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

KING YUAN ELECTRONICS CO., LTD.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 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.)
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The reader is advised that these consolidated financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

REPRESENTATION LETTER

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

<u>Notice to Readers</u>

- 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
	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)	(1,331,396)	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.

(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)

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						$7,470,985

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	$6,936,915	$195,218	$10,050	$4,759	$-	$7,146,942
Loss ratio	-%	-%	1%	2%	5%	
Lifetime expected credit losses	(4,304)	-	(100)	(95)	-	(4,499)
Subtotal	6,932,611	195,218	9,950	4,664	-	7,142,443

Group 2	Not yet due (Note)	Overdue 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.

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 %

KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES

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.	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)

<table>
<tr><th rowspan="2">Number</th><th rowspan="2">Company name</th><th rowspan="2">Counterparty</th><th rowspan="2">Relationship</th><th colspan="4"></th></tr>
<tr><th>Finacial Statement Account</th><th>Amount</th><th>Transaction terms</th><th>% of Net revenues or total assets</th></tr>
<tr><td rowspan="5">0</td><td rowspan="5">KYEC</td><td>KYEC USA Corp.</td><td rowspan="5">1</td><td>Commission expense
Accrued expenses</td><td>$68,357
11,238</td><td rowspan="6">according to contract</td><td>0.21%
0.02%</td></tr>
<tr><td>King Long Technology (Suzhou) Ltd.</td><td>Receivable on equipment
Payables on equipment
Accounts receivable
Other receivables
Accrued expenses
Sales revenue
Equipment repair
Purchase
Deferred credits</td><td>47,683
225,435
5,536
17,193
218,016
14,787
2,501
2,545
115,567</td><td>0.06%
0.31%
0.01%
0.02%
0.29%
0.04%
0.01%
0.01%
0.16%</td></tr>
<tr><td>KYEC Japan. K.K.</td><td>Accrued expenses
Commission expense</td><td>5,102
34,488</td><td>0.01%
0.10%</td></tr>
<tr><td>KYEC Singapore PTE. LTD.</td><td>Commission expense</td><td>29,256</td><td>0.09%</td></tr>
<tr><td>Suzhou Zhengkuan Technology Ltd.</td><td>Accrued expenses
Deferred credits</td><td>620
9,757</td><td>0.00%
0.01%</td></tr>
<tr><td>1</td><td>King Long Technology (Suzhou) Ltd.</td><td>Suzhou Zhengkuan Technology Ltd.</td><td>3</td><td>Sales revenue
Accounts receivable
Other receivables</td><td>146,089
89,512
44,904</td><td>0.44%
0.12%
0.06%</td></tr>
</table>

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.

KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES

Attachment 6

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.