Stock symbol: 2449

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

2023 Annual Report

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Official website of King Yuan Electronics Co., Ltd. at http: //www.kyec.com.tw/

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V. Name of any exchanges where the Company's securities are traded offshore, and the method by which to access information on said offshore securities: Not applicable.

VI. Company website: www.kyec.com.tw

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One. Letter to Shareholders

Ladies and gentlemen:

The year 2023 passed with anticipation for the economic recovery of the semiconductor industry and with the rise of artificial intelligence (AI) chips. Moreover, the global political and economic environment showed no clear signs of improvement and demand for consumer products stagnated. As a result, the Company's revenue and profits failed to achieve breakthrough growth. However, given the distribution of customer and testing product structures, the Company was not affected by this wave of economic adjustment compared with our peers. An overview of our last year's operational performance is described below.

Business Plan Implementation Results

The consolidated operating revenue was NT$33.025 billion in 2023, down 10.2%. Gross profit margin was 33.7%, a decrease of 1.7% compared with 35.4% last year. Earnings per share (EPS) was NT$4.78, also down by NT$0.81 from previous year. The Company delivered favorable business performance in general.

In 2023, the semiconductor industry entered a period of economic recession. Although urgent orders fluctuated mid-year and the global economic environment did not deteriorate further, China's economy did not rebound after the lifting of pandemic restrictions. Demand weakened for consumer products, network communication products, general servers, and computer products, and industrial and automotive products began to decline in Q4. Fortunately, the high-performance computing (HPC) chips for artificial intelligence (AI) had offset some of the factors that were unfavorable to the Company’s revenue, providing support to our business performance.

Because of the low visibility into clients’ inventory adjustments, the Company is committed to cost control: Fixed costs such as depreciation expense are stable; variable costs, such as direct and indirect materials and spare parts, decreased; and sales and management expenses did not increase. As a result, the Company’s annual operating gross profit margin and operating profit rate decreased only slightly compared with previous year, ridding us of the few waves of economic recession in the past and of the inevitable decline of the company's profitability.

In terms of manufacturing management, the Company has launched a number of smart factory improvement plans at Chu-Nan Factory and Tong-Luo Factory, with results gradually coming to fruition - including automated factory operations, adoption of smart manufacturing practices, streamlined processes, improved production efficiency, and reduced reliance on labor work. We also used AI technology to optimize internal factory operations in the areas of automated cargo loading, education and training, machine failure prevention/diagnosis, automated comparison for error reduction, quality management, operating procedure efficiency, production efficiency analysis, and database operation analysis.

In addition, the Company continues to fine-tune its machine capacity utilization rate, shortens the delivery time of important products, cares about customer service satisfaction, strengthens employees' task efficiency, and invests in improving ESG performance. In doing so, the Company can continually improve its overall operating system and cultivate resilience to the fast-changing external environment.

Financial income and profit analysis

With respect to financial and profit status in 2023, the Company saw a sound financial structure, with debt to total assets ratio of 45.85% down by 4.46% from previous year, and long-term capital to fixed assets ratio of 141.88% up 8.35% compared with last year. Current ratio and quick ratio increased by 66.41% and 63.02% from previous year, reaching 284.47% and 264.15%, respectively, indicating further increase in short-term liquidity. In terms of the company's profitability which was affected by the economic recession, our return on assets (ROA), return on equity (ROE), net profit margin, and earnings per share were 8.86%, 15.63%, 18.22%, and NT$4.78, respectively, which decreased by 1.27%, 3.81%, 0.76%, and NT$0.81 compared with previous year, suggesting satisfactory results for both financial income and profits.

R&D status

With respect to research and development, the Company's R&D center consolidates resources to not only provide customers with a comprehensive range of testing solutions - from adoption to mass production of new products - for technical problems encountered in the testing process. We are committed to creating a fully equipped testing environment that enables us to sort out problems related to product and component production, and also to automating production processes, making our factories smarter, and developing unparalleled testing service capabilities.

Because the company specializes in integrated circuit (IC) testing, we have gained an in-depth understanding of testing machines that form the core of the testing industry, and even developed testers and burn-in ovens in-house over the past two decades. The R&D blueprints for those testing devices have been increased and improved in terms of specifications, performance, and quantity to satisfy customer needs. Our other focuses include PCB designing, manufacturing, and simulation technology, as well as the designing and manufacturing of testing equipment adapters, testing accessories, probe cards, and substrate boards. We continue to integrate relevant testing systems, and introduce our in-house developed testing equipment to different product applications to keep pace with time and the changing market. Last year, we developed a wide range of equipment and key components, such as logic IC testing machines, image sensors, driver IC machines, microelectromechanical (MEMS) machines, and high power burn-in ovens.

In the area of testing software, as testing equipment and customer products become increasingly more sophisticated and automatic testing programs and conversion systems are being developed, we incorporate artificial intelligence to improve production efficiency and user convenience. We embrace the rapidly advancing technology by developing new testing technologies such as high-frequency, high-power, heterogeneous and advanced packaging, and silicon photonics to maintain our unique competitive edge in the field of semiconductor manufacturing and testing.

Current business plan and overview

Looking forward to 2024, the economy of the semiconductor industry is projected to recover. We plan to develop our business by following our strategic directions to achieve breakthrough in performance growth targets; by combining market structure with customer needs to improve equipment utilization rate and investment returns; and by promoting our machine development business through applications and strategic alliance with clients at the front end. Specifically, we will take the following actions: Improve customer services by focusing on key customer satisfaction, strengthening problem-solving capability, and strictly controlling customer complaints and the cost of quality failure; Improve production and manufacturing processes by fine-tuning the integration of automation and smart manufacturing, achieving further breakthrough in productivity, and improving our technical know-how; Enforce cost control by promoting diverse cost control practices, paying attention to the suitability of use of material, and improving inventory management; Engage in R&D innovation by building up our experience in using and maintaining our own equipment, working with production units to gain access to other platforms, strengthening our R&D capacity for core technologies and key components and equipment, and ensuring the quality of our intellectual properties and patents; and Enhance human resources by retaining high-caliber talents, recruiting employees, cultivating key competencies, training supervisors, and taking the initiative to create rotation plans for supervisors.

Future development strategy

In the midst of U.S.'s deglobalization movement and its containment of China's technology and semiconductor industries, the global semiconductor supply chain has undergone restructuring, resulting in the concentration of high-end semiconductor manufacturing in Taiwan. Products contain high silicon content, which have increased both unit price and profits. The Company's future development strategy will attach importance to customer services. Specifically, we aim to strengthen the core value provided to customers by the manufacturing supply chain, develop differentiating capabilities for our professional testing service, improve the operational efficiency of company systems used in the complex manufacturing process, support customers' product launch, and grow together with customers as their trusted partner.

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 conflict of the U.S.–China technology competition and China's push for semiconductor independence, the Company will carefully evaluate and adjust the global development of its semiconductor manufacturing business and seize opportunities for strategic cooperation with upstream and downstream vendors to prepare for any environmental changes in the future.

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

According to Gartner, a research and consulting firm, worldwide semiconductor revenue decreased 10.9% in 2023 to US$534 billion compared with 2022, and is projected to increase by 16.8% in 2024 to US$624 billion. In general, the semiconductor industry is expected to reach a healthy inventory level in 2024 in the IC design industry. 2024 will be a year of opportunities for the recovery of the semiconductor industry - attributable to increase in advanced chip manufacturing and advanced packaging production, rebuilding of IC inventory, increase in silicon content in smartphones, recovery of demand for consumer, computer, and electric vehicle products, and exponential increase in demand for AI HPC and edge computing chips.

The IMF's global growth forecast for 2024, published in January 2024, was at 3.1%, which was roughly the same as in 2023 but still below the historical average of 3.8%. According to the World Bank, global growth is projected to slow for the third year in a row—from 3% in 2022 and 2.6% in 2023 to 2.4% in 2024. Emerging markets - India and China are projected to have a stronger growth, followed by developed countries - United States and Spain, while Europe and Japan registered weaker growth. This year's global economic growth requires continued observation of its recovery strength due to uncertainties from a mixture of factors such as interest rate, exchange rate, inflation, unemployment rate, consumer spending power, U.S. Dollar asset liquidity, U.S.'s budget deficit and debt spiral, and geopolitical issues.

In terms of external competition, the advent of 5G in 2019, the mass production of the 5nm node for advanced semiconductor processes, and improvements to advanced packaging structures have greatly enhanced the performance of IC SOC and SiP products. Since the global domination of the semiconductor industry, the concentration of upstream and downstream suppliers has created an oligopolistic phenomenon in which they become interdependent of one another. Consequently, the ability of OEM's operating systems to deliver output becomes imperative. In other words, production capacity, technology, quality, service, technical support, production efficiency, price, information, finance, and corporate culture, among other aspects must be closely integrated to meet customers' supply chain requirements. Therefore, semiconductor manufacturers and supply chain capabilities are concentrated in Asia, particularly in Taiwan and China. In recent years, the United States has been promoting the "China Plus One" (C+1) strategy - a practice of diversifying manufacturing operations by adding facilities in the US or outside of China. As a result, a distinction has been formed between China's supply chain, which relies on mature processes, and Taiwan's supply chain, which focuses on advanced manufacturing processes. Semiconductor manufacturers based in Taiwan have continuously established factories overseas, while packaging and testing OEMs are ramping up efforts to compete for OEM orders from world-class customers and each of them are developing their core businesses. KYEC views competition as a norm in that it not only enriches our professional testing capabilities and experience but also cultivates our unique competitive advantages for sustainable growth.

In terms of laws and the general business environment in 2023, the United States has continued to impose bans on China's technology and semiconductor industries by frequently updating the restricted trade list and introducing export restrictions. In response, China has been working toward self-sufficiency in the semiconductor industry. Despite being limited by mature manufacturing processes, China's semiconductor sector saw a drastic increase in the import of semiconductor equipment. The construction of many wafer fabs has been completed this year, releasing the production capacity of packaging and testing factories, which triggered a drop in OEM prices. Products manufactured using mature processes are adversely affected by China's industrial growth and thus must not be overlooked.

Looking back on last year, in the midst of rapid global inflation, U.S. interest hikes, and the subsequent effects of tightened monetary policy, economic growth has weakened and shrinking demand has delayed recovery. In addition, the chaos caused by the war between Ukraine and Russia, the war in the Middle East, and the geopolitical struggle between China and the United States have only added a multitude of uncertainties to the general business environment.

Looking forward to 2024, the semiconductor supply chain and market demand is poised to achieve balanced development, and accelerated recovery of demand is anticipated. However, the gap between expectations for interest rate cut and rapid decline in inflation and the decisions actually made has caused fluctuations in the investment environment. Moreover, the results of this year’s US political election will possibly exert an enormous impact on the global landscape in the areas of politics, economy, military, democracy, and centralization of authority.

Given this year’s US Consumer Electronics Show (CES) and the global development of technology products, there is a strong demand for advanced semiconductor manufacturing processes and advanced packaging and testing capability. The ecological prototypes of future technologies in various industries and sectors have emerged, with most of them revolving around AI, IOT, network communication transmission, edge computing, high-performance computing, and integration with software development in various aspects of smart living, such as smart health, smart medical care, smart homes, smart cities, smart factories, smart robots, and smart cars, among others. Generative and inferential AI have driven a substantial growth of personal mobile devices, transportation vehicles, enterprise and industrial metaverses, high-speed high-frequency transmission, and data center servers. The technological application of semiconductor IC components is focused on smartphones, automotive electronics, or traditional products such as personal computers, and AI will bring about a variety of business innovation opportunities, thus increasing the demand for silicon content in semiconductor products. In other words, there remains a significant potential for development in the future of semiconductor manufacturing.

Despite the slow economic recovery in the first half of 2024, the Company remains optimistic about opportunities for future business growth. We will continue to invest in talent development and equipment operations, expand production lines, build new factories, commit to customer services, and strive to work with suppliers in order to prosper together. As we prepare for the advent of the next economic prosperity, we pledge to make maximizing shareholders’ equity as our top priority.

Chin-Kung Lee, Chairman

Gauss Chang, President

Two. Company profile

I. Date of Establishment: 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.

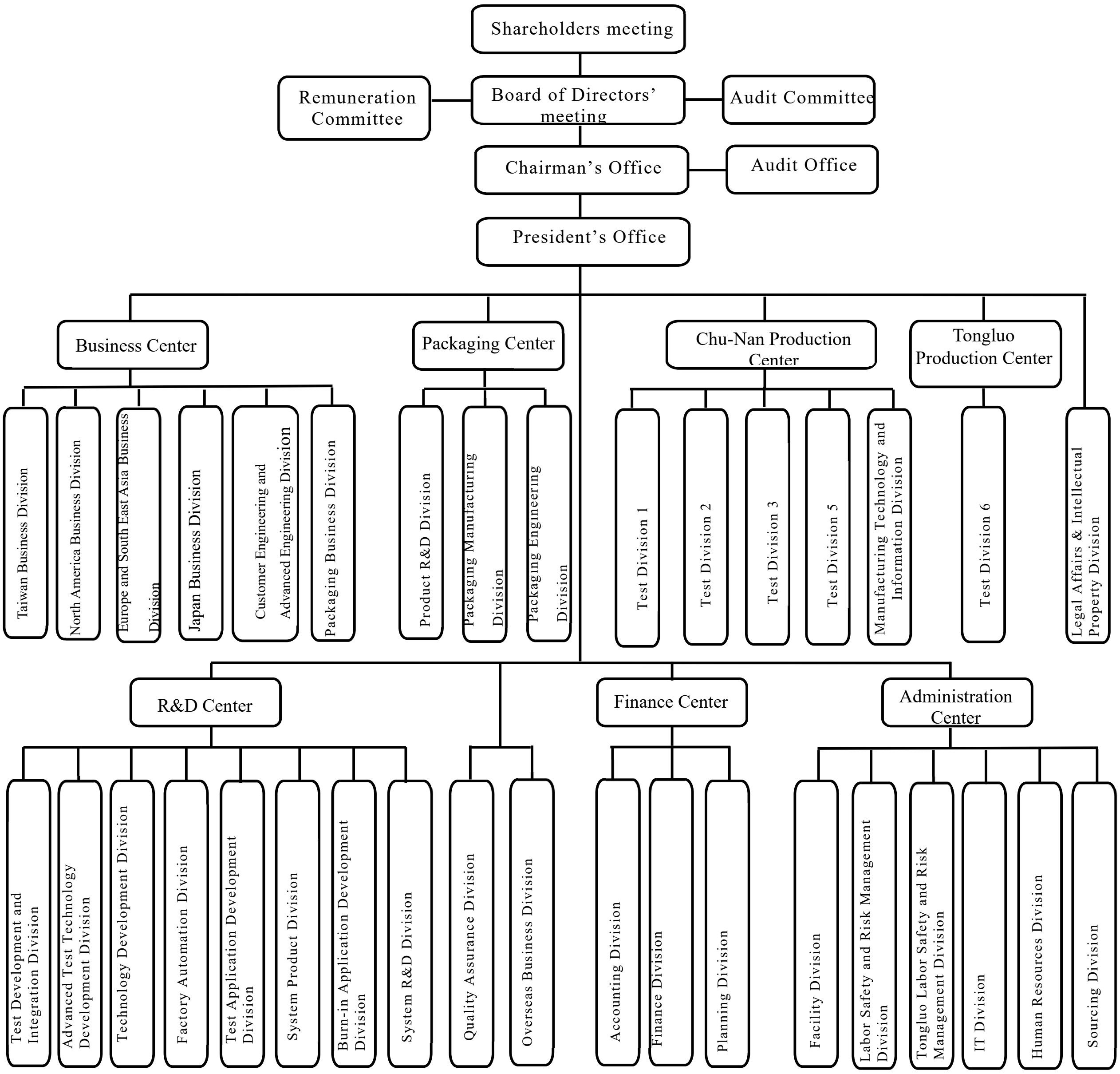
		Tongluo Factory passed ISO50001 for energy management accreditation.
2018	November	Received the excellence award in “Landscaping and Environmental Maintenance Competition” organized by Hsinchu Science Park.
	December	Received the excellence award for the “2017 Green Procurement Implemented by Private 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 “2021Taiwan 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.
2023	June	Passed ISO14064-1:2018 verification for GHG Inventory (including overseas offices/subsidiaries). Our factories in Taiwan passed ISO 46001 Water efficiency management systems. Our factories in Taiwan passed ISO14046 Water Footprint Inventory.
	November	Received SGS Taiwan Award for Excellence in Business Continuity Management. Received the bronze award for "Taiwan Sustainability Award" by the TAISE. Received the bronze award for the "Taiwan Continuous Improvement Award" by CSD. Received the "National QCC Headquarters" Gold and Silver Award by Association of Pioneer Quality Control Research.
	December	Received the excellence award for the "2022 Green Procurement Implemented by Private Enterprises and Groups" conferred by Environmental Protection Bureau of Miaoli County Government - special merit award. Honored as the excellent entity for "2022 Green Procurement" awarded by the Ministry of Environment. Honored as the excellent enterprise in the "Ratings of Taking the Initiative to Disclose Occupational Health and Safety Indicators in Corporate Sustainability Reporting" organized by Occupational safety and Health Administration.

Three. Corporate Governance Report

I. Organization

(I) Organizational structure



(II) Departmental Business Operations

Department	Main responsibilities
Chairman’s 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 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; development of automated equipment for production lines; 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/UI for burn-in machines/test program development tools/factory automation software/big data analysis methods, and focus on the functional expansion/upgrade of these developments.
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 management of financial risks and interest/exchange rates.
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 packaging operation 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 2, 2024

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 (Shares)	Shareholding ratio (%)	Shares (Shares)	Shareholding ratio (%)	Shares (Shares)	Shareholding ratio (%)	Shares (Shares)	Shareholding ratio (%)			Title	Name	Relationship	
Chairman (Note 3)	R.O.C.	Chin-Kung Lee	Male 61~70	2023.05.30	3	1996.09.25	34,100,941	2.79	34,100,941	2.79	4,263,053	0.35	0	0	Bachelor King Yuan Electronics Co., Ltd. President	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.	None	None	None	None
Vice-Chairman	R.O.C.	Chi-Chun Hsieh	Male 61~70	2023.05.30	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 (Note 4)	R.O.C.	An-Hsuan Liu	Male 61~70	2023.05.30	3	2014.06.12	1,250,000	0.10	-	-	-	-	-	-	-	-	-	-	-	-
Director	R.O.C.	Kao-Yu Liu	Male 51~60	2023.05.30	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., Ltd.	Director	Kuan-Hua Chen	Brother-in-law	None

Director	R.O.C.	Kuan-Hua Chen	Male 51~60	2023.05.30	3	2008.06.13	3,168,574	0.26	3,143,574	0.26	1,173,496	0.10	0	0	Master's in Financial Engineering, Carnegie Mellon University Supervisor of Weikeng Industrial Co., Ltd.	Director of Weikeng Industrial Co., Ltd.	Director	Kao-Yu Liu	Spouse's brother	None
Director	Not applicable.	Yann Yuan Investment Co., Ltd.	-	2023.05.30	3	2017.06.08	52,600,000	4.30	52,600,000	4.30	0	0	0	0	-	-	None	None	None	None
	R.O.C.	Representative: Ping-Kun Hung	Male 61~70	2023.05.30	3	2022.02.15	0	0	0	0	0	0	0	0	Bachelor Chairman of Hsun Chieh Investment Co., Ltd. CFO of KYEC	Director of Silicon Integrated Systems Corp.	None	None	None	None
Independent director	R.O.C.	Semi Wang	Male 61~70	2023.05.30	3	2020.06.10	10,000	0.00	10,000	0.00	0	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 LeadSun Greentech Corporation 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

Independent director	R.O.C.	Dar-Yeh Hwang	Male 61~70	2023.05.30	3	2017.06.08	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 Chailease Holding Distinguished Professor of the International School of Renmin University of China (Suzhou Campus)	Member of the Audit Committee and Remuneration Committee of KYEC Chairman of McBorter AFMA Chairman of Academy of Promoting Economic Legislation (APEL) Co-director of China Banking Research Center, Zhejiang University International Business School (ZIBS)	None	None	None	None
Independent director (Note 5)	R.O.C.	Shi-Jer Sheen	Male 61~70	2023.05.30	3	2002.05.07	0	0	0	0	0	0	0	0	Master Independent Director of KYEC	Member of the Audit Committee and Remuneration Committee of KYEC Responsible person of Private Short-Term Busiban	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. The Company elected Mr. Shi-Jer Sheen as an independent director during a re-election of directors for the 15th-term Board of Directors at the general shareholders' meeting on May 30, 2023.
Note 3. Chairman Chin-Kung Lee resigned as CEO on May 30, 2023 (effective as of June 1, 2023). Therefore, as of the end of 2023 and to date, the Company has no chairman and president or person of an equivalent post (the highest-level manager) of a company who are the same person, spouses or relatives within the first degree of kinship.
Note 4. Director An-Hsuan Liu resigned on August 8, 2023.
Note 5. Independent director Shi-Jer Sheen was the Company's independent director from May 7, 2002 to June 8, 2017. He was appointed again as the Company's independent director on May 30, 2023.

1-1 Major shareholders of corporate shareholders December 31, 2023

Name of the corporate shareholder	Major shareholders of corporate shareholders	Shareholding ratio
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%
	Hsun Chieh Investment Co., Ltd.	2.33%

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

Name of Institution	Major shareholders of corporate shareholders/Shareholding ratio (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 (5.37%), Hsun Chieh Investment Co., Ltd. (3.53%), Fubon Life Insurance Co., Ltd. (3.01%), Silicon Integrated Systems Corp (2.13%), Taiwan Life Insurance Co., Ltd. (1.79%), Yann Yuan Investment Co., Ltd. (1.54%), New Labor Pension Fund (1.52%), China Life Insurance Co., Ltd. (1.29%), CitiBank in custody for Norges Bank investment account (1.28%), CitiBank (Taiwan) in custody for Singapore Government investment account (1.20%).
King Yuan Electronics Co., Ltd.	Yuanta Taiwan High Dividend Fund (4.72%), Yann Yuan Investment Co., Ltd. (4.30%), Taipei Fubon Commercial Bank Co., Ltd. in custody for Fuh Hwa Taiwan Technology Dividend Highlight ETF (4.09%), Capital Tip Customized Taiwan Select High Dividend ETF (3.73%), Chin-Kung Lee (2.79%), New Labor Pension Fund (2.74%), JPMorgan Chase Bank, N.A., Taipei Branch in custody for Stichting Depositary APG Emerging Markets Equity Pool (2.26%), Treasury Department, General Management Department, Mega International Commercial Bank Co., Ltd. (2.02%), Hua Nan Bank in custody for UPAMC Taiwan High Dividend Momentum ETF (1.92%), Fubon Life Insurance Co., Ltd. (1.84%)
Unimicron Technology Corp.	United Microelectronics Corporation (13.04%), New Labor Pension Fund (2.36%), CitiBank (Taiwan) in custody for Singapore Government investment account (2.15%), Cathay Life Insurance Company (1.77%), Yann Yuan Investment Co., Ltd (1.51%), JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (1.14%), CitiBank in custody for Norges Bank investment account (1.09%), JP Morgan Chase Bank in custody for ABP pension fund investment account (1.06%) , Chang Hwa Commercial Bank, Ltd. in custody for Yuanta Taiwan (1.06%), JP Morgan Chase Bank in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (1.02%)
Sigurd Microelectronics Corporation	Yann Yuan Investment Co., Ltd. (3.19%), Hsing-Yang Huang (1.58%), Taiwan Cooperative Bank (1.41%), JP Morgan Chase Bank, N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series

	of Vanguard Star Funds (1.28%), Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds in the custody of JP Morgan Chase Bank N.A., Taipei Branch (1.28%), Ming-Chun Chiu (1.27%), HSBC acting in its capacity as depository and representative to investment by the LSV Emerging Markets Equity Fund (1.14%), Taipei Fubon Commercial Bank Co., Ltd. (1.12%), Yuanta Taiwan High Dividend Fund (1.11%), Standard Chartered Bank, Business Department, in custody of iShares Core MSCI Emerging Markets ETF (1.06%)
Coretronic Corporation	Taiwei Advanced Company (11.30%), Yann Yuan Investment Co., Ltd. (8.40%), HannStar Display Corporation (4.19%), Hsun Chieh Investment Company (3.96%), CitiBank (Taiwan) acting in its capacity as depository and representative to investment by Norges Bank (3.18%), Huali Investment Company (3.04%), Wei-Yi Chang (2.39%), CTBC Bank Employee Stock Ownership Trust Account of Coretronic Corporation (2.26%), Chunghwa Post Co., Ltd. (2.21%), CTBC Bank Employee Stock Ownership Trust Account of Coretronic Corporation (1.95%)
Hsun Chieh Investment Co., Ltd.	Shieh Yong Investment Co., Ltd. (63.51%), United Microelectronics Corporation (36.49%)

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

Qualification / Name	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 was formerly the Company's CEO. He currently serves as the Company's chairman, 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.	0
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 (Note 1)	Holds a PhD in Mechanical Engineering, North Carolina State University. He was 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

Independent director Semi Wang	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 LeadSun Greentech Corporation Compensation Committee.	The following independence assessment criteria has been met in the two years prior to and during the term of office: (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 or a 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 or a 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 the public company, or an independent director appointed in accordance with the Securities and Exchange Actor 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).	. 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%). . Compensation received for providing commercial, legal, financial, accounting or related services to the Company or its affiliates in the past two years: 0. . 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.	1
Independent director Dar-Yeh Hwang	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.		. 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. . Compensation received for providing commercial, legal, financial, accounting or related services to the Company or its affiliates in the past two years: 0. . Compliance with the independence provision stipulated in Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.	0

Independent director Shi-Jer Sheen (Note 2)	Graduated from Institute of Business Administration, Kyushu University. He possesses more than five years of working experience in has work experience in commercial, legal, financial, accounting or other work experience required to perform the assigned duties. He is currently a person in charge of Private Short-Term Busiban.	(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. (10) Is not the spouse or relative within the second degree of kinship of another director. (11) Not a person of the conditions specified in any of the sub-paragraphs of Article 30 of the Company Act. (12) Has not been elected as a government unit, institution, or their representative as prescribed in Article 27 of the Company Act.	. 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. . Compensation received for providing commercial, legal, financial, accounting or related services to the Company or its affiliates in the past two years: 0. . Compliance with the independence provision stipulated in Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.	0
Independent director Hui-Chun Hsu (Note 2)	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.		. 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. . Compensation received for providing commercial, legal, financial, accounting or related services to the Company or its affiliates in the past two years: 0. . Compliance with the independence provision stipulated in Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.	0

Note 1: Director An-Hsuan Liu resigned on August 8, 2023.
Note 2: Independent Director Shi-Jer Sheen was appointed after re-election on May 30, 2023. Independent Director Hui-Chun Hsu was relieved after re-election on May 30, 2023.

II. Diversity and independence of the Board of Directors

(I) Diversity of the Board of Directors:

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:

1. Basic requirements and values: Gender, age, nationality, and culture.
2. 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. International market perspective.
7. Ability to lead.
8. Ability to make policy decisions.

Regarding the composition of the current board of directors, two directors are aged 51–60 years, and six directors are aged 61–70 years; all directors possess knowledge of the industry, the ability to conduct management administration, the ability to lead and make decisions, and areas of expertise in finance, accounting, construction, and medicine. 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.

Specific management objectives and the status of implementation in relation to the Company's board diversity policy are as follows:

1. More than one half of independent directors shall serve not more than three consecutive terms of office in order to maintain independence: Independent director account for 38% of the board. None of them have served more than three consecutive terms of office.
2. Directors concurrently serving as managerial officers of the Company do not exceed one-third of the total number of the board members in order to fulfill the supervisory purposes.
3. In order to fulfill gender equity in the composition of the Board of Directors, the goal is to have at least one different gender. A goal for the future is to have no more than 9 years

served continuously by any independent director that is re-elected and serves subsequent terms and have at least one different gender director.

4. Board members have extensive experience and expertise in the fields of finance, business and management. The relevant implementation details are as follows:

Core items for diversity		Basic composition					Length of service of independent directors	Professional competence						
Directors		Nationality	Gender	Concurrently an employee of the Company	Age		3 to 9 years	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								
Chairman	Chin-Kung Lee (Note 1)	R.O.C.	Male	v		v	-	✓	○	✓	✓	✓	✓	✓
Vice-Chairman	Chi-Chun Hsieh		Male			v	-	✓	○	✓	✓	✓	✓	✓
Director	An-Hsuan Liu (Note 2)		Male	v		v	-	✓	○	✓	✓	✓	✓	✓
Director	Kao-Yu Liu		Male		v		-	✓	○	✓	✓	○	✓	✓
Director	Kuan-Hua Chen		Male		v		-	✓	✓	✓	✓	○	✓	✓
Director	Yann Yuan Investment Co., Ltd. Representative: Ping-Kun Hung		Male			v	-	✓	✓	✓	✓	○	✓	✓
Independent director	Semi Wang		Male			v	v	✓	○	✓	✓	✓	✓	✓
Independent director	Dar-Yeh Hwang		Male			v	v	✓	✓	✓	✓	○	✓	✓
Independent director	Shi-Jer Sheen (Note 3)		Male			v	v	✓	✓	✓	✓	○	✓	✓
Independent director	Hui-Chun Hsu (Note 3)		Male			v	v	✓	○	✓	✓	○	✓	✓

Note: ✓denotes ability, ○ denotes some ability

Note 1: Chairman Chin-Kung Lee resigned as CEO on May 30, 2023, effective as of June 1, 2023.

Note 2: Director An-Hsuan Liu resigned on August 8, 2023.

Note 3: Independent Director Shi-Jer Sheen was appointed after re-election on May 30, 2023. Independent Director Hui-Chun Hsu was relieved after re-election on May 30, 2023.

(II) Independence of Board of Directors:

The Company's current Board of Directors consists of 8 directors, including 3 independent directors (38% of the board) and no directors who are also employees account. None of the three independent directors have served more than three consecutive terms. Two directors are concurrently serving as managerial officers at the company, accounting for 22% of all directors.

Within the scope of execution of business, the Company's independent directors maintain independence, and did not have any direct or indirect interest relationship with the Company. All independent directors of the Company are in compliance with Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.

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.

The Company's Board of Directors is independent. See pages 21 to 23 of this annual report for details regarding the professional qualifications and experiences of directors and the independence of independent directors.

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

April 2, 2024

Title	Nationality	Name	Gender	Date elected/appointed	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 (Shares)	Shareholding ratio (%) (Note 1)	Shares (Shares)	Shareholding ratio (%) (Note 1)	Shares (Shares)	Shareholding ratio (%)			Title	Name	Relationship	
CEO (Note 2)	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.	None	None	None	None
President (Note 3)	R.O.C.	An-Hsuan Liu	Male	2012.03.01	-	-	-	-	-	-	-	-	-	-	-	-
President and Chief Information Officer (Note 4) Executive Vice President	R.O.C.	Gauss Chang	Male	2023.09.01 2006.04.25	3,051,294	0.25	0	0	0	0	Master Senior Vice President of KYEC	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
Senior Vice President	R.O.C.	Steven Chang	Male	2011.11.28	1,046,182	0.09	0	0	0	0	Master Vice President of KYEC	Director of Suzhou Zhen Kun Technology Ltd. Supervisor of Fixwell Technology Corp.	None	None	None	None

Senior Vice President	R.O.C.	Andy Liang	Male	2022.10.06	600,936	0.05	0	0	0	0	Master Vice President of KYEC	-	None	None	None	None
Vice President	R.O.C.	Hans Han	Male	2020.10.30	50,000	0.00	0	0	0	0	Master Assistant Vice President of KYEC	-	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	Master Assistant Vice President of KYEC	Supervisor of KYEC Japan K.K. Director of KYEC SINGAPORE PTE. LTD. Supervisor of King Long Technology (Suzhou) Ltd. Supervisor of Suzhou Zhen Kun Technology Ltd. Director of Yann Yuan Investment Co., Ltd.	None	None	None	None
Assistant Vice President	R.O.C.	Wendy Chen	Female	2016.12.05	0	0	0	0	0	0	Master Senior Director of KYEC	-	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	Bachelor Senior Director of KYEC	-	None	None	None	None
Assistant Vice President	R.O.C.	TK Chen	Male	2022.10.06	0	0	0	0	0	0	Bachelor Senior Director of KYEC	-	None	None	None	None
Assistant Vice President	R.O.C.	Ta-Kang Liu	Male	2022.10.06	60,844	0.00	20,000	0.00	0	0	PhD Senior Director of KYEC	Director of Wei Jiu Industrial Co., Ltd.	None	None	None	None
Assistant Vice President	R.O.C.	Jerry Su	Male	2022.10.06	1,000	0.00	0	0	0	0	Master Senior Director of KYEC	-	None	None	None	None
Assistant Vice President (Note 5)	R.O.C.	Winnie Chou	Female	2023.11.03	0	0	0	0	0	0	Master Senior Director of KYEC	Independent Director of Faraday Technology Corporation Supervisor of Hsun Chieh Investment Company	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: Chairman Chin-Kung Lee resigned as CEO on May 30, 2023, effective as of June 1, 2023.
Therefore, as of the end of 2023 and to date, the Company has no chairman and president or person of an equivalent post (the highest-level manager) of a company who are the same person, spouses or relatives within the first degree of kinship.

Note 3: Director An-Hsuan Liu resigned on August 8, 2023, effective as of September 1, 2023.

Note 4: On August 8, 2023, the Company's board of directors appointed Mr. Gauss Chang, the Company's Executive Vice President, as the new President, effective as of September 1, 2023.

Note 5: Ms. Winnie Chou was promoted to Assistant Vice President on November 3, 2023.

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

(I) Remuneration to Directors and Independent Directors in 2023 (Individual disclosure of names and remuneration methods)

Units: NTD thousand

Title	Name	Remuneration to directors								The sum of A, B, C and D to Earnings after Tax		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)				Salary, bonuses, and allowances (E)		Severance pay and pension (F)		Remuneration to employees (G) (Note 1)						
		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	The Company		Companies included into the financial statement		The Company	Companies included into the financial statement	
																Cash	Stock	Cash	Stock			
Chairman	Chin-Kung Lee (Note 2)	6,615	6,615	0	0	7,699	7,699	0	0	14,314 0.25%	14,314 0.25%	4,428	4,428	0	0	0	0	0	0	18,742 0.32%	18,742 0.32%	None
Vice-Chairman	Chi-Chun Hsieh	0	0	0	0	7,699	7,699	0	0	7,699 0.13%	7,699 0.13%	0	0	0	0	0	0	0	0	7,699 0.13%	7,699 0.13%	None
Director	An-Hsuan Liu (Note 3)	0	0	0	0	0	0	0	0	0 0%	0 0%	5,828	5,828	72	72	0	0	0	0	5,900 0.10%	5,900 0.10%	None
Director	Kao-Yu Liu	0	0	0	0	7,699	7,699	0	0	7,699 0.13%	7,699 0.13%	0	0	0	0	0	0	0	0	7,699 0.13%	7,699 0.13%	None
Director	Kuan-Hua Chen	0	0	0	0	7,699	7,699	0	0	7,699 0.13%	7,699 0.13%	0	0	0	0	0	0	0	0	7,699 0.13%	7,699 0.13%	None
Director	Representative of Yann Yuan Investment Co., Ltd.: Ping-Kun Hung	0	0	0	0	7,699	7,699	0	0	7,699 0.13%	7,699 0.13%	0	0	0	0	0	0	0	0	7,699 0.13%	7,699 0.13%	None
Independent director	Semi Wang	0	0	0	0	7,699	7,699	0	0	7,699 0.13%	7,699 0.13%	0	0	0	0	0	0	0	0	7,699 0.13%	7,699 0.13%	None
Independent director	Dar-Yeh Hwang	0	0	0	0	7,699	7,699	0	0	7,699 0.13%	7,699 0.13%	0	0	0	0	0	0	0	0	7,699 0.13%	7,699 0.13%	None
Independent director	Shi-Jer Sheen (Note 4)	0	0	0	0	5,719	5,719	0	0	5,719 0.10%	5,719 0.10%	0	0	0	0	0	0	0	0	5,719 0.10%	5,719 0.10%	None
Independent director	Hui-Chun Hsu (Note 4)	0	0	0	0	3,073	3,073	0	0	3,073 0.05%	3,073 0.05%	0	0	0	0	0	0	0	0	3,073 0.05%	3,073 0.05%	None

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. The remuneration for the Company's independent directors is based on board performance evaluation results and also on the company's operational performance, future risks, development strategies, industry trends, and industry standards. In addition, in accordance with the Remuneration Committee Charter, the Remuneration Committee shall review each director's participation in and contribution to company operations, link the reasonableness and fairness of performance risks to their remuneration, and present it to the Board of Directors for resolution. 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: Chairman Chin-Kung Lee shall receive director's remuneration as of June 1, 2023 pursuant to Article 16 of the Company's Articles of Incorporation.
Note 3: Director An-Hsuan Liu resigned on August 8, 2023, effective as of September 1, 2023.
Note 4: The Company elected Mr. Shi-Jer Sheen as an independent director during a re-election of directors for the 15th-term Board of Directors at the general shareholders' meeting on May 30, 2023. Independent director Hui-Chun Hsu was relieved of his office.

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)	Hui-Chun Hsu	Hui-Chun Hsu	Hui-Chun Hsu	Hui-Chun Hsu
NT$3,500,000(inclusive)- NT$5,000,000 (exclusive)	-	-	-	-
NT$5,000,000(inclusive)- NT$10,000,000 (exclusive)	General directors: Chi-Chun Hsieh, Kao-Yu Liu, Kuan-Hua Chen, Representative of Yann Yuan Investment Co., Ltd.: Ping-Kun Hung, Independent director: Semi Wang, Dar-Yeh Hwang, Shi-Jer Sheen	General directors: Chi-Chun Hsieh, Kao-Yu Liu, Kuan-Hua Chen, Representative of Yann Yuan Investment Co., Ltd.: Ping-Kun Hung, Independent director: Semi Wang, Dar-Yeh Hwang, Shi-Jer Sheen	General directors: Chi-Chun Hsieh, An-Hsuan Liu, Kao-Yu Liu, Kuan-Hua Chen, Representative of Yann Yuan Investment Co., Ltd.: Ping-Kun Hung Independent director: Semi Wang, Dar-Yeh Hwang, Shi-Jer Sheen	General directors: Chi-Chun Hsieh, An-Hsuan Liu, Kao-Yu Liu, Kuan-Hua Chen, Representative of Yann Yuan Investment Co., Ltd.: Ping-Kun Hung, Independent director: Semi Wang, Dar-Yeh Hwang, Shi-Jer Sheen
NT$10,000,000(inclusive)- NT$15,000,000 (exclusive)	General directors: Chin-Kung Lee	General directors: Chin-Kung Lee	-	-
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)	-	-	-	-
NT$50,000,000(inclusive)- NT$100,000,000(exclusive)	-	-	-	-
Over NT$100,000,000	-	-	-	-
Total	9	9	10	10

(II) Remuneration to President, and Vice Presidents (Individual disclosure of names and remuneration methods)

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-subsidiary 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	Cash	Stock	The Company	Companies included into the financial statement	
CEO (Note 2)	Chin-Kung Lee	2,890	2,890	0	0	1,538	1,538	0	0	0	0	4,428 0.08%	4,428 0.08%	None
President (Note 3) / Executive Vice President	Gauss Chang	5,010	5,010	108	108	3,106	3,106	13,000	0	13,000	0	21,224 0.36%	21,224 0.36%	None
Senior Vice President	Steven Chang	4,049	4,049	108	108	1,859	1,859	7,116	0	7,116	0	13,132 0.22%	13,132 0.22%	None
Senior Vice President	Andy Liang	3,017	3,017	108	108	1,595	1,595	5,614	0	5,614	0	10,334 0.18%	10,334 0.18%	None
Vice President	Hans Han	2,691	2,691	108	108	1,460	1,460	4,989	0	4,989	0	9,248 0.16%	9,248 0.16%	None
Vice President and CFO	Logan Chao	2,615	2,615	108	108	1,258	1,258	3,263	0	3,263	0	7,244 0.12%	7,244 0.12%	None
President (Note 4)	An-Hsuan Liu	4,603	4,603	72	72	1,225	1,225	0	0	0	0	5,900 0.10%	5,900 0.10%	None

Remuneration scale

Breakdown of remuneration to president and vice presidents	Name of 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)	Chin-Kung Lee	Chin-Kung Lee
NT$5,000,000(inclusive) -NT$10,000,000 (exclusive)	An-Hsuan Liu , Hans Han ,Logan Chao	An-Hsuan Liu , Hans Han ,Logan Chao
NT$10,000,000(inclusive) -NT$15,000,000 (exclusive)	Steven Chang ,Andy Liang	Steven Chang ,Andy Liang
NT$15,000,000(inclusive) -NT$30,000,000 (exclusive)	Gauss Chang	Gauss Chang
NT$30,000,000(inclusive) -NT$50,000,000 (exclusive)	-	-
NT$50,000,000(inclusive) -NT$100,000,000 (exclusive)	-	-
Over NT$100,000,000	-	-
Total	7	7

Note 1: Proposed allocated amount.
Note 2: Chairman Chin-Kung Lee resigned as CEO on May 30, 2023, effective as of June 1, 2023.
Note 3: On August 8, 2023, the Company's board of directors appointed Mr. Gauss Chang, the Company's Executive Vice President, as the new President, effective as of September 1, 2023.
Note 4: Director An-Hsuan Liu resigned on August 8, 2023, effective as of September 1, 2023.

