	<u>\$584,665</u>

Please refer to Note 6 (20)C for the interest on lease liabilities recognized during the years ended December 31, 2022 and 2021, and refer to Note 12 (3) section E Liquidity Risk Management for the maturity analysis for lease liabilities as at December 31, 2022 and 2021.

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b. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	For the years ended December 31,	
	2022	2021
Land	\$22,008	\$20,853
Buildings	9,442	6,069
Machinery and equipment	5,609	103,436
Transportation equipment	2,460	1,640
Total	<u>\$39,519</u>	<u>\$131,998</u>

c. Income and costs relating to leasing activities

	For the years ended December 31,	
	2022	2021
The expenses relating to short-term leases	\$232,359	\$100,462
The expenses relating to leases of low-value assets (not including the expenses relating to short-term leases of low-value assets)	5,252	4,805
Total	<u>\$237,611</u>	<u>\$105,267</u>

d. Cash outflows relating to leasing activities

During the years ended December 31, 2022 and 2021, the Company's total cash outflows for leases amounted to NT\$338,792 thousand and NT\$427,287 thousand, respectively.

e. Other information relating to leasing activities

Extension and termination options

Some of the Company's property rental agreements contain extension and termination options. In determining the lease terms, the non-cancellable period for which the Company has the right to use an underlying asset, together with periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Company is reasonably

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certain not to exercise that option. These options are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Company.

After the commencement date, the Company reassesses the lease term upon the occurrence of a significant event or a significant change in circumstances that is within the control of the lessee and affects whether the Company is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

B. The Company as a lessor

The Company entered into commercial property leases with remaining terms between one to two years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Lease income for operating leases		
Income relating to fixed lease payments and variable lease payments that depend on an index or a rate	<u>\$30,538</u>	<u>\$25,237</u>

Please refer to Note 6 (8) for relevant disclosure of property, plant and equipment for operating leases under IFRS 16. For operating leases entered by the Company, the undiscounted lease payments to be received and a total of the amounts for the remaining years as at December 31, 2022 and 2021 are as follow:

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Not later than one year	\$28,411	\$17,175
Later than one year and not later than five years	9,224	347
Later than 5 years	1,832	-
Total	<u>\$39,467</u>	<u>\$17,522</u>

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(19) Summary statement of employee benefits, depreciation and amortization expenses by function for the years ended December 31, 2022 and 2021:

	For the years ended December 31,					
	2022			2021		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	\$5,693,250	\$1,518,392	\$7,211,642	\$5,399,164	\$1,422,375	\$6,821,539
Labor and health insurance	452,858	78,172	531,030	443,706	79,745	523,451
Pension	315,377	97,648	413,025	262,216	84,177	346,393
Remuneration of directors	-	74,630	74,630	-	56,934	56,934
Other employee benefits expense	233,051	43,161	276,212	261,467	45,543	307,010
Total	\$6,694,536	\$1,812,003	\$8,506,539	\$6,366,553	\$1,688,774	\$8,055,327
Depreciation	\$8,363,833	\$814,555	\$9,178,388	\$8,279,561	\$883,204	\$9,162,765
Amortization	\$15,438	\$27,878	\$43,316	\$19,775	\$29,818	\$49,593

In accordance with the Articles of Incorporation, no higher than 1% of the profit of the current year is distributable as remuneration to directors (including independent directors). However, the Company's accumulated losses shall have been covered (if any). The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. In addition, according to the Company's Articles of Incorporation, the remuneration paid to directors (including independent directors) is determined based on the Company's overall operating performance with consideration of the contribution of each director to the Company and reference to industry norm. The remuneration proposal shall be approved by more than half members of the Compensation Committee and submitted to the Board of Directors for further approval.

According to the Company's Articles of Incorporation and the Company Law, the remuneration of the Company's executives is determined based on the positions of the executives, contribution to the Company's operations, individual performance, and consideration of the Company's future risk and reference to the industry norm. The

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remuneration is to be reviewed by the Compensation Committee for its plausibility and submitted to the Board of Directors for resolution.

The employee's compensation policy of the Company takes into account various factors such as individual's salary, rank, and performance evaluation, the industry norm and the Company's operating results, etc.

In accordance with the Articles of Incorporation, 8% to 10% of profit of the current year is distributable as employees' compensation and no higher than 1% of profit of the current year is distributable as remuneration to directors. However, KYEC's accumulated losses shall have been covered (if any). KYEC may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on profit of current period, KYEC estimated the amounts of the employees' compensation and remuneration to directors for the year ended December 31, 2022 to be 8% of profit of current period (or NT\$746,296 thousand) and 0.8% of profit of current period (or NT\$74,630 thousand), respectively, which were recognized as salary expense. If the Board of Directors resolved to distribute employees' compensation in the form of stocks, then the number of stocks distributed is calculated based on the closing price one day prior to the date of resolution. If the estimated amounts differ from the actual distribution resolved by the Board of Directors, the difference will be recognized in the profit or loss in the subsequent year. A resolution was passed at a Board of Directors meeting held on March 2, 2023 to distribute NT\$746,296 thousand and NT\$74,630 thousand in cash as employees' compensation and remuneration to directors, respectively, which were consistent with the estimated amounts recognized for the year ended December 31, 2022.

Actual distribution of employees' compensation and remuneration to directors of 2021 amounted to NT\$569,336 thousand and NT\$56,934 thousand, respectively. No material differences exist between the estimated amount and the actual distribution of the employee compensation and remuneration to directors for the year ended 31 December 2021.

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(20) Non-operating income and expenses

A. Other income

	For the years ended December 31,	
	2022	2021
Dividend income	\$96,288	\$85,016
Government grant	78,548	108,392
Others	170,270	126,823
Total	<u>\$345,106</u>	<u>\$320,231</u>

B. Other gains and losses

	For the years ended December 31,	
	2022	2021
Gain on disposal of property, plant and equipment	\$58,161	\$164,810
Foreign exchange gain (loss), net	(124,253)	134,139
Impairment losses – Property, plant and equipment	-	(59,461)
Others	(1,644)	(12,414)
Total	<u>\$(67,736)</u>	<u>\$227,074</u>

C. Finance costs

	For the years ended December 31,	
	2022	2021
Interest expenses on borrowings from bank	\$545,543	\$331,880
Interest expenses on lease liabilities	9,483	11,646
Total	<u>\$555,026</u>	<u>\$343,526</u>

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(21) Components of other comprehensive income

For the year ended December 31, 2022

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income	Income tax expenses	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	\$(55,210)	\$-	\$(55,210)	\$-	\$(55,210)
Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income	(1,752,026)	-	(1,752,026)	369,890	(1,382,136)
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	142,897	-	142,897	(26,487)	116,410
Total of other comprehensive income	<u>\$(1,664,339)</u>	<u>\$-</u>	<u>\$(1,664,339)</u>	<u>\$343,403</u>	<u>\$(1,320,936)</u>

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	Arising during the period	Reclassification adjustments during the period	Other comprehensive income	Income tax expenses	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	\$ (53,368)	\$-	\$ (53,368)	\$-	\$ (53,368)
Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income	2,101,279	-	2,101,279	(419,982)	1,681,297
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	(41,254)	-	(41,254)	8,448	(32,806)
Total of other comprehensive income	\$2,006,657	\$-	\$2,006,657	\$(411,534)	\$1,595,123

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(22) Income tax

The major components of income tax expense are as follows:

Income tax expense recognized in profit or loss

	For the years ended December 31,	
	2022	2021
Current income tax expense:		
Current income tax charge	\$1,737,022	\$1,224,207
Adjustments in respect of current income tax of prior periods	(39,120)	(17,093)
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	286,034	413,891
Income tax expense recognized in profit or loss	<u>\$1,983,936</u>	<u>\$1,621,005</u>

Income tax relating to components of other comprehensive income

	For the years ended December 31,	
	2022	2021
Deferred tax expense (income):		
Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income	\$(369,890)	\$419,982
Exchange differences resulting from translating the financial statements of foreign operations	26,487	(8,448)
Income tax relating to components of other comprehensive income	<u>\$(343,403)</u>	<u>\$411,534</u>

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Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the years ended December 31,	
	2022	2021
Accounting profit before tax from continuing operations	\$8,966,026	\$6,855,247
Tax at the domestic rates applicable to profits in the country concerned	\$1,793,205	\$1,371,049
Tax effect of expenses not deductible for tax purposes	(257,961)	(363,774)
Tax effect of deferred tax assets/liabilities	286,034	413,891
Different tax rates application between the parent company and subsidiaries	201,778	216,932
Adjustments in respect of current income tax of prior periods	(39,120)	(17,093)
Total income tax expense recognized in profit or loss	\$1,983,936	\$1,621,005

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Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2022

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Charged directly to equity	Exchange differences	Ending balance
Temporary differences						
Unrealized exchange gains and losses	\$ (28,521)	\$ 100,839	\$ -	\$ -	\$ -	\$ 72,318
Impairment loss of goodwill	12,650	-	-	-	-	12,650
Other impairment loss	14,813	(13,831)	-	-	-	982
Depreciation difference for tax purpose	32,467	(1,440)	-	-	-	31,027
Unrealized sales discount	79,622	10,542	-	-	-	90,164
Investments accounted for using the equity method	(575,576)	(356,138)	-	-	-	(931,714)
Exchange differences resulting from translating the financial statements of foreign operations	97,707	-	(26,487)	-	-	71,220
Unrealized investment gains and losses	(923,347)	(19,486)	369,890	-	-	(572,943)
Others	24,415	(6,520)	-	-	-	17,895
Deferred tax income/ (expense)		<u>\$ (286,034)</u>	<u>\$ 343,403</u>	<u>\$ -</u>	<u>\$ -</u>	
Net deferred tax assets/(liabilities)		<u>\$ (1,265,770)</u>				<u>\$ (1,208,401)</u>
Reflected in balance sheet as follows:						
Deferred tax assets		<u>\$ 261,675</u>				<u>\$ 296,256</u>
Deferred tax liabilities		<u>\$ 1,527,445</u>				<u>\$ 1,504,657</u>

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For the year ended December 31, 2021

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Charged directly to equity	Exchange differences	Ending balance
Temporary differences						
Unrealized exchange gains and losses	\$(29,772)	\$1,251	\$-	\$-	\$-	\$(28,521)
Impairment loss of goodwill	12,650	-	-	-	-	12,650
Other impairment loss	35,393	(20,580)	-	-	-	14,813
Depreciation difference for tax purpose	23,235	9,232	-	-	-	32,467
Unrealized sales discount	38,991	40,631	-	-	-	79,622
Investments accounted for using the equity method	(200,006)	(375,570)	-	-	-	(575,576)
Exchange differences resulting from translating the financial statements of foreign operations	89,259	-	8,448	-	-	97,707
Unrealized investment gains and losses	(438,190)	(65,175)	(419,982)	-	-	(923,347)
Others	28,095	(3,680)	-	-	-	24,415
Deferred tax income/ (expense)		<u>\$ (413,891)</u>	<u>\$ (411,534)</u>	<u>\$-</u>	<u>\$-</u>	
Net deferred tax assets/(liabilities)		<u>\$(440,345)</u>				<u>\$(1,265,770)</u>
Reflected in balance sheet as follows:						
Deferred tax assets		<u>\$227,623</u>				<u>\$261,675</u>
Deferred tax liabilities		<u>\$667,968</u>				<u>\$1,527,445</u>

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The following table contains information of the unused tax losses of the Company:

Entities	Year	Tax losses for the period	Unused tax losses as at (Note)		Expiration year
			December 31, 2022	December 31, 2021	
Foreign Subsidiaries	2015	136,813	\$710	\$-	2025
	2016	41,182	41,182	27,705	2026
	2017	32,788	32,788	32,269	2027
	2018	76,671	76,671	75,458	2028
			<u>\$151,351</u>	<u>\$135,432</u>	

Note: Amounts are converted using the exchange rate at the balance sheet date for each year.

Unrecognized deferred tax assets

As of December 31, 2022 and 2021, deferred tax assets that have not been recognized amounted to NT\$37,838 thousand and NT\$33,858 thousand, respectively.

The assessment of income tax returns

As of December 31, 2022, the assessment of the income tax returns of the Company and its subsidiaries is as follows:

Entities	The assessment of income tax returns
KYEC	Assessed and approved up to 2019
Subsidiary:	
King Long Technology (Suzhou) Ltd.	Filed up to 2021
Suzhou Zhengkuan Technology Ltd.	Filed up to 2021
KYEC USA Corp.	Filed up to 2021
KYEC Japan K.K.	Filed up to 2021
KYEC SINGAPORE PTE. Ltd.	Filed up to 2021
King Ding Precision Incorporated Company	Assessed and approved up to 2020

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(23) Earnings per share

Basic earnings per share is calculated by dividing net profit for the year attributable to ordinary equity owners of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the net profit attributable to ordinary equity owners of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
A. Basic earnings per share		
Profit attributable to ordinary equity owners of the parent	<u>\$6,836,609</u>	<u>\$5,175,046</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (thousand share)	<u>1,222,745</u>	<u>1,222,745</u>
Basic earnings per share (NT\$)	<u>\$5.59</u>	<u>\$4.23</u>
	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
B. Diluted earnings per share		
Profit attributable to ordinary equity owners of the parent	<u>\$6,836,609</u>	<u>\$5,175,046</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	<u>1,222,745</u>	<u>1,222,745</u>
Effect of dilution:		
Employee compensation—stock (in thousands)	<u>22,774</u>	<u>14,512</u>
Weighted average number of ordinary shares outstanding after dilution (in thousands)	<u>1,245,519</u>	<u>1,237,257</u>
Diluted earnings per share (NT\$)	<u>\$5.49</u>	<u>\$4.18</u>

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There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date the financial statements were issued.

(24) Changes in the ownership interest of subsidiaries

A. Not subscribe to the new shares proportionate to its original ownership interest

King Long Technology (Suzhou) Ltd. increased its capital by cash in August, 2021, and the Company did not subscribe to the new shares proportionate to its original ownership and its ownership was reduced to 92.46%. The increase in the investment amounted to NT\$1,147,767 thousand. Related information of the change in capital surplus is shown below:

	<u>For the year ended December 31, 2021</u>
Cash from capital injection	\$1,147,767
Increase in non-controlling interest	<u>(626,706)</u>
Differences in equity-capital surplus	<u><u>\$521,061</u></u>

B. Share-based payment plans

On September 28, 2022 and May 17, 2021, Board of Directors of King Long Technology (Suzhou) Ltd. approved an employee share-based payment compensation plan. The compensation cost was recognized during the vesting period. Please refer to Note 6.(15) for relevant disclosures. The abovementioned transaction effected the changes in the ownership interest of subsidiaries, which were recorded as capital surplus in equity.

7. Related Party Transactions

Information of the related parties that had transactions with the Company during the financial reporting period is as follows:

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A. Name and nature of relationship of the related parties

<u>Name of the related parties</u>	<u>Nature of relationship of the related parties</u>
MediaTek Inc.	The chairman of the Company and the chairman of MediaTek Inc. are close relatives
MediaTek Singapore Pte. Ltd.	Subsidiary of MediaTek Inc.
Airoha Technology Corp.	Subsidiary of MediaTek Inc.
Airoha Technology (Suzhou) Limited	Subsidiary of MediaTek Inc.
Other related parties (Note)	Subsidiary of MediaTek Inc.
LC Architecture Realization Company, Inc	A director of the Company doubles as the chairman of LC Architecture Realization Company, Inc
Fixwell Technology Corp.	Associates
Wei Jiu Industrial Co., Ltd.	Associates

Note: The Company's transactions with these companies are not material.

B. Significant transactions with related parties

(a) Operating income

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
MediaTek Inc.	\$4,454,468	\$5,044,632
MediaTek Singapore Pte. Ltd.	3,234,155	3,098,723
Other related parties	743,442	737,953
Associates	9,728	5,626
Total	<u>\$8,441,793</u>	<u>\$8,886,934</u>

Tading price with related parties was determined through mutual agreement based on the market demands. The trade credit terms with related parties were 45 to 90 days, while the terms with non-related parties were 30 to 120 days. The outstanding balance due from related parties as of December 31, 2022 and 2021 was unsecured, non-interest bearing and must be settled in cash. The receivables from the related parties were not guaranteed.

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- (b) The Company purchased inventories from associates. For the years ended December 31, 2022 and 2021, the purchase amounts were NT\$103,888 thousand and NT\$164,287 thousand, respectively. The purchase price was based on the market demands. The payment terms with related parties were 30 days, while the terms with non-related parties were 30 to 120 days.
- (c) The Company appointed an associate to perform machinery repairs. For the years ended December 31, 2022 and 2021, the operating costs recognized amounted to NT\$357,188 thousand and NT\$313,541 thousand, respectively.
- (d) The Company paid rental expenses for renting machines from associates. For the years ended December 2022 and 2021, the rental expenses amounted to NT\$606 thousand and NT\$11,079 thousand, respectively. The rental price was based on the similar machine's rental price in the market. The payment terms with related parties were 30 to 90 days, while terms with non-related parties were 0 to 30 days.
- (e) Significant property transactions with related parties:
- i. Disposal of property, plant and equipment

	For the year ended December 31, 2022		For the year ended December 31, 2021	
	Sales price	Disposal gain	Sales price	Disposal gain
Related party				
Associates	\$59,916	\$18,075	\$14,969	\$4,613

The Company deferred the disposal gain derived from sales of property, plant and equipment to related parties, and then recognized such gain over depreciable lives of the disposed assets.

- ii. Acquisition of property, plant and equipment

	For the year ended December 31, 2022		For the year ended December 31, 2021	
	Purchase price		Purchase price	
Related party				
Associates		\$194,382		\$190,112
Other related parties		3,738		5,508
Total		\$198,120		\$195,620

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The purchase price was determined through mutual agreement based on the market demand.

(f) Contract assets

Contract assets - current

	December 31, 2022	December 31, 2021
Other related parties	\$	\$2,249
MediaTek Inc.	-	30
Total	-	2,279
Less: loss allowance	-	-
Net	\$	\$2,279

(g) Trade receivables from related parties

	December 31, 2022	December 31, 2021
MediaTek Inc.	\$929,631	\$1,127,631
MediaTek Singapore Pte. Ltd.	718,735	809,590
Other related parties	103,525	214,225
Associates	1,257	467
Less: loss allowance	-	-
Net	\$1,753,148	\$2,151,913

(h) Other receivables from related parties

	December 31, 2022	December 31, 2021
MediaTek Inc.	\$28,386	\$4,361
Other related parties	196	464
Total	\$28,582	\$4,825

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(i) Contract liabilities

	December 31, 2022	December 31, 2021
MediaTek Inc.	\$13,431	\$178
MediaTek Singapore Pte. Ltd.	4,785	-
Total	<u>\$18,216</u>	<u>\$178</u>

(j) Account payables to related parties

	December 31, 2022	December 31, 2021
Wei Jiu Industrial Co., Ltd.	\$6,215	\$19,961
Associates	-	1,453
Total	<u>\$6,215</u>	<u>\$21,414</u>

(k) Other payables to related parties

	December 31, 2022	December 31, 2021
Fixwell Technology Corp.	\$69,316	\$75,127
Wei Jiu Industrial Co., Ltd.	25,088	22,365
Other related parties	303	1,438
Total	<u>\$94,707</u>	<u>\$98,930</u>

(l) Other income

	<u>For the years ended December 31,</u>	
	2022	2021
Associates	\$1,485	\$141
Other related parties	21	-
Total	<u>\$1,506</u>	<u>\$141</u>

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(m) Key management personnel compensation

	For the years ended December 31,	
	2022	2021
Short-term employee benefits	\$236,916	\$189,086
Post-employment benefits	1,053	1,183
Total	<u>\$237,969</u>	<u>\$190,269</u>

8. Assets Pledged as Security

The following table lists assets of the Company pledged as security:

Items	Carrying amount		Purpose of pledge
	December 31, 2022	December 31, 2021	
Other current financial assets	\$4	\$3	L/C guarantee deposits
Other non-current financial assets	146,462	105,972	Customs clearance
Land	914,594	914,594	Long-term borrowings
Building and facility	1,118,526	2,053,506	Long-term borrowings
Machinery and equipment	4,794,325	8,004,788	Long-term borrowings
Right-of-use assets	-	62,790	Long-term borrowings
Total	<u>\$6,973,911</u>	<u>\$11,141,653</u>	

9. Significant Contingent Liabilities and Unrecognized Commitments

As of December 31, 2022, the following contingencies and material commitments were not included in the Company's consolidated financial statements:

- A. The Company's issued and outstanding letters of credit totaled approximately NT\$172,296 thousand.
- B. To construct the plant and factory premises, the Company had entered into several construction contracts in an aggregate amount of NT\$2,018,303 thousand with NT\$1,480,591 thousand already paid and NT\$537,712 thousand remaining unpaid (promissory notes have been issued).

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- C. The promissory notes issued for secured bank loans amounted to NT\$38,226,975 thousand.
- D. The Company entered into loan agreements with Yuanta Commercial Bank, the following financial covenants shall be maintained on semi-annual and annual basis during the period from 2021 to 2025:
- (a) Current ratio not less than 100%;
 - (b) Debt ratio not more than 150%;
 - (c) Interest coverage ratio no less than 300%.

The Company entered into a loan agreement with Far Eastern Int'l Bank, the following financial covenants shall be maintained on semi-annual and annual basis during the period from 2022 to 2025:

- (a) Current ratio not less than 100%;
- (b) Debt ratio not more than 150%;
- (c) Interest coverage ratio no less than 300%.

The Company entered into a loan agreement with JihSun International Commercial Bank , the following financial covenants shall be maintained on semi-annual and annual basis during the period from 2021 to 2024:

- (a) Current ratio not less than 100%;
- (b) Debt ratio not more than 150%;
- (c) Interest coverage ratio no less than 300%.

The Company entered into a syndicated loan agreement with 13 banks, led by Mega International Commercial Bank of Taiwan, and the Company shall maintain the following financial covenants on semi-annual and annual basis during the period from 2020 to 2025:

- (a) Current ratio not less than 100%;
- (b) Debt ratio not more than 150%;
- (c) Interest coverage ratio not less than 300%.

In the case of failure to adhere to the aforementioned financial covenants during the period from 2020 to 2025, Mega International Commercial Bank of Taiwan may assemble a meeting among the banks to govern the matter to decide on a course of action or request for each bank's written approval for such course of action, when necessary.

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The subsidiary of King Long Technology (Suzhou) Ltd. entered into a loan agreement with China Construction Bank, the following financial covenants shall be maintained during the loan period:

- (a) Current ratio not less than 100%;
- (b) Debt ratio not more than 65%;

As of December 31, 2022, the Company did not violate any financial covenants.

10. Losses due to Major Disasters

None.

11. Significant Subsequent Events

None.

12. Others

(1) Categories of financial instruments

A. Categories of financial instruments

	December 31, 2022	December 31, 2021
<u>Financial assets</u>		
Financial assets at fair value through profit or loss:		
Financial assets at fair value through other comprehensive income	\$4,794,451	\$6,546,477
Financial assets measured at amortized cost (Note)	20,550,112	17,060,316
Total	<u>\$25,344,563</u>	<u>\$23,606,793</u>
 <u>Financial liabilities</u>		
Financial liabilities at amortized cost:		
Short-term borrowings	\$1,023,149	\$566,856
Payables (including related parties)	1,025,710	1,150,624

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Other payables (including related parties)	4,886,899	5,608,979
Long-term loans (including current portion)	25,270,336	25,534,567
Lease liabilities	495,138	584,665
Guarantee deposits	33,090	33,851
Total	<u>\$32,734,322</u>	<u>\$33,479,542</u>

Note: Includes cash and cash equivalents, notes receivable, trade receivables (including related parties), other receivables (including related parties), other financial assets and refundable deposits.

(2) Financial risk management objectives

The objective of the Company's financial risk management is mainly to manage the market risk, credit risk and liquidity risk derived from its operating activities. The Company identified, measured and managed the aforementioned risks based on the Company's policy and risk tendency.

The Company has established appropriate policies, procedures and internal controls for financial risk management. The plans for material treasury activities are reviewed by Board of Directors and Audit committee in accordance with relevant regulations and internal controls. The Company complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise foreign currency risk, interest rate risk and other price risk (such as equity risk).

