

# King Yuan Electronics Co., Ltd.

## 2023 Annual General Meeting Minutes

Convention Method: Physical Convention of Annual General Meeting

Time: Tuesday, May 30, 2023 9:00 a.m.

Location: 2F., No. 6, Yule St., Toufen City, Miaoli County (Conference Room 205, Grand Royal Hotel)

Attendants: Shareholdings of all shareholders and proxies are 1,049,762,677 in total which was 85.85 % in 1,222,745,065 outstanding shares.

Chairperson: Director & Chairman Chin-Kung Lee

Present 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, Hui-Chun Hsu (Convener of Audit Committee), Dar-Yeh Hwang and Semi Wang, nine directors attended the shareholders meeting, which all directors present.

Minute Recorder: Neil Chung

- I. Announcement of meeting (Chairman announced that meeting began, after the aggregate shareholdings of the shareholders present in person or by proxy had reached the legal standard.)
- II. Chairperson Remarks (omitted)
- III. Reporting Items
  1. The Company's 2022 Business Overview.  
Acknowledged
  2. The Audit Committee's review of the Company's 2022 Financial Report.  
Acknowledged
  3. The Company's 2022 Distribution of Employee and Director Remuneration.  
Acknowledged
  4. The Company's amendment to the "Rules and Procedures for Board of Directors Meetings."  
Acknowledged
- IV. Ratification Items
  1. The Company's 2022 Business Report and Financial Statement.  
Description:  
(1) The Company's 2022 Business Report and Financial Statement have

been resolved on the 24th Meeting of the 14th Session of the Board and were audited by the Audit Committee with an issued audit report.

(2) Please refer to Attachment 1 concerning the business report, Audit Committee's audit report, and financial statement in the foregoing paragraph.

Resolution:

1,049,762,677 shares were represented at time of voting (755,711,573 shares were voted by electrically); 907,248,674 shares voted in favor of this proposal (613,290,570 shares were voted by electrically), and it was accounted for 86.42% of the total voting rights; 108,616 shares were voted against this proposal (108,616 shares were voted by electrically), and it was accounted for 0.01% of the total voting rights; there was no invalid voting right; 142,405,387 shares were voted abstained for this proposal (142,312,387 shares were voted by electrically), and it was accounted for 13.56% of the total voting rights. This proposal was approved finally.

2. The Company's 2022 Distribution of Earnings.

Description:

(1) The Company's 2022 distribution of earnings report has been resolved on the 24th Meeting of the 14th Session of the Board and was audited by the Audit Committee with an issued audit report.

(2) For the distribution of earnings report that was prepared in accordance with the provisions of the Company Act and the Company's Articles of Incorporation, please refer to Attachment 2.

(3) If the Company made substantial investment using the undistributed earnings after the distribution of the 2022 earnings, the Company shall apply for reduction of the amounts of undistributed earnings or refund of excess payment under the preferential taxation provisions stipulated in Article 23-3 of the "Statute for Industrial Innovation."

Resolution:

1,049,762,677 shares were represented at time of voting (755,711,573 shares were voted by electrically); 911,806,866 shares voted in favor of this proposal (617,848,762 shares were voted by electrically), and it was accounted for 86.85% of the total voting rights; 72,373 shares were voted against this proposal (72,373 shares were voted by electrically), and it was

accounted for 0.00% of the total voting rights; there was no invalid voting right; 137,883,438 shares were voted abstained for this proposal (137,790,438 shares were voted by electrically), and it was accounted for 13.13% of the total voting rights. This proposal was approved finally.

## V. Election Items

Motion of Election of the 15th Board of Directors.

