

King Yuan Electronics Co., Ltd.

2024 Annual General Meeting Minutes

Convention Method: Physical Convention of Annual General Meeting

Time: Friday, May 31, 2024 9:00 a.m.

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

Attendants: Shareholdings of all shareholders and proxies are 1,049,359,509 in total which was 85.81 % in 1,222,745,065 outstanding shares.

Chairperson: Director & Chairman Chin-Kung Lee

Present Directors: Chin-Kung Lee, Chi-Chun Hsieh, Kao-Yu Liu, Kuan-Hua Chen, Semi Wang (Convener of Audit Committee), Dar-Yeh Hwang and Shi-Jer Sheen, as attended the shareholders meeting, which more than half of the eight directors.

Others : Mr. Shao-Pin Kuo, CPA, EY

Mr. Oliver Hung, Lee and Li, Attorneys-at-Law

Mr. Fong-Fu Chen, T&T International Law Office

Minute Recorder: Neil Chung

I. Announcement of meeting (Chairman announced that meeting began, after the aggregate shareholdings of the shareholders present in person or by proxy had reached the legal standard.)

II. Chairperson Remarks (omitted)

III. Reporting Items

1. The Company's 2023 Business Overview.

Acknowledged

2. The Audit Committee's review of the Company's 2023 Financial Report.

Acknowledged

3. The Company's 2023 Distribution of Employee and Director Remuneration.

Acknowledged

4. The Company's amendment to the "Rules and Procedures for Board of Directors Meetings."

Acknowledged

IV. Ratification Items

1. The Company's 2023 Business Report and Financial Statement.

Description:

(1) The Company's 2023 Business Report and Financial Statement have been resolved on the 9th Meeting of the 15th Session of the Board and were audited by the Audit Committee with an issued audit report.

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

Voting Result: 1,049,359,509 shares were represented at the time of voting (including 860,561,381 shares voted via electronic transmission)

Voting Results	% of the total representation at the time of voting
Votes in favor: 938,724,148 votes (including 750,493,897 shares voted via electronic transmission)	89.45%
Votes against: 176,684 votes (including 176,684 shares voted via electronic transmission)	0.01%
Votes invalid: 0 votes (including 0 share voted via electronic transmission)	0.00%
Votes abstained: 110,458,677 votes (including 109,890,800 shares voted via electronic transmission)	10.52%

This proposal was approved finally.

2. The Company's 2023 Distribution of Earnings.

Description:

(1) The Company's 2023 distribution of earnings report has been resolved on the 9th Meeting of the 15th Session of the Board and was audited by the Audit Committee with an issued audit report.

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

(3) If the Company made substantial investment using the undistributed earnings after the distribution of the 2023 earnings, the Company shall

apply for reduction of the amounts of undistributed earnings or refund of excess payment under the preferential taxation provisions stipulated in Article 23-3 of the “Statute for Industrial Innovation.”

Voting Result: 1,049,359,509 shares were represented at the time of voting (including 860,561,381 shares voted via electronic transmission)

Voting Results	% of the total representation at the time of voting
Votes in favor: 942,761,745 votes (including 754,531,494 shares voted via electronic transmission)	89.84%
Votes against: 86,314 votes (including 86,314 shares voted via electronic transmission)	0.00%
Votes invalid: 0 votes (including 0 share voted via electronic transmission)	0.00%
Votes abstained: 106,511,450 votes (including 105,943,573 shares voted via electronic transmission)	10.15%

This proposal was approved finally.

V. Election Items

By- election of the 15th Board of Directors.

Description:

- (1) In accordance with Article 13 of the Company's Articles of Incorporation, the Company’s 15th-term Board of Directors is composed of nine directors (including three independent directors). Because of a vacancy in the Board, a by-election will be held at the 2024 Shareholders’ Meetings to fill the vacancy. The new director’s term will begin on May 31, 2024 and end on May 29, 2026.
- (2) The Company has adapted the candidate nomination system in terms of election of directors, that directors shall be selected from the candidate list by shareholders. For education, experience and other relevant information of the candidates are as follow:

