

Stock code: 2449



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

2021 Annual Report

Date published: May 1, 2022

The Annual Report is accessible on the following websites:

Taiwan Stock Exchange Market Observation Post System: <http://mops.twse.com.tw/>

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One. Letter to Shareholders

Ladies and gentlemen:

Although 2021 was challenging with changes and pressures, we have had excellent results.

With the disruption of COVID-19 and the geopolitical situation, our customers increased their orders, driving monthly demand and resulting in steady growth of capacity utilization rate. As supply and demand is in imbalance, the increased average unit price and gross profit margin finally delivered excellent results on our operating revenue and profitability. We have reached a new high and have set a new milestone for the Company.

Business Plan Implementation Results

- I. The consolidated net revenue was NT\$33.759 billion in 2021, up by 16.6% from 2020. The gross margin reached 30.7%, up 3.2% from 2020. The EPS was NT\$4.23, up 42.4% from 2020. The overall operating performance exceeded the targets we set at the beginning of the year.
- II. Due to factors such as variants, shipping, port congestion, logistics and material shortages that occurred in the first half of last year, delivery schedules were constantly being delayed. As a result of this, customers were in a rush to place orders for production capacity, causing a business boom. Although sales of smartphones, computers, panels, and consumer products were unstable in the second half of the year, demand for automobiles, servers, data centers, and network communications products increased. For a semiconductor manufacturing company, although these variables meant that there were adjustments to individual customers' orders or product mix, demand for manufacturing capacity remained tight throughout the year. As a consequence, the overall semiconductor manufacturing capacity is significantly lower than the market demand, breaking the past experience of cyclical fluctuations in the economy. As the specification and complexity of chip design and the number of transistors increased, the testing time for chips also increased. With steady production inflows, the average utilization of test equipment is expected to continue into next year.
- III. In the past year, with a large number of customer orders coming in, in addition to reinforcing a closer coordination between production and sales, we have made careful investments to improve equipment availability/uptime and production efficiency by transferring production capacity allocation between plants and taking a proactive approach to follow up on production parts. Furthermore, we have also optimized operating procedures in order to shorten the time frame to address issues and increase the speed at which customers introduce new products. At the same

time, we have also accelerated the promotion of plant automation, continued to refine our quality management, rationalized the customer service charging model, and strengthened our efforts on training and talent retention, ensuring the smooth running of the Company as a whole.

- IV. In recent years, the Company has strengthened disclosure and gradually implemented the ESG “Environmental Sustainability,” “Social Engagement,” “Corporate Governance,” and “Corporate Commitment” in response to corporate sustainability issues and are audited by various professional certification bodies on a regular basis. With regard to the company’s 2021 ESG report – the risks have reduced from 2020, thereby achieving improvement year on year.

Financial income and profit analysis

With Taiwan being the world’s leading semiconductor foundry, the Company also holds a significant position in the semiconductor testing field. In recent years, as our customers base has increased, we have continued to expand our production scale according to customer demand. As a result, our financial working capital also expanded.

In terms of financial condition and profitability, our ratio of debt to assets and long-term capital to fixed assets for 2021 were similar to 2020. Due to the fact that our customers and product lines are dispersed, our revenue and profits have grown steadily and the cost of obtaining capital in Taiwan remains reasonable. Moreover, with the use of financial leverage, we have a higher cash position and robust financial structure. Although the current and quick ratios decreased slightly from 2020, our solvency remained strong. In terms of profitability, return on assets, return on equity, net income ratio, and earnings per share after tax all increased greatly from 2020. The financial ratios are as follows:

	2021	2020
Ratio of liabilities to assets (%)	51.71	52.17
Long-term funds to fixed assets (%)	128.13	131.02
Current ratio (%)	169.14	192.36
Quick ratio (%)	154.15	174.60
Return on assets (%)	8.25	6.77
Return on equity (%)	16.30	13.10
Net profit margin (%)	15.50	12.56
After-tax earnings per share (NTD)	4.23	2.97

R&D status

Our R&D Center has always been a strong facility for our business and production

lines. At present, we have over 1200 self-developed testing machines and 450 self-developed burn-in ovens, with testing platforms covering seven major product lines. There was a dramatic demand for our testing equipment last year. Due to the long delivery time for materials, we were unable to meet customer demand. Despite this situation, the performance targets of the R&D Center were achieved.

Future research and development will be carried out according to the Company's annual R&D roadmap. With regard to high-resolution image sensor elements and the capability of high quantity simultaneous testing units, high power burn-in oven improvement, testing channel numbers of self-developed E-series of testing platforms, the application and customer sources of self-developed machines, precision of tester power supply (DPS), solution to ultra-high current thermal effect, and the development of MEMS testing equipment for gyroscope, accelerators, tire gauges, flow meters and magnetometers hygrometers, etc., the Company will do its utmost in the product testing equipment-related field. To respond to challenges in advancing cutting-edge testing technologies, including advanced packaging, heterogeneous packaging, and high frequency components, we continue to make an effort to maintain our unique competitive advantage in the integrated circuit testing field.

Current business plan overview

- I. Take on the challenge and reach operational performance highs, improve equipment investment efficiency, and expand the revenue of self-developed machines.
- II. Focus on key customer satisfaction, strictly control the cost of quality failure, and deepen employees' awareness for quality.
- III. Improve equipment utilization rate, stabilize workers' productivity, and center on smart manufacturing utilization.
- IV. Develop diverse procurement channels, focus on cost optimization for manufacturers, and implement material inventory management.
- V. Refine its own core technologies and applications, reach and create key components and equipment to construct quality intellectual property patents and deployment.
- VI. Reduce key talent loss, strengthen employee recruitment effectiveness, and deepen cultivation of key functions.

Future development strategy

Given Taiwan's mature semiconductor manufacturing industry with high efficiency in upstream, downstream and peripheral systems, the successful model of professional division of labor has met the in-depth needs of the outsourcing of customers. Hence Taiwan remains in an advantageous position other countries and regions will find difficult to replace. Accordingly, in recent years, the development strategy of the

Company generally remained the same and continues to head toward the following directions.

- I. Implement basic core values in the manufacturing supply chain, technology, quality, delivery schedules, services, efficiency, cost, information, and corporate culture, achieving the mission of immediately bringing customers' products to market.
- II. Reinforce the Company's unique differentiated service capability, system operation, practical experience, process improvement, and service level, becoming a trustworthy partner in the customers' manufacturing supply chain.
- III. Management will be based on customer satisfaction; continue to invest in a prudent manner, improve profitability, and pursue healthy growth.
- IV. Place importance on customers with high growth as well as their products in each business region, develop potential customers for product introduction, strive for further outsourcing opportunities where IDM customers can prosper and develop alongside one another.
- V. In response to the conflict between the U.S. and China and China's supply chain growth, we will evaluate and adjust the planning of the Company's supply chain in Taiwan and China, thereby responding and mitigating possible changes in the environment in the future.
- VI. With an open attitude, we cooperate with semiconductor business operators in a strategic cooperation and joint development approach so that the Company can quickly gain its position as one of the top semiconductor packaging and testing companies in the industry.

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

With respect to global semiconductor industry sales, according to WSTS – the global semiconductor market in 2021 grew by 25.6% from 2020, totaling a value of US\$553 billion. The production value for 2022 is expected at US\$601.4 billion, growth of 8.8%. Also, IC Insights predicts that semiconductor industry sales will grow by 11% in 2022. In a high base period, the global semiconductor industry is facing a brand-new year, as the drive for sales and profitability continues to be products including 5G smartphone components, 5G networking components, IoT components, sensor components, Wi-Fi 6, AI learning chips, servers, data center computing equipment, edge computing chips, memory, micro-electromechanical systems, electric cars and advanced driver-assistance systems and cockpit chips.

According to the World Bank, the global economic growth rebounded to 5.5% in 2021 and will slow down to 4.1% in 2022. The IMF however revised the global economic growth rate down to 4.4% for 2022, emphasizing that the growth outlook for the U.S. and China will both weaken. With issues such as inflation and major economies tightening their credits, advanced countries are bound to increase interest rates, causing

volatility in the money and capital markets.

With respect to the external competitive environment – the COVID-19 pandemic will eventually end and the disruption to the economy will recover. People’s lifestyles and pace have changed as a result of the pandemic and the development of remote work and learning, home economy, contactless economy, e-commerce, and IoT have ramped up the digital transformation of individuals and companies. From early material innovation to transistor structure innovation, the development of semiconductors has entered system integration and efficiency and consumption optimization. With the onset of advanced manufacturing and packaging technologies, the wide application of Advanced RISC Machines (ARM) and accelerated establishment of 3GPP protocols, new applications of cloud and edge high-performance computing (HPC), network communications, Internet of Things, smartphones and terminal devices, smart cars, smart manufacturing, smart cities, big data analytics, artificial intelligence (AI), augmented reality (AR) and virtual reality (VR), low orbit satellite broadband, and 5th generation communications (5G) with large amount of data and fast transmission, will be widely used in a variety of products and the quality will continue to thrive. The demand for ICs will increase dramatically in both quality and quantity.

Looking back, the global semiconductor manufacturing supply chain rooted in Taiwan has become a leader in the world with respect to professional division of labor services, customer trust, market development speed, production flexibility and efficiency, as well as a commitment to sustainable development. Taiwan ranks number 1 in the world for wafer fabrication and testing and number 2 in IC design. With the constant pursuit of progress and the advantage of Taiwan’s semiconductor manufacturing ecosystem, there is no doubt that the semiconductor manufacturing cluster will continue to serve the world’s demand for chip manufacturing. However, given challenges including national security, long-arm jurisdiction in trade, supply chain risks of technology containment, climate change, information security and human resource shortage in the competition between China and the U.S., there is an urgent need for breakthroughs.

In terms of laws and the overall business environment, there have been constant issuance of regulations and orders imposed from the U.S. on China’s technology industry regarding intellectual property, equipment sales, and restrictions imposed for IC design and manufacturing of China’s semiconductor industry due to the Entity List. Under the policy of internal circulation, China has taken a proactive approach to speed up its development in the semiconductor industry, including constructing a supply chain in China for the substitution of IC products, and the production capacity priority has been given to China’s domestic companies. With the impact of its backward process, technology growth in China will slow down. While the pandemic has caused supply chain disruptions which resulted in material shortages, it at the same time prompted the plan for major economies in the world to build their own semiconductor supply chains.

In the meantime, the Competition Law will continue to be resisted by the semiconductor industry for important large company M&As.

As we are now into 2022, in terms of the overall economic environment – all countries around the world will focus on revitalizing local economies. However, high inflation and unemployment problems have prompted the U.S. to end quantitative easing and it is hoped that interest rates will rise rapidly in order to tackle the problems. Under the anticipatory psychology, there is greater impact on assets that have already risen in value. With emerging markets and Asian currencies depreciating, there is an abundance of hot money. The factors caused by current high inflation and unemployment are complex compared to the past economic models. With the gap between the rich and the poor and populist politics, coupled with the problem of when international logistics will return to their normal level and the issue of container shortage, the extent to which the ripple effect of interest rates increase will affect the global economic growth rate remains conservative. Given this, the overall economic environment remains uncertain.

Looking at this year, with the strong intention of the U.S. protecting the U.S. dollar, military and technology sectors, there is constant tension between the U.S., China and Russia, as well as countries in Europe and Asia, and turmoil is inevitable. In terms of the balance of supply and demand in the semiconductor industry – although the expansion of production capacity in Taiwan’s manufacturing supply chain is stringent, the maturity for process capacity remains a challenge and the demand to drive technological progress continues. Moreover, with the emergence of many unexpected terminal products from new technologies, manufacturing capacity will not be relaxed. In addition, climate change problems such as drought, heavy rain and snowstorms, forest fires, earthquakes, and global warming, as well as global carbon neutrality and net-zero carbon emissions have become pressing ESG issues for listed companies to emphasize on. Facing the rapid growth of the Company’s international customers and high dependence of production capacity construction, the Company is optimistic regarding future business opportunities. At the same time, we will continue to invest in talent and equipment and work closely with customers and the supply chain. We believe that, by working hard, we will be able to set new records in our operating results, further increasing shareholders’ equity.

To sum up, I would like to thank our shareholders once more for their long-term support. I look forward to maintaining a longstanding relationship with all shareholders to help create a better future. We are enthusiastic and confident about the future of the Company and the semiconductor industry in general.

Chairman: Chin-Kung Lee

President: An-Hsuan Liu

Two. Company profile

I. Date of incorporation: May 28, 1987

II. Corporate history:

1987	May	Incorporated at No. 15, Lane 576, Sec. 1, Guangfu Rd., Hsinchu City officially, with the authorized capital in the amount of NT\$7 million and paid-in capital in the amount of NT\$7 million.
1990	February	Capital increase by NT\$2.5 million in cash and the Company's capital increased to NT\$9.5 million.
1994	July	Capital increase by NT\$11 million in cash and the Company's capital increased to NT\$20.5 million.
1995	October	Capital increase by NT\$9.5 million in cash and the Company's capital increased to NT\$30 million.
1996	July	Added logical reasoning test operations.
	September	Capital increase by NT\$20 million in cash and the Company's capital increased to NT\$50 million.
1997	May	Capital increase by NT\$40 million in cash and the Company's capital increased to NT\$90 million.
	July	Added memory test operations.
	September	Capital increase by NT\$80 million in cash and the Company's capital increased to NT\$170 million.
	December	Received ISO9002 certification.
1998	January	Completed the construction of Zhao-Nan Factory and started mass production.
	February	Capital increase by NT\$180 million in cash and the Company's capital increased to NT\$350 million.
	August	Capital increase by NT\$199.75 million in cash and by recapitalization of retained earnings, and the Company's capital increased to NT\$549.75 million.
	September	Capital increase by NT\$100.25 million by recapitalization of capital surplus, and the Company's capital increased to NT\$650 million.
	December	Capital increase by NT\$50 million in cash and the Company's capital increased to NT\$700 million.
1999	March	Commenced the construction of KYEC Technology Headquarters on Gongdaowu Rd., Hsinchu City.
	May	Approved to engage in the public offering of stock by the Securities and Futures Bureau, Ministry of Finance, and also reported to TWSE for the pre-listing tutoring.
	July	Capital increase by NT\$293.75 million in cash and by recapitalization of retained earnings and capital surplus, and the Company's capital increased to NT\$993.75 million.
	August	Established Optoelectronic Products Division, and adjusted the organization.
	October	Acquired one more land on Chunghua Rd., Chu-Nan Township, Miaoli County for the factory construction project.
	December	Capital increase by NT\$250 million in cash and the Company's capital increased to NT\$1.24375 billion.

2000	March	Commenced the construction of Chunghua 1st Factory.
	July	Capital increase by NT\$1.38850446 billion in cash and by recapitalization of retained earnings and capital surplus, and the Company's paid-in capital stock to NT\$2.63225446 billion. Completed the construction of KYEC Headquarters and officially opened the Headquarters.
	December	The application for listing of stock was approved by TWSE.
2001	January	The listing of stock was approved by the Securities and Futures Bureau, Ministry of Finance.
	March	Completed the construction of Chunghua 1st Factory and formally activated the Factor.
	May	Traded stock on TWSE officially.
	July	Capital increase by NT\$1.73446768 billion by recapitalization of retained earnings and capital surplus, and the Company's paid-in capital increased to NT\$4.36672214 billion.
	August	Passed the ISO9000, TL9000 and QS9000 certifications.
	October	Established the branch company in Chu-Nan Township.
2002	April	Issued the overseas convertible bonds in the amount of USD120 million.
	December	The special shareholders' meeting passed the motion for private placement and reelection of one director, and SPIL occupied one seat of directors accordingly.
2003	February	Passed ISO14001 for environmental management certification and OHSAS18001 for occupational safety and health management certification. Completed the motion for private placement, and the Company's capital increased to NT\$5.56871604 billion.
2004	January	Issued the overseas convertible bonds in the amount of USD100 million.
	August	Capital increase by recapitalization of retained earnings, and the Company's capital increased to NT\$7.54955164 billion.
2005	August	Capital increase by recapitalization of retained earnings, and the Company's capital increased to NT\$9.07897897 billion.
	December	Commenced the construction of Chunghua 2nd Factory.
2006	August	Capital increase by recapitalization of retained earnings, and the Company's capital increased to NT\$10.89670967 billion. Completed the construction of Chunghua 2nd Factory.
2007	April	Commenced the construction of Chunghua 3rd Factory. Acquired a piece of land occupying an area of 5,588 square meters on Chunghua Rd., Chu-Nan Township, Miaoli County for the factory construction project.
	August	Capital increase by recapitalization of retained earnings, and the Company's capital increased to NT\$12.14696675 billion.
	December	Passed ISO14064 for international GHG management accreditation. Completed the construction of Chunghua 3rd Factory.
2008	February	Commenced the construction of Chunghua 4th Factory.
	August	Capital increase by recapitalization of retained earnings, and the Company's capital increased to NT\$12.80854009 billion.

	September	Completed the construction of Chunghua 4th Factory.
	November	Passed OHSAS18001:2007 for revision certification. Passed TOSHMS certification.
2009	August	Capital increase by recapitalization of retained earnings, and the Company's capital increased to NT\$12.59735576 billion.
	December	Passed ISO14001, OHSAS18001 and TOSHMS for annual follow-up audit.
2010	October	Issued the overseas convertible bonds in the amount of USD40 million.
	December	Passed ISO14001/OHSAS18001/TOSHMS for annual follow-up audit.
2011	October	Honored as the excellent plant for cleaner production in TSMC Center-Satellite system.
2012	December	Passed TOHMAS for conversion into CNS15506:2011. Chunghua Factories passed the AEO safety accreditation.
2013	February	Commenced the construction of Tongluo Factory for Stage 1.
	December	Completed the construction of Tongluo Factory for Stage 1.
2014	December	Commenced the construction of Tongluo Factory for Stage 2.
2015	December	Chu-Nan Factory was honored as the excellent entity for "Low Carbon Action Award" conferred by the Environmental Protection Administration, Executive Yuan.
2016	January	Completed the construction of Tongluo Factory for Stage 2.
	April	Tongluo Factory for Stage 1 received the "Green Building—Bronze Medal" awarded by the Ministry of Interior.
	July	Issued the overseas convertible bonds in the amount of USD50 million. Purchased green power and awarded the "2016 Green Power Logo" by the Ministry of Economic Affairs.
	October	Tongluo Factory received the "Green Power Plant Label" awarded by the Industrial Development Bureau, Ministry of Economic Affairs.
	November	Received the excellence award for the "2015 Green Procurement Implemented by Private Enterprises and Groups" conferred by the Environmental Protection Bureau of Miaoli County Government. Chu-Nan Factory passed ISO50001 for energy management accreditation.
2017	September	Purchased green power and awarded the "Green Power Logo" by the Bureau of Energy, Ministry of Economic Affairs.
	November	Honored as the excellent entity for "2016 Green Procurement" awarded by the Environmental Protection Administration, Executive Yuan. Received the excellence award in "Landscaping and Environmental Maintenance Competition" organized by Hsinchu Science Park.
	December	Received the excellence award for the "2016 Green Procurement Implemented by Private Enterprises and Groups" conferred by the Environmental Protection Bureau of Miaoli