In practice, it is rarely the case that a single risk variable will change independently from other risk variables, there are usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

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A. Foreign currency risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency) and the Company's net investments in foreign operations.

Some receivables and payables are denominated in the same foreign currency, and it will result in economic hedging effect. Further, net investments in foreign operations are primarily for strategic purposes, and they are not hedged by the Company.

The Company's sensitivity analysis to foreign currency risk mainly focuses on foreign currency monetary items at the end of the reporting period. The Company's foreign currency risk is mainly from the volatility in the exchange rates of US\$ and CNY. The sensitivity analysis is as follows:

When NT\$ appreciates or depreciates against US\$ by 1%, the profit for the years ended December 31, 2022 and 2021 would have increased/decreased by NT\$13,617 thousand and NT\$24,631 thousand, respectively.

When NT\$ appreciates or depreciates against CNY by 1%, the profit for the years ended December 31, 2022 and 2021 would have increased/decreased by NT\$19,040 thousand and decreased/increased by NT\$1,843 thousand, respectively.

B. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's loans and receivables at variable interest rates, bank borrowings with fixed interest rates and variable interest rates.

The Company manages its risk by having a balanced portfolio of financial instruments with fixed and floating interest rates. The Company did not apply hedging accounting since such hedging activities did not qualify for criteria of hedge accounting.

The Company's sensitivity analysis to interest rate risk mainly focuses on items exposed to interest rate risk at the end of the reporting period, including investments with floating

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interest rates and bank borrowings with floating rates. Assuming investments and bank borrowings had been outstanding for the entire period and all other variables were constant, a hypothetical increase/decrease of 10 basis points of interest rate in a reporting period would have resulted in a decrease/increase in profit by NT\$26,317 thousand and NT\$26,138 thousand for the years ended December 31, 2022 and 2021, respectively.

C. Equity price risk

The Company's equity investments, including listed and unlisted equity securities, are exposed to market price risk arising from uncertainties of future values of equity securities. The Company's investments in listed and unlisted equity securities are classified under financial assets at fair value through other comprehensive income. The Company manages the equity price risk through diversification and placing limits on individual and total equity investments. Reports on the equity portfolio are submitted to the Company's senior management on a regular basis. The Company's Board of Directors reviews and approves certain significant equity investments according to level of authority.

At the reporting date ended December 31, 2022 and 2021, a change of 20% in the price of the listed equity securities classified under equity instrument investments measured at fair value through other comprehensive income would have impact of NT\$7,872 thousand and NT\$8,606 thousand on the equity attributable to the Company.

Please refer to Note 12(3) section H for sensitivity analysis information of other equity instruments or derivatives that are linked to such equity instruments whose fair value measurement is categorized under Level 3.

D. Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract, leading to a financial loss. The Company is exposed to credit risk from operating activities (primarily for contract assets, trade receivables and notes receivable) and from its financing activities (including bank deposits and other financial instruments).

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and controls relating to customer credit risk management. Credit limits are established for all customers based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the

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Company's internal rating criteria, etc. Certain customer's credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment and insurance.

As of December 31, 2022 and 2021, receivables from top ten customers represented 49% and 48% of the total trade receivables of the Company, respectively. The credit concentration risk of other accounts receivable was insignificant.

The Company manages its exposure to credit risk arising from bank deposits, fixed income securities and other financial instruments in accordance with established group policies. Since the counter-parties are selected reputable financial institutions and companies, the Company believes its exposure to credit risk is not significant.

E. Liquidity risk management

The Company maintained financial flexibility through the holding of cash and cash equivalents, investments in securities with high liquidity, and facilities of bank borrowings. The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity, and the payment amount also includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial instruments

	Less than		Longer than			
	1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 years	Total
<u>December 31, 2022</u>						
Payables	\$5,912,609	\$-	\$-	\$-	\$-	\$5,912,609
Borrowings	2,525,609	8,130,131	14,200,042	1,799,901	1,635,635	28,291,318
Lease liabilities (Note)	29,342	29,969	23,402	18,085	394,340	495,138
<u>December 31, 2021</u>						
Payables	\$6,759,603	\$-	\$-	\$-	\$-	\$6,759,603
Borrowings	2,854,313	8,554,285	4,617,292	10,469,870	418,026	26,913,786
Lease liabilities (Note)	92,050	28,894	29,501	22,906	411,314	584,665

Notes: Information about the maturities of lease liabilities is provided in the table below:

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	Maturities Period				Total
	Less than 1 year	1 to 5 years	6 to 10 years	>10 years	
Lease liabilities					
December 31, 2022	\$29,342	\$89,433	\$88,148	\$288,215	\$495,138
December 31, 2021	\$92,050	\$99,337	\$88,142	\$305,136	\$584,665

F. Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for year ended December 31, 2022:

	Short-term borrowings	Long-term loans	Lease liabilities	Total liabilities from financing activities
As of January 1, 2022	\$566,856	\$25,534,567	\$584,665	\$26,686,088
Cash flows	448,484	(1,035,862)	(91,698)	(679,076)
Non-cash changes				
Syndicated loan issuance costs	-	19,275	-	19,275
Amortization on bonds payable	-	6,073	-	6,073
Remeasurement of lease liabilities	-	-	1,066	1,066
Foreign exchange movement	7,809	746,283	1,105	755,197
As of December 31, 2022	<u>\$1,023,149</u>	<u>\$25,270,336</u>	<u>\$495,138</u>	<u>\$26,788,623</u>

Reconciliation of liabilities for year ended December 31, 2021:

	Short-term borrowings	Long-term loans	Lease liabilities	Total liabilities from financing activities
As of January 1, 2021	\$100,854	\$23,810,788	\$876,581	\$24,788,223
Cash flows	466,557	1,866,505	(310,374)	2,022,688
Non-cash changes				
Syndicated loan issuance costs	-	21,654	-	21,654
Amortization on bonds payable	-	(4,730)	-	(4,730)
Additions to right-of-use assets	-	-	24,275	24,275
Remeasurement of lease liabilities	-	-	(1,611)	(1,611)
Foreign exchange movement	(555)	(159,650)	(4,206)	(164,411)
As of December 31, 2021	<u>\$566,856</u>	<u>\$25,534,567</u>	<u>\$584,665</u>	<u>\$26,686,088</u>

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

G. Fair values of financial instruments

- a. The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Company to measure or disclose the fair values of financial assets and financial liabilities:

- (a) The carrying amount of cash and cash equivalents, accounts receivable, accounts payable and other payables approximate their fair value due to their short maturities.
 - (b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price at the reporting date.
 - (c) Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).
 - (d) Fair value of debt instruments without market quotations, bank loans and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instruments.
- b. Fair value of financial instruments measured at amortized cost

The carrying amounts of the Company's financial assets and financial liabilities measured at amortized cost approximate their fair value.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

c. Fair value measurement hierarchy for financial instruments

Please refer to Note 12(3) section H for fair value measurement hierarchy for financial instruments of the Company.

H. Fair value measurement hierarchy

a. Fair value measurement hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Input other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.

Level 3: Unobservable inputs for the assets or liabilities.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

b. Fair value measurement hierarchy of the Company's assets and liabilities

The Company does not have assets measured at fair value on a non-recurring basis; the following table presents the fair value measurement hierarchy of the Company's assets and liabilities on a recurring basis:

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December 31, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at fair value through other comprehensive income				
Equity instruments measured at fair value through other comprehensive income	\$39,359	\$-	\$4,755,092	\$4,794,451

December 31, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at fair value through other comprehensive income				
Equity instruments measured at fair value through other comprehensive income	\$43,028	\$-	\$6,503,449	\$6,546,477

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

For the year ended December 31, 2022 :

	<u>Assets</u>
	<u>At fair value through other comprehensive income</u>
	<u>Stocks</u>
Beginning balances as at January 1, 2022	\$6,503,449
Total gains and losses recognized for the year ended December 31, 2022:	
Amount recognized in OCI (presented in “unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income”)	<u>(1,748,357)</u>
Ending balances as at December 31, 2022	<u>\$4,755,092</u>

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For the year ended December 31, 2021 :

	<u>Assets</u>
	<u>At fair value through other comprehensive income</u>
	<u>Stocks</u>
Beginning balances as at January 1, 2021	\$4,418,446
The fair value of the investments of derecognition	(1,365)
Total gains and losses recognized for the year ended December 31, 2021:	
Amount recognized in OCI (presented in “unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income”)	<u>2,086,368</u>
Ending balances as at December 31, 2021	<u><u>\$6,503,449</u></u>

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As at December 31, 2022

Financial assets:	<u>Valuation techniques</u>	<u>Significant unobservable inputs</u>	<u>Quantitative information</u>	<u>Relationship between inputs and fair value</u>	<u>Sensitivity of the input to fair value</u>
Financial assets at fair value through other comprehensive income					
Stocks	Assets approach	Discount for lack of marketability	10%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase/decrease in the discount for lack of marketability would result in decrease/increase in the Company’s equity by NT\$522,783 thousand.

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Stocks	Markets approach	P/E, P/B, EV/EBITDA, EV/EBIT and EV/Sales	30%	The higher the proportion of similar quantified information, the higher the fair value of the stocks	10% increase/decrease in the discount for lack of marketability would result in decrease/increase in the Company's equity by NT\$7,149 thousand.
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As at December 31, 2021

Financial assets:	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets at fair value through other comprehensive income					
Stocks	Assets approach	Discount for lack of marketability	10%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase/decrease in the discount for lack of marketability would result in decrease/increase in the Company's equity by NT\$714,919 thousand.
Stocks	Markets approach	P/E, P/B, EV/EBITDA, EV/EBIT and EV/Sales	30%	The higher the proportion of similar quantified information, the higher the fair value of the stocks	10% increase/decrease in the discount for lack of marketability would result in decrease/increase in the Company's equity by NT\$9,883 thousand.

Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Company's Finance Department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The Department analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies at each reporting date.

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I. Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	December 31, 2022		
	Foreign Currency (thousand)	Exchange rate	NT\$ (thousand)
<u>Monetary financial assets</u>			
US\$	\$241,596	30.71	\$7,419,426
CNY	874,152	4.408	3,853,264
JPY	530,855	0.2324	123,371
<u>Monetary financial liabilities</u>			
US\$	285,937	30.71	8,781,121
CNY	1,306,090	4.408	5,757,244
JPY	375,332	0.2324	87,227

	December 31, 2021		
	Foreign Currency (thousand)	Exchange rate	NT\$ (thousand)
<u>Monetary financial assets</u>			
US\$	\$254,361	27.68	\$7,040,714
CNY	787,799	4.344	3,422,198
JPY	870,111	0.2405	209,262
<u>Monetary financial liabilities</u>			
US\$	343,348	27.68	9,503,862
CNY	745,364	4.344	3,237,863
JPY	927,990	0.2405	223,182

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Functional currencies of entities of the Company are varied. Accordingly, the Company is not able to disclose the information of exchange gains and losses of monetary financial assets and liabilities by each significant assets and liabilities denominated in foreign currencies. The foreign exchange gains were NT\$(124,253) thousand and NT\$134,139 thousand for the years ended December 31, 2022 and 2021, respectively.

J. Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

K. The impact of the COVID-19 pandemic on the Company

Near the end of May 2021, a foreign migrant worker cluster infection occurred at the Company's premises. The Company, following the guidance from Central Epidemic Command Center, decisively adopted series of measures to contain the infection. The measures included quarantine of infected workers, 48 hours production suspension and load reduction, etc. It is estimated that this cluster infection reduced approximately 30% of the Company's monthly sales in June 2021. Other than this one-time impact, COVID-19 does not have any significant impact on the Company's going concern basis, funding ability and operations. No similar incident occurred in 2022.

13. Additional Disclosures

(1) The following are additional disclosures for the Company and its affiliates as required by the R.O.C. Securities and Futures Bureau for the year ended December 31, 2022:

A. Financing provided to others: None.

B. Endorsement/Guarantee provided to others: Please refer to Attachment 1.

C. Securities held as of December 31, 2022: Please refer to Attachment 2.

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- D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the capital stock: None.
- E. Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock: Please refer to Attachment 3.
- F. Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock: None.
- G. Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock: Please refer to Attachment 4.
- H. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock: Please refer to Attachment 5.
- I. Financial instruments and derivative transactions: None.
- J. Parent-subsidiary relationship between business dealings and important circumstances: Please refer to Attachment 6.

(2) Information on investees

Information regarding investee companies over which the Company can exercise significant influence or control: Please refer to Attachment 7.

(3) Investment in Mainland China: Please refer to Attachment 6 and Attachment 8.

(4) Major shareholders information: There is no shareholder who owns above 5% securities of the Company as at December 31, 2022. ◦

14. Segment Information

A. General information

The main revenue stream of the Company comes from testing and assembly services. The chief operating decision maker reviews the overall operating results to make decisions about resources to be allocated to and evaluates the overall performance. Therefore, the Company is aggregated into a single segment.

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B. Regional information

(a) From external customer revenue:

	For the years ended December 31,	
	2022	2021
Taiwan	\$10,220,464	\$11,539,373
Asia	18,561,606	15,345,062
North America	7,205,397	6,243,330
Others	794,529	631,624
Total	<u>\$36,781,996</u>	<u>\$33,759,389</u>

(b) Non-current assets information is as follows:

	December 31,	December 31,
	2022	2021
Taiwan	\$32,817,663	\$35,221,439
Asia	13,849,598	11,089,124
Others	14,715	17,593
Total	<u>\$46,681,976</u>	<u>\$46,328,156</u>

(c) Important customer information

For the years ended December 31, 2022 and 2021, the information of external customer's revenue exceeding 10% of the Company's consolidated revenue is as follows:

	For the years ended December 31,			
	2022		2021	
MediaTek Inc.	<u>\$4,454,468</u>	<u>12%</u>	<u>\$5,044,632</u>	<u>15%</u>

ENDORSEMENTS/GUARANTEES PROVIDED

For the year ended December 31, 2022

(Amounts in New Taiwan Thousand Dollars, Unless Specified otherwise)

NO.	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note 2)	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable (Note 3)	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China
		Name	Nature of Relationship										
1	The Company	Suzhou Zhengkuan Technology Ltd.	(Note 1)	\$7,217,995	\$143,125	\$-	\$-	-	-	\$14,435,991	Y	N	Y
2	King Long Technology (Suzhou) Ltd.	Suzhou Zhengkuan Technology Ltd.	(Note 1)	\$1,676,138	\$161,075	\$-	\$-	-	-	\$3,352,276	Y	N	Y

Note1: A subsidiary in which endorser/guarantor holds directly over 50% of equity interest.

Note2: According to KYEC guarantor rule, the maximum endorsement/guarantee amount allowable to an entity shall not exceed 20% of the Company's net worth as of December 31, 2022.

Note3: According to King Long Technology (Suzhou) Ltd. (the Entity) guarantor rule, the maximum endorsement/guarantee amount to an entity allowable shall not exceed 15% of the Entity's net worth as of December 31, 2022.

Note3: According to KYEC guarantor rule, the maximum endorsement/guarantee amount allowable to others shall not exceed 40% of the Company's net worth as of December 31, 2022.

Note3: According to King Long Technology (Suzhou) Ltd. (the Entity) guarantor rule, the maximum endorsement/guarantee amount to others allowable shall not exceed 30% of the Entity's net worth as of December 31, 2022.

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Attachment 2

MARKTEABLE SECURITIES HELD

As of December 31, 2022

(Amounts in New Taiwan Thousand Dollars, Unless Specified otherwise)

Held Company Name	Securities Type	Securities Name	Relationship with the Company	Financial Statement Account	Balances as of December 31, 2022				Note
					Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
	Stock	Shieh Yong Investment Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	167,044,896	1,134,685	7.58%	1,134,685	
	Stock	APM Communication, Inc.	-	Non-current financial assets at fair value through other comprehensive income	10,456	-	0.11%	-	
	Stock	Greenliant Systems, Ltd.	-	Non-current financial assets at fair value through other comprehensive income	2,333,333	-	3.74%	-	
	Stock	YANN YUAN Investment Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	75,000,000	3,570,366	14.55%	3,570,366	
The Company	Stock	Movella Inc.	-	Non-current financial assets at fair value through other comprehensive income	528,745	-	0.77%	-	
	Stock	IROC Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	315,999	9,069	1.23%	9,069	
	Stock	Subtron Technology Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	927,147	30,290	0.31%	30,290	
	Stock	CAL-COMP INDÚSTRIA DE SEMICONDUCTORES S.A.	-	Non-current financial assets at fair value through other comprehensive income	11,965,500	50,041	17.16%	50,041	

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE CAPITAL PAID-IN

As of December 31, 2022

(Amounts in New Taiwan Thousand Dollars, Unless Specified otherwise)

Held Company Name	Type of Properties	Transaction Date	Transaction Amount	Payment Status	Counter-party	Relationship	Prior Transaction of Related Counter-party			Price Reference	Purpose and Usage of Acquisition	Other Commitments
							Owner	Relationship with the Issuer	Transfer Date			
The Company	Land and building	2020.12.25 (Note)	\$639,000	According to the trading term of purchase order, no payment needed as of December 31, 2022.	Weishun architecture Co., Ltd.	None	Not applicable		Price comparison and bargaining	Purpose: to meet the needs of future operation and development Using status: ownership has been transferred	None	

Note: Board of Directors approval date.

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

For the year ended December 31, 2022

(Amounts in New Taiwan Thousand Dollars, Unless Specified otherwise)

Company Name	Related Party	Nature of Relationships	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable (Included Contract Assets)	
			Purchase/Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total
The Company	MediaTek Inc.	The chairman of the Company and the chairman of Mediatek Inc. are close relatives	Sales	\$4,037,271	14.62%	Month-end 75 days	-	-	\$929,631	17.14 %
	Mediatek Singapore Pte. Ltd.	Subsidiary of MediaTek Inc.	Sales	\$3,154,807	11.42%	Month-end 60 days	-	-	\$718,735	13.25 %
	Airoha Technology Corp.	Subsidiary of MediaTek Inc.	Sales	\$508,595	1.84%	Month-end 60 days	-	-	\$70,739	1.30 %
King Long Technology (Suzhou) Ltd.	Airoha Technology (Suzhou) Limited.	Subsidiary of MediaTek Inc.	Sales	\$126,788	0.46%	Month-end 75 days	-	-	\$16,669	0.31 %
	MediaTek Inc.	The chairman of the Company and the chairman of Mediatek Inc. are close relatives	Sales	\$417,197	5.17%	Month-end 75 days	-	-	\$-	-
	Suzhou Zhengkuan Technology Ltd.	Subsidiary	Sales	\$147,256	1.83%	Month-end 180 days	-	-	\$78,113	4.32 %

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

As of December 31, 2022

(Amounts in New Taiwan Thousand Dollars, Unless Specified otherwise)

Company Name	Related Party	Nature of Relationships	Ending Balance	Turnover Rates	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
The Company	MediaTek Inc.	The chairman of the Company and the chairman of Mediatek Inc. are close relatives	\$958,017 (Note 1)	4.04	\$1,160	-	\$274,675	-
	Mediatek Singapore Pte. Ltd.	Subsidiary of MediaTek Inc.	\$718,856 (Note 2)	4.19	\$5,468	-	\$226,718	-
	King Long Technology (Suzhou) Ltd.	Subsidiary	\$416,149 (Note 3)	1.93	\$-	-	\$36,262	-
King Long Technology (Suzhou) Ltd.	Suzhou Zhengkuan Technology Ltd.	Subsidiary	\$129,933 (Note 4)	1.67	\$-	-	\$55,324	-

Note 1: Includes other receivables - related party amounting to NT\$28,386 thousand arising from handling charges, freights and tax fees.

Note 2: Includes other receivables - related party amounting to NT\$121 thousand arising from customs clearance charges and freights.

Note 3: Includes other receivables - related party amounting to NT\$385,915 thousand arising from disposal of equipments and accessories.

Note 4: Includes other receivables - related party amounting to NT\$51,820 thousand arising from utility fees.

INTERCOMPANY RELATIONSHIP AND SIGNIFICANT INTERCOMPANY TRANSACTIONS DURING THE REPORTING PERIOD

For the year ended December 31, 2022

(Amounts in New Taiwan Thousand Dollars, Unless Specified otherwise)

Number	Company name	Counterparty	Relationship	Financial Statement Account	Amount	Transaction terms	% of Net revenues or total assets
0	KYEC	KYEC USA Corp.	1	Commission expense	\$55,766	according to contract	0.15%
				Accrued expenses	2,150		0.00%
		Receivable on equipment		995,627	1.34%		
		Payables on equipment		18,645	0.03%		
		Accounts receivable		30,234	0.04%		
		Other receivables		385,915	0.52%		
1	King Long Technology (Suzhou) Ltd.	King Long Technology (Suzhou) Ltd.	3	Accrued expenses	8,819		0.01%
				Sales revenue	39,810		0.11%
				Deferred credits	141,798		0.19%
				Accrued expenses	6,777		0.01%
				Commission expense	34,611		0.09%
				Commission expense	24,716		0.07%
				Receivable on equipment	4,717		0.01%
Deferred credits	13,336	0.02%					
1	King Long Technology (Suzhou) Ltd.	Suzhou Zhengkuan Technology Ltd.	3	Sales revenue	147,256		0.40%
				Accounts receivable	78,113		0.11%
				Other receivables	51,820		0.07%

Note 1: The information of transactions between the Company and the consolidated subsidiaries should be noted in "Number" column.

(1) Number 0 represents the Company.

(2) The consolidated subsidiaries are numbered in order from number 1.

Note 2: The transaction relationships with the counterparties are as follows:

(1) The Company to the consolidated subsidiary.

(2) The consolidated subsidiary to the Company.

(3) The consolidated subsidiary to another consolidated subsidiary.

Note 3: In calculating the ratio, the transaction amount is divided by consolidated total assets for balance sheet accounts and is divided by consolidated total revenues for income statement accounts.

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)

For the year ended December 31, 2022

(Amounts in New Taiwan Thousand Dollars and United States Thousand Dollars, Unless Specified otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2022			Investment income (loss) recognised by the Company for the year ended of December 31, 2022.	Note
				December 31, 2022	December 31, 2021	Shares	Percentage of Ownership	Carrying Value		
The Company	KYEC USA Corp.	Note 1	Sales agent and business communication in USA	\$4,973	\$4,973	160,000	100.00 %	\$11,821	\$(1,324)	
	KYEC Investment International Co., Ltd.	Note 2	Investing activities	5,292,315	5,292,315	164,923,636	100.00 %	9,776,053	1,662,680	
	KYEC Technology Management Co., Ltd.	Note 3	Investing activities	251,579	251,579	7,500,000	100.00 %	622,360	105,752	
	KYEC Japan, K.K.	Note 4	Manufacturing and sales of electronic parts and components, sales agent and business communication in Japan	102,735	102,735	1,899	89.83 %	63,078	11,136	
	KYEC SINGAPORE PTE. LTD.	Note 5	Sales agent and business communication in Southeast Asia and Europe	1,830	1,830	78,000	100.00 %	10,184	2,444	
	Fixwell Technology Corp.	Note 6	Manufacturing, selling and wholesale of electronics parts and components and repairing of electronics related products	28,000	28,000	2,800,000	23.33 %	60,676	18,676	
	Wei Jiu Industrial Co., Ltd.	Note 7	CNC center processing machine, lathe machining processing design and various precision mechanical components manufacturing	10,200	10,200	1,020,000	34.00 %	30,372	18,341	
	King Ding Precision Incorporated Company	Note 8	Manufacturing, selling and wholesale of electronics parts and components and repairing of electronics related products	72,600	72,600	6,600,000	100.00 %	74,728	3,391	
	KYEC Investment International Co., Ltd.	Note 9	Investing activities	USD 116,155	USD 116,155	118,000,000	94.02 %	USD 318,334	USD 59,718	
KYEC Technology Management Co., Ltd.	Note 9	Investing activities	USD 7,500	USD 7,500	7,500,000	5.98 %	USD 20,266	USD 59,718		

Note 1 : 101 Metro Drive, #540 San Jose, CA 95110 USA.

Note 2 : Wickhams Cay II Road Town, Tortola, VG1110, British Virgin Islands.

Note 3 : Portullis TrustNet Chambers, P.O. Box 1225, Apia, Samoa.

Note 4 : 5F 2-3-8 Momochihama, Sawara-ku, Fukuoka 814-0001 Japan.