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

December 31, 2023, Units: NTD thousand

	Title	Name	Stock	Cash (Note 1)	Total	Percentage of total bonuses to net profit after tax (%)
Managers	CEO (Note 2)	Chin-Kung Lee	0	53,188	53,188	0.9107
	President (Note 3)	Gauss Chang				
	Executive Vice President					
	President (Note 4)	An-Hsuan Liu				
	Senior Vice President	Steven Chang				
	Senior Vice President	Andy Liang				
	Vice President	Hans Han				
	Vice President and CFO	Logan Chao				
	Assistant Vice President	Wendy Chen				
	Assistant Vice President	Chung-Jung Tsai				
	Assistant Vice President	TK Chen				
	Assistant Vice President	Ta-Kang Liu				
	Assistant Vice President	Jerry Su				
	Assistant Vice President (Note 5)	Winnie Chou				
	Corporate Governance Officer	Neil Chung				

Note 1: Proposed allocated amount.
Note 2: Chairman Chin-Kung Lee resigned as CEO on May 30, 2023, effective as of June 1, 2023.
Note 3: On August 8, 2023, the Company’s board of directors appointed Mr. Gauss Chang, the Company’s Executive Vice President, as the new President, effective as of September 1, 2023.
Note 4: Director An-Hsuan Liu resigned on August 8, 2023, effective as of September 1, 2023.
Note 5: Ms. Winnie Chou was promoted to Assistant Vice President on November 3, 2023.

(IV) Individual Remuneration Paid to the Company's Top Five Management Personnel (Individual disclosure of names and remuneration methods)

December 31, 2023, Unit: NT$1,000

Title	Name	Salary (A)		Pension upon retirement (B)		bonuses, and allowances, 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-subsidiary 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		The Company	Companies included into the financial statement	
								Cash	Stock	Cash	Stock			
President (Note 2) / Executive Vice President	Gauss Chang	5,010	5,010	108	108	3,106	3,106	13,000	0	13,000	0	21,224 0.36%	21,224 0.36%	None
Senior Vice President	Steven Chang	4,049	4,049	108	108	1,859	1,859	7,116	0	7,116	0	13,132 0.22%	13,132 0.22%	None
Senior Vice President	Andy Liang	3,017	3,017	108	108	1,595	1,595	5,614	0	5,614	0	10,334 0.18%	10,334 0.18%	None
Vice President	Hans Han	2,691	2,691	108	108	1,460	1,460	4,989	0	4,989	0	9,248 0.16%	9,248 0.16%	None
Vice President and CFO	Logan Chao	2,615	2,615	108	108	1,258	1,258	3,263	0	3,263	0	7,244 0.12%	7,244 0.12%	None

Note 1: Proposed allocated amount.
Note 2: On August 8, 2023, the Company's board of directors appointed Mr. Gauss Chang, the Company's Executive Vice President, as the new President, effective as of September 1, 2023.

(IV) Remuneration to Directors, Presidents and Vice Presidents of the Company in the past two years

1. Analysis on the respective proportions of the amount of remuneration paid in the last 2 years by the Company and all companies in the financial report 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	2023				2022			
	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)	79,628	79,628	1.36%	1.36%	113,768	136,188	1.66%	1.99%
President and vice presidents	71,510	71,510	1.22%	1.22%	108,123	130,543	1.58%	1.91%

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:

(1) Remuneration policies, standards and packages:

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 Articles 19 of 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 Articles 16 of 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 Company regularly evaluates directors' remuneration in accordance with the "Board of Directors Performance Evaluation." Relevant performance evaluation and the rationality of remuneration are reviewed by the Remuneration Committee and the Board of Directors.

The remuneration to the Company's managerial officers shall be subject to Article 19 of the Company's Articles of Incorporation, which states that, depending on earnings for the year, 8%–10% of earnings shall be distributed as employee compensation. However, if the Company has cumulative losses, an amount sufficient to make up losses shall be retained. The Company shall comply with the Company Act and its Remuneration Committee Charter. 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.

(2) Procedures for determining remuneration:

For the purpose of strengthening a remuneration system for the directors and managerial officers of the Company, a Remuneration Committee is established pursuant to Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange. The functions of the Committee are to professionally and objectively evaluate the policies and systems for compensation of the directors and managerial officers of the Company, and submit recommendations to the board of directors for its reference in decision making. The actual amount of remuneration for directors and managers in 2023 was reviewed by the Remuneration Committee and then presented to the Board of Directors for review and approval.

(3) Linkage to operating performance and future risk exposure:

The Remuneration Committee shall establish and periodically review the performance assessment standards, annual and long-term performance goals, and the policies, systems, standards, and structure for the compensation of the directors and managerial officers of the Company; regularly assess the performance target achievements of the Company's directors and managerial officers, taking into account the general pay levels in the industry, their job performance, and the compensation paid to internal employees; and evaluate the reasonableness of the correlation between the individual's performance and the Company's operational performance and future risk exposure, with respect to the achievement of short-term and long-term business goals and the financial position of the Company.

IV. Status of Corporate Governance

(I) Information about operation of the Board of Directors

1. The Company held a re-election of directors at the general shareholders' meeting on May 30, 2023 to elect directors for the 15th term of Board of Directors (the term of the 14th-term Board of Directors began on June 10, 2020 and ended on June 9, 2023; the term of the 15th-term Board of Directors began on May 30, 2023 and ended on May 29, 2026). In 2023, the Board of Directors held a total of 11 meetings. The directors' attendance is as follows:

Term	Title	Name	Actual attendance	Attendance by proxy	Actual attendance rate (%)	Remarks
14th	Chairman	Chin-Kung Lee	3	0	100%	
	Vice-Chairman	Chi-Chun Hsieh	3	0	100%	
	Director	An-Hsuan Liu	3	0	100%	
	Director	Kao-Yu Liu	3	0	100%	
	Director	Kuan-Hua Chen	3	0	100%	
	Director	Yann Yuan Investment Co., Ltd. Representative: Ping-Kun Hung	3	0	100%	
	Independent director	Hui-Chun Hsu	3	0	100%	Re-elected/appointed on 2023.05.30 old appointment
	Independent director	Dar-Yeh Hwang	3	0	100%	
	Independent director	Semi Wang	3	0	100%	
15th	Chairman	Chin-Kung Lee	8	0	100%	Re-elected/appointed on 2023.05.30 Continuing service
	Vice-Chairman	Chi-Chun Hsieh	8	0	100%	Re-elected/appointed on 2023.05.30 Continuing service
	Director	An-Hsuan Liu	5	0	100%	Re-elected/appointed on 2023.05.30 Resigned on 2023.08.08 Continuing service
	Director	Kao-Yu Liu	8	0	100%	Re-elected/appointed on 2023.05.30 Continuing service
	Director	Kuan-Hua Chen	7	1	88%	Re-elected/appointed on 2023.05.30 Continuing service
	Director	Yann Yuan Investment Co., Ltd. Representative:	8	0	100%	Re-elected/appointed on 2023.05.30 Continuing service

		Ping-Kun Hung				
	Independent director	Semi Wang	7	1	88%	Re-elected/appointed on 2023.05.30 Continuing service
	Independent director	Dar-Yeh Hwang	8	0	100%	Re-elected/appointed on 2023.05.30 Continuing service
	Independent director	Shi-Jer Sheen	8	0	100%	Re-elected/newly appointed on 2023.05.30 New service

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.46-52.

(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
2023/03/02 24th meeting of the 14th board	1. Request for the removal of non-compete clause for the Company's directors.	Chairman Chin-Kung Lee and Director An-Hsuan Liu are a party of interest in this motion 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.
	2. Discussion of the adjustments made by the remuneration committee regarding managers' remuneration for year 2023.	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.
2023/06/26 3rd meeting of the 15th Committee	1. Discussion of the motion on paying Chairman Chin-Kung Lee directors' remuneration as recommended by the Remuneration Committee.	Chairman Chin-Kung Lee and Director An-Hsuan Liu are a party of interest in this motion 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.

	2. Discussion of the motion concerning the 2021 cash capital increase and employee equity incentive program, and the 2022 employee equity incentive program (hereinafter referred to as restricted stock awards) for the Company's subsidiary Jinglong Technology (Suzhou) Co., Ltd. (hereinafter referred to as Jinglong Technology), as well as the list of subscriptions and issuance, as recommended by the Company's Remuneration Committee.	Chairman Chin-Kung Lee, Vice-Chairman Chi-Chun Hsieh, and Director An-Hsuan Liu are a part of interest in this motion and therefore recused themselves from the discussion and voting on the motion. The motion was voted by a show of hands and passed by a majority of directors present at the meeting who participated in the discussion and voting. In favor: Director Kao-Yu Liu, Director Kuan-Hua Chen, Independent director Semi Wang, Independent director Dar-Yeh Hwang, Independent director Shi-Jer Sheen, totaling five persons. Against: Director Ping-Kun Hung (Reason: In the second employee equity incentive program, equity was distributed to only a handful of 4 to 5 top-level managers, which is not compliant with the principle of proportionality.)
2023/08/04 4th meeting of the 15th Committee	Discussion of the adjustments made by the remuneration committee regarding the proposed distribution of cash remuneration to the Company's managers for 2022.	As 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.
2023/11/03 7th meeting of the 15th Committee	Discussion of the motion on paying Chairman Chin-Kung Lee directors' remuneration in 2024 as recommended by the Remuneration Committee.	Chairman Chin-Kung Lee and Director An-Hsuan Liu are a party of interest in this motion 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, 2023 to December 31, 2023	Board of Directors' meeting	Self evaluation of the Board of Directors	A. The participation in the operation of the Company; B.Improvement of the quality of the board of directors' decision making C.composition and structure of the board of directors; election and continuing D.Election and continuing education of directors E.Internal control.
		Individual board members	Self-evaluation of Board members	A.Alignment of the goals and missions of the company B.Awareness of the duties of a director C.Participation in the operation of the company D.Management of internal relationship and communication E.The director's professionalism and continuing education F.Internal control.
		Audit Committee	Internal Self-evaluation on the Audit Committee	A.Participation in the operation of the company B.Awareness of the duties of the functional committee C. Improving the decision quality of the functional committees D.Makeup of the functional committee and election of its members E.Internal control.
		Remuneration Committee	Internal Self-evaluation on the Remuneration Committee	A.Participation in the operation of the company B.Awareness of the duties of the functional committee

				C. Improving the decision quality of the functional committees D.Makeup of the functional committee and election of its members E.Internal control.

2023 Performance Evaluation for the Board of Directors of King Yuan Electronics Co., Ltd.

To implement corporate governance and improve the function of the board of directors, the Company executes the 2023 performance evaluation for the board of directors based on the "Performance 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 2023 (evaluation period: January 1, 2023 to December 31, 2023) are as follows:

I. Performance evaluation personnel:

(I) Self-evaluation questionnaire of board of directors: Corporate Governance Officer.

(II) Self-evaluation questionnaire completed by board members (including members of the 14th and 15th term of Board of Directors): Chairman Chin-Kung Lee, Vice Chairman Chi-Chun Hsieh, Director Ping-Kun Hung, Director Kao-Yu Liu, Director Kuan-Hua Chen, Director An-Hsuan Liu, Independent Director Semi Wang, Independent Director Dar-Yeh Hwang, Independent Director Shi-Jer Sheen and Independent Director Hui-Chun Hsu, totaling ten 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 4.64 and the full score is 5.

Scope of Assessment	Number of Questions	Average score
A. Participation in the operation of the Company	12	4.58
B. Improvement of the quality of the board of directors' decision making	12	4.92
C. Composition and structure of the	7	4.71

board of directors		
D. Election and continuing education of the directors	7	4.14
E. Internal control	7	4.71
Total/Average score	45	4.64

(II) Performance evaluation of the board members

The performance evaluation of the board members covers six aspects. The average score is 4.80 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	4.87
B. Awareness of the duties of a director	3	4.80
C. Participation in the operation of the Company	8	4.76
D. Management of internal relationship and communication	3	4.87
E. Director's professionalism and continuing education	3	4.70
F. Internal control	3	4.87
Total/Average score	23	4.80

(III) Functional committee - Performance evaluation of the Audit Committee

The performance evaluation of the functional committees covers five aspects. The average score is 4.91 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	5	4.80
C. Improving the decision quality of the	7	5.00

functional committees		
D. Composition and member election of the functional committees	3	5.00
E. Internal control	3	4.67
Total/Average score	22	4.91

(IV) Functional committee - Performance evaluation of the Remuneration Committee

The performance evaluation of the functional committees covers five aspects. The average score is 4.65 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	5	4.00
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	1	4.00
Total/Average score	20	4.65

III. Overall comment:

(I) Performance evaluation of the board of directors

The Board of Directors operated smoothly as a whole, and communicated effectively with management for effective supervision of company operations.

(II) Performance evaluation of the board members

Chairman Chin-Kung Lee: Performs duties faithfully and strives to complete missions.

(III) Performance evaluation of the Functional committees (Audit Committee and Remuneration Committee)

All functional committee members are aware of the scope of their duties, and are able to fully understand and discuss agenda contents and reach a resolution, which they then present to the Board of Directors for discussion. All members have fully performed their functions.

In summary, the operating status of the Board of Directors and all functional committees is sound. In the future, their duties and functions will be continuously improved to further strengthen the effectiveness of corporate governance.

IV. Improvement project:

Continue to improve the performance evaluation aspects of the Board and its members as well as the functional committees so as to improve the effectiveness of corporate governance. The Company's directors of the 15th term have completed at least 3 hours of continuing education this year. They will be continuously encouraged to do so to build their expertise.

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

(1) On May 30, 2023, 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.

(2) 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 6th meeting of the 15th-term Board of Directors on September 1, 2023.

(3) 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 2023 were presented at the 9th meeting of the 15th-term Board of Directors on February 23, 2024.

2. Continuing education for directors and independent directors in 2023:

Position/name	Date	Organizer	Course Name	Training Hours	Continuing education for the year Total hours
Director Chin-Kung Lee	2023/10/20	Securities & Futures Institute	2023 Annual Conference on Prevention of Insider Trading	3.0	3.0
Director Chi-Chun Hsieh	2023/06/09	Securities & Futures Institute	2023 Annual Conference on Prevention of Insider Trading	3.0	3.0
Director Kao-Yu Liu	2023/07/18	Accounting Research and Development Foundation	2023 Translation Finance and Sustainability Disclosure	3.0	3.0
Director Kuan-Hua Chen	2023/02/14	Taiwan Corporate Governance Association	A New Model of Corporate Governance in the Midst of ESG Trends	3.0	9.0
	2023/03/14	Taiwan Corporate Governance Association	Risks and Opportunities for Business Operations Resulting from Climate Change Trends	3.0	
	2023/08/18	Taiwan Corporate Governance Association	Big Data Analysis and Fraud Detection and Prevention	3.0	
Corporate Representative of directors Ping-Kun Hung	2023/06/09	Securities & Futures Institute	2023 Annual Conference on Prevention of Insider Trading	3.0	6.0
	2023/06/30	Taiwan Securities Association	[Corporate Governance] Case Analysis of Suspected Money Laundering or Terrorism Financing Risk Trends and Patterns	3.0	
Independent director Semi Wang	2023/05/24	Taiwan Corporate Governance Association	Insider Trading Prevention and Countermeasures	3.0	6.0
	2023/08/08	Taiwan Corporate Governance Association	Legal Compliance for Board of Directors in Supervising Businesses: Watch out for Concerted Actions	3.0	
Independent director Dar-Yeh Hwang	2023/10/13	Securities & Futures Institute	2023 Annual Conference on Prevention of Insider Trading	3.0	3.0
Independent director Shi-Jer Sheen	2023/09/04	Financial Supervisory Commission	The 14th Taipei Corporate Governance Forum	3.0	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 Audit Committee is composed entirely of independent directors. One independent director is elected by committee members to act as meeting convener and chair. The Committee operates in accordance with the Audit Committee Charter and assists the Board of Directors in executing its supervisory duties and fulfilling its missions as stated in the Company Act, Securities and Exchange Act, and other relevant laws and regulations.

Key review focuses of the Audit Committee for the year:

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 2023 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 2023 Statement on Internal Control was released after review and approval at the 5th meeting of the 4th-term Audit Committee (2024.02.23) and resolution at the 9th meeting of the 15th-term Board (2024.02.23).
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 third term of office of the Audit Committee began on June 10, 2020 and ended on June 9, 2023.
The fourth term began on May 30, 2023 and will end on May 29, 2026.
The Audit Committee met 7 times in 2023. The details of the attendance are as follows:

Term	Title	Name	Actual Attendance Times	Attendance by proxy Times	Attendance rate (%)	Remarks
The 3rd Committee	Independent director	Hui-Chun Hsu	3	0	100%	Re-elected/appointed on 2023.05.30 Old appointment
	Independent director	Dar-Yeh Hwang	3	0	100%	
	Independent director	Semi Wang	3	0	100%	
4th	Independent director	Semi Wang	4	0	100%	Convener and Chairperson Re-elected/appointed on 2023.05.30 Continuing service
	Independent director	Dar-Yeh Hwang	4	0	100%	Re-elected/appointed on 2023.05.30 Continuing service
	Independent director	Shi-Jer Sheen	4	0	100%	Re-elected/newly appointed on 2023.05.30 New service

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
2023/01/16 17th meeting of the 3rd Committee	1. 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.	None	1. Approved by all members of the audit committee and all board members present at the meeting without objections.

	2. 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.		2. Approved by all members of the audit committee present at the meeting without objections, The motion was voted by a show of hands and passed by a majority of directors present at the meeting. In favor: Chairman Chin-Kung Lee, Vice Chairman Chi-Chun Hsieh, Director An-Hsuan Liu, Director Kao-Yu Liu, Director Kuan-Hua Chen, Independent Director Hui-Chun Hsu, Independent Director Dar-Yeh Hwang and Independent Director Semi Wang (subject to the Company's employee disciplinary guidelines). Against: Director Ping-Kun Hung (punishment is too light).	
	3. 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.		3. Approved by all members of the audit committee present at the meeting without objections, and adopted the lawyer's suggestion, authorized the company's legal department to work with the lawyer to select an investigation unit to assist with the investigation, and submitted after the Board Chairman's approval a criminal petition to assist with the investigation. This motion was approved without objection by all the directors present after consulting with the Chairman, and the lawyer's suggestion was adopted. The company's legal department was authorized to work with the lawyer to select an investigation unit to assist with the investigation. After approval by the Chairman, a criminal petition to assist in the investigation was submitted.	
2023/03/02 18th meeting of the 3rd Committee	1. Approval of the motion to have Ernst & Young and its affiliates provide non-assurance services to the Company and its subsidiaries as of December 31, 2023.	None	Motions 1–6 were approved by all members of the audit committee and all board members present at the meeting without objections.	

	2. 2022 Declaration of Internal Control System 3. Assessment of the independence and competency of the Company's CPA. 4. The separate financial statement and consolidated financial statements 2022. 5. 2022 Business Report 6. Motion for the 2022 Earnings Distribution 7. Request for the removal of non-compete clause for the Company's directors.		Motion 7 was approved by all members of the audit committee present at the meeting without objections Chairman Chin-Kung Lee and Director An-Hsuan Liu are a party of interest in this motion and therefore recused themselves from discussion on the motion. The motion was passed by all directors present at the meeting who participated in the discussion and voting with no objection.	
2023/05/05 19th meeting of the 3rd Committee	Interim consolidated financial statements between January 1 and March 31, 2023	None	Approved by all members of the audit committee and all board members present at the meeting without objections.	
2023/06/26 1st meeting of the 4th Committee	Request for suspension of the evaluation of the Company's disposal of the equity of subsidiary King Long Technology (Suzhou) Ltd.	None	The motion was passed by the Chair without objection from any members in attendance after adopting the opinions of independent director Dar-Yeh Hwang. The opinions of independent director Dar-Yeh Hwang are as follows: (1) If the company resumes its evaluation of the disposal of the equity of King Long Technology (Suzhou) Ltd. in the future, the evaluation team should comprise at least five members, namely, the president, vice president of the business department, vice president of R&D, chief financial officer, and legal officer. (2) If the company resumes its evaluation of the disposal of the equity of King Long Technology (Suzhou) Ltd. in the future, any conclusions reached during a meeting of the evaluation	

			team must be immediately provided to the audit committee members for reference. This motion was approved by the chair without objection from any directors in attendance after adopting the resolution of the 1st meeting of the 4th Audit Committee and the suggestion/opinions of Director Ping-Kun Hung. The opinions of Director Ping-Kun Hung are as follows: The director proposes to postpone any other expansion plans for the Dushu Lake Factory, unless the plans are currently in progress.
2023/08/04 2nd meeting of the 4th Committee	Interim consolidated financial statements between January 1 and June 30, 2023	None	Approved by all members of the audit committee and all board members present at the meeting without objections.
2023/11/03 3rd meeting of the 4th Committee	1. Interim consolidated financial statements between January 1 and September 30, 2023 2. 2024 audit plan 3. Review of the motion for the 2023 professional fees of CPAs	None	Approved by all members of the audit committee and all board members present at the meeting without objections.
2023/12/22 4th meeting of the 4th Committee	1. Proposed to change the Company's CPAs in response to adjustments to the internal organization of EY 2. Approval of the motion to have Ernst & Young and its affiliates provide non-assurance services to the Company and its subsidiaries as of January 1, 2024 through to December 31, 2024.	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, means and 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:

Meetings attended, meeting date, and meeting session of the chief auditor	Communication Items	Communication Method	Communication Outcome
2023/03/02 Audit Committee (3-18)	1. Report on internal auditing operations for Q1 2023 2. Approval of the motion to have Ernst & Young and its affiliates provide non-assurance services to the Company and its subsidiaries as of December 31, 2023. 3. 2022 Declaration of Internal Control System	Attendance report and discussions on relevant issues	Matter has been communicated. Except for "Matters to be Communicated" in the left column, there were no other suggestions, and the matters were reported to the Board of Directors after consideration and approval by the Audit Committee.
2023/05/05 Audit Committee (3-19)	Report on internal auditing operations for Q2, 2023	Attendance report and discussions on relevant issues	Matter has been communicated. Except for "Matters to be Communicated" in the left column, there were no other suggestions.
2023/08/04 Audit Committee (4-2)	Report on internal auditing operations for Q3,2023	Attendance report and discussions on relevant issues	Matter has been communicated. Summary of communication: Independent director Semi Wang: The Company is asked to strengthen the supervision of its subsidiaries in mainland China.
2023/11/03 Audit Committee (4-3)	1. Report on internal auditing operations for Q4,2023 2. 2024 audit plan	Attendance report and discussions on relevant issues	Matter has been communicated. Except for "Matters to be Communicated" in the left column, there were no other suggestions, and the matters were reported to the Board of Directors after consideration and approval 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:

Meetings attended, meeting date, and meeting session of the CPAs	Communication Items	Communication Method	Communication Outcome
2023/03/02 Audit Committee (3-18)	The separate financial statement and consolidated financial statements 2022.	Attended the meeting and conducted consultation, discussion and advice on relevant issues.	Except for "Matters to be Communicated" in the left column, there were no other suggestions, and the matters were reported to the Board of Directors after consideration and approval by the Audit Committee.

2023/12/22 Audit Committee (4-4)	1. Proposed to change the Company's CPAs in response to adjustments to the internal organization of EY 2. Approval of the motion to have Ernst & Young and its affiliates provide non-assurance services to the Company and its subsidiaries as of January 1, 2024 through to December 31, 2024.	Attended the meeting and conducted consultation, discussion and advice on relevant issues.	Except for "Matters to be Communicated" in the left column, there were no other suggestions, and the matters were reported to the Board of Directors after consideration and approval by the Audit Committee.

(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			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary	
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 shareholders 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 firewall mechanisms between the Company and its affiliates?	V		The Company and its affiliates have established their internal control systems and have the parent company supervise the systems. Meanwhile, each affiliate has also set up its own firewall.	No significant differences

(IV) Has the Company established internal policies that prevent insiders from trading securities against non-public information?	V		The Company has established the Code of Ethics and Business Conduct in accordance with the Guidelines for the Adoption of Codes of Ethical Conduct for TWSE/TPEx Listed Companies to encourage compliance with ethical standards and help our stakeholders better understand the ethical standards of the Company. On December 28, 2021, the Company's Board of Directors approved amendments to Paragraph 4, Article 10 of the Governance Practice Principles (a TWSE/TPEx listed company shall place high importance on the shareholder right to know, and rules prohibiting insider trading). Before a financial report is approved at a quarterly board meeting, the following written notice (email) is issued: "Stock trading control measures from the date insiders of the company become aware of the contents of the company's financial reports or relevant results, include (but not limited to) those prohibiting a director and insider from trading its shares during the closed period of 30 days prior to the publication of the annual financial reports and 15 days prior to the publication of the quarterly financial reports."	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. 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 four 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	No significant differences

			shall be less than (including) one third of the total number of board directors for the purpose of supervision. (4) The company plans to increase the proportion of female directors in the future. The implementation of board diversity in the company is as follows: (1) The Company's Board of Directors consist of 9 directors, all of whom are not concurrently employees of the Company. Independent directors account for 33% of the board. Seven directors are aged 61–70 years, and two directors are aged 51–60 years. (2) Length of service of independent directors did not exceed 9 years. (3) Each director has professional background (including industry, finance, technology, and business management), professional skills, industrial experiences, etc. (see pages 24-26 of this annual report for a description of board diversity). Refer to the company website for details regarding the Company's Corporate Governance Best Practice Principles.	
(II) Whether the company, in addition to establishing the remuneration committee and audit committee, pursuant to laws, is willing to establish any other functional committees voluntarily?		V	The Company has established the remuneration committee and audit committee. 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?	V		The "Board of Directors Performance Evaluation" was approved by resolution at 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. Internal board performance evaluation is conducted annually beginning as of 2020. Please refer to pages 40-44 for more information on the relevant evaluations. Details of the performance evaluation have been presented to the 9th meeting of the 15th term of Board of Directors on February 23, 2024. These details served as a reference for the remuneration of individual directors and the nomination of candidates.	No significant differences
(IV) Is CPAs' independence assessed on a regular basis?	V		Changes of CPA are reviewed and approved by the Company's Audit Committee and Board of Directors. The Company's Board of Directors regularly refers to the Audit Quality Indicators (AQIs) when assessing the independence of CPAs, and requests CPAs to provide a Declaration of	No significant differences

			Independence. CPAs currently under the employ of the company are all independent. Evaluation results of the most recent year were discussed and approved by the Audit Committee on February 23, 2024, and presented to the Board of Directors on February 23, 2024 for resolution, which approved the evaluation of CPA independence and competency. Refer to page 65 of this annual report for the procedures of the CPA's independence evaluation.	
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)?	V		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. 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. 2023 Corporate governance implementation: (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. (6) Supervising the Company in the operation and enforcement of corporate governance.	No significant differences

Continuing education for corporate governance officer: 21 hours of continuing education in 2023.

Date	Organizer	Course Name	Number of hours
2023/06/09	Securities & Futures Institute	2023 Annual Conference on Prevention of Insider Trading	3.0
2023/07/04	Taiwan Stock Exchange Corporation (TWSE)	2023 Cathay Sustainable Finance and Climate Change Summit	6.0
2023/09/04	Financial Supervisory Commission	The 14th Taipei Corporate Governance Forum	6.0
2023/10/20	Securities & Futures Institute	2023 Annual Conference on Prevention of Insider Trading	3.0
2023/11/22	Securities & Futures Institute	2023 Equity Transfer by Insiders of Legal Compliance	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 "Stakeholder area" under "ESG" 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 61-62 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 disclosed information regarding the Company's financial position, business, and corporate governance on the corporate website.	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 has set up an English website, assigned a specific person to collect and disclose corporate information, and also implemented a spokesperson system to properly handle matters related to feedback from shareholders and corporate information. Information relevant to the company's investor conference is made available on the company's website for investors' reference.	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 investors are able to obtain sufficient and accurate information.	No significant differences
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	V		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. (1) Employee rights, employee care: The Company is dedicated to building a healthy and safe working environment and an unhindered communication	No significant differences

management policies and risk measurements, implementation of customer policy, and maintenance of liability insurance for the Company's directors)?			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. (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. (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/. (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. (5) Implementation: of the risk management policy and risk measurement standards: The Company has established management measures for important management indicators which are executed accordingly. (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. (7) The Company takes out liability insurance for directors: The Company has taken out the liability insurance for directors and managers.	

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.

The Company participated in the 10th Corporate Governance Evaluation, which was organized by TWSE Corporate Governance Center, and will review the latest evaluation results and make improvements accordingly. Priority for improvement and measures are as follows:

1. Improvements based on the 2023 Corporate Governance Evaluation results:
   (1) We convened the general shareholders' meeting before the end of May (May 30) in 2023.
   (2) All directors have completed continuing education in accordance with regulations.
   (3) We disclosed information on governance, strategy, risk management, and metrics and targets in relation to climate-related risks and opportunities.
   (4) Our Sustainability Reports are now available in English.
2. For the items that were not yet scored, the Company continues evaluate and consider possible improvement options.

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

Stakeholder	Communication issues	Communication channels	Frequency
Investor	• 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	• 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	• Recruitment • Leave system • Salary and bonus • Career development • Employee wellness • Communication between labor and management • Employee engagement • Employee benefits • Welfare Committee activities • Club activities • Accident and public injury management • Workplace safety	Labor and management meeting	Quarterly
		Staff meeting	Quarterly
		New staff meeting	Quarterly
		Foreign staff meeting	6 months
		Departmental meeting	Weekely/Monthly
		Improvement system by proposals	From time to time
		Grievance Handling Committee	As needed
		Personnel Review Committee	As needed
		Employee message board	Permanent
		Employee survey form	Every two years
		Year-end banquet	Each year
		Welfare Committee meeting	Quarterly
		Labor union meeting	Permanent
		Trade union committee	As needed
		Occupational Safety and Health Committee	Quarterly
Supplier	• 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	• In-plant safety and health operations • COVID-19 pandemic monitoring and management	Contractor meetings	Monthly
		Email	From time to time
Communities	• Industry-academia cooperation • Community activities	Company managers teach classes in partnering schools	From time to time
		Partnering schools visit in-plant facilities	From time to time
		Community cleanups	Monthly

Government institution	• Overall training/education quality • 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	TTQS assessment	From time to time
		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

Stakeholder contact:

Share Registration Agent

Name	Share Registration Agency Service Department, Horizon Securities Co., Ltd.
Address	No. 236, Sec. 4, Xinyi Rd., Xinyi Dist., Taipei City, Taiwan, R.O.C.
Telephone	886-2-27008899
Website	http://www.honsec.com.tw

Institutional investor relations

Name	Division Director Aaron Chang
Telephone	886-3-5751888 ext.128200
Email	AaronChang@kyec.com.tw

Note 2: CPA independence evaluation

(1) A summary of AQIs is compiled by the CPA and presented to the Audit Committee. Evaluation results of the most recent year were discussed and approved by the Audit Committee on February 23, 2024, and presented to the Board of Directors on February 23, 2024 for resolution, which approved the evaluation of CPA independence and competency.

Assessment table in the AQI Report

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	
Dimension 1: Professionalism	2	Training Hours			
Dimension 1: Professionalism	3	Attrition Rate			
Dimension 1: Professionalism	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	
Dimension 2: Quality Control	6	Involvement			
Dimension 2: Quality Control	7	Engagement quality control review (EQCR)			
Dimension 2: Quality Control	8	Quality supporting capacity			
Dimension 3: Independence	9	Non Audit Service (NAS)	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 effect on the independence of CPA.	Meet criteria	
Dimension 3: Independence	10	Familiarity			
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	Meet criteria	
Dimension 4: Monitoring	12	Number of Official			

		Improvement Letters Issued by Authority	receive any Official Improvement Letters from authorities.	
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, etc., 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.

(2) Procedures of the CPA's independence evaluation as follows

Company Name:	King Yuan Electronics Co., Ltd.
Accounting period:	January 1, 2023 to December 31, 2023

Description

1. 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.
2. 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 interest		
(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 financial interest in the Company?	Yes	
(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: ■ Having strategic alliance with the Company or its controlling shareholders, directors and supervisors or managers with significant interests.	Yes	
■ 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. (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?	Not applicable.	
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: ■ 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.	Not applicable.	
(iii) Whether or not the party knows that the audit service members are hired by the Company in the future?	Yes	
(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?	Yes	
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?	Not applicable.	
Summary of Conclusion: None of the above		
7. Rotation of CPAs		
Has the Company's primary accountant served for less than seven years and with at least a two-year interval between rotations before returning to the Company?	Yes	
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$1,000 thousand, tax		

compliance checks of NT$300 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

<table>
<tr><th colspan="2">Qualification
Title/Name</th><th>Professional qualifications and experience</th><th colspan="2">Independence</th><th>Number of other public companies in which the member also serves as a member of their remuneration committee</th></tr>
<tr><td>Independent director (Convener)</td><td>Semi Wang</td><td>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 LeadSun Greentech Corporation Compensation Committee</td><td rowspan="2">The following independence assessment criteria has been met in the two years prior to and during the term of office:
(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</td><td>Number of shares and shareholding ratio held by independent directors (or held under the name of a third person), their spouse, and minor children: 10,000 Shares (0.00%)
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”.</td><td>1</td></tr>
<tr><td>Independent director</td><td>Dar-Yeh Hwang</td><td>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</td><td>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</td><td>0</td></tr>
</table>

<table>
<tr>
<td></td>
<td></td>
<td>Promoting Economic Legislation.</td>
<td rowspan="4">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).
(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).
(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 the public company, or an independent director appointed in accordance with the Securities and Exchange Actor 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).
(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</td>
<td>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".</td>
<td></td>
</tr>
<tr>
<td>Independent director</td>
<td>Shi-Jer Sheen
(Note 1)</td>
<td>Holds an MBA degree from Kyushu University, Japan. 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 responsible person of Private Short-Term Busiban.</td>
<td>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".</td>
<td>0</td>
</tr>
<tr>
<td>Others</td>
<td>Chung-Chi Huang</td>
<td>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.</td>
<td>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".</td>
<td>0</td>
</tr>
<tr>
<td>Independent director</td>
<td>Hui-Chun Hsu
(Note 1)</td>
<td>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</td>
<td>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</td>
<td>0</td>
</tr>
</table>

		Bo-Xin Clinic	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. (10) Not a person of the conditions specified in any of the sub-paragraphs of Article 30 of the Company Act.	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”.	

Note 1: The Company elected Mr. Shi-Jer Sheen as an independent director during a re-election of directors for the 15th-term Board of Directors at the general shareholders’ meeting on May 30, 2023. Independent director Hui-Chun Hsu was relieved of his office.

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:

The fourth term of office of the Remuneration Committee began on June 24, 2020 and ended on June 9, 2023.

The fifth term began on June 12, 2023 and will end on May 29, 2026.

The Remuneration Committee has met 6 times in 2023. The qualifications and attendance of the members are as follows:

Term	Title	Name	Actual Attendance Times	Attendance by proxy	Attendance rate (%)	Remarks
4th	Convener and Chairperson	Hui-Chun Hsu	2	0	100%	Re-elected/appointed on 2023.05.30 Old appointment
	Member	Dar-Yeh Hwang	2	0	100%	
	Member	Semi Wang	2	0	100%	
	Member	Chung-Chi Huang	2	0	100%	
5th	Convener and Chairperson	Semi Wang	4	0	100%	Re-elected/appointed on 2023.05.30 Continuing service
	Member	Dar-Yeh Hwang	4	0	100%	Re-elected/appointed on 2023.05.30 Continuing service
	Member	Shi-Jer Sheen	4	0	100%	Re-elected/newly appointed on 2023.05.30 New service
	Member	Chung-Chi Huang	4	0	100%	Re-elected/appointed on 2023.05.30 Continuing service

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 2023 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
2023/03/02 13th meeting of the 4th Committee	1. Motion for the Company's 2022 remuneration to directors	Approved by all members of the remuneration committee present at the meeting without objections	1. Approved by all board members present at the meeting without objections
	2. Adjustment of the 2023 remuneration for the Company's managerial officers		2. 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.
2023/05/05 14th meeting of the 4th Committee	The 2022 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
2023/06/26 1st meeting of the 5th Committee	1. Review of the motion on paying Chairman Chin-Kung Lee directors' remuneration	Approved by all members of the remuneration committee present at the meeting without objections	1. Chairman Chin-Kung Lee is a party of interest in this motion 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.
	2. Review of the motion concerning the 2021 cash capital increase and employee equity incentive program, and the 2022 employee equity incentive program for the Company's subsidiary King Long		2. Chairman Chin-Kung Lee, Vice-Chairman Chi-Chun Hsieh, and Director An-Hsuan Liu are a part of interest in this motion and therefore recused themselves from the discussion and voting on the motion. The motion was voted by a show of hands and passed by a majority of directors

	Technology (Suzhou) Ltd., as well as the list of subscriptions and issuance.		present at the meeting who participated in the discussion and voting. In favor: Director Kao-Yu Liu, Director Kuan-Hua Chen, Independent director Semi Wang, Independent director Dar-Yeh Hwang, Independent director Shi-Jer Sheen, totaling five persons. Against: Director Ping-Kun Hung (Reason: In the second employee equity incentive program, equity was distributed to only a handful of 4 to 5 top-level managers, which is not compliant with the principle of proportionality.)
2023/08/04 2nd meeting of the 5th Committee	The review of the 2022 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	As 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.
2023/08/08 3rd meeting of the 5th Committee	Propose to determine the remuneration to the Company's newly appointed president.	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
2023/11/03 4th meeting of the 5th Committee	1. Review of the motion on paying Chairman Chin-Kung Lee directors' remuneration in 2024	Approved by all members of the remuneration committee present at the meeting without objections	1. Chairman Chin-Kung Lee is a party of interest in this motion 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.
	2. Propose to determine the remuneration to the Company's new Assistant Vice President Winnie Chou		2. 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

<table>
<tr><th rowspan="2">Promotion</th><th colspan="3">Implementation</th><th rowspan="2">Difference from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and reasons thereof</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>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?</td><td>V</td><td></td><td>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.</td><td>No significant differences</td></tr>
<tr><td>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?</td><td>V</td><td></td><td>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.
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”.
We have formulated the following management policies or strategies based on the risks after assessment:
<table><tr><th>Material issues</th><th>Risk assessment</th><th>Description</th></tr><tr><td>Environment</td><td>Environmental impact and management</td><td>1. By providing process safety management and systematic management cycle, KYEC Group is able to effectively reduce the emissions of pollution and their impact on</td></tr></table></td><td>No significant differences</td></tr>
</table>

					the environment. 2. We have attained environmental and energy management certifications including ISO 14001 in 2002, ISO 50001 in 2016 and ISO46001 in 2023, and have been regularly certified since. 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. 4. An annual internal audit plan is formulated targeting the compliance of KYEC Group with environmental regulations, while ensuring	

					that all operation processes are on par with regulations.	
			Society	Occupational safety	1. In 2023, all subsidiaries completed the “ISO 45001 occupational health and safety management system” certification. 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.	
			Corporate governance	Regulatory compliance, strengthen the functionality of directors	1. We ensure that all employees and operations are in compliance with the applicable laws and regulations by establishing a governance organization and implementing an internal control mechanism. 2. Provide directors with training and regulatory information as needed. 3. We take out insurance policies for our directors and managers to protect them	

			against lawsuits or claims.	
III. Environmental issues				
(I) Whether the Company establishes environmental policies suitable for the Company's industrial characteristics?	V		KYEC Group subsidiaries has 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. Factories in Taiwan introduced and implemented ISO 46001 Water Efficiency Management Systems, ISO14046 Water Footprint, and UL2799 Zero Waste to Landfill Validation in 2023. (http://www.kyec.com.tw/csr/csrreport.aspx)	No significant differences
(II) Is the company committed to enhancing the utilizationefficiency of energy and use renewable materials that are with low impact on the environmental?	V		Every year, KYEC Group 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 2023, the total electricity consumption of KYEC Group was 795,783MWh, up 14,217MWh from 781,566MWh in 2022, representing an increase of 1.8%. Such increase in power consumption was due to plant expansion. With the goal of achieving corporate growth and sustainable development, the Company continues to adopt power/energy-saving solutions across our plants to increase energy efficiency. However, due to the weak economy in 2023, the decrease in our business revenue caused our electricity consumption intensity to increase by 14.4% compared with that in 2022. Renewable energy: Tongluo Factory in Taiwan has prioritized the installation of a rooftop solar power facility, which has an installed capacity of 1999.06 kw and is expected to generate 3.7 million kWh of renewable electricity annually (equivalent to reducing approximately 1,831 tons of CO_2e), thereby mitigating the environmental impact caused by electricity consumption. We are also planning to install rooftop solar power facilities in our Chunghwa Factory in Taiwan to increase its capacity to generate clean energy. 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,	No significant differences

<table>
<tr><td></td><td></td><td></td><td>maximizing the benefits of a circular economy. We strive for creating circular value through recycling of process materials and waste reduction.</td><td></td></tr>
<tr><td>(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?</td><td>V</td><td></td><td>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 climate change, our factories in Taiwan have been operating under the ISO 22301 business continuity management system model since 2018. In doing so, we reduce significant property losses and irreversible operational impacts caused by natural or human-instigated disasters or other incidents, and also ensure that the organization is able to maintain minimum level of operation in any given circumstances. In November 2020, we passed the ISO 22301: 2019 certification and this certification is still valid today. In 2023, we completed the flood potential analysis of key suppliers and devised countermeasures for high-risk suppliers to reduce the risk of supply chain disruption.
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)</td><td>No significant differences</td></tr>
<tr><td>(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?</td><td>V</td><td></td><td>In 2023, KYEC Group has completed ISO 14064 -1 Scopes 1 and 2 inventories and ISO 50001 inventory and third-party verification.
KYEC Group’s GHG emissions for the past 2 years:
Units: tCO_2e
<table>
<tr><th rowspan="2">Emissions Category</th><th colspan="2">Year</th></tr>
<tr><th>2022</th><th>2023</th></tr>
<tr><td>Category 1</td><td>6,522.83</td><td>6,522.32</td></tr>
<tr><td>Category 2</td><td>412,521.90</td><td>412,732.28</td></tr>
<tr><td>Category 3-6</td><td>79,728.22</td><td>94,395.82</td></tr>
<tr><td>Total</td><td>498,772.96</td><td>513,650.41</td></tr>
</table>
In 2023, total emissions were 513,650.41 tCO2e, with Categories 1, 2, and 3-6 accounting for 1.27%, 80.35%, and 18.38%, respectively. The main source of emissions was use of purchased electricity. In terms of proportion, KYEC Group’s GHG emissions were due to purchased electricity. Total emissions in 2023 increased by 14,877 tCO2e or 2.98% compared to 2022. However, the emission intensity in 2023 was 1,555.34 tCO2e/NT$100 million revenue, a increase of 14.7% from 1,356.02 tCO2e/NT$100 million in 2022.
In addition to conducting inventory and reduction of Categories 1 and 2 GHGs within the boundaries of the organization every year, KYEC Group has incorporated inventory data for Categories 3-6 as of 2022, 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</td><td>No significant differences</td></tr>
</table>

wastewater recovery and reuse. By doing this, we are able to reduce 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)

Year	2022	2023
Total water consumption	3,279.841	3,438.146
Water consumption	1,845.197	1,937.175

In 2023, the total water consumption of KYEC Group was 3,438.146 million liters. Approximately 2,447.192 million liters of water used were sourced from raw water supply, accounting for 71.17% of the total water consumption. The amount of water recycled from process wastewater or water treatment system was 1142.272 million liters, accounting for 33.22% 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.
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 1142.321 million liters of water and reduced carbon emissions by 183.91 tons in 2023. In 2024, we continue to plan and implement water-saving projects - including setting water consumption reduction targets for water-intensive locations, specifically Chu-Nan/Tongluo Factory and subsidiaries, improving our pure water system, and assessing the addition of recycling systems. The Company is projected to invest NT$80 million to build a domestic water treatment facility and to install a recycling system. In 2023, the Company’s Chinese subsidiary invested NT$4.524443 million in a wastewater recycling project to save 1.852 million liters of water annually.
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 2023, we 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)

Year		2022	2023
General businesses	Weight (ton)	2,753.06	3129.182
	Intensity (tons/NT$100 million)	7.485	9.475
Harmful businesses	Weight (ton)	269.10	328.668
	Intensity (tons/NT$100 million)	0.732	0.995

In 2023, we adopted the UL2799 Zero Waste to Landfill Validation to verify that we handle waste in environmentally responsible and innovative ways (i.e., recycling and reuse, instead of landfills). We identified reusable packaging materials on-site, and adopted a policy of minimizing waste and maximizing recycling to achieve a circular economy characterized by an overall resource conversion rate of 100% or more.