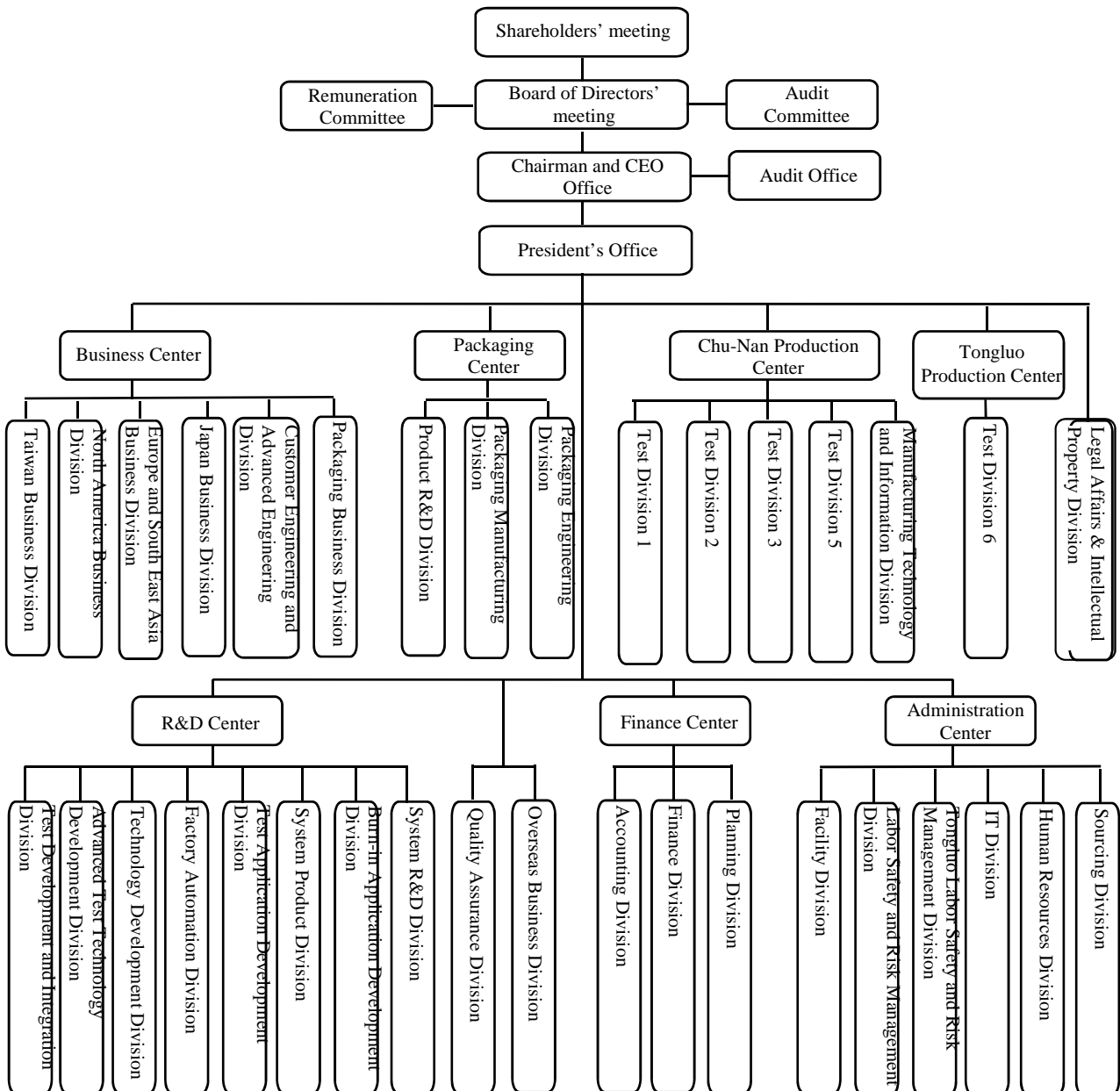
		County Government.
		Tongluo Factory passed ISO50001 for energy management accreditation.
2018	November	Received the excellence award in “Landscaping and Environmental Maintenance Competition” organized by Hsinchu Science Park.
	December	Received the excellence award for the “2017 Green Procurement Implemented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

special merit award.

December Honored as the excellent entity for “2020 Green Procurement” awarded by the Environmental Protection Administration, Executive Yuan.
Received the bronze award for the “2021 Taiwan Continuous Improvement Award” by CSD.

Three Corporate Governance Report

I. Organization (I) Organizational structure



(II) Departmental Business Operations

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

Test Division 2	Responsible for such processing operations as wafer fabrication, grinding, cutting, selection and testing; control the production, delivery date and quality required under purchase orders; improve production technology, and establish standard operating procedures; assess, introduce and maintain production equipment, jigs, knives and measuring tools.
Test Division 3	Responsible for supervising and assessing logical reasoning test and mixed signal test of finished IC goods; responsible for supervising and assessing various departments' performance; control the production to meet the shipping requirements; test technology development and introduction; control product quality.
Test Division 5	Provide tests of finished IC goods and burn-in services; Responsible for supervising and assessing the achievements of the department's performance; responsible for supervising and assessing various departments' performance; control the production to meet the shipping requirements; test and burn-in technology development and introduction; control product quality.
Manufacturing Technology and Information Division	Plan, design and develop the automation equipment and manufacturing management information systems required by various business divisions' production process, and provide any support required by the production process to upgrade the output.
Tongluo Production Center	Establish and execute the business plans of Tongluo Factory to achieve profitability and turnover objectives; responsible for the financial and operational results; responsible for maintaining fair relationships with key customers and partners; promote and execute the customer demand to practice the promotion and execution of projects in the production lines; balance the vision and business purposes.
Test Division 6	Provide customers with chips and IC test services; control the production to meet the shipping requirements; test technology development and introduction; control product quality.
R&D Center	Plan and execute R&D strategies, integrate and control R&D resources, integrate cross-group R&D projects, and lead the key R&D programs.
Test Development and Integration Division	Evaluation, development, and mass production of new products for image sensors of new customers. Development and integration of new testing technology for image sensors and test applications for proprietary test machines; provide customers with comprehensive test solutions, mass production service, and assist in the resolution of engineering problems on the production line.

Advanced Test Technology Development Division	Take charge of PCB design, manufacturing and stimulation technology, development and research of new test technology, develop system diagnostic technology, produce the automatic test programs and develop conversion systems, and design and manufacture new test machine interfaces.
Factory Automation Division	Creation and implementation of test environment; research and development of technologies needed to produce key components and perform specialized tests.
Test Application Development Division	Applying self-manufactured test equipment to provide customers with comprehensive IC test solutions. Planning and designing a customized test environment for differentiated test services to match with special test conditions.
System Product Division	Self-make test machines, produce and maintain Burn-in Oven and the development platform for mass production of parts to improve the stability of production lines.
Burn-in Application Development Division	Applying the self-developed burn-in machine to design customized systems and programs based on customer specifications and provide a comprehensive and high-quality burn-in process.
System R&D Division	Research and development of self-made test machines and high-power burn-in machine system/equipment, and focus on the functional expansion/upgrade of self-made test machines.
Technology Development Division	Responsible for the planning, design, production and development of automated equipment needed to support production activities of various business divisions; provide support and output enhancement for the production process.
Administration Center	Integrate the Group's administrative resources and support the Group's operation to seek maximum interest for the Company at the lowest cost.
Facility Division	Responsible for factory layout, facility planning and construction as well as operation and maintenance of system.
Labor Safety and Risk Management Division	Responsible for assessing risk over factory premises and planning/executing EHS operations.
Tongluo Labor Safety and Risk Management Division	Responsible for assessing risk over factory premises and planning/executing EHS operations at Tongluo Factory premises.
IT Division	Responsible for planning, implementing, reviewing and improving the Company's information system, and maintaining, safeguarding and supervising information systems.
Human Resources Division	Responsible for establishing, reviewing and revising the Company's HR development plans.

Sourcing Division	Responsible for procuring raw materials and supplies and equipment, warehousing & logistics and import and export management, and bonding for the Company.
Quality Assurance Division	Coordinate the product quality upgrading, establish quality strategies, improve quality systems, control company documentation, conduct quality activities, serve as an analysis and calibration laboratory for equipment and instruments, and manage supplier quality.
Finance Center	Formulate financial strategies for the Company and the Group, plan related affairs such as finance, accounting, investment, corporate governance, corporate communication, and maintain relationships with the media.
Planning Division	Responsible for relationship management and communication with institutional investors, media relations, public affairs and coordination of cross-department projects.
Accounting Division	Comprehensive management of the Company's tax planning, budgeting, account settlement, customer credit management, fixed asset management and operations and cost analysis.
Finance Division	Responsible for matters including comprehensive management of the Company's stock affairs and corporate governance, working capital finance and schedules, and financial risk management.
Legal Affairs & Intellectual Property Division	Oversees legal affairs, including management of contractual arrangements, patents and other intellectual property rights, litigations etc.
Overseas Business Division	A unit prepared to assign overseas employees.
Packaging Center	Establish and execute the business plans to achieve profitability and turnover objectives; responsible for the financial and operational results; responsible for maintaining fair relationships with key customers and partners; promote and execute the customer demand to practice the promotion and execution of projects in the production lines; balance the vision and business purposes.
Product R&D Division	Responsible for the development and implementation of new packaging machinery, development of new products/technologies, layout design and assessment/introduction of new suppliers.

Packaging Manufacturing Division	Plan, execute and monitor progress of the production schedule; develop standardized operating guidelines and operational environment needed to deliver excellent and timely packaging service; responsible for improving production efficiency and supervising accomplishment of performance targets.
Packaging Engineering Division	Responsible for the planning, assessment and implementation of new packaging process and equipment purchase; responsible for making improvements to packaging yield, output, production process and use of materials to deliver customers' requirements toward the quality of packaging service.

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

(I) Information on Directors

2022.05.01

Title	Nationality or Place of Registration	Name	Gender / age (years of age)	Date of Election (Appointment)	Term (years)	Date when first elected	Shares held at election		Shares currently held (Note 3)		Shareholdings of spouse and underage children		Shareholdings under another		Experience (Education)	Concurrent positions in the Company and in other companies	Spouse or relatives of the second degree or closer acting as directors or department heads			Remarks	
							Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)			Title	Name	Relationship		
Chairman	R.O.C.	Chin-Kung Lee	Male 61-70	2020.06.10	3	1996.09.25	34,000,941	2.78	34,000,941	2.78	4,263,053	0.35	0	0	Bachelor President of KYEC	CEO Chairman of KYEC Investment International Co., Ltd. Chairman of KYEC Technology Management Co., Ltd. Chairman of KYEC Microelectronics Co., Ltd. Director of King Long Technology (Suzhou) Ltd. Director of Suzhou Zhen Kun Technology Ltd. Independent Director of Quang Viet Enterprise Co., Ltd. Chairman of King Ding Precision Incorporated Company	None	None	None	None	Note 4
Vice-Chairman	R.O.C.	Chi-Chun Hsieh	Male 61-70	2020.06.10	3	1999.04.20	5,552,037	0.45	5,552,037	0.45	567,120	0.05	0	0	Bachelor	Physician & Director of Xiang An Clinic	None	None	None	None	None
Director	R.O.C.	An-Hsuan Lau	Male 61-70	2020.06.10	3	2014.06.12	1,200,000	0.10	1,000,000	0.08	0	0	0	0	PhD President of Intematix Technology Center Corporation	Chairman of KYEC USA Corp. Chairman of KYEC Japan K.K. Chairman of KYEC SINGAPORE PTE. LTD. Chairman of King Long Technology (Suzhou) Ltd. Chairman of Suzhou Zhen Kun Technology Ltd.	None	None	None	None	None
Director	R.O.C.	Kao-Yu Liu	Male 41-50	2020.06.10	3	2011.06.15	4,808,267	0.39	4,808,267	0.39	1,506,766	0.12	0	0	PhD	Chairman of LC Architecture Realization Company, Inc. Chairman of H-Ze Construction Development Co., Ltd.	Director	Kuan-Hua Chen	Brother-in-law	None	None
Director	R.O.C.	Kuan-Hua Chen	Male 41-50	2020.06.10	3	2008.06.13	3,168,574	0.26	3,168,574	0.26	1,173,496	0.10	0	0	Master's in Financial Engineering, Carnegie Mellon University	Director of Weikeng Industrial Co., Ltd.	Director	Kao-Yu Liu	Spouse's brother	None	None
Director	N/A	Yann Yuan Investment Co., Ltd.	-	2020.06.10	3	2017.06.08	52,600,000	4.30	52,600,000	4.30	0	0	0	0	-	-	None	None	None	None	None
Director	R.O.C.	Representative: Chao-Jung Tsai (Note 1)	Male 61-70	2020.06.10	3	2017.06.08	0	0	0	0	0	0	0	0	Master CPA Director of ChipMOS	Director of Acufit Enterprise Co., Ltd.	None	None	None	None	None

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

2021.12.31

Name of the corporate shareholder	Major shareholders of corporate shareholders (Note)
Yann Yuan Investment Co., Ltd.	SPIL Investment Co., Ltd. (29.45%), United Microelectronics Corporation (28.22%), King Yuan Electronics Co., Ltd. (15.34%), Unimicron Technology Corp. (12.27%), Sigurd Microelectronics Corporation (4.29%), Coretronic Corporation (7.98%)

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

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

Major shareholders of corporate shareholders	Major shareholders of corporate shareholders (Note)
SPIL Investment Co., Ltd.	Siliconware Precision Industries Co., Ltd. (100%)
United Microelectronics Corporation	JPMorgan Chase Bank, N.A. acting in its capacity as depository and representative to the holders of ADRs (5.84%), Fubon Life Insurance Co., Ltd. (4.16%), Hsun Chieh Investment Corporation (3.55%), New Labor Pension Fund (2.53%), Silicon Integrated Systems Corp (2.30%), Yann Yuan Investment Co., Ltd. (1.62%), CTBC Bank Employee Stock Ownership Trust Account of UNITED MICROELECTRONICS CORP. (1.57%), Norges Bank - internal - NBIM PF EQ INTERNAL CFD (1.23%), Nan Shan Life Insurance Company, Ltd.(1.20%), JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (1.06%).
King Yuan Electronics Co., Ltd.	Yuanta Taiwan High Dividend Fund (4.43%), Yann Yuan Investment Co., Ltd. (4.30%), Fubon Life Insurance Co., Ltd. (4.18%), Chin-Kung Lee (2.78%), Nan Shan Life Insurance Company, Ltd.(2.24%), New Labor Pension Fund (2.19%), UMC (1.89%), China Life Insurance Co., Ltd. (1.73%), HSBC acting in its capacity as depository and representative to investment by Goldman Sachs (1.50%), Taiwan Cooperative Bank (1.42%)
Unimicron Technology Corp.	UMC (13.03%), Labor Pension Fund (4.84%), HSBC Bank in Custody for Morgan Stanley & Co. International Plc Account (3.54%), HSBC (Taiwan) Bank Trusted British Business Goldman Sachs International Investment Account (2.32%), Nan Shan Life Insurance Company, Ltd. (2.21%), Cathay Life Insurance Company (2.16%), JP Morgan Chase Bank Custody of JP Morgan Securities Co., Ltd. Account (2.14%), Old Labor Pension Fund (1.89%), HSBC Taiwan escrows Merrill Lynch International Investment Account (1.89%), Standard Chartered Trustees Mizuho Securities Co., Ltd. (1.84%).
Sigurd Microelectronics Corporation	Yann Yuan Investment Co., Ltd. (2.92%), Taiwan Cooperative Bank (2.87%), Hsing-Yang Huang (1.62%), JPMorgan Chase, Taipei Branch acting in its capacity as depository and representative to investment by JP Morgan Securities (1.47%), HSBC acting in its capacity as depository and representative to investment by the LSV Emerging Markets Equity Fund (1.38%), Ming-Chun Chiu (1.30%), Vanguard Total International Stock

	Index Fund, a series of Vanguard Star Funds in the custody of JP Morgan Chase Bank N.A., Taipei Branch (1.30%), JP Morgan Chase Bank, N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (1.17%), a series of Vanguard Star Funds (1.93%), CitiBank (Taiwan) acting in its capacity as depository and representative to investment by Norges Bank (1.11%), HSBC acting in its capacity as depository and representative to investment by by Morgan Stanley Bank International Limited (1.00%)
Coretronic Corporation	Taiwei Advanced Company (9.24%), Hsun Chieh Investment Company (3.85%), Wei-Yi Chang (2.39%), CitiBank (Taiwan) acting in its capacity as depository and representative to investment by Norges Bank (1.94%), Huali Investment Company (1.90%), Yann Yuan Investment Co., Ltd. (1.53%), JP Morgan Chase Bank, N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (1.50%), Chunghwa Post Co., Ltd. (1.47%), Taiwan Cooperative Bank (1.31%), Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds in the custody of JP Morgan Chase Bank N.A., Taipei Branch (1.29%)

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

(II) Information on Directors

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

Name	Qualification	Professional qualifications and experience	Independence	Number of positions as an Independent Director in other public listed companies
Chairman Chin-Kung Lee	Graduated from Department of Shipping & Transportation Management, NTOU. He currently serves as the Company's chairman and CEO, with more than five years of working experience in commercial, legal, financial, accounting or other work experience required to perform the assigned duties, and 30 years of working experience in corporate operations management and the semiconductor industry. Not a person of the conditions specified in any of the sub-paragraphs of Article 30 of the Company Act	N/A	1	
Vice-Chairman Chi-Chun Hsieh	Graduated from School of Medicine, College of Medicine, Taipei Medical University. He has passed national examinations and attained a certificate to practice as a doctor. He possesses more than five years of working experience in commercial, legal, financial, accounting or other work experience required to perform the assigned duties, and is currently a doctor and director of Xiang-An Clinic. Not a person of the conditions specified in any of the sub-paragraphs of Article 30 of the Company Act		0	
Director An-Hsuan Liu	Holds a PHD in Mechanical Engineering, North Carolina State University. He current serves as the Company's president and has 20 years of working experience in corporate operations management and the semiconductor industry. Not a person of the conditions specified in any of the sub-paragraphs of Article 30 of the Company Act		0	
Director Kao-Yu Liu	Holds a PhD in Architecture Engineering, the University of Tokyo. He has more than five years of working experience in commercial, legal, financial, accounting or other work experience required to perform the assigned duties. He is currently the chairman of LC Architecture Realization Company, Inc. and Ji-Ze Construction Development Co., Ltd. Not a person of the conditions specified in any of the sub-paragraphs of Article 30 of the Company Act		0	
Director Kuan-Hua Chen	Holds a Master's in Financial Engineering, Carnegie Mellon University. He has more than five years of working experience in commercial, legal, financial, accounting or other work experience required to perform the assigned duties. He is concurrently serving as a director of Weikeng Industrial Co., Ltd. Not a person of the conditions specified in any of the sub-paragraphs of Article 30 of the Company Act		0	
Director Yann Yuan Investment Co., Ltd.	Holds a Master's degree in Department of Management Science, National Yang Ming Chiao Tung University and is a CPA. He has more than five years of working experience in commercial, legal, financial, accounting or other work experience required to perform the assigned duties. He is concurrently serving as a director of Acufit Enterprise Co., Ltd. Not a person of the conditions specified in any of the sub-paragraphs of Article 30 of the Company Act		0	
Representative: Director Chao-Jung Tsai (Note)	Graduated from Department of Finance and Taxation of National Chengchi University. He has more than five years of working experience in commercial, legal, financial, accounting or other work experience required to perform the assigned duties. He was the chairman of Hsun Chieh Investment Co., Ltd. Not a person of the conditions specified in any of the sub-paragraphs of Article 30 of the Company Act		0	
Representative: Ping-Kun Hung (Note)	Holds a Master's degree in preventive medicine from the Institute of Health Policy and Management, National Taiwan University. He has passed national examinations and attained a certificate to practice as a doctor. He possesses more than five years of working experience in commercial, legal, financial, accounting or other work experience required to perform the assigned duties. He is currently a doctor and director of Bo-Xin Clinic and Executive Supervisor at New Taipei City Medical Association.		0	
Independent Director Hui-Chun Hsu		<p>The following independence assessment criteria has been met in the two years prior to and during the term of office:</p> <p>(1) Not an employee of the company or an affiliate.</p> <p>(2) Not a director or supervisor of the Company or its subsidiaries or affiliates (except an independent director appointed in accordance with the Securities and Exchange Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).</p> <p>(3) The director, or his or her spouse or minor child, does not hold, in his or her own name or in another name, more than 1% of the Company's total outstanding shares, nor is one of the Company's ten largest natural-person shareholders.</p>	0	Independent Director (or nominee arrangement) as well as his/her spouse and minor children do not hold any KYEC shares. Received no compensation or benefits for providing commercial, legal, financial, accounting services or consultation to the Company or to any its affiliates within the preceding two years, and the service provided is either an "audit service" or a "non-audit service".