Note 5 : 750A Chai Chee Road Unit 07-22 Technopark @Chai Chee, Singapore 469001.

Note 6 : No.380, Huashan Rd., Dadu Dist., Taichung City 432, Taiwan (R.O.C.)

Note 7 : No.8, Aly. 8, Ln. 48, Sec. 2, Nan'ai Rd., Xiangshan Dist., Hsinchu City 300, Taiwan (R.O.C.)

Note 8 : No. 118, Zhonghua Rd., Zhunan Township, Miaoli County 350, Taiwan (R.O.C.)

Note 9 : P.O. Box 2804, George Town, Grand Cayman, Cayman Islands.

INFORMATION ON INVESTMENT IN MAINLAND CHINA

For the year ended December 31, 2022

(Amounts in New Taiwan Thousand Dollars and United States Thousand Dollars, Unless Specified otherwise)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from January 1, 2022	Investment Flows		Accumulated Outflow of Investment from December 31, 2022	Net Income (Loss) of the Investee Company	Percentage of Ownership	Share of Profits/Losses (Note 5)	Carrying Amount as of December 31, 2022	Accumulated Inward Remittance of Earnings as of December 31, 2022
					Outflow	Inflow						
King Long Technology (Suzhou) Ltd.	Note 1	\$2,408,611 (CNY 546,176)	Indirectly investment in Mainland China through companies registered in a third region (Note 2)	\$3,797,445 (USD 123,655)	\$-	\$-	\$3,797,445 (USD 123,655)	\$1,912,652 (USD 64,588)	92.46%	\$1,768,432 (USD 59,718)	\$10,398,413 (USD 338,600)	\$-
Suzhou Zhengguan Technology Ltd.	Note 3	\$2,352,041 (CNY 533,348)	Indirectly investment in Mainland China through companies registered in a third region (Note 4)	\$1,497,685 (USD 48,769)	\$-	\$-	\$1,497,685 (USD 48,769)	\$69,098 (USD 2,472)	92.46%	\$63,887 (USD 2,285)	\$770,323 (USD 25,084)	\$-
Accumulated Investment in Mainland China as of December 31, 2022				Investment Amounts Authorized by Investment Commission, MOEA		Upper Limit on Investment						
				\$5,295,130 (USD 172,424)		\$5,295,130 (USD 172,424)						

Note 1: Sales and manufacturing of components of automotive data processing machinery, solid memory parts, monitoring burn-in machinery, and testing and assembly service of integrated circuits.

Note 2: The Company obtained the approval from the Investment Commission, MOEA, to invest indirectly in King Long Technology (Suzhou) via KYEC Microelectronics Co., Ltd. which is registered in Cayman Island. KYEC Microelectronics Co., Ltd. is invested by KYEC Investment International Co., Ltd. which is registered in BVI.

Note 3: Testing and assembly service of integrated circuits, sales and after service of processing of electronic components and materials, components of automotive data processing machinery, solid memory parts, and monitoring burn-in machinery.

Note 4: Investment was through King Long Technology (Suzhou) Ltd.

Note 5: Recognition of investment gains (losses) was calculated based on the investee's audited financial statements.

(Appendix 3)

English Translation of a Report and Financial Statements Originally Issued in Chinese

KING YUAN ELECTRONICS CO., LTD.

**PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
WITH
INDEPENDENT AUDITOR'S REPORT TRANSLATED
FROM CHINESE**

Address: No. 81, Sec. 2, Gongdao 5th Rd., Hsinchu City 300, Taiwan (R.O.C.)

Telephone: 886-3-5751888

The reader is advised that these financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

English Translation of a Report Originally Issued in Chinese

Independent Auditors' Report

To the Board of Directors and Shareholders
of King Yuan Electronics Co., Ltd.

Opinion

We have audited the accompany parent company only balance sheets of King Yuan Electronics Co., Ltd. as of December 31, 2022 and 2021, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2022 and 2021, and notes to the parent company only financial statements, including the summary of significant accounting policies (together “the financial statements”).

In our opinion, the parent company only financial statements referred to above present fairly, in all material respects, the financial position of King Yuan Electronics Co., Ltd. as of December 31, 2022 and 2021, and its financial performance and cash flows for the years ended December 31, 2022 and 2021, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of King Yuan Electronics Co., Ltd. in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the “Norm”), and we have fulfilled our other ethical responsibilities in accordance with the Norm. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2022 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

King Yuan Electronics Co., Ltd. recognized NT\$27,619,107 thousand as net sales. Its main activities are providing testing and assembly services that represented 82.7%, or NT\$22,834,524 thousand in the amount, of the net operating revenue.

Since the primary activities of King Yuan Electronics Co., Ltd. are providing testing and assembly services, and the services comprise various wafers/integrated circuits testing and assembly processing and rental of machinery, timing of revenue recognition may vary due to varied nature of revenue that increases the complexity of the revenue recognition. Therefore, we determined the matter to be a key audit matter.

Our audit procedures include (but are not limited to) assessing the appropriateness of the accounting policy for revenue recognition; evaluating and testing the effectiveness of internal control relating to the timing of revenue recognition, analyzing the reasonableness of gross margin by products, performing cutoff testing for a period before and after the balance sheet date on a sampling basis, performing test of details on selected samples, reviewing the significant terms of sales agreements and examining relevant delivery documents, and reviewing the selected samples of the quantity, specification, period and relevant documents of machinery services.

We also considered the appropriateness of the disclosures of sales. Please refer to Note 4 and Note 6 in notes to the financial statements.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the ability to continue as a going concern of King Yuan Electronics Co., Ltd. disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate King Yuan Electronics Co., Ltd. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee, are responsible for overseeing the financial reporting process of King Yuan Electronics Co., Ltd.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of King Yuan Electronics Co., Ltd.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of King Yuan Electronics Co., Ltd. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause King Yuan Electronics Co., Ltd. to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the accompanying notes, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the parent company only financial information of the entities or business activities within King Yuan Electronics Co., Ltd. to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2022 parent company only financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Kuo, Shao-Pin

Hsu, Hsin-Min

Ernst & Young, Taiwan

March 2, 2023

Notice to Readers

- The accompanying parent company only financial statements are intended only to present the financial position, results of operations 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 financial statements are those generally accepted and applied in the Republic of China.
- Accordingly, the accompanying parent company only financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of Financial Statements Originally Issued in Chinese

KING YUAN ELECTRONICS CO., LTD.

PARENT COMPANY ONLY BALANCE SHEETS

As of December 31, 2022 and 2021

(Amounts in thousands of New Taiwan Dollars)

ASSETS	Notes	December 31, 2022	%	December 31, 2021	%
Current assets					
Cash and cash equivalents	4, 6(1)	\$10,006,747	15	\$6,420,308	10
Contract assets-current	4, 6(14), 6(15), 7	143,710	-	178,596	-
Notes receivable, net	4, 6(3), 6(15)	7,218	-	7,706	-
Accounts receivable, net	4, 6(4), 6(15)	3,491,838	5	3,904,721	6
Accounts receivable from related parties, net	4, 6(4), 6(15), 7	1,782,489	3	2,081,340	3
Other receivables	4, 6(15)	395,412	-	314,282	-
Other receivables from related parties	4, 7	414,497	1	430,541	1
Inventories, net	4, 6(5)	1,119,883	2	1,029,780	2
Prepayments	6(6)	82,389	-	53,284	-
Other current assets		54,930	-	66,878	-
Total current assets		17,499,113	26	14,487,436	22
Non-current assets					
Financial assets at fair value through other comprehensive income-non-current	4, 6(2)	4,794,451	8	6,546,477	10
Investments accounted for using the equity method	4, 6(7)	10,494,138	16	8,489,770	13
Property, plant and equipment	4, 6(8), 7, 8	32,335,080	49	34,613,760	54
Right-of-use asset	4, 6(16)	457,148	1	553,546	1
Intangible assets	4, 6(9)	35,832	-	69,247	-
Deferred tax assets	4, 6(20)	296,256	-	261,675	-
Other financial assets-non-current	8	146,462	-	105,972	-
Other non-current assets		5,395	-	5,394	-
Total non-current assets		48,564,762	74	50,645,841	78
Total assets		\$66,063,875	100	\$65,133,277	100

The accompanying notes are an integral part of the parent company only financial statements.

(continued)

English Translation of Financial Statements Originally Issued in Chinese

KING YUAN ELECTRONICS CO., LTD.

PARENT COMPANY ONLY BALANCE SHEETS

As of December 31, 2022 and 2021

(Amounts in thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY		Notes	December 31, 2022	%	December 31, 2021	%
Current liabilities						
Notes payable			\$11,446	-	\$10,066	-
Accounts payable			446,534	1	777,667	1
Accounts payable to related parties			6,215	-	21,414	-
Other payables	7		3,312,528	5	3,324,753	5
Other payables to related parties	7		113,008	-	119,736	-
Payables on equipment			695,344	1	1,235,723	2
Current tax liabilities	4, 6(20)		1,082,570	1	574,809	1
Lease liabilities-current	4, 6(16)		22,581	-	86,364	-
Other current liabilities	4, 6(10)		1,151,448	2	882,244	2
Total current liabilities			6,841,674	10	7,032,776	11
Non-current liabilities						
Long-term loans	4, 6(11), 8		20,488,747	31	21,275,331	33
Deferred tax liabilities	4, 6(20)		1,504,657	2	1,527,445	2
Lease liabilities-non-current	4, 6(16)		447,885	1	469,377	1
Net defined benefit liabilities	4, 6(12)		657,844	1	610,222	1
Guarantee deposits			33,090	-	33,851	-
Total non-current liabilities			23,132,223	35	23,916,226	37
Total liabilities			29,973,897	45	30,949,002	48
Equity						
Share capital	4, 6(13)					
Common stock			12,227,451	19	12,227,451	19
Capital surplus	4, 6(7), 6(13)		4,953,859	7	4,885,134	8
Retained earnings	4, 6(2), 6(13)					
Legal reserve			3,499,434	6	3,019,879	5
Special reserve			201,416	-	201,416	-
Undistributed earnings			13,213,921	20	10,580,312	15
Total retained earnings			16,914,771	26	13,801,607	20
Other equity	4, 6(13)		1,993,897	3	3,270,083	5
Total equity			36,089,978	55	34,184,275	52
Total liabilities and equity			\$66,063,875	100	\$65,133,277	100

The accompanying notes are an integral part of the parent company only financial statements.

KING YUAN ELECTRONICS CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2022 and 2021

(Amounts in thousands of New Taiwan Dollars, except for earnings per share)

Description	Notes	2022	%	2021	%
Net sales	4, 6(14), 6(16), 7	\$27,619,107	100	\$25,820,727	100
Operating costs	4, 6(5), 6(8), 6(9), 6(12), 6(16), 6(17), 7	(18,093,056)	(66)	(18,476,736)	(72)
Gross profit		9,526,051	34	7,343,991	28
	4, 6(8), 6(9), 6(12), 6(16), 6(17), 7				
Operating expenses					
Selling expenses		(382,297)	(1)	(345,629)	(1)
Administrative expenses		(1,680,801)	(6)	(1,646,203)	(6)
Research and development expenses		(855,697)	(3)	(846,846)	(3)
Total operating expenses		(2,918,795)	(10)	(2,838,678)	(10)
Operating income		6,607,256	24	4,505,313	18
Non-operating income and expenses	4, 6(7), 6(8), 6(18), 7				
Interest income		20,855	-	4,872	-
Other income		249,436	1	193,414	1
Other gains and losses		194,251	-	105,488	-
Finance costs		(348,836)	(1)	(200,484)	(1)
Share of profit of associates accounted for using the equity method		1,808,991	7	1,901,485	7
Total non-operating income and expenses		1,924,697	7	2,004,775	7
Net income before income tax		8,531,953	31	6,510,088	25
Income tax expense	4, 6(20)	(1,695,344)	(6)	(1,335,042)	(5)
Net income		6,836,609	25	5,175,046	20
Other comprehensive income	4, 6(19)				
Items that will not be reclassified subsequently to profit or loss:					
Remeasurements of the defined benefit plan		(55,210)	-	(53,368)	-
Unrealized gains and losses from equity instrument investments measured at fair value through other comprehensive income		(1,752,026)	(6)	2,101,279	8
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		369,890	1	(419,982)	(2)
Items that will be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial statements of foreign operations		132,437	-	(42,240)	-
Income tax related to components of other comprehensive income that will be reclassified to profit or loss		(26,487)	-	8,448	-
Other comprehensive income, net of tax		(1,331,396)	(5)	1,594,137	6
Total comprehensive income		\$5,505,213	20	\$6,769,183	26
Earnings per share (NT\$)	4, 6(21)				
Basic Earnings Per Share		\$5.59		\$4.23	
Diluted Earnings Per Share		\$5.49		\$4.18	

The accompanying notes are an integral part of the parent company only financial statements.

KING YUAN ELECTRONICS CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2022 and 2021

(Amounts in thousands of New Taiwan Dollars)

Description	Common stock	Capital surplus	Retained earnings			Other equity			Total Equity
			Legal reserve	Special reserve	Undistributed earnings	Exchange differences resulting from translating the financial statements of foreign operations	Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income		
Balance as of January 1, 2021	\$12,227,451	\$4,588,172	\$2,656,958	\$402,406	\$8,147,631	\$(357,036)	\$1,653,489	\$29,319,071	
Appropriation and distribution of 2020 earnings :	-	-	362,921	-	(362,921)	-	-	-	
Legal reserve	-	(244,549)	-	-	(2,200,941)	-	-	(2,445,490)	
Cash dividends	-	-	-	(200,990)	200,990	-	-	-	
Reversal of special reserve	-	-	-	-	-	-	-	-	
Profit for the year ended December 31, 2021	-	-	-	-	5,175,046	-	-	5,175,046	
Other comprehensive income for the year ended December 31, 2021	-	-	-	-	(53,368)	(33,792)	1,681,297	1,594,137	
Total comprehensive income	-	-	-	-	5,121,678	(33,792)	1,681,297	6,769,183	
Changes in ownership interests in subsidiaries	-	541,511	-	-	-	-	-	541,511	
Disposal of equity instrument investments measured at fair value through other comprehensive income	-	-	-	-	(326,125)	-	326,125	-	
Balance as of December 31, 2021	\$12,227,451	\$4,885,134	\$3,019,879	\$201,416	\$10,580,312	\$(390,828)	\$3,660,911	\$34,184,275	
Balance as of January 1, 2022	\$12,227,451	\$4,885,134	\$3,019,879	\$201,416	\$10,580,312	\$(390,828)	\$3,660,911	\$34,184,275	
Appropriation and distribution of 2021 earnings :	-	-	479,555	-	(479,555)	-	-	-	
Legal reserve	-	-	-	-	(3,668,235)	-	-	(3,668,235)	
Cash dividends	-	-	-	-	6,836,609	105,950	(1,382,136)	6,836,609	
Profit for the year ended December 31, 2022	-	-	-	-	(55,210)	-	-	(1,331,396)	
Other comprehensive income for the year ended December 31, 2022	-	-	-	-	6,781,399	105,950	(1,382,136)	5,505,213	
Total comprehensive income	-	-	-	-	-	-	-	-	
Changes in ownership interests in subsidiaries	-	68,725	-	-	-	-	-	68,725	
Balance as of December 31, 2022	\$12,227,451	\$4,953,859	\$3,499,434	\$201,416	\$13,213,921	\$(284,878)	\$2,278,775	\$36,089,978	

The accompanying notes are an integral part of the parent company only financial statements.

English Translation of Financial Statements Originally Issued in Chinese
KING YUAN ELECTRONICS CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
For the years ended December 31, 2022 and 2021
(Amounts in thousands of New Taiwan Dollars)

Description	2022	2021	Description	2022	2021
Cash flows from operating activities :			Cash flows from investing activities :		
Profit before tax from continuing operations	\$8,531,953	\$6,510,088	Proceeds from disposal of financial assets at fair value through other comprehensive income	\$-	\$1,365
Adjustments for:			Acquisition of property, plant and equipment	(6,578,542)	(10,199,072)
The profit or loss items which did not affect cash flows:			Proceeds from disposal of property, plant and equipment	1,406,145	786,587
Depreciation	7,103,467	7,102,275	Increase in refundable deposits	(1)	(1,897)
Amortization	40,899	47,250	Acquisition of intangible assets	(7,484)	(36,338)
Interest expenses	348,836	200,484	Increase in other financial assets	(40,490)	-
Interest income	(20,855)	(4,872)	Dividend received	109,278	9,697
Dividend income	(96,288)	(85,016)	Net cash used in investing activities	(5,111,094)	(9,341,652)
Investment gain accounted for using the equity method	(1,808,991)	(1,901,485)			
Gain on disposal of property, plant and equipment	(75,405)	(96,761)	Cash flows from financing activities :		
Impairment of non-financial assets	-	59,461	Borrowing in long-term loans	15,785,329	15,621,188
Unrealized foreign exchange loss	476,200	8,687	Repayments of long-term loans	(17,064,745)	(12,688,419)
Changes in operating assets and liabilities :			Increase in deposits received	-	31,096
Contract assets	34,886	24,376	Decrease in deposits received	(761)	-
Notes receivable	488	(4,657)	Cash payments for the principal portion of the lease liabilities	(85,762)	(304,763)
Accounts receivable	412,883	(777,035)	Cash dividends	(3,668,235)	(2,445,490)
Accounts receivable from related parties	298,851	(331,662)	Interest paid	(291,680)	(187,708)
Other receivables	(77,407)	(221,695)	Net cash (used in) provided by financing activities	(5,325,854)	25,904
Other receivables from related parties	(36,124)	92,839			
Inventories	(90,103)	(255,636)			
Prepayments	(8,456)	7,618			
Other current assets	11,948	(15,035)			
Contract liabilities	-	(11,590)			
Notes payable	1,380	5,631			
Accounts payable	(331,133)	(12,727)			
Accounts payable to related parties	(15,199)	1,927			
Other payables	(53,328)	702,439			
Other payables to related parties	(3,508)	22,525			
Other current liabilities	269,204	303,504			
Accrued pension liabilities	(7,588)	(9,602)			
Cash generated from operating activities	14,906,610	11,361,331			
Interest received	18,326	4,700			
Income tax paid	(901,549)	(740,759)			
Net cash provided by operating activities	14,023,387	10,625,272			
			Net increase in cash and cash equivalents	3,586,439	1,309,524
			Cash and cash equivalents at the beginning of the year	6,420,308	5,110,784
			Cash and cash equivalents at the end of the year	\$10,006,747	\$6,420,308

The accompanying notes are an integral part of the parent company only financial statements.

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KING YUAN ELECTRONICS CO., LTD.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

1. Organization and Operation

King Yuan Electronics Co., Ltd. ("the Company" or "KYTEC") was incorporated under the Company Law of the Republic of China ("R.O.C") on May 28, 1987 and commenced operations on July 23, 1987. The Company primarily engages in the business of design, manufacturing, selling, testing and assembly service of integrated circuits, and also engages in manufacturing and selling of IC Monitoring Burn-In machinery and related components. On May 9, 2001, the shares of KYEC were listed on the Taiwan Stock Exchange. The Company's registered office and the main business location is at No. 81, Sec. 2, Gongdaowu Road, Hsinchu City 300, Republic of China (R.O.C.).

2. Date and Procedures of Authorization of Financial Statements for Issue

The parent company only financial statements of the Company were approved and authorized for issue by the Board of Directors on March 2, 2023.

3. Newly Issued or Revised Standards and Interpretations

- (1) Change in accounting policies resulting from applying for the first time certain standards and amendments

The Company applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after January 1, 2022. The application of these new standards and amendments had no material effect on the Company.

- (2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are endorsed by FSC, and not yet adopted by the Company as at the end of the reporting period are listed below:

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Items	New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
A	Disclosure Initiative - Accounting Policies – Amendments to IAS 1	January 1, 2023
B	Definition of Accounting Estimates – Amendments to IAS 8	January 1, 2023
C	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	January 1, 2023

(A) Disclosure Initiative - Accounting Policies – Amendments to IAS 1

The amendments improve accounting policy disclosures that to provide more useful information to investors and other primary users of the financial statements.

(B) Definition of Accounting Estimates – Amendments to IAS 8

The amendments introduce the definition of accounting estimates and include other amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to help companies distinguish changes in accounting estimates from changes in accounting policies.

(C) Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2023 and have no material impact on the Company.

- (3) Standards or interpretations issued, revised or amended, by IASB but not yet endorsed by FSC and not yet adopted by the Company as at the end of the reporting period are listed below:

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Items	New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
A	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
B	IFRS 17 “Insurance Contracts”	January 1, 2023
C	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2024
D	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	January 1, 2024
E	Non-current Liabilities with Covenants – Amendments to IAS 1	January 1, 2024

A. IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures”, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint venture. IFRS 10 requires full profit or loss recognition on the loss of control of a subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gain or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors’ interests in the associate or joint venture.

B. IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017 and it was amended in 2020 and 2021. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after January 1, 2023 (from the original effective date of January 1, 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after January 1, 2023.

C. Classification of Liabilities as Current or Non-current — Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

D. Lease Liability in a Sale and Leaseback — Amendments to IFRS 16

The amendments add seller-lessees additional requirements for the sale and leaseback transactions in IFRS 16, thereby supporting the consistent application of the standard.

E. Non-current Liabilities with Covenants — Amendments to IAS 1

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The amendments improved the information companies provide about long-term debt with covenants. The amendments specify that covenants to be complied within twelve months after the reporting period do not affect the classification of debt as current or non-current at the end of the reporting period.

The abovementioned standards and interpretations issued by IASB have not yet been endorsed by FSC at the date when the Company's financial statements were authorized for issue, the local effective dates are to be determined by FSC. The new or amended standards and interpretations have no material impact on the Company.

4. Summary of Significant Accounting Policies

Statement of Compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations").

Basis of Preparation

The Company prepares the parent company only financial statements in accordance with the Regulations. According to article 21 of the Regulations, the profit or loss and other comprehensive income presented in the parent company only financial statements will be the same as the allocations of profit or loss and of other comprehensive income attributable to owners of the parent presented in the financial statements prepared on a consolidated basis, and the owners' equity presented in the parent company only financial statements will be the same as the equity attributable to owners of the parent presented in the financial statements prepared on a consolidated basis. Therefore, the investments in subsidiaries will be disclosed under "Investments accounted for using the equity method" in the parent company only financial report and change in value will be adjusted.

The parent company only financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The parent company only financial statements are expressed in thousands of New Taiwan Dollars ("NT\$") unless otherwise stated.

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Foreign currency transactions

The parent company only financial statements are presented in NT\$, which is also the Company's functional currency.

Transactions in foreign currencies are initially recorded by the Company's functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

- A. exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- B. foreign currency items within the scope of IFRS 9 "Financial Instruments" are accounted for based on the accounting policy for financial instruments.
- C. exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

Translation of financial statements in foreign currency

Each foreign operation of the Company determines its functional currency upon its primary economic environment and items included in the financial statements of each operation are

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measured using that functional currency. The assets and liabilities of foreign operations are translated into NT\$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following partial disposals are accounted for as disposals:

- A. when the partial disposal involves the loss of control of a subsidiary that includes a foreign operation; and
- B. when the retained interest after the partial disposal of an interest in a joint arrangement or a partial disposal of an interest in an associate that includes a foreign operation is a financial asset that includes a foreign operation.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is adjustment in “investments accounted for using the equity method”. In partial disposal of an associate or jointly controlled entity that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

Current and non-current distinction

An asset is classified as current when:

- A. the Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- B. the Company holds the asset primarily for the purpose of trading;
- C. the Company expects to realize the asset within twelve months after the reporting period; or

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D. the asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

A. the Company expects to settle the liability in its normal operating cycle;

B. the Company holds the liability primarily for the purpose of trading;

C. the liability is due to be settled within twelve months after the reporting period; or

D. the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within twelve months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IFRS 9 “Financial Instruments” are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

A. Financial instruments: Recognition and Measurement

The Company accounts for regular way purchase or sales of financial assets on the trade date.