<table>
<tr><td>IV. Social issues</td><td></td><td></td><td></td><td></td></tr>
<tr><td>(I) Whether the Company has established the related management policies and procedures in accordance with the relevant laws and international human rights conventions?</td><td>V</td><td></td><td>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:
<table>
<tr><th>Human rights management policy</th><th>Specific plans</th></tr>
<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 carried out.</td></tr>
<tr><td>Support public information transparency</td><td>Education and training on human rights is promoted; the Company’s human rights advocacy is conveyed through the Company’s website and public announcements.</td></tr>
<tr><td>Build a friendly workplace</td><td>Establish diverse communication and grievance channels to smoothly express views in a timely manner and</td></tr>
</table></td><td>No significant differences</td></tr>
</table>

<table>
<tr><td></td><td></td><td></td><td><table><tr><td></td><td>effectively solve problems.</td></tr><tr><td>Promote family life and work balance</td><td>Set up health management and promotion plans to emphasize the health of employees.</td></tr></table>In 2023, we provided human rights protection training on employees, which saw 9,379 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.</td><td></td></tr>
<tr><td>(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?</td><td>V</td><td></td><td>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 2023, female employees accounted for 43% and female supervisors accounted for 33%.</td><td>No significant differences</td></tr>
<tr><td>(III) Whether the Company provides the existence of a safe and healthy work environment, and regular safety and health training to employees?</td><td>V</td><td></td><td>KYEC Group 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.
<u>Occupational Safety and Health Policy</u>
KYEC Group 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.
KYEC Group 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 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</td><td>No significant differences</td></tr>
</table>

			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 2023, the Group recorded 21 occupational injury-related incidents. Occupational injury-related mortality rate was 0. Severe occupational injury rate was 0. Recordable rate of occupational injury was 1.1. 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. There were no fire incidents in 2023. Our workplace safety unit regularly holds fire and earthquake disaster prevention drills to ensure that every employee is properly trained and to reduce accident-related injuries. Monitoring the workplace 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. Intelligent Safety Management In response to the technological advancements, our factories in Taiwan have improved their operations by introducing an AI identification system to reduce occupational safety hazards and risks. For example, as part of the control measure, the AI system reminds machine operators, such as grab dredger operators, chemical tanker filling operators, and workers in noisy areas, to follow factory rules, wear protective gears, and ensure operational safety, thereby ensuring a safe work environment. Work safety inspection KYEC Group 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.	

<table>
<tr><td></td><td></td><td></td><td><u>Machinery and equipment safety management</u>
The safety of KYEC Group’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 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.
Education and training on workplace safety and emergency drills provided by KYEC over the past 3 years:
<table>
<tr><td>Year</td><td>2021</td><td>2022</td><td>2023</td></tr>
<tr><td>Education and training (persons)</td><td>59,343</td><td>66,715</td><td>62,268</td></tr>
</table>
Emergency response drill:
<table>
<tr><td>Type</td><td>2021</td><td>2022</td><td>2023</td></tr>
<tr><td>Fire rescue/Earthquake disaster</td><td>32</td><td>18</td><td>35</td></tr>
<tr><td>Chemical leakage</td><td>3</td><td>4</td><td>4</td></tr>
<tr><td>Plant-wide evacuation</td><td>3</td><td>2</td><td>5</td></tr>
<tr><td>Transportation bus drill</td><td>32</td><td>2</td><td>51</td></tr>
<tr><td>Total</td><td>70</td><td>26</td><td>95</td></tr>
</table>
<u>Company Verification</u>
KYEC Group has attained the ISO 45001 certification.</td><td></td></tr>
<tr><td>(IV) Whether the Company has established some effective career development training plans for employees?</td><td>V</td><td></td><td>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.</td><td>No significant differences</td></tr>
</table>

<table>
<tr>
<td>(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?</td>
<td>V</td>
<td></td>
<td>Not applicable and, therefore, no related consumer protection policy or complaints procedure needs to be established.</td>
<td>No significant differences</td>
</tr>
<tr>
<td>(VI) Has the company established supplier management policies demanding compliance with relevant regulations and their execution status regarding issues such as environmental, occupational safety, and health or labor rights?</td>
<td>V</td>
<td></td>
<td>The Company has formulated a “Supplier Code of Conduct” and management concepts for 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:
<table>
<tr><td>Supplier management</td><td>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>Supplier selection</td><td>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>Supplier audit</td><td>The scope of audit on supplier sustainability encompasses economic, environmental, and social factors as well as five RBA dimensions.
In 2023, the risks of 66 key suppliers were identified,</td></tr>
</table>
</td>
<td>No significant differences</td>
</tr>
</table>

<table>
<tr><td></td><td></td><td></td><td><table><tr><td></td><td>16 key and high-risk suppliers were subject to onsite (paper-based) inspection. All suppliers have improved deficiencies within the prescribed time.</td></tr></table>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.</td><td></td></tr>
<tr><td>V. Has the company taken reference from the internationally accepted reporting standards or guidance when compiling sustainability reports to disclose non-financial information? Have the aforementioned disclosures been assured, verified or certified by a third party?</td><td>V</td><td></td><td>The Company adheres to the internationally accepted GRI Standards (2021 Version) when compiling the “2022 KYEC Sustainability Report” and passed the AA1000 Type 1 Medium Assurance Level by a third-party certification 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”.</td><td>No significant differences</td></tr>
<tr><td colspan="5">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.</td></tr>
</table>

VII. Other important information that helps understand the implementation of sustainable development:

(I) The Company contributes to carbon emission reduction to fulfill its social responsibility. Each year, our factories in Taiwan participate in an environmental protection program organized by the Environmental Protection Bureau of Miaoli County Government - The program involves promoting the use of a straw-decomposing bacterial community as a means of removing plant debris from windbreak forests. In 2023, the Company increased the area of application of the straw-decomposing bacterial community to 600 hectares, which can help to reduce 5,400 metric tons CO_2 emitted from burning rice straws. In addition, 7,000 meters of plant debris were removed on-site from windbreak forests. Through these efforts, we hope to curtail farmers' burning of rice straws in the open air, and in turn reduce the harmful effects of air pollution on the human body and contribute to improving air quality.

In 2015, our factories in Taiwan began adopting a green procurement policy, which gives priority to purchasing materials that cause minimal adverse environmental impacts. Our green purchases have exceeded standards since 2021 and for this achievement, we have received multiple awards and recognition from the environmental protection agency. In 2022, the Company's green procurement reached NT$115 million. In 2023, the Company received the "2022 Green Procurement by Private Companies and Groups" Special Merit Award by Environmental Protection Bureau of Miaoli County Government and "2022 Green Procurement" by the Environmental Protection Administration, Executive Yuan.

KYEC Group has invested considerable effort in waste recycling and reuse. KYEC has cooperated with numerous recycling companies, creating mutually beneficial outcomes. For example: We recycle aluminum foil bags, which are process packaging materials, and reprocess them into high-quality aluminum ingots, which are then used to produce aluminum foil packaging materials that are commonly sold on the market. KYEC is willing to spend higher cost to turn process wastes into useful materials.

We also use recycled wastes to make usable items, such as traffic cones, connecting rods, and writing pens, and then put them into good use in factory activities. These actions demonstrate KYEC's determination to reuse waste.

The Company's Taiwanese factories have set up a resource recycling bulletin board to raise employees' awareness of the circular economy so that they can better understand how important it is to recycle and reuse waste and make it their mission to do so.

(II) KYEC Group 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 and Hsinchu factory were included into the scope of certification in 2019. Passed ISO22301:2019 business continuity management system in 2020. Factories in Taiwan passed ISO 46001 Water Efficiency Management Systems and ISO14046 Water Footprint verification in 2023.

(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 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 17 years since the Company adopted the industry-academia cooperation, and a total of 2,717 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.

Ⅷ. Climate-Related Information of Listed Company

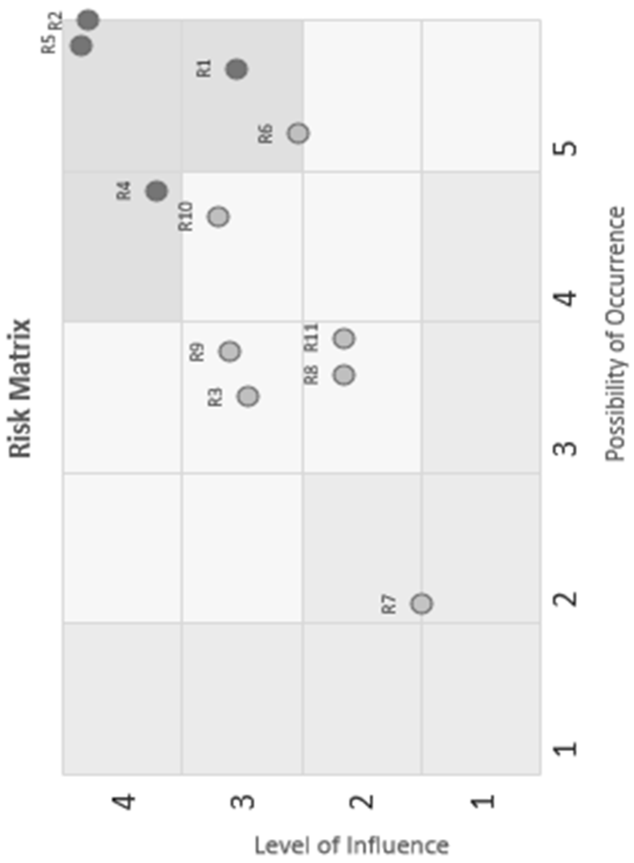
1. Implementation Status of Disclosure of Climate-Related Information

Item	Implementation
1. Describe the board of directors' and management's oversight and governance of climate-related risks and opportunities.	The board of directors is responsible for overseeing the risk management mechanism and control and reviewing related regulations and important reports. KYEC TCFD-Based Climate Risk and Opportunity Matrix When issues are identified as medium or high risk in assessment results, the Sustainability Committee launches cross-department coordination and conducts financial impact assessments, while relevant departments propose countermeasures and report to the chairperson of the Sustainability Committee and the Board of Directors.
2. Describe how the identified climate risks and opportunities affect the business, strategy, and finances of the business (short, medium, and long term).	List of climate risks / opportunities and associated issues: The Company refers to the scientific reports published by the United Nations Intergovernmental Panel on Climate Change (IPCC) and the International Energy Agency (IEA) to obtain a comprehensive understanding of the transition risks, physical risks, and opportunities related to climate change. The Company also takes into consideration the climate change risks and opportunities identified by industry peers in Taiwan and abroad, as well as its GHG reduction targets and renewable energy targets, and assesses any potential risks (transition and physical), opportunities, and issues that we may be exposed to over a time frame. The results are then used to compile a list of climate risks / opportunities and issues that concern KYEC. Time frames: Short-term (2022–2023), medium-term (2024–2030), long-term (2031–2050) Possibility of occurrence: Scored on a scale of 1 to 5, where 1=extremely unlikely and 5=extremely likely to occur. Level of influence: Scored on a scale of 1 to 4, where 1=minor influence and 4=severe influence.

Description of KYEC's climate change **risks**:

Code	Type	Category	Topic	Possible time of occurrence	Risk level
R1	Transition risk	Technology	KYEC improves energy/resource efficiency standards for various assets in response to low-carbon development trends, thereby increasing capital expenditures.	Short-term	High
R2	Transition risk	Existing laws and regulations	KYEC increases use of renewable energy in response to regulatory requirements, which lead to an increase in operating costs.	Medium-term	High
R3	Transition risk	Reputation	Customers are committed to reducing emissions from the value chain. If KYEC cannot meet the needs of business operators in the value chain, it may lead to a decline in product demand.	Medium-term	Moderate
R4	Transition risk	New laws and regulations	New carbon pricing laws and regulations require KYEC to pay carbon fees, which in turn increase operating costs.	Long-term	High
R5	Transition risk	Market	KYEC strives to increase its use of renewable energy to align with low-carbon development trends, to meet the needs of value-chain customers, and to achieve net zero emissions. These consequently increase operating costs.	Long-term	High
R6	Transition risk	Technology	Adopting policies that support the consumption of alternative fuels in alignment with low-carbon trends is required, resulting in an increase in KYEC's transportation costs.	Medium-term	Moderate

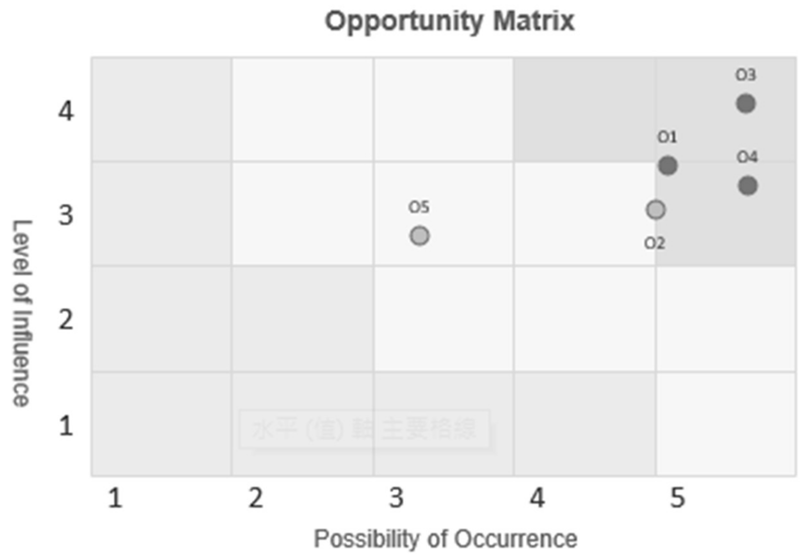
R7	Physical risk	Chronic risk	Rising global sea level floods low-lying coastal areas, causing asset impairment.	Long-term	Low
R8	Physical risk	Acute risk	Increase in the frequency and severity of heavy rains and floods causes factory equipment to become inoperable and services to be interrupted.	Long-term	Moderate
R9	Physical risk	Chronic risk	Rising temperature increases the cost of running air conditioners, and employees working outdoors may leave their job because of high temperature, further leading to a decrease in production capacity and increase in employee medical expenses.	Medium-term	Moderate
R10	Physical risk	Chronic risk	Changes in precipitation patterns and extreme weather lead to insufficient natural water sources, resulting in regional water restrictions and reduced production.	Medium-term	Moderate
R11	Physical risk	Acute risk	Extreme precipitation (or more intense tropical cyclones) cause river siltation or disruption to land transportation, which in turn prevents cargo ships from entering the port due to severe siltation and disrupts railways and roads, affecting delivery.	Medium-term	Moderate


Risk Matrix
Level of Influence
Possibility of Occurrence
4
3
2
1
1
2
3
4
5
R1
R2
R3
R4
R5
R6
R7
R8
R9
R10
R11

Description of KYEC's climate change **opportunities**:

Code	Type	Category	Topic	Possible time of occurrence	Opportunity
O1	Opportunity	Resource efficiency	Factories are improved with energy-saving solutions to continuously raise energy efficiency, thereby reducing energy costs.	Medium-term	High
O2	Opportunity	Market	Low technology costs and low-cost financing in the future market enable the company to benefit from market investment in low-carbon technology, thereby reducing the cost of setting up renewable energy.	Medium-term	Moderate
O3	Opportunity	Energy Source	According to the Announced Pledges Scenario (APS), KYEC actively increases its use of renewable energy and reduces Scope 2 emissions, thereby reducing carbon expenses.	Medium-term	High
O4	Opportunity	Resilience	The capability (UPS, business continuity) to recover from heavy rainfall and flooding faster than peers increases the resilience of KYEC and ensures no disruption to production activities.	Medium-term	High
O5	Opportunity	Products and Services	KYEC commits to low-carbon transition, improves its competitiveness among peers,	Medium-term	Moderate

			and keeps pace with changes in customer preference to increase revenue.		



3. Describe the financial impact of extreme weather events and transformative actions.	**1.** Risk-related issues: R4 carbon pricing A. Description of impact: According to IEA's 2021 World Energy Outlook (WEO), carbon pricing has been widely implemented in countries around the world under the NZE scenario, in which the carbon price for China is assumed to be USD 200 USD/t-CO2e. In February 2023, Taiwan promulgated the Climate Change Response Act, officially legislating carbon pricing. The act is set to levy carbon fees on specific large emitters that produce more than 25,000 tonnes of carbon per year. In sum, KYEC's operational sites in both Taiwan and China may be required to pay carbon fees or purchase carbon quotas in the future, which will lead to an increase in operating costs. B. Description of scenario: The financial impact on the Company in 2050 is assessed by using the estimated carbon prices for various countries at different time periods and assuming the NZE scenario described in IEA's 2021 WEO report. C. Potential financial impact: We assume that the company will not introduce any new carbon reduction measures in the future and its use of renewable energy will reach 20% by 2030. Accordingly, when a carbon pricing policy is enforced in the country where our operations are located, its financial impact on our operation in 2050 will be equivalent to NT$3.466 billion. 2. Risk-related issues: R5 Energy Transition A. Description of impact: According to "Renewables 2021" report issued by the International Renewable Energy Agency (IREA), the renewable share of total generation capacity has been growing rapidly at a rate of 10%, reaching 36.6% in

	2020, with major industries around the world also actively responding to the growing trend. In the midst of changes in renewable energy policies and client requirements, KYEC may have to increase its use of renewable energy, which consequently increases its operating costs. B. Description of scenario: The financial impact on the Company in 2050 is assessed by assuming a scenario in which the Company achieves its RE100 target by 2050. C. Potential financial impact: We assume that the company will no longer install its own renewable energy systems in the future and the stipulated use of renewable energy in the country where our operations are located is increased further (the cost of purchasing renewable energy will no longer increase). Under these assumptions, the financial impact on our operation in 2050 will be equivalent to NT$1.005 billion. 3. Risk-related issues: R10 Changes in precipitation patterns and extreme variability in weather patterns A. Description of impact: Climate in Taiwan is subtropical with distinct wet and dry seasons, and typhoons and seasonal monsoon contributing to the country's annual precipitation. Extreme precipitation patterns make it impossible to effectively conserve and utilize water resources. According to "Taiwan Climate Change Index Infographic", the maximum number of consecutive dry days in various parts of Taiwan is increasing in the coming years. To improve the company's water resilience, we may have to impose water restrictions, which will lead to increased capital expenditures and operating costs. B. Description of scenario: The financial impact on the Company in 2030 is assessed by analyzing only operational locations in Taiwan, referencing the Taiwan Climate

	Change Index Infographic, and assuming the RCP 8.5 scenario described in IPCC AR5. C. Potential financial impact: We assume that the company will no longer introduce new water-saving systems in the future. Accordingly, the Company may have to impose water restrictions, which is projected to exert a financial impact on the Company in 2030 that is equivalent to approximately NT$318,600. 1. Opportunity-related issues: O1 Low-carbon transition reduces operating costs A. Description of impact: According to the 2020 WEO report, purchasing renewable energy and improving energy efficiency are both key to achieving sustainability. KYEC implements energy-saving measures in each of its factory, such as using energy-efficient lights, air-conditioning systems, and air compressors, to stay in line with low-carbon development trends and create opportunities for cost reduction. B. Description of scenario: The financial impact resulting from a reduced use of energy when the company actively implements energy-saving solutions in 2030 is assessed by assuming the NZE scenario described in IEA's 2021 WEO report. C. Potential financial impact: We assume that all of the company's energy-saving plans are implemented as scheduled. Accordingly, the company should be able to cut down costs by approximately NT$14.51 million in 2030. 2. Opportunity-related issues: O3 Use of lower-emission sources of energy A. Description of impact: To continuously improve GHG reduction measures and effectively achieve Paris Agreement goals in response to the global sustainability trend, KYEC strives to increase the use of renewable energy, reduce Scope 2 emissions, and thereby lower our carbon expenses.

	B. Description of scenario: The financial impact resulting from reduced GHG emissions when the company strives to increase its use of renewable energy by 2030 is assessed by assuming the NZE scenario described in IEA's 2021 WEO report. C. Potential financial impact: We assume that the company's renewable energy targets have been achieved as planned. Accordingly, the company should be able to cut down carbon costs and expenditures by approximately NT$38.9127 million in 2030. 3. Opportunity-related issues: O4 Strengthening of climate resilience A. Description of impact: IPCC AR6 WG1 mentioned that the frequency and intensity of heavy rainfall events in land areas have increased since the 1950s. As the impact and frequency of extreme weather continue to increase, governments and companies worldwide have begun attaching importance to climate resilience for not only their location of operations, but also industries and supply chains. KYEC is able to use its business continuity management system in the event of extreme weather events possibly caused by climate change. This facilitates the company's capability to ensure early prevention, swift response to emergencies, and quick post-disaster recovery, which in turn enhance business resilience, thereby creating opportunities for obtaining more orders. B. Description of scenario: The RCP 8.5 scenario described in IPCC AR5 is used to assess business opportunities that arise when the company is sufficiently climate-resilient. C. Potential financial impact: We assume that the company possesses sufficient climate resilience as a result of its sound business continuity management system. According to KYEC statistics, 24% of KYEC clients have requirements for

	"business continuity". This is the percentage of clients who are likely to increase orders because the company has sufficient climate resilience.
4. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system.	The process for identifying, assessing and managing climate-related risks and opportunities is as follows: 1. KYEC conducts a preliminary screening of issues that pertain to the nature of the company's business based on international scientific reports and reports relevant to peer industries in Taiwan and abroad. 2. We follow the TCFD context for identification of risks and opportunities and classify risks and opportunities related to climate change. Based on the contents and potential financial impacts of various risks and opportunities, relevant international intelligence reports are analyzed, and possible risks and opportunities are compiled into questionnaires. Through questionnaires and interviews, senior managers of relevant departments are asked to make judgments based on their responsibilities and professional experience and assess each issue in terms of "possibility of occurrence", "level of financial impact" and "time frame", among other factors. 3. Once each department has been interviewed and questionnaires collected from them, we then converge the opinions of each department by assessing and calculating the impact of risks and opportunities related to each issue based on the time frame, possibility of occurrence, and level of impact. 4. We produce a KYEC TCFD-Based Climate Risk and Opportunity Matrix that features three levels, high, medium and low. When issues are identified as medium or high risk in assessment results, the Sustainability Committee launches cross-department coordination and conducts financial impact assessments, while relevant

	departments propose countermeasures and report to the chairperson of the Sustainability Committee and the Board of Directors.
5. If scenario analysis is used to assess resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors and major financial impacts used should be described.	1. Assessment of transition risks: KYEC continues to watch out for international GHG reduction policies in order to achieve business sustainability. We opt for IEA's Net Zero Emissions (NZE) scenario to evaluate the impact on the company when emissions reduction policies are actively implemented worldwide in the future. In the meantime, we prepare a set of counter strategies in advance to seize opportunities. 2. Assessment of physical risks: The RCP 8.5 scenario, selected as the representative concentration pathway (RCP) for GHG concentration in IPCC AR5, assumes that countries around the world did not take any new reduction actions in the future, which is the most worst-case scenario used to assess the extent to which companies are impacted by the most extreme climate challenges. Physical risks related to water resources are assessed by using WRI Aqueduct tool to identify the risk impact of water stress on operating sites.
6. If there is a transition plan for managing climate-related risks, describe the content of the plan, and the indicators and targets used to identify and manage physical risks and transition risks.	In taking a step-by-step approach to enhancing climate resilience and adaptation capability, KYEC uses energy usage, GHG emissions, water usage, waste disposal, and days of disruption in business operations as indicators for managing climate-related risks and opportunities. These indicators are based on risk identification results and reference to the adaptation plans of peer industries.
7. If internal carbon pricing is used as a planning tool, the basis for setting the price should be stated.	Currently, KYEC is still assessing its internal carbon pricing management strategies.

8. If climate-related targets have been set, the activities covered, the scope of greenhouse gas emissions, the planning horizon, and the progress achieved each year should be specified. If carbon credits or renewable energy certificates (RECs) are used to achieve relevant targets, the source and quantity of carbon credits or RECs to be offset should be specified.

Management of climate-related goals and performance

Management of climate-related goals	2023 goals	Goal Achievement in 2023	Corresponding Strategy
Use of renewable energy (Factories in Taiwan)	Complete short-, medium-, and long-term renewable energy planning and adoption	KYEC has set short-, medium-, and long-term renewable energy goals and signed supply transfer contracts with renewable energy companies.	Continue to increase use of renewable energy as set out by the short-, medium-, and long-term goals
GHG reduction targets (Group-wide)	Reduce GHG intensity (Category 1 + Category 2) by 2% compared with the previous year	Category-1 and Category-2 GHG emissions in 2022 totaled 419,044.74 tCO2e, and intensity was 11.392 tCO2e/million NTD. Category-1 and Category-2 GHG emissions in 2023	Gradually increase the use of renewable energy in Taiwan factories to effectively mitigate GHG emissions.

			totaled 419,254.60 tCO2e, and intensity was 12.695 tCO2e/million NTD. Emissions increased by approximately 11%.	
	Water conservation goals (Factories in Taiwan)	Reduce water consumption by 5% compared with the previous year	Reduce water consumption by 2% compared with the previous year	Continue to draw up water conservation plans by using the water resources management system.
9. Greenhouse gas inventory and assurance status, and reduction targets, strategies, and specific action plans (filled out separately below in 1-1 and 1-2).	As shown in Tables 1-1 and 1-2			

1-1 Greenhouse Gas Inventory and Assurance Status in the Past Two Years

1-1-1 Greenhouse Gas Inventory

Describe the emissions (metric tons CO2e) and intensity (metric tons CO2e/million NTD) of GHG in the past two years and scope of data.
1. The scope of GHG inventory in 2022–2023 encompassed factories in Taiwan and China as well as locations of overseas operations. Information on the inventory of Category 1 and Category 2 emissions is disclosed as scheduled in accordance Article 10, Paragraph 2 of the Regulations. 2. Category-1 and Category-2 GHG emissions in 2022 totaled 419,044.74 tCO_2e, and intensity was 11.392 tCO_2e/million NTD. Category-1 and Category-2 GHG emissions in 2023 totaled 419,254.60 tCO_2e, and intensity was 12.695 tCO_2e/million NTD. 3. The Company conducts inventory in accordance with ISO 14064-1 issued by the International Standards Organization.

Note 1: Direct emissions (scope 1, i.e., emissions directly from sources owned or controlled by the Company), indirect energy emissions (scope 2, i.e., indirect greenhouse gas emissions from electricity, heat, or steam) and other indirect emissions (scope 3, i.e., emissions from company activities that are not indirect energy emissions, but originate from sources owned or controlled by other companies).

Note 2: The data coverage scope for direct emissions and indirect energy emissions shall comply with the schedule prescribed in the order issued under Article 10, paragraph 2 of the Regulations. Other indirect emissions information may be voluntarily disclosed.

Note 3: Greenhouse gas inventory standards: Greenhouse Gas (GHG) Protocol or ISO 14064-1 issued by the International Organization for Standardization.

Note 4: The intensity of greenhouse gas emissions may be calculated per unit of product/service or revenue, but at least the data calculated in terms of revenue (NT$ 1 million) should be described.

1-1-2 Greenhouse Gas Assurance Information

Describe the status of assurance for the most recent 2 fiscal years as of the printing date of the annual report, including the scope of assurance, assurance institutions, assurance standards, and assurance opinion.

Total GHG emissions disclosed by KYEC:

Item / Scope	2022 Total Emissions (metric tons CO2e)	Assurance Institution	2023 Total Emissions (metric tons CO2e)	Assurance Institution
Factories in Taiwan (including overseas subsidiaries)	393,132.52	SGS	386,584.44	SGS
Subsidiaries in Mainland China	105,360.38	SGS	127,065.97	WIT
Total	498,772.96		513,650.41	

Emissions in 2022 totaled 498,772.96 metric tons CO2e, with 393,132.52 metric tons CO2e emitted by factories in Taiwan (including overseas subsidiaries) and 105,360.38 metric tons CO2e emitted by mainland Chinese subsidiaries. Emissions in 2023 totaled 513,650.41 metric tons CO2e, with 386,584.44 metric tons CO2e emitted by factories in Taiwan (including overseas subsidiaries) and 127,065.97 metric tons CO2e emitted by mainland Chinese subsidiaries. The assurance body for KYEC as a group in 2022 and Taiwan factories (including overseas subsidiaries) in 2023 was SGS Taiwan Ltd.. The assurance body for mainland China subsidiaries was WIT. Assurance was conducted using ISO14064-3. The assurance opinion for Categories 1 and 2 was reasonable assurance, and limited assurance for Categories 3–6.

Note 1: This information shall be disclosed in compliance with the schedule prescribed in the order issued under Article 10, paragraph 2 of the Regulations. If the Company has not obtained a complete greenhouse gas assurance opinion by the date of printing of the annual report, it shall note that "Complete assurance information will be disclosed in the sustainability report." If the Company does not prepare a sustainability report, it shall note that "Complete assurance information will be disclosed on the Market Observation Post System (MOPS)," and shall disclose the complete assurance information in the annual report of the following fiscal year.

Note 2: The assurance institutions shall meet the directions regarding assurance of sustainability reports prescribed by the TWSE and the TPEx.

1-2 Greenhouse Gas Reduction Targets, Strategy, and Concrete Action Plan

Specify the greenhouse gas reduction base year and its data, the reduction targets, strategy and concrete action plan, and the status of achievement of the reduction targets.

1. In 2022, the Company began completing the disclosure of greenhouse gas inventory and assurance in its consolidated financial reports in compliance with Article 4-1 of the Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies. Therefore, the base year is 2022.

2022 as the base year:

- Total carbon emissions: 498,772 (tCO_2)
- Category 1 Direct emissions: 6,522.8346 (tCO_2)
- Category 2 Indirect emissions from purchased energy: 412,521.9046 (tCO_2)
- Category 3 Indirect emissions from transportation: 14,885.3206 (tCO_2)
- Category 4 Indirect emissions from organizational use of products: 64,842.8983 (tCO_2)

2. Reduction target:

Annual reduction target	2025	2030	2040	2050
KYEC Group Reduce emission intensity (Category 1 + 2) by 2% compared with the previous year	KYEC Group Reduce greenhouse gases (Category 1 + 2) by 10% compared with 2022	KYEC Group Reduce greenhouse gases (Category 1 + 2) by 15% compared with 2022	KYEC Group Reduce greenhouse gases (Category 1 + 2) by 30% compared with 2022	KYEC Group Reduce 100% compared with 2022

3. Reduction strategies and concrete action plans:

Our main strategy to reduce carbon emissions is purchasing renewable energy in conjunction with various in-factory energy-saving projects to reduce

Category 2 emissions. Reducing Category 3 and 4 emissions is imperative for achieving net zero emissions. Currently, plans are being made to purchase carbon rights, use low-carbon materials, and strengthen green supply chains to continuously reduce indirect emissions outside the organization, thereby achieving net zero emissions by 2050.

4. Achievement of reduction target: In 2023, Tongluo Factory #3 and a new factory in mainland China commenced operation to meet future semiconductor orders and demands. This production expansion resulted in a relatively higher electricity consumption compared to 2022. The entire group also reported decreased revenue in 2023 due to the impact of the global economy. Therefore, the emission intensity for Category 1 and 2 greenhouse gases increased by 11.4% compared to 2022.

Note 1: This information is disclosed in compliance with the schedule prescribed in the order issued under Article 10, paragraph 2 of the Regulations.

Note 2: The base year shall be the fiscal year in which the greenhouse gas inventory is completed based on the consolidated financial reporting boundary. For example, under the order issued under Article 10, paragraph 2 of the Regulations, a company with capital of NT$10 billion shall complete the inventory for its fiscal 2024 annual consolidated financial report in 2025, so the base year will be 2024. If a company has disclosed its inventory in its consolidated financial report in an earlier year, it may take the earlier fiscal year as its base year. Also, the data for the base year may be calculated based on a single fiscal year or the average of multiple fiscal years.

(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 themanagement in its Articles of Incorporation and public documents?	V		The "Ethical Corporate Management Best-Practice Principles", "Procedures for Ethical Management and Guidelines for Conduct", and "Codes of Ethical 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 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,	No significant differences

			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 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 Procedures enforced on our new recruits, but they are also implemented in the Company’s operations.	No significant differences

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 counterparts are 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 preventive measures, taking charge of various matters and reporting to the board of directors periodically. In 2023, 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, wrongful harm in the workplace and sexual harassment prevention, environmental protection, code of ethics (including ethical management and anti-corruption), and management systems. Training completion rate was 100%.	No significant differences
(III)	Whether the Company defines any policy against conflict of interest, provides adequate channels thereof, and fulfills the same precisely?	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. 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	No significant differences

<table>
<tr><td></td><td></td><td></td><td>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.</td><td></td></tr>
<tr><td>(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?</td><td>V</td><td></td><td>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.</td><td>No significant differences</td></tr>
<tr><td>(V) Whether the Company organizes internal/external education training programs for ethical management periodically?</td><td>V</td><td></td><td>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 2023, the Company organized online courses (including legal education and training, information security and intellectual property protection policy, insider trading prevention promotion). A total of 9,379 employees took part in these training courses.
<table>
<tr><th>For Whom the Course is Designed</th><th>Course</th><th>Date</th></tr>
<tr><td rowspan="3">All employees</td><td>Education & Training on Legal Matters</td><td>2023/02/02~ 2023/02/16</td></tr>
<tr><td>Information Safety and Intellectual Property Protection Policy</td><td>2023/10/26~ 2023/11/14</td></tr>
<tr><td>Information on Promotion on Prevention of Insider Trading</td><td>2023/09/26</td></tr>
</table></td><td>No significant differences</td></tr>
</table>

			All directors | Education and Promotion of Prevention of Insider Trading and Ethical Corporate Management | 2023/12/22	
III. Status of the Company's complaint system				
(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?	V		Internal grievance channels: The Company has set up the employees' message board, opinion mailbox and hotline dedicated to accepting the complaints from employees.	No significant differences
(II) Has the company implemented any standard procedures, subsequent measures or confidentiality measures for handling reported misconducts?	V		Investigations are conducted by the Company's Human Resources Department and are conducted confidentially.	No significant differences
(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. Information disclosure improvement 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): The Company's implementation of ethical corporate management policies in 2023 is as follows: 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 3,895 hours and 9,379 people, training completion rate was 100%. 3. New employees are regularly informed of the company's organization, culture, and workplace ethics, with emphasis placed on the importance of integrity as an individual and at work. In 2023, 78 sessions of education and training were held for new employees. In total, 727 new hires participated in training activities.

(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/csrreport.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: February 23, 2024

The following declaration had been made based on the 2023 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. Based on the findings of the aforementioned examination, the Company believes it can reasonably assure that the design and implementation of its internal control system as of December 31, 2023 (including supervision and management of subsidiaries), including the effectiveness and efficiency in operation, reliability, promptness, and transparency of reports, and compliance with relevant regulatory requirements, have achieved the aforementioned objectives.

VI. All of the major deficiencies identified by the Company in 2022 have been followed up and improved.

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 8 directors present at the board meeting dated February 23, 2024.

King Yuan Electronics Co., Ltd.

Chairman: Chin-Kung Lee Signature and Seal

President: Gauss Chang Signature and Seal

2. The internal control audit report issued by the CPA commissioned to conduct an internal control audit, if any: None.

(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
1. According to TWSE letter Tai-Zheng-Shang-Yi-Zi No. 1121801995 dated May 4, 2023, the Company's subsidiary, King Long Technology (Suzhou) Ltd., resolved at a meeting of the Board of Directors on November 18, 2022 to commission Jiangsu Jianyuan Construction Co., Ltd. to construct a factory building on leased land. The cost of this commission was RMB 273,226,767. Following investigation, such commission is subject to Subparagraph 20, Paragraph 1, Article 4 of the Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities. The Company, however, only disclosed this information on the Market Observation Post System on April 28, 2023, which is in violation of the aforesaid procedures and was therefore subject to a fine of NT$50,000 by TWSE.	The Company has paid the penalty fine and will abide by laws and regulations in the future.
2. According to TWSE letter Tai-Zheng-Shang-Yi-Zi No. 1121802254 dated May 24, 2023, the "Remuneration to Directors, Presidents and Vice Presidents of the Company" disclosed in the Company's 2021 and 2022 annual reports, "Information Related to the Company's Director Remuneration" disclosed on the Market Observation Post System, and notes to related-party transactions in 2011Q3 and 2022Q3 financial reports were found to contain erroneous information, which is in violation of Article 6 of the Taiwan Stock Exchange Corporation Rules Governing Information Filing by Companies with TWSE Listed Securities and Offshore Fund Institutions with TWSE Listed Offshore Exchange-Traded Funds. Therefore, a fine of NT$50,000 was imposed by TWSE.	The Company has paid the penalty fine and will abide by laws and regulations in the future.

(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 2023 annual general meeting

Date	Resolution by shareholders' meetings	Implementation
2023/05/30	(1) The motion for business report and financial statements 2022 was ratified.	Announced and filed as stipulated.
	(2) The motion for allocation of earnings 2022 was ratified.	Approved the motion for setting July 19, 2023 as the dividend baseline date, and cash dividend was distributed on August 11, 2023. (cash dividend was distributed at NT$3.5 per share)
	(3) Approved the removal of non-compete clause for the Company's new directors.	Removed following approval at the Annual General Meeting.
	(4) Election of the 15th term of Board of Directors: Elect nine directors (including three independent directors) pursuant to law.	Registration change was approved in Jing-Shou-Shang No. 11230107080 Letter dated June 16, 2023.