<p>Independent Director Dar-Yeh Hwang</p>	<p>Holds a Master's degree and a doctorate degree in finance from Rutgers, the State University of New Jersey. He was the chairman and director of the Department of Finance at National Taiwan University. He possesses more than five years of working experience in commercial, legal, financial, accounting or other work experience required to perform the assigned duties. He is currently the chairman of McBorter AFMA and Academy of Promoting Economic Legislation.</p>	<p>(4) Not a manager listed in (1), nor a spouse, relative within the second degree of kinship, or direct blood relative within the third degree of kinship of a person listed in (2) and (3). (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the Company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the Company under Article 27, paragraph 1 or 2 of the Company Act (except an independent director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent). (6) Not a majority of the Company's director seats or voting shares; and those of any other company controlled by the same person; a director, supervisor, or employee of that other company (except an independent director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent). (7) Not a chairman, president, or person holding an equivalent position of the Company and a person in any of those positions at another company or institution is the same person or they are spouses; a director (or executive director), supervisor, or employee of that other company or institution (except an independent director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent). (8) Not a director (executive director), supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution that has a financial or business relationship with the Company (except a specified company or institution that holds 20% or more and no more than 50% of the total number of issued shares of the public company, or an independent director appointed in accordance with the Securities and Exchange Act in accordance with the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary of the same parent). (9) Not a professional individual, or an owner, partner, director (executive director), supervisor, or officer of a sole proprietorship, partnership, company, or institution, that provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof. This restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations. (10) Is not the spouse or relative within the second degree of kinship of another director. (11) Is not a person of the conditions specified in any of the sub-paragraphs of Article 30 of the Company Act. (12) Has not been elected as a government unit, institution, or their representative as prescribed in Article 27 of the Company Act.</p>	<p>Independent Director (or nominee arrangement) as well as his/her spouse and minor children do not hold any KYEC shares Received no compensation or benefits for providing commercial, legal, financial, accounting services or consultation to the Company or to any its affiliates within the preceding two years, and the service provided is either an "audit service" or a "non-audit service".</p>	<p>0</p>
<p>Independent Director Semi Wang</p>	<p>Graduated from Department of Aeronautics and Astronautics, National Cheng Kung University. He possesses more than five years of working experience in commercial, legal, financial, accounting or other work experience required to perform the assigned duties. He is currently serving as the chairman of Mingsing Creative Management Consultations Inc., and concurrently serving as an independent director of Creative Sensor, Inc.; supervisor of Kuo Kuang Power Co., Ltd.; juridical person representative of FIT Holding Co., Ltd.; member of Homenema Technology Incorporation Compensation Committee; director of the Taiwan Electrical and Electronic Manufacturers Association</p>	<p>(4) Not a manager listed in (1), nor a spouse, relative within the second degree of kinship, or direct blood relative within the third degree of kinship of a person listed in (2) and (3). (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the Company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the Company under Article 27, paragraph 1 or 2 of the Company Act (except an independent director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent). (6) Not a majority of the Company's director seats or voting shares; and those of any other company controlled by the same person; a director, supervisor, or employee of that other company (except an independent director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent). (7) Not a chairman, president, or person holding an equivalent position of the Company and a person in any of those positions at another company or institution is the same person or they are spouses; a director (or executive director), supervisor, or employee of that other company or institution (except an independent director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent). (8) Not a director (executive director), supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution that has a financial or business relationship with the Company (except a specified company or institution that holds 20% or more and no more than 50% of the total number of issued shares of the public company, or an independent director appointed in accordance with the Securities and Exchange Act in accordance with the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary of the same parent). (9) Not a professional individual, or an owner, partner, director (executive director), supervisor, or officer of a sole proprietorship, partnership, company, or institution, that provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof. This restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations. (10) Is not the spouse or relative within the second degree of kinship of another director. (11) Is not a person of the conditions specified in any of the sub-paragraphs of Article 30 of the Company Act. (12) Has not been elected as a government unit, institution, or their representative as prescribed in Article 27 of the Company Act.</p>	<p>Independent Director (or nominee arrangement) as well as his/her spouse and minor children hold KYEC shares : 10,000 Shares (0.00%) Received no compensation or benefits for providing commercial, legal, financial, accounting services or consultation to the Company or to any its affiliates within the preceding two years, and the service provided is either an "audit service" or a "non-audit service".</p>	<p>1</p>

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

II. Diversity and independence of the Board of Directors:

(I) Diversity of the Board of Directors

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

I. Basic requirements and values: Gender, age, nationality, and culture.

II. Professional knowledge and skills: Professional background (e.g. law, accounting, industry, finance, marketing, or technology), professional skills, and industry experience.

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

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

Members of the Company are all nationals of Taiwan. With extensive experience and professionalism in different industries and fields, including business management, finance and accounting, aerospace engineering, mechanical engineering, medical and construction expertise.

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

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

Core items for diversity		Basic composition				Length of service of independent directors	Professional competence						
		Gender	With employee status	Age			Less than 3 years	3 to 9 years	Operational judgments	Accounting and financial analysis	Management administration	Crisis management	Knowledge of the industry
41-50	61-70												
Chairman	Chin-Kung Lee	Male	√	√			√	√	√	√	√	√	√
Vice-Chairman	Chi-Chun Hsieh	Male		√			√	√	√	√	√	√	√
Director	An-Hsuan Liu	Male	√	√			√	√	√	√	√	√	√
Director	Kao-Yu Liu	Male		√			√	√	√	√	√	√	√
Director	Kuan-Hua Chen	Male		√			√	√	√	√	√	√	√
Director	Representative of Yann Yuan Investment Co., Ltd.: Ping-Kun Hung (Note)	Male		√			√	√	√	√	√	√	√
	Representative of Yann Yuan Investment Co., Ltd.: Director Chao-Jung Tsai (Note)	Male		√			√	√	√	√	√	√	√
Independent Director	Hui-Chun Hsu	Male		√		√	√	√	√	√	√	√	√
Independent Director	Dar-Yeh Hwang	Male		√		√	√	√	√	√	√	√	√
Independent Director	Semi Wang	Male		√	√		√	√	√	√	√	√	√

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

Management objective	Achievement
It is advisable that directors concurrently serving as company officers not exceed one-third of the total number of the board members	Achieved
An independent director may not serve more than three consecutive terms	Achieved

(II) Independence of Board of Directors:

The Company's Board of Directors is made up of nine directors, including three independent directors. Two of these directors also serve as the Company's employees, accounting for 22% of the total number of directors – less than one-third of the total number of directors. The percentage of independent directors and the Company's outside directors is 78% and the percentage of independent directors is 33%. One of the three independent directors has a term less than 3 years; two independent directors have a term of 3 to 9 years; and none of the three directors has served more than 3 consecutive terms.

The three independent directors are not persons specified in Paragraphs 3 to 4, Article 26-3 of the Securities and Exchange Act – not a spouse or relative within the second degree of kinship of a director or supervisor.

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

2022.05.01

Title	Nationality	Name	Gender	Date on-board	Shareholding		Shareholdings of spouse and underage children		Shareholdings under another		Experience (Education)	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship			Remarks
					Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)			Title	Name	Relationship	
CEO	R.O.C.	Chin-Kung Lee	Male	2011.11.28	34,000,941	2.78	4,263,053	0.35	0	0	Bachelor President of KYEC	Chairman of KYEC Investment International Co., Ltd. Chairman of KYEC Technology Management Co., Ltd. Chairman of KYEC Microelectronics Co., Ltd. Director of King Long Technology (Suzhou) Ltd. Director of Suzhou Zhen Kun Technology Ltd. Chairman of King Ding Precision Incorporated Company Independent Director of Quang Viet Enterprise Co., Ltd.	None	None	None	Note 3
President	R.O.C.	An-Hsuan Liu	Male	2012.03.01	1,000,000	0.08	0	0	0	0	PhD President of Internatix Technology Center Corporation	Chairman of KYEC USA Corp. Chairman of KYEC SINGAPORE PTE. LTD. Chairman of KYEC Japan K.K. Chairman of King Long Technology (Suzhou) Ltd. Chairman of Suzhou Zhen Kun Technology Ltd.	None	None	None	None
Executive Vice President	R.O.C.	Gauss Chang	Male	2006.04.25	3,051,294	0.25	146,981	0.01	0	0	Master Vice President of KYEC	Director of KYEC USA Corp. Director of KYEC SINGAPORE PTE. LTD. Supervisor of King Long Technology (Suzhou) Ltd. Director of Suzhou Zhen Kun Technology Ltd.	None	None	None	None
Senior Vice President	R.O.C.	K.K Lee	Male	2008.11.03	4,669,000	0.38	108,000	0.01	0	0	Bachelor Vice President of KYEC	Supervisor of Suzhou Zhen Kun Technology Ltd. Director of King Ding Precision Incorporated Company Director of Fixwell Technology Corp.	None	None	None	None
Senior Vice President	R.O.C.	Steven Chang	Male	2011.11.28	1,046,182	0.09	0	0	0	0	Master Vice President of KYEC	Supervisor of Fixwell Technology Corp. Director of King Ding Precision Incorporated Company	None	None	None	None
Vice President	R.O.C.	Andy Liang	Male	2015.11.01	551,936	0.05	0	0	0	0	Master Senior Division Chief of KYEC	-	None	None	None	None
Vice President	R.O.C.	Hans Han	Male	2020.10.30	50,000	0.00	5,000	0.00	0	0	Master Assistant Vice President of KYEC	-	None	None	None	None
Vice President and CFO	R.O.C.	Logan Chao	Male	2016.03.02	139,740	0.01	72,214	0.01	0	0	Master Assistant Vice President of KYEC	Supervisor of KYEC Japan K.K. Director of KYEC SINGAPORE PTE. LTD. Supervisor of King Ding Precision Incorporated Company Director of Yann Yuan Investment Co., Ltd.	None	None	None	None
Assistant Vice President	R.O.C.	Wendy Chen	Female	2016.12.05	0	0	0	0	0	0	Master Senior Division Chief of KYEC	-	None	None	None	None

Assistant Vice President (Note 1)	R.O.C.	Chung-Jung Tsai	Male	2021.12.28	14,000	0.00	0	0	0	0	Bachelor Senior Division of KYEC	Chief	-	None	None	None
Assistant Vice President (Note 2)	R.O.C.	Jeff Hsu	Male	2018.11.06	-	-	-	-	-	-	-	-	-	-	-	-

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

Note 1. Appointed on December 28, 2021.

Note 2. Resigned on April 9, 2021.

Note 3. Where the company's chairman and president or person of an equivalent post (the highest-level manager) of a company are the same person, spouses or relatives within the first degree of kinship, an explanation shall be given of the reason, reasonableness, necessity thereof, and the measures (such as adding independent directors, and more than half of the directors not serving as concurrent employees or managers of another company) adopted in response thereto:

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

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

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

(I) Remuneration to Directors and Independent Directors in 2021

Unit: NTD thousand

Title	Name	Remuneration to directors				Remuneration from concurrently servings as employees				The sum of A, B, C, D, E, F, and G to Earnings after Tax (%)		Remuneration from invested non-subsidiary enterprise(s) or the parent company
		Remuneration (A)	Pension upon retirement (B)	Remuneration to directors (C)	Service Expenses (D)	Salaries, bonuses, special allowances, etc. (E)	Pension upon retirement (F)	Remuneration to employees (G)		The Company	Companies included into the financial statement	
								Cash	Stock			
Chairman	Chin-Kung Lee											
Vice-Chairman	Chi-Chun Hsieh											
Director	An-Hsuan Liu											
Director	Kao-Yu Liu											
Director	Kuan-Hua Chen											
Director	Representative of Yann Yuan Investment Co., Ltd.: Chao-Jung Tsai	0	0	37,956	0	20,340	108	20,000	0	78,404	81,175	None
											1,5150	1,5686
Independent Director	Hui-Chun Hsu	0	0	18,978	0	0	0	0	0	18,978	18,978	None
Independent director	Dar-Yeh Hwang	0	0	18,978	0	0	0	0	0	18,978	0,3667	0,3667
Independent director	Semi Wang	0	0	18,978	0	0	0	0	0	18,978	0,3667	0,3667

1. Please describe the remuneration policy, system, standards, and structure for independent directors, and the linkage of factors such as duties, risks, and period of service to the amount of remuneration. The remuneration to all directors is handled as stipulated in Articles 16 and 19 of the Company's Articles of Incorporation. However, currently the remuneration to directors is distributed only in accordance with provisions of Article 19. In the future, the Company's board of directors will resolve whether or not to pay remuneration to directors in accordance with Article 16 depending on the development of operations. Currently the total amount of remuneration to directors (independent directors) shall not exceed 1% of the current year's profit as stipulated in Article 19 of the Company's Articles of Incorporation. The distribution shall be handled equally among each director as suggested by the remuneration committee, and their remuneration standard may be adjusted in accordance with the Company's operating performance.

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

Note: Proposed allocated amount.

Remuneration scale

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

(II) Remuneration to President, and Vice Presidents

Unit: NTD thousand

Title	Name	Salary (A)		Pension upon retirement (B)		Bonus and special allowances (C)		Employee remuneration (Note)				The sum of A, B, C and D to Earnings after Tax (%)		Remuneration from invested non-subsiary enterprise(s) or the parent company	
		The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	Cash	Stock	Cash	Stock		The Company
CEO	Chin-Kung Lee														
President	An-Hsuan Liu														
Executive Vice President	Gauss Chang														
Senior Vice President	K.K Lee	31,736	34,508	756	756	15,362	15,362	54,800	0	54,800	0	102,654	105,426		None
Senior Vice President	Steven Chang											1,9836	2,0372		
Vice President	Andy Liang														
Vice President	Hans Han														
Vice President and CFO	Logan Chao														

Note: Proposed allocated amount.

Remuneration scale

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

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

Unit: NTD thousand

	Title	Name	Stock	Cash (Note1)	Total	The sum as percentage of earnings after tax (%)
Managers	CEO	Chin-Kung Lee				
	President	An-Hsuan Liu				
	Executive Vice President	Gauss Chang				
	Senior Vice President	K.K Lee				
	Senior Vice President	Steven Chang				
	Vice President	Andy Liang	0	60,671	60,671	1.1724
	Vice President	Hans Han				
	Vice President and CFO	Logan Chao				
	Assistant Vice President	Wendy Chen				
	Assistant Vice President (Note 2)	Chung-Jung Tsai				
	Assistant Vice President (Note 3)	Jeff Hsu				
Corporate Governance Officer	Neil Chung					

Note 1: Proposed allocated amount.

Note 2: Appointed on December 28, 2021.

Note 3: Resigned on April 9, 2021.

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

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

Unit: NTD thousand

Year	2021				2020			
	Total remuneration		The sum as a percentage of earnings after tax (%)		Total remuneration		The sum as a percentage of earnings after tax (%)	
Title	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement
Directors (including independent directors)	97,381	100,153	1.8817	1.9353	69,764	71,392	1.9184	1.9631
President and vice presidents	102,654	105,426	1.9836	2.0372	82,352	83,980	2.2645	2.3093

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

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

For the remuneration of the Company’s directions (including independent directors), subject to the profit sought for the current year, the Company shall allocate no more than 1% of the profit as the remuneration to directors according to the Company’s Articles of Incorporation. However, profits must first be taken to offset against cumulative losses 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 directors’ compensation, and

in addition thereto a report of such distribution shall be submitted to the shareholders' meeting. According to the Company's Articles of Incorporation, the remunerations to all directors (including independent directors) shall be commensurate with their level of participation and value of contribution to the operation of the Company with reference to industry standard, and shall be determined by the board of directors under authorization. Accordance with the regulations of the Company's Charter for the Remuneration Committee, the remuneration to directors (including independent directors) shall require the approval of one-half or more of all Remuneration Committee members, and furthermore shall be submitted for a resolution by the board of directors.

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

IV. Status of Corporate Governance

(I) Information about operation of the Board of Directors

1. The board held seven meetings (A) in 2021. The directors' attendance record is specified as below:

Title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) [B/A]	Remarks
Chairman	Chin-Kung Lee	7	0	100%	
Vice-Chairman	Chi-Chun Hsieh	7	0	100%	
Director	An-Hsuan Liu	7	0	100%	
Director	Kao-Yu Liu	7	0	100%	
Director	Kuan-Hua Chen	7	0	100%	
Director	Representative of Yann Yuan Investment Co., Ltd.: Chao-Jung Tsai	7	0	100%	
Independent director	Hui-Chun Hsu	7	0	100%	
Independent director	Dar-Yeh Hwang	7	0	100%	
Independent director	Semi Wang	7	0	100%	

Other items to be stated:

- I. For board of directors' meetings that meet any of the following descriptions, state the date, session, the discussed agenda, independent directors' opinions and how the Company has responded to such opinions:
- (I) Matters listed in Article 14-3 of the Securities and Exchange Act: The Company has already established an Audit Committee; therefore, matters listed in Article 14-3 of the Securities and Exchange Act do not apply. For related information, please refer to p.41-44 for the operation of the audit committee.
- (II) Any other resolution(s) passed but with independent directors voicing opposing or qualified opinions on the record or in writing: None.
- II. In instances where a director recused himself/herself due to a conflict of interest, the minutes shall clearly state the director's name, contents of the proposal and resolution thereof, reason for not voting and actual voting counts:

Board of directors meeting date/session	Motion	Reasons for the required recusal, and participation in the voting process
2021.03.12 6th meeting of the 14th	Discussion of the adjustments made by the remuneration committee regarding managers' remuneration for	As Chairman Chin-Kung Lee and Director An-Hsuan Liu are also the Company's managers, and therefore recused themselves from the discussion and voting on the motion.

board	year 2021.	The motion was passed by all directors present at the meeting who participated in the discussion and voting with no objection.
2021.08.03 10th meeting of the 14th board	Discussion of the adjustments made by the remuneration committee regarding the proposed distribution of cash remuneration to the Company's managers for 2020.	As Chairman Chin-Kung Lee and Director An-Hsuan Liu are also the Company's managers, and therefore recused themselves from the discussion and voting on the motion. The motion was passed by all directors present at the meeting who participated in the discussion and voting with no objection.
2021.11.02 11th meeting of the 14th board	The motion for termination of the non-competition restriction on managers with directors.	As Chairman Chin-Kung Lee and Director An-Hsuan Liu are also the Company's managers, and therefore recused themselves from the discussion and voting on the motion. The motion was passed by all directors present at the meeting who participated in the discussion and voting with no objection.

III. Evaluation of the Board of Directors

Evaluation cycle	Evaluation duration	Evaluation Scope	Evaluation method	Evaluation content
Annually	January 1 to December 31, 2021	Board of Directors' meeting	Self evaluation of the Board of Directors	The participation in the operation of the Company; improvement of the quality of the board of directors' decision making; composition and structure of the board of directors; election and continuing education of the directors; and internal control.
		Individual board members	Self-evaluation of Board members	Alignment of the goals and missions of the company; awareness of the duties of a director; participation in the operation of the company; management of internal relationship and communication; the director's professionalism and continuing education; and internal control.
		Functional committee	Self-evaluation of functional committee	Participation in the operation of the company; awareness of the duties of the functional committee quality of decisions made by the functional committee; makeup of the functional committee and election of its members

and internal control.

2021 Performance Evaluation for the Board of Directors of King Yuan Electronics Co., Ltd.

To implement corporate governance and improve the function of the board of directors, the Company executes the 2021 performance evaluation for the board of directors based on the "Performance Evaluation Rules for the Board of Directors" of the Company. The performance evaluation of the Company's board of directors includes the entire board, each member and the functional committees; the evaluation methods include self-evaluations by the board of directors and individual board members. After collecting relevant questionnaires such as the "Self-Evaluation Questionnaire for Performance of the Board of Directors," the "Self-Evaluation Questionnaire for Performance of Board Members," and the "Self-Evaluation Questionnaire for Performance of the Functional Committees," the execution unit records the evaluation results in a report based on the evaluation indexes in Article 8 of the "Performance Evaluation Rules for the Board of Directors."

The results regarding the questionnaires of self-evaluation of performance in 2021 (evaluation period: January 1 to December 31, 2021) was as follows:

I. Performance evaluation personnel:

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

II. Performance evaluation statistical results:

- (I) Performance evaluation of the board of directors

The performance evaluation of the board of directors covers five aspects. The average score is 4.56 and the full score is 5.