List of candidates of directors

No.	Type of Candidate	Name of Candidate	Education	Experience	Current Position	Shares held
1	Director	Gauss Chang	Graduated from Department of Physics, NCKU Master of Business Administration form Saginaw Valley State University, USA	Executive Vice President of KYEC Senior Vice President of KYEC	President of KYEC Chairman of King Long Technology (Suzhou) Ltd. Chairman of Suzhou Zhen Kun Technology Ltd. Chairman of KYEC USA Corp. Chairman of KYEC SINGAPORE PTE. LTD. Chairman of KYEC Japan K.K.	3,051,294

Election Result:

name	Number of votes	note
Gauss Chang	752,790,263	

VI. Discussion Items

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

Description:

(1) Because the Company will hold a by-election of directors at the shareholders' meeting on May 31, 2024 and the new director candidate is engaged in the investment or operation of a business entity whose scope of business is identical or similar to that of the Company and acts as a director thereof, we hereby propose to remove the non-compete clause for the new director in accordance with Article 209 of the Company Act, provided that such removal will not infringe upon the interests of the Company.

(2) The list of directors proposed for the termination of non-completion restriction:

Gauss Chang, Director of King Long Technology (Suzhou) Ltd. and Suzhou Zhen Kun Technology Ltd.

Voting Result: 1,049,359,509 shares were represented at the time of voting (including 860,561,381 shares voted via electronic transmission)

Voting Results	% of the total representation at the time of voting
Votes in favor: 850,827,623 votes (including 662,597,372 shares voted via electronic transmission)	81.08%
Votes against: 29,331,088 votes (including 29,331,088 shares voted via electronic transmission)	2.79%
Votes invalid: 0 votes (including 0 share voted via electronic transmission)	0.00%
Votes abstained: 169,200,798 votes (including 168,632,921 shares voted via electronic transmission)	16.12%

This proposal was approved finally.

2. Request for review of the motion for amendment of Articles of Incorporation.

Description:

- (1) The Company proposes to amend Articles 13, 15, and 22 of the Articles of Incorporation in accordance with Financial Supervisory Commission's (FSC) "Corporate Governance 3.0-Sustainable Development Roadmap" and "Sustainable Development Action Plans for TWSE- and TPEX-Listed Companies (2023)"; with TWSE Letter No. 11200147631 issued on August 23, 2023 concerning partial amendments to the "Operation Directions for Compliance with the Establishment of Board of Directors by TWSE Listed Companies"; and with FSC Jin-Guan-Zheng-Fa No. 1120383996 issued on January 11, 2024 concerning amendment to Article 13 of the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies."
- (2) Please refer to Annex 3 for the Comparison Table before and after amendments to the Company's Articles of Incorporation.

Voting Result: 1,049,359,509 shares were represented at the time of voting (including 860,561,381 shares voted via electronic transmission)

Voting Results	% of the total representation at the time of voting
Votes in favor: 938,873,823 votes (including 750,643,572 shares voted via electronic transmission)	89.47%
Votes against: 73,240 votes (including 73,240 shares voted via electronic transmission)	0.00%
Votes invalid: 0 votes (including 0 share voted via electronic transmission)	0.00%
Votes abstained: 110,412,446 votes (including 109,844,569 shares voted via electronic transmission)	10.52%

This proposal was approved finally.

VII. Extraordinary Motions: None

Shareholder questions and company responses:

- I. Shareholder Chang Hwa Commercial Bank, Ltd., entrusted with the custody of the Yuanta Taiwan High-yield Leading Co dedicated account (attendance number: 314563), spoke and inquired the Company on key items for subsequent improvement following its placement among the latter half of companies evaluated in the latest Corporate Governance Evaluation conducted by TWSE.

The management team's response: The Company was unable to score points for a specific item in the 2023 (10th) Corporate Governance Evaluation due to a single unexpected incident that required correction of annual report contents. As a result, the overall score was lower than expected, and the board

of directors is also deeply concerned about this matter. We have therefore appointed the Vice-Chairman as the convener to formulate short, medium and long-term goals for the governance evaluation indicators, so as to improve our corporate governance evaluation score as soon as possible.

In 2024, the Company will proceed to increase the number of indicators achieved regarding all four major dimensions and associated indicators of the corporate governance evaluation (particularly the dimension of strengthening the structure and operation of the board of directors), such as uploading video recordings after the shareholders' meeting, all directors completing training hours, strengthening disclosure on the Company website, etc., following which the evaluation score is expected to increase to about 83 points.