Description:

- (1) The Company's 14th-term Board of Directors was set to expire on June 9, 2023; however, given the date of the shareholders' meeting, the date of expiration will be brought forward to the day of election of the 15th term of Board of Directors.
- (2) In accordance with Article 13 of the Company's Articles of Incorporation, nine directors (including three independent directors) will be elected at the 2023 Shareholders' Meetings. The new board members will serve a term of three years, beginning on May 30, 2023 and ending on May 29, 2026.
- (3) The Company has adapted the candidate nomination system in terms of election of directors, that directors shall be selected from the candidate list by shareholders. For education, experience and other relevant information of the candidates are as follow:

No.	Type of Candidate	Name of Candidate	Education	Experience	Current Position	Shares held
1	Director	Chin-Kung Lee	Graduated from Department of Shipping and Transportation Management, National Taiwan Ocean University	President of KYEC	Chairman and CEO of KYEC Director of King Long Technology (Suzhou) Ltd. and Suzhou Zhen Kun Technology Ltd. Independent Director of Quang Viet Enterprise Co., Ltd.	34,100,941
2	Director	Chi-Chun Hsieh	Graduated From College of Medicine, Taipei Medical University	Supervisor of KYEC	Vice-Chairman of KYEC Physician	5,552,037
3	Director	An-Hsuan Liu	PhD in Mechanical Engineering, North Carolina State University	President of Intematix Technology Corporation	President and Director of KYEC Chairman of King Long Technology (Suzhou) Ltd. and Suzhou Zhen Kun Technology Ltd.	1,250,000
4	Director	Kao-Yu Liu	PhD in Architecture, Graduate School of Engineering, the University of Tokyo	Supervisor of KYEC	Director of KYEC Chairman of LC Architecture Realization Company, Inc. Chairman of Ji-Ze Construction Development Co., Ltd.	4,808,267

5	Director	Kuan-Hua Chen	Master's in Financial Engineering, Carnegie Mellon University	Supervisor of Weikeng Industrial Co., Ltd.	Director of KYEC Director of Weikeng Industrial Co., Ltd.	3,168,574
6	Director	Yann Yuan Investment Co.,Ltd. Representative: Ping-Kun Hung	Not applicable.	Not applicable.	Not applicable.	52,600,000
			Graduated from Department of Public Finance, National Chengchi University	Chairman of Hsun Chieh Investment Co.,Ltd. CFO of KYEC	Director of KYEC Director of Silicon Integrated Systems Corp.	0
7	Independent director	Shi-Jer Sheen	Graduated From Institute of Business Administration, Kyushu University, Japan	Independent Director of KYEC	Responsible person of Private Short-Term Busiban	0
8	Independent director	Dar-Yeh Hwang	PhD in Financial, New York University, ABD completed Master in Business Administration and PhD in Finance, Rutgers University Graduated From Peking University, Ph.D.	Chair and Director of The Department of Finance, National Taiwan University Independent director of DBS(Taiwan) Independent Director of Chailease Holding Distinguished Professor of International College of Renmin University of China(Suzhou Campus)	Independent Director of KYEC, Member of Audit Committee and Remuneration Committee Chairman of McBorter AFMA Chairman of Academy of Promoting Economic Legislation (APEL) Co-director of ZIBS China Banking Research Center, Zhejiang University	0
9	Independent director	Semi Wang	Graduated from Department of Aeronautics and Astronautics, NCKU	Chairman of Mingxiang Culture Co., Ltd. Director of Cheng Uei Precision Industry Co., Ltd. Supervisor of Glory Science Co., Ltd. Supervisor of Kuokuang Power Plant Co., Ltd.	Independent Director of KYEC, Member of Audit Committee and Remuneration Committee Member of Homenema Technology Incorporation Compensation Committee Director of Mingxing Creative Management Consulting Co., Ltd. Independent Director of Creative Sensor Inc. Director of FIT Holding Co., Ltd.	10,000



### Election Result:

name	Number of votes	note
Chin-Kung Lee	1,157,085,032	
Chi-Chun Hsieh	981,910,223	
An-Hsuan Liu	969,137,154	
Kao-Yu Liu	523,298,176	
Kuan-Hua Chen	513,471,687	
Yann Yuan Investment Co., Ltd Representative: Ping-Kun Hung	512,690,699	
Shi-Jer Sheen	967,247,630	Independent Director
Dar-Yeh Hwang	491,949,342	Independent Director
Semi Wang	492,446,172	Independent Director