Scope of Assessment	Number of Questions	Average score
A. Participation in the operation of the Company.	12	4.58
B. Improvement of the quality of the board of directors' decision making.	12	4.83
C. Composition and structure of the board of directors.	7	4.43
D. Election and continuing education of the directors.	7	3.71
E. Internal control	7	5.00
Total/Average score	45	4.56

(II) Performance evaluation of the board members

The performance evaluation of the board members covers six aspects. The average score is 4.80 and the full score is 5.

Scope of Assessment	Number of Questions	Average score
A. Alignment of the goals and missions of the company	3	4.89
B. Awareness of the duties of a director	3	4.93
C. Participation in the operation of the Company	8	4.72
D. Management of internal relationship and communication	3	4.78
E. Director's professionalism and continuing education	3	4.70
F. Internal control	3	4.89
Total/Average score	23	4.80

(III) Performance evaluation of the functional committees

The performance evaluation of the functional committees covers five aspects. The average score is 4.88 and the full score is 5.

Scope of Assessment	Number of Questions	Average score
A. Participation in the operation of the Company	4	5.00
B. Awareness of the duties of the functional committees	7	4.71
C. Improving the decision quality of the functional committees	7	5.00
D. Composition and member election of the functional committees	3	4.67
E. Internal control	3	5.00
Total/Average score	24	4.88

III. Overall comment:

(I) Performance evaluation of the board of directors

The overall operation of the Board of directors as a whole is mature. In addition to having a sound grasp of the management team, the Board of Directors also fulfills its responsibility on regulatory compliance, risk control and auditing matters.

(II) Performance evaluation of the board members

Chairman Chin-Kung Lee	Proactive service and guidance
Vice Chairman Chi-Chun Hsieh	Fulfilling responsibilities to maximize value for shareholders
Director An-Hsuan Liu	The Board of Directors functions well

(III) Performance evaluation of the functional committees

Members of the functional committee are fully aware of the scope of their responsibilities and

perform their functions efficiently and effectively, meeting applicable laws and regulations.

In summary, operations of the Board of Directors and all functional committees are generally sound. The Company will continue to refine the functions of the Board of Directors according to the results of the performance evaluation to further strengthen the effectiveness of corporate governance.

IV. Improvement project:

Continue to improve the performance evaluation aspects of the Board and its members so as to improve the effectiveness of each aspect. In particular, continuing education of directors will be encouraged and diversity policy of the board members implemented.

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

- (I) On June 10, 2020, the re-election of overall directors was conducted on the general shareholders' meeting; a total of nine directors were elected including three independent directors to strengthen the functions of the board and corporate governance.
- (II) In a bid to improve the Company's risk management while protecting shareholders' interests, the Company takes out liability insurance on directors and managers. The report has been submitted to the 11th meeting of the 14th board held on November 2, 2021.
- (III) As a means to implement corporate governance while improving the functions of the board of directors to strengthen its efficiency, the "Board of Directors Performance Evaluation" was approved by resolution from the board of directors' meeting held on December 27, 2019, and was approved for amendments at the board of directors' meeting held on December 25, 2020. The evaluation results shall be completed by the end of the first quarter of the following year and submitted to the Board of Directors for report.
The evaluation results of the 2021 board of directors were submitted to the 13th meeting of the 14th board held on March 4, 2022.

2. 2021 continuing education for directors and independent directors:

Position/name	Date	Organizer	Course Name	Number of hours
Director Chi-Chun Hsieh	2021.05.07	Securities & Futures Institute	2021 Annual Conference on Prevention of Insider Trading	3.0
	2021.09.01	Financial Supervisory Commission	The 13th Taipei Corporate Governance Forum	3.0
	2021.10.13	Securities & Futures Institute	2021 Equity Transfer by Insiders of Legal Compliance	3.0
Director An-Hsuan Liu	2021.11.12	Securities & Futures Institute	2021 Annual Conference on Prevention of Insider Trading	3.0
Director Kuan-Hua Chen	2021.09.01	Financial Supervisory Commission	The 13th Taipei Corporate Governance Forum	3.0
	2021.09.15	Chinese Professional Management Association of Hsinchu	Response of Technology Supply Chain to International Sanctions and Bans	3.0
	2021.09.16	Securities & Futures Institute	Advanced Seminar for Directors and Supervisors (including Independent) and Corporate Governance Supervisors	3.0
	2021.11.05	Securities & Futures Institute	2021 Annual Conference on Prevention of Insider Trading	3.0
Corporate Representative of directors Chao-Jung Tsai	2021.02.23	Taiwan Academy of Banking and Finance	Practices of Directors and Supervisors and Corporate Governance Workshop	2.0
	2021.09.17	Independent Director Association Taiwan	Fairness in the Financial Industry	3.0
	2021.09.17	Independent Director Association Taiwan	New Challenges for the Financial Industry in Money Laundering Prevention	3.0
Independent director Semi Wang	2021.09.01	Financial Supervisory Commission	The 13th Taipei Corporate Governance Forum	3.0
	2021.12.15	CFEDA	Taiwan M&A Trends and Investment Company Development	3.0

(II) Information on Operation of the Audit Committee

The audit committee held six meetings (A) during 2021; the attendance of independent directors is summarized as follows:

Title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A)	Remarks
Independent director	Hui-Chun Hsu	6	0	100%	Convener and Chairperson
Independent director	Dar-Yeh Hwang	6	0	100%	
Independent director	Semi Wang	6	0	100%	
<p>Annual Work Focus and Duties of the Audit Committee: On June 24, 2014, the Company established an Audit Committee to replace the supervisory system. The committee members are independent directors (three seats) of the board of directors and all members elect an independent director to serve as the convener and chairman of the meeting.</p> <p>Operation Handled in accordance with the Company's "Charter for the Audit Committee" and matters that are audited by the Audit Company mainly cover:</p> <ol style="list-style-type: none"> Adoption or amendment of an internal control system pursuant to Article 14-1 of the Securities and Exchange Act. Assessment of the effectiveness of the internal control system. The Company has assessed the effectiveness of the 2021 internal control system design and implementation in accordance with the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies." The 2021 Declaration of Internal Control System was provided after approval by the Audit Committee of the 3rd term on the 10th meeting (2022.03.04) and resolution by the 14th board on the 13th meeting (2022.03.04). Adoption or amendment, pursuant to Article 36-1, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, or endorsements or guarantees for others. Matters bearing on the personal interest of a director. Asset transactions or derivatives trading of a material nature. Loans of funds, endorsements, or provision of guarantees of a material nature. Offering, issuance, or private placement of equity-type securities. Appointment, dismissal of, or remuneration of certified public accountants. Appointment or discharge of a financial, accounting, or internal audit officer. Annual financial statements signed or sealed by the chairman, managers and accounting officer, and the Q2 financial statements audited by the CPA. Review merger and acquisition matters of the Company. Other material matters as may be required by the Company or by the competent authority. Pursuant to Article 31 of the Corporate Governance Best-Practice Principles, the independence and suitability of the appointed accountants shall be evaluated on a regular basis (at least once a year): The Company's Audit Committee conducts an independence assessment of CPAs on a regular basis (at least once a year) in accordance with the independence statement provided by the CPAs. The assessment result is then submitted to the Board of Directors. 					
<p>Other items to be stated:</p> <ol style="list-style-type: none"> For Audit Committee meetings that meet any of the following descriptions, state the date and session of the Audit Committee meeting held, the discussed topics, the content of the objections, reservations or material recommendations of independent directors, the Audit Committee's resolution, and how the company has responded to Audit Committee's opinions. 					

(I) The circumstances referred to in Article 14-5 of the Securities and Exchange Act:			
Audit Committee Meeting date and session	Motion	Reservations or material recommendations of independent directors	Resolutions of the audit committee and the Company's response to the audit committee's opinions
2021/03/12 4th meeting of the 3rd Committee	<ol style="list-style-type: none"> 2020 Declaration of Internal Control System Independence and suitability assessment for the CPAs To resolve that receivables that were outstanding for more than three months after the normal loan period as of the end of December 2020 are not loans to capital. The separate financial statement and consolidated financial statements 2020. 2020 Business Report Motion for the 2020 Earnings Distribution Approved the initial public offering (IPO) of RMB common stock (A shares) of the Company's subsidiary King Long Technology (Suzhou) Ltd. and its application for listing on the Shanghai Stock Exchange/Shenzhen Stock Exchange. 	None	Approved by all members of the audit committee and all board members present at the meeting without objections.
2021/11/02 8th meeting of the 3rd Committee	<ol style="list-style-type: none"> 2022 audit plan Motion for the 2021 professional fees of CPAs The motion for termination of the non-competition restriction on directors 	None	Approved by all members of the audit committee and all board members present at the meeting without objections.
2021.12.28 9th meeting of the 3rd Committee	<ol style="list-style-type: none"> Proposed amendments to the Company's "Internal Control System" and "Implementation Rules of Internal Audit" Proposed amendments to the Company's "Accounting System" Proposed to change the Company's CPAs in response to adjustments to the internal organization of EY 	None	Approved by all members of the audit committee and all board members present at the meeting without objections.
(II) Aside from said circumstances, resolution(s) not passed by the audit committee but receiving the consent of two-thirds of the board of directors: None.			
II. In instances where an independent director recused himself/herself due to a conflict of interest, the minutes shall clearly state the director's name, contents of the proposal and resolution thereof, reason for not voting and actual voting counts: None.			

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

(1) Communication between independent directors and internal audit officer:

1. The Company’s internal auditing officers communicate with independent directors on the audit report results periodically, and report the internal audit at the audit committee meeting per quarter. The internal auditing officers will report any special condition to the audit committee immediately. The communication between the Company’s audit committee and internal auditing officers is fair.
2. The internal audit officer reports auditing matters to the board of directors and the audit committee on a regular basis. A summary of the communication between the independent directors and internal audit officer is as follows:

Attendance of the audit supervisor and meeting date and session	Communication Items	Communication Method	Communication Outcome
2021/03/12 Audit Committee (3-4)	1. Report on internal auditing operations for Q1 2021 2. 2020 Declaration of Internal Control System	Attendance report and discussions on relevant issues	Full communicated and approved the report or review of the Audit Committee
2021/05/07 Audit Committee (3-5)	1. Report on internal auditing operations for Q2 2021	Attendance report and discussions on relevant issues	Full communicated and approved the report of the Audit Committee
2021/07/13 Audit Committee (3-6)	1. Internal auditing operations	Attendance report and discussions on relevant issues	Full communicated and approved the report of the Audit Committee
2021/08/03 Audit Committee (3-7)	1. Report on internal auditing operations for Q3 2021	Attendance report and discussions on relevant issues	Full communicated and approved the report of the Audit Committee
2021/11/02 Audit Committee (3-8)	1. Report on internal auditing operations for Q4 2021 2. 2022 audit plan	Attendance report and discussions on relevant issues	Full communicated and approved the report or review of the Audit Committee
2021/12/28 Audit Committee (3-9)	1. Proposed amendments to the “Internal Control System” and “Implementation Rules of Internal Audit”	Attendance report and discussions on relevant issues	Full communicated and approved the report or review of the Audit Committee

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

(2) Communication between independent directors and CPAs:

1. The CPAs report their audit on the Company's financial position to the audit committee from time to time, and would report any special condition to the audit committee immediately. The communication between the Company's audit committee and CPAs is fair.
2. Communication between independent directors and CPAs is as follows:

Attendance of the CPAs and meeting date and session	Communication Items	Communication Method	Communication Outcome
2021/03/12 Audit Committee (3-4)	The 2020 parent company only financial statements and consolidated financial statements	Attended the meeting and conducted consultation, discussion and advice on relevant issues.	Full communicated and reviewed by the Audit Committee and approved by resolution of the board of directors.

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

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

		Company's stakeholders to better understand the Company's ethical standards. The "Codes of Ethical Conduct" are updated and promoted from time to time.	
III. The organization of the board of directors and its duties			
(I) Has the board formulated a diversity policy and specific management objectives, and have they been implemented?	V	<p>The Company's Corporate Governance Best-Practice Principles specify the diversity policy of the composition of members of the Board and the policy is implemented.</p> <p>The Company adopts a candidate nomination system for its composition of Board of Directors. In addition to evaluating each candidate's academic qualifications, the Company takes into account opinions of stakeholders and complies with the regulations set forth in the "Method of Election of Directors," "Corporate Governance Best-Practice Principles," and "Articles of Incorporation" to ensure the diversity and independence of the Board members.</p> <p>The Company's Board is made up by directors with different professional backgrounds, covering management, finance, aeronautical engineering, mechanical engineering, medical science and construction. These directors are able to provide their professional advice and opinions from their wide range of industrial experiences, posing a benefit on the Company's formulation of operational planning and policies.</p> <p>The diversity policy of the composition of the Board members is disclosed on the Company's website.</p> <p>The Company's Board of Directors is made up of nine directors, including three independent directors. Two of these directors also serve as the Company's employees, accounting for 22% of the total number of directors – less than one-third of the total number of directors.</p> <p>One of the three independent directors has a term less than 3 years; two independent directors have a term of 3 to 9 years; and none of the three directors has served more than 3 consecutive terms. Two of these directors are under the age of 50 and 7 are between the ages of 61 and 70. Please refer to pages 22-26.</p>	No significant differences
(II) Whether the company, in addition to establishing the remuneration committee and audit committee,	V	The Company has established the remuneration committee and audit committee. In the future, depending on	

pursuant to laws, is willing to establish any other functional committees voluntarily?		laws and regulations or practical needs, the Company may establish other functional committees.	
(III) Does the company establish a standard to measure the performance of the board, implement it annually and submit the results to the board of directors as reference for the remuneration of individual directors and the nomination of candidates?	V	<p>The “Board of Directors Performance Evaluation” was approved by resolution from the board of directors’ meeting held on December 27, 2019, and was approved for amendments at the board of directors’ meeting held on December 25, 2020.</p> <p>The performance evaluation of the Company’s board of directors, including the entire board, each member and the functional committees.</p> <p>The Company has been conducting an annual board evaluation as required by law in 2020. The performance evaluation outcome of the board of directors is submitted to the board meeting for reporting prior to the end of the first quarter each year. The performance evaluation outcome is also reported to the Exchange.</p> <p>The indicators for the performance evaluation of the board are based on the Company’s operations and needs. Contents of the indicators are determined to be consistent and suitable for the Company to enforce the evaluation. The remuneration committee reviews these contents on a regular basis while also providing suggestions.</p> <p>The results of the Company’s performance evaluation of the board of directors will also serve as a reference in the selection or nomination of directors.</p> <p>The Company completed the 2021 performance evaluations on the board, board members and functional committees in February 2022. The evaluation results were generally excellent. These results were reported to the board of directors on March 4, 2022 and provided to the Remuneration Committee for reference.</p>	No significant differences
(IV) Is CPAs’ independence assessed on a regular basis?	V	<p>The Company evaluates the independence and appropriateness of its CPAs each year. The results were reported to the audit committee and the board of directors for review and approval.</p> <p>Accountants Shao-Pin Kuo and Wen-Fang Fu of Ernst & Young evaluated by the Company have met the Company’s independence evaluation criteria. These accountants are qualified to act as the Company’s CPAs. The accounting firm has issued a statement of independence.</p> <p>The 2021 annual independence evaluation</p>	No significant differences

		of CPAs was submitted to the board of directors and approved on March 4, 2022. For details, please refer to Note 2 on page 55.									
IV. Does the TWSE/TPEX listed company have a dedicated unit/ staff member in charge of the Company's corporate governance affairs (including but not limited to providing information required for director/supervisor's operations, convening board/shareholder meetings in compliance with the law, applying for/changing the company registry, and producing meeting minutes of board/ shareholder meetings)?	V	<p>On May 3, 2019, the Company's board of directors resolved to approve the appointment of the Senior Manager of the Stock affairs of Finance Division as the Corporate Governance Officer, who has at least 3 years of experience as a financial and stock supervisor in a public company. The main responsibilities of the corporate governance officer are to handle matters related to the meetings of the board of directors and shareholders' meetings in accordance with relevant laws, provide the minutes of the board of directors and shareholders' meetings, assist the directors and independent directors on continuous training, provide the information on directors and independent directors for conducting their duties in accordance with relevant laws and regulations, and other matters in accordance with the Articles of Incorporation or contract.</p> <p>2021 Corporate governance implementation:</p> <ol style="list-style-type: none"> (1) Supervising the convening notice, providing meeting information and preparing meeting minutes for shareholders' meetings and board of directors' meetings. (2) Assisting in onboarding and continuous development of directors. (3) Assisting the independent directors in their communication with the internal audit officer, CPAs or related business executives. (4) Assisting the directors in providing information and related laws and regulations necessary for them to carry out duties. (5) Evaluating and taking out suitable liability insurance for directors and managers. (6) Supervising the Company in the operation and enforcement of corporate governance. <p>2021 continuing education:</p> <table border="1"> <thead> <tr> <th>Date</th> <th>Organizer</th> <th>Course Name</th> <th>Number of hours</th> </tr> </thead> <tbody> <tr> <td>2021.09.01</td> <td>Financial Supervisory</td> <td>The 13th Taipei Corporate</td> <td>6.0</td> </tr> </tbody> </table>	Date	Organizer	Course Name	Number of hours	2021.09.01	Financial Supervisory	The 13th Taipei Corporate	6.0	No significant differences
Date	Organizer	Course Name	Number of hours								
2021.09.01	Financial Supervisory	The 13th Taipei Corporate	6.0								

			Commission	Governance Forum	
		2021.10.13	Securities & Futures Institute	Practical & Advanced Seminar for Directors, Supervisors (including independent directors) and Corporate Governance Officers – [The Impact of the New Labor Law on Corporate Risks and Responses]	3.0
		2021.10.20	Securities & Futures Institute	2021 Equity Transfer by Insiders of Legal Compliance	3.0
		2021.10.26	Securities & Futures Institute	Advanced Seminar for Directors and Supervisors (including Independent) and Corporate Governance Supervisors – Corporate Tax Governance and Tax Technology	3.0

				Solutions from ESG trends to the Pandemic Environment		
			2021.11.09	Securities & Futures Institute	2021 Annual Conference on Prevention of Insider Trading	3.0
V. Has the Company established a communication channel for the stakeholders (including but not limited to stockholders, employees, customers and suppliers), set the stakeholder section on the Company's website, and responded to the stakeholders regarding their concerns over corporate social responsibilities?	V		<p>The Company improves the interaction and communication through diverse and open communication channels. Various sustainability issues are reviewed and responded each year, and are disclosed to the public at the "Stakeholders" and "Sustainability Report" sections on the Company's website.</p> <p>Please visit the Company's website at http://www.kyec.com.tw/, "CSR," and click the directory "Stakeholders and Concerned Issues – Stakeholder Communication" under "Stakeholders and Concerned Issues" and "Sustainability Report" to access related contents.</p> <p>For specific descriptions, please refer to Note 1 on page 53.</p>			No significant differences
VI. Has the Company commissioned a professional stock service agent to handle shareholders' affairs?	V		<p>The professional stock service agent, "Horizon Securities," is entrusted by the Company to process the stock service affairs on behalf of the Company.</p>			No significant differences
VII. Information disclosure						
(I) Has the company established a website that discloses financial, business, and corporate governance-related information?	V		<p>The Company has a website which discloses its financial and corporate governance information, and is regularly updated for the Company's investors. (http://www.kyec.com.tw/)</p>			No significant differences
(II) Has the company adopted other means to disclose information (e.g. English website, assignment of specific personnel to collect and disclose corporate information, implementation of a spokesperson system, broadcasting of investor conferences via the company website)?	V		<p>The Company discloses related information on the MOPS in accordance with the Regulations Governing Disposition of Public Information, and provides related information on the Company's website. The Company has set up an official website in Chinese and English. Also, it appoints the spokesperson, and dedicated personnel responsible for collecting and disclosing the Company's information.</p>			No significant differences
(III) Does the company announce and report the annual financial statement within two months after the end of the fiscal year, and announce and report the Q1, Q2 and Q3 financial	V		<p>After the end of each accounting year, the Company publishes and reports the financial report approved by the board of directors as required by the competent authorities. The Company also publishes</p>			No significant differences

statements and monthly operations reports within the prescribed period of time?		and reports its Q1, Q2 and Q3 financial reports and monthly operations report to the Market Observation Post System (MOPS) within the prescribed time so that investors are able to obtain sufficient and accurate information.	
VIII. Does the Company have other information that enables a better understanding of the Company's corporate governance practices (including but not limited to, employee rights, employee care, investor relations, supplier relations, stakeholders' interests, continuing education of directors, implementation of risk management policies and risk measurements, implementation of customer policy, and maintenance of liability insurance for the Company's directors)?	V	<p>Since the Company was incorporated, the Company has upheld the management philosophy dedicated to creating mutual benefits and pursuing maximum interest for its shareholders, employees and customers, etc.</p> <p>(1) Employee rights, employee care: The Company is dedicated to building a healthy and safe working environment and an unhindered communication channel for its employees. The Company established the employees' welfare committee on September 2, 1993 to engage in planning various employees' welfare policies. Meanwhile, it also provides the pension reserves and concludes labor-management agreements in accordance with the Labor Standards Act. The Company treats its employees in good faith and with respect, stabilizes the employees' lives and improves the continuing education and training channels by broadening its welfare system, and establishes the fair relationship of mutual trust and cooperation with employees.</p> <p>(2) Investor relations: The Company has set up a dedicated spokesperson and proxy spokesperson to handle shareholders' suggestions or disputes while regularly disclosing financial and corporate governance information.</p> <p>(3) Supplier relations, rights of stakeholders: For the "Sustainability Report" prepared by the Company, please visit the Company's website at http://www.kyec.com.tw/.</p> <p>(4) For continuing education of the directors, the Company also follows the "Model Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies" promulgated by TWSE.</p> <p>(5) Execution of the risk management policy and risk measurement standards: The Company has</p>	No significant differences