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The Company classifies financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

- a. the Company's business model for managing the financial assets and
- b. the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables, financial assets measured at amortized cost and other receivables, etc., on balance sheet as at the reporting date:

- a. the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- b. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- a. purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
- b. financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial assets measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- a. the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- b. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income is described as below:

- a. A gain or loss on a financial asset measured at fair value through other comprehensive income is recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
- b. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- c. Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
 - (a) purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
 - (b) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Company made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other

comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investments are recognized in profit or loss unless the dividends clearly represent a recovery of part of the cost of investment.

Financial assets measured at fair value through profit or loss

Financial assets are classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets are measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

B. Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial assets measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and does not reduce the carrying amount in the statement of financial position.

The Company measures expected credit losses of a financial instrument in a way that reflects:

- a. an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- b. the time value of money; and
- c. reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measured as follows:

- a. at an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Company measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
- b. at an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- c. for trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.
- d. For lease receivables arising from transactions within the scope of IFRS 16, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Company needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

C. Derecognition of financial assets

A financial asset is derecognized when:

- a. the rights to receive cash flows from the asset have expired.
- b. the Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred.
- c. the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

D. Financial liabilities and equity

Classification between liabilities or equity

The Company classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Compound instruments

The Company evaluates the terms of the convertible bonds issued to determine whether it contains both a liability and an equity component. Furthermore, the Company assesses if the economic characteristics and risks of the put and call options contained in the convertible bonds are closely related to the economic characteristics and risk of the host contract before separating the equity element.

For the liability component excluding the derivatives, its fair value is determined based on the rate of interest applied at that time by the market to instruments of comparable credit status. The liability component is classified as a financial liability measured at amortized cost before the instrument is converted or settled.

For the embedded derivative that is not closely related to the host contract (for example, if the exercise price of the embedded call or put option is not approximately equal on each exercise date to the amortized cost of the host debt instrument), it is classified as a liability component and subsequently measured at fair value through profit or loss unless it qualifies for an equity component. The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. Its carrying amount is not remeasured in the subsequent accounting periods. If the

convertible bond issued does not have an equity component, it is accounted for as a hybrid instrument in accordance with the requirements under IFRS 9 “Financial Instruments”.

Transaction costs are apportioned between the liability and equity components of the convertible bond based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized.

On conversion of a convertible bond before maturity, the carrying amount of the liability component being the amortized cost at the date of conversion is transferred to equity.

Financial liabilities

Financial liabilities within the scope of IFRS 9 “Financial Instruments” are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss. Gains or losses on the subsequent measurement of liabilities held for trading including interest paid are recognized in profit or loss.

A financial liability is classified as held for trading if:

- a. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- b. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- c. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

- a. it eliminates or significantly reduces a measurement or recognition inconsistency; or
- b. a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

E. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Derivative financial instruments

The Company uses derivative instruments to hedge its foreign currency risks and interest rate risks. A derivative is classified in the balance sheet as assets or liabilities at fair value through profit or loss except for derivatives that are designated effective hedging instruments which are classified as derivative financial assets or liabilities for hedging.

Derivative instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of hedges, which is recognized in either profit or loss or equity according to type of hedges used.

When the host contracts are either non-financial assets or liabilities, derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not designed at fair value through profit or loss.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- a. in the principal market for the asset or liability, or
- b. in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials – Purchase cost on weighted average method

Finished goods and work in progress – Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

Investments accounted for using the equity method

According to Article 21 of the Regulations, the investments in subsidiaries will be disclosed under “investments accounted for using the equity method” and changes in value will be adjusted accordingly. The profit or loss and other comprehensive income presented in the parent company only financial statements will be the same as the allocations of profit or loss and other

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comprehensive income attributable to owners of the parent presented in the financial statements prepared on a consolidated basis, and the owners' equity presented in the parent company only financial statements will be the same as the equity attributable to owners of the parent presented in the financial statements prepared on a consolidated basis. The difference of the accounting treatment between the parent company only basis and the consolidated basis are adjusted under “investments accounted for using the equity method”, “share of profit of subsidiaries and associates accounted for using the equity method” and “share of other comprehensive income of subsidiaries and associates accounted for using the property equity method”.

The Company's investment in its associates is accounted for using the equity method. An associate is an entity over which the Company has significant influence.

Under the equity method, the investment in the associate is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Company's share of net assets of the associate. After the interest in the associate is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate. Unrealized gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the Company's related interest in the associate.

When changes in the net assets of an associate occur and not those that are recognized in profit or loss or other comprehensive income and do not affect the Company's percentage of ownership interests in the associate, the Company recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate on a pro rata basis.

When the associate issues new shares, and the Company's interest in an associate is reduced or increased as the Company fails to acquire shares newly issued in the associate proportionately to its original ownership interest, the increase or decrease in the interest in the associate is recognized in capital surplus and investments accounted for using the equity method. When the interest in the associate is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Company disposes the associate.

The financial statements of the associate are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 “Investments in Associates and Joint Ventures”. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the ‘share of profit or loss of an associate’ in the statement of comprehensive income in accordance with IAS 36 “Impairment of Assets”. In determining the value in use of the investment, the Company estimates:

- A. its share of the present value of the estimated future cash flows expected to be generated by the associate, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
- B. the present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for goodwill impairment testing in IAS 36 “Impairment of Assets”.

Upon loss of significant influence over the associate or joint venture, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment loss, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that

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is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciation. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 “Property, Plant and Equipment”. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings and facilities	31 years
Plant equipment	5~16 years
Machinery and equipment	2~ 8 years
Transportation equipment	3~ 6 years
Office equipment	3~ 5 years
Right-of-use assets	4~28 years
Miscellaneous equipment	3~11 years
Leasehold improvements	10 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets’ residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Leases

The Company assesses whether the contract is, or contains, a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether the contract, throughout the period of use, has both of the following:

- (a) the right to obtain substantially all of the economic benefits from use of the identified asset;
and
- (b) the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Company for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Company estimates the stand-alone price, maximizing the use of observable information.

A. The Company as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Company recognizes right-of-use asset and lease liability for all leases which the Company is the lessee of those lease contracts.

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- (a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (c) amounts expected to be payable by the lessee under residual value guarantees;
- (d) the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and

- (e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Company measures the lease liability on an amortized cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Company measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

- (a) the amount of the initial measurement of the lease liability;
- (b) any lease payments made at or before the commencement date, less any lease incentives received;
- (c) any initial direct costs incurred by the lessee; and
- (d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Company measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Company measures the right-of-use asset applying a cost model.

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Company applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Company accounted for as short-term leases or leases of low-value assets, the Company presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statement of consolidated comprehensive income statement.

For short-term leases or leases of low-value assets, the Company elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

B. The Company as a lessor

At inception of a contract, the Company classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Company recognizes assets held under a finance lease in its balance sheet and presents them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Company allocates the consideration in the contract applying IFRS 15.

The Company recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is

reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

A. Research and development costs

Research costs are expensed as incurred. Development expenditures, on an individual project, are recognized as an intangible asset when the Company can demonstrate:

- a. the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- b. its intention to complete and its ability to use or sell the asset;
- c. how the asset will generate future economic benefits;
- d. the availability of resources to complete the asset; and
- e. the ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. During the period of development, the asset is tested for impairment annually. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit.

B. Computer software

The cost of computer software is amortized on a straight-line basis over the estimated useful life (3~5 years).

Impairment of non-financial assets

The Company assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 “Impairment of Assets” may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s (“CGU”) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset’s or cash-generating unit’s recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

Treasury shares

Acquisitions of the shares of the Company (treasury shares) are recognized at cost and deducted from equity. Any difference between the carrying amount and the consideration, if reissues, is recognized in capital surplus under equity.

When the retirement of treasury shares, capital surplus – share premiums and share capital are debited proportionately, gains on retirement of treasury shares should be recognized under existing capital surplus arising from similar types of treasury shares; losses on retirement of treasury shares should be offset against existing capital surplus from similar types of treasury shares. If there are insufficient capital reserves to be offset against, then such losses should be accounted for under retained earnings.

Revenue recognition

The Company's revenue arising from contracts with customers are mainly rendering of processing services and rental of testing machinery. The accounting policies are explained as follows:

A. Rendering of services

The Company's primary activity is to conduct testing and assembly services based on customer's specification demand. According to the customer contract, the ownership of the work in process belongs to the customer. The customer controls the work in process when the Company provides services to create or enhance it. Accordingly, the Company's performance obligation is satisfied over time and the Company, based on the consideration stated in the customer contract (less estimated volume discount), recognizes service revenue over time. The Company estimates the volume discounts using the expected value method based on historical experiences. However, revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur and when the uncertainty associated with the variable consideration is subsequently resolved. During the period specified in the contract, refund liability is recognized for the expected volume discounts.

The credit period of the Company's service revenue is from 30 to 120 days. For most of the contracts, when the Company transfers those processed assets to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Company usually collects the payments shortly after transferring those processed assets to customers; therefore, there is no significant financing component to the contract. For some of the contracts, the Company transfers those processed assets to customers but does not have a right to an amount of consideration that is unconditional, these contracts should be presented as contract assets. Besides, in accordance with IFRS 9, the Company

measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses.

B. Revenue from rental of machinery

The Company provides rental services for testing machineries based on customers' demand. According to the contract, the Company provides tailored machineries to customers for testing purposes for a certain period of time. During the contract period, those machineries are for the contracted customers' use only, and will not be mixed with other testing machineries. Meanwhile, during the contract period, those machineries are still under control of the Company, the customer does not have the right to control over or to direct the right of use of the rented machineries. Usually, the unit price is fixed and is stated in the contract. Accordingly, the Company's performance obligation is satisfied over time and the Company recognizes revenue from rental of the machinery by rental hours or testing volume multiplied by the fixed unit price, or over the rental period on a straight line basis.

The credit period of the Company's service revenue is from 30 to 120 days. For most of the contracts, the Company recognizes trade receivables upon the completion of rental period. These trade receivables usually have short period and no significant financial component is arisen.

For some machinery rental contracts, prepayments are received from customers upon signing the contract, the Company then has the obligation to provide the services subsequently. Accordingly, these amounts are recognized as contract liabilities.

C. Sales of machinery

The Company manufactures and sells professional testing machinery. Those machineries must be tested for specifications according to the contract signed by both parties before being delivered to customers. The Company performs the specification test in accordance with the contract and issues a machinery inspection report to the customer. After the customer's confirmation that the operating data and function of the machineries have met the specification stated in the inspection report, the machinery can be delivered to the customer's designated location stated in the contract and the control of the machinery can be transferred. At this time, the customer has the right to determine the sales channels and price of those testing machineries, and has the ability to prevent other companies from directing the use and obtaining the benefits

of these products. Thus, the Company recognizes the revenue generated from the sales of machineries at this time.

Considering the fact that assisting customers for the machinery installation and providing safety guidance are not significant, so the Company issues an invoice with total consideration to the customer and recognizes the amount as trade receivables upon the delivery of the machinery. In addition, the period between the sales of machinery and the actual receipt of the payment is within one year, therefore, there is no significant financial component. The Company provides its customer with a warranty for refund for defectives products. Such warranty is accounted for in accordance with IAS 17 as liability provision.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period when they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Post-employment benefits

All regular employees of the Company are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence not associated with the Company. Therefore, fund assets are not included in the Company's parent company only financial statements.

For the defined contribution plan, the Company will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized

as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

- A. the date of the plan amendment or curtailment, and
- B. the date that the Company recognizes restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

Share-based payment transactions

The cost of equity-settled transactions between the Company and its employees is recognized based on the fair value of the equity instruments granted. The fair value of the equity instruments is determined by using an appropriate pricing model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

The cost of restricted stocks issued is recognized as salary expense based on the fair value of the equity instruments on the grant date, together with a corresponding increase in other capital reserves in equity, over the vesting period. The Company recognizes unearned employee salary which is a transitional contra equity account; the balance in the account will be recognized as salary expense over the passage of vesting period.

Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

A. Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for unappropriated earnings is recognized as income tax expense in the subsequent year when distribution proposal is approved by the shareholders' meeting.

B. Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- a. where the deferred tax liability arises from the initial recognition of goodwill of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- b. in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilized, except:

- a. where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- b. in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Company's parent company only financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

A. Fair value of Level 3 financial instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the income approach (for example the discounted cash flows model) or market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

B. Revenue recognition - sales returns and discounts

The Company estimates sales returns and allowance based on historical experience and other known factors at the time of sale, which reduces the operating revenue. In assessing the aforementioned sales returns and allowance, on the basis of highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Please refer to Note 6. (10) for more details.

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6. Contents of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Checking and savings accounts	\$7,906,747	\$4,920,308
Time deposits	2,100,000	1,500,000
Total	<u>\$10,006,747</u>	<u>\$6,420,308</u>

(2) Financial assets at fair value through other comprehensive income

	December 31, 2022	December 31, 2021
Equity instrument investments measured at fair value through other comprehensive income- non-current		
Listed company's stocks	\$39,359	\$43,028
Unlisted company's stocks	4,755,092	6,503,449
Total	<u>\$4,794,451</u>	<u>\$6,546,477</u>

The Company has equity instrument investments measured at fair value through other comprehensive income. Details on dividends recognized for the years ended of 2022 and 2021 are as follows:

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Dividends revenue related to investments held at the end of the reporting period	<u>\$96,288</u>	<u>\$85,016</u>

In consideration of disposition or liquidation of certain investments according to the Company's investment strategy, the Company derecognized certain equity instrument investments measured at fair value through other comprehensive income. Details on derecognition of the investments for the years ended December 31, 2022 and 2021 are as follows:

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	December 31, 2022	December 31, 2021
The fair value of the investments at the date of derecognition	\$-	\$1,365
The cumulative loss on disposal	\$-	\$(326,125)

Financial assets at fair value through other comprehensive income were not pledged.

(3) Notes receivable

	December 31, 2022	December 31, 2021
Notes receivable from operating activities	\$7,218	\$7,706
Less: loss allowance	-	-
Total	\$7,218	\$7,706

Notes receivable were not pledged.

The Company adopted IFRS 9 for impairment assessment. Please refer to Note 6.(15) for more details on accumulated impairment. Please refer to Note 12 for more details on credit risk.

(4) Trade receivables and trade receivables from related parties

	December 31, 2022	December 31, 2021
Trade receivables	\$3,504,945	\$3,929,879
Less: loss allowance	(13,107)	(25,158)
Subtotal	3,491,838	3,904,721
Trade receivables from related parties	1,782,489	2,081,340
Less: loss allowance	-	-
Subtotal	1,782,489	2,081,340
Total	\$5,274,327	\$5,986,061

No trade receivables were pledged.

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The receivables are generally on 30 to 120 days terms. Please refer to Note 6.(15) for more details on loss allowance of trade receivables for the years ended December 31, 2022 and 2021. Please refer to Note 12 for more details on credit risk.

(5) Inventories

	December 31, 2022	December 31, 2021
Raw materials	\$825,077	\$751,224
Work in progress	294,806	278,556
Finished goods	-	-
Total	<u>\$1,119,883</u>	<u>\$1,029,780</u>

The cost of inventories recognized in operating costs for the year ended December 31, 2022 amounted to NT\$18,093,056 thousand, including the reversal gain of inventories of NT\$31,879 thousand, and scrap loss of NT\$65,834 thousand, respectively. The reversal is due to the fact that previous write-down of inventories had been scrapped.

The cost of inventories recognized in operating costs for the year ended December 31, 2021 amounted to NT\$18,476,736 thousand, including the reversal gain of inventories of NT\$17,680 thousand, and scrap loss of NT\$42,674 thousand, respectively. The reversal is due to the fact that previous write-down of inventories had been scrapped.

No inventories were pledged.

(6) Prepayments

	December 31, 2022	December 31, 2021
Prepaid equipment	\$20,649	\$-
Prepaid expenses	13,838	10,533
Input tax	29,859	27,472
Others	18,043	15,279
Total	<u>\$82,389</u>	<u>\$53,284</u>

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(7) Investments accounted for using the equity method

Investees	December 31, 2022		December 31, 2021	
	Carrying amount	Percentage of ownership	Carrying amount	Percentage of ownership
Subsidiaries:				
KYEC USA Corp.	\$11,821	100.00%	\$11,367	100.00%
KYEC Investment International Co., Ltd.	9,776,053	100.00%	7,925,792	100.00%
KYEC Technology Management Co., Ltd.	622,360	100.00%	504,621	100.00%
KYEC Japan K.K.	63,078	89.83%	53,553	89.83%
KYEC SINGAPORE PTE. LTD.	10,184	100.00%	6,313	100.00%
King Ding Precision Incorporated Company	74,728	100.00%	71,337	100.00%
Subtotal	<u>10,558,224</u>		<u>8,572,983</u>	
Investments in associates:				
Fixwell Technology Corp.	60,676	23.33%	50,400	23.33%
Wei Jiu Industrial Co., Ltd.	30,372	34.00%	28,726	34.00%
Subtotal	<u>91,048</u>		<u>79,126</u>	
Less: deferred credits	<u>(155,134)</u>		<u>(162,339)</u>	
Total	<u>\$10,494,138</u>		<u>\$8,489,770</u>	

A. Investments in subsidiaries

Investments in subsidiaries are recorded as “Investments accounted for using the equity method” in the Company’s parent company only financial statements with necessary valuation adjustments.

The Company indirectly invested in King Long Technology (Suzhou) Ltd. via KYEC Investment International Co., Ltd. and KYEC Technology Management Co., Ltd. During the year 2022 and 2021, the Company’s ownership in King Long Technology (Suzhou)

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Ltd. changed due to the exercise of employee stock options and new shares issued. The changes, NT\$68,725 thousand and NT\$ 541,511 thousand for the years ended December 31, 2022 and 2021, respectively, were recorded as an increase in capital surplus.

No investments were pledged.

B. Investments in associates

The Company's investments in Fixwell Technology Corp. and Wei Jiu Industrial Co., Ltd. are not individually material. The summarized financial information of the Company's ownership in those associates is as follows:

	For the years ended December 31,	
	2022	2021
Net income	\$24,912	\$22,260
Other comprehensive income, net of tax	-	-
Total comprehensive income	\$24,912	\$22,260

The investments mentioned above were not pledged.

(8) Property, plant and equipment

	December 31,	December 31,
	2022	2021
Owner occupied property, plant and equipment	\$32,105,774	\$34,482,459
Property, plant and equipment leased out under operating leases	229,306	131,301
Total	\$32,335,080	\$34,613,760

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A. Owner occupied property, plant and equipment

	Land	Buildings and facilities	Plant equipment	Machinery and equipment	Office equipment	Transportation equipment	Miscellaneous equipment	Leasehold improvements	Construction in progress and equipment awaiting examination		Total
Cost:											
As of January 1, 2022	\$1,651,046	\$4,395,097	\$9,435,368	\$84,851,858	\$763,818	\$53,794	\$4,480,381	\$4,425	\$1,775,660	\$107,411,447	
Additions	-	-	590,684	3,880,692	81,572	4,567	342,350	-	1,135,078	6,034,943	
Disposals	-	-	(52,654)	(5,799,649)	(74,912)	(2,443)	(68,133)	-	-	(5,997,791)	
Transfers	9,850	798,467	416,020	(29,362)	-	-	98,310	-	(1,493,872)	(200,587)	
As of December 31, 2022	\$1,660,896	\$5,193,564	\$10,389,418	\$82,903,539	\$770,478	\$55,918	\$4,852,908	\$4,425	\$1,416,866	\$107,248,012	
As of January 1, 2021	\$1,146,274	\$3,712,080	\$8,452,705	\$80,184,528	\$702,375	\$51,521	\$4,278,432	\$4,425	\$1,534,006	\$100,066,346	
Additions	504,772	671,877	1,023,802	7,946,435	63,184	6,329	337,573	-	177,315	10,731,287	
Disposals	-	-	(41,139)	(4,423,123)	(1,741)	(4,056)	(135,624)	-	-	(4,605,683)	
Transfers	-	11,140	-	1,144,018	-	-	-	-	64,339	1,219,497	
As of December 31, 2021	\$1,651,046	\$4,395,097	\$9,435,368	\$84,851,858	\$763,818	\$53,794	\$4,480,381	\$4,425	\$1,775,660	\$107,411,447	

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	Land	Buildings and facilities	Plant equipment	Machinery and equipment	Office equipment	Transportation equipment	Miscellaneous equipment	Leasehold improvements	Construction in progress and equipment awaiting examination	Total
Accumulated depreciations and impairment:										
As of January 1, 2022	\$-	\$1,616,927	\$6,461,778	\$60,782,133	\$619,900	\$40,918	\$3,404,382	\$2,950	\$-	\$72,928,988
Depreciation	-	152,310	570,586	5,993,243	45,960	4,354	247,469	443	-	7,014,365
Disposals	-	-	(52,654)	(4,512,678)	(74,912)	(2,443)	(68,133)	-	-	(4,710,820)
Transfers	-	(105,538)	-	15,243	-	-	-	-	-	(90,295)
Impairment	-	-	-	-	-	-	-	-	-	-
As of December 31, 2022	\$-	\$1,663,699	\$6,979,710	\$62,277,941	\$590,948	\$42,829	\$3,583,718	\$3,393	\$-	\$75,142,238
As of January 1, 2021										
As of January 1, 2021	\$-	\$1,473,242	\$6,030,457	\$57,804,185	\$583,476	\$39,059	\$3,236,553	\$2,507	\$-	\$69,169,479
Depreciation	-	136,148	472,460	5,973,200	38,165	5,419	303,350	443	-	6,929,185
Disposals	-	-	(41,139)	(3,370,732)	(1,741)	(3,560)	(135,521)	-	-	(3,552,693)
Transfers	-	7,537	-	316,019	-	-	-	-	-	323,556
Impairment	-	-	-	59,461	-	-	-	-	-	59,461
As of December 31, 2021	\$-	\$1,616,927	\$6,461,778	\$60,782,133	\$619,900	\$40,918	\$3,404,382	\$2,950	\$-	\$72,928,988
Net carrying amount as at:										
December 31, 2022	\$1,660,896	\$3,529,865	\$3,409,708	\$20,625,598	\$179,530	\$13,089	\$1,269,190	\$1,032	\$1,416,866	\$32,105,774
December 31, 2021	\$1,651,046	\$2,778,170	\$2,973,590	\$24,069,725	\$143,918	\$12,876	\$1,075,999	\$1,475	\$1,775,660	\$34,482,459

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B. Property, plant and equipment leased out under operating leases

	<u>Buildings and facilities</u>	<u>Machinery and equipment</u>	<u>Total</u>
Cost:			
As at January 1, 2022	\$159,552	\$256,790	\$416,342
Additions	-	-	-
Disposals	-	-	-
Transfers	150,576	119,112	269,688
As at December 31, 2022	<u>\$310,128</u>	<u>\$375,902</u>	<u>\$686,030</u>
As at January 1, 2021	\$170,692	\$678,102	\$848,794
Additions	-	-	-
Disposals	-	-	-
Transfers	(11,140)	(421,312)	(432,452)
As at December 31, 2021	<u>\$159,552</u>	<u>\$256,790</u>	<u>\$416,342</u>
Accumulated depreciation and impairment:			
As at January 1, 2022	\$102,537	\$182,504	\$285,041
Depreciation	8,170	50,781	58,951
Disposals	-	-	-
Transfers	105,538	7,194	112,732
As at December 31, 2022	<u>\$216,245</u>	<u>\$240,479</u>	<u>\$456,724</u>
As at January 1, 2021	\$104,718	\$270,243	\$374,961
Depreciation	5,356	43,847	49,203
Disposals	-	-	-
Transfers	(7,537)	(131,586)	(139,123)
As at December 31, 2021	<u>\$102,537</u>	<u>\$182,504</u>	<u>\$285,041</u>
Net carrying amounts as at:			
December 31, 2022	<u>\$93,883</u>	<u>\$135,423</u>	<u>\$229,306</u>
December 31, 2021	<u>\$57,015</u>	<u>\$74,286</u>	<u>\$131,301</u>

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C. Capitalized borrowing costs of property, plant and equipment are as follows:

	For the years ended December 31,	
	2022	2021
Construction in progress	\$43,647	\$43,685
Capitalization rate of borrowing costs	1.02%~2.95%	0.87%~1.02%

D. The investing activities partially influenced the cash flow are as follows:

	For the years ended December 31,	
	2022	2021
Acquisition of property, plant and equipment	\$6,034,943	\$10,731,287
Net decrease (increase) in payables to equipment suppliers	540,379	(741,087)
Net decrease in other payables - related parties	3,220	208,872
Total	<u>\$6,578,542</u>	<u>\$10,199,072</u>

	For the years ended December 31,	
	2022	2021
Disposal of property, plant and equipment	\$1,355,171	\$1,195,913
Net decrease (increase) in other receivables	(1,194)	2,136
Net decrease (increase) in other receivables - related parties	52,168	(411,462)
Total	<u>\$1,406,145</u>	<u>\$786,587</u>

E. In order to meet the needs of future operation and development, the Company decided to purchase three lots of land and buildings located in Miaoli County for operational use. The total purchase price was NT \$850 million (including tax). As of March 31, 2021, the Company has paid off the total consideration. Transfer of ownership has been completed in April 2021.