### VI. Discussion Items

1. Request for review of the proposed removal of non-compete clause for the Company's directors.

#### Description:

- (1) Because the Company's new directors may be engaged in the investment or operation of a business entity whose scope of business is identical or similar to that of the Company and acts as a director thereof, we hereby propose to remove the non-compete clause for directors in accordance with Article 209 of the Company Act, provided that such removal will not infringe upon the interests of the Company.
- (2) The list of directors proposed for the termination of non-completion restriction:
  - (A) Chin-Kung Lee, acting as the director of King Long Technology (Suzhou) Ltd. and Suzhou Zhen Kun Technology Ltd.
  - (B) An-Hsuan Liu, acting as the director of King Long Technology (Suzhou) Ltd. and Suzhou Zhen Kun Technology Ltd.

#### Resolution:

1,049,762,677 shares were represented at time of voting (755,711,573 shares were voted by electrically); 844,390,920 shares voted in favor of this proposal (550,466,816 shares were voted by electrically), and it was accounted for 80.43% of the total voting rights; 1,779,510 shares were voted against this proposal (1,779,510 shares were voted by electrically), and it was

accounted for 0.16% of the total voting rights; there was no invalid voting right; 203,592,247 shares were voted abstained for this proposal (203,465,247 shares were voted by electronically), and it was accounted for 19.39% of the total voting rights. This proposal was approved finally.

VII. Extraordinary Motions: None

VIII. Meeting ends: Meeting ended at 9:36 a.m.

There were no questions from shareholders at the shareholders meeting.

(Annex 1)

## **King Yuan Electronics Co., Ltd. Business Report**

### **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 margin 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 planned to develop our business by achieving breakthrough in performance growth targets, accurately deploying new investments, and promoting our self-developed machine business. Specifically, we focused on the following actions: 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 total \$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 a value of 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 is 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 in the semiconductor industry customers are making inquiries, the feasibility is still difficult to consider.

Last year, against the backdrop of rapid global inflation, U.S. interest hikes, and tightened monetary policy, the ripples of the economic shock have caused shrinking demand, GDP decline, and uncertain economic outlook. Governments around the world 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.

**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



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	%
<b>Current assets</b>					
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	-
<b>Total current assets</b>		<b>17,499,113</b>	<b>26</b>	<b>14,487,436</b>	<b>22</b>
<b>Non-current assets</b>					
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	-
<b>Total non-current assets</b>		<b>48,564,762</b>	<b>74</b>	<b>50,645,841</b>	<b>78</b>
<b>Total assets</b>		<b>\$66,063,875</b>	<b>100</b>	<b>\$65,133,277</b>	<b>100</b>

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)

<b>LIABILITIES AND EQUITY</b>	Notes	December 31, 2022	%	December 31, 2021	%
<b>Current liabilities</b>					
Notes payable		\$11,446	-	\$10,066	-
Accounts payable		446,534	1	777,667	1
Accounts payable to related parties	7	6,215	-	21,414	-
Other payables		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
<b>Non-current liabilities</b>					
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
<b>Equity</b>					
Share capital	4, 6(13)		19		19
Common stock		12,227,451		12,227,451	
Capital surplus	4, 6(7), 6(13)	4,953,859	7	4,885,134	8
Retained earnings	4, 6(2), 6(13)	3,499,434	6	3,019,879	5
Legal reserve		201,416	-	201,416	-
Special reserve		13,213,921	20	10,580,312	15
Undistributed earnings		16,914,771	26	13,801,607	20
Total retained earnings		1,993,897	3	3,270,083	5
Other equity	4, 6(13)	36,089,978	55	34,184,275	52
Total equity		\$66,063,875	100	\$65,133,277	100
<b>Total liabilities and equity</b>					