			<p>established management measures for important management indicators which are executed accordingly.</p> <p>(6) Execution of the customer policy: The Company adheres to the contracts signed with customers and their relevant regulations in a stringent manner to ensure the rights of customers.</p> <p>(7) The Company takes out liability insurance for directors: The Company has taken out the liability insurance for directors and managers.</p>	
<p>IX. Please explain the improvements made, based on the latest Corporate Governance Evaluation results published by TWSE Corporate Governance Center, and propose enhancement items and measures for any issues that are yet to be improved.</p> <p>As a means to enhance corporate governance, we continue to make gradual improvements according to the results of the corporate governance evaluation. Improvements we have made for the items we did not score in the Company's 8th corporate governance evaluation are as follows:</p> <p>(1) The Company will disclose the actual implementation of the diversity policy of board members in the annual report and website.</p> <p>(2) The Company will disclose the key work and operations of the Audit Committee in the annual report and website.</p> <p>(3) The Company will disclose in detail the evaluation procedures of the independence evaluation on CPAs in the annual report.</p> <p>(4) For the items that were not yet scored, the Company continues evaluate and consider possible improvement options.</p>				

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

Stakeholder	Communication issues	Communication channels	Frequency
Shareholders/investors	<ul style="list-style-type: none"> • Operations strategy • Corporate governance • Financial Performance • Dividend policy 	Disclosed on MOPS	From time to time
		Domestic and international investment forum	From time to time
		Annual Meeting of Shareholders	Each year
Customers	<ul style="list-style-type: none"> • Corporate social responsibility • Customer commitments and services • Fire equipment installation and management • Disaster prevention and emergency response • Waste management • Environmental and safety and health laws and regulations • Environmental protection • Customer privacy • Customer relationship management 	Customer satisfaction survey	Each year
		Customer questionnaire	From time to time
		Email	From time to time
		Customer document release	From time to time
		Customer audit	From time to time
		Company website	From time to time
Number of	<ul style="list-style-type: none"> • Recruitment • Leave system • Salary and bonus • Career development • Employee wellness • Employee benefits • Welfare Committee activities • Communication between labor and management • Workplace safety • Communication between labor and management • Accident and public injury management • Club activities • Preservation practices 	Labor and management meeting	Quarterly
		Departmental meeting	Weekly/Monthly
		Welfare Committee meeting	Quarterly
		Staff meeting	Quarterly
		New staff meeting	Quarterly
		Foreign staff meeting	6 months
		Employee message board	Permanent
		Improvement system by proposals	From time to time
		Grievance Handling Committee	As needed
		Personnel Review Committee	As needed
Occupational Safety and Health Committee	Quarterly		
Supplier	<ul style="list-style-type: none"> • Hazardous material management 	Supplier meeting	From time to time

	<ul style="list-style-type: none"> • Supplier Responsibility Business Alliance Code of Conduct • Procurement policy • Ethical corporate management and integrity • Source of mineral acquisition of employee benefits 	Supplier audit	From time to time
		Supplier risk evaluation	Monthly
		Supplier quality meeting	From time to time
Government institution	<ul style="list-style-type: none"> • Corporate governance • Regulatory compliance • Financial information transparency • Policy cooperation • Waste management • Disaster prevention and emergency response • Hazardous substances/dangerous goods management • Machinery and equipment safety management • Wastewater discharge and management • GHG management • Green energy subscription and energy management 	Correspondence and Emails	From time to time
		Lecture/seminar	From time to time
		Letter order release	From time to time
		External correspondence	From time to time
		Public hearing on laws and regulations	From time to time

Note 2: Procedures of the CPA's independence evaluation

Company Name:	King Yuan Electronics Co., Ltd.
Accounting period:	January 1 to December 31, 2021

Description

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

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

Direct financial interest:

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

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

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

Immediate family: Lineal, immediate affinity and sibling.

Procedures of the accountant's independence evaluation	Compliance	
	Yes	No
1. Financial benefits		
(i) Whether or not the members of the audit team and their family members have any direct financial interest or material indirect financial interest in the Company?	Yes	
(ii) Whether or not the other accountants in the accounting firm and their family members have any direct financial interest or material indirect financial interest in the Company?	Yes	
(iii) Whether or not the accounting firm and their affiliated companies have any direct financial interest or material indirect financial interest in the Company?	Yes	
Summary of Conclusion: None of the above		
2. Financing and guarantees (applied to non-financial industries)		
Is there mutual financing or providing of guarantees between the accounting firm, its affiliated companies and audit service team	Yes	

Procedures of the accountant's independence evaluation	Compliance	
	Yes	No
members?		
Summary of Conclusion: None of the above		
3. Business relationship		
(i) Do members of the accounting firm, its affiliated companies or audit service team members have a close business relationship with the Company, between the Company's directors, supervisor or managers? Relationship such as: <ul style="list-style-type: none"> ■ Having strategic alliance with the Company or its controlling shareholders, directors and supervisors or managers with significant interests. ■ Combining services and products provided by the Company with the services or products of the accounting firm or its affiliated companies while marketing them externally. ■ Mutually promoting or marketing products or services between the accounting firm or its affiliated companies and the Company to gain benefits. 	Yes	
(ii) Does the Company sell goods or provide services to the accounting firm, its affiliated companies or the audit service team members based on the normal business behavior?	N/A	
Summary of Conclusion: None of the above		
4. Family and individual relationship		
(i) Have family members of the audit service team served as the Company's directors, supervisors, managers, or conducted duties that have significant impact on the audit, or any of the previously mentioned duties during the auditing period?	Yes	
(ii) Have close relatives of the audit service team served as the Company's directors, supervisors, or managers, or conducted duties that have significant impact on the audit, or any of the previously mentioned duties during the auditing period?	Yes	
Summary of Conclusion: None of the above		
5. Employment relationship		
(i) Does the accounting firm, its affiliated companies or the audit service team members serve as the Company's directors, supervisors, or managers, or conduct duties that have significant impact on the audit?	Yes	
(ii) Audit service team members, accountants or accountants departed from the accounting firm hired by the Company should take into account the following situations to determine the level of impact on the accountant's independence: <ul style="list-style-type: none"> ■ The position held in the Company. ■ The duration of employment with the Company from the time of departure from the accounting firm. ■ The importance of the position held in the previous accounting firm. 	N/A	
(iii) Whether or not the party knows that the audit service members are hired by the Company in the future.	Yes	
(iv) Do accountants or employees of the accounting firm or its affiliated companies provide services to the Company's directors, supervisors,	Yes	

Procedures of the accountant's independence evaluation	Compliance	
	Yes	No
managerial or equivalent positions?		
Summary of Conclusion: None of the above		
6. Gifts and special offers		
Are gifts or special offers given to the audit service team members based on social courtesy or business practices and are not of significant value and without any motive or intent to affect professional decisions or to obtain confidential information?	N/A	
Summary of Conclusion: None of the above		
7. Rotation of CPAs		
Has the Company's primary accountant served for less than seven years and with at least a two-year interval between rotations before returning to the Company?	Yes	
Summary of Conclusion: The Company has complied with related rotation rules		
8. Non-audit business		
Ask the accountant regarding details of the non-audit business provided by the Company and its impact on independence.	Yes	
Summary of Conclusion: The non-audit fees this year include ESG consultation of NT\$670 thousand, tax compliance checks of NT\$200 thousand and tax inventory of NT\$180 thousand. There were performed in accordance with applicable regulations and did not have an impact on the independence of the CPAs.		
9. Statement of Independence for Accountants		
Obtained the Statement of Independence prepared by the audit committee.	Yes	
Summary of Conclusion: The Statement of Independence for Accountants has been obtained.		

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

1. Information about remuneration committee members

Position	Qualification	Professional qualifications and experience	Independence	Number of positions as a remuneration committee member in other public listed companies
Independent director (Convener)	Hui-Chun Hsu	<p>Hold a Master's degree in preventive medicine from the Institute of Health Policy and Management, National Taiwan University. He has passed national examinations and attained a certificate to practice as a doctor. He possesses more than five years of working experience in commercial, legal, financial, accounting or other work experience required to perform the assigned duties. He is currently a doctor and director of Bo-Xin Clinic and Executive Supervisor at New Taipei City Medical Association.</p>	<p>The following independence assessment criteria has been met in the two years prior to and during the term of office:</p> <p>(1) Not an employee of the company or an affiliate. (2) Not a director or supervisor of the Company or its subsidiaries or affiliates (except an independent director appointed in accordance with the Securities and Exchange Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent). (3) The director, or his or her spouse or minor child, does not hold, in his or her own name or in another name, more than 1% of the Company's total outstanding shares, nor is one of the Company's ten largest natural-person shareholders.</p>	0
Independent director	Dar-Yeh Hwang	<p>Hold a Master's degree and a doctorate degree in finance from Rutgers, the State University of New Jersey. He was the chairman and director of the Department of Finance at National Taiwan University. He possesses more than five years of working experience in commercial, legal, financial, accounting or other work experience required to perform the assigned duties. He is currently the chairman of McBorter AFMA and Academy of Promoting Economic Legislation.</p>	<p>(4) Not a manager listed in (1), nor a spouse, relative within the second degree of kinship, or direct blood relative within the third degree of kinship of a person listed in (2) and (3). (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the Company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the Company under Article 27, paragraph 1 or 2 of the Company Act (except an independent director appointed in accordance with the Act or the laws and regulations of the local country by, and</p>	0

Independent director	Semi Wang	<p>Graduated from Department of Aeronautics and Astronautics, National Cheng Kung University. He possesses more than five years of working experience in commercial, legal, financial, accounting or other work experience required to perform the assigned duties. He is currently serving as the chairman of Mingxing Creative Management Consultations Inc., and concurrently serving as an independent director of Creative Sensor, Inc.; supervisor of Kuo Kuang Power Co., Ltd.; juridical person representative of FIT Holding Co., Ltd.; member of Homenema Technology Incorporation Compensation Committee; director of the Taiwan Electrical and Electronic Manufacturers Association</p>	<p>(6) concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent). Not a majority of the Company's director seats or voting shares and those of any other company controlled by the same person: a director, supervisor, or employee of that other company (except an independent director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary of the same parent). (7) Not a chairman, president, or person holding an equivalent position of the Company and a person in any of those positions at another company or institution is the same person or they are spouses: a director (or executive director), supervisor, or employee of that other company or institution (except an independent director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary of the same parent).</p>	1
Others	Chung-Chi Huang	<p>Graduated from School of Medicine, College of Medicine, Taipei Medical University. He has passed national examinations and attained a certificate to practice as a physician. He possesses more than five years of working experience in commercial, legal, financial, accounting or other work experience required to perform the assigned duties, and is currently an attending physician in the Department of Respiratory Diseases, Department of Thoracic Medicine, Chang Gung University, Lin Kou, and a professor at Chang Gung University.</p>	<p>(8) Not a director (executive director), supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution that has a financial or business relationship with the Company (except a specified company or institution that holds 20% or more and no more than 50% of the total number of issued shares of the public company, or an independent director appointed in accordance with the Securities and Exchange Act the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary of the same parent). (9) Not a professional individual, or an owner, partner, director (executive director), supervisor, or officer of a sole proprietorship, partnership, company, or institution, that provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof. This restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations. (10) Is not a person of the conditions specified in any of the sub-paragraphs of Article 30 of the Company Act.</p>	0

2. Information concerning the remuneration committee

(1) Terms of reference for the remuneration committee:

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

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

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

(2) The Company's remuneration committee of the 4th term consists of four members.

(3) Duration of service: June 24, 2020 to June 09, 2023.

The remuneration committee held five meetings (A) in 2021; details of members' eligibility and attendance are as follows:

Title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) [B/A]	Remarks
Convener	Hui-Chun Hsu	5	0	100%	Convener and Chairperson
Member	Dar-Yeh Hwang	5	0	100%	
Member	Semi Wang	5	0	100%	
Member	Chung-Chi Huang	5	0	100%	

Other items to be stated:

- I. If the board of directors declines to adopt or modify a recommendation of the compensation committee, the date, session, topic discussed and the resolution of the board meeting and handling of the resolution of the compensation committee shall be specified (if the compensation package approved by the Board is better than the recommendation made by the committee, please specify the discrepancy and its reason): None.
- II. For resolution(s) made by the remuneration committee with the committee members voicing opposing or qualified opinions on the record or in writing, please state the meeting date, term, contents of motion, opinions of all members and the company's handling of the said opinions: None.
- III. Discussions and resolutions by the Company's 2021 remuneration committee meeting and the Company's response to opinions of its members:

Remuneration Committee Date/Session	Motion	Resolutions by the Remuneration Committee	The Company's response to remuneration committee's opinions
2021/03/12 3rd meeting of the 4th Committee	1.Motion for the Company's 2020 remuneration to directors	Approved by all members of the remuneration committee present at the meeting with out objections	Approved by all board members present at the meeting without objections
	2.2021 remuneration adjustment for the Company's managerial officers	Approved by all members of the remuneration committee present at the meeting with out objections	As Chairman Chin-Kung Lee and Director An-Hsuan Liu are also the Company's managerial officers, they therefore recused themselves from

			the discussion and voting on the motion. The motion was passed by all directors present at the meeting who participated in the discussion and voting with no objection.
2021/04/09 4th meeting of the 4th Committee	Propose to determine the remuneration to the Company's new vice-president Logan Chao	Approved by all members of the remuneration committee present at the meeting with out objections	Approved by all board members present at the meeting without objections
2021/05/07 5th meeting of the 4th Committee	The 2020 proposed remuneration distribution for directors	Approved by all members of the remuneration committee present at the meeting with out objections	Approved by all board members present at the meeting without objections
2021/08/03 6th meeting of the 4th Committee	The review of the 2020 proposed employee's cash remuneration to the Company's managerial officers.	Approved by all members of the remuneration committee present at the meeting with out objections	As Chairman Chin-Kung Lee and Director An-Hsuan Liu are also the Company's managerial officers, they therefore recused themselves from the discussion and voting on the motion. The motion was passed by all directors present at the meeting who participated in the discussion and voting with no objection.
2021/12/28 7th meeting of the 4th Committee	Propose to determine the remuneration to the Company's new Assistant Vice President Chung-Jung Tsai	Approved by all members of the remuneration committee present at the meeting without objections	Approved by all board members present at the meeting without objections.

3. Information on the members of the Nomination Committee and its operating status:
N/A.

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

Promotion	Implementation			Difference from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof						
	Yes	No	Summary							
I. Has the company constructed a governance structure to promote sustainable development and established a dedicated (part-time) unit for the promotion of sustainable development, which is managed by senior management by authorization of the board of directors and is supervised by the board of directors?	V		The Company has formed a Sustainability Committee (formerly CSR Committee) to oversee the Company’s sustainable development and CSR and set targets. The top executive of the Administration Center is the chairman of the Committee. Moreover, we established an ESG Task Force in 2021 to handle important issues concerned by stakeholders. The Task Force reviews the performance of project promotion and achievement of targets on a regular basis (6 months), and that reports to the board of directors on behalf of the ESG Task Force the implementation results of sustainable development and future plans each year.	No significant differences						
II. Does the Company conduct risk assessments on environmental, social and corporate governance issues related to the Company’s operations in accordance with the materiality principle, and set up relevant risk management policies or strategies?	V		<p>We have built rigorous and stringent risk management for material risks. The board of directors is responsible for overseeing the risk management mechanism and control and reviewing related regulations and important reports.</p> <p>For related issues (including ESG issues), please visit the Company’s website at http://www.kyec.com.tw/, “CSR,” and click the directory “Sustainability Report” under “Corporate Governance – Risk Strategies and Responses” and “Stakeholders and Concerned Issues – Management Guidelines and Target Performances for Major Topics “Report” to access related contents.</p> <p>We have formulated the following management policies or strategies based on the risks after assessment:</p> <table border="1" data-bbox="708 1720 1273 2009"> <thead> <tr> <th>Material issues</th> <th>Risk assessment</th> <th>Description</th> </tr> </thead> <tbody> <tr> <td>Environment</td> <td>Environmental impact and management</td> <td>1. By providing process safety management and systematic management cycle, we are</td> </tr> </tbody> </table>	Material issues	Risk assessment	Description	Environment	Environmental impact and management	1. By providing process safety management and systematic management cycle, we are	No significant differences
Material issues	Risk assessment	Description								
Environment	Environmental impact and management	1. By providing process safety management and systematic management cycle, we are								

					<p>able to effectively reduce the emissions of pollution and their impact on the environment.</p> <p>2. We have attained environmental and energy management certifications including ISO 14001 in 2002 and ISO 50001 in 2016, and have been regularly certified since.</p> <p>3. We regularly make an inventory on GHG emissions in accordance with ISO 14064 -1 as an attempt to review the impact faced by the Company's operations. We continue to carry out carbon reduction measures according to the results of the carbon inventory. In doing so, we effectively reduce the risk of Scope 1 emissions and indirect Scope 2 GHG emissions due to electricity use.</p> <p>4. An annual internal audit plan is formulated targeting the</p>	
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				compliance of the Company with environmental regulations, while ensuring that all operation processes are on par with regulations.	
			Society	Occupational safety	<p>1. In 2020, all plants and subsidiaries of China completed the ISO 45001 occupational health and safety management system certification.</p> <p>2. We conduct periodic fire drills and industrial safety education and training each year to improve the ability to respond in the event of an emergency.</p>
			Corporate governance	Regulatory compliance	<p>1. We ensure that all employees and operations are in compliance with the applicable laws and regulations by establishing a governance organization and implementing an internal control mechanism.</p> <p>2. We take out insurance policies for our directors and managers to protect them against lawsuits</p>

				or claims.	
III. Environmental issues					
(I) Whether the Company establishes environmental policies suitable for the Company's industrial characteristics?	V		All plants and subsidiaries of China have established an environmental management system in accordance with ISO 14001 and continue to be verified by a third-party institution. As well as this, an annual GHG inventory is conducted in accordance with the ISO 14064-1 regulations and the effectiveness of emission reduction is tracked. We disclose the results in the CSR report and on the Company's website. (http://www.kyec.com.tw/csr/csrreport.aspx)	No significant differences	
(II) Is the company committed to enhancing the utilization efficiency of energy and use renewable materials that are with low impact on the environmental?	V		At KYEC, we are committed to promoting energy reduction measures. To do so, we opt for equipment with high energy efficiency and energy-design to reduce corporate and product energy consumption. We also expand the use of renewable energy, aiming to optimize energy efficiency. In 2020, the total electricity consumption of our plants and subsidiaries of China was 696,855.7MWh, up 60014.3MW from 636,841.4MWh in 2019, representing an increase of 9.4%. The main reason for the increase was due to the Company's operational growth. However, in 2020, the electricity consumption intensity was 2001.19MWh/NT\$100 million, down 2169.74MWh/NT\$100 million from 2019, representing a decrease of 7.8%. As for green manufacturing, we reduce unnecessary resource waste and seek technology development on waste reduction and reuse. We will work together with our upstream and downstream partners of the value chain to recycle and reuse packaging materials, maximizing the benefits of a circular economy. We strive for creating circular value through recycling of process materials and waste reduction.	No significant differences	
(III) Has the company assessed the potential risks and opportunities for business operations now and in the future regarding climate change and will the company adopt response measures?	V		Global warming has been extreme weather in Taiwan, such as typhoons, floods, rainstorm, and droughts, which are becoming more and more noticeable. In light of changing natural disasters, we have been carrying out operations under the ISO 22301 business continuity management system model. By taking this approach, we reduce large property losses and irreversible operational impacts brought by natural or man-made disasters or other incidents, while also ensuring minimum level of operation under any circumstances. In November 2020, we passed the ISO 22301:2019 certification. Details of the analysis of the Company's climate change risks and opportunities are disclosed in the Company's CSR Report.	No significant differences	