In order to meet the needs of future operation and development, the Company decided to acquire the additional floors of the abovementioned buildings for production efficiency improvement. The purchase price was NT \$350 million (including tax). As of March 31, 2021, the Company has paid off the total consideration. The ownership transfer registration has been completed in April 2021.

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F. As of December 31, 2021, the Company recognized an impairment loss of NT\$59,461 thousand, for certain machinery and equipment which were either damaged or idle and could no longer be used. No such transaction occurred in 2022 .

G. Please refer to Note 8 for property, plant and equipment under pledges.

(9) Intangible assets

	<u>Software</u>
Cost:	
As of January 1, 2022	\$140,525
Additions from acquisitions	7,484
Disposals	(39,551)
As of December 31, 2022	<u>\$108,458</u>
As of January 1, 2021	\$174,350
Additions from acquisitions	36,338
Disposals	(70,163)
As of December 31, 2021	<u>\$140,525</u>
Amortization and impairment:	
As of January 1, 2022	\$71,278
Amortization	40,899
Disposals	(39,551)
As of December 31, 2022	<u>\$72,626</u>
As of January 1, 2021	\$94,191
Amortization	47,250
Disposals	(70,163)
As of December 31, 2021	<u>\$71,278</u>
Net carrying amount as of:	
December 31, 2022	<u>\$35,832</u>
December 31, 2021	<u>\$69,247</u>

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Amortization expenses of intangible assets recognized are as follows:

	For the years ended December 31,	
	2022	2021
Operating costs	\$15,159	\$19,775
Selling and administrative expenses	21,779	22,583
Research and development expenses	3,961	4,892
Total	<u>\$40,899</u>	<u>\$47,250</u>

(10) Other current liabilities

	December 31,	December 31,
	2022	2021
Refund liabilities	\$450,819	\$398,109
Receipts on behalf of others	692,485	482,747
Others	8,144	1,388
Total	<u>\$1,151,448</u>	<u>\$882,244</u>

(11) Long-term borrowings

As of December 31, 2022

Lenders	Nature	Maturity Date	Balance	Terms of repayment
Shanghai Commerical Bank	Unsecured bank loans	2025.03.10	\$522,070	Revolving Credit
Standard Chartered Bank	Unsecured bank loans	2024.06.30	92,130	Revolving Credit
Bank of China	Unsecured bank loans	2024.10.14	952,010	Revolving Credit
Cathay United Bank	Unsecured bank loans	2024.12.25	460,650	Revolving Credit
Mizuho Bank	Unsecured bank loans	2024.05.31	307,100	Revolving Credit
Taiwan Business Bank	Unsecured bank loans	2024.04.06	491,360	Revolving Credit

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Lenders	Nature	Maturity Date	Balance	Terms of repayment
Land Bank of Taiwan	Unsecured bank loans	2024.02.08	307,100	Revolving Credit
HSBC Taiwan Bank	Unsecured bank loans	2025.09.30	644,910	Revolving Credit
HSBC Taiwan Bank	Unsecured bank loans	2024.12.20	912,983	50% of principal will be repaid on December 21, 2023. The remaining principal will be repaid on maturity day.
HSBC Taiwan Bank	Unsecured bank loans	2024.12.02	8,788	Repay at maturity
Far Eastern Bank	Unsecured bank loans	2025.06.23	100,000	Repay at maturity
Mega Bank	Unsecured bank loans	2025.03.15	11,753	50% of principal will be repaid on September 15, 2024. The remaining principal will be repaid on maturity day.
Chang Hwa Commercial Bank	Unsecured bank loans	2027.04.12	80,541	The principal will be repaid in 5 semi-annual payments starting from April 12, 2025.
Taipei Fubon Commercial Bank	Unsecured bank loans	2025.01.21	29,746	50% of principal will be repaid on July 21, 2024. The remaining principal will be repaid on maturity day.
First Bank	Unsecured bank loans	2026.07.01	921,300	75% of principal will be repaid in 3 annual payments starting from January 1, 2024. The remaining principal will be repaid on maturity day.
Yuanta Commercial Bank	Unsecured bank loans	2025.06.22	900,868	50% of principal will be repaid on December 22, 2024. The remaining principal will be repaid on maturity day.
E. Sun Commercial Bank	Unsecured bank loans	2025.12.26	74,058	Repayable semi-annually starting from December 27, 2023.

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Lenders	Nature	Maturity Date	Balance	Terms of repayment
KGI Bank	Unsecured bank loans	2024.07.15	80,000	The principal will be repaid in 5 semi-annual payments starting from July 15, 2022.
O Bank	Unsecured bank loans	2025.02.07	128,571	The principal will be repaid in 7 semi-annual payments starting from February 7, 2022.
Chang Hwa Commercial Bank	Unsecured bank loans	2025.01.20	278,000	The principal will be repaid in 5 semi-annual payments starting from January 20, 2023.
Bank of Taiwan	Unsecured bank loans	2026.10.20	600,000	50% of principal will be repaid on April 20, 2025. The remaining principal will be repaid on maturity day.
First Bank	Unsecured bank loans	2025.01.20	358,199	The principal will be repaid in 5 semi-annual payments starting from July 20, 2022.
JihSun Bank	Unsecured bank loans	2024.03.12	250,000	50% of principal will be repaid on September 12, 2023. The remaining principal will be repaid on maturity day.
Mega Bank and 13 others (Note)	Unsecured bank loans	2025.10.12	7,120,000	25% of principal will be repaid on April 12, 2024. The remaining principal will be repaid on maturity day.
Mega Bank and 13 others (Note)	Commercial paper loans	2025.10.11	4,880,000	Revolving credit. Renewable every three months. Credit has not been fully utilized.
Subtotal			20,512,137	
Less: current portion			-	
Less: arrangement fee			(13,965)	
Less: unamortized discount			(9,425)	
Total			\$20,488,747	
Interest Rates			1.51%~6.08%	

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As of December 31, 2021

Lenders	Nature	Maturity Date	Balance	Terms of repayment
Shanghai Commerical Bank	Unsecured bank loans	2023.03.27	\$40,151	Revolving Credit
Shanghai Commerical Bank	Unsecured bank loans	2024.03.15	885,760	Revolving Credit
Standard Chartered Bank	Unsecured bank loans	2023.06.30	332,160	Revolving Credit
Citibank	Unsecured bank loans	2023.11.22	138,400	Revolving Credit
Bank of China	Unsecured bank loans	2023.10.14	968,800	Revolving Credit
Cathay United Bank	Unsecured bank loans	2023.12.25	442,880	Revolving Credit
Mizuho Bank	Unsecured bank loans	2024.01.01	500,000	Revolving Credit
Shin Kong Commerical Bank	Unsecured bank loans	2024.12.15	138,400	Revolving Credit
Taiwan Business Bank	Unsecured bank loans	2023.04.07	276,800	Revolving Credit
Hua Nan Commercial Bank	Unsecured bank loans	2023.04.09	138,400	Revolving Credit
Mega Bank	Unsecured bank loans	2023.04.28	138,400	Revolving Credit
Taishin Bank	Unsecured bank loans	2025.06.03	1,106,636	Revolving Credit
HSBC Taiwan Bank	Unsecured bank loans	2024.09.28	110,720	Revolving Credit
HSBC Taiwan Bank	Unsecured bank loans	2024.12.20	58,967	50% of principal will be repaid on December 21, 2023. The remaining principal will be repaid on maturity day.
HSBC Taiwan Bank	Unsecured bank loans	2024.12.02	7,920	Repay at maturity

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Lenders	Nature	Maturity Date	Balance	Terms of repayment
First Bank	Unsecured bank loans	2026.07.01	830,400	75% of principal will be repaid in 3 annual payments starting from January 1, 2024. The remaining principal will be repaid on maturity day.
Yuanta Commercial Bank	Unsecured bank loans	2025.06.22	811,983	50% of principal will be repaid on December 22, 2024. The remaining principal will be repaid on maturity day.
E. Sun Commercial Bank	Unsecured bank loans	2025.12.26	34,649	Repayable semi-annually starting from December 27, 2023.
KGI Bank	Unsecured bank loans	2024.07.15	240,000	The principal will be repaid in 5 semi-annual payments starting from July 15, 2022.
O Bank	Unsecured bank loans	2025.02.07	171,429	The principal will be repaid in 7 semi-annual payments starting from February 7, 2022.
Mega Bank	Unsecured bank loans	2025.02.07	680,000	50% of principal will be repaid on August 7, 2023. The remaining principal will be repaid on maturity day.
Chang Hwa Commercial Bank	Unsecured bank loans	2025.01.20	556,000	The principal will be repaid in 5 semi-annual payments starting from January 20, 2023.
Bank of Taiwan	Unsecured bank loans	2024.01.20	600,000	50% of principal will be repaid on July 20, 2022. The remaining principal will be repaid on maturity day.
First Bank	Unsecured bank loans	2025.01.20	814,398	The principal will be repaid in 5 semi-annual payments starting from July 20, 2022.
Far Eastern Bank	Unsecured bank loans	2023.02.07	600,000	Repay at maturity

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Lenders	Nature	Maturity Date	Balance	Terms of repayment
CTBC Bank	Unsecured bank loans	2024.02.07	300,000	50% of principal will be repaid on August 7, 2023. The remaining principal will be repaid on maturity day.
JihSun Bank	Unsecured bank loans	2024.03.12	500,000	50% of principal will be repaid on September 12, 2023. The remaining principal will be repaid on maturity day.
Mega Bank and 17 others (Note)	Commercial paper loans	2023.12.06	2,500,000	Revolving credit. Renewable every three months. Credit has not been fully utilized.
Mega Bank and 13 others (Note)	Commercial paper loans	2025.10.11	7,380,000	Revolving credit. Renewable every three months. Credit has not been fully utilized.
Subtotal			21,303,253	
Less: current portion			-	
Less: arrangement fee			(12,425)	
Less: unamortized discount			(15,497)	
Total			<u>\$21,275,331</u>	
Interest Rates			<u>0.50%~1.25%</u>	

Note: Certain property, plant and equipment were pledged. Please refer to Note 8 for more details.

- a. Please refer to Note 9 for the financial covenants during the loan period.
- b. The Company's unused short-term lines of credits amounted to NT\$4,691,138 thousand and NT\$5,113,404 thousand as of December 31, 2022 and 2021, respectively.

(12) Post-employment benefits

Defined contribution plan

The Company adopts a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. The Company has made monthly contribution of 6% of each individual employee's salaries or wages to employee's pension accounts.

Pension benefits for employees of overseas subsidiaries and branches are provided in accordance with the local regulations.

Pension expenses under the defined contribution plan for the years ended December 31, 2022 and 2021 were NT\$201,466 thousand and NT\$197,769 thousand, respectively.

Defined benefit plan

The Company adopts a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company contributes an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company assesses the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company will make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandation, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statements shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Company expects to contribute NT\$17,555 thousand to its defined benefit plan during the 12 months beginning after December 31, 2022.

The maturities of the defined benefits plan as at December 31, 2022 and 2021 are in 2058 and 2052.

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Pension costs recognized in profit or loss for the years ended December 31, 2022 and 2021:

	For the years ended December 31,	
	2022	2021
Current period service costs	\$5,819	\$5,791
Interest income or expense	4,149	2,266
Overestimate (underestimate)	(52)	19
Total	<u>\$9,916</u>	<u>\$8,076</u>

Changes in the defined benefit obligation and fair value of plan assets are as follows:

	For the years ended December 31,	
	2022	2021
Defined benefit obligation	\$969,496	\$902,431
Plan assets at fair value	<u>(311,652)</u>	<u>(292,209)</u>
Other non-current liabilities - accrued pension liabilities recognized on the balance sheets	<u>\$657,844</u>	<u>\$610,222</u>

Reconciliation of liability (asset) of the defined benefit plan is as follows:

	Defined benefit obligation	Fair value of plan assets	Benefit liability (asset)
As at January 1, 2021	\$849,561	\$(283,105)	\$566,456
Current period service costs	5,791	-	5,791
Net interest expense (income)	3,398	(1,132)	2,266
Subtotal	858,750	(284,237)	574,513
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	(2,110)	-	(2,110)
Actuarial gains and losses arising from changes in financial assumptions	31,335	-	31,335

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	Defined benefit obligation	Fair value of plan assets	Benefit liability (asset)
Experience adjustments	28,135	-	28,135
Return on plan assets	-	(3,992)	(3,992)
Subtotal	57,360	(3,992)	53,368
Payments from the plan	(13,679)	13,679	-
Contributions by employer	-	(17,659)	(17,659)
As at December 31, 2021	\$902,431	\$(292,209)	\$610,222
Current period service costs	5,819	-	5,819
Net interest expense (income)	6,136	(1,987)	4,149
Subtotal	914,386	(294,196)	620,190
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	4,358	-	4,358
Actuarial gains and losses arising from changes in financial assumptions	39,446	-	39,446
Experience adjustments	33,102	-	33,102
Return on plan assets	-	(21,696)	(21,696)
Subtotal	76,906	(21,696)	55,210
Payments from the plan	(21,796)	21,796	-
Contributions by employer	-	(17,556)	(17,556)
As at December 31, 2022	\$969,496	\$(311,652)	\$657,844

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	December 31, 2022	December 31, 2021
Discount rate	1.41%	0.68%
Expected rate of salary increases	3.00%	2.00%

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A sensitivity analysis for significant assumption as at December 31, 2022 and 2021 is shown as below:

	Effect on the defined benefit obligation			
	2022		2021	
	Increase in defined benefit obligation	Decrease in defined benefit obligation	Increase in defined benefit obligation	Decrease in defined benefit obligation
Discount rate increase by 0.5%	\$-	\$(75,998)	\$-	\$(70,995)
Discount rate decrease by 0.5%	84,013	-	78,279	-
Future salary increase by 0.5%	82,231	-	76,821	-
Future salary decrease by 0.5%	-	(75,228)	-	(70,449)

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

(13) Equity

A. Share capital

As of December 31, 2022 and 2021, the Company's authorized share capital was both NT\$15,000,000 thousand; issued share capital was both NT\$12,227,451 thousand (1,222,745 thousand shares), with par value of NT\$10 per share. Each share has one voting right and a right to receive dividends.

B. Capital surplus

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	December 31, 2022	December 31, 2021
Additional paid-in capital	\$333,919	\$333,919
Arising from conversion of bonds	3,588,848	3,588,848
Treasury share transactions	390,101	390,101
Arising from the exercise of employee restricted shares	30,755	30,755
Changes in ownership interests in subsidiaries	610,236	541,511
Total	<u>\$4,953,859</u>	<u>\$4,885,134</u>

According to the Company Act, the capital surplus shall not be used except for offset the deficit of the company. When a company incurs no loss, it may distribute the capital surplus generated from the excess of the issuance price over the par value of share capital and donations. The distribution could be made in cash to its shareholders in proportion to the number of shares being held by each of them.

C. Retained earnings and dividend policy

According to the Company's Articles of Incorporation, net profits for each fiscal year, if any, shall be distributed in following order:

- a. reserve for tax payments;
- b. offset prior year's losses;
- c. set aside 10% of the remaining amount after deducting items (a) and (b) as legal reserve;
- d. set aside or reverse special reserve in accordance with law and regulations; and
- e. the distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

The policy of dividend distribution should reflect factors such as the current and future investment environment, fund requirements, domestic and international competition and capital budgets; as well as the interest of the shareholders, share bonus equilibrium and long-term financial planning, etc. The Board of Directors shall make the distribution proposal annually and present it at the shareholders' meeting. As the Company currently is still in the growth stage, funding may be required in the near future for expansion. Therefore, the current policy is to distribute cash dividends at no less than 20% of total dividends to be distributed.

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According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total authorized capital. The legal reserve can be used to offset the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal reserve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

Pursuant to existing regulations, the Company is required to set aside additional special reserve equivalent to the net debit balance of the other components of shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

Following the adoption of TIFRS, the FSC on April 6, 2012 issued Order No. Financial-Supervisory-Securities-Corporate-1010012865, which sets out the following provisions for compliance:

On a public company's first-time adoption of the TIFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded in shareholders' equity that the Company elects to transfer to retained earnings by application of the exemption under IFRS 1, the Company shall set aside an equal amount of special reserve. Following a company's adoption of the TIFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, an amount equal to "other net deductions from shareholders' equity" for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements in the preceding point, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

As of December 31, 2022 and 2021, special reserve set aside for the first-time adoption of TIFRS amounted to NT\$201,416 thousand.

The appropriations for earnings for 2021 were resolved by the shareholders in its meeting on June 29, 2022, while the proposed appropriation of earnings for 2022 were approved by Board of Directors on March 2, 2023. The appropriations and dividends per share were as follows:

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	<u>Appropriation of earnings</u>		<u>Dividend per share (NT\$)</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Legal reserve	\$678,140	\$479,555		
Cash dividends-common stock	4,279,608	3,668,235	\$3.50	\$3.00

On August 3, 2021, the shareholders' meeting resolved to debit capital surplus by NT\$244,549 thousand and distribute the same amounts of cash to shareholders.

Please refer to Note 6(17) for information regarding the employees' compensations (bonuses) and remunerations to directors.

(14) Operating revenue

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Assembly and testing processing revenue	\$22,834,524	\$22,081,412
Revenue from rental of machinery	3,247,145	2,452,506
Rental income from property	55,492	36,132
Other operating revenue	1,481,946	1,250,677
Total revenue	<u>\$27,619,107</u>	<u>\$25,820,727</u>

Relevant information of revenue from contracts with customers for the years ended December 31, 2022 and 2021 are as follows:

A. Disaggregation of revenue

<u>Nature of revenue</u>	<u>Timing of revenue recognition</u>	<u>For the years ended December 31,</u>	
		<u>2022</u>	<u>2021</u>
Rendering of services	Over time	\$22,834,524	\$22,081,412
Revenue from rental of machinery	Over time	3,247,145	2,452,506
Rental income from property	On a straight-line basis or on a systematic basis (Note)	55,492	36,132
Other operating revenue	At a point in time	1,481,946	1,250,677
Total		<u>\$27,619,107</u>	<u>\$25,820,727</u>

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Note: Please refer to Note 6(16) for information regarding leases.

B. Contract balances

(a) Contract assets – current

<u>Nature of revenue</u>	<u>2022.12.31</u>	<u>2021.12.31</u>	<u>2021.01.01</u>
Rendering of services	<u>\$143,710</u>	<u>\$178,596</u>	<u>\$202,972</u>

Please refer to Note 6(15) for more details on effect of impairment. Relevant information of revenue from contracts with customers for the years ended December 31, 2022 and 2021 are as follows:

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
The opening balance transferred to trade receivables	<u>\$178,596</u>	<u>\$202,972</u>
Degree of completion measurement	<u>\$143,710</u>	<u>\$178,596</u>

(b) Contract liabilities - current

<u>Nature of revenue</u>	<u>2022.12.31</u>	<u>2021.12.31</u>	<u>2021.01.01</u>
Revenue from rental of machinery	<u>\$-</u>	<u>\$-</u>	<u>\$11,590</u>

Note: The difference of the beginning and ending balances is the net effect of the completion of performance obligation for old contracts signed before the opening date and new contracts signed before the ending date.

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(15) Expected credit losses

Operating expenses - expected credit losses

	For the years ended December 31,	
	2022	2021
Contract assets	\$-	\$-
Notes receivable	-	-
Trade receivables	-	-
Total	\$-	\$-

Please refer to Note 12 for more details on credit risk.

The Company measures the loss allowance of its contract assets and receivables (including notes receivable and trade receivables) at an amount equal to lifetime expected credit losses. The assessment of the Company's loss allowance as at December 31, 2022 and 2021 are as follows:

- A. The gross carrying amount of contract assets is NT\$143,710 thousand and NT\$178,596 thousand, respectively. Expected credit loss ratio is estimated to be 0%.
- B. The Company considers the grouping of trade receivables by counterparties' credit ratings, geographical regions and industry sectors. Loss allowance is measured by using a provision matrix. Details are as follows:

As at December 31, 2022

Group 1	Not yet due (Note)	Overdue				Total
		1-90 days	91-180 days	181-365 days	>366 days	
Gross carrying amount	\$5,258,428	\$15,676	\$7,577	\$4,330	\$-	\$5,286,011
Loss ratio	-%	-%	1%	2%	5%	
Lifetime expected credit losses	(4,304)	-	(76)	(86)	-	(4,466)
Subtotal	5,254,124	15,676	7,501	4,244	-	5,281,545

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Group 2	Not yet due (Note)	Overdue				Total
		1-90 days	91-180 days	181-365 days	>366 days	
Gross carrying amount	\$2,412	\$-	\$-	\$307	\$5,922	\$8,641
Loss ratio	100%	-%	-%	100%	100%	
Lifetime expected credit losses	(2,412)	-	-	(307)	(5,922)	(8,641)
Subtotal	-	-	-	-	-	-
Total						<u>\$5,281,545</u>

As at December 31, 2021

Group 1	Not yet due (Note)	Overdue				Total
		1-90 days	91-180 days	181-365 days	>366 days	
Gross carrying amount	\$5,992,584	\$4,490	\$2,601	\$1,191	\$-	\$6,000,866
Loss ratio	-%	-%	1%	2%	5%	
Lifetime expected credit losses	(7,049)	-	(26)	(24)	-	(7,099)
Subtotal	5,985,535	4,490	2,575	1,167	-	5,993,767

Group 2	Not yet due (Note)	Overdue				Total
		1-90 days	91-180 days	181-365 days	>366 days	
Gross carrying amount	\$171	\$217	\$-	\$-	\$17,671	\$18,059
Loss ratio	100%	100%	-%	-%	100%	
Lifetime expected credit losses	(171)	(217)	-	-	(17,671)	(18,059)
Subtotal	-	-	-	-	-	-
Total						<u>\$5,993,767</u>

Note: The Company's notes receivable are not overdue.

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The movement in the provision for impairment of contract assets, notes receivable, and trade receivables for the years ended December 31, 2022 and 2021 is as follows:

	<u>Contract assets</u>	<u>Notes receivable</u>	<u>Trade receivables</u>	<u>Other receivables</u>
Beginning balance as at January 1, 2022	\$-	\$-	\$25,158	\$23,149
Addition for the current period	-	-	-	-
Write off (Note)	-	-	(12,051)	(22,705)
Ending balance as at December 31, 2022	<u>\$-</u>	<u>\$-</u>	<u>\$13,107</u>	<u>\$444</u>
Beginning balance as at January 1, 2021	\$-	\$-	\$25,158	\$23,149
Addition for the current period	-	-	-	-
Write off	-	-	-	-
Ending balance as at December 31, 2021	<u>\$-</u>	<u>\$-</u>	<u>\$25,158</u>	<u>\$23,149</u>

Note: Although the Company wrote off the financial assets during 2022, collection activities are still underway.

(16) Leases

A. The Company as a lessee

The Company leases land and buildings with lease terms ranging from 4 to 28 years. At the end of the lease terms, the Company does not have the purchase option to acquire the leasehold land and buildings.

The Company leases machinery and equipment for operational use with lease terms of 2 years. The Company has purchase options to acquire leasehold machinery and equipment at the end of the lease terms.

The Company leases transportation equipment for operational use with lease terms of 3 years. The Company has purchase options to acquire leasehold transportation equipment at the end of the lease terms.