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	%
<b>Net sales</b>	4, 6(14), 6(16), 7	\$27,619,107	100	\$25,820,727	100
<b>Operating costs</b>	4, 6(5), 6(8), 6(9), 6(12), 6(16), 6(17), 7	(18,093,056)	(66)	(18,476,736)	(72)
<b>Gross profit</b>		9,526,051	34	7,343,991	28
<b>Operating expenses</b>	4, 6(8), 6(9), 6(12), 6(16), 6(17), 7				
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)
<b>Operating income</b>		6,607,256	24	4,505,313	18
<b>Non-operating income and expenses</b>	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
<b>Net income before income tax</b>		8,531,953	31	6,510,088	25
<b>Income tax expense</b>	4, 6(20)	(1,695,344)	(6)	(1,335,042)	(5)
<b>Net income</b>		6,836,609	25	5,175,046	20
<b>Other comprehensive income</b>	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	-
<b>Other comprehensive income, net of tax</b>		(1,331,396)	(5)	1,594,137	6
<b>Total comprehensive income</b>		\$5,505,213	20	\$6,769,183	26
<b>Earnings per share (NT\$)</b>	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.



English Translation of Financial Statements Originally Issued in Chinese

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 :								
Legal reserve	-	-	362,921	-	(362,921)	-	-	-
Cash dividends	-	(244,549)	-	-	(2,200,941)	-	-	(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
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 :								
Legal reserve	-	-	479,555	-	(479,555)	-	-	-
Cash dividends	-	-	-	-	(3,668,235)	-	-	(3,668,235)
Profit for the year ended December 31, 2022	-	-	-	-	6,836,609	-	-	6,836,609
Other comprehensive income for the year ended December 31, 2022	-	-	-	-	(55,210)	105,950	(1,382,136)	(1,331,396)
Total comprehensive income	-	-	-	-	6,781,399	105,950	(1,382,136)	5,505,213
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
<b>Cash flows from operating activities :</b>			<b>Cash flows from investing activities :</b>		
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)	Decrease in other financial assets	-	9,697
Dividend income	(96,288)	(85,016)	Dividend received	109,278	98,006
Investment gain accounted for using the equity method	(1,808,991)	(1,901,485)	Net cash used in investing activities	(5,111,094)	(9,341,652)
Gain on disposal of property, plant and equipment	(75,405)	(96,761)			
Impairment of non-financial assets	-	59,461	<b>Cash flows from financing activities :</b>		
Unrealized foreign exchange loss	476,200	8,687	Borrowing in long-term loans	15,785,329	15,621,188
Changes in operating assets and liabilities :			Repayments of long-term loans	(17,064,745)	(12,688,419)
Contract assets	34,886	24,376	Increase in deposits received	-	31,096
Notes receivable	488	(4,657)	Decrease in deposits received	(761)	-
Accounts receivable	412,883	(777,035)	Cash payments for the principal portion of the lease liabilities	(85,762)	(304,763)
Accounts receivable from related parties	298,851	(331,662)	Cash dividends	(3,668,235)	(2,445,490)
Other receivables	(77,407)	(221,695)	Interest paid	(291,680)	(187,708)
Other receivables from related parties	(36,124)	92,839	Net cash (used in) provided by financing activities	(5,325,854)	25,904
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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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	%
<b>Current assets</b>					
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	4, 7	408,138	1	326,299	1
Other receivables from related parties		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
<b>Non-current assets</b>					
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
<b>Total assets</b>		<b>\$74,358,983</b>	<b>100</b>	<b>\$72,220,183</b>	<b>100</b>

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)