<p>(IV) Has the company inspected greenhouse gas emissions, water consumption, and total waste in the past two years, and formulated policies for greenhouse gas emissions, and water consumption, or other waste management policies?</p>	<p>V</p>	<p>(http://www.kyec.com.tw/csr/csrreport.aspx)</p> <p>In 2019, all plants and subsidiaries of China completed ISO 14064 -1 Scope 1 and Scope 2 inventories and third-party verification. In 2020, our plants in Taiwan completed the ISO 50001 inventory and third-party verification.</p> <p>GHG emissions for the past 2 years: (information of Scope 1 and Scope 2 covers all plants and subsidiaries) Unit: tCO₂e</p> <table border="1" data-bbox="746 488 1233 656"> <thead> <tr> <th rowspan="2">Emissions Category</th> <th colspan="2">Year</th> </tr> <tr> <th>2019</th> <th>2020</th> </tr> </thead> <tbody> <tr> <td>Scope 1</td> <td>2,502.79</td> <td>4,543.51</td> </tr> <tr> <td>Scope 2</td> <td>355,637.91</td> <td>379,768.51</td> </tr> <tr> <td>Total</td> <td>358,140.70</td> <td>384,312.02</td> </tr> </tbody> </table> <p>In 2020, the total emissions of Scope 1 and Scope 2 were 384,312.02 tCO₂e, with Scope 1 accounting for 1.2% and Scope 2 accounting for 98.8%. The main source of emissions was purchased electricity. In terms of the proportion, the main source of the Company's GHG emissions comes from purchased electricity. The total emissions in 2020 increased by 26,171 tCO₂e compared to 2019, about 7.3%. However, the emission intensity in 2020 was 1,103.64 tCO₂e/NT\$100 million revenue, a decrease of 9.5% from 1,220.22 tCO₂e/NT\$100 million in 2019.</p> <p>Aside from the regular annual GHG inventory and reduction of Scope 1 and Scope 2 within the organization's boundaries, we have also conducted identification of emission sources in Scope 3 since 2020. However, the quantitative data have not yet been verified by a third party. In 2021, we intend to expand the scope of ISO 14064-1 verification of the Scope 3 inventory data and expand the inventory items.</p> <p>It is our longstanding effort to focus on water-saving issues. In terms of water-saving plans, the design of water-saving process was set as the standard and the use of every drop of water is optimized through wastewater recovery and reuse. By doing this, we are able to reduce tap water consumption. Additionally, each department has also established a water-saving promotion team responsible for formulating an annual plan and reviewing the use of change in water consumption. We ensure the performance of the facilities in our plants on a regular basis and replace water-consuming facilities to avoid waste.</p> <p>Water consumption in the past 2 years: (all plants and subsidiaries) (Unit: million liters)</p>	Emissions Category	Year		2019	2020	Scope 1	2,502.79	4,543.51	Scope 2	355,637.91	379,768.51	Total	358,140.70	384,312.02	<p>No significant differences</p>
Emissions Category	Year																
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Year	2019	2020										
Total water consumption	3,172.718	3,361.272										
Water consumption	1,698.992	1,796.342										
		<p data-bbox="707 848 1276 1552">As we continue to carry out recycling and reuse of process and water systems, through promoting a variety of water-saving projects, our Chu-Nan Plant and subsidiary saved a total of 343.39 million liters of water and reduced carbon emissions by 102.68 tons in 2020. In 2021, we continued and implemented water-saving projects and set water consumption reduction goals for for Chu-Nan plant and subsidiary that consume a large amount of water. We will make improvements on the pure water system and evaluate and increase recycling systems. By 2025, we expect to decrease the water consumption amount of these two plants by 10% compared to that of August 2020. Also, the Chu-Nan plant is expected to invest NT\$25 million in RO recycling and ROR recycling and reuse, with a recycling period of approximately 2.5 years, while the subsidiary of China will make an effort to carry out pure water process improvement, aiming to save water and reduce waste.</p> <p data-bbox="707 1554 1276 2002">With our dedication to environmental protection, we have established waste reduction plans. Each quarter, we carry out a performance review and internal and external audits. In 2020, all plants and subsidiaries of China passed the ISO 14001 environmental management system certification. As the Company is mainly engaged in semiconductor testing and packaging process, no toxic substances are used and there are no air pollution emission problems in the testing process. The organic gasses of COG cutting, grinding and alcohol wiping of the subsidiary of China are treated by photocatalysis and discharged via a 15-meter-high exhaust pipe;</p>										

hence, there is only wastewater treatment and waste generation. Waste generated is treated by outsourced qualified vendors; no waste is being transported outside of Taiwan. Each year, we take into account the Company's environmental policy and establish various waste and energy reduction objectives and periodically track waste and energy reduction within the plant. Furthermore, we have also built an auditing system on waste treatment vendors and perform audits on a consistent basis without early warning, ensuring the legality of our outsourced treatment vendors.

Waste generation intensity for the past 2 years.
(all plants and subsidiaries)

Year		2019	2020
General businesses	Weight (ton)	1,758.59	2,866.047
	Intensity (tons/NT\$100 million)	5.992	8.230
Harmful businesses	Weight (ton)	287.06	371.58
	Intensity (tons/NT\$100 million)	0.978	1.067

Waste is mainly treated by incineration, burial and reuse. Our waste reuse rate has increased from 78.9% in 2019 to 80.2% in 2020. From 2018, we stopped bury waste.

In the future, we will continue to take priority over waste reuse and enhance our waste management. Moreover, we aim to effectively classify, recycle and properly dispose of waste. Our expectation is to reach a reuse rate of 80%.

IV. Social issues															
(I) Whether the Company has established the related management policies and procedures in accordance with the relevant laws and international human rights conventions?	V	<p>The Company recognizes and takes the initiative to follow internationally recognized human rights standards including “the UN Universal Declaration of Human Rights”, “the UN Global Compact”, “the UN Guiding Principles on Business and Human Rights”, and “the International Labour Organization”. As the Company vows to respect the protections set forth in human rights conventions, the “KYEC Human Rights Management Policy” has been approved and disclosed on the Company’s website.</p> <p>The Company’s human rights management policy and specific plans are summarized as follows:</p> <table border="1" data-bbox="743 678 1235 1825"> <thead> <tr> <th data-bbox="743 678 916 808">Human rights management policy</th> <th data-bbox="916 678 1235 808">Specific plans</th> </tr> </thead> <tbody> <tr> <td data-bbox="743 808 916 1055">Abide by regulatory requirements</td> <td data-bbox="916 808 1235 1055">Employees are provided with a safety and healthy working environment as required by the regulations set forth in the Labor Standards Act and Gender Equality in Employment Act</td> </tr> <tr> <td data-bbox="743 1055 916 1267">Establish an interactive labor-management relationship</td> <td data-bbox="916 1055 1235 1267">Forced or compulsory employment and unlawful discrimination is prohibited. Equal employment opportunities and equal pay for equal work is carried out.</td> </tr> <tr> <td data-bbox="743 1267 916 1480">Support public information transparency</td> <td data-bbox="916 1267 1235 1480">Education and training on human rights is promoted; the Company’s human rights advocacy is conveyed through the Company’s website and public announcements.</td> </tr> <tr> <td data-bbox="743 1480 916 1693">Build a friendly workplace.</td> <td data-bbox="916 1480 1235 1693">Establish diverse communication and grievance channels to smoothly express views in a timely manner and effectively solve problems.</td> </tr> <tr> <td data-bbox="743 1693 916 1825">Promote family life and work balance</td> <td data-bbox="916 1693 1235 1825">Set up health management and promotion plans to emphasize the health of employees.</td> </tr> </tbody> </table> <p>In 2021, we provided human rights protection training on employees, which saw 7,021 participants. In the future, the Company will continue to pay attention to human rights protection issues and promote related education</p>	Human rights management policy	Specific plans	Abide by regulatory requirements	Employees are provided with a safety and healthy working environment as required by the regulations set forth in the Labor Standards Act and Gender Equality in Employment Act	Establish an interactive labor-management relationship	Forced or compulsory employment and unlawful discrimination is prohibited. Equal employment opportunities and equal pay for equal work is carried out.	Support public information transparency	Education and training on human rights is promoted; the Company’s human rights advocacy is conveyed through the Company’s website and public announcements.	Build a friendly workplace.	Establish diverse communication and grievance channels to smoothly express views in a timely manner and effectively solve problems.	Promote family life and work balance	Set up health management and promotion plans to emphasize the health of employees.	No significant differences
Human rights management policy	Specific plans														
Abide by regulatory requirements	Employees are provided with a safety and healthy working environment as required by the regulations set forth in the Labor Standards Act and Gender Equality in Employment Act														
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Build a friendly workplace.	Establish diverse communication and grievance channels to smoothly express views in a timely manner and effectively solve problems.														
Promote family life and work balance	Set up health management and promotion plans to emphasize the health of employees.														

		and training, further raising the awareness of human rights protection.	
(II) Has the company established and implemented reasonable measures for employee benefits (including remuneration, holidays and other benefits), and appropriately reflected the business performance or achievements in the employee remuneration?	V	Conducted the employees' performance evaluation each year as the basis for remuneration to employees and promotion and career development planning for the employees. Combined the reward & punishment to employees, performance and raise, based on the level of remuneration applicable in the same trade. In 2021, female employees accounted for 45% and female supervisors accounted for 33%.	No significant differences
(III) Whether the Company provides the existence of a safe and healthy work environment, and regular safety and health training to employees?	V	The Company organizes the employees' health checkup and various health promotion activities each year, and also provides the employees whose health condition is found to be abnormal with care and health education information case by case. <u>Occupational Safety and Health Policy</u> We abide by the Occupational Safety and Health Act and policies formulated by customers and related organizations. Moreover, we also respect the policies established by stakeholders for organizations as well as requirements on occupational safety and health by stakeholders so as to construct a healthy and happy workplace. At KYEC, we have a comprehensive occupational safety and health policy in place, which is announced by the president and implemented by all employees and supervisors. The policy specifies KYEC's principles with respect to the implementation of occupational and health improvements as well as the overall safety and health objectives and commitments of improvement on safety and health performance. We use the ISO 45001 occupational safety and health management system as the structure and the autonomous management spirit of PDCA continuous improvement to formulate various safety and health management processes and work rules. As well as this, by following the guidelines for operating activities, not only are we able to reduce the incidence of occupational hazards, but at the same time we also minimize the damage and impact to property, personal and environment. In 2020, there were a total of 18 work injuries in KYEC Group. The total disability injury rate was 0.97 and the total incapacity injury severity rate was 21.63 and total frequency-severity indicator (FSI) was 0.15; all of which were higher than 2019. To address this, we continue to carry out risk assessments each year and implement improvement measures for major risks and hazards, effectively reducing the incidence of occupational disasters. <u>Monitoring the workplace</u>	No Significant differences

To ensure that workers are protected from hazards of harmful substances in the workplace and provide them with a healthy and comfortable workplace, we conduct workplace monitoring twice a year. In doing this, we are able to better understand the actual state of exposure of workers to hazards.

Work safety inspection

We perform a work safety inspection on a monthly basis and unscheduled inspections on vendors. We issue monthly NCR improvement according to suggestions made from the inspections conducted, and review deficiencies on the monthly meeting with vendors.

Machinery and equipment safety management

The safety of the Company's machinery and equipment is managed at source. Prior to the introduction of equipment, hazard identification and risk level assessment are conducted. We also implement change management procedures and personnel education and training, to further reduce the incidence of disasters and accidents. To ensure the safety of operators, a Release system is implemented after the machinery has been installed. This way, we ensure that the safety devices function properly and other safety facilities or labeling are completed. Normal production and operation can only be carried out, provided the safety requirements are met. The safety devices and hazard warning labeling of machinery and equipment are included in the procurement and acceptance criteria. Safety operation standards for equipment removal, installation, operation, maintenance and repairs are established. Safety protection functions at routine maintenance or repair of equipment are included in the inspection items.

Work safety education and training and emergency response drills for the past 3 years (all plants and subsidiaries)

Work safety and education and training:

Year	2018	2019	2020
Education and training (persons)	12,843	20,559	29,527

Emergency response drill:

Type	2018	2019	2020
Fire rescue/ Earthquake disaster	28	28	32
Chemical leakage	2	3	4
Plant-wide evacuation	3	4	3
Transportation bus drill	26	26	25
Total	59	61	64

		<u>Company Verification</u> All of the Company's plants and subsidiaries have attained the ISO 45001 certification.		
(IV) Whether the Company has established some effective career development training plans for employees?	V	The Company has established the regulations governing educational training systems applicable to the various levels. The Company will also fulfill and organize annual training plans each year.	No Significant differences	
(V) Has the company complied with laws and international standards with respect to issues such as customers' health, safety and privacy, marketing and labeling of all products and services offered, and implemented consumer or customers protection policies and complaint procedures?	V	Not applicable and, therefore, no related consumer protection policy or complaints procedure needs to be established.	No Significant differences	
(VI) Has the company established supplier management policies demanding compliance with relevant regulations and their execution status regarding issues such as environmental, occupational safety, and health or labor rights?	V	The Company has formulated a "Supplier Code of Conduct" and management concepts for suppliers to follow. We work side by side with suppliers to make an effort to promote CSR commitments to the respective group of our suppliers. Meanwhile, we also concentrate on social, economic, and environmental sustainability risk management. Examples of relevant requirements and implementations are as follows:	No Significant differences	
		Supplier management		All suppliers are required to comply with the product quality management system, environmental safety and health management system, and supplier chain safety management system assessment. They are also required to sign the "Responsible Business Alliance (RBA) Code of Conduct" to commit to CSR management.
		Supplier selection		All suppliers are required to submit and sign the "Supplier Evaluation Questionnaire," "Raw Material Supplier Evaluation," "RBA Code of Conduct," "Letter of Guarantee to Not Use Banned Substances," and "KYEK's Shipping Precautions and Integrity Rules for Suppliers" as the basis for evaluation and review.
		Supplier	There are eight major	

		audit	<p>items in the scope of supplier audit checklist covering RBA, green product management and supplier chain management.</p> <p>In 2021, a total of 63 suppliers were audited (3 audits on new suppliers; routine audits on 60 suppliers). On-site audits on 15 suppliers and document audits on 48 suppliers. All suppliers made improvements on deficiencies within the prescribed time.</p>	
		<p>For supplier-related issues, please visit the Company's website at http://www.kyec.com.tw/, "CSR," and click the directory under the "Supply Chain Management" section of the "Sustainability Report."</p>		
V. Has the company taken reference from the internationally accepted reporting standards or guidance when compiling sustainability reports to disclose non-financial information? Have the reports mentioned previously obtained the assurance of third-party verification?	V	<p>The Company followed the internationally accepted GRI Standards when compiling the "2021 KYEC Sustainability Report" and passed the AA1000 Type 1 Medium Assurance Level by a third-party certification entity (SGS). For compilation standards and assurance, please see the Company's website at http://www.kyec.com.tw/ – under the "CSR" section, click on "Sustainability," then "About Reports – Preparation Principles."</p>		No Significant differences
<p>VI. Has the Company established its own Sustainability Development Best-Practice Principles based on "Sustainability Development Best-Practice Principles for TWSE/TPEX Listed Companies"? If any, please describe any discrepancy between the principles and their implementation:</p> <p>The Company's Board of Directors approved the formulation of the "Corporate Social Responsibility Best-Practice Principles" in April 2015 and amendments to the Principles were approved by the Board of Directors in March 2017 to strengthen the implementation of our corporate social responsibility. The actual operation is not significantly different from the Principles.</p>				
<p>VII. Other important information that helps understand the implementation of sustainable development:</p> <p>(I) The Company values the energy management, environmental protection and occupational safety & health areas very much. Hsin-Chu Factory and Chu-Nan Factory have won the "Five-Star Award" for labor safety and health from the Council of Labor Affairs, Executive Yuan in 2010 and 2013. In order to fulfill the Company's corporate social responsibility, the Company participates in the adoption of peripheral roads by Chu-Nan Factory each year. The Company is used to promoting the effective resource utilization voluntarily. In 2015, the Company was honored as the excellent entity for the "Low Carbon Action Award" by the Environmental Protection Administration, Executive Yuan. In 2018, the Company's factory premises received the "Badge of Accredited Healthy Workplace" from the Health Promotion Administration. In 2020, Chu-Nan Factory and Tongluo Factory were honored as the excellent entities for "2019 Green Procurement" by the Environmental Protection Bureau of Miaoli County, and Chu-Nan Factory was honored as the excellent entity for "2019 Green Procurement" awarded by the Environmental Protection Administration, Executive Yuan. Tongluo Factory for Stage 1 received the "Green Building—Bronze Medal" awarded by the Ministry of Interior in 2016, and received the excellence award in "Landscaping and</p>				

Environmental Maintenance Competition” organized by Hsinchu Science Park during 2017 to 2020.

Received the “2020 Green Procurement by Private Companies and Groups” Special Merit Award by Environmental Protection Bureau of Miaoli County Government in 2021 and “2020 Green Procurement” by the Environmental Protection Administration, Executive Yuan.

- (II) The Company is engaged in the technical service industry for the IC industry and, therefore, there is no such problem about discharge of pollutants in the process of production. Meanwhile, the management values the various pollution prevention works very much. The various inspections all comply with the governmental laws and regulations. Already passed the ISO14001 for environmental management (converted into ISO14001:2015 in 2017) and OHSAS18001 for occupational safety and health management (converted into ISO45001:2018 in 2020) and ISO14064 for international GHG system certification at the same time in 2008 and, therefore, became the first company which passed the back-end certification by both systems in Taiwan at the same time. Passed TOSHMS certification in 2008 (converted into CNS45001:2018 in 2020). Chu-Nan Factory passed ISO50001 energy management system certification in 2016, and Tongluo Factory was included into the scope of certification in 2017. It was converted into ISO50001:2018, and the packaging factory was included into the scope of certification in 2019. Passed ISO22301:2019 business continuity management system in 2020.
- (III) The Company responds to the multiple employment plans prepared by the government. It received the “Employment Creation Contribution Award” for the agricultural and industrial group awarded by the Ministry of Economic Affairs and Council of Labor Affairs, Executive Yuan on November 30, 2010. Meanwhile, the Company establishes the Employees’ Welfare Committee, implements the pension system, organizes various employee training programs and group insurance, arranges periodic health checkups and values the harmonious labor–management relationship. The Company also actively works with local schools. For the time being, it is working with the schools including National Kaohsiung University of Science and Technology, National Yunlin University of Science and Technology, National Changhua University of Education, National United University, National Quemoy University, Chaoyang University of Technology, National Formosa University and Yu Da University of Science and Technology, etc. The Company not only fulfills its social responsibility but also trains professional human resources. It has been 15 years since the Company adopted the industry–academia cooperation, and a total of 2,359 persons have been involved in the industry–academia cooperation already.
- (IV) For social involvement, the Company established the KYEC Care Association. The Company takes care of disadvantaged groups, cares for the independent-living elderly, participates in community activities and actively sponsors various activities organized by city/county governments as its mission and philosophy. It will also set up public welfare booths in large-scale activities of the Company each year and work with various public welfare groups in some bazaars. It spares no effort in boosting the fund-raising activities organized by the public welfare groups. At the same time, it hopes to fulfill its corporate social responsibility.
- (V) For the “Sustainability Report” prepared by the Company, please visit the Company’s website at <http://www.kyec.com.tw/>, and click the directory under “Sustainability Report” to access related contents.