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The effect that leases have on the financial position, financial performance and cash flows of the Company are as follows:

a. Amounts recognized in the balance sheet

(a) Right-of-use assets

The carrying amount of right-of-use assets

	December 31, 2022	December 31, 2021
Land	\$440,501	\$457,989
Buildings and facilities	5,985	9,513
Machinery and equipment	-	72,922
Transportation equipment	10,662	13,122
Total	<u>\$457,148</u>	<u>\$553,546</u>

During the year ended December 31, 2021, the Company's additions to right-of-use assets amounted to NT\$24,275 thousand. No such transaction occurred in 2022.

During the year ended December 31, 2022 and 2021, the Company exercised the purchase option and transfer the right-of-use assets to machinery and equipment in the amount of NT\$67,313 thousand and NT\$538,273 thousand, respectively.

(b) Lease liabilities

	December 31, 2022	December 31, 2021
Lease liabilities- current	\$22,581	\$86,364
Lease liabilities- non-current	447,885	469,377
Total	<u>\$470,466</u>	<u>\$555,741</u>

Please refer to Note 6(18) C for the interest on lease liabilities recognized during the years ended December 31, 2022 and 2021, and refer to Note 12(3) section E Liquidity Risk Management for the maturity analysis for lease liabilities as at December 31, 2022 and 2021.

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b. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	For the years ended December 31,	
	2022	2021
Land	\$18,867	\$18,812
Building	3,215	-
Machinery and equipment	5,609	103,435
Transportation equipment	2,460	1,640
Total	<u>\$30,151</u>	<u>\$123,887</u>

c. Income and costs relating to leasing activities

	For the years ended December 31,	
	2022	2021
The expenses relating to short-term leases	\$36,667	\$47,074
The expenses relating to leases of low-value assets (not including the expenses relating to short-term leases of low-value assets)	556	505
Total	<u>\$37,223</u>	<u>\$47,579</u>

d. Cash outflows relating to leasing activities

During the years ended December 31, 2022 and 2021, the Company's total cash outflows for leases amounted to NT\$132,220 thousand and NT\$363,642 thousand, respectively.

e. Other information relating to leasing activities

Extension and termination options

Some of the Company's property rental agreements contain extension and termination options. In determining the lease terms, the non-cancellable period for which the Company has the right to use an underlying asset, together with periods covered by an

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option to extend the lease if the Company is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option. These options are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Company.

After the commencement date, the Company reassesses the lease term upon the occurrence of a significant event or a significant change in circumstances that is within the control of the lessee and affects whether the Company is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

B. The Company as a lessor

The Company entered into commercial property leases with remaining terms between one to two years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

	For the years ended December 31,	
	2022	2021
Lease income for operating leases		
Income relating to fixed lease payments and variable lease payments that depend on an index or a rate	\$55,492	\$36,132

Please refer to Note 6(8) for relevant disclosure of property, plant and equipment for operating leases under IFRS 16. For operating leases entered by the Company, the undiscounted lease payments to be received and a total of the amounts for the remaining years as at December 31, 2022 and 2021 are as follow:

	December 31, 2022	December 31, 2021
Not later than one year	\$29,212	\$16,600
Later than one year and not later than five years	8,828	347
Later than five years	1,832	-
Total	\$39,872	\$16,947

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(17) Summary statement of employee benefits, depreciation and amortization expenses by function for the years ended December 31, 2022 and 2021:

	For the years ended December 31,					
	2022			2021		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	\$4,809,555	\$1,103,600	\$5,913,155	\$4,606,762	\$1,084,787	\$5,691,549
Labor and health insurance	452,692	70,529	523,221	443,611	73,448	517,059
Pension	173,192	38,190	211,382	166,075	39,770	205,845
Remuneration of directors	-	74,630	74,630	-	56,934	56,934
Other employee benefits expense	204,536	28,320	232,856	208,609	30,919	239,528
Total	<u>\$5,639,975</u>	<u>\$1,315,269</u>	<u>\$6,955,244</u>	<u>\$5,425,057</u>	<u>\$1,285,858</u>	<u>\$6,710,915</u>
Depreciation	<u>\$6,561,535</u>	<u>\$541,932</u>	<u>\$7,103,467</u>	<u>\$6,520,003</u>	<u>\$582,272</u>	<u>\$7,102,275</u>
Amortization	<u>\$15,159</u>	<u>\$25,740</u>	<u>\$40,899</u>	<u>\$19,775</u>	<u>\$27,475</u>	<u>\$47,250</u>

The average total number of employees was 7,314 and 7,453 as of December 31, 2022 and 2021, respectively. The total number of Board of Directors who has not served as employees was 7 and 7, respectively.

- A. The average amount of employee benefits expense was NT\$942 thousand and NT\$894 thousand as of December 31, 2022 and 2021, respectively.
- B. The average amount of salaries was NT\$809 thousand and NT\$764 thousand as of December 31, 2022 and 2021, respectively.
- C. The change rate of average amount of salaries was 5.9% and 10.7% for the years ended December 31, 2022 and 2021, respectively.
- D. The remuneration to supervisors were estimated at 0 thousand and 0 thousand for the years ended December 31, 2022 and 2021, respectively.

In accordance with the Articles of Incorporation, no higher than 1% of the profit of the current year is distributable as remuneration to directors (including independent directors). However,

the Company's accumulated losses shall have been covered (if any). The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. In addition, according to the Company's Articles of incorporation, the remuneration paid to directors (including independent directors) is determined based on the Company's overall operating performance with consideration of the contribution of each director to the Company and reference to industry norm. The remuneration proposal shall be approved by more than half members of the Compensation Committee and submitted to the Board of Directors for further approval.

According to the Company's Articles of Incorporation and the Company Law, the remuneration of the Company's executives is determined based on the positions of the executives, contribution to the Company's operations, individual performance, and consideration of the Company's future risk and reference to the industry norm. The remuneration is to be reviewed by the Compensation Committee for its plausibility and submitted to the Board of Directors for resolution.

The employee's compensation policy of the Company takes into account various factors such as individual's salary, rank, and performance evaluation, the industry norm and the Company's operating results, etc.

In accordance with the Articles of Incorporation, 8% to 10% of profit of the current year is distributable as employees' compensation and no higher than 1% of profit of the current year is distributable as remuneration to directors. However, the Company's accumulated losses shall have been covered (if any). The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on profit of current period, the Company estimated the amounts of the employees' compensation and remuneration to directors for the year ended December 31, 2022 to be 8% of profit of current period (or NT\$746,296 thousand) and 0.8% of profit of current period (or

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NT\$74,630 thousand), respectively, which were recognized as salary expense. If the Board of Directors resolved to distribute employees' compensation in the form of stocks, then the number of stocks distributed is calculated based on the closing price one day prior to the date of resolution. If the estimated amounts differ from the actual distribution resolved by the Board of Directors, the difference will be recognized in the profit or loss in the subsequent year. A resolution was passed at a Board of Directors meeting held on March 2, 2023 to distribute NT\$746,296 thousand and NT\$74,630 thousand in cash as employees' compensation and remuneration to directors, respectively, which were consistent with the estimated amounts recognized for the year ended December 31, 2022.

Actual distribution of employees' compensation and remuneration to directors of 2021 amounted to NT\$569,336 thousand and NT\$56,934 thousand, respectively. No material differences exist between the estimated amount and the actual distribution of the employee compensation and remuneration to directors for the year ended December 31, 2021.

(18) Non-operating income and expenses

A. Other income

	For the years ended December 31,	
	2022	2021
Dividend income	\$96,288	\$85,016
Scrape income	8,234	12,868
Others	144,914	95,530
Total	<u>\$249,436</u>	<u>\$193,414</u>

B. Other gains and losses

	For the years ended December 31,	
	2022	2021
Gains on disposal of property, plant and equipment	\$75,405	\$96,761
Foreign exchange gains, net	119,898	70,474
Impairment losses –Property, plant and equipment	-	(59,461)
Others	(1,052)	(2,286)
Total	<u>\$194,251</u>	<u>\$105,488</u>

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C. Finance costs

	For the years ended December 31,	
	2022	2021
Interest expenses on borrowings from bank	\$339,601	\$189,184
Interest expenses on lease liabilities	9,235	11,300
Total	\$348,836	\$200,484

(19) Components of other comprehensive income

For the year ended December 31, 2022

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income	Income tax expenses	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	\$(55,210)	\$-	\$(55,210)	\$-	\$(55,210)
Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income	(1,752,026)	-	(1,752,026)	369,890	(1,382,136)
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	132,437	-	132,437	(26,487)	105,950
Total of other comprehensive income	\$ (1,674,799)	\$-	\$ (1,674,799)	\$343,403	\$ (1,331,396)

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For the year ended December 31, 2021

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income	Income tax expenses	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	\$ (53,368)	\$ -	\$ (53,368)	\$ -	\$ (53,368)
Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income	2,101,279	-	2,101,279	(419,982)	1,681,297
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	(42,240)	-	(42,240)	8,448	(33,792)
Total of other comprehensive income	<u>\$2,005,671</u>	<u>\$-</u>	<u>\$2,005,671</u>	<u>\$(411,534)</u>	<u>\$1,594,137</u>

(20) Income tax

The major components of income tax expense are as follows:

Income tax expense recognized in profit or loss

	For the years ended December 31,	
	2022	2021
Current income tax expense:		
Current income tax charge	\$1,448,430	\$938,244
Adjustments in respect of current income tax of prior periods	(39,120)	(17,093)
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	286,034	413,891
Income tax expense recognized in profit or loss	<u>\$1,695,344</u>	<u>\$1,335,042</u>

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Income tax relating to components of other comprehensive income

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Deferred tax expense (income):		
Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income	\$(369,890)	\$419,982
Exchange differences resulting from translating the financial statements of foreign operations	26,487	(8,448)
Income tax relating to components of other comprehensive income	<u>\$(343,403)</u>	<u>\$411,534</u>

Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Accounting profit before tax from continuing operations	<u>\$8,531,953</u>	<u>\$6,510,088</u>
Tax at the domestic rates applicable to profits in the country concerned	\$1,706,391	\$1,302,018
Tax effect of expenses not deductible for tax purposes	(257,961)	(363,774)
Tax effect of deferred tax assets/liabilities	286,034	413,891
Adjustments in respect of current income tax of prior periods	<u>(39,120)</u>	<u>(17,093)</u>
Total income tax expense recognized in profit or loss	<u>\$1,695,344</u>	<u>\$1,335,042</u>

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Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2022

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Charged directly to equity	Exchange differences	Ending balance
Temporary differences						
Unrealized exchange gains and losses	\$ (28,521)	\$ 100,839	\$ -	\$ -	\$ -	\$ 72,318
Impairment loss of goodwill	12,650	-	-	-	-	12,650
Other impairment loss	14,813	(13,831)	-	-	-	982
Depreciation difference for tax purpose	32,467	(1,440)	-	-	-	31,027
Unrealized sales discount	79,622	10,542	-	-	-	90,164
Investments accounted for using the equity method	(575,576)	(356,138)	-	-	-	(931,714)
Exchange differences resulting from translating the financial statements of foreign operations	97,707	-	(26,487)	-	-	71,220
Unrealized investment gains and losses	(923,347)	(19,486)	369,890	-	-	(572,943)
Others	24,415	(6,520)	-	-	-	17,895
Deferred tax income/ (expense)		<u>\$ (286,034)</u>	<u>\$ 343,403</u>	<u>\$ -</u>	<u>\$ -</u>	
Net deferred tax assets/(liabilities)		<u>\$ (1,265,770)</u>				<u>\$ (1,208,401)</u>
Reflected in balance sheet as follows:						
Deferred tax assets		<u>\$ 261,675</u>				<u>\$ 296,256</u>
Deferred tax liabilities		<u>\$ 1,527,445</u>				<u>\$ 1,504,657</u>

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For the year ended December 31, 2021

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Charged directly to equity	Exchange differences	Ending balance
Temporary differences						
Unrealized exchange gains and losses	\$(29,772)	\$1,251	\$-	\$-	\$-	\$(28,521)
Impairment loss of goodwill	12,650	-	-	-	-	12,650
Other impairment loss	35,393	(20,580)	-	-	-	14,813
Depreciation difference for tax purpose	23,235	9,232	-	-	-	32,467
Unrealized sales discount	38,991	40,631	-	-	-	79,622
Investments accounted for using the equity method	(200,006)	(375,570)	-	-	-	(575,576)
Exchange differences resulting from translating the financial statements of foreign operations	89,259	-	8,448	-	-	97,707
Unrealized investment gains and losses	(438,190)	(65,175)	(419,982)	-	-	(923,347)
Others	28,095	(3,680)	-	-	-	24,415
Deferred tax income/ (expense)		<u>\$(413,891)</u>	<u>\$(411,534)</u>	<u>\$-</u>	<u>\$-</u>	
Net deferred tax assets/ (liabilities)		<u>\$(440,345)</u>				<u>\$(1,265,770)</u>
Reflected in balance sheet as follows:						
Deferred tax assets		<u>\$227,623</u>				<u>\$261,675</u>
Deferred tax liabilities		<u>\$667,968</u>				<u>\$1,527,445</u>

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The assessment of income tax returns

As of December 31, 2022, the assessment of the income tax returns of the Company is as follows:

<u>Entities</u>	<u>The assessment of income tax returns</u>
The Company	Assessed and approved up to 2019

(21) Earnings per share

Basic earnings per share is calculated by dividing net profit for the year attributable to ordinary equity owners of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the net profit attributable to ordinary equity owners of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	For the years ended	
	December 31,	
	2022	2021
A. Basic earnings per share		
Profit attributable to ordinary equity owners of the parent	\$6,836,609	\$5,175,046
Weighted average number of ordinary shares outstanding for basic earnings per share (thousand share)	1,222,745	1,222,745
Basic earnings per share (NT\$)	\$5.59	\$4.23

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B. Diluted earnings per share

Profit attributable to ordinary equity owners of the parent	\$6,836,609	\$5,175,046
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	1,222,745	1,222,745
Effect of dilution:		
Employee compensation — stock (in thousands)	22,774	14,512
Weighted average number of ordinary shares outstanding after dilution (in thousands)	1,245,519	1,237,257
Diluted earnings per share (NT\$)	\$5.49	\$4.18

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date the financial statements were issued.

7. Related Party Transactions

Information of the related parties that had transactions with the Company during the financial reporting period is as follows:

A. Name and nature of relationship of the related parties

<u>Name of the related parties</u>	<u>Nature of relationship of the related parties</u>
MediaTek Inc.	The chairman of the Company and the chairman of MediaTek Inc. are close relatives
Mediatek Singapore Pte. Ltd.	Subsidiary of MediaTek Inc.
Airoha Technology Corp.	Subsidiary of MediaTek Inc.
Airoha Technology (Suzhou) Limited	Subsidiary of MediaTek Inc.
Other related parties (Note)	Subsidiary of MediaTek Inc.
LC Architecture Realization Company, Inc	A director of the Company doubles as the chairman of LC Architecture Realization Company, Inc
Fixwell Technology Corp.	Associates
Wei Jiu Industrial Co., Ltd.	Associates
KYEC USA Corp.	Subsidiaries
KYEC SINGAPORE PTE. LTD.	Subsidiaries
KYEC Japan K.K.	Subsidiaries

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<u>Name of the related parties</u>	<u>Nature of relationship of the related parties</u>
King Long Technology (Suzhou) Ltd.	Subsidiaries
Suzhou Zhengkuan Technology Ltd.	Subsidiaries
King Ding Precision Inc.	Subsidiaries

Note: The Company's transactions with these companies are not material.

B. Significant transactions with related parties

(a) Operating income

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
MediaTek Inc.	\$4,037,271	\$4,654,610
Mediatek Singapore Pte. Ltd.	3,154,807	2,947,566
Other related parties	739,740	712,729
Subsidiaries	40,659	34,771
Associates	9,728	5,626
Total	<u>\$7,982,205</u>	<u>\$8,355,302</u>

Trading price with related parties were determined through mutual agreement based on the market demands. The trade credit terms with related parties were 45 to 180 days, while the terms with non-related parties were 30 to 120 days. The outstanding balance due from related parties as of December 31, 2022 and 2021 was unsecured, non-interest bearing and must be settled in cash. The receivables from the related parties were not guaranteed.

(b) The Company purchased inventories from associates and subsidiaries. The purchase amounts were NT\$103,888 thousand and NT\$0 thousand for the year ended December 31, 2022 and NT\$164,287 thousand and NT\$106 thousand for the year ended December 31, 2021, respectively. The purchase price was based on the market demands. The payment terms with related parties were 30 days, while the terms with non-related parties were 30 to 120 days.

(c) The Company engaged an associate to perform machinery maintenance services. For the years ended December 31, 2022 and 2021, related operating cost recognized amounted to

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NT\$357,188 thousand and NT\$313,388 thousand, respectively. The Company appointed a subsidiary to perform machinery repairs for the years ended December 31, 2022 and 2021, the operating cost recognized amounted to NT\$107 thousand and NT\$1,182 thousand, respectively.

- (d) The Company paid rental expenses for renting machines from associates. For the years ended December 2022 and 2021, the rental expenses amounted to NT\$606 thousand and NT\$11,079 thousand, respectively. The rental price was based on the similar machine's rental price in the market. The payment terms with related parties were 30 to 90 days, while terms with non-related parties were 0 to 30 days.
- (e) Significant property transactions with related parties:
- i. Disposal of property, plant and equipment

Related party	For the year ended December 31, 2022		For the year ended December 31, 2021	
	Sales price	Disposal gain	Sales price	Disposal gain
King Long Technology (Suzhou) Ltd.	\$995,627	\$45,383	\$1,140,684	\$131,123
Subsidiaries	4,717	4,011	32,195	3,601
Associates	59,916	18,075	14,969	4,613
Subtotal	1,060,260	67,469	1,187,848	139,337
Unrealize gain on disposal in current year (Note)	-	7,205	-	(46,162)
Net Amount	<u>\$1,060,260</u>	<u>\$74,674</u>	<u>\$1,187,848</u>	<u>\$93,175</u>

Note: The Company deferred the disposal gain derived from sales of property, plant and equipment to related parties, and then recognized such gain over depreciable lives of the disposed assets.

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ii. Acquisition of property, plant and equipment

	For the year ended December 31, 2022	For the year ended December 31, 2021
Related party	Purchase price	Purchase price
Subsidiaries	\$18,645	\$21,231
Associates	194,382	190,112
Other related parties	3,738	5,508
Total	\$216,765	\$216,851

The purchase price was determined through mutual agreement based on the market demand.

(f) Contract assets

Contract assets – current

	December 31, 2022	December 31, 2021
Other related parties	\$-	\$2,249
Less: loss allowance	-	-
Net	\$-	\$2,249

(g) Trade receivables from related parties

	December 31, 2022	December 31, 2021
MediaTek Inc.	\$929,631	\$1,069,273
Mediatek Singapore Pte. Ltd.	718,735	787,233
Other related parties	102,595	213,336
Subsidiaries	30,271	11,031
Associates	1,257	467
Less: loss allowance	-	-
Net	\$1,782,489	\$2,081,340

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(h) Other receivables from related parties

	December 31, 2022	December 31, 2021
King Long Technology (Suzhou) Ltd.	\$385,915	\$425,716
MediaTek Inc.	28,386	4,361
Other related parties	196	464
Total	<u>\$414,497</u>	<u>\$430,541</u>

(i) Account payables to related parties

	December 31, 2022	December 31, 2021
Wei Jiu Industrial Co., Ltd.	\$6,215	\$19,961
Associates	-	1,453
Total	<u>\$6,215</u>	<u>\$21,414</u>

(j) Other payables to related parties

	December 31, 2022	December 31, 2021
Fixwell Technology Corp.	\$69,316	\$75,127
Wei Jiu Industrial Co., Ltd.	25,088	22,365
Subsidiaries	18,301	20,806
Other related parties	303	1,438
Total	<u>\$113,008</u>	<u>\$119,736</u>

(k) The Company paid NT\$115,093 thousand and NT\$96,669 thousand as commission expenses to the subsidiaries for the years ended December 31, 2022 and 2021, respectively.

(l) Other income

	For the years ended December 31,	
	2022	2021
Associates	\$1,485	\$141
Other related parties	21	-
Total	<u>\$1,506</u>	<u>\$141</u>

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C. Key management personnel compensation

	For the years ended December 31,	
	2022	2021
Short-term employee benefits	\$227,994	\$179,374
Post-employment benefits	1,053	1,008
Total	<u>\$229,047</u>	<u>\$180,382</u>

8. Assets Pledged as Security

The following table lists assets of the Company pledged as security:

Items	Carrying amount		Purpose of pledge
	December 31, 2022	December 31, 2021	
Other non-current financial assets	\$146,462	\$105,972	Customs clearance
Land	914,594	914,594	Long-term borrowings
Buildings and facilities	1,118,526	1,196,213	Long-term borrowings
Machinery and equipment	4,794,325	5,766,116	Long-term borrowings
Total	<u>\$6,973,907</u>	<u>\$7,982,895</u>	

9. Significant Contingent Liabilities and Unrecognized Commitments

As of December 31, 2022, the following contingencies and material commitments were not included in the Company's financial statements:

A. The Company's issued and outstanding letters of credit totaled approximately NT\$172,296 thousand.

B. To construct the plant and factory premises, the Company had entered into several construction contracts in an aggregate amount of NT\$1,569,279 thousand with NT\$1,182,681 thousand already paid and NT\$386,598 thousand remaining unpaid (promissory notes have been issued).

C. The promissory notes issued for secured bank loans amounted to NT\$38,226,975 thousand.

D. The Company entered into a loan agreement with Yuanta Commercial Bank , the following financial covenants shall be maintained on semi-annual and annual basis during the period from 2021 to 2025:

- (a) Current ratio not less than 100%;
- (b) Debt ratio not more than 150%;
- (c) Interest coverage ratio no less than 300%.

The Company entered into a loan agreement with Far Eastern Int'l Bank , the following financial covenants shall be maintained on semi-annual and annual basis during the period from 2022 to 2025:

- (a) Current ratio not less than 100%;
- (b) Debt ratio not more than 150%;
- (c) Interest coverage ratio no less than 300%.

The Company entered into a loan agreement with JihSun International Commercial Bank , the following financial covenants shall be maintained on semi-annual and annual basis during the period from 2021 to 2024:

- (a) Current ratio not less than 100%;
- (b) Debt ratio not more than 150%;
- (c) Interest coverage ratio no less than 300%.

The Company entered into a syndicated loan agreement with 13 banks, led by Mega International Commercial Bank of Taiwan, and the Company shall maintain the following financial covenants on semi-annual and annual basis during the period from 2020 to 2025:

- (a) Current ratio not less than 100%;
- (b) Debt ratio not more than 150%;
- (c) Interest coverage ratio not less than 300%.

In the case of failure to adhere to the aforementioned financial covenants during the period from 2020 to 2025, Mega International Commercial Bank of Taiwan may assemble a meeting among the banks to govern the matter to decide on a course of action or request for each bank's written approval for such course of action, when necessary.

As of December 31, 2022, the Company did not violate any financial covenants.

10. Losses due to Major Disasters

None.

11. Significant Subsequent Events

None.

12. Others

(1) Categories of financial instruments

A. Categories of financial instruments

	December 31, 2022	December 31, 2021
<u>Financial assets</u>		
Financial assets at fair value through other comprehensive income	\$4,794,451	\$6,546,477
Financial assets measured at amortized cost (Note)	16,250,058	13,270,264
Total	<u>\$21,044,509</u>	<u>\$19,816,741</u>
<u>Financial liabilities</u>		
Financial liabilities at amortized cost:		
Payables (including related parties)	\$464,195	\$809,147
Other payables (including related parties)	4,120,880	4,680,212
Long-term loans (including current portion)	20,488,747	21,275,331
Lease liabilities	470,466	555,741
Guarantee deposits	33,090	33,851
Total	<u>\$25,577,378</u>	<u>\$27,354,282</u>

Note: Includes cash and cash equivalents, notes receivable, trade receivables (including related parties), other receivables (including related parties), other financial assets and refundable deposits.

(2) Financial risk management objectives

The objective of the Company's financial risk management is mainly to manage the market risk, credit risk and liquidity risk derived from its operating activities. The Company identified, measured and managed the aforementioned risks based on the Company's policy and risk tendency.

The Company has established appropriate policies, procedures and internal controls for financial risk management. The plans for material treasury activities are reviewed by Board of Directors and Audit committee in accordance with relevant regulations and internal controls. The Company complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise foreign currency risk, interest rate risk and other price risk (such as equity risk).