2. Summary of the Company's important resolutions made by the shareholders' meeting board of directors' meeting for 2023 and up to the date of printing of the annual report:

Meeting Date	Important board resolutions
2023/01/16	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	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 motion for 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.
2023/05/05	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 to March 31, 2023. 3. Approved the discussion of the motion for allocation of directors' remuneration in 2022 recommended by the Remuneration Committee. 4. Approved the amendment to the "Procedures for Ethical Management and Guidelines for Conduct".
2023/05/30	1. Approved the election of Chairman and Vice-Chairman.
2023/06/12	1. Approved the appointment of 5th term Remuneration Committee members.
2023/06/26	1. Approved the motion to apply for medium and long term loans from a financial institution. 2. Approved the date of dividend distribution. 3. Approved the motion on paying the Company's Chairman Chin-Kung Lee directors' remuneration as recommended by the Remuneration Committee. 4. Approved the motion concerning the 2021 cash capital increase and employee equity incentive program, and the 2022 employee equity incentive program (hereinafter referred to as restricted stock awards) for the Company's subsidiary King Long Technology (Suzhou) Ltd. (hereinafter referred to as King Long Technology), as well as the list of subscriptions and issuance, as recommended by the Company's Remuneration Committee. 5. Approved the request for suspension of the evaluation of the Company's disposal of the equity of subsidiary King Long Technology (Suzhou) Ltd.
2023/08/04	1. Approved the interim consolidated financial statements for the period January 1 to June 30, 2023. 2. Approved the discussion of the adjustments made by the Remuneration Committee regarding the proposed distribution of cash remuneration to the Company's employees for 2022.
2023/08/08	1.Approved the motion for personnel changes. 2.Approved the motion for personnel changes in subsidiaries King Long Technology (Suzhou) Ltd. and Suzhou Zhen Kun Technology Ltd. 3.Approved the motion for termination of the non-competition restriction on managers.
2023/09/01	1. Approved the motion for change of manager of the company's Tongluo Branch. 2.Approved the motion for termination of the non-competition restriction on managers.
2023/11/03	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 to September 30, 2023. 3.Approved the motion of the 2024 audit plan. 4.Approved the motion for the 2023 professional fees of CPAs. 5.Approved the motion for employee promotion. 6.Approved the motion on paying Chairman Chin-Kung Lee directors' remuneration in 2024 as recommended by the Remuneration Committee..
2023/12/22	1. Approved the motion to apply for short-term loans from a financial institution. 2. Approved the motion to apply for a syndicated loan of NT$10 billion with a syndicate including the Bank of Taiwan (hereinafter referred to as Syndicated Loan). 3. Approved the 2024 capital expenditures for the Company and its subsidiaries. 4. Approved the motion to change the Company's CPAs in response to adjustments to the internal organization of EY. 5. Approved the motion to have Ernst & Young and its affiliates provide non-assurance services to the Company and its subsidiaries as of January 1 to December 31, 2024.

2024/02/23	1. Approved the motion to apply for medium and long-term loans from a financial institution. 2. Approved the 2023 Declaration of Internal Control System. 3. Approved amendments to the internal control system. 4. Approved the motion for the Company's 2024 budget. 5. Approved the motion for assessment on independence and competency of CPAs. 6. Approved the amendment to the "Charter for the Audit Committee". 7. Approved amendments to the Company's Rules of Procedures for Board of Directors Meetings. 8. Approved the amendment to the Company's Articles of Incorporation. 9. Approved the discussion of the motion for allocation of remuneration to employees in 2023 and the motion proposed by the remuneration committee for the remuneration to directors in 2023. 10. Approved the 2023 separate financial statement and consolidated financial statements. 11. Approved the 2023 business report. 12. Approved the motion for the 2023 earnings distribution. 13. Approved the motion for the re-election of directors. 14. Approved the director candidates for the 15th-term Board of Directors. 15. Approved the removal of non-competition restriction for directors. 16. Approved the motion for organization of the Company's 2024 general shareholders' meeting at 2F., No. 6, Yule St., Toufen City, Miaoli County, Taiwan (Grand Royal Hotel Conference Room 205) on May 31, 2024 (Friday) at 9 a.m. 17. Approved the adjustments made by the Remuneration Committee to the remuneration recommended for the Company's managers for 2024. 18. Approved the motion regarding the business expenses of Mr. Chi-Chun Hsieh, Vice-Chairman of the Company, as recommended by the Remuneration Committee.

(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:

Board meeting date	Motion	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
2023/01/16 23th meeting of the 14th board	Matters for Discussion, Agenda #2: 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.	Except for Director Ping-Kun Hung who expressed a dissenting opinion (punishment is too light), this motion was approved without objection by eight of the directors present after consulting with the Chairman, namely, Chairman Chin-Kung Lee, Vice Chairman Chi-Chun Hsieh, Director An-Hsuan Liu, Director Kao-Yu Liu, Director Kuan-Hua Chen, Independent Director Hui-Chun Hsu, Independent Director Dar-Yeh Hwang and Independent Director Semi Wang. (subject to the Company's employee disciplinary guidelines)

2023/06/26 3rd meeting of the 15th Committee	1. Matters for Discussion, Agenda #4: Discussion of the motion concerning the 2021 cash capital increase and employee equity incentive program, and the 2022 employee equity incentive program (hereinafter referred to as restricted stock awards) for the Company's subsidiary King Long Technology (Suzhou) Ltd. (hereinafter referred to as King Long Technology), as well as the list of subscriptions and issuance, as recommended by the Company's Remuneration Committee. 2. Matters for Discussion, Agenda #5: Request for suspension of the evaluation of the Company's disposal of the equity of subsidiary King Long Technology (Suzhou) Ltd.	1. Chairman Chin-Kung Lee, Vice-Chairman Chi-Chun Hsieh, and Director An-Hsuan Liu are parties of interest in this motion and therefore recused themselves from the discussion and voting on the motion. The motion was voted by a show of hands. Except for Director Ping-Kun Hung who voted against (reason: in the second employee equity incentive program, equity was distributed to only a handful of 4 to 5 top-level managers, which is not compliant with the principle of proportionality), this motion was approved by five of directors, namely, Director Kao-Yu Liu, Director Kuan-Hua Chen, Independent Director Semi Wang, Independent Director Dar-Yeh Hwang, and Independent Director Shi-Jer Sheen. 2. Director Ping-Kun Hung proposes to postpone any other expansion plans for the Dushu Lake Factory, unless the plans are currently in progress. This motion was approved by the chair without objection from any directors in attendance after adopting the resolution of the 1st meeting of the 4th Audit Committee and the suggestion/opinions of Director Ping-Kun Hung.

(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:

Title	Name	Date on-board	Date of dismissal (resignation)	Reason for resignation or dismissal
CEO	Chin-Kung Lee	2011/11/28	2023/06/01	Resigned as CEO to implement corporate governance
President	An-Hsuan Liu	2012/03/01	2023/09/01	Resigned for family reasons

V. Information on the Professional Fees of the Attesting CPAs

Amount unit: NTD thousand

Name of CPA firm	Name of CPA		Independent Auditor's Report	Audit Fee	Non-Audit Fees	Total	Remarks
Ernst & Young	Shao-Pin Kuo	Hsin-Min Hsu	2023.01.01~ 2023.12.31	6,140	1,360	7,500	The non-audit fees include: ESG consultation of NT$1,000, tax compliance checks of NT$300, 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: None.

VII. Information on the Chairman, President and Financial or Accounting Managerial Officer of the Company who had worked at the Firm of the Independent CPA or its affiliate in the past year:

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	2023		2024 up to April 2	
		Increase (decrease) in the number of shares held	Increase (decrease) in pledged shares	Increase (decrease) in the number of shares held	Increase (decrease) in pledged shares
Chairman and CEO(Note 1)	Chin-Kung Lee	0	0	0	0
Vice-Chairman	Chi-Chun Hsieh	0	0	0	0
President and Director(Note 2)	An-Hsuan Liu	(440,000)	0	Not applicable.	Not applicable.
President (Note 3)	Gauss Chang	0	0	0	0
Director	Kao-Yu Liu	0	0	0	0
Director	Kuan-Hua Chen	0	0	(25,000)	0
Director	Yann Yuan Investment Co., Ltd. Representative: Ping-Kun Hung	0	0	0	0
Independent director	Dar-Yeh Hwang	0	0	0	0
Independent director	Semi Wang	0	0	0	0
Independent director (Note 4)	Shi-Jer Sheen	0	0	0	0
Independent director (Note 4)	Hui-Chun Hsu	0	0	Not applicable.	Not applicable.
Senior Vice President	Steven Chang	0	0	0	0
Senior Vice President	Andy Liang	10,000	0	0	0
Vice President	Hans Han	(10,000)	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	0	0	0	0
Assistant Vice President	TK Chen	0	0	0	0
Assistant Vice President	Ta-Kang Liu	0	0	0	0
Assistant Vice President	Jerry Su	0	0	0	0
Assistant Vice President (Note 5)	Winnie Chou	0	0	0	0
Corporate Governance Officer	Neil Chung	0	0	0	0

Note 1: Chairman Chin-Kung Lee resigned as CEO on May 30, 2023, effective as of June 1, 2023.
Note 2: Director An-Hsuan Liu resigned on August 8, 2023. He resigned as President on September 1 of the same year. This information shows the increase (decrease in) the number of shares he held as of the date of his resignation.
Note 3: On August 8, 2023, the Company's board of directors resolved to appoint Mr. Gauss Chang, the Company's Executive Vice President, as the new President, effective as of September 1, 2023.
Note 4: The Company elected Mr. Shi-Jer Sheen as an independent director during a re-election of directors for the 15th-term Board of Directors at the general shareholders' meeting on May 30, 2023.
Independent director Hui-Chun Hsu was relieved of his office. This information shows the increase (decrease in) the number of shares he held as of the date of his leave of office.
Note 5: Ms. Winnie Chou was promoted to Assistant Vice President on November 3, 2023. This information shows the increase (decrease in) the number of shares she held as of the date of her promotion to the new position.
Note 6: 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 2, 2024 ,Unit: Shares

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	57,754,561	4.72	0	0	0	0	None	None	
Yann Yuan Investment Co., Ltd.	52,600,000	4.30	0	0	0	0	None	None	
Representative: Chun Kuan	-	-	-	-	-	-	-	-	
Taipei Fubon Commercial Bank Co., Ltd. in custody for Fuh Hwa Taiwan Technology Dividend Highlight ETF	50,007,000	4.09	0	0	0	0	None	None	
Capital Tip Customized Taiwan Select High DividendETF	45,555,000	3.73	0	0	0	0	None	None	
Chin-Kung Lee	34,100,941	2.79	4,263,053	0.35	0	0	None	None	
New Labor Pension Fund	33,443,000	2.74	0	0	0	0	None	None	
JPMorgan Chase Bank, N.A., Taipei Branch in custody for Stichting Depositary APG Emerging Markets Equity Pool	27,579,000	2.26	0	0	0	0	None	None	
Treasury Department,									

General Management Department, Mega International Commercial Bank Co., Ltd.	24,700,000	2.02	0	0	0	0	None	None	
Hua Nan Bank in custody for UPAMC Taiwan High Dividend Momentum ETF	23,521,000	1.92	0	0	0	0	None	None	
Fubon Life Insurance Co.,Ltd.	22,557,000	1.84	0	0	0	0	None	None	
Representative: Howard Lin	-	-	-	-	-	-	-	-	

Note: Calculated based on the outstanding common stock on the date of suspension of stock transfer by the 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, 2023, 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	91.54	0	0.43	0	91.97
Suzhou Zhen Kun Technology Ltd. (Notes 6 and 8)	0	91.54	0	0.43	0	91.97
Fixwell Technology Corp. (Note 9)	2,800,000	23.33	1,225,000	10.21	4,025,000	33.54
Wei Jiu Industrial Co., Ltd. (Note 10)	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, 2023, 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, 2023, 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, 2023, 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: 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 by NT$123,750 thousand from earnings; Recapitalized by NT$70,000 thousand from capital surplus	None	None
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 fro earnings; Recapitalized by NT$710,70	None	None

						thousand from capital surplu		
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 thousand	None	None
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 exchange of new shares: NT$5,155 thousand	None	None
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 decrease by NT$100,000 thousand upon cancellation of treasury stock; Overseas convertible bond: NT$306,273 thousand	None	None

2011.04	10	1,500,000,000	15,000,000,000	1,272,549,545	12,725,495,450	Capital decrease by NT$100,000 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: NT$136,475 thousand	None	None
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 bond: NT$25,368 thousand	None	None
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 2, 2024, 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 / Quantity	Government institutions	Financial institutions	Other institutions	Individuals	Foreign institutions and juristic (corporate) persons	Total
Persons	8	105	276	86,396	578	87,363
Shares held	69,203,050	324,735,316	75,093,658	299,071,039	454,642,002	1,222,745,065
Shareholding ratio (%)	5.66	26.56	6.14	24.46	37.18	100.00

(III) Distribution of equity

Shareholding category	Number of shareholders	Shares held	Shareholding ratio (%)
1- 999	35,919	3,640,159	0.30
1,000- 5,000	43,508	79,381,782	6.49
5,001- 10,000	4,254	33,621,384	2.75
10,001- 15,000	1,160	14,689,947	1.20
15,001- 20,000	669	12,322,997	1.01
20,001- 30,000	591	14,966,992	1.22
30,001- 40,000	253	8,936,108	0.73
40,001- 50,000	147	6,840,935	0.56
50,001- 100,000	318	22,989,078	1.88
100,001- 200,000	157	22,408,374	1.83
200,001- 400,000	124	34,147,160	2.79
400,001- 600,000	56	27,157,200	2.22
600,001- 800,000	30	20,331,640	1.66
800,001- 1,000,000	23	20,285,506	1.66
Over 1,000,001	154	901,025,803	73.69
Total	87,363	1,222,745,065	100.00

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

Baseline date: April 2, 2024

Shares / Major Shareholders	Shares held (Shares)	Shareholding ratio (%)
Yuanta Taiwan High Dividend Fund	57,754,561	4.72
Yann Yuan Investment Co., Ltd.	52,600,000	4.30
Taipei Fubon Commercial Bank Co., Ltd. in custody for Fuh Hwa Taiwan Technology Dividend Highlight ETF	50,007,000	4.09
Capital Tip Customized Taiwan Select High Dividend ETF	45,555,000	3.73
Chin-Kung Lee	34,100,941	2.79
New Labor Pension Fund	33,443,000	2.74
JPMorgan Chase Bank, N.A., Taipei Branch in custody for Stichting Depositary APG Emerging Markets Equity Pool	27,579,000	2.26
Treasury Department, General Management Department, Mega International Commercial Bank Co., Ltd.	24,700,000	2.02
Hua Nan Bank in custody for UPAMC Taiwan High Dividend Momentum ETF	23,521,000	1.92
Fubon Life Insurance Co., Ltd.	22,557,000	1.84
Total	371,817,502	30.41

Note 1: Top ten shareholders

Note 2: The baseline date for the data in this table is the most recent closing date, April 2, 2024.

(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			2022	2023	2024 up to April 02
Market price per share	Highest		47.75	95.60	123.00
	Lowest		29.65	36.00	75.00
	Average		39.63	67.05	96.51
Net worth per share	Before distribution		29.52	31.82	-
	After distribution		26.02	(Note 1)	-
EPS	Weighted average number of shares (1,000 shares) (After retrospection)		1,222,745	1,222,745	-
	EPS	Before adjustment (retroactive)	5.59	4.78	-
		After adjustment (retroactive)	5.59	(Note 1)	-
Dividends per share	Cash dividend		3.50	3.20 (Note 1)	-
	Stock dividends	Out of earnings	-	-	-
		Additional paid-in capital (APIC)	-	-	-
	Accumulated unpaid dividend		-	-	-
ROI analysis	P/E ratio (Note 2)		7.03	12.99	-
	P/D ratio (Note 3)		11.22	19.40	-
	Cash dividend yield (Note 4)		0.089	0.052	-

Note 1: To be determined after resolution at the 2024 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:
   Article 19:
   Where there is a profit in the current year, the Company shall allocate 8-10 percent of the profit as the remuneration to employees, and no more than 1 percent thereof as directors' remuneration. However, if the Company has cumulative losses, an amount sufficient to make up losses shall be retained.
   Employees' compensation is distributed in the form of shares or in cash. Those entitled for shares or cash, must be the Company's employees.
   "Profit sought for the current year" as referred in the first paragraph means current pre-tax benefit deducts the benefits before the distribution of compensation of employees and directors compensation.
   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 and directors' compensation, and in addition thereto, a report of such distribution shall be submitted to the shareholders' meeting.
   Article 20:
   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 general shareholders' meeting:
   The Company's distribution of 2023 earnings was approved by a resolution of the Board of Directors on February 23, 2024. A cash dividend of NT$3.2 per share shall be allocated from distributable earnings. This plan is expected to be resolved and approved at the shareholders' meeting on May 31, 2024.
3. Expected change in dividend policy: The Company expects no significant change in dividend policy.

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

(VIII) Employee and directors' remuneration

1. 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, if the Company has cumulative losses, an amount sufficient to make up losses shall be retained.

2. 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 2023 totaled NT$7,835,471,022 (namely, the earnings before tax less remuneration to employees and directors), 8% or NT$626,837,682 thereof were allocated as remuneration to employees in cash, and 0.8% or NT$62,683,768 thereof as director's remuneration. There was no difference from the estimate for 2023.

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 2023 remuneration to employees and directors resolved on the board meeting held on February 23, 2024 was NT$626,837,682 and to NT$62,683,768, respectively. There is no discrepancy with the 2023 estimates.

   (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:

   In 2022, remuneration to employees and directors was NT$746,296,373 and NT$74,629,637, respectively. There was no discrepancy between the actual distribution and the estimated remuneration.

(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 on employee stock option certificates and 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 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.
   In 2023, the proportion of import/export was 45.67% and 54.33% respectively.

Primary products/services and proportion of business in 2023

Units: NTD thousand

Product line	Operating revenue	Proportion of business (%)
Wafer test service	10,961,905	33.19
Integrated circuits test service	16,321,354	49.42
Others	5,742,048	17.39
Total	33,025,307	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$1,203.3 billion (US$38.6B) in Q4 of 2023 (23Q4) (including IC design, IC manufacturing, IC package and IC testing), representing a growth of 7.8% from the previous quarter (23Q3) and a growth of 0.5% from the same period (22Q4) in 2022. The output value of the IC design industry amounted to NT$300 billion (US$9.6B), up 4.2% from the previous quarter (23Q3) and up 15.4% from the same period in 2022 (22Q4); the output value of the IC manufacturing industry amounted to NT$751.6 billion (US$24.1B), up 11.2% from the previous quarter (23Q3) and down 2.4% from the same period in 2022 (22Q4), including that of the foundry amounting to NT$708.9 billion (US$22.7B), up 12.2% from the previous quarter (23Q3) and down 2.0% from the same period in 2022 (22Q4); the memory and other products amounted to NT$42.7 billion (US$1.4B), down 3.0% from the previous quarter (23Q3) and 8.2% from the same period in 2022 (22Q4); the output value of the IC package industry amounted to NT$102.9 billion (US$3.3B), down 0.6% from the previous quarter (23Q3) and 9.7% from the same period in 2022 (22Q4); the output value of the IC test industry amounted to NT$48.8 billion (US$1.6B), down 0.4% from the previous quarter (23Q3) and 8.3% from the same period in 2022(22Q4). The exchange rate of NTD against USD was 1:31.2. 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.

For the IC design industry in 2024, a series of factors such as the gradual recovery of the mobile phone market, strong growth in demand for high-end mobile phone chips, and AI PC-driven computer upgrades have produced a positive impact on the market. Coupled with the slowing of inflation which is conducive to restoring buying sentiment in the consumer market, the annual output value of Taiwan's IC design industry is projected to reach NT$1.257 trillion in 2024, an increase of approximately 14.6% compared to 2023.

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 2023 were ASE, Amkor, Changjiang Electronics Technology Co. Ltd., Tongfu Microelectronics Co., Ltd., Powertech Technology Inc., Huatian Technology Co., Ltd., King Yuan Electronics Co., Ltd. (KYEC), Hana Micron, ChipMOS Technologies Inc., Chipbond Technology Corporation.

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	2024 up to March 31	2023
R&D expenditure	344,215	1,290,696
Net operating revenue	8,214,718	33,025,307
To operating revenue (%)	4.19	3.91

Note: The information is a self-closing figure of the consolidated information as of March 31, 2024.

2. Successfully developed technology or product during the most recent year and up to the date of publication of this annual report
   (1) Tray Box Stocker module.
   (2) Tray Stocker module.
   (3) AMR Automatic Battery Exchange.
   (4) CP line probe card storage.
   (5) D320 Interface high speed cable for CP.
   (6) E320 water cooling system.
   (7) Develop High Power Burn In Oven & Burn In Board.
   (8) Develop E-serial new generation logical tester.
   (9) Develop I-serial new generation CIS tester.
   (10) Develop D-serial new generation Driver tester.
   (11) Develop MEMS Magnetic device wafer probing test solution and final test system.
   (12) Develop MEMS Gas Flow device test solution and system.
   (13) Develop MEMS Bio-Sensor CP Wet Test Mass Production Test Technology.
   (14) Develop VCPC for CRES Analysis Technology.
   (15) Develop RF and advance package for <60GHz RF Signal & High Speed interface PCB.
   (16) Develop components (relay, capacitor) diagnosis analyzer solution.
   (17) Develop IC package simulation and design technical.

(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 AI high-speed computing, 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 also continues to invest in the research and development of high-frequency test and production efficiency solutions. The Company will also develop standard interface for testing and factory automation systems to create competitive advantages.

II. An Overview of Market and Sales

(I) Market analysis

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

Units: NTD thousand

Year	2023		2022	
Area	Domestic sales	Export sales	Domestic sales	Export sales
Sales value of primary products	Value	Value	Value	Value
Wafer test	4,416,882	6,545,023	5,980,816	7,740,987
Integrated circuits test	7,333,406	8,987,948	7,795,454	9,613,858
Others	3,333,519	2,408,529	3,158,906	2,491,975
Total	15,083,807	17,941,500	16,935,176	19,846,820

2. Market share

The Company's consolidated operating revenue in 2023 was NT$33.025 billion, a year-on-year decrease of 10.21% from 2022, which was mainly due to consumer fatigue, thus capital expenditure for the year remained at NT$7 billion. The turnover of annual package and test services generated by it in 2023 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

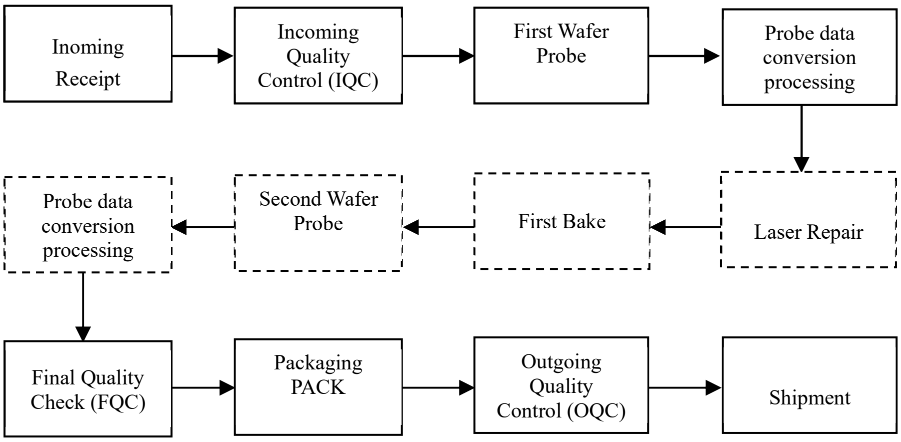
1. Important purpose of main products

Main products	Important purpose
Wafer probe	Primarily intended to check and test the defects in the waffle of the wafer before wafer grinding/dicing and waffle packing.
Wafer grinding/wafer dicing/waffle packing	After the wafer is ground and diced, the waffle 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 waffle, package/test the shipment after packing/probing.

2. Production process of main products

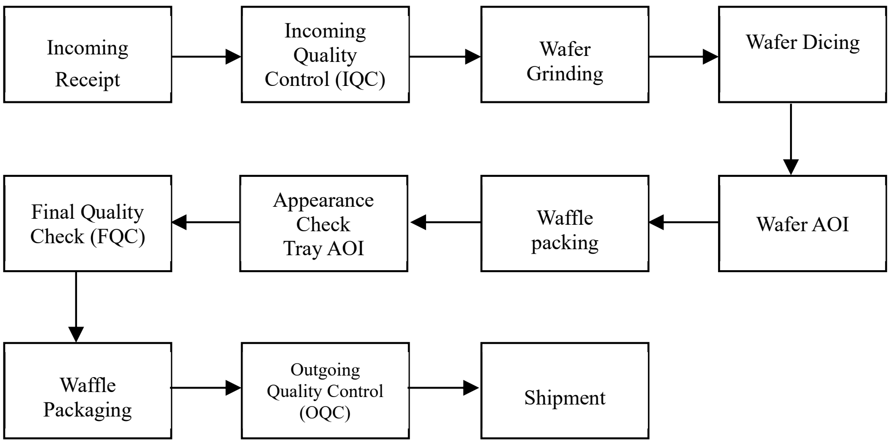
A. Wafer probing

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:



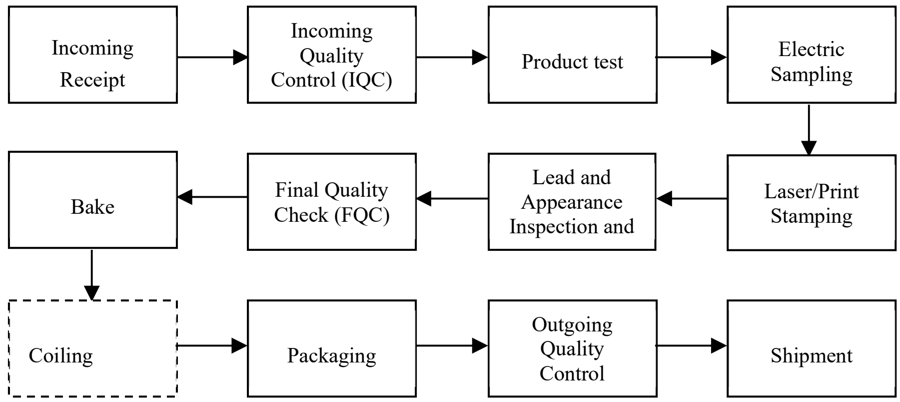
B. Wafer grinding/wafer dicing/waffle packing

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:



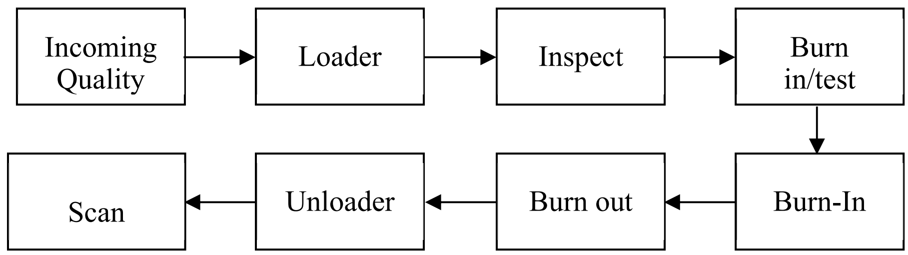
C. IC product testing procedures

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:



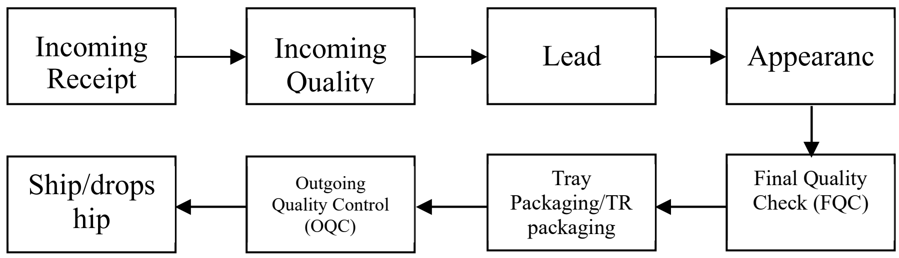
D. Burn-in

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:



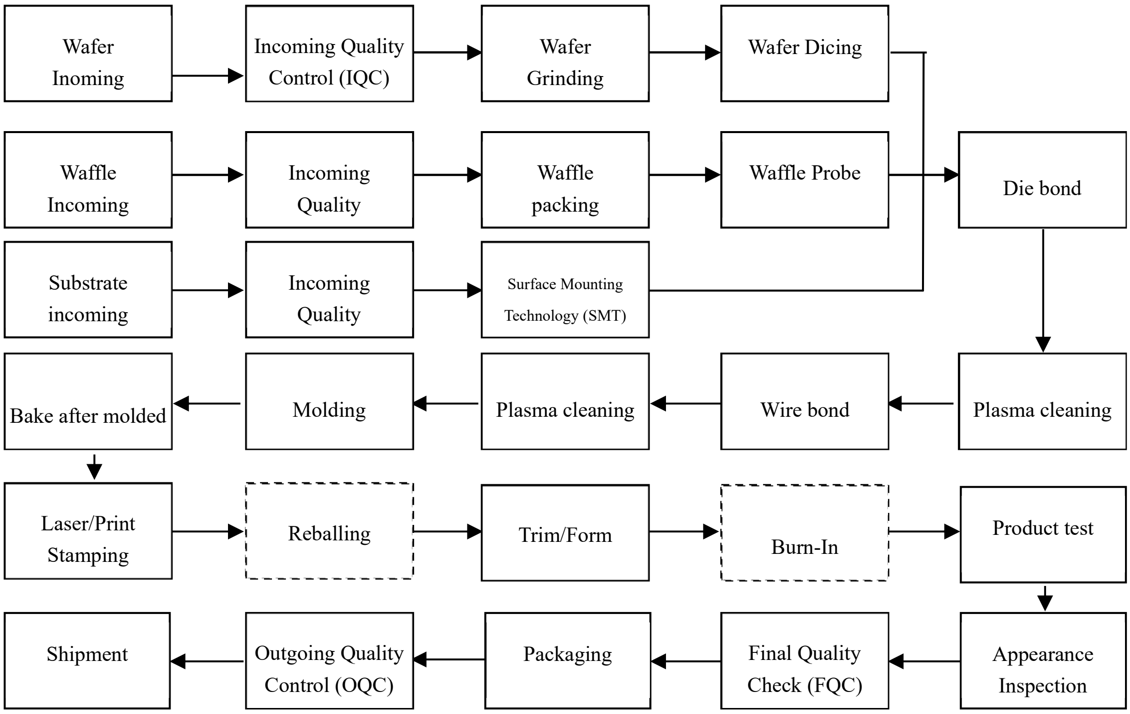
E. Lead/dropship

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.

Units: NTD thousand

Item	2023				2022			
	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	2,486,561	100	-	Net purchases	3,148,995	100	-

2. Information about main customers:

Units: NTD thousand

Item	2023				2022			
	Title	Amount	Percentage of net sales %	Relationship with the issuer	Title	Amount	Percentage of net sales %	Relationship with the issuer
1	MEDIATEK INC.	3,297,106	10	Note	MEDIATEK INC.	4,454,468	12	Note
	Net sales	33,025,307	100	-	Net sales	36,781,996	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 2022 to 2023. 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	2023			2022		
	Production capacity	Quantity	Production value	Production capacity	Quantity	Production value
Wafer test	8,065	3,376	7,664,992	9,086	4,848	8,624,014
Integrated circuits test	16,461,039	8,496,342	12,609,802	18,596,960	10,246,468	13,226,469
Others	3,581,672	2,455,300	4,376,156	4,318,322	2,578,797	4,631,084
Total	-	-	24,650,950	-	-	26,481,567

(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	2023				2022			
	Domestic sales		Export sales		Domestic sales		Export sales	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Wafer test	1,999	4,416,882	1,394	6,545,023	2,987	5,980,816	1,822	7,740,987
Integrated circuits test	3,822,179	7,333,406	4,277,488	8,987,948	4,021,219	7,795,454	5,634,738	9,613,858
Others	1,295,096	3,333,519	1,110,109	2,408,529	1,345,954	3,158,906	1,304,126	2,491,975
Total	-	15,083,807	-	17,941,500	-	16,935,176	-	19,846,820

III. Information on Employees

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

Year		2022	2023	2024 up to March 31
Number of employees	Administrative Staff	487	493	495
	R&D Engineers	4,028	4,104	4,161
	Operators	4,930	4,847	4,849
	Total	9,445	9,444	9,505
Average age		33.5	33.7	33.9
Average years of service		6.5	7.0	7.0
Education background (%)	Ph. D.	0.05	0.03	0.03
	Master's degree	7.87	8.07	8.08
	University/college	65.72	66.61	65.34
	Senior high school	14.44	13.92	14.66
	Less than senior high school	11.92	11.36	11.89

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:

Disposition date	How it was discovered	Description of reason for violation	Articles of law violated	Disposition	Improvement status and response measures
2023.03.16	During audits by competent authority	Article 28, Paragraph 2, of the Waste Disposal Act, and Article 2, Paragraph 2, of Designated Enterprises that Shall Employ Professional Technical Personnel in Charge of Waste Disposal.	Article 28-2 of the Waste Disposal Act	NT$6,000	1. The Company has paid the fine as instructed, and will abide by laws and regulations in the future. 2. The Company will strengthen employee education and training.
2023.07.19	By an environmental reviewer during a review of the expansion of CH5 factory	CH5 Factory is engaged in semiconductor testing. Because it was expanded, an environmental impact assessment (EIA) was applied for it. At the 70th EIA meeting, discoveries were made that the usable area of the factory exceeded the scale of the EIA, that an environmental impact statement was not submitted in accordance with Article 7 of the Environmental Impact Assessment Act, and that development activities were carried out without the approval of the competent authority.	Article 22 of the Environmental Impact Assessment Act	NT$750,000	1. The Company has paid the fine as instructed, and will abide by laws and regulations in the future. 2. The Company will strengthen employee education and training.

2023.08.08	During a system audit by the Environmental Protection Administration.	1.A letter dated August 2 was sent to notify the results of an audit conducted by the Environmental Protection Bureau of Miaoli County Government as part of the EPA project (EP1120401). 2.The inspection results showed that the disposal of organic sludge (D-0901) in September, 2022 and December 2023 exceeded the maximum monthly output allowed by 10% of the amount indicated in the waste disposal permit.	Article 31 of the Waste Disposal Act	NT$6,000	1. The Company has paid the fine as instructed, and will abide by laws and regulations in the future. 2. The Company will strengthen employee education and training.

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

KYEC Group continued to establish multiple energy-saving projects in 2023, and the actual expenditure thereof was about NT$205,495 thousand.

1. KYEC Group has established the ISO 50001 (energy management system) and ISO 14064-1 greenhouse gas inventory.
2. In 2023, KYEC Group recycled approximately 605.1 million liters of wastewater.
3. The subsidiaries of KYEC implemented energy-saving projects in 2023, conserving 9,991,780 kWh of electricity in total, which generated NT$34.23 million in benefits.
4. KYEC Group continued to implement energy-saving projects in 2024, which are estimated to save approximately 10.538 million kWh of electricity.
5. KYEC Group 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. Budget of social activities
i. Periodic organization of various activities and competitions
j. Free massage service
k. Field service of coffee bar
l. 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. Provide reading room

h. Parking lots for cars and motorcycles

i. Incentives to senior employees (with the seniority of 5 years, 10 years and 25 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 freedom of assembly and association in the workplace. Two unions have been established by employees but ceased operations in 2022 and 2023, respectively; therefore, the company was unable to sign a collective bargaining agreement with the union.

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 protect confidential company and customer information; and 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.

4. Implementation Status of Information Security Risk Management

The Company convened a meeting with the Information Security Committee in 2023 to review policy implementation by each unit. In accordance with the Regulations Governing Establishment of Internal Control Systems by Public Companies, the Company has establish a dedicated information security unit, a chief officer, and two other personnel in May 2022.

5. Implementation Status of Cybersecurity Training and Promotion

In 2023, a campaign for promoting information security awareness was held once a month, and two sessions of information security training were arranged for all employees. In total, 7,275 people completed training for a completion rate of 100%, thus helping all employees to recognize the importance of information security.

(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	2023.01~	Test & processing	Confidentiality of a third party's business

(II) Engineering contracts

Contract nature	Counterparty	Duration	Main contents
Construction contract	Wall Things Engineering Co., Ltd.	2023/02/10~2023/05/20	Construction contract for renewing septic tanks #1 and #2 (pre-treatment tanks and FRP wastewater treatment facility) in KYEC CH1 Factory and pipeline modification works
Construction contract	Xuan Tong System Integration Co. Ltd.	2023/07/07~2024/02/29	Construction contract for CH1 Ice machine #2 replacement of piping and power of Hook Up project
Construction contract	Jia Xing Technology Engineering Co., Ltd.	2023/05/12~2023/09/01	Construction contract for CH1 4F MAU replacement works
Construction contract	Jia Xing Technology Engineering Co., Ltd.	2023/06/08~2023/10/31	CH1 5F MAU replacement works
Construction contract	Jia Xing Technology Engineering Co., Ltd.	2023/05/29~2023/08/31	Construction contract for air-conditioning improvements in 2F clean room in CH5 Factory
Construction contract	Zhao Ling Intelligence Technology Co., Ltd.	2023/09/11~2023/12/11	CH5 1F CLASS 1K clean room central monitoring FMCS system project
Construction contract	Hanke System Technology Co., Ltd.	2023/08/28~2023/12/25	Construction contract for building a Class 1K clean room on 1F of CH5
Construction contract	Jiu Han System Technology Co., Ltd.	2022/10/17~2024/01/05	Construction contract for setting up a TL3 161KV ultra-high voltage electrical system
Construction contract	Jiu Han System Technology Co., Ltd.	2022/06/01~2023/04/30	Changes to TL3 3F clean room expansion project

Construction contract	Xuan Tong System Integration Co. Ltd.	2023/07/07~2024/04/30	Construction contract for building a TL domestic wastewater treatment and cooling tower water recycling facility
Construction contract	Xuan Tong System Integration Co. Ltd.	2023/07/19~2023/09/30	Construction contract for building a clean room on 2F of TL3
Construction contract	UCAN TECHNOLOGY LIMITED	2023/08/21~2023/09/30	Construction contract for installing BUSWAY (2000A) in TL3 2F clean room
Construction contract	JQT Company Limited	2023/08/08~2023/09/29	TL3 2F CLASS 10K clean room central monitoring FMCS system project contract

(III) Long-term loan contracts

Units: NTD thousand

Contract nature	Counterparty	Duration	Interest rate (%)	Amount
Loan	Shanghai Commercial & Savings Bank, Ltd.	2022/03/10~2025/03/10	6.15	USD32,000
Loan	Bank of China Limited	2023/10/15~2025/10/14	6.04	USD12,000
Loan	Cathay United Bank	2023/12/25~2025/12/25	6.07	USD15,000
Loan	HSBC Bank (Taiwan)	2023/09/30~2026/09/30	6.00	USD9,000
Loan	Mega International Commercial Bank	2023/04/29~2025/04/28	5.69	USD26,000
Loan	Mega International Commercial Bank	2022/03/15~2028/03/15	6.141649	USD1,488
Loan	Mega International Commercial Bank	2022/03/15~2028/03/15	2.065307	NTD1,400,000
Loan	Far Eastern International Bank	2022/06/23~2025/06/23	1.89	NTD300,000
Loan	First Commercial Bank	2021/07/01~2026/07/01	6.45	USD15,000
Loan	Yuanta Commercial Bank	2023/10/11~2027/10/11	6.02	USD18,030
Loan	Taipei Fubon Commercial Bank Co., Ltd.	2023/05/12~2026/05/12	2.04378	NTD50,000
Loan	Bank of Taiwan	2022/10/20~2026/10/20	2.19216	NTD300,000
Commercial paper/loan	D12 billion syndicated loan of Mega Bank	2020/10/12~2025/10/11	2.15965	NTD3,180,000
Mortgage loan	D12 billion syndicated loan of Mega Bank	2020/10/12~2025/10/12	2.1076	NTD5,340,000
Commercial paper/loan	D9.6 billion syndicated loan of Bank of Taiwan	2023/04/06~2028/04/06	1.979	NTD3,000,000
Mortgage loan	D9.6 billion syndicated loan of Bank of Taiwan	2023/04/06~2028/04/06	2.0653	NTD200,000

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

Six. 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				
		2023	2022	2021	2020	2019
Current assets		22,041,056	22,338,931	18,849,216	15,811,876	13,890,983
Property, plant and equipment		44,140,466	45,991,445	45,576,661	39,147,575	36,890,887
Intangible assets		13,171	39,235	73,599	86,442	73,795
Other assets		7,716,540	5,989,372	7,720,707	6,269,625	4,223,484
Total assets		73,911,233	74,358,983	72,220,183	61,315,518	55,079,149
Current liabilities	Before distribution	7,747,992	10,244,376	11,144,099	8,219,797	7,900,969
	After distribution	(Note 1)	14,523,984	14,812,334	10,665,287	10,101,910
Non-current liabilities		26,136,691	27,169,190	26,197,916	23,769,645	20,979,726
Total liabilities	Before distribution	33,884,683	37,413,566	37,342,015	31,989,442	28,880,695
	After distribution	(Note 1)	41,693,174	41,010,250	34,434,932	31,081,636
Total equity attributable to the owner of parent company		38,903,009	36,089,978	34,184,275	29,319,071	26,191,939
Capital stock		12,227,451	12,227,451	12,227,451	12,227,451	12,227,451
Additional paid-in capital		4,955,581	4,953,859	4,885,134	4,588,172	4,832,721
Retained earnings	Before distribution	18,512,446	16,914,771	13,801,607	11,206,995	9,534,173
	After distribution	(Note 1)	12,635,163	10,133,372	9,006,054	7,577,781
Other equities		3,207,531	1,993,897	3,270,083	1,296,453	(402,406)
Treasury stock		-	-	-	-	-
Non-controlling equity		1,123,541	855,439	693,893	7,005	6,515
Total equity	Before distribution	40,026,550	36,945,417	34,878,168	29,326,076	26,198,454
	After distribution	(Note 1)	32,665,809	31,209,933	26,880,586	23,997,513

Note 1: To be resolved during the general shareholders' meeting 2024.