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

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

			<p>hospitality, or other improper benefits.</p> <p>V. Misappropriation of trade secrets and infringement of trademark rights, patent rights, copyrights, and other intellectual property rights.</p> <p>VI. Engaging in unfair competitive practices.</p> <p>VII. Damage directly or indirectly caused to the rights or interests, health, or safety of consumers or other stakeholders in the course of research and development, procurement, manufacture, provision, or sale of products and services.</p>	
(III) Has the company specified operational procedures, behavioral guidelines, disciplines of violations, as well as an appeal system in the program against unethical behavior, and implemented such programs, and reviewed and revised the previous program on a regular basis?	V		<p>The Company engages in commercial activities following the principles of fairness, honesty, faithfulness, and transparency, and in order to fully implement a policy of ethical management and actively prevent unethical conduct, these "Procedures for Ethical Management and Guidelines for Conduct" are adopted with a view to providing all personnel of this Corporation with clear directions for the performance of their duties, including the specified operating procedures and behavior guidelines for each program, disciplinary actions, and complaints system, after approval by resolution made in the board meeting held on October 30, 2020. The scope of application of these Procedures and Guidelines includes the subsidiary of this Corporation, any incorporated foundation in which this Corporation's accumulated contributions, direct or indirect, exceed 50 % of the total funds of the foundation, and other group enterprises and organizations, such as institutions or juristic persons, substantially controlled by the Company. Not only are these Procedures enforced on our new recruits, but they are also implemented in the Company's operations.</p>	No significant differences
II. Implementation of ethical management				
(I) Whether the Company assesses a	V		The Company shall take into	

trading counterpart's ethical management record, and expressly states the ethical management clause in the contract to be signed with the trading counterpart?			consideration the legitimacy of its agents, suppliers, customers or other business trading counterparts and whether they are involved in any unethical activities before engaging in transactions, in order to avoid engaging in transactions with unethical ones. The agreements/contracts concluded by the Company with its agents, suppliers, customers or other business trading counterparts shall include the ethical corporate management policy and the clauses providing that the agreements/contracts shall be rescinded or terminated where the trading counterparts are involved in any unethical activities.	No significant differences
(II) Does the company establish an exclusively (or concurrently) dedicated unit supervised by the board to be in charge of corporate integrity? Does the Company report policies to the board on a regular basis (once a year) to prevent conflicts of interest and provide proper statement channels?	V		The Company has appointed the President's Office as the dedicated unit subordinated to the board of directors responsible for establishing and supervising the execution of ethical corporate management policies and preventive measures, taking charge of various matters and reporting to the board of directors periodically.	No significant differences
(III) Whether the Company defines any policy against conflict of interest, provides adequate channels thereof, and fulfills the same precisely?	V		The "Ethical Corporate Management Best-Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct" are adopted to assist the Company to foster a corporate culture of ethical management and sound development, and offer a reference framework for establishing good commercial practices. The Company also provides open channels for employees to express their opinions within the Company and through its official website. The primary principle of the directors and managerial officers of the Company is ethical corporate management. If any decision or transaction involves their own conflict of interest, based on the principles of preventing conflicts of interests, directors and managerial officers are prohibited from voting.	No significant differences
(IV) Has the company established an effective accounting system and internal control system in order to implement ethical management,	V		In order to implement ethical corporate management, the Company has set up an effective accounting system and internal	No significant differences

propose relevant audit plans according to the assessment results of the risks of unethical behaviors, and review the compliance status of the prevention of unethical behaviors, or entrusted an accountant to carry out the review?			control system to ensure that ethical corporate management has been enforced. The audit division reviews the compliance of the said systems according to the annual auditing plans. The Company also complies with applicable regulations of the “Company Act” and the “Securities and Exchange Act,” and the Company’s accountants are responsible for the auditing of accounting books.	
(V) Whether the Company organizes internal/external education training programs for ethical management periodically?	V		The Company has established the “Procedures for Ethical Management and Guidelines for Conduct” and promotes ethical corporate management in employee education & training and meetings from time to time. In 2021, the Company organized online courses (including legal education and training, information security and intellectual property protection policy, insider trading prevention promotion). A total of 7,021 employees took part in these training courses.	No significant differences
III. Status of the Company’s complaint system				
(I) Whether the Company has defined a specific complaints and rewards system, and established some convenient complaint channel, and assigned competent dedicated personnel to deal with the situation?	V		Internal grievance channels: The Company has set up the employees’ message board, opinion mailbox and hotline dedicated to accepting the complaints from employees.	No significant differences
(II) Has the company implemented any standard procedures, subsequent measures or confidentiality measures for handling reported misconducts?	V		Investigations are conducted by the Company’s Human Resources Department and are conducted confidentially.	No significant differences
(III) Whether the Company has adopted any measures to prevent the complainants from being abused after filing complaints?	V		According to Article 22 of the Company’s “Ethical Corporate Management Best-Practice Principles” and Article 21 of the “Procedures for Ethical Management and Guidelines for Conduct,” the Company protects the identify and content of the whistleblower so that he/she is not improperly treated due to whistleblowing. The Company’s grievance channel for external parties is established on its official website at “Business Conduct and Ethics Grievance System.”	No significant differences
IV. Enhancing Information Disclosure				

Does the company have the contents of ethical corporate management and its implementation disclosed on the website and MOPS?	V	The Company has disclosed information associated with its Ethical Corporate Management Best-Practice Principles, Code of Ethical Conduct, Procedures for Ethical Management and Guidelines for Conduct. Contents of the Company's Ethical Management Principles and its implementation are announced on the MOPS.	No significant differences
<p>V. Has the Company established its own ethical business best-practice principles based on "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies"? If any, please describe any discrepancy between the principles and their implementation: The Company has established its own "Ethical Corporate Management Best-Practice Principles" to establish and develop a corporate culture of ethical corporate management. The actual operation does not differ from the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies."</p>			
<p>VI. Other important information to help the better understanding of the Company's ethical corporate management (e.g. review and amendments on the ethical corporate management best-practice principles established by itself):</p> <ol style="list-style-type: none"> 1. To be in line with the amendment to "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" made in 2019, the amendment to the Company's "Ethical Corporate Management Best-Practice Principles" has been approved by the board of directors meeting held on December 27, 2019. The contents of the Principles have been thoroughly implemented. 2. In an effort to implement ethical corporate management and ethical conduct, the Company strengthens professional ethics while also raising awareness of legal compliance through the promotion of continuing education courses and online courses for employees. 3. In 2021, a total of 7,021 employees took part in training courses. The related education & training and promotion situation is as follows: 			
For Whom the Course is Designed	Name	Date	Method and Passing Criteria
All employees	Education & Training on Legal Matters	2021.03.15–2021.03.26	Passing the online course within the reading period (full score of the test is 100)
	Information Safety and Intellectual Property Protection Policy	2021.10.29–2021.11.12	Passing the online course within the reading period (full score of the test is 100)
	Information on Promotion on Prevention of Insider Trading	2021.08.23	Announcement on Intranet
All directors	Education and Promotion of Prevention of Insider Trading and Ethical Corporate Management	2021.12.28	Related education and promotion provided to directors at the 14th session of the 12th board meeting

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

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

<https://www.kyec.com.tw/csr/csrreport.aspx>.

(VIII) Disclosure of other information enabling better understanding of the Company's corporate governance: None.

(IX) Implementation of the internal control system

1. Declaration of Internal Control System

King Yuan Electronics Co., Ltd.
Declaration of Internal Control System

Date: March 4, 2022

The following declaration had been made based on the 2021 self-assessment of the Company's internal control system:

- I. The Company acknowledges and understands that the establishment, implementation and maintenance of the internal control system are the responsibility of the board and managers, and that such a system has been implemented within the Company. The purpose of this system is to provide reasonable assurance in terms of business performance, efficiency (including profitability, performance, asset security, etc.), reliability, timely and transparent financial reporting, and regulatory compliance.
- II. The internal control system is designed with inherent limitations. No matter how perfect the internal control system is, it can only provide a reasonable assurance to the fulfillment of the three objectives referred to above. Moreover, the effectiveness of the internal control system could be affected by the changes of environment and circumstances. However, a self-monitor mechanism is installed in the internal control system of the Company. The Company will make corrections once the deficiencies are identified.
- III. The Company has assessed the effectiveness of the internal control system design and implementation in accordance with the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as "The Regulations"). Criteria introduced by "The Regulations" consists of five major elements, each representing a different stage of internal control: 1. Control environment; 2. Risk evaluation; 3. Procedural control; 4. Information and communication; and 5. Supervision. Each element further encompasses several sub-elements. Please refer to the Regulations for details.
- IV. The Company has adopted the abovementioned criteria to validate the effectiveness of its internal control system design and execution.
- V. Based on the aforementioned audit findings, the Company holds that it has reasonably preserved the achievement of the above goals within the aforementioned period ended on December 31, 2021 of internal control (including the monitoring over the subsidiaries), including the effectiveness and efficiency in operation, reliability in financial reporting and compliance with relevant legal rules, and that the design and enforcement of internal control are effective.
- VI. This Statement of Declaration will be the major content of the annual report and prospectus of the Company and disclosed to the public. Any illegalities such as

misrepresentations or concealments in the published contents mentioned above will be considered a breach of Articles 20, 32, 171, and 174 of the Securities and Exchange Act and incur legal liabilities.

VII. This declaration was passed unanimously without objection by all 9 directors present at the board meeting dated March 4, 2022.

King Yuan Electronics Co., Ltd.

(Signature)

Chairman: Chin-Kung Lee

President: An-Hsuan Liu (Signature)

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

(X) If there has been any legal penalty against the company or its internal personnel, or any disciplinary penalty by the company against its internal personnel for violation of the internal control system, during the most recent fiscal year or during the current fiscal year up to the publication date of the annual report, where the result of such penalty could have a material effect on shareholder equity or securities prices, the annual report shall disclose the penalty, the main shortcomings, and condition of improvement, specify its content, main deficit and improvement situation:
None.

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

1. Resolutions made by the 2021 annual general meeting

Date	Session	Important resolutions and implementation
2021.08.03	Annual Meeting of Shareholders	<ol style="list-style-type: none"> 1. The motion for business report and financial statements 2020 was ratified. 2. The motion for allocation of earnings 2020 was ratified. Execution: Approved the motion for setting the base date for allocation of cash dividend on August 25, 2021, and the cash dividend was allocated on September 15, 2021. (The cash dividend was allocated as NT\$1.80 per share) 3. Approved the motion for amendment of Articles of Incorporation. Implementation: Registration was approved by the Ministry of Economic Affairs on August 16, 2021 and announced on the Company's website. 4. Approved the motion for allocation of cash dividend from capital surplus. Execution: Approved the motion for setting the base date for allocation of cash dividend on August 25, 2021, and the cash dividend was allocated on September 15, 2021. (The cash dividend was allocated as NT\$0.20 per share) 5. Approved the initial public offering (IPO) of RMB common stock (A shares) of the Company's subsidiary King Long Technology (Suzhou) Ltd. and its application for listing on the Shanghai Stock Exchange/Shenzhen Stock Exchange. Implementation: Motion resolved and has been implemented according to the resolution of the shareholders' meeting.

2. Summary of the Company's important resolutions made by the shareholders' meeting board of directors' meeting for 2021 and up to the date of printing of the annual report:

Date	Session	Important resolutions
2021.03.12	Board of Directors' meeting	<ol style="list-style-type: none"> 1. Approved the 2020 Declaration of Internal Control System. 2. Approved the motion for the Company's 2021 budget. 3. Approved the motion for amendment of Articles of Incorporation. 4. Approved the motion for assessment on independence and competency of CPAs. 5. Approved whether the receivables that were outstanding for more than three months after the normal loan period as of the end of December 2020 are loans to capital.

		<ol style="list-style-type: none"> 6. Approved the 2020 standalone financial statement and consolidated financial statements. 7. Approved the 2020 business report. 8. Approved the motion for the 2020 earnings distribution. 9. Approved the motion for allocation of cash dividend from capital surplus. 10. Approved the motion for allocation of remuneration to employees in 2020 and the motion proposed by the remuneration committee for the remuneration to directors in 2020. 11. Approved the initial public offering (IPO) of RMB common stock (A shares) of the Company's subsidiary King Long Technology (Suzhou) Ltd. and its application for listing on the Shanghai Stock Exchange/Shenzhen Stock Exchange. 12. Approved the motion for organization of the Company's 2021 general shareholders' meeting at 2F., No. 103, Zhongyang Rd., Toufen City, Miaoli County (Grand Royal Hotel Conference Room 205) on June 9, 2021 (Wednesday) at 9 a.m. 13. Approved the motion to adjust the 2021 remuneration to the Company's managerial officers which is recommended by the remuneration committee.
2021.04.09	Board of Directors' meeting	<ol style="list-style-type: none"> 1. Approved the motion for the authorization of the Company's subsidiary KYEC Microelectronics Co., Ltd. to agree to the proposed cash capital increase for its investee company King Long Technology (Suzhou) Ltd. and waive its preemptive rights for this capital increase. 2. Approved the employee equity incentive program for the Company's subsidiary, King Long Technology (Suzhou) Ltd. 3. Approved the motion for the Company personnel arrangement.
2021.05.07	Board of Directors' meeting	<ol style="list-style-type: none"> 1. Approved the motion to the 2020 allocated remuneration to directors which is recommended by the remuneration committee.
2021.07.13	Board of Directors' meeting	<ol style="list-style-type: none"> 1. Approved to increase 2021 capital expenditures for the Company and its subsidiaries. 2. Approved to change the Company's 2021 annual general meeting from June 9 (Wednesday) to August 3 (Tuesday).
2021.08.03	Board of Directors' meeting	<ol style="list-style-type: none"> 1. Approved the date of dividend distribution. 2. Approved the adjustments made by the remuneration committee regarding the proposed distribution of cash remuneration to the Company's managers for 2020.
2021.11.02	Board of Directors' meeting	<ol style="list-style-type: none"> 1. Approved the motion of the 2022 audit plan. 2. Approved the motion for the 2021 professional fees of CPAs. 3. Approved the motion for termination of the non-competition restriction on managers with directors.
2021.12.28	Board of Directors' meeting	<ol style="list-style-type: none"> 1. Approved the 2022 capital expenditures for the Company and its subsidiaries. 2. Approved the amendment to "Internal Control System" and "Implementation Rules of Internal Audit." 3. Approved the amendment to the "accounting system." 4. Approved the amendment to the "Corporate Governance Rules." 5. Approved the motion to change the Company's CPAs in response to adjustments to the internal organization of EY. 6. Approved the motion for personnel arrangement.
2022.03.04	Board of Directors'	<ol style="list-style-type: none"> 1. Approved the 2021 Declaration of Internal Control System. 2. Approved the motion for the Company's 2022 budget.

	meeting	<ol style="list-style-type: none"> 3. Approved the amendment to “Operating Procedures for Acquisition or Disposition of Assets.” 4. Approved the motion for assessment on independence and competency of CPAs. 5. Approved the 2021 standalone financial statement and consolidated financial statements. 6. Approved the discussion of the motion for allocation of remuneration to employees in 2021 and the motion proposed by the remuneration committee for the remuneration to directors in 2021.
2022.04.08	Board of Directors’ meeting	<ol style="list-style-type: none"> 1. Approved the 2021 business report. 2. Approved the motion for the 2021 earnings distribution. 3. Approved the motion to change the Company’s CPAs in response to adjustments to the internal organization of EY. 4. Approved the motion for organization of the Company’s 2022 general shareholders’ meeting at 2F., No.6, Yule St., Toufen City, Miaoli County, Taiwan (Grand Royal Hotel Conference Room 205) on June 29, 2022 (Wednesday) at 9 a.m. 5. Approved the motion to adjust the 2022 remuneration to the Company’s managerial officers which is recommended by the remuneration committee.

(XII) Where a director has expressed a dissenting opinion with respect to a material resolution passed by the board of directors, and said dissenting opinion has been recorded or prepared as a written declaration, disclose the principal content thereof in the most recent fiscal year or up to the date of publication of the annual report: None.

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

V. Information on the Professional Fees of the Attesting CPAs

Amount unit: NTD thousand

Name of accounting firm	Name of CPA	Independent Auditor's Report	Audit Fee	Non-Audit Fees	Total	Remarks
Ernst & Young	Shao-Pin Kuo	2021.1.1– 2021.12.31	4,985	1,050	6,035	The non-audit fees include ESG consultation of NT\$670 thousand, tax compliance checks of NT\$200 thousand and tax inventory of NT\$180 thousand.
	Wen-Fun Fuh	2021.1.1– 2021.12.31				

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

VI. Change of accountants: None.

VII. Disclosure of any of the Company's chairman, president, or managers responsible for financial or accounting affairs being employed by the auditor's firm or any of its affiliated companies in the last year, including their names, positions, and the periods during which they were employed by the auditor's firm or any of its affiliated companies: None.

VIII. Any transfer of equity interests and pledge of or change in equity interests by a director, managerial officer, or shareholder with a stake of more than 10 % in the most recent year and until the date of publication of the annual report:

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

Unit: share

Title	Name	2021		2022 as of May 1	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Chairman and CEO	Chin-Kung Lee	0	0	0	0
Vice-Chairman	Chi-Chun Hsieh	0	0	0	0
President and Director	An-Hsuan Liu	(200,000)	0	0	0
Director	Kao-Yu Liu	0	0	0	0
Director	Kuan-Hua Chen	0	0	0	0
Director (Note 1)	Representative of Yann Yuan Investment Co., Ltd.				
	Chao-Jung Tsai	0	0	0	0
	Ping-Kun Hung	0	0	0	0
Independent director	Hui-Chun Hsu	0	0	0	0
Independent director	Dar-Yeh Hwang	0	0	0	0
Independent director	Semi Wang	0	0	0	0
Executive Vice President	Gauss Chang	0	0	0	0
Senior Vice President	K.K Lee	0	0	0	0
Senior Vice President	Steven Chang	0	0	0	0
Vice President	Andy Liang	20,000	0	0	0
Vice President	Hans Han	0	0	10,000	0
Vice President and CFO	Logan Chao	0	0	0	0
Assistant Vice President	Wendy Chen	0	0	0	0
Assistant Vice President (Note 2)	Chung-Jung Tsai	0	0	7,000	0
Assistant Vice President (Note 3)	Jeff Hsu	0	0	0	0
Corporate Governance Officer	Neil Chung	0	0	0	0

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

Note 2: Assistant Vice President Chung-Jung Tsai was appointed on December 28, 2021.

Note 3: Assistant Vice President Jeff Hsu stepped down on April 9, 2021.

(II) Share transferred to related parties: None.

(III) Share pledged to related parties: None.