- II. Shareholder Bank SinoPac Co., Ltd., entrusted with the custody of the Fuh Hwa Small Capital Fund dedicated account (attendance number: 216553), spoke and inquired about the Company's measures and future plans for power saving/carbon reduction since the Company is in an industry with high power consumption.

The management team's response: The Company's energy saving and carbon reduction measures are detailed in the annual report. The

Company's future planned management methods are summarized as follows:

1. We continue to promote energy-saving projects every year.
2. We expand the use of renewable energy and bind renewable energy in advance by signing purchase agreements.
3. Verified by UL2799, we continuously identify recyclable waste in our plants and reduce the incineration rate.
4. We use renewable energy to continuously reduce Greenhouse Gas category 2 emissions.
5. We continue to be ISO46001 certified for implementing water resources management.

VIII. Meeting ends: Meeting ended at 9:35 a.m.

(Annex 1)

King Yuan Electronics Co., Ltd.

Business Report

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, a decrease of NT\$0.81 compared with 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.

Overview of Current Business Plan

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 \$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.

**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

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.

Revenue recognition

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		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			304,955	-	113,008	-
Payables on equipment		7	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.

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)

Description	Common stock	Capital surplus	Retained earnings			Other equity			Total Equity
			Legal reserve	Special reserve	Undistributed earnings	Exchange differences resulting from translating the financial statements of foreign operations	Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income		
Balance as of January 1, 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	Cash flows from financing activities :		
Changes in operating assets and liabilities :			Borrowing in long-term loans	12,247,742	15,785,329
Contract assets	(271,136)	34,886	Repayments of long-term loans	(14,715,957)	(17,064,745)
Notes receivable	7,218	488	Increase in deposits received	962	-
Accounts receivable	179,656	412,883	Decrease in deposits received	-	(761)
Accounts receivable from related parties	(107,929)	298,851	Cash payments for the principal portion of the lease liabilities	(22,883)	(85,762)
Other receivables	259,988	(77,407)	Cash dividends	(4,279,608)	(3,668,235)
Other receivables from related parties	(81,352)	(36,124)	Interest paid	(530,086)	(291,680)
Inventories	226,490	(90,103)	Net cash used in financing activities	(7,299,830)	(5,325,854)
Prepayments	(4,544)	(8,456)			
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			
Income tax paid	(1,690,514)	(901,549)	Net (decrease) increase in cash and cash equivalents	(1,124,722)	3,586,439
Net cash provided by operating activities	10,049,359	14,023,387	Cash and cash equivalents at the beginning of the year	10,006,747	6,420,308
			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.



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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		<u>22,041,056</u>	<u>30</u>	<u>22,338,931</u>	<u>30</u>
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		<u>51,870,177</u>	<u>70</u>	<u>52,020,052</u>	<u>70</u>
Total assets		<u>\$73,911,233</u>	<u>100</u>	<u>\$74,358,983</u>	<u>100</u>

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	7	1,154,413	2	1,008,049	1
Accounts payable to related parties		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		<u>7,747,992</u>	<u>10</u>	<u>10,244,376</u>	<u>14</u>
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		<u>26,136,691</u>	<u>36</u>	<u>27,169,190</u>	<u>36</u>
Total liabilities		<u>33,884,683</u>	<u>46</u>	<u>37,413,566</u>	<u>50</u>
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		<u>18,512,446</u>	<u>25</u>	<u>16,914,771</u>	<u>23</u>
Other equity	4, 6(14)	3,207,531	4	1,993,897	3
Equity attributable to owners of the parent company		<u>38,903,009</u>	<u>52</u>	<u>36,089,978</u>	<u>49</u>
Non-controlling interests	4, 6(14), 6(24)	1,123,541	2	855,439	1
Total equity		<u>40,026,550</u>	<u>54</u>	<u>36,945,417</u>	<u>50</u>
Total liabilities and equity		<u>\$73,911,233</u>	<u>100</u>	<u>\$74,358,983</u>	<u>100</u>