<b>LIABILITIES AND EQUITY</b>	Notes	December 31, 2022	%	December 31, 2021	%
<b>Current liabilities</b>					
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
<b>Non-current liabilities</b>					
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
<b>Equity attributable to owners of the parent company</b>					
Share capital	4, 6(14)	12,227,451	16	12,227,451	17
Common stock	4, 6(14), 6(15), 6(24)	4,953,859	7	4,885,134	7
Capital surplus	4, 6(2), 6(14)	3,499,434	5	3,019,879	4
Retained earnings		201,416	-	201,416	-
Legal reserve		13,213,921	18	10,580,312	15
Special reserve		16,914,771	23	13,801,607	19
Undistributed earnings		1,993,897	3	3,270,083	4
Total retained earnings	4, 6(14)	36,089,978	49	34,184,275	47
Other equity		855,439	1	693,893	1
Equity attributable to owners of the parent company	4, 6(14), 6(24)	36,945,417	50	34,878,168	48
<b>Non-controlling interests</b>					
Total equity		\$74,358,983	100	\$72,220,183	100
<b>Total liabilities and equity</b>					

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	%
<b>Net sales</b>	4, 6(16), 6(18), 7	\$36,781,996	100	\$33,759,389	100
<b>Operating costs</b>	4, 6(5), 6(8), 6(9), 6(13), 6(18), 6(19), 7	(23,709,003)	(64)	(23,407,322)	(69)
<b>Gross profit</b>		13,072,993	36	10,352,067	31
<b>Operating expenses</b>	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)
<b>Operating income</b>		9,164,830	25	6,606,516	20
<b>Non-operating income and expenses</b>	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	-
<b>Net income before income tax</b>		8,966,026	24	6,855,247	20
<b>Income tax expense</b>	4, 6(22)	(1,983,936)	(5)	(1,621,005)	(5)
<b>Net income</b>		6,982,090	19	5,234,242	15
<b>Other comprehensive income</b>	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	-
<b>Other comprehensive income, net of tax</b>		(1,320,936)	(4)	1,595,123	5
<b>Total comprehensive income</b>		\$5,661,154	15	\$6,829,365	20
<b>Net income attributable to :</b>					
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
<b>Total comprehensive income attributable to :</b>					
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
<b>Earnings per share (NT\$)</b>	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., LTD. 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							Non-controlling interests	Total Equity		
	Common stock	Capital surplus	Retained earnings			Other equity				Equity attributable to owners of the parent company	
			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	\$637,036	\$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	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
<b>Cash flows from operating activities :</b>			<b>Cash flows from investing activities :</b>		
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	Increase in other financial assets	(76,557)	-
Interest expenses	555,026	343,526	Decrease in other financial assets	(40,491)	-
Interest income	(53,940)	(22,692)	Dividend received	-	9,698
Dividend income	(96,288)	(85,016)	Net cash used in investing activities	109,278	98,006
Share-based payment expenses	74,414	20,452			
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 :			<b>Cash flows from financing activities :</b>		
Contract assets	25,127	24,092	Increase in short-term loans	1,597,599	598,369
Notes receivable	488	(4,657)	Decrease in short-term loans	(1,149,115)	(131,812)
Accounts receivable	379,969	(1,600,926)	Borrowing in long-term loans	20,058,327	16,299,865
Accounts receivable from related parties	398,765	(426,962)	Repayments of long-term loans	(21,094,189)	(14,433,360)
Other receivables	(72,175)	(228,799)	Increase in deposits received	-	31,096
Other receivables from related parties	(22,491)	22,977	Decrease in deposits received	(761)	-
Inventories	2,847	(390,504)	Cash payments for the principal portion of the lease liabilities	(91,698)	(310,374)
Prepayments	(19,702)	149,415	Cash dividends	(3,668,235)	(2,445,490)
Other current assets	12,034	(15,317)	Interest paid	(501,253)	(329,548)
Contract liabilities	(385)	(72,579)	Change in non-controlling interests	-	1,147,767
Notes payable	1,380	5,631	Net cash (used in) provided by financing activities	(4,849,325)	426,513
Accounts payable	(111,095)	1,189			
Accounts payable to related parties	(15,199)	1,927			
Other payables	(22,052)	820,074			
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.

(Annex 2)

**King Yuan Electronics Co., Ltd.**  
**2022 Earnings Distribution Statement**

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.