In practice, it is rarely the case that a single risk variable will change independently from other risk variables, there are usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

A. Foreign currency risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency) and the Company's net investments in foreign operations.

Some receivables and payables are denominated in the same foreign currency, and it will result in economic hedging effect. Further, net investments in foreign operations are primarily for strategic purposes, and they are not hedged by the Company.

The Company's sensitivity analysis to foreign currency risk mainly focuses on foreign currency monetary items at the end of the reporting period. The Company's foreign currency risk is mainly from the volatility in the exchange rates of US\$. The sensitivity analysis is as follows:

When NT\$ appreciates or depreciates against US\$ by 1%, the profit for the years ended December 31, 2022 and 2021 would have increased / decreased by NT\$2,931 thousand and NT\$520 thousand, respectively.

B. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's loans and receivables at variable interest rates.

The Company manages its risk by having a balanced portfolio of financial instruments with fixed and floating interest rates. The Company did not apply hedging accounting since such hedging activities did not qualify for criteria of hedge accounting.

The Company's sensitivity analysis to interest rate risk mainly focuses on items exposed to interest rate risk at the end of the reporting period, including investments with floating interest rates and bank borrowings with floating rates. Assuming investments and bank borrowings had been outstanding for the entire period and all other variables were constant, a hypothetical increase/decrease of 10 basis points of interest rate in a reporting period would have resulted in a decrease/increase in profit by NT\$20,512 thousand and NT\$21,303 thousand for the years ended December 31, 2022 and 2021, respectively.

C. Equity price risk

The Company's equity investments, including listed and unlisted equity securities, are exposed to market price risk arising from uncertainties of future values of equity securities. The Company's investments in listed and unlisted equity securities are classified under financial assets at fair value through other comprehensive income. The Company manages the equity price risk through diversification and placing limits on individual and total equity investments. Reports on the equity portfolio are submitted to the Company's senior management on a regular basis. The Company's Board of Directors reviews and approves certain significant equity investments according to level of authority.

At the reporting date ended December 31, 2022 and 2021, a change of 20% in the price of the listed equity securities classified under equity instrument investments measured at fair value through other comprehensive income would have impact of NT\$7,872 thousand and NT\$8,606 thousand on the equity attributable to the Company.

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Please refer to Note 12(3) section H for sensitivity analysis information of other equity instruments or derivatives that are linked to such equity instruments whose fair value measurement is categorized under Level 3.

D. Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract, leading to a financial loss. The Company is exposed to credit risk from operating activities (primarily for contract assets, trade receivables and notes receivable) and from its financing activities (including bank deposits and other financial instruments).

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and controls relating to customer credit risk management. Credit limits are established for all customers based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Company's internal rating criteria, etc. Certain customer's credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment and insurance.

As of December 31, 2022 and 2021, receivables from top ten customers represented 53% and 52% of the total trade receivables of the Company, respectively. The credit concentration risk of other accounts receivable was insignificant.

The Company manages its exposure to credit risk arising from bank deposits, fixed income securities and other financial instruments in accordance with established group policies. Since the counter-parties are selected reputable financial institutions and companies, the Company believes its exposure to credit risk is not significant.

E. Liquidity risk management

The Company maintained financial flexibility through the holding of cash and cash equivalents, investments in securities with high liquidity, and facilities of bank borrowings. The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity, and the payment amount also includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

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Non-derivative financial instruments

	Less than				Longer than	Total
	1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 years	
<u>December 31, 2022</u>						
Payables	\$4,585,075	\$-	\$-	\$-	\$-	\$4,585,075
Borrowings	510,038	7,236,731	13,240,518	787,802	84,156	21,859,245
Lease liabilities						
(Note)	22,581	23,086	16,717	16,350	391,732	470,466

	Less than				Longer than	Total
	1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 years	
<u>December 31, 2021</u>						
Payables	\$5,489,359	\$-	\$-	\$-	\$-	\$5,489,359
Borrowings	189,280	7,044,228	3,923,542	10,347,594	418,026	21,922,670
Lease liabilities						
(Note)	86,364	22,643	23,136	16,715	406,883	555,741

Note: Information about the maturities of lease liabilities is provided in the table below:

	Maturity Period				Total
	Less than				
Lease liabilities	1 year	1 to 5 years	6 to 10 years	> 10 years	
December 31, 2022	\$22,581	\$72,838	\$86,832	\$288,215	\$470,466
December 31, 2021	\$86,364	\$78,797	\$85,444	\$305,136	\$555,741

F. Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for year ended December 31, 2022:

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	Long-term loans	Lease liabilities	Total liabilities from financing activities
As of January 1, 2022	\$21,275,331	\$555,741	\$21,831,072
Cash flows	(1,279,416)	(85,762)	(1,365,178)
Non-cash changes			
Syndicated loan issuance costs	9,981	-	9,981
Amortization on bonds payable	6,072	-	6,072
Remeasurement of lease liabilities	-	1,066	1,066
Foreign exchange movement	476,779	(579)	476,200
As of December 31, 2022	<u>\$20,488,747</u>	<u>\$470,466</u>	<u>\$20,959,213</u>

Reconciliation of liabilities for year ended December 31, 2021:

	Long-term loans	Lease liabilities	Total liabilities from financing activities
As of January 1, 2021	\$18,318,298	\$838,236	\$19,156,534
Cash flows	2,932,769	(304,763)	2,628,006
Non-cash changes			
Syndicated loan issuance costs	18,300	-	18,300
Amortization on bonds payable	(4,730)	-	(4,730)
Addition to right-of-use assets	-	24,275	24,275
Foreign exchange movement	10,694	(2,007)	8,687
As of December 31, 2021	<u>\$21,275,331</u>	<u>\$555,741</u>	<u>\$21,831,072</u>

G. Fair values of financial instruments

- a. The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Company to measure or disclose the fair values of financial assets and financial liabilities:

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- (a) The carrying amount of cash and cash equivalents, accounts receivable, accounts payable and other payables approximate their fair value due to their short maturities.
 - (b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price at the reporting date.
 - (c) Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).
 - (d) Fair value of debt instruments without market quotations, bank loans and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instruments.
- b. Fair value of financial instruments measured at amortized cost

The carrying amounts of the Company's financial assets and financial liabilities measured at amortized cost approximate their fair value.

- c. Fair value measurement hierarchy for financial instruments

Please refer to Note 12(3) section H for fair value measurement hierarchy for financial instruments of the Company.

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H. Fair value measurement hierarchy

a. Fair value measurement hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Input other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.

Level 3: Unobservable inputs for the assets or liabilities.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

b. Fair value measurement hierarchy of the Company's assets and liabilities

The Company does not have assets measured at fair value on a non-recurring basis; the following table presents the fair value measurement hierarchy of the Company's assets and liabilities on a recurring basis:

December 31, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at fair value through other comprehensive income				
Equity instruments measured at fair value through other comprehensive income	\$39,359	\$-	\$4,755,092	\$4,794,451

English Translation of Financial Statements Originally Issued in Chinese

KING YUAN ELECTRONICS CO., LTD.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

December 31, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at fair value through other comprehensive income				
Equity instruments measured at fair value through other comprehensive income	\$43,028	\$-	\$6,503,449	\$6,546,477

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

For the year ended December 31, 2022:

	<u>Assets</u>
	<u>At fair value through other comprehensive income</u>
	<u>Stocks</u>
Beginning balances as at January 1, 2022	\$6,503,449
Total gains and losses recognized for the year ended December 31, 2022:	
Amount recognized in OCI (presented in “unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income”)	(1,748,357)
Ending balances as at December 31, 2022	<u>\$4,755,092</u>

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For the year ended December 31, 2021:

	<u>Assets</u>
	<u>At fair value through other comprehensive income</u>
	<u>Stocks</u>
Beginning balances as at January 1, 2021	\$4,418,446
The fair value of the investments of derecognition	(1,365)
Total gains and losses recognized for the year ended December 31, 2021:	
Amount recognized in OCI (presented in “unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income”)	2,086,368
Ending balances as at December 31, 2021	<u>\$6,503,449</u>

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As at December 31, 2022

	Valuation	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:	techniques				
Financial assets at fair value through other comprehensive income					
Stocks	Assets approach	Discount for lack of marketability	10%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase/decrease in the discount for lack of marketability would result in decrease/increase in the Company’s equity by NT\$522,783 thousand.

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(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Financial assets:	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Stocks	Markets approach	P/E, P/B, EV/EBITDA, EV/EBIT and EV/Sales	30%	The higher the proportion of similar quantified information, the higher the fair value of the stocks	10% increase/decrease in the discount for lack of marketability would result in decrease/increase in the Company's equity by NT\$7,149 thousand.

As at December 31, 2021

Financial assets:	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets at fair value through other comprehensive income					
Stocks	Assets approach	Discount for lack of marketability	10%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase/decrease in the discount for lack of marketability would result in decrease/increase in the Company's equity by NT\$714,919 thousand.
Stocks	Markets approach	P/E, P/B, EV/EBITDA, EV/EBIT and EV/Sales	30%	The higher the proportion of similar quantified information, the higher the fair value of the stocks	10% increase/decrease in the discount for lack of marketability would result in decrease/increase in the Company's equity by NT\$9,883 thousand.

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KING YUAN ELECTRONICS CO., LTD.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Company's Finance Department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The Department analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies at each reporting date.

I. Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	December 31, 2022		
	Foreign Currency (thousand)	Exchange rate	NT\$ (thousand)
<u>Monetary financial assets</u>			
US\$	\$231,815	30.71	\$7,119,039
JPY	223,871	0.2324	52,028
CNY	5,927	4.408	26,127
<u>Monetary financial liabilities</u>			
US\$	241,359	30.71	7,412,123
JPY	257,963	0.2324	59,951
	December 31, 2021		
	Foreign Currency (thousand)	Exchange rate	NT\$ (thousand)
<u>Monetary financial assets</u>			
US\$	\$244,913	27.68	\$6,779,191
JPY	628,595	0.2405	151,177
CNY	579	4.344	2,517

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(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

	December 31, 2021		
	Foreign Currency		NT\$
	(thousand)	Exchange rate	(thousand)
<u>Monetary financial liabilities</u>			
US\$	243,034	27.68	6,727,176
JPY	653,018	0.2405	157,051

Functional currencies of entities of the Company are varied. Accordingly, the Company is not able to disclose the information of exchange gains and losses of monetary financial assets and liabilities by each significant assets and liabilities denominated in foreign currencies. The foreign exchange gains were NT\$119,898 thousand and NT\$70,474 thousand for the years ended December 31, 2022 and 2021, respectively.

The above information is disclosed based on the carrying amount of foreign currency (after conversion to functional currency).

J. Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

K. The impact of the COVID-19 pandemic on the Company

Near the end of May 2021, a foreign migrant worker cluster infection occurred at the Company's premises. The Company, following the guidance from Central Epidemic Command Center, decisively adopted series of measures to contain the infection. The measures included quarantine of infected workers, 48 hours production suspension and load reduction, etc. It is estimated that this cluster infection reduced approximately 30% of the Company's monthly sales in June 2021. Other than this one-time impact, COVID-19 does not have any significant impact on the Company's going concern basis, funding ability and operations. No similar incident occurred in 2022.

13. Additional Disclosures

(1) The following are additional disclosures for the Company and its affiliates as required by the R.O.C. Securities and Futures Bureau for the year ended December 31, 2022:

- A. Financing provided to others: None.
- B. Endorsement/Guarantee provided to others: Please refer to Attachment 1.
- C. Securities held as of December 31, 2022: Please refer to Attachment 2.
- D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the capital stock: None.
- E. Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock: Please refer to Attachment 3.
- F. Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock: None.
- G. Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock: Please refer to Attachment 4.
- H. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock: Please refer to Attachment 5.
- I. Financial instruments and derivative transactions: None.
- J. Parent-subsidary relationship between business dealings and important circumstance: Please refer to Attachment 6.

(2) Information on investees

- A. Information regarding investee companies over which the Company can exercise significant influence or control: Please refer to Attachment 7.
- B. The following are additional disclosures for investee companies KYEC has significant influence or control:
 - a. Financing provided to others: None.
 - b. Endorsement/Guarantee provided to others: None.
 - c. Securities held as of December 31, 2022: None.
 - d. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the capital stock: None.

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NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

- e. Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock: None.
 - f. Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock: None.
 - g. Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock: Please refer to Attachment 4.
 - h. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock as of December 31, 2022: Please refer to Attachment 5.
 - i. Financial instruments and derivative transactions: None.
- (3) Investment in Mainland China: Please refer to Attachment 8.
- (4) Major shareholders information: There is no shareholder who owns above 5% securities of the Company as at December 31, 2022.

ENDORSEMENTS/GUARANTEES PROVIDED

For the year ended December 31, 2022

(Amounts in New Taiwan Thousand Dollars, Unless Specified otherwise)

NO.	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note 2)	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable (Note 3)	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China
		Name	Nature of Relationship										
1	The Company	Suzhou Zhengkuan Technology Ltd.	(Note 1)	\$7,217,995	\$143,125	\$-	\$-	\$-	-	\$14,435,991	Y	N	Y
2	King Long Technology (Suzhou) Ltd.	Suzhou Zhengkuan Technology Ltd.	(Note 1)	\$1,676,138	\$161,075	\$-	\$-	\$-	-	\$3,352,276	Y	N	Y

Note1: A subsidiary in which endorser/guarantor holds directly over 50% of equity interest.

Note2: According to KYEC guarantor rule, the maximum endorsement/guarantee amount allowable to an entity shall not exceed 20% of the Company's net worth as of December 31, 2022.

Note3: According to King Long Technology (Suzhou) Ltd. (the Entity) guarantor rule, the maximum endorsement/guarantee amount to an entity allowable shall not exceed 15% of the Entity's net worth as of December 31, 2022.

Note3: According to KYEC guarantor rule, the maximum endorsement/guarantee amount allowable to others shall not exceed 40% of the Company's net worth as of December 31, 2022.

Note3: According to King Long Technology (Suzhou) Ltd. (the Entity) guarantor rule, the maximum endorsement/guarantee amount to others allowable shall not exceed 30% of the Entity's net worth as of December 31, 2022.

KING YUAN ELECTRONICS CO., LTD.

Attachment 2

MARKTEABLE SECURITIES HELD

As of December 31, 2022

(Amounts in New Taiwan Thousand Dollars, Unless Specified otherwise)

Held Company Name	Securities Type	Securities Name	Relationship with the Company	Financial Statement Account	Balances as of December 31, 2022				Note
					Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
	Stock	Shieh Yong Investment Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	167,044,896	1,134,685	7.58%	1,134,685	
	Stock	APM Communication, Inc.	-	Non-current financial assets at fair value through other comprehensive income	10,456	-	0.11%	-	
	Stock	Greenliant Systems, Ltd.	-	Non-current financial assets at fair value through other comprehensive income	2,333,333	-	3.74%	-	
	Stock	YANN YUAN Investment Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	75,000,000	3,570,366	14.55%	3,570,366	
The Company	Stock	Movella Inc.	-	Non-current financial assets at fair value through other comprehensive income	528,745	-	0.77%	-	
	Stock	IROC Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	315,999	9,069	1.23%	9,069	
	Stock	Subtron Technology Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	927,147	30,290	0.31%	30,290	
	Stock	CAL-COMP INDÚSTRIA DE SEMICONDUCTORES S.A.	-	Non-current financial assets at fair value through other comprehensive income	11,965,500	50,041	17.16%	50,041	

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE CAPITAL PAID-IN

As of December 31, 2022

(Amounts in New Taiwan Thousand Dollars, Unless Specified otherwise)

Held Company Name	Type of Properties	Transaction Date	Transaction Amount	Payment Status	Counter-party	Relationship	Priot Transaction of Related Counter-party			Price Reference	Purpose and Usage of Acquisition	Other Commitments
							Owner	Relationship with the Issuer	Transfer Date			
The Company	Land and building	2020.12.25 (Note)	\$639,000	According to the trading term of purchase order, the company has paid off the total consideration as of December 31, 2022.	Weishun architecture Co., Ltd.	None	Not applicable			Price comparison and bargaining	Purpose: to meet the needs of future operation and development Using status: ownership has been transferred	None

Note: Board of Directors approval date.

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

For the year ended December 31, 2022

(Amounts in New Taiwan Thousand Dollars, Unless Specified otherwise)

Company Name	Related Party	Nature of Relationships	Transaction Details			Abnormal Transaction		Notes/Accounts Payable or Receivable (Included Contract Assets)		
			Purchase/Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total
	MediaTek Inc.	The chairman of the Company and the chairman of MediaTek Inc. are close relatives	Sales	\$4,037,271	14.62%	Month-end 75 days	-	-	\$929,631	17.14 %
The Company	Mediatek Singapore Pte. Ltd.	Subsidiary of MediaTek Inc.	Sales	\$3,154,807	11.42%	Month-end 60 days	-	-	\$718,735	13.25 %
	Airoha Technology Corp.	Subsidiary of MediaTek Inc.	Sales	\$508,595	1.84%	Month-end 60 days	-	-	\$70,739	1.30 %
	Airoha Technology (Suzhou) Limited.	Subsidiary of MediaTek Inc.	Sales	\$126,788	0.46%	Month-end 75 days	-	-	\$16,669	0.31 %
King Long Technology (Suzhou) Ltd.	MediaTek Inc.	The chairman of the Company and the chairman of MediaTek Inc. are close relatives	Sales	\$417,197	5.17%	Month-end 75 days	-	-	\$-	-
	Suzhou Zhengkuan Technology Ltd.	Subsidiary	Sales	\$147,256	1.83%	Month-end 180 days	-	-	\$78,113	4.32 %

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

As of December 31, 2022

(Amounts in New Taiwan Thousand Dollars, Unless Specified otherwise)

Company Name	Related Party	Nature of Relationships	Ending Balance	Turnover Rates	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
The Company	MediaTek Inc.	The chairman of the Company and the chairman of Mediatek Inc. are close relatives	\$958,017 (Note 1)	4.04	\$1,160	-	\$274,675	-
	Mediatek Singapore Pte. Ltd.	Suzhou Zhengkuan Technology Ltd.	718,856 (Note 2)	4.19	\$5,468	-	\$226,718	-
	King Long Technology (Suzhou) Ltd.	Subsidiary	\$416,149 (Note 3)	1.93	\$-	-	\$36,262	-
King Long Technology (Suzhou) Ltd.	Suzhou Zhengkuan Technology Ltd.	Subsidiary	\$129,933 (Note 4)	1.67	\$-	-	\$55,324	-

Note 1: Includes other receivables - related party amounting to NT\$28,386 thousand arising from handling charges, freights and tax fees.

Note 2: Includes other receivables - related party amounting to NT\$121 thousand arising from customs clearance charges and freights.

Note 3: Includes other receivables - related party amounting to NT\$385,915 thousand arising from disposal of equipments and accessories.

Note 4: Includes other receivables - related party amounting to NT\$51,820 thousand arising from utility fees.

INTERCOMPANY RELATIONSHIP AND SIGNIFICANT INTERCOMPANY TRANSACTIONS DURING THE REPORTING PERIOD

For the year ended December 31, 2022

(Amounts in New Taiwan Thousand Dollars, Unless Specified otherwise)

Number	Company name	Counterparty	Relationship	Financial Statement Account	Amount	Transaction terms	% of Net revenues or total assets
0	KYECC	KYECC USA Corp.	1	Commission expense	\$55,766	according to contract	0.15%
				Accrued expenses	2,150		0.00%
		Receivable on equipment		995,627	1.34%		
		Payables on equipment		18,645	0.03%		
		Accounts receivable		30,234	0.04%		
		Other receivables		385,915	0.52%		
		Accrued expenses		8,819	0.01%		
		Sales revenue		39,810	0.11%		
		Deferred credits		141,798	0.19%		
		Accrued expenses		6,777	0.01%		
Commission expense	34,611	0.09%					
1	King Long Technology (Suzhou) Ltd.	KYECC Japan. K.K.	3	Commission expense	24,716		0.07%
				Commission expense	4,717		0.01%
		Receivable on equipment		13,336	0.02%		
		Deferred credits		147,256	0.40%		
		Sales revenue		78,113	0.11%		
		Accounts receivable		51,820	0.07%		
		Other receivables					

Note 1: The information of transactions between the Company and the consolidated subsidiaries should be noted in "Number" column.

(1) Number 0 represents the Company.

(2) The consolidated subsidiaries are numbered in order from number 1.

Note 2: The transaction relationships with the counterparties are as follows:

(1) The Company to the consolidated subsidiary.

(2) The consolidated subsidiary to the Company.

(3) The consolidated subsidiary to another consolidated subsidiary.

Note 3: In calculating the ratio, the transaction amount is divided by consolidated total assets for balance sheet accounts and is divided by consolidated total revenues for income statement accounts.

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)

For the year ended December 31, 2022

(Amounts in New Taiwan Thousand Dollars and United States Thousand Dollars, Unless Specified otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2022			Net Income (Loss) of the Investee	Investment income (loss) recognised by the Company for the year ended December 31, 2022.	Note
				December 31, 2022	December 31, 2021	Shares	Percentages of Ownership	Carrying Value			
The Company	KYEC USA Corp.	Note 1	Sales agent and business communication in USA	\$4,973	\$4,973	160,000	100.00 %	\$11,821	\$(1,324)		
	KYEC Investment International Co., Ltd.	Note 2	Investing activities	5,292,315	5,292,315	164,923,636	100.00 %	9,776,053	1,662,680		
	KYEC Technology Management Co., Ltd.	Note 3	Investing activities	251,579	251,579	7,500,000	100.00 %	622,360	105,752		
	KYEC Japan. K.K.	Note 4	Manufacturing and sales of electronic parts and components, sales agent and business communication in Japan	102,735	102,735	1,899	89.83 %	63,078	12,396		
	KYEC SINGAPORE PTE. LTD.	Note 5	Sales agent and business communication in Southeast Asia and Europe	1,830	1,830	78,000	100.00 %	10,184	2,444		
	Fixwell Technology Corp.	Note 6	Manufacturing, selling and wholesale of electronics parts and components and repairing of electronics related products	28,000	28,000	2,800,000	23.33 %	60,676	71,212	18,676	
	Wei Jiu Industrial Co., Ltd.	Note 7	CNC center processing machine, lathe machining processing design and various precision mechanical components manufacturing	10,200	10,200	1,020,000	34.00 %	30,372	18,341	6,236	
	King Ding Precision Incorporated Company	Note 8	Manufacturing, selling and wholesale of electronics parts and components and repairing of electronics related products	72,600	72,600	6,600,000	100.00 %	74,728	3,391	3,391	
	KYEC Investment International Co., Ltd.	Note 9	Investing activities	USD 116,155	USD 116,155	118,000,000	94.02 %	USD 318,334	USD 59,718	-	
KYEC Technology Management Co., Ltd.	Note 9	Investing activities	USD 7,500	USD 7,500	7,500,000	5.98 %	USD 20,266	USD 59,718	-		

Note 1: 101 Meto Drive., #540 San Jose, CA 95110 USA.

Note 2: Wickhams Cay II Road Town, Tortola, VG1110, British Virgin Islands.

Note 3: Portcullis TrustNet Chambers, P.O. Box 1225, Apia, Samoa.

Note 4: 5F2-3-8 Momochihama, Sawara-ku, Fukuoka 814-0001 Japan.

Note 5: 750A Chat Chee Road Unit 07-22 Technopark @Chat Chee, Singapore 469001.

Note 6: No.380, Huashan Rd., Dadu Dist., Taichung City 432, Taiwan (R.O.C.)

Note 7: No.8, Aly. 8, Ln. 48, Sec. 2, Nan'ai Rd., Xiangshan Dist., Hsinchu City 300, Taiwan (R.O.C.)

Note 8: No. 118, Zhonghua Rd., Zhunan Township, Miaoli County 350, Taiwan (R.O.C.)

Note 9: P.O. Box 2804, George Town, Grand Cayman, Cayman Islands.