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		<u>11,141,792</u>	<u>34</u>	<u>13,072,993</u>	<u>36</u>
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		<u>(3,778,263)</u>	<u>(12)</u>	<u>(3,908,163)</u>	<u>(11)</u>
Operating income		<u>7,363,529</u>	<u>22</u>	<u>9,164,830</u>	<u>25</u>
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		<u>120,390</u>	<u>-</u>	<u>(198,804)</u>	<u>(1)</u>
Net income before income tax		<u>7,483,919</u>	<u>22</u>	<u>8,966,026</u>	<u>24</u>
Income tax expense	4, 6(22)	<u>(1,467,549)</u>	<u>(4)</u>	<u>(1,983,936)</u>	<u>(5)</u>
Net income		<u>6,016,370</u>	<u>18</u>	<u>6,982,090</u>	<u>19</u>
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		<u>1,233,125</u>	<u>4</u>	<u>(1,320,936)</u>	<u>(4)</u>
Total comprehensive income		<u>\$7,249,495</u>	<u>22</u>	<u>\$5,661,154</u>	<u>15</u>
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	-
		<u>\$6,016,370</u>	<u>18</u>	<u>\$6,982,090</u>	<u>19</u>
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	-
		<u>\$7,249,495</u>	<u>22</u>	<u>\$5,661,154</u>	<u>15</u>
Earnings per share (NT\$)	4, 6(23)				
Basic Earnings Per Share		<u>\$4.78</u>		<u>\$5.59</u>	
Diluted Earnings Per Share		<u>\$4.74</u>		<u>\$5.49</u>	

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		
	Common stock	Capital surplus	Retained earnings			Other equity				Equity attributable to owners of the parent company	
			Legal reserve	Special reserve	Undistributed earnings	Exchange differences resulting from translating the financial statements of foreign operations	Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income				
Balance as of January 1, 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)	(1,382,136)	(1,331,396)	10,460	(1,320,936)
Total comprehensive income	-	-	-	-	6,781,399	105,950	(1,382,136)	(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	1,401,020	1,250,552	(17,427)	1,233,125
Total comprehensive income	-	-	-	-	5,861,103	(171,206)	1,401,020	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)	(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 :			Cash flows from financing activities :		
Contract assets	(261,130)	25,127	Increase in short-term loans	221,830	1,597,599
Notes receivable	7,218	488	Decrease in short-term loans	(1,023,479)	(1,149,115)
Accounts receivable	(125,226)	379,969	Borrowing in long-term loans	13,974,312	20,058,327
Accounts receivable from related parties	(219,812)	398,765	Repayments of long-term loans	(15,677,089)	(21,094,189)
Other receivables	260,711	(72,175)	Increase in deposits received	962	-
Other receivables from related parties	(74,727)	(22,491)	Decrease in deposits received	-	(761)
Inventories	295,875	2,847	Cash payments for the principal portion of the lease liabilities	(29,663)	(91,698)
Prepayments	(386,298)	(19,702)	Cash dividends	(4,279,608)	(3,668,235)
Other current assets	(7,705)	12,034	Interest paid	(706,544)	(501,253)
Contract liabilities	(147,274)	(385)	Change in non-controlling interests	24,258	-
Notes payable	(10,588)	1,380	Net cash used in financing activities	(7,495,021)	(4,849,325)
Accounts payable	146,364	(111,095)			
Accounts payable to related parties	939	(15,199)			
Other payables	(285,484)	(22,052)	Effect of changes in exchange rate on cash and cash equivalents	(45,692)	(44,753)
Other payables to related parties	(11,718)	(1,984)	Net (decrease) increase in cash and cash equivalents	(553,561)	4,166,183
Other current liabilities	(55,017)	267,201	Cash and cash equivalents at the beginning of the year	12,816,115	8,649,932
Accrued pension liabilities	7,970	(7,588)	Cash and cash equivalents at the end of the year	\$12,262,554	\$12,816,115
Other operating liabilities	27,197	26,282			
Cash generated from operating activities	15,829,993	20,183,951			
Interest received	126,058	45,229			
Income tax paid	(1,695,720)	(1,198,748)			
Net cash provided by operating activities	14,260,331	19,030,432			

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

(Annex 2)