Note 2: Financial statements for 2019-2023 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				
		2023	2022	2021	2020	2019
Current assets		15,818,765	17,499,113	14,487,436	11,351,866	11,104,729
Property, plant and equipment		30,253,819	32,335,080	34,613,760	31,370,700	30,379,042
Intangible assets		11,732	35,832	69,247	80,159	66,148
Other assets		19,582,280	16,193,850	15,962,834	12,132,949	8,891,473
Total assets		65,666,596	66,063,875	65,133,277	54,935,674	50,441,392
Current liabilities	Before distribution	5,717,519	6,841,674	7,032,776	5,527,248	6,290,525
	After distribution	(Note 1)	11,121,282	10,701,011	7,972,738	8,491,466
Non-current liabilities		21,046,068	23,132,223	23,916,226	20,089,355	17,958,928
Total liabilities	Before distribution	26,763,587	29,973,897	30,949,002	25,616,603	24,249,453
	After distribution	(Note 1)	34,253,505	34,617,237	28,062,093	26,450,394
Capital stock		12,227,451	12,227,451	12,227,451	12,227,451	12,227,451
Additional paid-in capital		4,955,581	4,953,859	4,885,134	4,588,172	4,832,721
Retained earnings	Before distribution	18,512,446	16,914,771	13,801,607	11,206,995	9,534,173
	After distribution	(Note 1)	12,635,163	10,133,372	9,006,054	7,577,781
Other equities		3,207,531	1,993,897	3,270,083	1,296,453	(402,406)
Treasury stock		-	-	-	-	-
Total equity	Before distribution	38,903,009	36,089,978	34,184,275	29,319,071	26,191,939
	After distribution	(Note 1)	31,810,370	30,516,040	26,873,581	23,990,998

Note 1: To be resolved during the general shareholders' meeting 2024.

Note 2: Financial statements for 2019-2023 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				
	2023	2022	2021	2020	2019
Operating revenue	33,025,307	36,781,996	33,759,389	28,959,304	25,539,437
Gross profit	11,141,792	13,072,993	10,352,067	7,953,988	7,015,916
Operating profit (loss)	7,363,529	9,164,830	6,606,516	4,650,711	4,045,014
Non-operating revenue and expense	120,390	(198,804)	248,731	(107,056)	(130,151)
Net profit before tax	7,483,919	8,966,026	6,855,247	4,543,655	3,914,863
Continuing departments net income - current period	6,016,370	6,982,090	5,234,242	3,637,140	3,041,484
Loss of discontinuing operation	-	-	-	-	-
Net income (loss) for this period	6,016,370	6,982,090	5,234,242	3,637,140	3,041,484
Other comprehensive income (OCI) for this period (net amount after tax)	1,233,125	(1,320,936)	1,595,123	1,691,418	343,585
Total comprehensive income - current period	7,249,495	5,661,154	6,829,365	5,328,558	3,385,069
Net profit attributable to the owner of parent	5,840,365	6,836,609	5,175,046	3,636,653	3,041,566
Net profit attributable to non-controlling equity	176,005	145,481	59,196	487	(82)
Comprehensive income attributable to the owner of parent	7,090,917	5,505,213	6,769,183	5,328,068	3,385,203
Comprehensive income attributable to non-controlling equity	158,578	155,941	60,182	490	(134)
EPS	4.78	5.59	4.23	2.97	2.49

Note: Financial statements for 2019-2023 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				
	2023	2022	2021	2020	2019
Operating revenue	24,005,557	27,619,107	25,820,727	23,344,758	21,845,844
Gross profit	7,929,252	9,526,051	7,343,991	6,063,978	5,736,588
Operating profit (loss)	5,241,940	6,607,256	4,505,313	3,405,804	3,237,339
Non-operating revenue and expense	1,925,839	1,924,697	2,004,775	961,563	577,772
Net profit before tax	7,167,779	8,531,953	6,510,088	4,367,367	3,815,111
Continuing departments net income - current period	5,840,365	6,836,609	5,175,046	3,636,653	3,041,566
Loss of discontinuing operation	-	-	-	-	-
Net income (loss) for this period	5,840,365	6,836,609	5,175,046	3,636,653	3,041,566
Other comprehensive income (OCI) for this period (net amount after tax)	1,250,552	(1,331,396)	1,594,137	1,691,415	343,637
Total comprehensive income - current period	7,090,917	5,505,213	6,769,183	5,328,068	3,385,203
EPS	4.78	5.59	4.23	2.97	2.49

Note: Financial statements for 2019-2023 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 CPA firm	Name of CPA	Audit 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
2023	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 (Year)				
		2023	2022	2021	2020	2019
Financial structure %	Ratio of liabilities to assets	45.85	50.31	51.71	52.17	52.43
	Ratio of long-term capital to property, plant and equipment	141.88	133.53	128.13	131.02	125.03
Solvency %	Current ratio	284.47	218.06	169.14	192.36	175.81
	Quick ratio	264.15	201.13	153.91	174.60	158.68
	Times Interest Earned Ratio	11.85	17.15	20.96	12.99	13.56
Operational ability	Receivables turnover (times)	4.65	5.04	4.94	4.86	4.45
	Average cash collection days	78	72	74	75	82
	Inventory turnover (times)	17.29	16.59	18.56	19.25	16.44
	Payables turnover (times)	20.00	21.79	20.42	18.85	15.88
	Average inventory turnover days	21	22	20	19	22
	Turnover of property, plant and equipment (times)	0.73	0.80	0.80	0.76	0.74
	Total asset turnover (times)	0.45	0.50	0.51	0.50	0.50
Profitability	Return on assets (%)	8.86	10.13	8.25	6.77	6.44
	Return on equity (%)	15.63	19.44	16.30	13.10	11.99
	Net income before tax to paid-in capital ratio (%)	61.21	73.33	56.06	37.16	32.02
	Net profit margin (%)	18.22	18.98	15.50	12.56	11.91
	Earnings per share (NTD)	4.78	5.59	4.23	2.97	2.49
Cash flow	Cash flow ratio (%)	184.05	185.76	123.14	150.89	137.12
	Cash flow adequacy ratio (%)	101.44	93.64	87.72	87.39	85.75
	Cash reinvestment ratio (%)	6.30	10.19	7.86	7.90	7.84
Leverage	Operating leverage	2.24	2.01	2.39	2.81	2.75
	Financial leverage	1.10	1.06	1.05	1.09	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 from previous year, mainly due to the repayment of short-term borrowings and decrease in income tax liabilities for the current period.
2. Times interest earned ratio decreased compared with previous year, mainly because the United States maintained high baseline interest rates to combat inflation, which increased interest rates on U.S. dollar borrowings.
3. Cash reinvestment ratio decreased compared with previous year, mainly because the the semiconductor industry entered a period of economic recession. Although demand for high-performance computing chips for artificial intelligence increased in Q4, it still caused a decrease in profits for the current period, resulting in decreased net cash inflow from operating activities.

Note: Financial figures for 2019-2023 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				
		2023	2022	2021	2020	2019
Financial structure %	Ratio of liabilities to assets	40.76	45.37	47.52	46.63	48.07
	Ratio of long-term capital to property, plant and equipment	187.11	174.98	160.22	151.85	141.99
Solvency %	Current ratio	276.67	255.77	206.00	205.38	176.53
	Quick ratio	259.09	238.20	190.60	189.11	158.84
	Times Interest Earned Ratio	14.89	25.46	33.47	21.07	16.92
Operational ability	Receivables turnover (times)	4.77	5.12	4.82	4.83	4.50
	Average cash collection days	77	71	76	76	81
	Inventory turnover (times)	15.32	15.99	18.79	19.28	16.97
	Payables turnover (times)	33.34	28.42	22.76	21.30	17.85
	Average inventory turnover days	24	23	19	19	22
	Turnover of property, plant and equipment (times)	0.77	0.83	0.78	0.76	0.74
	Total asset turnover (times)	0.36	0.42	0.43	0.44	0.45
Profitability	Return on assets (%)	9.49	10.85	8.89	7.23	6.69
	Return on equity (%)	15.58	19.46	16.30	13.10	12.01
	Net income before tax to paid-in capital ratio (%)	58.62	69.78	53.24	35.72	31.20
	Net profit margin (%)	24.33	24.75	20.04	15.58	13.92
	Earnings per share (NTD)	4.78	5.59	4.23	2.97	2.49
Cash flow	Cash flow ratio (%)	175.76	204.97	151.08	175.76	157.85
	Cash flow adequacy ratio (%)	102.07	95.54	91.37	91.18	91.17
	Cash reinvestment ratio (%)	4.18	7.73	6.27	6.40	7.70
Leverage	Operating leverage	2.27	2.08	2.59	3.01	2.97
	Financial leverage	1.11	1.06	1.05	1.07	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. Times interest earned ratio decreased compared with previous year, mainly because the United States maintained high baseline interest rates to combat inflation, which increased interest rates on U.S. dollar borrowings. 2. Cash reinvestment ratio decreased compared with previous year, mainly because the the semiconductor industry entered a period of economic recession. Although demand for high-performance computing chips for artificial intelligence increased in Q4, it still caused a decrease in profits for the current period, resulting in decreased net cash inflow from operating activities.

Note: Financial figures for 2019-2023 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 2023 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: Semi Wang

February 23, 2024

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

Please refer to Appendix 1.

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

Please refer to Appendix II.

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

Item \ Year	2023.12.31	2022.12.31	Difference	
			Increase (decrease) amount	Variation (%)
Current assets	22,041,056	22,338,931	(297,875)	(1.33)
Non-current financial assets at fair value through other comprehensive income	6,541,681	4,794,451	1,747,230	36.44
Investment under equity method	93,982	91,048	2,934	3.22
Property, plant and equipment	44,140,466	45,991,445	(1,850,979)	(4.02)
Other non-current assets	1,094,048	1,143,108	(49,060)	(4.29)
Total assets	73,911,233	74,358,983	(447,750)	(0.60)
Current liabilities	7,747,992	10,244,376	(2,496,384)	(24.37)
Non-current liabilities	26,136,691	27,169,190	(1,032,499)	(3.80)
Total liabilities	33,884,683	37,413,566	(3,528,883)	(9.43)
Capital stock	12,227,451	12,227,451	-	-
Additional paid-in capital	4,955,581	4,953,859	1,722	0.03
Retained earnings	18,512,446	16,914,771	1,597,675	9.45
Total shareholders' equity	40,026,550	36,945,417	3,081,133	8.34
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 non-current financial assets at fair value through other comprehensive income: Mainly due to increase in the fair value of Yann Yuan Investment Co., Ltd. and Xie Yong Investment Co., Ltd. Decrease in current liabilities: Mainly due to the repayment of short-term borrowings and decrease in income tax liabilities for the current period.				

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

Item \ Year	2023	2022	Difference	
			Increase (decrease) amount	Variation (%)
Operating revenue	33,025,307	36,781,996	(3,756,689)	(10.21)
Operating cost	(21,883,515)	(23,709,003)	(1,825,488)	(7.70)
Gross profit	11,141,792	13,072,993	(1,931,201)	(14.77)
Operating expense	(3,778,263)	(3,908,163)	(129,900)	(3.32)
Net operating profit	7,363,529	9,164,830	(1,801,301)	(19.65)
Non-operating revenue and expense	120,390	(198,804)	319,194	160.56
Net profit before tax	7,483,919	8,966,026	(1,482,107)	(16.53)
Income tax expense	(1,467,549)	(1,983,936)	(516,387)	(26.03)
Net profit - current period	6,016,370	6,982,090	(965,720)	(13.83)
Other comprehensive income (loss) - current period	1,233,125	(1,320,936)	2,554,061	193.35
Total comprehensive income - current period	7,249,495	5,661,154	1,588,341	28.06
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 non-operating income and expenditure: Mainly due to increase in net foreign exchange gains, interest income, and income from subsidies. Decrease in Income tax expense: Mainly due to the Microelectronics period of economic recession for the semiconductor industry, during which profits for the current period decreased despite increased demand for AI high-performance computing chips in Q4, and due to the use of tax incentives. Other comprehensive income (loss) for this period and total comprehensive income (loss) for this period: Mainly due to profit 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	2023	2022	Increase (decrease) (%)
Cash flow ratio	184.05%	185.76%	(0.92)
Cash flow adequacy ratio	101.44%	93.64%	8.33
Cash flow reinvestment ratio	6.30%	10.19%	(38.17)
Analysis of variations: This is mainly because the semiconductor industry entered a period of economic recession. Although demand for high-performance computing chips for artificial intelligence increased in Q4, it still caused a decrease in profits for the current period, resulting in decreased net cash inflow from operating activities.			

(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 against insufficient projected cash flow	
				Investment plans	Financing plans
8,882,025	12,342,196	27,563,128	(6,338,907)	-	14,880,920

1. Analysis of change in cash flow for the year:
   (1) Operating activities: The net cash inflow, NT$12,342,196 thousand, is expected to be generated from operating activities.
   (2) Investing activities: Capital expenditure is projected to be NT$5,507,790 thousand.
   (3) Financing activities: Projected repayment of NT$16,654,970 thousand for long-term loan, and distribution of cash dividends, remuneration to employees, and director's remuneration of NT$4,602,306 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		
				2022	2023	2024
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	7,411,875	-	6,659,227	752,648
Investment in construction of factories and machine & equipment	Own funds and bank borrowings	2024.12	6,999,985	-	-	6,999,985

(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
2024	Integrated circuits processing and test	Note	Note	701,975	140,395
2025	Integrated circuits processing and test	Note	Note	1,002,822	280,790
2026	Integrated circuits processing and test	Note	Note	1,002,822	280,790

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$17,754 thousand, recognized by the Company under equity method in 2023, 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)	83,327	119,898
Interest income (expense) (B)	(451,434)	(327,981)
Operating revenue (C)	24,005,557	27,619,107
Net profit before tax (D)	7,167,779	8,531,953
A/C (%)	0.35	0.43
A/D (%)	1.16	1.41
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	Projected expenses (NT$)
1	Automated loading and unloading mechanism for RGV For Ovend.	2024/Q4	2,000,000
2	3D visual module development for IC appearance inspection.	2024/Q4	3,000,000
3	Transportation of SHIELD AGV For Prober Card.	2024/Q4	2,000,000
4	Establishment of CP line probe card automatic card distribution system architecture - Integration of probe card warehousing and ATLT.	2024/Q4	2,000,000
5	Silicon photonics products - FT test environmental hardware.	2024/Q4	5,000,000
6	WLCSP Burn In for CP.	2024/Q4	3,000,000
7	Develop automatic burn in system for HPC IC. 1. Implement automatic burn_in system design.	2024/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/UHV-DPS/UHC-DPS/Calibartion board). 3. Improve system efficiency and reliability. 4. Create E320 customize function.	2024/Q4	31,000,000
9	Develop I-serial new generation CIS tester. 1. I2K High Speed improvement (SMGT5G/CPHY 6Trio by new generation FPGA). 2. I1KHP High Speed Upgrade (SLVS 6.5G with Integration Handler). 3. Optical 400G IO Board (new FPGA / 8 lane 56G fiber).	2024/Q4	20,000,000
10	Develop D-serial new generation Driver tester. 1. Interface is compatible with ND P/C. 2. Auxiliary tools for test program coding. 3. Digitizer sampling spec improvement. 4. DPS spec improvement.	2024/Q4	8,000,000
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	2024/Q4	6,500,000
12	Develop MEMS Magnetic Sensor 20 Gauss Test Mass Production Test Technology. 1. Establish experimental and certification environment for MEMS Magnetic Sensor 20 Gs. 2. Research and develop test modules and technology for MEMS Magnetic Sensor 20 Gs	2024/Q4	3,000,000
13	Develop MEMS Next Gen. G-sensor Mass Production Test Technology. 1. Establish experimental and certification environment for MEMS Next Gen. G-sensor 2. Research and develop test modules and technology for MEMS Next Gen. G-sensor	2024/Q4	9,000,000
14	Develop VCPC for CRES Analysis Technology. 1. Develop components (relay, capacitor) diagnosis analyzer 2. Increase TDR option	2024/Q4	4,000,000

15	Develop RF and advance package for <60GHz RF Signal & High Speed test interface PCB.	2024/Q4	2,000,000
16	Develop IC package simulation and design technical. 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 3. Establish mold flow and wire sweep for FCST evaluation, simulation, and verification	2024/Q4	3,000,000

(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.

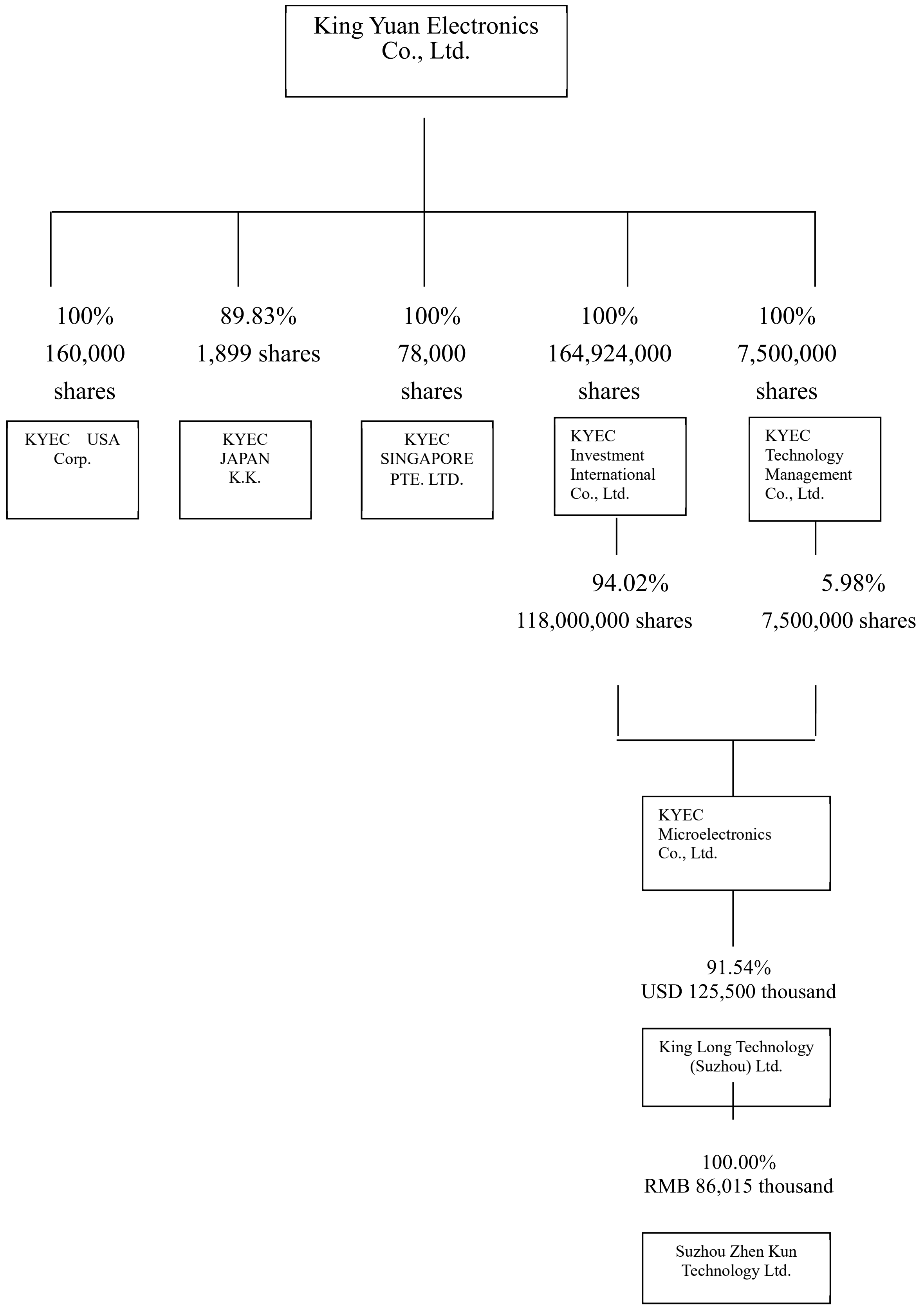
(XIII) Other significant risks and response measures: None.

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 Long Technology (Suzhou) Ltd.	September, 2002	Suzhou City, Jiangsu Province, China	RMB 551,637 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, 2023

Name of affiliated corporations	Title	Name or Representative	Shareholding	
			Shares	Shareholding ratio (%)
KYEC USA Corp.	Chairman	Gauss Chang (Representative of KYEC)	160,000 shares	100.00
	Director	Pei-Liang Sun (Representative of KYEC)	160,000 shares	100.00
	Director	Neil Chung (Representative of KYEC)	160,000 shares	100.00
KYEC SINGAPORE PTE. LTD.	Chairman	Gauss Chang (Representative of KYEC)	78,000 shares	100.00
	Director	Chi-Yuan Hsueh (Representative of KYEC)	78,000 shares	100.00
	Director	Logan Chao (Representative of KYEC)	78,000 shares	100.00
KYEC JAPAN K.K.	Chairman	Gauss Chang (Representative of KYEC)	1,899 shares	89.83
	Director	Jerry Su	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
KYEC Investment International Co., Ltd.	Chairman	Chin-Kung Lee (Representative of KYEC)	164,924,000 shares	100.00
KYEC Technology Management Co., Ltd.	Chairman	Chin-Kung Lee (Representative of KYEC)	7,500,000 shares	100.00
KYEC Microelectronics Co., Ltd.	Chairman	Chin-Kung Lee (KYEC Investment International Co., Ltd. And KYEC Technology Management Co., Ltd. Representative)	125,500,000 shares	100.00
King Long Technology (Suzhou) Ltd.	Chairman	Gauss Chang (Representative of KYEC Microelectronics Co., Ltd.)	RMB 504,993 thousand of equity	91.54
	Director	Chin-Kung Lee (Representative of KYEC Microelectronics Co., Ltd.)	RMB 504,993 thousand of equity	91.54
	Director	Aaron Chang (Representative of KYEC Microelectronics Co., Ltd.)	RMB 504,993 thousand of equity	91.54

	Supervisor	Logan Chao (Representative of KYEC Microelectronics Co., Ltd.)	RMB 504,993 thousand of equity	91.54
Suzhou Zhen Kun Technology Ltd.	Chairman	Gauss Chang (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	Steven 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

(VI) Operating overview of affiliated corporations

Units: NTD thousand

Name of affiliated corporations	Capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating profit	Income (after tax) for the current period	Earnings per share (NTD) (after tax)
KYEC USA Corp.	4,973	30,695	16,614	14,081	68,356	2,277	2,220	13.88
KYEC SINGAPORE PTE. LTD.	1,830	14,126	2,548	11,578	29,055	1,167	1,028	13.18
KYEC JAPAN K.K.	23,897	87,386	10,130	77,256	35,248	17,811	12,012	5,682.08
KYEC Investment International Co., Ltd.	5,292,315	11,359,407	-	11,359,407	-	-	1,779,126	10.79
KYEC Technology Management Co., Ltd.	251,579	723,067	-	723,067	-	-	113,159	15.09
KYEC Microelectr-onics Co., Ltd.	4,074,993	12,091,434	5	12,091,429	-	-	1,892,285	15.08
King Long Technology (Suzhou) Ltd.	2,370,525	19,939,221	6,811,795	13,127,426	7,655,936	1,850,547	2,067,067	-
Suzhou Zhen Kun Technology Ltd.	2,397,835	1,598,915	679,112	919,803	1,528,836	212,281	241,916	-

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.

KING YUAN ELECTRONICS CO., LTD.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
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

REPRESENTATION LETTER

The entities included in the consolidated financial statements as of December 31, 2023 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

February 23, 2024

安永聯合會計師事務所

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E-3, No. 1, Lixing 1st Rd., Hsinchu Science Park
Hsinchu City, Taiwan, R.O.C.

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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, 2023 and 2022, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2023 and 2022, 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, 2023 and 2022, and their consolidated financial performance and cash flows for the years ended December 31, 2023 and 2022, 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 Financial Statement Audit and Attestation Engagements of 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 2023 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$33,025,307 thousand as net sales. Its main activities are providing testing and assembly services that represented 85%, or NT$28,174,680 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 2023 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, 2023 and 2022.

Kuo, Shao-Pin

Hsu, Hsin-Min

Ernst & Young, Taiwan
February 23, 2024

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, 2023 and 2022

(Amounts in thousands of New Taiwan Dollars)

ASSETS	Notes	December 31, 2023	%	December 31, 2022	%
Current assets					
Cash and cash equivalents	4, 6(1)	$12,262,554	17	$12,816,115	17
Contract assets-current	4, 6(16), 6(17), 7	414,883	1	153,753	-
Notes receivable, net	4, 6(3), 6(17)	-	-	7,218	-
Accounts receivable, net	4, 6(4), 6(17)	5,498,025	7	5,382,077	8
Accounts receivable from related parties, net	4, 6(4), 7	1,972,960	3	1,753,148	2
Other receivables		154,025	-	408,138	1
Other receivables from related parties	4, 7	100,977	-	28,582	-
Inventories, net	4, 6(5)	1,072,751	1	1,368,626	2
Prepayments	6(6)	502,046	1	366,144	-
Other current assets		62,831	-	55,126	-
Other financial assets-current	8	4	-	4	-
Total current assets		22,041,056	30	22,338,931	30
Non-current assets					
Financial assets at fair value through other comprehensive income-non-current	4, 6(2)	6,541,681	9	4,794,451	7
Investments accounted for using the equity method	4, 6(7)	93,982	-	91,048	-
Property, plant and equipment	4, 6(8), 7, 8	44,140,466	60	45,991,445	62
Right-of-use assets	4, 6(18)	620,991	1	651,296	1
Intangible assets	4, 6(9)	13,171	-	39,235	-
Deferred tax assets	4, 6(21), 6(22)	302,946	-	296,256	-
Other financial assets-non-current	8	147,333	-	146,462	-
Other non-current assets		9,607	-	9,859	-
Total non-current assets		51,870,177	70	52,020,052	70
Total assets		$73,911,233	100	$74,358,983	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, 2023 and 2022
(Amounts in thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	Notes	December 31, 2023	%	December 31, 2022	%
Current liabilities					
Short-term loans	4, 6(10), 9	$220,133	-	$1,023,149	1
Contract liabilities-current	4, 6(16), 7	9,365	-	156,639	-
Notes payable		858	-	11,446	-
Accounts payable		1,154,413	2	1,008,049	1
Accounts payable to related parties	7	7,154	-	6,215	-
Other payables		3,424,447	5	3,738,122	5
Other payables to related parties	7	69,979	-	94,707	-
Payables on equipment		752,648	1	1,054,070	2
Current tax liabilities	4, 6(22)	406,759	-	1,165,435	2
Lease liabilities-current	4, 6(18)	30,876	-	29,342	-
Current portion of long-term loans	4, 6(12), 8, 9	574,528	1	805,353	1
Other current liabilities	6(11)	1,096,832	1	1,151,849	2
Total current liabilities		7,747,992	10	10,244,376	14
Non-current liabilities					
Long-term loans	4, 6(12), 8, 9	22,601,096	31	24,464,983	32
Deferred tax liabilities	4, 6(21), 6(22)	2,345,260	3	1,504,657	2
Lease liabilities-non-current	4, 6(18)	441,190	1	465,796	1
Long-term deferred income		70,017	-	42,820	-
Net defined benefit liabilities	4, 6(13)	645,076	1	657,844	1
Guarantee deposits		34,052	-	33,090	-
Total non-current liabilities		26,136,691	36	27,169,190	36
Total liabilities		33,884,683	46	37,413,566	50
Equity attributable to owners of the parent company					
Share capital	4, 6(14)				
Common stock		12,227,451	16	12,227,451	16
Capital surplus	4, 6(14), 6(15), 6(24)	4,955,581	7	4,953,859	7
Retained earnings	4, 6(2), 6(14)				
Legal reserve		4,177,574	6	3,499,434	5
Special reserve		201,416	-	201,416	-
Undistributed earnings		14,133,456	19	13,213,921	18
Total retained earnings		18,512,446	25	16,914,771	23
Other equity	4, 6(14)	3,207,531	4	1,993,897	3
Equity attributable to owners of the parent company		38,903,009	52	36,089,978	49
Non-controlling interests	4, 6(14), 6(24)	1,123,541	2	855,439	1
Total equity		40,026,550	54	36,945,417	50
Total liabilities and equity		$73,911,233	100	$74,358,983	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, 2023 and 2022

(Amounts in thousands of New Taiwan Dollars, except for earnings per share)

Description	Notes	2023	%	2022	%
Net sales	4, 6(16), 6(18), 7	$33,025,307	100	$36,781,996	100
Operating costs	4, 6(5), 6(9), 6(13), 6(18), 6(19), 7	(21,883,515)	(66)	(23,709,003)	(64)
Gross profit		11,141,792	34	13,072,993	36
Operating expenses	4, 6(9), 6(13), 6(17), 6(18), 6(19), 7				
Selling expenses		(397,704)	(1)	(377,820)	(1)
Administrative expenses		(2,080,568)	(7)	(2,259,835)	(6)
Research and development expenses		(1,290,696)	(4)	(1,267,045)	(4)
Expected credit losses		(9,295)	-	(3,463)	-
Total operating expenses		(3,778,263)	(12)	(3,908,163)	(11)
Operating income		7,363,529	22	9,164,830	25
Non-operating income and expenses	4, 6(2), 6(7), 6(20), 7				
Interest income		134,498	-	53,940	-
Other income		488,495	1	345,106	1
Other gains and losses		169,393	1	(67,736)	-
Finance costs		(689,750)	(2)	(555,026)	(2)
Share of profit of associates accounted for using the equity method		17,754	-	24,912	-
Total non-operating income and expenses		120,390	-	(198,804)	(1)
Net income before income tax		7,483,919	22	8,966,026	24
Income tax expense	4, 6(22)	(1,467,549)	(4)	(1,983,936)	(5)
Net income		6,016,370	18	6,982,090	19
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		20,738	-	(55,210)	-
Unrealized gains and losses from equity instrument investments measured at fair value through other comprehensive income		1,747,230	6	(1,752,026)	(5)
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		(346,210)	(1)	369,890	1
Items that will be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial statements of foreign operations		(231,435)	(1)	142,897	-
Income tax related to components of other comprehensive income that will be reclassified to profit or loss		42,802	-	(26,487)	-
Other comprehensive income, net of tax		1,233,125	4	(1,320,936)	(4)
Total comprehensive income		$7,249,495	22	$5,661,154	15
Net income attributable to :					
Owners of the parent company		$5,840,365	17	$6,836,609	19
Non-controlling interests		176,005	1	145,481	-
		$6,016,370	18	$6,982,090	19
Total comprehensive income attributable to :					
Owners of the parent company		$7,090,917	21	$5,505,213	15
Non-controlling interests		158,578	1	155,941	-
		$7,249,495	22	$5,661,154	15
Earnings per share (NT$)	4, 6(23)				
Basic Earnings Per Share		$4.78		$5.59	
Diluted Earnings Per Share		$4.74		$5.49	

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, 2023 and 2022

(Amounts in thousands of New Taiwan Dollars)

Description	Equity attributable to owners of the parent company								Non-controlling interests	Total Equity
			Retained earnings			Other equity				
	Common stock	Capital surplus	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	Equity attributable to owners of the parent company		
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
Balance as of January 1, 2023	$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
Appropriation and distribution of 2022 earnings:										
Legal reserve	-	-	678,140	-	(678,140)	-	-	-	-	-
Cash dividends	-	-	-	-	(4,279,608)	-	-	(4,279,608)	-	(4,279,608)
Profit for the year ended December 31, 2023	-	-	-	-	5,840,365	-	-	5,840,365	176,005	6,016,370
Other comprehensive income for the year ended December 31, 2023	-	-	-	-	20,738	(171,206)	1,401,020	1,250,552	(17,427)	1,233,125
Total comprehensive income	-	-	-	-	5,861,103	(171,206)	1,401,020	7,090,917	158,578	7,249,495
Changes in ownership interests in subsidiaries	-	1,722	-	-	-	-	-	1,722	109,524	111,246
Disposal of equity instrument investments measured at fair value through other comprehensive income	-	-	-	-	16,180	-	(16,180)	-	-	-
Balance as of December 31, 2023	$12,227,451	$4,955,581	$4,177,574	$201,416	$14,133,456	$(456,084)	$3,663,615	$38,903,009	$1,123,541	$40,026,550

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, 2023 and 2022

(Amounts in thousands of New Taiwan Dollars)

Description	2023	2022	Description	2023	2022
Cash flows from operating activities :			**Cash flows from investing activities :**		
Profit before tax from continuing operations	$7,483,919	$8,966,026	Acquisition of property, plant and equipment	(7,726,307)	(10,391,637)
Adjustments for :			Proceeds from disposal of property, plant and equipment	345,278	398,363
The profit or loss items which did not affect cash flows:			Decrease in refundable deposits	252	39,748
Depreciation	9,105,051	9,178,388	Acquisition of intangible assets	(3,184)	(8,875)
Amortization	29,223	43,316	Acquisition of right-of-use assets	(2,400)	(76,557)
Expected credit losses	9,295	3,463	Increase in other financial assets	(871)	(40,491)
Interest expenses	689,750	555,026	Dividend received	114,053	109,278
Interest income	(134,498)	(53,940)	Net cash used in investing activities	(7,273,179)	(9,970,171)
Dividend income	(99,233)	(96,288)			
Share-based payment expenses	86,529	74,414			
Investment gain accounted for using the equity method	(17,754)	(24,912)			
Gain on disposal of property, plant and equipment	(78,514)	(58,161)			
Loss on disposal of other assets	19	-			
Unrealized foreign exchange (gains) losses	(405,089)	755,197			
Changes in operating assets and liabilities :					
Contract assets	(261,130)	25,127			
Notes receivable	7,218	488			
Accounts receivable	(125,226)	379,969	**Cash flows from financing activities :**		
Accounts receivable from related parties	(219,812)	398,765	Increase in short-term loans	221,830	1,597,599
Other receivables	260,711	(72,175)	Decrease in short-term loans	(1,023,479)	(1,149,115)
Other receivables from related parties	(74,727)	(22,491)	Borrowing in long-term loans	13,974,312	20,058,327
Inventories	295,875	2,847	Repayments of long-term loans	(15,677,089)	(21,094,189)
Prepayments	(386,298)	(19,702)	Increase in deposits received	962	-
Other current assets	(7,705)	12,034	Decrease in deposits received	-	(761)
Contract liabilities	(147,274)	(385)	Cash payments for the principal portion of the lease liabilities	(29,663)	(91,698)
Notes payable	(10,588)	1,380	Cash dividends	(4,279,608)	(3,668,235)
Accounts payable	146,364	(111,095)	Interest paid	(706,544)	(501,253)
Accounts payable to related parties	939	(15,199)	Change in non-controlling interests	24,258	-
Other payables	(285,484)	(22,052)	Net cash used in financing activities	(7,495,021)	(4,849,325)
Other payables to related parties	(11,718)	(1,984)			
Other current liabilities	(55,017)	267,201			
Accrued pension liabilities	7,970	(7,588)			
Other operating liabilities	27,197	26,282			
Cash generated from operating activities	15,829,993	20,183,951	Effect of changes in exchange rate on cash and cash equivalents	(45,692)	(44,753)
Interest received	126,058	45,229	Net (decrease) increase in cash and cash equivalents	(553,561)	4,166,183
Income tax paid	(1,695,720)	(1,198,748)	Cash and cash equivalents at the beginning of the year	12,816,115	8,649,932
Net cash provided by operating activities	14,260,331	19,030,432	Cash and cash equivalents at the end of the year	$12,262,554	$12,816,115

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
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 February 23, 2024.

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, 2023. 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	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2024

Items	New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
B	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	January 1, 2024
C	Non-current Liabilities with Covenants – Amendments to IAS 1	January 1, 2024
D	Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7	January 1, 2024

(A) 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.

(B) 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.

(C) 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.

(D) Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7

The amendments introduced additional information of supplier finance arrangements and added disclosure requirements for such arrangements.

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, 2024 and have no material impact on the Company.

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

(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	Lack of Exchangeability – Amendments to IAS 21	January 1, 2025

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. Lack of Exchangeability – Amendments to IAS 21

These amendments specify whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide. The amendments apply for annual reporting periods beginning on or after January 1, 2025.

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 Material 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.

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. reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss, or transfer directly to retained earnings if required by other IFRSs; and
f. recognizes any resulting difference in profit or loss.

The consolidated entities are listed as follows:

			Percentage of Ownership(%)	
Investor	Subsidiary	Business nature	2023.12.31	2022.12.31
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
KYEC	KYEC Technology Management Co., Ltd.	General investing	100.00	100.00

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

			Percentage of Ownership(%)	
Investor	Subsidiary	Business nature	2023.12.31	2022.12.31
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	- (Note)	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.	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	91.54	92.46

			Percentage of Ownership(%)	
Investor	Subsidiary	Business nature	2023.12.31	2022.12.31
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: The subsidiary – King Ding Precision Incorporated Company has been liquidated on October 20, 2023.

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.

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.

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.

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 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 though 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 for 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 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.

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	20～35years
Plant equipment	5～20ears
Machinery and equipment	2～ 8 years
Transportation equipment	3～ 6 years
Office equipment	3～ 5 years
Right-of-use assets	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 residual values, useful lives and methods of depreciation of property, plants and equipment 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 form 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 contacts 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 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 37 as 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.

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 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.

According to the temporary exception in the International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12), information about deferred tax assets and liabilities related to Pillar Two income tax will neither be recognized nor be disclosed.

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:

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.

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

6. Contents of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash on hand	$1,003	$1,027
Checking and savings accounts	8,588,392	9,829,755
Time deposits	3,673,159	2,985,333
Total	$12,262,554	$12,816,115

(2) Financial assets at fair value through other comprehensive income

	December 31, 2023	December 31, 2022
Equity instrument investments measured at fair value through other comprehensive income- non-current		
Listed company's stocks	$50,680	$39,359
Unlisted company's stocks	6,491,001	4,755,092
Total	$6,541,681	$4,794,451

The Company has equity instrument investments measured at fair value through other comprehensive income. Details on dividends recognized for the years of 2023 and 2022 are as follows:

	For the years ended December 31	
	2023	2022
Dividends revenue related to investments held at the end of the reporting period	$99,233	$96,288

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

Due to the shares swap conducted by the investee company, the Company transferred the cumulative gain of NT$16,180 thousand from other equity to retained earnings in 2023. No such transaction occurred in 2022.

Financial assets at fair value through other comprehensive income were not pledged.

(3) Notes receivable

	December 31, 2023	December 31, 2022
Notes receivable from operating activities	$-	$7,218
Less: loss allowance	-	-
Total	$-	$7,218

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, 2023	December 31, 2022
Trade receivables	$5,511,430	$5,396,315
Less: loss allowance	(13,405)	(14,238)
Subtotal	5,498,025	5,382,077
Trade receivables from related parties	1,972,960	1,753,148
Less: loss allowance	-	-
Subtotal	1,972,960	1,753,148
Total	$7,470,985	$7,135,225

No trade receivables were pledged.

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

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, 2023 and 2022. Please refer to Note 12 for more details on credit risk.

(5) Inventories

	December 31, 2023	December 31, 2022
Raw materials	$790,114	$999,074
Work in progress	255,218	319,274
Finished goods	27,419	50,278
Total	$1,072,751	$1,368,626

The cost of inventories recognized in operating costs for the year ended December 31, 2023 amounted to NT$21,883,515 thousand, including the write-down of inventories of NT$3,704 thousand, and scrap loss of NT$7,470 thousand, respectively.

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$32,266 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.

No inventories were pledged.

(6) Prepayments

	December 31, 2023	December 31, 2022
Prepaid equipment	$121,040	$57,877
Prepaid expenses	330,327	183,580
Input tax	38,731	106,644
Others	11,948	18,043
Total	$502,046	$366,144

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

(7) Investments accounted for using the equity method

	December 31, 2023		December 31, 2022	
	Carrying amount	Percentage of ownership	Carrying amount	Percentage of ownership
Fixwell Technology Corp.	$62,966	23.33%	$60,676	23.33%
Wei Jiu Industrial Co., Ltd.	31,016	34.00%	30,372	34.00%
Total	$93,982		$91,048	

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	
	2023	2022
Net income	$17,754	$24,912
Other comprehensive income, net of tax	-	-
Total comprehensive income	$17,754	$24,912

The investments mentioned above were not pledged.