INFORMATION ON INVESTMENT IN MAINLAND CHINA

For the year ended December 31, 2022

(Amounts in New Taiwan Thousand Dollars and United States Thousand Dollars, Unless Specified otherwise)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2022	Net Income (Loss) of the Investee Company	Percentage of Ownership	Share of Profits/Losses (Note 5)	Carrying Amount as of December 31, 2022	Accumulated Inward Remittance of Earnings as of December 31, 2022
					Outflow	Inflow						
King Long Technology (Suzhou) Ltd.	Note 1	\$2,408,611 (CNY 546,176)	Indirectly investment in Mainland China through companies registered in a third region (Note 2)	\$3,797,445 (USD 123,655)	\$-	\$-	\$3,797,445 (USD 123,655)	\$1,912,652 (USD 64,588)	92.46%	\$1,768,432 (USD 59,718)	\$10,398,413 (USD 338,600)	\$-
Suzhou Zhengkuan Technology Ltd.	Note 3	\$2,352,041 (CNY 533,348)	Indirectly investment in Mainland China through companies registered in a third region (Note 4)	\$1,497,685 (USD 48,769)	\$-	\$-	\$1,497,685 (USD 48,769)	\$69,098 (USD 2,472)	92.46%	\$63,887 (USD 2,285)	\$770,323 (USD 25,084)	\$-

Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$5,295,130 (USD 172,424)	\$5,295,130 (USD 172,424)	\$21,653,987

Note 1: Sales and manufacturing of components of automotive data processing machinery, solid memory parts, monitoring burn-in machinery, and testing and assembly service of integrated circuits.

Note 2: The Company obtained the approval from the Investment Commission, MOEA, to invest indirectly in King Long Technology (Suzhou) via KYEC Microelectronics Co., Ltd. which is registered in Cayman Island. KYEC Microelectronics Co., Ltd. is invested by KYEC Investment International Co., Ltd. which is registered in BVI.

Note 3: Testing and assembly service of integrated circuits, sales and after service of processing of electronic components and materials, components of automotive data processing machinery, solid memory parts, and monitoring burn-in machinery.

Note 4: Investment was through King Long Technology (Suzhou) Ltd.

Note 5: Recognition of investment gains (losses) was calculated based on the investee's audited financial statements.

KING YUAN ELECTRONICS CO., LTD.

1.STATEMENT OF CASH AND CASH EQUIVALENTS

December 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Cash and cash equivalents	Including US\$59,116 thousand and JPY223,871 thousand	\$ 7,906,747	Exchange rate of Dec.31, 2022: NT\$ 30.71 = US\$ 1 NT\$ 0.2324 = JPY 1
Time deposits		2,100,000	
Total		<u>\$ 10,006,747</u>	

KING YUAN ELECTRONICS CO., LTD.**2.STATEMENT OF NOTES RECEIVABLE, NET****December 31, 2022****(In Thousands of New Taiwan Dollars)**

Client Name	Description	Amount	Note
GSI Technology Taiwan, Inc.		\$ 7,022	
Others	The amount of each item in "Others" does not exceed 5% of the account balance.	196	
Total		<u>7,218</u>	
Less: loss allowance		<u>-</u>	
Net		<u>\$ 7,218</u>	

KING YUAN ELECTRONICS CO., LTD.
3.STATEMENT OF TRADE RECEIVABLES, NET
December 31, 2022

(In Thousands of New Taiwan Dollars)

Client Name	Description	Amount	Note
Xilinx Asia Pacific Pte. Ltd.		\$ 208,833	
STMicroelectronics Pte Ltd.		202,108	
Nvidia Corporation		201,517	
Global Unichip Corporation		190,620	
Silicon Motion, Inc.		182,689	
Others	The amount of each item in "Others" does not exceed 5% of the account balance.	2,519,178	
Total		<u>3,504,945</u>	
Less: loss allowance		<u>(13,107)</u>	
Net		<u>\$ 3,491,838</u>	

KING YUAN ELECTRONICS CO., LTD.

4.STATEMENT OF TRADE RECEIVABLES FROM RELATED PARTIES

December 31, 2022

(In Thousands of New Taiwan Dollars)

Client Name	Description	Amount	Note
MediaTek Inc.		\$ 929,631	
Mediatek Singapore Pte. Ltd.		718,735	
Airoha Technology Corp.		70,739	
King Long Technology (Suzhou) Ltd.		30,234	
Airoha Technology (Suzhou) Limited		16,669	
Airoha Technology (HK) Limited		8,618	
Richtek Technology Corp.		4,721	
Chingis Technology Corp.		1,848	
Fixwell Technology Corp.		1,257	
Others	The amount of each item in "Others" does not exceed NT\$1,000 thousand.	37	
Total		<u>\$ 1,782,489</u>	

KING YUAN ELECTRONICS CO., LTD.
5.STATEMENT OF OTHER RECEIVABLES
December 31, 2022

(In Thousands of New Taiwan Dollars)

Client Name	Description	Amount	Note
Other receivables		\$ 392,483	
Interest receivable		3,131	
Tax refund		242	
Total		395,856	
Less: loss allowance		(444)	
Net		\$ 395,412	

KING YUAN ELECTRONICS CO., LTD.

6.STATEMENT OF OTHER RECEIVABLES FROM RELATED PARTIES

December 31, 2022

(In Thousands of New Taiwan Dollars)

Client Name	Description	Amount	Note
King Long Technology (Suzhou) Ltd.		\$ 385,915	
MediaTek Inc.		28,386	
Others	The amount of each item in "Others" does not exceed NT\$1,000 thousand.	196	
Total		<u>\$ 414,497</u>	

KING YUAN ELECTRONICS CO., LTD.
7.STATEMENT OF INVENTORIES, NET
December 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Description	Amount		Note
		Cost	market price	
Raw materials		\$ 865,855	\$ 964,024	Inventory are valued at lower of cost and net realized value.
Work in process		294,806	302,570	
Total		1,160,661	<u>\$ 1,266,594</u>	
Less: allowance for inventory valuation and obsolescence losses		(40,778)		
Net		<u>\$ 1,119,883</u>		

KING YUAN ELECTRONICS CO., LTD.

8.STATEMENT OF OTHER CURRENT ASSETS

December 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Payments on behalf of others		\$ 53,999	
Temporary payments		931	
Total		<u>\$ 54,930</u>	

KING YUAN ELECTRONICS CO., LTD.
9.STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME-NON-CURRENT
For the year ended December 31, 2022

(In Thousands of New Taiwan Dollars)

Securities Name	Balance, January 1, 2022			Increase in 2022		Decrease in 2022		Unrealized gain or loss on financial assets at fair value through other comprehensive income		Balance, December 31, 2022		Assets pledged as collateral	Note
	Shares	Cost of an investment	Unrealized gain or loss	Fair Value	Shares	Amount	Shares	Amount	Unrealized gain or loss on financial assets at fair value through other comprehensive income	Shares	Fair value		
Shieh Yong Investment Co., Ltd.	121,840,431	\$ 500,000	\$ 1,169,533	\$ 1,669,533	45,204,465	\$ -	-	\$ (534,848)	167,044,896	\$ 1,134,685	N/A		
APM Communication, Inc.	10,456	23,427	(23,427)	-	-	-	-	-	10,456	-	N/A		
Greenliam Systems, Ltd.	2,333,333	30,300	(30,300)	-	-	-	-	-	2,333,333	-	N/A		
YANN YUAN Investment Co., Ltd.	25,000,000	1,275,000	3,489,734	4,764,734	50,000,000	-	-	(1,194,368)	75,000,000	3,570,366	N/A		
Movella Inc.	528,745	44,880	(44,880)	-	-	-	-	-	528,745	-	N/A		
IROC Co., Ltd.	315,999	15,275	(2,398)	12,877	-	-	-	(3,808)	315,999	9,069	N/A		
Subtron Technology Co., Ltd.	927,147	7,983	22,168	30,151	-	-	-	139	927,147	30,290	N/A		
CAL-COMP INDUSTRIA DE SEMICONDUCTORES S.A.	11,965,500	45,711	23,471	69,182	-	-	-	(19,141)	11,965,500	50,041	N/A		
Total		\$ 1,942,576	\$ 4,603,901	\$ 6,546,477		\$ -		\$ (1,752,026)		\$ 4,794,451			

Note 1: Stock dividend of Shieh Yong Investment Co., Ltd.

Note 2: Stock dividend of YANN YUAN Investment Co., Ltd.

KING YUAN ELECTRONICS CO., LTD.
10. STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
For the year ended December 31, 2022

Investees	Balance, January 1, 2022		Increase in 2022		Decrease in 2022		Investment income (loss)	Cumulative translation adjustment	Capital surplus adjustment	Balance, December 31, 2022		Market value or net assets value		Assets pledged as collateral	Note		
	Shares	Amount	Shares	Amount	Shares	Amount				Shares	Amount	%	Amount			Unit price	Total amount
KYEC USA Corp.	160,000	\$ 11,367	-	\$ -	-	\$ -	\$ (1,324)	\$ 1,778	\$ -	160,000	100.00%	\$ 11,821	\$ 73.88	N/A			
KYEC Investment International Co., Ltd.	164,923,636	7,925,792	-	-	-	-	1,662,680	122,966	64,615	164,923,636	100.00%	9,776,053	59.28	N/A			
KYEC Technology Management Co., Ltd.	7,500,000	504,621	-	-	-	-	105,752	7,877	4,110	7,500,000	100.00%	622,360	82.98	N/A			
KYEC Japan K.K.	1,899	53,553	-	-	-	-	11,136	(1,611)	-	1,899	89.83%	63,078	33,216.46	N/A			
KYEC SINGAPORE PTE. LTD.	78,000	6,313	-	-	-	-	2,444	1,427	-	78,000	100.00%	10,184	130.57	N/A			
Fixwell Technology Corp.	2,800,000	50,400	-	-	-	(8,400)	18,676	-	-	2,800,000	23.33%	60,676	21.68	N/A	Note		
Wei Jiu Industrial Co., Ltd.	1,020,000	28,726	-	(4,590)	-	(4,590)	6,236	-	-	1,020,000	34.00%	30,372	32.98	N/A	Note		
King Ding Precision Incorporated Company	6,600,000	71,337	-	-	-	-	3,391	-	-	6,600,000	100.00%	74,728	11.41	N/A			
Subtotal		8,652,109		(12,990)		(12,990)	1,808,991	132,437	68,725			10,649,272					
Less: deferred credits		(162,339)		(33,680)		(33,680)	-	-	-			(155,134)					
Total		\$ 8,489,770		\$ (33,680)		\$ (33,680)	\$ 1,808,991	\$ 132,437	\$ 68,725			\$ 10,494,138					

Note : The decrease amount is due to the cash dividends received.

KING YUAN ELECTRONICS CO., LTD.

**11.STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT AND
ACCUMULATED DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT**

For the year ended December 31, 2022

(In Thousands of New Taiwan Dollars)

A. Please refer to Note 6.(8) for more details of the changes in property, plant and equipment and accumulated depreciation of property, plant and equipment.

B. Please refer to Note 8 for property, plant and equipment under pledges.

C. Details of transfer are as following:

Transferred to prepayments	\$	(20,649)
Transferred from right-of-use asset	\$	67,313

D. Depreciation expense details are as following:

Operating costs	\$	6,561,535
Selling expenses		2,268
Administrative expenses		449,262
Research and development expenses		90,402
Total	\$	7,103,467

KING YUAN ELECTRONICS CO., LTD.
12. STATEMENT OF RIGHT-OF-USE ASSETS AND
ACCUMULATED DEPRECIATION OF RIGHT-OF-USE ASSETS

For the year ended December 31, 2022

Item	Balance, January 1, 2022	Increase in 2022	Decrease in 2022	Transfer in 2022	Balance, December 31, 2022
Acquisition costs					
Land	\$ 512,896	\$ 1,379	\$ -	\$ -	\$ 514,275
Buildings and facilities	9,513	(313)	-	-	9,200
Machinery and equipment	89,750	-	-	(89,750)	-
Transportation equipment	14,762	-	-	-	14,762
Total costs	<u>626,921</u>	<u>1,066</u>	<u>-</u>	<u>(89,750)</u>	<u>538,237</u>
Accumulated depreciation					
Land	\$ 54,907	\$ 18,867	\$ -	\$ -	\$ 73,774
Buildings and facilities	-	3,215	-	-	3,215
Machinery and equipment	16,828	5,609	-	(22,437)	-
Transportation equipment	1,640	2,460	-	-	4,100
Total accumulated depreciation	<u>73,375</u>	<u>30,151</u>	<u>-</u>	<u>(22,437)</u>	<u>81,089</u>
Book value	<u>\$ 553,546</u>	<u>\$ (29,085)</u>	<u>\$ -</u>	<u>\$ (67,313)</u>	<u>\$ 457,148</u>

(In Thousands of New Taiwan Dollars)

KING YUAN ELECTRONICS CO., LTD.

13. STATEMENT OF INTANGIBLE ASSETS AND OTHER ASSETS-NON-CURRENT

December 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Description	Amount		Note
		Subtotal	Total	
Intangible assets				
Refundable deposits	Golf club membership deposit	\$ 3,000		Please refer to Note 6.(9) for more details on intangible assets.
	Car rental deposit	2,000		
	Others	395	\$ 5,395	
Other financial assets-non-current	Customs deposit and long-term borrowings		\$ 146,462	Please refer to Note 8 for more details.

KING YUAN ELECTRONICS CO., LTD.**14.STATEMENT OF NOTES PAYABLE****December 31, 2022****(In Thousands of New Taiwan Dollars)**

Vendor name	Description	Amount	Note
Acer E-enabling Service Business Inc.		\$ 8,559	
Parametric Technology Limited		1,785	
Graser Technology Co., Ltd.		857	
Others	The amount of each item in "Others" does not exceed 5% of the account balance.	245	
Total		<u>\$ 11,446</u>	

KING YUAN ELECTRONICS CO., LTD.
15.STATEMENT OF ACCOUNTS PAYABLE
December 31, 2022

(In Thousands of New Taiwan Dollars)

Vendor name	Description	Amount	Note
Answer Technology Co., Ltd.		\$ 41,524	
FASTPRINT HONGKONG Co., Ltd.		29,454	
WT Microelectronics Co., Ltd.		23,467	
Pin-Jet Microtech., Co., Ltd.		21,598	
Others	The amount of each item in "Others" does not exceed 5% of the account balance.	330,491	
Total		\$ 446,534	

KING YUAN ELECTRONICS CO., LTD.

16.STATEMENTS OF PAYABLES TO RELATED PARTIES

December 31, 2022

(In Thousands of New Taiwan Dollars)

Vendor name	Description	Amount	Note
Wei Jiu Industrial Co., Ltd.		<u>\$ 6,215</u>	

KING YUAN ELECTRONICS CO., LTD.**17.STATEMENT OF OTHER PAYABLES****December 31, 2022****(In Thousands of New Taiwan Dollars)**

Item	Description	Amount	Note
Accrued payroll		\$ 357,150	
Accrued bonuses		516,941	
Accrued employees' compensation and remuneration to directors		832,191	
Accrued accessories expense		647,090	
Accrued untaken annual leave		125,351	
Accrued utilities expense		120,340	
Accrued labor and health insurance expense		100,606	
Accrued interest		47,682	
Accrued pension expense		35,004	
Others		530,173	Note
Total		<u>\$ 3,312,528</u>	

Note : Mainly indirect supplies.

KING YUAN ELECTRONICS CO., LTD.

18.STATEMENT OF OTHER PAYABLES TO RELATED PARTIES

December 31, 2022

(In Thousands of New Taiwan Dollars)

Related parties	Description	Amount	Note
Fixwell Technology Corp.		\$ 69,316	
Wei Jiu Industrial Co., Ltd.		25,088	
King Long Technology (Suzhou) Ltd.		8,819	
KYEC Japan K.K.		6,777	
KYEC USA Corp.		2,150	
Others	The amount of each item in "Others" does not exceed NT\$1,000 thousand.	858	
Total		<u>\$ 113,008</u>	

KING YUAN ELECTRONICS CO., LTD.

19.STATEMENT OF PAYABLES TO EQUIPMENT SUPPLIERS

December 31, 2022

(In Thousands of New Taiwan Dollars)

Vendor name	Description	Amount	Note
Jiu Han System Technology Co., Ltd.		\$ 292,004	
Advantest Taiwan Inc.		92,742	
Hon. Precision, Inc.		79,190	
Accretech Taiwan Co., Ltd.		36,836	
Others	The amount of each item in "Others" does not exceed 5% of the account balance.	194,572	
Total		<u>\$ 695,344</u>	

KING YUAN ELECTRONICS CO., LTD.
20. STATEMENT OF LEASE LIABILITIES

December 31, 2022

(In Thousands of New Taiwan Dollars)					
Item	Description	Period	Discount rate	Balance, December 31, 2022	Note
Land		6 to 28 years	1.88%	\$ 455,777	
Buildings and facilities		4 years	0.85%~1.90%	5,991	
Transportation equipment		3 years	1.17%	8,698	
Less: current portion				\$ 470,466	
Lease liabilities-non-current				(22,581)	
				<u>\$ 447,885</u>	

KING YUAN ELECTRONICS CO., LTD.

21.STATEMENT OF OTHER CURRENT LIABILITIES

December 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Receipts on behalf of others		\$ 692,485	
Allowance for sales returns and discounts		450,819	
Unearned receipts		6,557	
Temporary receipts		1,587	
Total		<u>\$ 1,151,448</u>	

KING YUAN ELECTRONICS CO., LTD.
22.STATEMENT OF LONG-TERM LOANS
December 31, 2022

		(In Thousands of New Taiwan Dollars)				
Creditor	Description	Loan amount	Contract period	Range of interest rates	Terms of repayment	Note
Shanghai Commerical Bank	Unsecured loans	\$ 522,070	2022.03.10~2025.03.10	5.43%	Please refer to Note 6,(11) for more details.	
Standard Chartered Bank	Unsecured loans	92,130	2022.06.30~2024.06.30	5.02%		
Bank of China	Unsecured loans	952,010	2022.10.15~2024.10.14	5.04~5.65%		
Cathay United Bank	Unsecured loans	460,650	2022.12.25~2024.12.25	4.93~5.03%		
Sumitomo Mitsui Bank	Unsecured loans	307,100	2022.06.01~2024.05.31	5.12~5.63%		
Taiwan Business Bank	Unsecured loans	491,360	2022.04.06~2024.04.06	5.87%		
Land Bank of Taiwan	Unsecured loans	307,100	2022.02.08~2024.02.08	5.46%		
HSBC Taiwan Bank	Unsecured loans	644,910	2022.09.30~2025.09.30	4.99~5.47%		
HSBC Taiwan Bank	Unsecured loans	912,983	2021.12.21~2024.12.20	4.52~5.47%		
HSBC Taiwan Bank	Unsecured loans	8,788	2021.12.01~2024.12.02	5.30%		
Far Eastern Bank	Unsecured loans	100,000	2022.06.23~2025.06.23	1.86%		
Mega Bank	Unsecured loans	11,753	2022.03.15~2025.03.15	5.60~5.81%		
Chang Hwa Commercial Bank	Unsecured loans	80,541	2022.04.12~2027.04.12	5.24%		
Taipei Fubon Commercial Bank	Unsecured loans	29,746	2022.01.21~2025.01.21	5.55~6.08%		
First Bank	Unsecured loans	921,300	2021.07.01~2026.07.01	4.92%		
Yuanta Commercial Bank	Unsecured loans	900,868	2021.06.22~2025.06.22	5.85%		
E. Sun Commercial Bank	Unsecured loans	74,058	2021.12.27~2025.12.26	5.04~5.8%		
KGI Bank	Unsecured loans	80,000	2020.07.15~2024.07.15	1.85%		
O Bank	Unsecured loans	128,571	2020.02.07~2025.02.07	1.82%		
Chang Hwa Commercial Bank	Unsecured loans	278,000	2020.01.20~2025.01.20	1.72%		
Bank of Taiwan	Unsecured loans	600,000	2022.10.20~2026.10.20	1.79%		
First Bank	Unsecured loans	358,199	2020.01.20~2025.01.20	1.80%		
JihSun Bank	Unsecured loans	250,000	2021.03.12~2024.03.12	1.51%		
Mega Bank and 13 others (Note)	Unsecured loans	7,120,000	2020.10.12~2025.10.12	1.80~1.86%		
Mega Bank and 13 others (Note)	Commercial Paper	4,880,000	2020.10.12~2025.10.11	1.79~1.97%	Please refer to Note 8 for more details on collateral.	
Total		20,512,137				
Less: current portion		-				
Less: arrangement fee		(13,965)				
Less: Long-term coupon discount and amortization		(9,425)				
Long-term loans		<u>\$ 20,488,747</u>				

Note: The Company entered into a syndicated loan agreement in the amount of 12 billion with 13 banks including Mega International Commercial Bank (lead bank), Taipei Fubon Commercial Bank, Bank of Taiwan, First Commercial Bank, Hua Nan Commercial Bank, Shanghai Commerical Bank, E. Sun Commercial Bank, Taishin Commercial Bank, SinoPac Bank, Far Eastern Bank, Taiwan Business Bank, Shin Kong Commercial Bank, Agricultural Bank of Taiwan.

KING YUAN ELECTRONICS CO., LTD.

23.STATEMENT OF REVENUES

For the year ended December 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Assembly and testing processing revenue		\$ 22,834,524	
Revenue from rental of machinery		3,247,145	
Rental income from property		55,492	
Other operating revenue		1,481,946	
Total revenue		<u>\$ 27,619,107</u>	

KING YUAN ELECTRONICS CO., LTD.
24.STATEMENT OF COSTS OF GOODS SOLD
For the year ended December 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Costs of goods sold			
Raw materials used			
Balance, beginning of the year		\$ 823,881	
Add: purchase		2,257,827	
Less: indirect consumables		(43,752)	
Less: transfer to other expenses		(536,356)	
Less: loss of inventory scrap		(65,834)	
Less: sale of raw materials		(32,425)	
Less: ending balance of the year		(865,855)	
Current consumption		1,537,486	
Direct labor		2,248,983	
Manufacturing overhead		14,827,459	
Manufacturing costs		18,613,928	
Add: work in process, beginning of the year		278,556	
Add: purchase for production consumables		66,198	
Add: transfer to unfinished working orders		140,940	
Less: transfer to other repair expenses		(254,934)	
Less: sale of working in progress		(8)	
Less: work in process, ending balance of the year		(294,806)	
Cost of finished goods		18,549,874	
Add: finished goods, beginning of the year		-	
Less: finished goods, end of the year		-	
Less: transfer to processing costs		(16,366,636)	
Less: transfer to property, plant and equipments		(523,206)	
Less: transfer to others		(7,361)	
Costs of goods sold		1,652,671	
Processing costs		16,366,636	
Sale of raw materials		32,425	
Sale of working in progress		8	
Other operating costs		7,361	
Loss of inventory scrap		65,834	
Inventory valuation and obsolescence reversal gain		(31,879)	
Operating costs		<u>\$ 18,093,056</u>	

KING YUAN ELECTRONICS CO., LTD.
25.STATEMENT OF MANUFACTURING OVERHEAD
For the year ended December 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Depreciation		\$ 6,561,535	
Indirect labor		3,184,882	
Repairs and maintenance		1,751,269	
Utilities expense		1,357,328	
Consumable materials		978,669	
Others	The amount of each item in "Others" does not exceed 5% of the account balance.	993,776	
Total		\$ 14,827,459	

KING YUAN ELECTRONICS CO., LTD.
26.STATEMENT OF SELLING EXPENSES
For the year ended December 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Payroll expense		\$ 197,247	
Commission expense		115,093	
Others	The amount of each item in "Others" does not exceed 5% of the account balance.	69,957	
Total		<u>\$ 382,297</u>	

KING YUAN ELECTRONICS CO., LTD.

27.STATEMENT OF ADMINISTRATIVE EXPENSES

For the year ended December 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Payroll expense		\$ 588,968	
Depreciation		449,262	
Repairs and maintenance		115,057	
Others	The amount of each item in "Others" does not exceed 5% of the account balance.	527,514	
Total		<u>\$ 1,680,801</u>	

KING YUAN ELECTRONICS CO., LTD.

28.STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES

For the year ended December 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Payroll expense		\$ 430,205	
Indirect consumables		222,190	
Depreciation		90,402	
Others	The amount of each item in "Others" does not exceed 5% of the account balance.	112,900	
Total		<u>\$ 855,697</u>	

29. Please refer to note 6.(17) for more details on employee benefit, accumulated depreciation, and amortization.

King Yuan Electronics Co., Ltd.

Chairman: Chin-Kung Lee



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The Testing Industry Benchmark

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