King Yuan Electronics Co., Ltd.
2023 Earnings Distribution Statement

Unit: NT\$

Item	Amount		Projected dividend
Unallocated earnings – beginning		8,256,173,169	
Add: Net profit after tax	5,840,364,840		
Add: Confirmed actuarial gain/loss of welfare	20,738,773		
The amount of net profit after tax for the period and the amount adjusted to the current year's undistributed earnings		5,861,103,613	
Less: Provision of 10% legal reserve		(586,110,361)	
Allocable earnings		13,531,166,421	
Scope of allocation			
Dividends to shareholders – cash		3,912,784,208	NT\$3.2 per share
Total allocation		3,912,784,208	
Unallocated earnings – ending		9,618,382,213	

Note:

1. According to the Company's distribution policy, the allocable earnings for 2023 shall be allocated as the first priority. The deficit, if any, shall be allocated from the allocable earnings accumulated for the previous year according to the last-in first-out policy in the order of the years in which the earnings were generated chronically.
2. The distribution yield is calculated based on the outstanding common stock totaling 1,222,745,065 shares when the board of directors' meeting was held.
3. The cash dividend shall be rounded to the whole dollar amount according to the allocation rate. The total of the odd lots less than NT\$1 included in the distribution shall be transferred to the employees' welfare committee.
4. Should the Company encounter a change of share capital that changes the number of outstanding shares on a later date, the board of directors shall be fully authorized to make the necessary adjustments to the percentage of cash dividends allocated to shareholders.
5. The base date for allocation of cash dividends and matters thereto shall be set by the board of directors with authorization upon resolution by the general shareholders' meeting.

(Annex 3)

King Yuan Electronics Co., Ltd.
**The comparison table before and after the amendment of the Articles of
Incorporation**

Provision	Provision After Amendment	Provisions Before Amendment	Reason for Amendment
Article 13	<p>The Committee shall be composed of the entire number of 7 to 11 directors and shall serve a 3-year term. The candidate nomination system is adopted and directors shall be selected from a candidate list by the shareholders' meeting and may be reelected to further terms. The Company shall take out liability insurance for the directors with respect to liabilities resulting from the performance of duties during their terms of office.</p> <p>Among the number of directors of the preceding paragraph, there shall be at least 3 independent directors, and not less than <u>one-third</u> of the seats shall be held by directors. <u>All independent directors may not serve more than three consecutive terms.</u></p> <p>Regulations governing the professional qualifications, restrictions on shareholdings and concurrent positions held, assessment of independence, method of nomination, and other matters for compliance with respect to independent directors shall be in compliance with the relevant regulations set out by the securities competent authorities.</p>	<p>The Committee shall be composed of the entire number of 7 to 11 directors and shall serve a 3-year term. The candidate nomination system is adopted and directors shall be selected from a candidate list by the shareholders' meeting and may be reelected to further terms. The Company shall take out liability insurance for the directors with respect to liabilities resulting from the performance of duties during their terms of office.</p> <p>Among the number of directors of the preceding paragraph, there shall be at least 3 independent directors, and not less than <u>one-fifth</u> of the seats shall be held by directors. Regulations governing the professional qualifications, restrictions on shareholdings and concurrent positions held, assessment of independence, method of nomination, and other matters for compliance with respect to independent directors shall be in compliance with the relevant regulations set out by the securities competent authorities.</p>	In accordance with regulatory amendments by TWSE.
Article 15	<p>In case where the Chairman is on leave or absent or cannot exercise his power and authority for any cause, the proxy thereof shall be handled according to the regulation of Article 208 of the Company Act <u>and the Company's Rules and Procedures for Board of Directors Meetings.</u></p>	<p>In case where the Chairman is on leave or absent or cannot exercise his power and authority for any cause, the proxy thereof shall be handled according to the regulation of Article 208 of the Company Act.</p>	In accordance with regulatory amendments by FSC.

<p>Article 22</p>	<p>These Articles of Incorporation were established on May 2, 1987. First amendment was made on May 20, 1987. Second amendment was made on X,1988. 36th amendment was made on August 3, 2021. <u>37th amendment was made on May 31, 2024.</u></p>	<p>These Articles of Incorporation were established on May 2, 1987. First amendment was made on May 20, 1987. Second amendment was made on X,1988. 36th amendment was made on August 3, 2021.</p>	<p>Amendment date was added.</p>
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