(8) Property, plant and equipment

	December 31, 2023	December 31, 2022
Owner occupied property, plant and equipment	$43,993,362	$45,787,149
Property, plant and equipment leased out under operating leases	147,104	204,296
Total	$44,140,466	$45,991,445

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

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, 2023	$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
Additions	-	56,167	1,093,572	3,668,723	49,201	13,026	284,311	-	2,246,077	7,411,077
Disposals	-	-	(181,066)	(3,213,834)	(21,937)	(3,460)	(202,021)	-	(69,194)	(3,691,512)
Transfers	-	330,386	12,559	1,608,189	-	-	56,250	-	(1,725,647)	281,737
Exchange differences	-	(27,555)	(19,071)	(296,252)	(1,406)	(101)	(27,011)	-	(10,340)	(381,736)
As of December 31, 2023	$1,660,897	$7,183,637	$12,456,030	$105,279,197	$894,583	$72,313	$6,668,983	$4,425	$2,551,915	$136,771,980
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

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

	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, 2023	$-	$2,321,065	$7,528,440	$72,170,508	$642,333	$48,226	$4,651,300	$3,393	$-	$87,365,265
Depreciation	-	245,847	670,446	7,582,188	64,320	4,721	459,912	442	-	9,027,876
Disposals	-	-	(181,066)	(3,020,442)	(21,937)	(3,460)	(202,017)	-	-	(3,428,922)
Transfers	-	30,599	-	(16,481)	-	-	-	-	-	14,118
Exchange differences	-	(12,566)	(11,535)	(155,892)	(802)	(82)	(18,842)	-	-	(199,719)
As of December 31, 2023	$-	$2,584,945	$8,006,285	$76,559,881	$683,914	$49,405	$4,890,353	$3,835	$-	$92,778,618
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)
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
Net carrying amount as at:										
December 31, 2023	$1,660,897	$4,598,692	$4,449,745	$28,719,316	$210,669	$22,908	$1,778,630	$590	$2,551,915	$43,993,362
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

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

B. Property, plant and equipment leased out under operating leases

	Buildings and facilities	Machinery and equipment	Total
Cost:			
As at January 1, 2023	$319,134	$318,221	$637,355
Additions	-	798	798
Disposals	-	-	-
Transfers	(42,003)	10,662	(31,341)
Exchange differences	(152)	-	(152)
As at December 31, 2023	$276,979	$329,681	$606,660
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	$319,134	$318,221	$637,355
Accumulated depreciation and impairment:			
As at January 1, 2023	$222,773	$210,286	$433,059
Depreciation	9,053	31,677	40,730
Disposals	-	-	-
Transfers	(30,599)	16,481	(14,118)
Exchange differences	(115)	-	(115)
As at December 31, 2023	$201,112	$258,444	$459,556
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	$222,773	$210,286	$433,059
Net carrying amounts as at:			
December 31, 2023	$75,867	$71,237	$147,104
December 31, 2022	$96,361	$107,935	$204,296

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

C. Capitalized borrowing costs of property, plant and equipment are as follows:

	For the years ended December 31,	
	2023	2022
Construction in progress	$92,843	$43,647
Capitalization rate of borrowing costs	2.86~ 4.42%	1.02~ 2.95%

D. The investing activities partially influenced the cash flow are as follows:

	For the years ended December 31,	
	2023	2022
Acquisition of property, plant and equipment	$7,411,875	$9,665,168
Net decrease in payables to equipment suppliers	301,422	724,230
Net decrease in other payables - related parties	13,010	2,239
Total	$7,726,307	$10,391,637

	For the years ended December 31,	
	2023	2022
Disposal of property, plant and equipment	$341,104	$400,823
Net decrease (increase) in other receivables	1,842	(1,194)
Net decrease (increase) in other receivables - related parties	2,332	(1,266)
Total	$345,278	$398,363

E. Please refer to Note 8 for property, plant and equipment under pledges.

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

(9) Intangible assets

	Software
Cost:	
As of January 1, 2023	$256,614
Additions from acquisitions	3,184
Disposals	(60,135)
Exchange differences	(996)
As of December 31, 2023	$198,667
As of January 1, 2022	$286,379
Additions from acquisitions	8,875
Disposals	(39,551)
Exchange differences	911
As of December 31, 2022	$256,614
Amortization and impairment:	
As of January 1, 2023	$217,379
Amortization	29,223
Disposals	(60,135)
Exchange differences	(971)
As of December 31, 2023	$185,496
As of January 1, 2022	$212,780
Amortization	43,316
Disposals	(39,551)
Exchange differences	834
As of December 31, 2022	$217,379
Net carrying amount as of:	
December 31, 2023	$13,171
December 31, 2022	$39,235

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

Amortization expenses of intangible assets recognized are as follows:

	For the years ended December 31,	
	2023	2022
Operating costs	$12,668	$15,438
Selling and administrative expenses	12,710	22,472
Research and development expenses	3,845	5,406
Total	$29,223	$43,316

(10) Short-term loan

	Interest Rates (%)	December 31, 2023	December 31, 2022
Unsecured bank loans	2.80%	$220,133	$1,023,149

The Company's unused short-term lines of credits amounted to NT$9,847,801 thousand and NT$8,452,791 thousand as at December 31, 2023 and 2022, respectively.

(11) Other current liabilities

	December 31, 2023	December 31, 2022
Refund liabilities	$546,968	$450,819
Receipts on behalf of others	544,180	692,493
Others	5,684	8,537
Total	$1,096,832	$1,151,849

(12) Long-term borrowings

As of December 31, 2023

Lenders	Nature	Maturity Date	Balance	Terms of repayment
Shanghai Commercial Bank	Unsecured bank loans	2025.03.10	$982,560	Revolving Credit
Bank of China	Unsecured bank loans	2025.10.14	368,460	Revolving Credit

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

Lenders	Nature	Maturity Date	Balance	Terms of repayment
Cathay United Bank	Unsecured bank loans	2025.12.25	460,575	Revolving Credit
HSBC Taiwan Bank	Unsecured bank loans	2026.09.30	276,345	Revolving Credit
Mega Bank	Unsecured bank loans	2025.04.28	798,330	Revolving Credit
Mega Bank	Unsecured bank loans	2028.03.15	45,680	50% of principal will be repaid on September 15, 2025. The remaining principal will be repaid on maturity day.
Mega Bank	Unsecured bank loans	2028.03.15	1,400,000	Repay at maturity
Far Eastern Bank	Unsecured bank loans	2025.06.23	300,000	Repay at maturity
First Bank	Unsecured bank loans	2026.07.01	460,575	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	2027.10.11	553,621	50% of principal will be repaid on April 11, 2027. The remaining principal will be repaid on maturity day.
Taipei Fubon Commercial Bank	Unsecured bank loans	2026.05.12	50,000	50% of principal will be repaid on November 12, 2025. The remaining principal will be repaid on maturity day.
Bank of Taiwan	Unsecured bank loans	2026.10.20	300,000	50% of principal will be repaid on April 20, 2025. The remaining principal will be repaid on maturity day.
Mega Bank and 13 others (Note)	Mortgage bank loans	2025.10.12	5,340,000	25% of principal will be repaid on April 12, 2024. The remaining principal will be repaid on maturity day.

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

Lenders	Nature	Maturity Date	Balance	Terms of repayment
Mega Bank and 13 others (Note)	Commercial paper loans	2025.10.11	3,180,000	Revolving credit. Renewable every three months. Credit has not been fully utilized.
Bank of Taiwan and 15 others (Note)	Mortgage bank loans	2028.04.06	200,000	25% of principal will be repaid on October 6, 2026. The remaining principal will be repaid on maturity day.
Bank of Taiwan and 15 others (Note)	Commercial paper loans	2028.04.06	3,000,000	Revolving credit. Renewable every three months. Credit has not been fully utilized.
Bank of China (King Long)	Unsecured bank loans	2029.05.30	2,047,429	Repayable in 10 semi-annual instalments from November 29, 2024.
China Construction Bank (King Long)	Unsecured bank loans	2027.07.28	994,246	Repayable in 10 semi-annual instalments from December 10, 2022.
China Construction Bank (King Long)	Unsecured bank loans	2027.09.28	644,371	Repayable in 10 semi-annual instalments from April 10, 2023.
Agricultural Bank of China (King Long)	Unsecured bank loans	2028.04.16	1,700,741	Repayable in 10 semi-annual instalments from October 16, 2025.
China Bank (Zhengkuan)	Unsecured bank loans	2030.07.08	84,683	Repayable in 12 semi-annual instalments from January 31, 2025.
Subtotal			23,187,616	
Less: current portion			(574,528)	
Less: unamortized discount			(11,992)	
Total			$22,601,096	
Interest Rates			1.89%~6.58%	

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

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

Lenders	Nature	Maturity Date	Balance	Terms of repayment
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
SMBC Taipei Branch	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.
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.

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

Lenders	Nature	Maturity Date	Balance	Terms of repayment
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.

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

Lenders	Nature	Maturity Date	Balance	Terms of repayment
Mega Bank and 13 others (Note)	Mortgage 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%	

Note: A. Certain property, plant and equipment were pledged. Please refer to Note 8 for more details.

B. 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, 2023 and 2022 were NT$423,036 thousand and NT$403,109 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.

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

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$17,004 thousand to its defined benefit plan during the 12 months beginning after December 31, 2023.

The maturities of the defined benefits plan as at December 31, 2023 and 2022 are in 2042 and 2058, respectively.

Pension costs recognized in profit or loss for the years ended December 31, 2023 and 2022.

	For the years ended December 31,	
	2023	2022
Current period service costs	$15,690	$5,819
Interest income or expense	9,276	4,149
Overestimate (underestimate)	-	(52)
Total	$24,966	$9,916

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

Changes in the defined benefit obligation and fair value of plan assets are as follows:

	For the years ended December 31,	
	2023	2022
Defined benefit obligation	$960,613	$969,496
Plan assets at fair value	(315,547)	(311,652)
Overestimate (underestimate)	10	-
Other non-current liabilities - accrued pension liabilities recognized on the consolidated balance sheets	$645,076	$657,844

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, 2022	$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

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

	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
Current period service costs	15,690	-	15,690
Net interest expense (income)	13,670	(4,394)	9,276
Subtotal	998,856	(316,046)	682,810
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	(10,981)	-	(10,981)
Actuarial gains and losses arising from changes in financial assumptions	12,278	-	12,278
Experience adjustments	(21,143)	-	(21,143)
Return on plan assets	-	(892)	(892)
Subtotal	(19,846)	(892)	(20,738)
Payments from the plan	(18,397)	18,397	-
Contributions by employer	-	(17,006)	(17,006)
As at December 31, 2023	$960,613	$(315,547)	$645,066

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	December 31, 2023	December 31, 2022
Discount rate	1.33%	1.41%
Expected rate of salary increases	3.00%	3.00%

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

A sensitivity analysis for significant assumptions as at December 31, 2023 and 2022 is shown as below:

	Effect on the defined benefit obligation			
	2023		2022	
	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%	$-	$(73,090)	$-	$(75,998)
Discount rate decrease by 0.5%	80,746	-	84,013	-
Future salary increase by 0.5%	78,968	-	82,231	-
Future salary decrease by 0.5%	-	(72,295)	-	(75,228)

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.

(14) Equity

A. Share capital

As of December 31, 2023 and 2022, 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.

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

B. Capital surplus

	December 31, 2023	December 31, 2022
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	611,958	610,236
Total	$4,955,581	$4,953,859

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;
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 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, 2023 and 2022, special reserve set aside for the first-time adoption of TIFRS amounted to NT$201,416 thousand.

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

The appropriations for earnings for 2022 were resolved by the shareholders in its meeting on May 30, 2023, while the proposed appropriation of earnings for 2023 were approved by Board of Directors on February 23, 2024. The appropriations and dividends per share were as follows:

	Appropriation of earnings		Dividend per share (NT$)	
	2023	2022	2023	2022
Legal reserve	$586,110	$678,140		
Cash dividends-common stock	3,912,784	4,279,608	$3.20	$3.50

Please refer to Note 6(19) for information regarding the employees' compensation (bonuses) and remuneration to directors.

D. Non-controlling interests

	For the years ended December 31,	
	2023	2022
Beginning balance	$855,439	$693,893
Net gain attributable to non-controlling interests	176,005	145,481
Other comprehensive income, attributable to non-controlling interests, net of tax:		
Exchange differences resulting from translating the financial statements of foreign operations	(17,427)	10,460
Changes in ownership interests in subsidiaries	109,524	5,605
Ending balance	$1,123,541	$855,439

(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.

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

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, forth 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(Note)	CNY$10.54

Note: Totally 1,635,000 shares should have been purchased back by King Long as of December 31, 2023 for those employees who resigned. However, the purchase and cancellation registration process was not completed until January 18, 2024.

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$160,921 thousand in total based on the vesting conditions and will be recognized during the vesting period.

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

Assumptions used in calculating the fair value are disclosed as follows:

	Restricted stocks for employees
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 stocks 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.
(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(Note)	CNY$7.38

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

Note: Totally 2,061,032 shares should have been purchased back by King Long as of December 31, 2023 for those employees who resigned. However, the purchase and cancellation registration process was not completed until January 18, 2024.

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$118,326 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:

	Restricted stocks for employees
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 stocks 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:

	For the years ended December 31,	
	2023	2022
Restricted stocks for employees	$86,529	$74,414

The Company did not modify or cancel any share-based payment plans for the years ended December 31, 2023 and 2022.

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

(16) Operating revenue

	For the years ended December 31,	
	2023	2022
Assembly and testing processing revenue	$28,174,680	$30,876,006
Revenue from rental of machinery	2,853,904	3,692,860
Rental income from property	37,097	30,538
Other operating revenue	1,959,626	2,182,592
Total revenue	$33,025,307	$36,781,996

Relevant information of revenue from contracts with customers for the years ended December 31, 2023 and 2022 are as follows:

A. Disaggregation of revenue

Nature of revenue	Timing of revenue recognition	For the years ended December 31, 2023	2022
Rendering of services	Over time	$28,174,680	$30,876,006
Revenue from rental of machinery	Over time	2,853,904	3,692,860
Rental income from property	On a straight-line basis or on a systematic basis (Note)	37,097	30,538
Other operating revenue	At a point in time	1,959,626	2,182,592
Total		$33,025,307	$36,781,996

Note: Please refer to Note 6(18) for information regarding leases.

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

B. Contract balances

(a)Contract assets – current

Nature of revenue	December 31, 2023	December 31, 2022	January 1, 2022
Rendering of services	$414,883	$153,753	$178,880

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, 2023 and 2022 are as follows:

	For the years ended December 31,	
	2023	2022
The opening balance transferred to trade receivables	$153,753	$178,880
Degree of completion measurement	$414,883	$153,753

(b)Contract liabilities - current

Nature of revenue	December 31, 2023	December 31, 2022	January 1, 2022
Assembly and testing processing revenue	9,365	156,639	154,167
Other operating revenue	-	-	2,857
Total	$9,365	$156,639	$157,024

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.

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

(17) Expected credit losses

Operating expenses - expected credit losses

	For the years ended December 31,	
	2023	2022
Contract assets	$-	$-
Notes receivable	-	-
Trade receivables	9,295	3,222
Other receivables	-	241
Total	$9,295	$3,463

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, 2023 and 2022 are as follows:

A. The gross carrying amount of contract assets is NT$414,883 thousand and NT$153,753 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, 2023

	Not yet due	Overdue				
Group 1	(Note)	1-90 days	91-180 days	181-365 days	>366 days	Total
Gross carrying amount	$6,948,531	$498,440	$29,612	$47	$3,983	$7,480,613
Loss ratio	-%	-%	1%	2%	5%	
Lifetime expected credit losses	(9,132)	-	(296)	(1)	(199)	(9,628)
Subtotal	6,939,399	498,440	29,316	46	3,784	7,470,985

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

	Not yet due	Overdue				
Group 2	(Note)	1-90 days	91-180 days	181-365 days	>366 days	Total
Gross carrying amount	$631	$-	$-	$-	$3,146	$3,777
Loss ratio	100%	100%	100%	100%	100%	
Lifetime expected credit losses	(631)	-	-	-	(3,146)	(3,777)
Subtotal	-	-	-	-	-	-
Total						$7,470,985

As at December 31, 2022

	Not yet due	Overdue				
Group 1	(Note)	1-90 days	91-180 days	181-365 days	>366 days	Total
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

	Not yet due	Overdue				
Group 2	(Note)	1-90 days	91-180 days	181-365 days	>366 days	Total
Gross carrying amount	$2,413	$-	$-	$307	$7,019	$9,739
Loss ratio	100%	100%	-%	100%	100%	
Lifetime expected credit losses	(2,413)	-	-	(307)	(7,019)	(9,739)
Subtotal	-	-	-	-	-	-
Total						$7,142,443

Note: The Company's notes receivable are not overdue.

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

The movement in the provision for impairment of contract assets, notes receivable, and trade receivables for the years ended December 31, 2023 and 2022 is as follows:

	Contract assets	Notes receivable	Trade receivables	Other receivables
Beginning balance at January 1, 2023	$-	$-	$14,238	$444
Addition for the current period	-	-	9,295	-
Write off (Note)	-	-	(10,111)	-
Effect of changes in exchange rate	-	-	(17)	-
Ending balance as at December 31, 2023	$-	$-	$13,405	$444

	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	$-	$-	$14,238	$444

Note: Although the Company wrote off the financial assets during 2023, collection activities are still underway.

(18) Leases

A. The Company as a lessee

The Company leases land and buildings with lease terms ranging from 1 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 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.

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

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, 2023	December 31, 2022
Land	$592,953	$611,878
Buildings	19,836	28,757
Transportation equipment	8,202	10,661
Total	$620,991	$651,296

During the years ended December 31, 2023 and 2022, the Company's additions to right-of-use assets amounted to NT$3,768 thousand and NT$76,557 thousand, respectively.

During the year ended December 31, 2022, the Company exercised the purchase option and transfer the right-of-use assets to machinery and equipment amounted to NT$67,313 thousand. No such transaction occurred in 2023.

(b) Lease liabilities

	December 31, 2023	December 31, 2022
Lease liabilities- current	$30,876	$29,342
Lease liabilities- non-current	441,190	465,796
Total	$472,066	$495,138

Please refer to Note 6 (20)C for the interest on lease liabilities recognized during the years ended December 31, 2023 and 2022, and refer to Note 12 (3) section E Liquidity Risk Management for the maturity analysis for lease liabilities as at December 31, 2023 and 2022.

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

b. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	For the years ended December 31,	
	2023	2022
Land	$23,568	$22,008
Buildings	10,417	9,442
Machinery and equipment	-	5,609
Transportation equipment	2,460	2,460
Total	$36,445	$39,519

c. Income and costs relating to leasing activities

	For the years ended December 31,	
	2023	2022
The expenses relating to short-term leases	$172,355	$232,359
The expenses relating to leases of low-value assets (not including the expenses relating to short-term leases of low-value assets)	4,946	5,252
Total	$177,301	$237,611

d. Cash outflows relating to leasing activities

During the years ended December 31, 2023 and 2022, the Company's total cash outflows for leases amounted to NT$215,919 thousand and NT$338,792 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 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.

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

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 six 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,	
	2023	2022
Lease income for operating leases		
Income relating to fixed lease payments and variable lease payments that depend on an index or a rate	$37,097	$30,538

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, 2023 and 2022 are as follow:

	December 31, 2023	December 31, 2022
Not later than one year	$32,456	$28,411
Later than one year and not later than five years	7,065	9,224
Later than 5 years	554	1,832
Total	$40,075	$39,467

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

(19) Summary statement of employee benefits, depreciation and amortization expenses by function for the years ended December 31, 2023 and 2022:

	For the years ended December 31,					
	2023			2022		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	$5,252,137	$1,509,645	$6,761,782	$5,693,250	$1,518,392	$7,211,642
Labor and health insurance	443,114	83,611	526,725	452,858	78,172	531,030
Pension	332,179	115,823	448,002	315,377	97,648	413,025
Remuneration of directors	-	69,299	69,299	-	74,630	74,630
Other employee benefits expense	252,080	48,590	300,670	233,051	43,161	276,212
Total	$6,279,510	$1,826,968	$8,106,478	$6,694,536	$1,812,003	$8,506,539
Depreciation	$8,294,481	$810,570	$9,105,051	$8,363,833	$814,555	$9,178,388
Amortization	$12,668	$16,555	$29,223	$15,438	$27,878	$43,316

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, 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, 2023 to be 8% of profit of current period (or NT$626,838 thousand) and 0.8% of profit of current period (or NT$62,684 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 February 23, 2024 to distribute NT$626,838 thousand and NT$62,684 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, 2023.

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

Actual distribution of employees' compensation and remuneration to directors of 2022 amounted to NT$746,296 thousand and NT$74,630 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 2022.

(20) Non-operating income and expenses

A. Other income

	For the years ended December 31,	
	2023	2022
Dividend income	$99,233	$96,288
Government grant	150,618	78,548
Others	238,644	170,270
Total	$488,495	$345,106

B. Other gains and losses

	For the years ended December 31,	
	2023	2022
Gain on disposal of property, plant and equipment	$78,514	$58,161
Foreign exchange gain (loss), net	95,150	(124,253)
Others	(4,271)	(1,644)
Total	$169,393	$(67,736)

C. Finance costs

	For the years ended December 31,	
	2023	2022
Interest expenses on borrowings from bank	$680,795	$545,543
Interest expenses on lease liabilities	8,955	9,483
Total	$689,750	$555,026

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

(21) Components of other comprehensive income

For the year ended December 31, 2023

	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	$20,738	$-	$20,738	$-	$20,738
Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income	1,747,230	-	1,747,230	(346,210)	1,401,020
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	(231,435)	-	(231,435)	42,802	(188,633)
Total of other comprehensive income	$1,536,533	$-	$1,536,533	$(303,408)	$1,233,125

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

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	$(1,664,339)	$-	$(1,664,339)	$343,403	$(1,320,936)

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

(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,	
	2023	2022
Current income tax expense:		
Current income tax charge	$1,306,971	$1,737,022
Adjustments in respect of current income tax of prior periods	(369,255)	(39,120)
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	529,833	286,034
Income tax expense recognized in profit or loss	$1,467,549	$1,983,936

Income tax relating to components of other comprehensive income

	For the years ended December 31,	
	2023	2022
Deferred tax expense (income):		
Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income	$346,210	$(369,890)
Exchange differences resulting from translating the financial statements of foreign operations	(42,802)	26,487
Income tax relating to components of other comprehensive income	$303,408	$(343,403)

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

Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the years ended December 31,	
	2023	2022
Accounting profit before tax from continuing operations	$7,483,919	$8,966,026
Tax at the domestic rates applicable to profits in the country concerned	$1,496,784	$1,793,205
Tax effect of expenses not deductible for tax purposes	(418,999)	(257,961)
Tax effect of deferred tax assets/liabilities	529,833	286,034
Different tax rates application between the parent company and subsidiaries	229,186	201,778
Adjustments in respect of current income tax of prior periods	(369,255)	(39,120)
Total income tax expense recognized in profit or loss	$1,467,549	$1,983,936

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

Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2023

	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	$72,318	$(49,379)	$-	$-	$-	$22,939
Impairment loss of goodwill	12,650	-	-	-	-	12,650
Other impairment loss	982	(544)	-	-	-	438
Depreciation difference for tax purpose	31,027	(118,263)	-	-	(672)	(87,908)
Unrealized sales discount	90,164	19,230	-	-	-	109,394
Investments accounted for using the equity method	(931,714)	(381,264)	-	-	-	(1,312,978)
Exchange differences resulting from translating the financial statements of foreign operations	71,220	-	42,802	-	-	114,022
Unrealized investment gains and losses	(572,943)	(156)	(346,210)	-	-	(919,309)
Others	17,895	543	-	-	-	18,438
Deferred tax income/ (expense)		$(529,833)	$(303,408)	$-	$(672)	
Net deferred tax assets/(liabilities)	$(1,208,401)					$(2,042,314)
Reflected in balance sheet as follows:						
Deferred tax assets	$296,256					$302,946
Deferred tax liabilities	$1,504,657					$2,345,260

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

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)		$(286,034)	$343,403	$-	$-	
Net deferred tax assets/(liabilities)	$(1,265,770)					$(1,208,401)
Reflected in balance sheet as follows:						
Deferred tax assets	$261,675					$296,256
Deferred tax liabilities	$1,527,445					$1,504,657

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

The following table contains information of the unused tax losses of the Company:

			Unused tax losses as at (Note)		
Entities	Year	Tax losses for the period	December 31, 2023	December 31, 2022	Expiration year
Foreign Subsidiaries	2015	$134,505	$-	$710	2025
	2016	40,487	-	41,182	2026
	2017	32,234	-	32,788	2027
	2018	75,377	69,936	76,671	2028
	2022	1,420	1,420	-	2032
			$71,356	$151,351	

Note: Amounts are converted using the exchange rate at the balance sheet date for each year.

Unrecognized deferred tax assets

As of December 31, 2023 and 2022, deferred tax assets that have not been recognized amounted to NT$17,839 thousand and NT$37,838 thousand, respectively.

The assessment of income tax returns

As of December 31, 2023, 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 2021
Subsidiary:	
King Long Technology (Suzhou) Ltd.	Filed up to 2022
Suzhou Zhengkuan Technology Ltd.	Filed up to 2022
KYEC USA Corp.	Filed up to 2022
KYEC Japan K.K.	Filed up to 2022
KYEC SINGAPORE PTE. Ltd.	Filed up to 2022

(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.

	For the years ended December 31,	
	2023	2022
A. Basic earnings per share		
Profit attributable to ordinary equity owners of the parent	$5,840,365	$6,836,609
Weighted average number of ordinary shares outstanding for basic earnings per share (thousand share)	1,222,745	1,222,745
Basic earnings per share (NT$)	$4.78	$5.59

	For the years ended December 31,	
	2023	2022
B. Diluted earnings per share		
Profit attributable to ordinary equity owners of the parent	$5,840,365	$6,836,609
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	1,222,745	1,222,745
Effect of dilution:		
Employee compensation－stock (in thousands)	10,228	22,774
Weighted average number of ordinary shares outstanding after dilution (in thousands)	1,232,973	1,245,519
Diluted earnings per share (NT$)	$4.74	$5.49

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

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 proportinate to its original ownership interest

King Long Technology (Suzhou) Ltd. completed capital increase of restricted stocks plan for employees in January 2023, and the Company did not subscribe to the new shares issued. Accordingly, its ownership was reduced to 91.54%. Cash acquired from the capital increase amounted to NT$24,258 thousand. Related information of the change in capital surplus is shown below:

	For the year ended December 31, 2023
Cash from capital injection	$24,258
Increase in non-controlling interest	(102,692)
Differences in equity-capital surplus	$(78,434)

No such transaction occurred in 2022.

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. The changes, NT$80,156 thousand and NT$68,725 thousand for the years ended December 31, 2023 and 2022, respectively, were recorded as an increase in capital surplus.

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

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

Name of the related parties	Nature of relationship of the related parties
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.
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

	For the years ended December 31,	
	2023	2022
MediaTek Inc.	$3,297,106	$4,454,468
MediaTek Singapore Pte. Ltd.	2,944,803	3,234,155
Other related parties	467,728	743,442
Associates	10,806	9,728
Total	$6,720,443	$8,441,793

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

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, 2023 and 2022 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. For the years ended December 31, 2023 and 2022, the purchase amounts were NT$17,509 thousand and NT$103,888 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, 2023 and 2022, the operating costs recognized amounted to NT$305,182 thousand and NT$357,188 thousand, respectively.

(d) The Company paid rental expenses for renting machines from associates. For the years ended December 31, 2023 and 2022, the rental expenses amounted to NT$0 thousand and NT$606 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, 2023		For the year ended December 31, 2022	
Related party	Sales price	Disposal gain	Sales price	Disposal gain
MediaTek Inc.	$214,121	$10,500	$-	$-
Associates	-	-	59,916	18,075
Total	$214,121	$10,500	$59,916	$18,075

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

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 years ended December 31,	
	2023	2022
Related party	Purchase price	Purchase price
Associates	$159,719	$194,382
Other related parties	-	3,738
Total	$159,719	$198,120

The purchase price was determined through mutual agreement based on the market demand.

(f) Trade receivables from related parties

	December 31, 2023	December 31, 2022
MediaTek Inc.	$1,047,532	$929,631
MediaTek Singapore Pte. Ltd.	806,836	718,735
Other related parties	117,803	103,525
Associates	789	1,257
Less: loss allowance	-	-
Net	$1,972,960	$1,753,148

(g) Other receivables from related parties

	December 31, 2023	December 31, 2022
MediaTek Inc.	$100,752	$28,386
Other related parties	225	196
Total	$100,977	$28,582

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

(h) Contract liabilities

	December 31, 2023	December 31, 2022
MediaTek Inc.	$-	$13,431
MediaTek Singapore Pte. Ltd.	-	4,785
Total	$-	$18,216

(i) Account payables to related parties

	December 31, 2023	December 31, 2022
Wei Jiu Industrial Co., Ltd.	$7,112	$6,215
Associates	42	-
Total	$7,154	$6,215

(j) Other payables to related parties

	December 31, 2023	December 31, 2022
Fixwell Technology Corp.	$47,027	$69,316
Wei Jiu Industrial Co., Ltd.	21,805	25,088
Other related parties	1,147	303
Total	$69,979	$94,707

(k) Other income

	For the years ended December 31,	
	2023	2022
Associates	$1,500	$1,485
Other related parties	-	21
Total	$1,500	$1,506

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

(l) Key management personnel compensation

	For the years ended December 31,	
	2023	2022
Short-term employee benefits	$190,153	$236,916
Post-employment benefits	1,170	1,053
Share-based payment (Note)	(1,154)	17,606
Total	$190,169	$255,575

Note: Due to changes in the turnover rate.

8. Assets Pledged as Security

The following table lists assets of the Company pledged as security:

	Carrying amount		
Items	December 31, 2023	December 31, 2022	Purpose of pledge
Other current financial assets	$4	$4	L/C guarantee deposits
Other non-current financial assets	147,333	146,462	Customs clearance
Land	914,594	914,594	Long-term borrowings
Building and facility	1,040,838	1,118,526	Long-term borrowings
Machinery and equipment	3,650,636	4,794,325	Long-term borrowings
Total	$5,753,405	$6,973,911	

9. Significant Contingent Liabilities and Unrecognized Commitments

As of December 31, 2023, 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$182,279 thousand.

B. To construct the plant and factory premises, the Company had entered into several construction contracts in an aggregate amount of NT$3,443,500 thousand with NT$2,034,996 thousand already paid and NT$1,408,504 thousand remaining unpaid (promissory notes have been issued).

C. The promissory notes issued for secured bank loans amounted to NT$48,397,775 thousand.

D. The Company entered into a loan agreement with Far Eastern International 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 Mega International Commercial Bank, the following financial covenants shall be maintained on semi-annual and annual basis during the period from 2022 to 2028:
(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 loan agreements with Yuanta Commercial Bank, the following financial covenants shall be maintained on semi-annual and annual basis during the period from 2023 to 2027:
(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 Taipei Fubon Commercial Bank, the following financial covenants shall be maintained on semi-annual and annual basis during the period from 2023 to 2026:
(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.

The Company entered into a syndicated loan agreement with 15 banks, led by Bank of Taiwan, and the Company shall maintain the following financial covenants on semi-annual and annual basis during the period from 2023 to 2028:

(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 2023 to 2028, 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.

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, 2023, the Company did not violate any financial covenants.

10. Losses due to Major Disasters

None.

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

11. Significant Subsequent Events

None.

12. Others

(1) Categories of financial instruments

A. Categories of financial instruments

	December 31, 2023	December 31, 2022
Financial assets		
Financial assets at fair value through profit or loss:		
Financial assets at fair value through other comprehensive income	$6,541,681	$4,794,451
Financial assets measured at amortized cost (Note)	20,144,018	20,550,112
Total	$26,685,699	$25,344,563
Financial liabilities		
Financial liabilities at amortized cost:		
Short-term borrowings	$220,133	$1,023,149
Payables (including related parties)	1,162,425	1,025,710
Other payables (including related parties)	4,247,074	4,886,899
Long-term loans (including current portion)	23,175,624	25,270,336
Lease liabilities	472,066	495,138
Guarantee deposits	34,052	33,090
Total	$29,311,374	$32,734,322

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$ 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, 2023 and 2022 would have increased/decreased by NT$8,220 thousand and NT$13,617 thousand, respectively.

When NT$ appreciates or depreciates against CNY by 1%, the profit for the years ended December 31, 2023 and 2022 would have increased/decreased by NT$20,115 thousand and decreased/increased by NT$19,040 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 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$23,408 thousand and NT$26,317 thousand for the years ended December 31, 2023 and 2022, 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, 2023 and 2022, 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$10,136 thousand and NT$7,872 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 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.

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

As of December 31, 2023 and 2022, receivables from top ten customers represented 49% and 49% 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 1 year	1 to 2 years	2 to 3 years	3 to 4 years	Longer than 4 years	Total
December 31, 2023						
Payables	$5,409,499	$-	$-	$-	$-	$5,409,499
Borrowings	1,403,781	13,002,723	2,829,818	2,163,866	5,797,486	25,197,674
Lease liabilities (Note)	30,876	23,541	17,877	17,742	382,030	472,066
December 31, 2022						
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

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

Notes: Information about the maturities of lease liabilities is provided in the table below:

	Maturities Period				
Lease liabilities	Less than 1 year	1 to 5 years	6 to 10 years	>10 years	Total
December 31, 2023	$30,876	$77,240	$89,369	$274,581	$472,066
December 31, 2022	$29,342	$89,433	$88,148	$288,215	$495,138

F. Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for year ended December 31, 2023:

	Short-term borrowings	Long-term loans	Lease liabilities	Total liabilities from financing activities
As of January 1, 2023	$1,023,149	$25,270,336	$495,138	$26,788,623
Cash flows	(801,649)	(1,702,777)	(29,663)	(2,534,089)
Non-cash changes				
Syndicated loan issuance costs	-	13,965	-	13,965
Amortization on bonds payable	-	(2,568)	-	(2,568)
Addition to right-of-use assets	-	-	1,368	1,368
Remeasurement of lease liabilities	-	-	6,674	6,674
Decrease of lease liabilities			(1,061)	(1,061)
Foreign exchange movement	(1,367)	(403,332)	(390)	(405,089)
As of December 31, 2023	$220,133	$23,175,624	$472,066	$23,867,823

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

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	$1,023,149	$25,270,336	$495,138	$26,788,623

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.

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.

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

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, 2023

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income				
Equity instruments measured at fair value through other comprehensive income	$50,680	$-	$6,491,001	$6,541,681

December 31, 2022

	Level 1	Level 2	Level 3	Total
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

Transfers between Level 1 and Level 2 during the period

During the years ended December 31, 2023 and 2022, there were no transfers between Level 1 and Level 2 fair value measurements.

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

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, 2023：

	Assets
	At fair value through other comprehensive income
	Stocks
Beginning balances as at January 1, 2023	$4,755,092
Total gains and losses recognized for the year ended December 31, 2023:	
Amount recognized in OCI (presented in "unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income")	1,735,909
Ending balances as at December 31, 2023	$6,491,001

For the year ended December 31, 2022：

	Assets
	At fair value through other comprehensive income
	Stocks
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	$4,755,092

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, 2023

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$712,690 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$10,971 thousand.

As at December 31, 2022

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$522,783 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$7,149 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.

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

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, 2023		
	Foreign Currency (thousand)	Exchange rate	NT$ (thousand)
Monetary financial assets			
US$	$183,113	30.705	$5,622,487
CNY	1,055,461	4.327	4,566,980
JPY	515,806	0.2172	112,033
Monetary financial liabilities			
US$	156,341	30.705	4,800,455
CNY	1,520,327	4.327	6,578,457
JPY	523,955	0.2172	113,803

	December 31, 2022		
	Foreign Currency (thousand)	Exchange rate	NT$ (thousand)
Monetary financial assets			
US$	$241,596	30.71	$7,419,426
CNY	874,152	4.408	3,853,264
JPY	530,855	0.2324	123,371
Monetary financial liabilities			
US$	285,937	30.71	8,781,121
CNY	1,306,090	4.408	5,757,244
JPY	375,332	0.2324	87,227

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$95,150 thousand and NT$(124,253) thousand for the years ended December 31, 2023 and 2022, 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.

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, 2023:

A. Financing provided to others: None.
B. Endorsement/Guarantee provided to others: None.
C. Securities held as of December 31, 2023: Please refer to Attachment 1.
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: 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 3.
H. Receivables from related parties with amounts exceeding the lower of NT$100 million or 20 percent of capital stock: Please refer to Attachment 4.
I. Financial instruments and derivative transactions: None.
J. Parent-subsidiary relationship between business dealings and important circumstances: Please refer to Attachment 5.

(2) Information on investees

A. Information regarding investee companies over which the Company can exercise significant influence or control: Please refer to Attachment 6.

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, 2023: 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.
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 2.
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 3.
h. Receivables from related parties with amounts exceeding the lower of NT$100 million or 20 percent of capital stock as of December 31, 2023: Please refer to Attachment 4.
i. Financial instruments and derivative transactions: None.

(3) Investment in Mainland China: Please refer to Attachment 7.

(4) Major shareholders information: There is no shareholder who owns above 5% securities of the Company as at December 31, 2023。

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.

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

B. Regional information

(a) From external customer revenue:

	For the years ended December 31,	
	2023	2022
Taiwan	$8,463,746	$10,220,464
Asia	17,706,959	18,561,606
North America	6,245,142	7,205,397
Others	609,460	794,529
Total	$33,025,307	$36,781,996

(b) Non-current assets information is as follows:

	December 31, 2023	December 31, 2022
Taiwan	$30,693,212	$32,817,663
Asia	14,071,473	13,849,598
Others	9,943	14,715
Total	$44,774,628	$46,681,976

(c) Important customer information

For the years ended December 31, 2023 and 2022, the information of external customer's revenue exceeding 10% of the Company’s consolidated revenue is as follows:

	For the years ended December 31,			
	2023		2022	
MediaTek Inc.	$3,297,106	10%	$4,454,468	12%

KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES

Attachment 1

MARKTEABLE SECURITIES HELD

As of December 31, 2023

(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, 2023				Note
					Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
The Company	Stock	Shieh Yong Investment Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	162,534,684	1,498,533	7.58%	1,498,533	
	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	4,915,673	14.55%	4,915,673	
	Stock	Movella Holdings Inc. (Note 1)	-	Non-current financial assets at fair value through other comprehensive income	258,419	4,800	0.51%	4,800	
	Stock	Baas Innovation Co., Ltd. (Note 2)	-	Non-current financial assets at fair value through other comprehensive income	315,999	10,144	1.23%	10,144	
	Stock	Unimicron Technology Corp. (Note 3)	-	Non-current financial assets at fair value through other comprehensive income	203,045	35,736	0.01%	35,736	
	Stock	CAL-COMP INDÚSTRIA DE SEMICONDUTORES S.A.	-	Non-current financial assets at fair value through other comprehensive income	11,965,500	76,795	17.16%	76,795	

Note 1：Due to Movella's group reorganization, the shares of Movella Inc. held by the Company have been converted to Movella Holding Inc.'s shares in August, 2023.

Note 2：Iroc Co., Ltd. was renamed Baas Innovation Co., Ltd. in June, 2023.

Note 3：Due to the share conversion transaction, the shares of Subtron Technology Co., Ltd. held by the Company have been converted into the shares of Unimicron Technology Corp. in January, 2023.

KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES

Attachment 2

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT$300 MILLION OR 20% OF THE CAPITAL PAID-IN

For the year ended December 31, 2023

(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	Amount			
King Long Technology (Suzhou) Ltd.	Land and building	2022.12.08 (Note)	$1,199,074	According to the trading term of purchase order, the Company has paid $659,490 thousand as of December 31, 2023.	Jiangsu Jianyuan Construction Co., Ltd.	None	Not applicable				Price comparison and bargaining	Purpose: to meet the needs of future operation and development Using status: ownership has not transferred	None

Note: Board of Directors approval date.

KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES

Attachment 3

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, 2023

(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	$2,993,768	12.47%	Month-end 75 days	-	-	$979,636	17.44 %
	Mediatek Singapore Pte. Ltd.	Subsidiary of MediaTek Inc.	Sales	$2,829,345	11.79%	Month-end 60 days	-	-	$787,331	14.02 %
	Airoha Technology Corp.	Subsidiary of MediaTek Inc.	Sales	$383,668	1.60%	Month-end 60 days	-	-	$101,357	1.80 %
King Long Technology (Suzhou) Ltd.	MediaTek Inc.	The chairman of the Company and the chairman of Mediatek Inc. are close relatives	Sales	$303,338	3.96%	Month-end 75 days	-	-	$67,896	3.50 %
	Mediatek Singapore Pte. Ltd.	Subsidiary of MediaTek Inc.	Sales	$115,458	1.51%	Month-end 75 days	-	-	$19,505	1.01 %
	Suzhou Zhengkuan Technology Ltd.	Subsidiary	Sales	$146,089	1.91%	Month-end 180 days	-	-	$89,512	4.62 %

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

As of December 31, 2023

(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	$1,080,388 (Note 1)	3.14	$-	-	$586,786	-
	Mediatek Singapore Pte. Ltd.	Subsidiary of MediaTek Inc.	$787,542 (Note 2)	3.76	$11,418	-	$527,414	-
	Airoha Technology Corp.	Subsidiary of MediaTek Inc.	$101,357	4.46	$-	-	$23,090	-
King Long Technology (Suzhou) Ltd.	KYEC	Parent Company	$218,066 (Note 3)	3.70	$10,883	-	$10,883	-
	Suzhou Zhengkuan Technology Ltd.	Subsidiary	$134,416 (Note 4)	1.72	$-	-	$19,846	-

Note 1： Includes other receivables - related party amounting to NT$100,752 thousand arising from handling charges, freights and tax fees.

Note 2： Includes other receivables - related party amounting to NT$211 thousand arising from customs clearance charges and freights.

Note 3： Includes other receivables - related party amounting to NT$215,535 thousand arising from disposal of equipments。

Note 4： Includes other receivables - related party amounting to NT$44,904 thousand arising from utility fees.

KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES

Attachment 5

INTERCOMPANY RELATIONSHIP AND SIGNIFICANT INTERCOMPANY TRANSACTIONS DURING THE REPORTING PERIOD

For the year ended December 31, 2023

(Amounts in New Taiwan Thousand Dollars, Unless Specified otherwise)

Number	Company name	Counterparty	Relationship	Finacial Statement Account	Amount	Transaction terms	% of Net revenues or total assets
0	KYEC	KYEC USA Corp.	1	Commission expense	$68,357	according to contract	0.21%
				Accrued expenses	11,238		0.02%
		King Long Technology (Suzhou) Ltd.		Receivable on equipment	47,683		0.06%
				Payables on equipment	225,435		0.31%
				Accounts receivable	5,536		0.01%
				Other receivables	17,193		0.02%
				Accrued expenses	218,016		0.29%
				Sales revenue	14,787		0.04%
				Equipment repair	2,501		0.01%
				Purchase	2,545		0.01%
				Deferred credits	115,567		0.16%
		KYEC Japan. K.K.		Accrued expenses	5,102		0.01%
				Commission expense	34,488		0.10%
		KYEC Singapore PTE. LTD.		Commission expense	29,256		0.09%
		Suzhou Zhengkuan Technology Ltd.		Accrued expenses	620		0.00%
				Deferred credits	9,757		0.01%
1	King Long Technology (Suzhou) Ltd.	Suzhou Zhengkuan Technology Ltd.	3	Sales revenue	146,089		0.44%
				Accounts receivable	89,512		0.12%
				Other receivables	44,904		0.06%

Note 1: The information of transactions between the Company and the conlidated 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, 2023

(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, 2023			Net Income (Loss) of the Investee	Investment income (loss) recognised by the Company for the year ended of December 31, 2023.	Note
				December 31,2023	December 31,2022	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 %	$14,081	$2,220	$2,220	
	KYEC Investment International Co., Ltd.	Note 2	Investing activities	5,292,315	5,292,315	164,923,636	100.00 %	11,359,408	1,779,126	1,779,126	
	KYEC Technology Management Co., Ltd.	Note 3	Investing activities	251,579	251,579	7,500,000	100.00 %	723,067	113,159	113,159	
	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 %	69,399	12,012	10,790	
	KYEC SINGAPORE PTE. LTD.	Note 5	Sales agent and business communication in Southeast Asia and Europe	1,830	1,830	78,000	100.00 %	11,578	1,028	1,028	
	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 %	62,966	63,430	14,050	
	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 %	31,016	10,896	3,704	
	King Ding Precision Incorporated Company	Note 8	Manufacturing, selling and wholesale of electronics parts and components and repairing of electronics related products	-	72,600	-	-	-	(5,752)	(5,774)	
KYEC Investment International Co., Ltd.	KYEC Microelectronics Co., Ltd.	Note 9	Investing activities	USD 116,155	USD 116,155	118,000,000	94.02 %	USD 369,953	USD 60,755	-	
KYEC Technology Management Co., Ltd.	KYEC Microelectronics Co., Ltd.	Note 9	Investing activities	USD 7,500	USD 7,500	7,500,000	5.98 %	USD 23,549	USD 60,755	-	

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 4：5F 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, 2023

(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, 2023	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2023	Net Income (Loss) of the Investee Company	Percentage of Ownership	Share of Profits/Losses (Note 5)	Carrying Amount as of December 31, 2023	Accumulated Inward Remittance of Earnings as of December 31, 2023
					Outflow	Inflow						
King Long Technology (Suzhou) Ltd.	Note 1	$2,391,646 (CNY 551,637)	Indirectly investment in Mainland China through companies registered in a third region (Note 2)	$3,796,827 (USD 123,655)	$-	$-	$3,796,827 (USD 123,655)	$2,067,067 (USD 66,367)	91.54%	$1,892,285 (USD 60,755)	$12,082,475 (USD 393,502)	$-
Suzhou Zhengkuan Technology Ltd.	Note 3	$2,312,355 (CNY 533,348)	Indirectly investment in Mainland China through companies registered in a third region (Note 4)	$1,497,441 (USD 48,769)	$-	$-	$1,497,441 (USD 48,769)	$241,916 (USD 7,673)	91.54%	$221,460 (USD 7,024)	$995,331 (USD 32,416)	$-

Accumulated Investment in Mainland China as of December 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$5,294,268 (USD 172,424)	$5,294,268 (USD 172,424)	$23,341,805

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 integarted 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.

PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
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.

安永聯合會計師事務所

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E-3, No. 1, Lixing 1st Rd., Hsinchu Science Park
Hsinchu City, Taiwan, R.O.C.

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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 parent company only balance sheets of King Yuan Electronics Co., Ltd. as of December 31, 2023 and 2022, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2023 and 2022, 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, 2023 and 2022, and its financial performance and cash flows for the years ended December 31, 2023 and 2022, 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 Financial Statement Audit and Attestation Engagements of 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 2023 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.

<u>Revenue recognition</u>
King Yuan Electronics Co., Ltd. recognized NT$24,005,557 thousand as net sales. Its main activities are providing testing and assembly services that represented 86.5%, or NT$20,752,854 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 2023 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
February 23, 2024

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, 2023 and 2022

(Amounts in thousands of New Taiwan Dollars)

ASSETS	Notes	December 31, 2023	%	December 31, 2022	%
Current assets					
Cash and cash equivalents	4, 6(1)	$8,882,025	14	$10,006,747	15
Contract assets-current	4, 6(14), 6(15), 7	414,846	1	143,710	-
Notes receivable, net	4, 6(3), 6(15)	-	-	7,218	-
Accounts receivable, net	4, 6(4), 6(15)	3,312,182	5	3,491,838	5
Accounts receivable from related parties, net	4, 6(4), 6(15), 7	1,890,418	3	1,782,489	3
Other receivables	4, 6(15)	133,265	-	395,412	-
Other receivables from related parties	4, 7	118,170	-	414,497	1
Inventories, net	4, 6(5)	893,393	1	1,119,883	2
Prepayments	6(6)	111,898	-	82,389	-
Other current assets		62,568	-	54,930	-
Total current assets		15,818,765	24	17,499,113	26
Non-current assets					
Financial assets at fair value through other comprehensive income-non-current	4, 6(2)	6,541,681	10	4,794,451	8
Investments accounted for using the equity method	4, 6(7)	12,146,191	19	10,494,138	16
Property, plant and equipment	4, 6(8), 7, 8	30,253,819	46	32,335,080	49
Right-of-use assets	4, 6(16)	438,829	1	457,148	1
Intangible assets	4, 6(9)	11,732	-	35,832	-
Deferred tax assets	4, 6(19), 6(20)	302,946	-	296,256	-
Other financial assets-non-current	8	147,333	-	146,462	-
Other non-current assets		5,300	-	5,395	-
Total non-current assets		49,847,831	76	48,564,762	74
Total assets		$65,666,596	100	$66,063,875	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, 2023 and 2022

(Amounts in thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	Notes	December 31, 2023	%	December 31, 2022	%
Current liabilities					
Notes payable		$858	-	$11,446	-
Accounts payable		492,018	1	446,534	1
Accounts payable to related parties	7	7,187	-	6,215	-
Other payables		2,978,167	5	3,312,528	5
Other payables to related parties	7	304,955	-	113,008	-
Payables on equipment		512,108	1	695,344	1
Current tax liabilities	4, 6(20)	301,938	-	1,082,570	1
Lease liabilities-current	4, 6(16)	24,065	-	22,581	-
Other current liabilities	4, 6(10)	1,096,223	2	1,151,448	2
Total current liabilities		5,717,519	9	6,841,674	10
Non-current liabilities					
Long-term loans	4, 6(11), 8, 9	17,704,154	27	20,488,747	31
Deferred tax liabilities	4, 6(19), 6(20)	2,232,287	3	1,504,657	2
Lease liabilities-non-current	4, 6(16)	430,499	1	447,885	1
Net defined benefit liabilities	4, 6(12)	645,076	1	657,844	1
Guarantee deposits		34,052	-	33,090	-
Total non-current liabilities		21,046,068	32	23,132,223	35
Total liabilities		26,763,587	41	29,973,897	45
Equity					
Share capital	4, 6(13)				
Common stock		12,227,451	19	12,227,451	19
Capital surplus	4, 6(7), 6(13)	4,955,581	7	4,953,859	7
Retained earnings	4, 6(2), 6(13)				
Legal reserve		4,177,574	6	3,499,434	6
Special reserve		201,416	-	201,416	-
Undistributed earnings		14,133,456	22	13,213,921	20
Total retained earnings		18,512,446	28	16,914,771	26
Other equity	4, 6(13)	3,207,531	5	1,993,897	3
Total equity		38,903,009	59	36,089,978	55
Total liabilities and equity		$65,666,596	100	$66,063,875	100

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 COMPREHENSIVE INCOME

For the years ended December 31, 2023 and 2022

(Amounts in thousands of New Taiwan Dollars, except for earnings per share)

Description	Notes	2023	%	2022	%
Net sales	4, 6(14), 6(16), 7	$24,005,557	100	$27,619,107	100
Operating costs	4, 6(5), 6(9), 6(12), 6(16), 6(17), 7	(16,076,305)	(67)	(18,093,056)	(66)
Gross profit		7,929,252	33	9,526,051	34
	4, 6(9), 6(12), 6(16), 6(17), 7				
Operating expenses					
Selling expenses		(400,767)	(2)	(382,297)	(1)
Administrative expenses		(1,475,031)	(6)	(1,680,801)	(6)
Research and development expenses		(811,514)	(3)	(855,697)	(3)
Total operating expenses		(2,687,312)	(11)	(2,918,795)	(10)
Operating income		5,241,940	22	6,607,256	24
Non-operating income and expenses	4, 6(2), 6(7), 6(18), 7				
Interest income		64,519	-	20,855	-
Other income		263,493	1	249,436	1
Other gains and losses		195,477	1	194,251	-
Finance costs		(515,953)	(2)	(348,836)	(1)
Share of profit of associates accounted for using the equity method		1,918,303	8	1,808,991	7
Total non-operating income and expenses		1,925,839	8	1,924,697	7
Net income before income tax		7,167,779	30	8,531,953	31
Income tax expense	4, 6(20)	(1,327,414)	(6)	(1,695,344)	(6)
Net income		5,840,365	24	6,836,609	25
Other comprehensive income	4, 6(19), 6(20)				
Items that will not be reclassified subsequently to profit or loss:					
Remeasurements of the defined benefit plan		20,738	-	(55,210)	-
Unrealized gains and losses from equity instrument investments measured at fair value through other comprehensive income		1,747,230	7	(1,752,026)	(6)
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		(346,210)	(1)	369,890	1
Items that will be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial statements of foreign operations		(214,008)	(1)	132,437	-
Income tax related to components of other comprehensive income that will be reclassified to profit or loss		42,802	-	(26,487)	-
Other comprehensive income, net of tax		1,250,552	5	(1,331,396)	(5)
Total comprehensive income		$7,090,917	29	$5,505,213	20
Earnings per share (NT$)	4, 6(21)				
Basic Earnings Per Share		$4.78		$5.59	
Diluted Earnings Per Share		$4.74		$5.49	

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, 2023 and 2022

(Amounts in thousands of New Taiwan Dollars)

			Retained earnings			Other equity		
Description	Common stock	Capital surplus	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	Total Equity
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
Balance as of January 1, 2023	$12,227,451	$4,953,859	$3,499,434	$201,416	$13,213,921	$(284,878)	$2,278,775	$36,089,978
Appropriation and distribution of 2022 earnings :								
Legal reserve	-	-	678,140	-	(678,140)	-	-	-
Cash dividends	-	-	-	-	(4,279,608)	-	-	(4,279,608)
Profit for the year ended December 31, 2023	-	-	-	-	5,840,365	-	-	5,840,365
Other comprehensive income for the year ended December 31, 2023	-	-	-	-	20,738	(171,206)	1,401,020	1,250,552
Total comprehensive income	-	-	-	-	5,861,103	(171,206)	1,401,020	7,090,917
Changes in ownership interests in subsidiaries	-	1,722	-	-	-	-	-	1,722
Disposal of equity instrument investments measured at fair value through other comprehensive income	-	-	-	-	16,180	-	(16,180)	-
Balance as of December 31, 2023	$12,227,451	$4,955,581	$4,177,574	$201,416	$14,133,456	$(456,084)	$3,663,615	$38,903,009

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, 2023 and 2022

(Amounts in thousands of New Taiwan Dollars)

Description	2023	2022	Description	2023	2022
Cash flows from operating activities :			**Cash flows from investing activities :**		
Profit before tax from continuing operations	$7,167,779	$8,531,953	Proceeds from disposal of investments accounted for using the equity method	68,954	-
Adjustments for:			Acquisition of property, plant and equipment	(4,805,836)	(6,578,542)
The profit or loss items which did not affect cash flows:			Proceeds from disposal of property, plant and equipment	752,538	1,406,145
Depreciation	6,610,001	7,103,467	Increase in refundable deposits	-	(1)
Amortization	27,284	40,899	Decrease in refundable deposits	95	-
Interest expenses	515,953	348,836	Acquisition of intangible assets	(3,184)	(7,484)
Interest income	(64,519)	(20,855)	Increase in other financial assets	(871)	(40,490)
Dividend income	(99,233)	(96,288)	Dividend received	114,053	109,278
Investment gain accounted for using the equity method	(1,918,303)	(1,808,991)	Net cash used in investing activities	(3,874,251)	(5,111,094)
Gain on disposal of property, plant and equipment	(114,436)	(75,405)			
Loss on disposal of other assets	19	-			
Unrealized foreign exchange (gains) losses	(327,775)	476,200			
Changes in operating assets and liabilities：			**Cash flows from financing activities :**		
Contract assets	(271,136)	34,886	Borrowing in long-term loans	12,247,742	15,785,329
Notes receivable	7,218	488	Repayments of long-term loans	(14,715,957)	(17,064,745)
Accounts receivable	179,656	412,883	Increase in deposits received	962	-
Accounts receivable from related parties	(107,929)	298,851	Decrease in deposits received	-	(761)
Other receivables	259,988	(77,407)	Cash payments for the principal portion of the lease liabilities	(22,883)	(85,762)
Other receivables from related parties	(81,352)	(36,124)	Cash dividends	(4,279,608)	(3,668,235)
Inventories	226,490	(90,103)	Interest paid	(530,086)	(291,680)
Prepayments	(4,544)	(8,456)	Net cash used in financing activities	(7,299,830)	(5,325,854)
Other current assets	(7,638)	11,948			
Notes payable	(10,588)	1,380			
Accounts payable	45,484	(331,133)			
Accounts payable to related parties	972	(15,199)			
Other payables	(308,831)	(53,328)			
Other payables to related parties	(2,269)	(3,508)			
Other current liabilities	(55,225)	269,204			
Accrued pension liabilities	7,970	(7,588)			
Cash generated from operating activities	11,675,036	14,906,610			
Interest received	64,837	18,326	Net (decrease) increase in cash and cash equivalents	(1,124,722)	3,586,439
Income tax paid	(1,690,514)	(901,549)	Cash and cash equivalents at the beginning of the year	10,006,747	6,420,308
Net cash provided by operating activities	10,049,359	14,023,387	Cash and cash equivalents at the end of the year	$8,882,025	$10,006,747

The accompanying notes are an integral part of the parent company only financial statements.

1. Organization and Operation

King Yuan Electronics Co., Ltd. ("the Company" or "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. 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 February 23, 2024.

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, 2023. 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	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2024
B	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	January 1, 2024
C	Non-current Liabilities with Covenants – Amendments to IAS 1	January 1, 2024
D	Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7	January 1, 2024

(A) 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.

(B) 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.

(C) 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.

(D) Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7

The amendments introduced additional information of supplier finance arrangements and added disclosure requirements for such arrangements.

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

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, 2024 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	Lack of Exchangeability – Amendments to IAS 21	January 1, 2025

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. Lack of Exchangeability – Amendments to IAS 21

These amendments specify whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide. The amendments apply for annual reporting periods beginning on or after January 1, 2025.

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 Material 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.

Foreign currency transactions

The parent company only financial statements are presented in NT$, which is also the Company’ 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 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
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.

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 labilities, 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 though 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 for 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 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 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	31～35 years
Plant equipment	5～20 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 residual values, useful lives and methods of depreciation of property, plant and equipment 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 form 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 contacts 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 37 as 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.

According to the temporary exception in the International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12), information about deferred tax assets and liabilities related to Pillar Two income tax will neither be recognized nor be disclosed.

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.

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

6. Contents of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2023	December 31, 2022
Checking and savings accounts	$6,882,025	$7,906,747
Time deposits	2,000,000	2,100,000
Total	$8,882,025	$10,006,747

(2) Financial assets at fair value through other comprehensive income

	December 31, 2023	December 31, 2022
Equity instrument investments measured at fair value through other comprehensive income- non-current		
Listed company's stocks	$50,680	$39,359
Unlisted company's stocks	6,491,001	4,755,092
Total	$6,541,681	$4,794,451

The Company has equity instrument investments measured at fair value through other comprehensive income. Details on dividends recognized for the years of 2023 and 2022 are as follows:

	For the years ended December 31,	
	2023	2022
Dividends revenue related to investments held at the end of the reporting period	$99,233	$96,288

Due to the shares swap conducted by the investee company, the Company transferred the cumulative gain of NT$16,180 thousand from other equity to retained earnings in 2023. No such transaction occurred in 2022.

Financial assets at fair value through other comprehensive income were not pledged.

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

(3) Notes receivable

	December 31, 2023	December 31, 2022
Notes receivable from operating activities	$-	$7,218
Less: loss allowance	-	-
Total	$-	$7,218

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, 2023	December 31, 2022
Trade receivables	$3,325,289	$3,504,945
Less: loss allowance	(13,107)	(13,107)
Subtotal	3,312,182	3,491,838
Trade receivables from related parties	1,890,418	1,782,489
Less: loss allowance	-	-
Subtotal	1,890,418	1,782,489
Total	$5,202,600	$5,274,327

No trade receivables were pledged.

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, 2023 and 2022. Please refer to Note 12 for more details on credit risk.

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

(5) Inventories

	December 31, 2023	December 31, 2022
Raw materials	$676,073	$825,077
Work in progress	217,320	294,806
Total	$893,393	$1,119,883

The cost of inventories recognized in operating costs for the year ended December 31, 2023 amounted to NT$16,076,305 thousand, including the write-down of inventories of NT$3,432 thousand, and scrap loss of NT$7,470 thousand, respectively.

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.

No inventories were pledged.

(6) Prepayments

	December 31, 2023	December 31, 2022
Prepaid equipment	$45,613	$20,649
Prepaid expenses	15,871	13,838
Input tax	38,466	29,859
Others	11,948	18,043
Total	$111,898	$82,389

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

(7) Investments accounted for using the equity method

	December 31, 2023		December 31, 2022	
Investees	Carrying amount	Percentage of ownership	Carrying amount	Percentage of ownership
Subsidiaries:				
KYEC USA Corp.	$14,081	100.00%	$11,821	100.00%
KYEC Investment International Co., Ltd.	11,359,408	100.00%	9,776,053	100.00%
KYEC Technology Management Co., Ltd.	723,067	100.00%	622,360	100.00%
KYEC Japan K.K.	69,399	89.83%	63,078	89.83%
KYEC SINGAPORE PTE. LTD.	11,578	100.00%	10,184	100.00%
King Ding Precision Incorporated Company	-	(Note)	74,728	100.00%
Subtotal	12,177,533		10,558,224	
Investments in associates:				
Fixwell Technology Corp.	62,966	23.33%	60,676	23.33%
Wei Jiu Industrial Co., Ltd.	31,016	34.00%	30,372	34.00%
Subtotal	93,982		91,048	
Less: deferred credits	(125,324)		(155,134)	
Total	$12,146,191		$10,494,138	

Note: The subsidiary – King Ding Precision Incorporated Company has been liquidated on October 20, 2023, and returned its capital amount NT$68,954 thousand.

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.

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

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) Ltd. changed due to the exercise of employee stock options and new shares issued. The changes, NT$1,722 thousand and NT$68,725 thousand for the years ended December 31, 2023 and 2022, 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,	
	2023	2022
Net income	$17,754	$24,912
Other comprehensive income, net of tax	-	-
Total comprehensive income	$17,754	$24,912

The investments mentioned above were not pledged.

(8) Property, plant and equipment

	December 31, 2023	December 31, 2022
Owner occupied property, plant and equipment	$30,098,817	$32,105,774
Property, plant and equipment leased out under operating leases	155,002	229,306
Total	$30,253,819	$32,335,080

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

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, 2023	$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
Additions	-	28,737	761,573	3,499,387	46,683	11,598	262,929	-	205,111	4,816,018
Disposals	-	-	(148,753)	(3,251,379)	(13,381)	(2,885)	(138,705)	-	-	(3,555,103)
Transfers	-	42,003	-	20,688	-	-	-	-	(24,965)	37,726
As of December 31, 2023	$1,660,896	$5,264,304	$11,002,238	$83,172,235	$803,780	$64,631	$4,977,132	$4,425	$1,597,012	$108,546,653
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

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

	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, 2023	$-	$1,663,699	$6,979,710	$62,277,941	$590,948	$42,829	$3,583,718	$3,393	$-	$75,142,238
Depreciation	-	165,701	517,829	5,462,769	53,700	4,345	331,662	442	-	6,536,448
Disposals	-	-	(148,753)	(2,962,992)	(13,381)	(2,885)	(138,700)	-	-	(3,266,711)
Transfers	-	30,599	-	5,262	-	-	-	-	-	35,861
As of December 31, 2023	$-	$1,859,999	$7,348,786	$64,782,980	$631,267	$44,289	$3,776,680	$3,835	$-	$78,447,836
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)
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
Net carrying amount as at:										
December 31, 2023	$1,660,896	$3,404,305	$3,653,452	$18,389,255	$172,513	$20,342	$1,200,452	$590	$1,597,012	$30,098,817
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

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

B. Property, plant and equipment leased out under operating leases

	Buildings and facilities	Machinery and equipment	Total
Cost:			
As at January 1, 2023	$310,128	$375,902	$686,030
Additions	-	798	798
Disposals	-	-	-
Transfers	(42,003)	(20,688)	(62,691)
As at December 31, 2023	$268,125	$356,012	$624,137
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	$310,128	$375,902	$686,030
Accumulated depreciation and impairment:			
As at January 1, 2023	$216,245	$240,479	$456,724
Depreciation	8,650	39,622	48,272
Disposals	-	-	-
Transfers	(30,599)	(5,262)	(35,861)
As at December 31, 2023	$194,296	$274,839	$469,135
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	$216,245	$240,479	$456,724
Net carrying amounts as at:			
December 31, 2023	$73,829	$81,173	$155,002
December 31, 2022	$93,883	$135,423	$229,306

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

C. Capitalized borrowing costs of property, plant and equipment are as follows:

	For the years ended December 31,	
	2023	2022
Construction in progress	$42,244	$43,647
Capitalization rate of borrowing costs	2.86%~3.15%	1.02%~2.95%

D. The investing activities partially influenced the cash flow are as follows:

	For the years ended December 31,	
	2023	2022
Acquisition of property, plant and equipment	$4,816,816	$6,034,943
Net decrease in payables to equipment suppliers	183,236	540,379
Net decrease (increase) in other payables - related parties	(194,216)	3,220
Total	$4,805,836	$6,578,542

	For the years ended December 31,	
	2023	2022
Disposal of property, plant and equipment	$373,018	$1,355,171
Net decrease (increase) in other receivables	1,841	(1,194)
Net decrease in other receivables - related parties	377,679	52,168
Total	$752,538	$1,406,145

E. Please refer to Note 8 for property, plant and equipment under pledges.

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

(9) Intangible assets

	Software
Cost:	
As of January 1, 2023	$108,458
Additions from acquisitions	3,184
Disposals	(60,135)
As of December 31, 2023	$51,507
As of January 1, 2022	$140,525
Additions from acquisitions	7,484
Disposals	(39,551)
As of December 31, 2022	$108,458
Amortization and impairment:	
As of January 1, 2023	$72,626
Amortization	27,284
Disposals	(60,135)
As of December 31, 2023	$39,775
As of January 1, 2022	$71,278
Amortization	40,899
Disposals	(39,551)
As of December 31, 2022	$72,626
Net carrying amount as of:	
December 31, 2023	$11,732
December 31, 2022	$35,832

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

Amortization expenses of intangible assets recognized are as follows:

	For the years ended December 31,	
	2023	2022
Operating costs	$12,298	$15,159
Selling and administrative expenses	12,211	21,779
Research and development expenses	2,775	3,961
Total	$27,284	$40,899

(10) Other current liabilities

	December 31, 2023	December 31, 2022
Refund liabilities	$546,968	$450,819
Receipts on behalf of others	544,180	692,485
Others	5,075	8,144
Total	$1,096,223	$1,151,448

(11) Long-term borrowings

As of December 31, 2023

Lenders	Nature	Maturity Date	Balance	Terms of repayment
Shanghai Commerical Bank	Unsecured bank loans	2025.03.10	$982,560	Revolving Credit
Bank of China	Unsecured bank loans	2025.10.14	368,460	Revolving Credit
Cathay United Bank	Unsecured bank loans	2025.12.25	460,575	Revolving Credit
HSBC Taiwan Bank	Unsecured bank loans	2026.09.30	276,345	Revolving Credit
Mega Bank	Unsecured bank loans	2025.04.28	798,330	Revolving Credit

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

Lenders	Nature	Maturity Date	Balance	Terms of repayment
Mega Bank	Unsecured bank loans	2028.03.15	45,680	50% of principal will be repaid on September 15, 2025. The remaining principal will be repaid on maturity day.
Mega Bank	Unsecured bank loans	2028.03.15	1,400,000	Repay at maturity
Far Eastern Bank	Unsecured bank loans	2025.06.23	300,000	Repay at maturity
First Bank	Unsecured bank loans	2026.07.01	460,575	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	2027.10.11	553,621	50% of principal will be repaid on April 11, 2027. The remaining principal will be repaid on maturity day.
Taipei Fubon Commercial Bank	Unsecured bank loans	2026.05.12	50,000	50% of principal will be repaid on November 12, 2025. The remaining principal will be repaid on maturity day.
Bank of Taiwan	Unsecured bank loans	2026.10.20	300,000	50% of principal will be repaid on April 20, 2025. The remaining principal will be repaid on maturity day.
Mega Bank and 13 others (Note)	Mortgage bank loans	2025.10.12	5,340,000	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	3,180,000	Revolving credit. Renewable every three months. Credit has not been fully utilized.

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

Lenders	Nature	Maturity Date	Balance	Terms of repayment
Bank of Taiwan and 15 others (Note)	Mortgage bank loans	2028.04.06	200,000	25% of principal will be repaid on October 6, 2026. The remaining principal will be repaid on maturity day.
Bank of Taiwan and 15 others (Note)	Commercial paper loans	2028.04.06	3,000,000	Revolving credit. Renewable every three months. Credit has not been fully utilized.
Subtotal			17,716,146	
Less: current portion			-	
Less: arrangement fee			-	
Less: unamortized discount			(11,992)	
Total			$17,704,154	
Interest Rates			1.89%~6.45%	

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
SMBC Taipei Branch	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

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

Lenders	Nature	Maturity Date	Balance	Terms of repayment
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.

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

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)	Mortgage 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%	

Note: A. Certain property, plant and equipment were pledged. Please refer to Note 8 for more details.

B. Please refer to Note 9 for the financial covenants during the loan period.

C. The Company's unused short-term lines of credits amounted to NT$5,602,321 thousand and NT$4,691,138 thousand as of December 31, 2023 and 2022, 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, 2023 and 2022 were NT$189,539 thousand and NT$201,466 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.

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

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$17,004 thousand to its defined benefit plan during the 12 months beginning after December 31, 2023.

The maturities of the defined benefits plan as at December 31, 2023 and 2022 are in 2042 and 2058.

Pension costs recognized in profit or loss for the years ended December 31, 2023 and 2022:

	For the years ended December 31,	
	2023	2022
Current period service costs	$15,690	$5,819
Interest income or expense	9,276	4,149
Overestimate (underestimate)	-	(52)
Total	$24,966	$9,916

Changes in the defined benefit obligation and fair value of plan assets are as follows:

	For the years ended December 31,	
	2023	2022
Defined benefit obligation	$960,613	$969,496
Plan assets at fair value	(315,547)	(311,652)
Overestimate	10	-
Other non-current liabilities - accrued pension liabilities recognized on the balance sheets	$645,076	$657,844

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

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, 2022	$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
Current period service costs	15,690	-	15,690
Net interest expense (income)	13,670	(4,394)	9,276
Subtotal	998,856	(316,046)	682,810
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	(10,981)	-	(10,981)
Actuarial gains and losses arising from changes in financial assumptions	12,278	-	12,278

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

	Defined benefit obligation	Fair value of plan assets	Benefit liability (asset)
Experience adjustments	(21,143)	-	(21,143)
Return on plan assets	-	(892)	(892)
Subtotal	(19,846)	(892)	(20,738)
Payments from the plan	(18,397)	18,397	-
Contributions by employer	-	(17,006)	(17,006)
As at December 31, 2023	$960,613	$(315,547)	$645,066

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	December 31, 2023	December 31, 2022
Discount rate	1.33%	1.41%
Expected rate of salary increases	3.00%	3.00%

A sensitivity analysis for significant assumptions as at December 31, 2023 and 2022 is shown as below:

	Effect on the defined benefit obligation			
	2023		2022	
	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%	$-	$(73,090)	$-	$(75,998)
Discount rate decrease by 0.5%	80,746	-	84,013	-
Future salary increase by 0.5%	78,968	-	82,231	-
Future salary decrease by 0.5%	-	(72,295)	-	(75,228)

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.

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

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, 2023 and 2022, 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

	December 31, 2023	December 31, 2022
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	611,958	610,236
Total	$4,955,581	$4,953,859

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.

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:

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

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, 2023 and 2022, special reserve set aside for the first-time adoption of TIFRS amounted to NT$201,416 thousand.

The appropriations for earnings for 2022 were resolved by the shareholders in its meeting on May 30, 2023, while the proposed appropriation of earnings for 2023 were approved by Board of Directors on February 23, 2024. The appropriations and dividends per share were as follows:

	Appropriation of earnings		Dividend per share (NT$)	
	2023	2022	2023	2022
Legal reserve	$586,110	$678,140		
Cash dividends-common stock	3,912,784	4,279,608	$3.20	$3.50

Please refer to Note 6(17) for information regarding the employees' compensation (bonuses) and remuneration to directors.

(14) Operating revenue

	For the years ended December 31,	
	2023	2022
Assembly and testing processing revenue	$20,752,854	$22,834,524
Revenue from rental of machinery	2,292,278	3,247,145
Rental income from property	50,195	55,492
Other operating revenue	910,230	1,481,946
Total revenue	$24,005,557	$27,619,107

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

Relevant information of revenue from contracts with customers for the years ended December 31, 2023 and 2022 are as follows:

A. Disaggregation of revenue

Nature of revenue	Timing of revenue recognition	For the years ended December 31, 2023	For the years ended December 31, 2022
Rendering of services	Over time	$20,752,854	$22,834,524
Revenue from rental of machinery	Over time	2,292,278	3,247,145
Rental income from property	On a straight-line basis or on a systematic basis (Note)	50,195	55,492
Other operating revenue	At a point in time	910,230	1,481,946
Total		$24,005,557	$27,619,107

Note: Please refer to Note 6(16) for information regarding leases.

B. Contract balances

Contract assets – current

Nature of revenue	2023.12.31	2022.12.31	2022.01.01
Rendering of services	$414,846	$143,710	$178,596

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, 2023 and 2022 are as follows:

	For the years ended December 31, 2023	For the years ended December 31, 2022
The opening balance transferred to trade receivables	$143,710	$178,596
Degree of completion measurement	$414,846	$143,710

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

(15) Expected credit losses

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, 2023 and 2022 are as follows:

A. The gross carrying amount of contract assets is NT$414,846 thousand and NT$143,710 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, 2023

	Not yet due	Overdue				
Group 1	(Note)	1-90 days	91-180 days	181-365 days	>366 days	Total
Gross carrying amount	$5,173,807	$34,140	$-	$-	$3,983	$5,211,930
Loss ratio	-%	-%	1%	2%	5%	
Lifetime expected credit losses	(9,131)	-	-	-	(199)	(9,330)
Subtotal	5,164,676	34,140	-	-	3,784	5,202,600

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

Group 2	Not yet due (Note)	Overdue 1-90 days	91-180 days	181-365 days	>366 days	Total
Gross carrying amount	$631	$-	$-	$-	$3,146	$3,777
Loss ratio	100%	100%	100%	100%	100%	
Lifetime expected credit losses	(631)	-	-	-	(3,146)	(3,777)
Subtotal	-	-	-	-	-	-
Total						$5,202,600

As at December 31, 2022

Group 1	Not yet due (Note)	Overdue 1-90 days	91-180 days	181-365 days	>366 days	Total
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

Group 2	Not yet due (Note)	Overdue 1-90 days	91-180 days	181-365 days	>366 days	Total
Gross carrying amount	$2,412	$-	$-	$307	$5,922	$8,641
Loss ratio	100%	100%	100%	100%	100%	
Lifetime expected credit losses	(2,412)	-	-	(307)	(5,922)	(8,641)
Subtotal	-	-	-	-	-	-
Total						$5,281,545

Note: The Company’s notes receivable are not overdue.

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

The movement in the provision for impairment of contract assets, notes receivable, and trade receivables for the years ended December 31, 2023 and 2022 is as follows:

	Contract assets	Notes receivable	Trade receivables	Other receivables
Beginning balance as at January 1, 2023	$-	$-	$13,107	$444
Addition for the current period	-	-	-	-
Write off (Note)	-	-	-	-
Ending balance as at December 31, 2023	$-	$-	$13,107	$444
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	$-	$-	$13,107	$444

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 1 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 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.

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

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, 2023	December 31, 2022
Land	$426,750	$440,501
Buildings and facilities	3,877	5,985
Transportation equipment	8,202	10,662
Total	$438,829	$457,148

During the year ended December 31, 2023, the Company's additions to right-of-use assets amounted to NT$1,368 thousand. No such transaction occurred in 2022.

During the year ended December 31, 2022, 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. No such transaction occurred in 2023.

(b) Lease liabilities

	December 31, 2023	December 31, 2022
Lease liabilities- current	$24,065	$22,581
Lease liabilities- non-current	430,499	447,885
Total	$454,564	$470,466

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

Please refer to Note 6(18) C for the interest on lease liabilities recognized during the years ended December 31, 2023 and 2022, and refer to Note 12(3) section E Liquidity Risk Management for the maturity analysis for lease liabilities as at December 31, 2023 and 2022.

b. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	For the years ended December 31,	
	2023	2022
Land	$18,839	$18,867
Building	3,982	3,215
Machinery and equipment	-	5,609
Transportation equipment	2,460	2,460
Total	$25,281	$30,151

c. Income and costs relating to leasing activities

	For the years ended December 31,	
	2023	2022
The expenses relating to short-term leases	$13,537	$36,667
The expenses relating to leases of low-value assets (not including the expenses relating to short-term leases of low-value assets)	594	556
Total	$14,131	$37,223

d. Cash outflows relating to leasing activities

During the years ended December 31, 2023 and 2022, the Company's total cash outflows for leases amounted to NT$45,767 thousand and NT$132,220 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 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 six 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,	
	2023	2022
Lease income for operating leases		
Income relating to fixed lease payments and variable lease payments that depend on an index or a rate	$50,195	$55,492

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

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, 2023 and 2022 are as follow:

	December 31, 2023	December 31, 2022
Not later than one year	$32,189	$29,212
Later than one year and not later than five years	7,065	8,828
Later than five years	554	1,832
Total	$39,808	$39,872

(17) Summary statement of employee benefits, depreciation and amortization expenses by function for the years ended December 31, 2023 and 2022:

	For the years ended December 31,					
	2023			2022		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	$4,347,076	$1,023,246	$5,370,322	$4,809,555	$1,103,600	$5,913,155
Labor and health insurance	443,040	75,548	518,588	452,692	70,529	523,221
Pension	173,175	41,330	214,505	173,192	38,190	211,382
Remuneration of directors	-	69,299	69,299	-	74,630	74,630
Other employee benefits expense	225,508	32,681	258,189	204,536	28,320	232,856
Total	$5,188,799	$1,242,104	$6,430,903	$5,639,975	$1,315,269	$6,955,244
Depreciation	$6,099,277	$510,724	$6,610,001	$6,561,535	$541,932	$7,103,467
Amortization	$12,298	$14,986	$27,284	$15,159	$25,740	$40,899

The average total number of employees was 7,191 and 7,314 as of December 31, 2023 and 2022, respectively. The total number of Board of Directors who has not served as employees was 8 and 7, respectively.

A. The average amount of employee benefits expense was NT$886 thousand and NT$942 thousand as of December 31, 2023 and 2022, respectively.
B. The average amount of salaries was NT$748 thousand and NT$809 thousand as of December 31, 2023 and 2022, respectively.
C. The change rate of average amount of salaries was (7.5%) and 5.9% for the years ended December 31, 2023 and 2022, respectively.
D. The remuneration to supervisors were estimated to be 0 thousand and 0 thousand for the years ended December 31, 2023 and 2022, 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, 2023 to be 8% of profit of current period (or NT$626,838 thousand) and 0.8% of profit of current period (or NT$62,684 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 February 23, 2024 to distribute NT$626,838 thousand and NT$62,684 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, 2023.

Actual distribution of employees' compensation and remuneration to directors of 2022 amounted to NT$746,296 thousand and NT$74,630 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, 2022.

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

(18) Non-operating income and expenses

A. Other income

	For the years ended December 31,	
	2023	2022
Dividend income	$99,233	$96,288
Scrape income	7,684	8,234
Others	156,576	144,914
Total	$263,493	$249,436

B. Other gains and losses

	For the years ended December 31,	
	2023	2022
Gains on disposal of property, plant and equipment	$114,436	$75,405
Foreign exchange gains, net	83,327	119,898
Others	(2,286)	(1,052)
Total	$195,477	$194,251

C. Finance costs

	For the years ended December 31,	
	2023	2022
Interest expenses on borrowings from bank	$507,200	$339,601
Interest expenses on lease liabilities	8,753	9,235
Total	$515,953	$348,836

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

(19) Components of other comprehensive income

For the year ended December 31, 2023

	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	$20,738	$-	$20,738	$-	$20,738
Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income	1,747,230	-	1,747,230	(346,210)	1,401,020
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	(214,008)	-	(214,008)	42,802	(171,206)
Total of other comprehensive income	$1,553,960	$-	$1,553,960	$(303,408)	$1,250,552

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

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)

(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, 2023	2022
Current income tax expense:		
Current income tax charge	$1,014,557	$1,448,430
Adjustments in respect of current income tax of prior periods	(104,675)	(39,120)
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	417,532	286,034
Income tax expense recognized in profit or loss	$1,327,414	$1,695,344

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

Income tax relating to components of other comprehensive income

	For the years ended December 31,	
	2023	2022
Deferred tax expense (income):		
Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income	$346,210	$(369,890)
Exchange differences resulting from translating the financial statements of foreign operations	(42,802)	26,487
Income tax relating to components of other comprehensive income	$303,408	$(343,403)

Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the years ended December 31,	
	2023	2022
Accounting profit before tax from continuing operations	$7,167,779	$8,531,953
Tax at the domestic rates applicable to profits in the country concerned	$1,433,556	$1,706,391
Tax effect of expenses not deductible for tax purposes	(418,999)	(257,961)
Tax effect of deferred tax assets/liabilities	417,532	286,034
Adjustments in respect of current income tax of prior periods	(104,675)	(39,120)
Total income tax expense recognized in profit or loss	$1,327,414	$1,695,344

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

Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2023

	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	$72,318	$(49,379)	$-	$-	$-	$22,939
Impairment loss of goodwill	12,650	-	-	-	-	12,650
Other impairment loss	982	(544)	-	-	-	438
Depreciation difference for tax purpose	31,027	(5,962)	-	-	-	25,065
Unrealized sales discount	90,164	19,230	-	-	-	109,394
Investments accounted for using the equity method	(931,714)	(381,264)	-	-	-	(1,312,978)
Exchange differences resulting from translating the financial statements of foreign operations	71,220	-	42,802	-	-	114,022
Unrealized investment gains and losses	(572,943)	(156)	(346,210)	-	-	(919,309)
Others	17,895	543	-	-	-	18,438
Deferred tax income/ (expense)		$(417,532)	$(303,408)	$-	$-	
Net deferred tax assets/(liabilities)	$(1,208,401)					$(1,929,341)
Reflected in balance sheet as follows:						
Deferred tax assets	$296,256					$302,946
Deferred tax liabilities	$1,504,657					$2,232,287

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

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)		$(286,034)	$343,403	$-	$-	
Net deferred tax assets/(liabilities)	$(1,265,770)					$(1,208,401)
Reflected in balance sheet as follows:						
Deferred tax assets	$261,675					$296,256
Deferred tax liabilities	$1,527,445					$1,504,657

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

The assessment of income tax returns

As of December 31, 2023, the assessment of the income tax returns of the Company is as follows:

Entities	The assessment of income tax returns
The Company	Assessed and approved up to 2021

(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,	
	2023	2022
A. Basic earnings per share		
Profit attributable to ordinary equity owners of the parent	$5,840,365	$6,836,609
Weighted average number of ordinary shares outstanding for basic earnings per share (thousand share)	1,222,745	1,222,745
Basic earnings per share (NT$)	$4.78	$5.59

	For the years ended December 31,	
	2023	2022
B. Diluted earnings per share		
Profit attributable to ordinary equity owners of the parent	$5,840,365	$6,836,609
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	1,222,745	1,222,745
Effect of dilution:		
Employee compensation－stock (in thousands)	10,228	22,774
Weighted average number of ordinary shares outstanding after dilution (in thousands)	1,232,973	1,245,519
Diluted earnings per share (NT$)	$4.74	$5.49

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

Name of the related parties	Nature of relationship of the related parties
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.
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

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

Name of the related parties	Nature of relationship of the related parties
Wei Jiu Industrial Co., Ltd.	Associates
KYEC USA Corp.	Subsidiaries
KYEC SINGAPORE PTE. LTD.	Subsidiaries
KYEC Japan K.K.	Subsidiaries
King Long Technology (Suzhou) Ltd.	Subsidiaries
Suzhou Zhengkuan Technology Ltd.	Subsidiaries
King Ding Precision Inc.	Subsidiaries (It has been liquidated on October 20, 2023)

Note: The Company's transactions with these companies are not material.

B. Significant transactions with related parties

(a) Operating income

	For the years ended December 31,	
	2023	2022
MediaTek Inc.	$2,993,768	$4,037,271
Mediatek Singapore Pte. Ltd.	2,829,345	3,154,807
Other related parties	464,508	739,740
Subsidiaries	14,787	40,659
Associates	10,806	9,728
Total	$6,313,214	$7,982,205

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, 2023 and 2022 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$17,509 thousand and NT$2,545 thousand for the year ended December 31, 2023 and NT$103,888 thousand and NT$0 thousand for the year ended December 31, 2022, 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.

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

(c) The Company engaged an associate to perform machinery maintenance services. For the years ended December 31, 2023 and 2022, related operating cost recognized amounted to NT$305,182 thousand and NT$357,188 thousand, respectively. The Company appointed a subsidiary to perform machinery repairs for the years ended December 31, 2023 and 2022, the operating cost recognized amounted to NT$2,501 thousand and NT$107 thousand, respectively.

(d) The Company paid rental expenses for renting machines from associates. For the years ended December 31, 2023 and 2022, the rental expenses amounted to NT$0 thousand and NT$606 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, 2023		For the year ended December 31, 2022	
Related party	Sales price	Disposal gain	Sales price	Disposal gain
King Long Technology (Suzhou) Ltd.	$47,683	$10,166	$995,627	$45,383
Subsidiaries	-	-	4,717	4,011
Associates	-	-	59,916	18,075
MediaTek Inc.	214,121	10,500	-	-
Subtotal	261,804	20,666	1,060,260	67,469
Unrealize gain on disposal in current year (Note)	-	29,810	-	7,205
Net Amount	$261,804	$50,476	$1,060,260	$74,674

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.

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

ii. Acquisition of property, plant and equipment

	For the year ended December 31, 2023	For the year ended December 31, 2022
Related party	Purchase price	Purchase price
Subsidiaries	$225,435	$18,645
Associates	159,719	194,382
Other related parties	-	3,738
Total	$385,154	$216,765

The purchase price was determined through mutual agreement based on the market demand.

(f) Trade receivables from related parties

	December 31, 2023	December 31, 2022
MediaTek Inc.	$979,636	$929,631
Mediatek Singapore Pte. Ltd.	787,331	718,735
Other related parties	117,126	102,595
Subsidiaries	5,536	30,271
Associates	789	1,257
Less: loss allowance	-	-
Net	$1,890,418	$1,782,489

(g) Other receivables from related parties

	December 31, 2023	December 31, 2022
MediaTek Inc.	$100,752	$28,386
King Long Technology (Suzhou) Ltd.	17,193	385,915
Other related parties	225	196
Total	$118,170	$414,497

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

(h) Account payables to related parties

	December 31, 2023	December 31, 2022
Wei Jiu Industrial Co., Ltd.	$7,112	$6,215
Associates	42	-
Subsidiaries	33	-
Total	$7,187	$6,215

(i) Other payables to related parties

	December 31, 2023	December 31, 2022
King Long Technology (Suzhou) Ltd.	$218,016	$8,819
Fixwell Technology Corp.	47,027	69,316
Wei Jiu Industrial Co., Ltd.	21,805	25,088
Subsidiaries	16,960	9,482
Other related parties	1,147	303
Total	$304,955	$113,008

(j) The Company paid NT$132,101 thousand and NT$115,093 thousand as commission expenses to the subsidiaries for the years ended December 31, 2023 and 2022, respectively.

(k) Other income

	For the years ended December 31,	
	2023	2022
Associates	$1,500	$1,485
Other related parties	-	21
Total	$1,500	$1,506

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

C. Key management personnel compensation

	For the years ended December 31,	
	2023	2022
Short-term employee benefits	$178,647	$227,994
Post-employment benefits	1,170	1,053
Total	$179,817	$229,047

8. Assets Pledged as Security

The following table lists assets of the Company pledged as security:

	Carrying amount		
Items	December 31, 2023	December 31, 2022	Purpose of pledge
Other non-current financial assets	$147,333	$146,462	Customs clearance
Land	914,594	914,594	Long-term borrowings
Buildings and facilities	1,040,838	1,118,526	Long-term borrowings
Machinery and equipment	3,650,636	4,794,325	Long-term borrowings
Total	$5,753,401	$6,973,907	

9. Significant Contingent Liabilities and Unrecognized Commitments

As of December 31, 2023, 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$182,279 thousand.

B. To construct the plant and factory premises, the Company had entered into several construction contracts in an aggregate amount of NT$1,530,398 thousand with NT$904,412 thousand already paid and NT$625,986 thousand remaining unpaid (promissory notes have been issued).

C. The promissory notes issued for secured bank loans amounted to NT$48,397,775 thousand.

D. The Company entered into a loan agreement with Far Eastern International 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 Mega International Commercial Bank of Taiwan , the following financial covenants shall be maintained on semi-annual and annual basis during the period from 2022 to 2028:
(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 Yuanta Commercial Bank, the following financial covenants shall be maintained on semi-annual and annual basis during the period from 2023 to 2027:
(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 Taipei Fubon Commercial Bank, the following financial covenants shall be maintained on semi-annual and annual basis during the period from 2023 to 2026:
(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%.

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

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.

The Company entered into a syndicated loan agreement with 15 banks, led by Bank of Taiwan, and the Company shall maintain the following financial covenants on semi-annual and annual basis during the period from 2023 to 2028:
(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 2023 to 2028, 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, 2023, 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

Financial assets	December 31, 2023	December 31, 2022
Financial assets at fair value through other comprehensive income	$6,541,681	$4,794,451
Financial assets measured at amortized cost (Note)	14,488,693	16,250,058
Total	$21,030,374	$21,044,509

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

Financial liabilities	December 31, 2023	December 31, 2022
Financial liabilities at amortized cost:		
Payables (including related parties)	$500,063	$464,195
Other payables (including related parties)	3,795,230	4,120,880
Long-term loans (including current portion)	17,704,154	20,488,747
Lease liabilities	454,564	470,466
Guarantee deposits	34,052	33,090
Total	$22,488,063	$25,577,378

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, 2023 and 2022 would have increased / decreased by NT$452 thousand and NT$2,931 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$17,716 thousand and NT$20,512 thousand for the years ended December 31, 2023 and 2022, 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, 2023 and 2022, 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$10,136 thousand and NT$7,872 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 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.

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

As of December 31, 2023 and 2022, receivables from top ten customers represented 57% and 53% 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 1 year	1 to 2 years	2 to 3 years	3 to 4 years	Longer than 4 years	Total
December 31, 2023						
Payables	$4,295,293	$-	$-	$-	$-	$4,295,293
Borrowings	436,228	11,913,993	1,265,348	662,028	4,651,685	18,929,282
Lease liabilities (Note)	24,065	16,939	16,225	16,535	380,800	454,564

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

	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	Longer than 4 years	Total
December 31, 2022						
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

Note: Information about the maturities of lease liabilities is provided in the table below:

	Maturity Period				
Lease liabilities	Less than 1 year	1 to 5 years	6 to 10 years	> 10 years	Total
December 31, 2023	$24,065	$66,549	$89,369	$274,581	$454,564
December 31, 2022	$22,581	$72,838	$86,832	$288,215	$470,466

F. Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for year ended December 31, 2023:

	Long-term loans	Lease liabilities	Total liabilities from financing activities
As of January 1, 2023	$20,488,747	$470,466	$20,959,213
Cash flows	(2,468,215)	(22,883)	(2,491,098)
Non-cash changes			
Syndicated loan issuance costs	13,965	-	13,965
Amortization on bonds payable	(2,568)	-	(2,568)
Addition to right-of-use assets	-	1,368	1,368
Remeasurement of lease liabilities	-	6,674	6,674
Decrease of lease liabilities	-	(1,061)	(1,061)
Foreign exchange movement	(327,775)	-	(327,775)
As of December 31, 2023	$17,704,154	$454,564	$18,158,718

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

Reconciliation of liabilities for year ended December 31, 2022:

	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	$20,488,747	$470,466	$20,959,213

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.

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.

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

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, 2023

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income				
Equity instruments measured at fair value through other comprehensive income	$50,680	$-	$6,491,001	$6,541,681

December 31, 2022

	Level 1	Level 2	Level 3	Total
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

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

Transfers between Level 1 and Level 2 during the period

During the years ended December 31, 2023 and 2022, there were no transfers between Level 1 and Level 2 fair value measurements.

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, 2023:

	Assets
	At fair value through other comprehensive income
	Stocks
Beginning balances as at January 1, 2023	$4,755,092
Total gains and losses recognized for the year ended December 31, 2023:	
Amount recognized in OCI (presented in “unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income”)	1,735,909
Ending balances as at December 31, 2023	$6,491,001

For the year ended December 31, 2022:

	Assets
	At fair value through other comprehensive income
	Stocks
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	$4,755,092

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

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, 2023

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$712,690 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$10,971 thousand.

As at December 31, 2022

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$522,783 thousand.

(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.

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, 2023		
	Foreign Currency (thousand)	Exchange rate	NT$ (thousand)
Monetary financial assets			
US$	$151,134	30.705	$4,640,568
JPY	165,915	0.2172	36,037
CNY	5,938	4.327	25,692
Monetary financial liabilities			
US$	152,607	30.705	4,685,793
JPY	181,741	0.2172	39,474

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

	December 31, 2022		
	Foreign Currency (thousand)	Exchange rate	NT$ (thousand)
Monetary financial assets			
US$	$231,815	30.71	$7,119,039
JPY	223,871	0.2324	52,028
CNY	5,927	4.408	26,127
Monetary financial liabilities			
US$	241,359	30.71	7,412,123
JPY	257,963	0.2324	59,951

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$83,327 thousand and NT$119,898 thousand for the years ended December 31, 2023 and 2022, 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.

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, 2023:

A. Financing provided to others: None.
B. Endorsement/Guarantee provided to others: None.
C. Securities held as of December 31, 2023: Please refer to Attachment 1.
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: 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 3.
H. Receivables from related parties with amounts exceeding the lower of NT$100 million or 20 percent of capital stock: Please refer to Attachment 4.
I. Financial instruments and derivative transactions: None.
J. Parent-subsidiary relationship between business dealings and important circumstance: Please refer to Attachment 5.

(2) Information on investees

A. Information regarding investee companies over which the Company can exercise significant influence or control: Please refer to Attachment 6.

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, 2023: 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.

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 2.
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 3.
h. Receivables from related parties with amounts exceeding the lower of NT$100 million or 20 percent of capital stock as of December 31, 2023: Please refer to Attachment 4.
i. Financial instruments and derivative transactions: None.

(3) Investment in Mainland China: Please refer to Attachment 7.

(4) Major shareholders information: There is no shareholder who owns above 5% securities of the Company as at December 31, 2023.

KING YUAN ELECTRONICS CO., LTD.

MARKTEABLE SECURITIES HELD

As of December 31, 2023

(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, 2023				Note
					Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
The Company	Stock	Shieh Yong Investment Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	162,534,684	1,498,533	7.58%	1,498,533	
	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	4,915,673	14.55%	4,915,673	
	Stock	Movella Holdings Inc. (Note 1)	-	Non-current financial assets at fair value through other comprehensive income	258,419	4,800	0.51%	4,800	
	Stock	Baas Innovation Co., Ltd. (Note 2)	-	Non-current financial assets at fair value through other comprehensive income	315,999	10,144	1.23%	10,144	
	Stock	Unimicron Technology Corp. (Note 3)	-	Non-current financial assets at fair value through other comprehensive income	203,045	35,736	0.01%	35,736	
	Stock	CAL-COMP INDÚSTRIA DE SEMICONDUTORES S.A.	-	Non-current financial assets at fair value through other comprehensive income	11,965,500	76,795	17.16%	76,795	

Note 1：Due to Movella's group reorganization, the shares of Movella Inc. held by the Company have been converted to Movella Holding Inc.'s shares. in August 2023.

Note 2：Iroc Co., Ltd. was renamed Baas Innovation Co., Ltd. in June, 2023.

Note 3：Due to the share conversion transaction, the shares of Subtron Technology Co., Ltd. held by the Company have been converted into the shares of Unimicron Technology Corp. in January 2023.

KING YUAN ELECTRONICS CO., LTD.

Attachment 2

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT$300 MILLION OR 20% OF THE CAPITAL PAID-IN

For the year ended December 31, 2023

(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	Amount			
King Long Technology (Suzhou) Ltd.	Land and building	2022.12.08 (Note)	$1,199,074	According to the trading term of purchase order, the Company has paid $659,490 thousand as of December 31, 2023.	Jiangsu Jianyuan Construction Co., Ltd.	None	Not applicable				Price comparison and bargaining	Purpose: to meet the needs of future operation and development Using status: ownership has not 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 yaer ended December 31, 2023

(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	$2,993,768	12.47%	Month-end 75 days	-	-	$979,636	17.44 %
	Mediatek Singapore Pte. Ltd.	Subsidiary of MediaTek Inc.	Sales	$2,829,345	11.79%	Month-end 60 days	-	-	$787,331	14.02 %
	Airoha Technology Corp.	Subsidiary of MediaTek Inc.	Sales	$383,668	1.60%	Month-end 60 days	-	-	$101,357	1.80 %
King Long Technology (Suzhou) Ltd.	MediaTek Inc.	The chairman of the Company and the chairman of Mediatek Inc. are close relatives	Sales	$303,338	3.96%	Month-end 75 days	-	-	$67,896	3.50 %
	Mediatek Singapore Pte. Ltd.	Subsidiary of MediaTek Inc.	Sales	$115,458	1.51%	Month-end 75 days	-	-	$19,505	1.01 %
	Suzhou Zhengkuan Technology Ltd.	Subsidiary	Sales	$146,089	1.91%	Month-end 180 days	-	-	$89,512	4.62 %

KING YUAN ELECTRONICS CO., LTD.

Attachment 4

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

As of December 31, 2023

(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	$1,080,388 (Note 1)	3.14	$-	-	$586,786	-
	Mediatek Singapore Pte. Ltd.	Subsidiary of MediaTek Inc.	$787,542 (Note 2)	3.76	$11,418	-	$527,414	-
	Airoha Technology Corp.	Subsidiary of MediaTek Inc.	$101,357	4.46	$-	-	$23,090	-
King Long Technology (Suzhou) Ltd.	The Company	Parent Company	$218,066 (Note 3)	3.70	$10,883	-	$10,883	-
	Suzhou Zhengkuan Technology Ltd.	Subsidiary	$134,416 (Note 4)	1.72	$-	-	$19,846	-

Note 1： Includes other receivables - related party amounting to NT$100,752 thousand arising from handling charges, freights and tax fees.

Note 2： Includes other receivables - related party amounting to NT$211 thousand arising from customs clearance charges and freights.

Note 3： Includes other receivables - related party amounting to NT$215,535 thousand arising from disposal of equipments。

Note 4： Includes other receivables - related party amounting to NT$44,904 thousand arising from utility fees.

KING YUAN ELECTRONICS CO., LTD.

Attachment 5

INTERCOMPANY RELATIONSHIP AND SIGNIFICANT INTERCOMPANY TRANSACTIONS DURING THE REPORTING PERIOD

For the year ended December 31, 2023

(Amounts in New Taiwan Thousand Dollars, Unless Specified otherwise)

Number	Company name	Counterparty	Relationship	Finacial Statement Account	Amount	Transaction terms	% of Net revenues or total assets
0	KYEC	KYEC USA Corp.	1	Commission expense	$68,357	according to contract	0.21%
				Accrued expenses	11,238		0.02%
		King Long Technology (Suzhou) Ltd.		Receivable on equipment	47,683		0.06%
				Payables on equipment	225,435		0.31%
				Accounts receivable	5,536		0.01%
				Other receivables	17,193		0.02%
				Accrued expenses	218,016		0.29%
				Sales revenue	14,787		0.04%
				Equipment repair	2,501		0.01%
				Purchase	2,545		0.01%
				Deferred credits	115,567		0.16%
		KYEC Japan. K.K.		Accrued expenses	5,102		0.01%
				Commission expense	34,488		0.10%
		KYEC Singapore PTE. LTD.		Commission expense	29,256		0.09%
		Suzhou Zhengkuan Technology Ltd.		Accrued expenses	620		0.00%
				Deferred credits	9,757		0.01%
1	King Long Technology (Suzhou) Ltd.	Suzhou Zhengkuan Technology Ltd.	3	Sales revenue	146,089		0.44%
				Accounts receivable	89,512		0.12%
				Other receivables	44,904		0.06%

Note 1: The information of transactions between the Company and the conlidated 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, 2023

(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, 2023			Net Income (Loss) of the Investee	Investment income (loss) recognised by the Company for the year ended December 31, 2023.	Note
				December 31, 2023	December 31, 2022	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 %	$14,081	$2,220	$2,220	
	KYEC Investment International Co., Ltd.	Note 2	Investing activities	5,292,315	5,292,315	164,923,636	100.00 %	11,359,408	1,779,126	1,779,126	
	KYEC Technology Management Co., Ltd.	Note 3	Investing activities	251,579	251,579	7,500,000	100.00 %	723,067	113,159	113,159	
	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 %	69,399	12,012	10,790	
	KYEC SINGAPORE PTE. LTD.	Note 5	Sales agent and business communication in Southeast Asia and Europe	1,830	1,830	78,000	100.00 %	11,578	1,028	1,028	
	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 %	62,966	63,430	14,050	
	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 %	31,016	10,896	3,704	
	King Ding Precision Incorporated Company	Note 8	Manufacturing, selling and wholesale of electronics parts and components and repairing of electronics related products	-	72,600	-	-	-	(5,752)	(5,774)	
KYEC Investment International Co., Ltd.	KYEC Microelectronics Co., Ltd.	Note 9	Investing activities	USD 116,155	USD 116,155	118,000,000	94.02 %	USD 369,953	USD 60,755	-	
KYEC Technology Management Co., Ltd.	KYEC Microelectronics Co., Ltd.	Note 9	Investing activities	USD 7,500	USD 7,500	7,500,000	5.98 %	USD 23,549	USD 60,755	-	

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: 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, 2023

(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, 2023	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2023	Net Income (Loss) of the Investee Company	Percentage of Ownership	Share of Profits/Losses (Note 5)	Carrying Amount as of December 31, 2023	Accumulated Inward Remittance of Earnings as of December 31, 2023
					Outflow	Inflow						
King Long Technology (Suzhou) Ltd.	Note 1	$2,391,646 (CNY 551,637)	Indirectly investment in Mainland China through companies registered in a third region (Note 2)	$3,796,827 (USD 123,655)	$-	$-	$3,796,827 (USD 123,655)	$2,067,067 (USD 66,367)	91.54%	$1,892,285 (USD 60,755)	$12,082,475 (USD 393,502)	$-
Suzhou Zhengkuan Technology Ltd.	Note 3	$2,312,355 (CNY 533,348)	Indirectly investment in Mainland China through companies registered in a third region (Note 4)	$1,497,441 (USD 48,769)	$-	$-	$1,497,441 (USD 48,769)	$241,916 (USD 7,673)	91.54%	$221,460 (USD 7,024)	$995,331 (USD 32,416)	$-

Accumulated Investment in Mainland China as of December 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$5,294,268 (USD 172,424)	$5,294,268 (USD 172,424)	$23,341,805

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 integarted 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, 2023

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Cash and cash equivalents	Including US$7,088 thousand and JPY165,915 thousand	$ 6,882,025	Exchange rate of Dec.31, 2023:
Time deposits		2,000,000	NT$ 30.705 = US$ 1
Total		$ 8,882,025	NT$ 0.2172 = JPY 1

KING YUAN ELECTRONICS CO., LTD.

2.STATEMENT OF TRADE RECEIVABLES, NET

December 31, 2023

(In Thousands of New Taiwan Dollars)

Client Name	Description	Amount	Note
Nvidia Corporation		328,644	
Phison Electronics Corporation		238,857	
STMicroelectronics Pte. Ltd.		210,423	
Global Unichip Corporation		180,488	
Others	The amount of each item in "Others" does not exceed 5% of the account balance.	2,366,877	
Total		3,325,289	
Less: loss allowance		(13,107)	
Net		$ 3,312,182	

KING YUAN ELECTRONICS CO., LTD.

3.STATEMENT OF TRADE RECEIVABLES FROM RELATED PARTIES

December 31, 2023

(In Thousands of New Taiwan Dollars)

Client Name	Description	Amount	Note
MediaTek Inc.		$ 979,636	
Mediatek Singapore Pte. Ltd.		787,331	
Airoha Technology Corp.		101,357	
Airoha Technology (Suzhou) Limited		11,097	
King Long Technology (Suzhou) Ltd.		5,536	
Richtek Technology Corp.		3,796	
Others	The amount of each item in "Others" does not exceed NT$1,000 thousand.	1,665	
Total		$ 1,890,418	

KING YUAN ELECTRONICS CO., LTD.

4.STATEMENT OF OTHER RECEIVABLES

December 31, 2023

(In Thousands of New Taiwan Dollars)

Client Name	Description	Amount	Note
Other receivables		$ 130,895	
Interest receivable		2,814	
Total		133,709	
Less: loss allowance		(444)	
Net		$ 133,265	

KING YUAN ELECTRONICS CO., LTD.

5.STATEMENT OF OTHER RECEIVABLES FROM RELATED PARTIES

December 31, 2023

(In Thousands of New Taiwan Dollars)

Client Name	Description	Amount	Note
MediaTek Inc.		$ 100,752	
King Long Technology (Suzhou) Ltd.		17,193	
Others	The amount of each item in "Others" does not exceed NT$1,000 thousand.	225	
Total		$ 118,170	

KING YUAN ELECTRONICS CO., LTD.

6.STATEMENT OF INVENTORIES, NET

December 31, 2023

(In Thousands of New Taiwan Dollars)

Item	Description	Amount		Note
		Cost	market price	
Raw materials		$ 720,283	$ 777,795	Inventory are valued at lower of cost and net realized value.
Work in process		217,320	221,233	
Total		937,603	$ 999,028	
Less: allowance for inventory valuation and obsolescence losses		(44,210)		
Net		$ 893,393		

KING YUAN ELECTRONICS CO., LTD.

7.STATEMENT OF OTHER CURRENT ASSETS

December 31, 2023

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Payments on behalf of others		$ 60,408	
Temporary payments		2,160	
Total		$ 62,568	

KING YUAN ELECTRONICS CO., LTD.
8.STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHESIVE INCOME-NON-CURRENT
For the year ended December 31, 2023

(In Thousands of New Taiwan Dollars)

Securities Name	Balance, January 1, 2023				Increase in 2023		Decrease in 2023		Unrealized gain or loss on financial assets at fair value through other comprehensive income	Balance, December 31, 2023		Assets pledged as collateral	Note
	Shares	Cost of an investment	Unrealized gain or loss	Fair Value	Shares	Amount	Shares	Amount		Shares	Fair value		
Shieh Yong Investment Co., Ltd.	167,044,896	$ 500,000	$ 634,685	$ 1,134,685	-	$ -	(4,510,212) (Note 1)	$ -	$ 363,848	162,534,684	$ 1,498,533	N/A	
APM Communication, Inc.	10,456	23,427	(23,427)	-	-	-	-	-	-	10,456	-	N/A	
Greenliant Systems, Ltd.	2,333,333	30,300	(30,300)	-	-	-	-	-	-	2,333,333	-	N/A	
YANN YUAN Investment Co., Ltd.	75,000,000	1,275,000	2,295,366	3,570,366	-	-	-	-	1,345,307	75,000,000	4,915,673	N/A	
Movella Holding Inc. (Note 2)	528,745	44,880	(44,880)	-	-	-	(270,326) (Note 2)	-	4,800	258,419	4,800	N/A	
Baas Innovation Co., Ltd. (Note 3)	315,999	15,275	(6,206)	9,069	-	-	-	-	1,075	315,999	10,144	N/A	
Unimicron Technology Corp. (Note 4)	927,147	7,983	22,307	30,290	-	-	(724,102) (Note 4)	-	5,446	203,045	35,736	N/A	
CAL-COMP INDÚSTRIA DE SEMICONDUTORES S.A.	11,965,500	45,711	4,330	50,041	-	-	-	-	26,754	11,965,500	76,795	N/A	
Total		$ 1,942,576	$ 2,851,875	$ 4,794,451		$ -		$ -	$ 1,747,230		$ 6,541,681		

Note 1: The shareholder meeting of Shieh Yong Investment Co., Ltd. approved a resolution to reduce it capital in cash in 2023.

Note 2: Due to Movella's group reorganization, the shares of Movella Inc. held by the Company have been converted to Movella Holding Inc.'s shares in August 2023.

Note 3: Iroc Co., Ltd. was renamed Baas Innovation Co., Ltd. in June, 2023.

Note 4: Due to the share conversion transaction, the shares of Subtron Technology Co., Ltd. held by the Company have been converted into the shares of Unimicron Technology Corp. in January 2023.

KING YUAN ELECTRONICS CO., LTD.

9.STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

For the year ended December 31, 2023

(In Thousands of New Taiwan Dollars)

Investees	Balance, January 1, 2023		Increase in 2023		Decrease in 2023		Investment income (loss)	Cumulative translation adjustment	Capital surplus adjustment	Balance, December 31, 2023			Market value or net assets value		Assets pledged as collateral	Note
	Shares	Amount	Shares	Amount	Shares	Amount				Shares	%	Amount	Unit price	Total amount		
KYEC USA Corp.	160,000	$ 11,821	-	$ -	-	$ -	$ 2,220	$ 40	$ -	160,000	100.00%	$ 14,081	$ 88.01	$ 14,081	N/A	
KYEC Investment International Co., Ltd.	164,923,636	9,776,053	-	-	-	-	1,779,126	(197,390)	1,619	164,923,636	100.00%	11,359,408	68.88	11,359,408	N/A	
KYEC Technology Management Co., Ltd.	7,500,000	622,360	-	-	-	-	113,159	(12,555)	103	7,500,000	100.00%	723,067	96.41	723,067	N/A	
KYEC Japan K.K.	1,899	63,078	-	-	-	-	10,790	(4,469)	-	1,899	89.83%	69,399	36,545.16	69,399	N/A	
KYEC SINGAPORE PTE. LTD.	78,000	10,184	-	-	-	-	1,028	366	-	78,000	100.00%	11,578	148.44	11,578	N/A	
Fixwell Technology Corp.	2,800,000	60,676	-	-	-	(11,760)	14,050	-	-	2,800,000	23.33%	62,966	22.49	62,966	N/A	Note 1
Wei Jiu Industrial Co., Ltd.	1,020,000	30,372	-	-	-	(3,060)	3,704	-	-	1,020,000	34.00%	31,016	33.61	31,016	N/A	Note 1
King Ding Precision Incorporated Company	6,600,000	74,728	-	-	(6,600,000)	(68,954)	(5,774)	-	-	-	100.00%	-	-	-	N/A	Note 2
Subtotal		10,649,272		-		(83,774)	1,918,303	(214,008)	1,722			12,271,515				
Less:deferred credits		(155,134)		(9,307)		39,117	-	-	-			(125,324)				
Total		$ 10,494,138		$ (9,307)		$ (44,657)	$ 1,918,303	$ (214,008)	$ 1,722			$ 12,146,191				

Note 1: The decrease amount is due to the cash dividends received.

Note 2: King Ding Precision Incorporated Company has been liquidated on October 20, 2023.

KING YUAN ELECTRONICS CO., LTD.

10.STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT AND ACCUMULATED DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

For the year ended December 31, 2023

(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	$	(24,965)

D.Depreciation expense details are as following:

Operating costs	$	6,099,277
Selling expenses		2,252
Administrative expenses		450,139
Research and development expenses		58,333
Total	$	6,610,001

KING YUAN ELECTRONICS CO., LTD.

11.STATEMENT OF RIGHT-OF-USE ASSETS AND

ACCUMULATED DEPRECIATION OF RIGHT-OF-USE ASSETS

For the year ended December 31, 2023

(In Thousands of New Taiwan Dollars)

Item	Balance, January 1, 2023	Increase in 2023	Decrease in 2023	Balance, December 31, 2023
Acquisition costs				
Land	$ 514,275	$ 5,088	$ -	$ 519,363
Buildings and facilities	9,200	2,954	(4,474)	7,680
Transportation equipment	14,762	-	-	14,762
Total costs	538,237	8,042	(4,474)	541,805
Accumulated depreciation				
Land	$ 73,774	$ 18,839	$ -	$ 92,613
Buildings and facilities	3,215	3,982	(3,394)	3,803
Transportation equipment	4,100	2,460	-	6,560
Total accumulated depreciation	81,089	25,281	(3,394)	102,976
Book value	$ 457,148	$ (17,239)	$ (1,080)	$ 438,829

KING YUAN ELECTRONICS CO., LTD.

12.STATEMENT OF INTANGIBLE ASSETS AND OTHER ASSETS-NON-CURRENT

December 31, 2023

(In Thousands of New Taiwan Dollars)

Item	Description	Amount		Note
		Subtotal	Total	
Intangible assets			$ 11,732	Please refer to Note 6.(9) for more details on intangible assets.
Refundable deposits	Golf club membership deposit	$ 3,000		
	Car rental deposit	2,000		
	Others	300	$ 5,300	
Other financial assets-non-current	Customs deposit and long-term borrowings		$ 147,333	Please refer to Note 8 for more details.

KING YUAN ELECTRONICS CO., LTD.

13.STATEMENT OF NOTES PAYABLE

December 31, 2023

(In Thousands of New Taiwan Dollars)

Vendor name	Description	Amount	Note
Genesis Technology Inc.		431	
Ecom Software Inc.		283	
Others	The amount of each item in "Others" does not exceed 5% of the account balance or does not exceed NT$100 thousand.	144	
Total		$ 858	

KING YUAN ELECTRONICS CO., LTD.

14.STATEMENT OF ACCOUNTS PAYABLE

December 31, 2023

(In Thousands of New Taiwan Dollars)

Vendor name	Description	Amount	Note
Fastprint Hong Kong Co., Ltd.		$ 45,560	
Arrow Electronics Taiwan Ltd.		43,702	
Taiwan Tanaka Kikinzoku Kogyo Co., Ltd.		39,765	
Shenzhen Hemei Jingyi Semiconductor Technology Co., Ltd.		28,319	
Others	The amount of each item in "Others" does not exceed 5% of the account balance.	334,672	
Total		$ 492,018	

KING YUAN ELECTRONICS CO., LTD.

15.STATEMENTS OF PAYABLES TO RELATED PARTIES

December 31, 2023

(In Thousands of New Taiwan Dollars)

Vendor name	Description	Amount	Note
Wei Jiu Industrial Co., Ltd.		$ 7,112	
Others	The amount of each item in "Others" does not exceed NT$1,000 thousand.	75	
Total		$ 7,187	

KING YUAN ELECTRONICS CO., LTD.

16.STATEMENT OF OTHER PAYABLES

December 31, 2023

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Accrued payroll		$ 351,760	
Accrued bonuses		524,630	
Accrued employees' compensation and remuneration to directors		698,201	
Accrued untaken annual leave		94,596	
Accrued labor and health insurance expense		55,286	
Accrued pension expense		33,051	
Accrued accessories expense		475,800	
Accrued utilities expense		151,780	
Accrued interest		22,152	
Others		570,911	Note
Total		$ 2,978,167	

Note：Mainly indirect supplies.

KING YUAN ELECTRONICS CO., LTD.

17.STATEMENT OF OTHER PAYABLES TO RELATED PARTIES

December 31, 2023

(In Thousands of New Taiwan Dollars)

Related parties	Description	Amount	Note
King Long Technology (Suzhou) Ltd.		$ 218,016	
Fixwell Technology Corp.		47,027	
Wei Jiu Industrial Co., Ltd.		21,805	
KYEC USA Corp.		11,238	
KYEC Japan K.K.		5,102	
Airoha Technology Corp.		1,147	
Others	The amount of each item in "Others" does not exceed NT$1,000 thousand.	620	
Total		$ 304,955	

KING YUAN ELECTRONICS CO., LTD.

18.STATEMENT OF PAYABLES TO EQUIPMENT SUPPLIERS

December 31, 2023

(In Thousands of New Taiwan Dollars)

Vendor name	Description	Amount	Note
Teradyne (Asia) Pte Ltd		$ 113,724	
Hon. Precision, Inc.		99,196	
Jiu Han System Technology Co., Ltd.		86,100	
KLA Corporation		46,610	
Others	The amount of each item in "Others" does not exceed 5% of the account balance.	166,478	
Total		$ 512,108	

KING YUAN ELECTRONICS CO., LTD.
19.STATEMENT OF LEASE LIABILITIES
December 31, 2023

(In Thousands of New Taiwan Dollars)

Item	Description	Period	Discount rate	Balance, December 31, 2023	Note
Land		6 to 28 years	1.88%~2.23%	$ 445,300	
Buildings and facilities		1 to 3 years	1.96%~2.12%	4,262	
Transportation equipment		3 years	1.17%	5,002	
				$ 454,564	
Less: current portion				(24,065)	
Lease liabilities-non-current				$ 430,499	

KING YUAN ELECTRONICS CO., LTD.

20.STATEMENT OF OTHER CURRENT LIABILITIES

December 31, 2023

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Receipts on behalf of others		$ 544,180	
Allowance for sales returns and discounts		546,968	
Unearned receipts		3,729	
Temporary receipts		1,346	
Total		$ 1,096,223	

KING YUAN ELECTRONICS CO., LTD.
21.STATEMENT OF LONG-TERM LOANS
December 31, 2023

(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	$ 982,560	2022.03.10~2025.03.10	6.15%	Please refer to Note 6.(11) for more details.	
Bank of China	Unsecured loans	368,460	2023.10.15~2025.10.14	6.04~6.40%		
Cathay United Bank	Unsecured loans	460,575	2023.12.25~2025.12.25	6.07~6.09%		
HSBC Taiwan Bank	Unsecured loans	276,345	2023.09.30~2026.09.30	6.00%		
Mega Bank	Unsecured loans	798,330	2023.04.29~2025.04.28	5.69~5.77%		
Mega Bank	Unsecured loans	45,680	2022.03.15~2028.03.15	6.14%		
Mega Bank	Unsecured loans	1,400,000	2022.03.15~2028.03.15	2.07%		
Far Eastern Bank	Unsecured loans	300,000	2022.06.23~2025.06.23	1.89%		
First Bank	Unsecured loans	460,575	2021.07.01~2026.07.01	6.45%		
Yuanta Commercial Bank	Unsecured loans	553,621	2023.10.11~2027.10.11	6.02%~6.08%		
Taipei Fubon Commercial Bank	Unsecured loans	50,000	2023.05.12~2026.05.12	2.04%		
Bank of Taiwan	Unsecured loans	300,000	2022.10.20~2026.10.20	2.19%		
Mega Bank and 13 others (Note 1)	Mortgage bank loans	5,340,000	2020.10.12~2025.10.12	2.11%~2.16%		Please refer to Note 8 for more details on collateral.
Mega Bank and 13 others (Note 1)	Commercial Paper	3,180,000	2020.10.12~2025.10.11	2.16%		
Bank of Taiwan and 15 others (Note 2)	Mortgage bank loans	200,000	2023.04.06~2028.04.06	2.07%		Please refer to Note 8 for more details on collateral.
Bank of Taiwan and 15 others (Note 2)	Commercial Paper	3,000,000	2023.04.06~2028.04.06	1.98%		
Total		17,716,146				
Less: current portion		-				
Less: arrangement fee		-				
Less: Long-term coupon discount and amortization		(11,992)				
Long-term loans		$ 17,704,154				

Note 1: 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, and Agricultural Bank of Taiwan.

Note 2: The Company entered into a syndicated loan agreement in the amount of 9.6 billion with 15 banks including Bank of Taiwan (lead bank), Taipei Fubon Commercial Bank, Mega International Commercial Bank, Hua Nan Commercial Bank, Land Bank of Taiwan, First Commercial Bank, E. Sun Commercial Bank, SinoPac Bank, Taishin Commercial Bank, Yuanta Commercial Bank, Shanghai Commerical Bank, Agricultural Bank of Taiwan, Taiwan Business Bank, Taichung Commercial Bank, and Far Eastern Bank.

KING YUAN ELECTRONICS CO., LTD.

22.STATEMENT OF REVENUES

For the year ended December 31, 2023

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Assembly and testing processing revenue		$ 20,752,854	
Revenue from rental of machinery		2,292,278	
Rental income from property		50,195	
Other operating revenue		910,230	
Total revenue		$ 24,005,557	

KING YUAN ELECTRONICS CO., LTD.

23.STATEMENT OF COSTS OF GOODS SOLD

For the year ended December 31, 2023

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Costs of goods sold			
Raw materials used			
Balance, beginning of the year		$ 865,855	
Add： purchase		1,535,157	
Less： indirect consumables		(49,046)	
Less： transfer to other expenses		(405,381)	
Less： loss of inventory scrap		(7,470)	
Less： sale of raw materials		(45,353)	
Less： ending balance of the year		(720,283)	
Current consumption		1,173,479	
Direct labor		1,962,663	
Manufacturing overhead		13,262,918	
Manufacturing costs		16,399,060	
Add： work in process, beginning of the year		294,806	
Add： purchase for production consumables		7,217	
Less： transfer to unfinished working orders		(54,484)	
Less： transfer to other repair expenses		(249,393)	
Less： work in process, ending balance of the year		(217,320)	
Cost of finished goods		16,179,886	
Add： finished goods, beginning of the year		-	
Less： finished goods, end of the year		-	
Less： transfer to processing costs		(14,684,233)	
Less： transfer to property, plant and equipments		(159,836)	
Costs of goods sold		1,335,817	
Processing costs		14,684,233	
Sale of raw materials		45,353	
Loss of inventory scrap		7,470	
Inventory valuation and obsolescence loss		3,432	
Operating costs		$ 16,076,305	

KING YUAN ELECTRONICS CO., LTD.

24.STATEMENT OF MANUFACTURING OVERHEAD

For the year ended December 31, 2023

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Depreciation		$ 6,099,277	
Indirect labor		2,974,667	
Repairs and maintenance		1,213,374	
Utilities expense		1,649,055	
Consumable materials		468,651	
Others	The amount of each item in "Others" does not exceed 5% of the account balance.	857,894	
Total		$ 13,262,918	

KING YUAN ELECTRONICS CO., LTD.

25.STATEMENT OF SELLING EXPENSES

For the year ended December 31, 2023

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Payroll expense		$ 192,736	
Commission expense		132,101	
Others	The amount of each item in "Others" does not exceed 5% of the account balance.	75,930	
Total		$ 400,767	

KING YUAN ELECTRONICS CO., LTD.

26.STATEMENT OF ADMINISTRATIVE EXPENSES

For the year ended December 31, 2023

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Payroll expense		$ 541,768	
Depreciation		450,139	
Repairs and maintenance		108,143	
Utilities expense		93,896	
Others	The amount of each item in "Others" does not exceed 5% of the account balance.	281,085	
Total		$ 1,475,031	

KING YUAN ELECTRONICS CO., LTD.

27.STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES

For the year ended December 31, 2023

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Payroll expense		$ 399,371	
Indirect consumables		202,100	
Depreciation		58,333	
Others	The amount of each item in "Others" does not exceed 5% of the account balance.	151,710	
Total		$ 811,514	

28. 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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