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

2022.05.01

Name	Shareholdings by oneself		Shareholdings of spouse and underage children		Shareholding using another's name		Names and relationships of the top 10 shareholders who are related parties, spouses, or within second-degree of kinship to each other		Remarks
	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)	Title (or name)	Relationship	
Yuanta Taiwan High Dividend Fund	59,878,361	4.90	0	0	0	0	None	None	
Yann Yuan Investment Co., Ltd.	52,600,000	4.30	0	0	0	0	None	None	
Representative: Chun Kuan	0	0.00	0	0	0	0	None	None	
Representative of Fubon Life Insurance Co., Ltd.:	48,092,000	3.93	0	0	0	0	None	None	
Ming-Hsing Tsai	0	0.00	0	0	0	0	None	None	
Chin-Kung Lee	34,000,941	2.78	4,263,053	0.35	0	0	None	None	
China Life Insurance Co., Ltd.	29,071,000	2.38	0	0	0	0	None	None	
Representative: Shou-Lun Tan	0	0.00	0	0	0	0	None	None	
New Labor Pension Fund	28,748,000	2.35	0	0	0	0	None	None	
United Microelectronics Corporation	23,157,696	1.89	0	0	0	0	None	None	
Representative: Chia-Tsung Hung	0	0.00	0	0	0	0	None	None	
Stichting Depository APG Emerging Markets Equity Pool	21,875,000	1.79	0	0	0	0	None	None	
Mitsubishi UFJ Morgan Stanley Securities Co.,Ltd.-Equity Trading Division (Proprietary Trading Desk)	21,682,000	1.77	0	0	0	0	None	None	
Chunghwa Post Co., Ltd.	17,851,000	1.46	0	0	0	0	None	None	
Representative: Hong-Mo Wu	0	0.00	0	0	0	0	None	None	

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

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

Unit: share

Invested enterprise	Investment made by the company		Investment by directors and managers or by directly or indirectly controlled enterprises		Total investment	
	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)
KYEC USA Corp. (Note 1)	160,000	100	0	0	160,000	100
KYEC SINGAPORE PTE. LTD. (Note 2)	78,000	100	0	0	78,000	100
KYEC JAPAN K.K. (Note 3)	1,899	89.83	0	0	1,899	89.83
KYEC Investment International Co., Ltd. (Note 4, 7, 8)	164,923,636	100	0	0	164,923,636	100
KYEC Technology Management Co., Ltd. (Note 4, 7)	7,500,000	100	0	0	7,500,000	100
KYEC Microelectronics Co., Ltd. (Note 4, 7)	125,500,000	100	0	0	125,500,000	100
King Long Technology (Suzhou) Ltd. (Notes 5, 7)	0	92.46	0	0.90	0	93.36
Suzhou Zhen Kun Technology Ltd. (Notes 6, 8)	0	92.46	0	0.90	0	93.36
King Ding Precision Incorporated Company (Note 9)	6,600,000	100	0	0	6,600,000	100
Fixwell Technology Corp. (Note 10)	2,800,000	23.33	320,000	2.67	3,120,000	26.00
Wei Jiu Industrial Co., LTD. (Note 11)	1,020,000	34.00	0	0	1,020,000	34.00

- Note: The Company's investment using the equity method.
- Note 1: Acts as the agent for business in the territories of the U.S.A. and related communications.
- Note 2: Acts as the agent for business in the territories of Southeast Asia and Europe and related communications.
- Note 3: Engages in electronic parts manufacturing and trading, and acts as the agent for business in the territories of Japan and related communications.
- Note 4: General investment.
- Note 5: Research and development, design, manufacturing, packaging, testing, processing and maintenance of semiconductor integrated circuits, transistors, electronic components, electronic materials, analog or hybrid automatic data processors, solid-state memory systems, heating ovens and related products and components. Integrated circuit-related technology transfer, technical consultation, technical services, sales of the Company's products and after-sales services.
- Note 6: Research and development, production (packaging, testing), processing of large-scale integrated circuits for electronic components, electronic materials, analog or hybrid automatic data processing machines, solid state memory systems, and heating oven controllers, sales of independently produced products, and provision of related after-sales services; integrated circuit-related technology transfer, technical consultation, technical services.
- Note 7: (1) Since 2002, the Company has been making improvements through KYEC Investment International Co., Ltd. (BVI) and KYEC Microelectronics Co., Ltd. (CAYMAN) in King Long Technology (Suzhou) Ltd. As of December 31, 2021, the Company had made cumulative investments totaling USD116,155 thousand.
(2) On November 1, 2003 and in November 2009, the Company made investments through contribution of technology into KYEC Technology Management Co., Ltd. (SAMOA), which then made indirect investments through KYEC Microelectronics Co., Ltd. (CAYMAN) into King Long Technology (Suzhou) Ltd., for amounts of USD5,325 thousand and USD2,175 thousand, respectively. These investments were approved by the Investment Commission, Ministry of Economic Affairs, under Letter No. (92)-Jing-Shen-2-092031647 dated October 20, 2003 and (98)-Jing-Shen-2-09800350290 dated October 21, 2009, respectively.
- Note 8: (1) The Company has successively invested in Suzhou Zhen Kun Technology Ltd. in the mainland China, indirectly, via KYEC Investment International Co., Ltd. (BVI) and Sino-Tech Investment Co., Ltd. (SAMOA) since September 2009. On March 6, 2019, Sino-Tech Investment Co., Ltd. transferred RMB 53,226 thousand ownership of Suzhou Zhen Kun Technology Ltd. to King Long Technology (Suzhou) Ltd., and remitted an equivalent amount of investment capital in December 2019. Sino-Tech Investment Co., Ltd. has completed the liquidation and cancellation processes in 2020Q1. Until December 31, 2021, the Company had accumulated the outward remittances of investment capital in the amount of USD32,431 thousand.
(2) The Company has successively invested in Suzhou Zhen Kun Technology Ltd. in Mainland China, indirectly, via KYEC Investment International Co., Ltd. (BVI) and Strong Outlook Investments Limited (BVI) since September 2010. On March 6, 2019, Strong Outlook Investments Ltd. transferred RMB 32,789 thousand worth of ownership of Suzhou Zhen Kun Technology Ltd. to King Long Technology (Suzhou) Ltd., and remitted an equivalent amount of investment capital in December 2019. Sino-Tech Investment Co., Ltd. has completed the liquidation and cancellation processes in 2020Q1. Until December 31, 2021, the Company had accumulated the outward remittances of investment capital in the amount of USD16,337 thousand.
- Note 9: Manufacturing of electronic parts, wholesale and retail of electronic materials, and repairing of electric appliances and electronic products.
- Note 10: Manufacturing of electronic parts, wholesale and retail of electronic materials, and

repairing of electric appliances and electronic products.

Note 11: CNC & milling machine processing design and manufacturing of various precision mechanical parts.

Four. Financing Status

I. Capital and Shares

(I) Capital sources

Unit: Share; NTD

Year/ Month	Issue price	Authorized capital stock		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Capital sources	Investment by properties other than cash	Others
1986.05	1,000	7,000	7,000,000	7,000	7,000,000	Capital stock at the time of incorporation	None	None
1990.02	1,000	9,500	9,500,000	9,500	9,500,000	Capital increase in cash by NT\$2,500 thousand	None	None
1994.07	10	2,050,000	20,500,000	2,050,000	20,500,000	Capital increase in cash by NT\$11,000 thousand	None	None
1995.10	10	3,000,000	30,000,000	3,000,000	30,000,000	Capital increase in cash by NT\$9,500 thousand	None	None
1996.09	10	5,000,000	50,000,000	5,000,000	50,000,000	Capital increase in cash by NT\$20,000 thousand	None	None
1997.05	10	9,000,000	90,000,000	9,000,000	90,000,000	Capital increase in cash by NT\$40,000 thousand	None	None
1997.09	10	35,000,000	350,000,000	17,000,000	170,000,000	Capital increase in cash by NT\$80,000 thousand	None	None
1998.02	20	35,000,000	350,000,000	35,000,000	350,000,000	Capital increase in cash by NT\$180,000 thousand	None	None
1998.08	20	80,000,000	800,000,000	54,975,000	549,750,000	Capital increase by NT\$140,000 thousand in cash; Recapitalized by NT\$59,750 thousand from earnings	None	None
1998.09	10	80,000,000	800,000,000	65,000,000	650,000,000	Recapitalized by NT\$100,250 thousand from capital surplus	None	None
1998.12	30	80,000,000	800,000,000	70,000,000	700,000,000	Capital increase in cash by NT\$50,000 thousand	None	None
1999.07	30	150,000,000	1,500,000,000	99,375,000	993,750,000	Capital increase by NT\$100,000 thousand in cash; Recapitalized by NT\$123,750 thousand from earnings; Recapitalized by NT\$70,000 thousand from capital surplus	None	None
1999.12	46	150,000,000	1,500,000,000	124,375,000	1,243,750,000	Capital increase in cash by NT\$250,000 thousand	None	None
2000.07	70	560,000,000	5,600,000,000	263,225,446	2,632,254,460	Capital increase by NT\$700,000 thousand in cash; Recapitalized by NT\$439,754 thousand from earnings; Recapitalized by NT\$248,750 thousand from capital surplus	None	None
2001.07	10	700,000,000	7,000,000,000	436,672,214	4,366,722,140	Recapitalized by NT\$1,023,759 thousand from earnings; Recapitalized by	None	None

						NT\$710,708 thousand from capital surplus		
2002.05	10	870,000,000	8,700,000,000	436,672,214	4,366,722,140	Change of authorized capital stock	None	None
2002.07	10	870,000,000	8,700,000,000	447,879,749	4,478,797,490	Overseas convertible bond: NT\$112,075 thousand	None	None
2002.10	10	870,000,000	8,700,000,000	452,591,205	4,525,912,050	Overseas convertible bond: NT\$47,115 thousand	None	None
2003.01	10	870,000,000	8,700,000,000	452,876,747	4,528,767,470	Overseas convertible bond: NT\$2,855 thousand	None	None
2003.04	14	870,000,000	8,700,000,000	556,871,604	5,568,716,040	NT\$1,039,949 thousand for private placement	None	None
2003.11	10	870,000,000	8,700,000,000	579,303,374	5,793,033,740	Overseas convertible bond: NT\$224,318 thousand	None	None
2004.01	10	870,000,000	8,700,000,000	687,905,995	6,879,059,950	Overseas convertible bond: NT\$1,086,026 thousand	None	None
2004.04	10	870,000,000	8,700,000,000	699,942,564	6,999,425,640	Overseas convertible bond: NT\$120,366 thousand	None	None
2004.08	10	1,090,000,000	10,900,000,000	754,955,164	7,549,551,640	Change of authorized capital stock; Recapitalized by NT\$550,126 thousand from earnings	None	None
2004.10	10	1,090,000,000	10,900,000,000	767,839,164	7,678,391,640	Exercise of employee stock option in exchange of new shares: NT\$128,840 thousand	None	None
2005.01	10	1,090,000,000	10,900,000,000	768,405,664	7,684,056,640	Exercise of employee stock option in exchange of new shares: NT\$5,665 thousand	None	None
2005.04	10	1,090,000,000	10,900,000,000	769,176,664	7,691,766,640	Exercise of employee stock option in exchange of new shares: NT\$7,710 thousand	None	None
2005.07	10	1,090,000,000	10,900,000,000	781,266,164	7,812,661,640	Exercise of employee stock option in exchange of new shares: NT\$120,895 thousand	None	None
2005.08	10	1,090,000,000	10,900,000,000	907,897,897	9,078,978,970	Recapitalized by NT\$1,266,317 thousand from earnings	None	None
2005.10	10	1,090,000,000	10,900,000,000	912,958,739	9,129,587,390	Exercise of employee stock option in exchange of new shares: NT\$48,195 thousand Overseas convertible bond: NT\$2,413 thousand	None	None
2006.01	10	1,090,000,000	10,900,000,000	915,401,740	9,154,017,400	Exercise of employee stock option in exchange of new shares: NT\$14,535 thousand Overseas convertible bond: NT\$9,895 thousand	None	None
2006.04	10	1,090,000,000	10,900,000,000	955,024,900	9,550,249,000	Exercise of employee stock option in exchange of new shares: NT\$10,205 thousand	None	None

						thousand Overseas convertible bond: NT\$386,027 thousand		
2006.07	10	1,300,000,000	13,000,000,000	986,793,076	9,867,930,760	Change of authorized capital stock; Exercise of employee stock option in exchange of new shares: NT\$29,640 thousand Overseas convertible bond: NT\$288,042 thousand	None	None
2006.08	10	1,300,000,000	13,000,000,000	1,010,099,813	10,100,998,130	Exercise of employee stock option in exchange of new shares: NT\$6,085 thousand Overseas convertible bond: NT\$226,982 thousand	None	None
2006.08	10	1,300,000,000	13,000,000,000	1,089,670,967	10,896,709,670	Recapitalized by NT\$795,712 thousand from earnings	None	None
2006.10	10	1,300,000,000	13,000,000,000	1,090,079,967	10,900,799,670	Exercise of employee stock option in exchange of new shares: NT\$4,090 thousand	None	None
2007.01	10	1,300,000,000	13,000,000,000	1,090,543,467	10,905,434,670	Exercise of employee stock option in exchange of new shares: NT\$4,635 thousand	None	None
2007.04	10	1,300,000,000	13,000,000,000	1,091,078,967	10,910,789,670	Exercise of employee stock option in exchange of new shares: NT\$5,355 thousand	None	None
2007.07	10	1,300,000,000	13,000,000,000	1,091,594,467	10,915,944,670	Exercise of employee stock option in exchange of new shares: NT\$5,155 thousand	None	None
2007.08	10	1,500,000,000	15,000,000,000	1,214,696,675	12,146,966,750	Change of authorized capital stock; Recapitalized by NT\$1,231,022 thousand from earnings	None	None
2008.01	10	1,500,000,000	15,000,000,000	1,214,706,675	12,147,066,750	Exercise of employee stock option in exchange of new shares: NT\$100 thousand	None	None
2008.04	10	1,500,000,000	15,000,000,000	1,215,037,175	12,150,371,750	Exercise of employee stock option in exchange of new shares: NT\$3,305 thousand	None	None
2008.07	10	1,500,000,000	15,000,000,000	1,215,154,175	12,151,541,750	Exercise of employee stock option in exchange of new shares: NT\$1,170 thousand	None	None
2008.08	10	1,500,000,000	15,000,000,000	1,280,854,009	12,808,540,090	Recapitalized by NT\$656,998 thousand from earnings	None	None
2009.03	10	1,500,000,000	15,000,000,000	1,256,675,009	12,566,750,090	Capital decrease by NT\$241,790 thousand upon cancellation of treasury stock	None	None
2009.08	10	1,500,000,000	15,000,000,000	1,259,735,576	12,597,355,760	Recapitalized by NT\$30,606 thousand	None	None

						from earnings		
2009.12	10	1,500,000,000	15,000,000,000	1,247,287,576	12,472,875,760	Capital decrease by NT\$124,480 thousand upon cancellation of treasury stock	None	None
2010.05	10	1,500,000,000	15,000,000,000	1,237,287,576	12,372,875,760	Capital decrease by NT\$100,000 thousand upon cancellation of treasury stock	None	None
2010.12	10	1,500,000,000	15,000,000,000	1,224,410,576	12,244,105,760	Capital decrease by NT\$128,770 thousand upon cancellation of treasury stock	None	None
2011.01	10	1,500,000,000	15,000,000,000	1,245,037,914	12,450,379,140	Capital decrease by NT\$100,000 thousand upon cancellation of treasury stock Overseas convertible bond: NT\$306,273 thousand	None	None
2011.04	10	1,500,000,000	15,000,000,000	1,272,549,545	12,725,495,450	Capital decrease by NT\$100,000 thousand upon cancellation of treasury stock Overseas convertible bond: NT\$375,116 thousand	None	None
2011.07	10	1,500,000,000	15,000,000,000	1,274,814,783	12,748,147,830	Overseas convertible bond: NT\$22,652 thousand	None	None
2011.12	10	1,500,000,000	15,000,000,000	1,224,888,354	12,248,883,540	Capital decrease by NT\$500,000 thousand upon cancellation of treasury stock; Overseas convertible bond NT\$736 thousand	None	None
2012.04	10	1,500,000,000	15,000,000,000	1,197,544,282	11,975,442,820	Capital decrease by NT\$300,000 thousand upon cancellation of treasury stock; Overseas convertible bond: NT\$26,559 thousand	None	None
2012.07	10	1,500,000,000	15,000,000,000	1,170,241,900	11,702,419,000	Capital decrease by NT\$300,000 thousand upon cancellation of treasury stock; Overseas convertible bond: NT\$26,976 thousand	None	None
2012.10	10	1,500,000,000	15,000,000,000	1,186,889,400	11,868,894,000	New restricted employee shares: NT\$30,000 thousand; Overseas convertible bond: NT\$136,475 thousand	None	None
2013.01	10	1,500,000,000	15,000,000,000	1,190,751,900	11,907,519,000	Overseas convertible bond: NT\$38,625 thousand	None	None
2013.04	10	1,500,000,000	15,000,000,000	1,190,671,900	11,906,719,000	Cancellation of new restricted employee shares: NT\$800 thousand	None	None
2013.05	10	1,500,000,000	15,000,000,000	1,192,671,900	11,926,719,000	New restricted employee shares: NT\$20,000 thousand	None	None
2013.05	10	1,500,000,000	15,000,000,000	1,192,631,900	11,926,319,000	Cancellation of new restricted employee shares: NT\$400 thousand	None	None
2013.08	10	1,500,000,000	15,000,000,000	1,192,536,900	11,925,369,000	Cancellation of new	None	None

						restricted employee shares: NT\$950 thousand		
2014.03	10	1,500,000,000	15,000,000,000	1,192,442,400	11,924,424,000	Cancellation of new restricted employee shares: NT\$945 thousand	None	None
2014.07	10	1,500,000,000	15,000,000,000	1,192,318,400	11,923,184,000	Cancellation of new restricted employee shares: NT\$1,240 thousand	None	None
2015.03	10	1,500,000,000	15,000,000,000	1,192,303,400	11,923,034,000	Cancellation of new restricted employee shares: NT\$150 thousand	None	None
2015.05	10	1,500,000,000	15,000,000,000	1,192,294,400	11,922,944,000	Cancellation of new restricted employee shares: NT\$90 thousand	None	None
2015.11	10	1,500,000,000	15,000,000,000	1,162,294,400	11,622,944,000	Capital decrease by NT\$300,000 thousand upon cancellation of treasury stock	None	None
2016.10	10	1,500,000,000	15,000,000,000	1,167,483,269	11,674,832,690	Overseas convertible bond: NT\$51,889 thousand	None	None
2017.03	10	1,500,000,000	15,000,000,000	1,171,173,138	11,711,731,380	Overseas convertible bond: NT\$36,899 thousand	None	None
2017.07	10	1,500,000,000	15,000,000,000	1,173,709,921	11,737,099,210	Overseas convertible bond: NT\$25,368 thousand	None	None
2017.10	10	1,500,000,000	15,000,000,000	1,206,542,676	12,065,426,760	Overseas convertible bond: NT\$328,328 thousand	None	None
2018.01	10	1,500,000,000	15,000,000,000	1,220,238,284	12,202,382,840	Overseas convertible bond: NT\$136,956 thousand	None	None
2018.04	10	1,500,000,000	15,000,000,000	1,221,277,681	12,212,776,810	Overseas convertible bond: NT\$10,394 thousand	None	None
2018.05	10	1,500,000,000	15,000,000,000	1,222,745,065	12,227,450,650	Overseas convertible bond: NT\$14,674 thousand	None	None

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

- stock NT\$7 billion and paid-in capital NT\$4.36672214 billion.
16. Upgraded the authorized capital stock to NT\$8.7 billion.
 17. Jing-Shou-Shang-Zi No. 09101278670, authorized capital stock NT\$8.7 billion and paid-in capital NT\$4.47879749 billion.
 18. Jing-Shou-Shang-Zi No. 09101442750, authorized capital stock NT\$8.7 billion and paid-in capital NT\$4.52591205 billion.
 19. Jing-Shou-Shang-Zi No. 09201018710, authorized capital stock NT\$8.7 billion and paid-in capital NT\$4.52876747 billion.
 20. Private placement securities: Jing-Shou-Shang-Zi No. 09201121500, authorized capital stock NT\$8.7 billion and paid-in capital NT\$5.56871604 billion.
 21. Jing-Shou-Shang-Zi No. 09201322980, authorized capital stock NT\$8.7 billion and paid-in capital NT\$5.79303374 billion.
 22. Jing-Shou-Shang-Zi No. 09301007670, authorized capital stock NT\$8.7 billion and paid-in capital NT\$6.87905995 billion.
 23. Jing-Shou-Shang-Zi No. 09301060440, authorized capital stock NT\$8.7 billion and paid-in capital NT\$6.99942564 billion.
 24. Jing-Shou-Shang-Zi No. 09301156810, authorized capital stock NT\$10.9 billion and paid-in capital NT\$7.54955164 billion.
 25. Jing-Shou-Shang-Zi No. 09301201590, authorized capital stock NT\$10.9 billion and paid-in capital NT\$7.67839164 billion.
 26. Jing-Shou-Shang-Zi No. 09401003210, authorized capital stock NT\$10.9 billion and paid-in capital NT\$7.68405664 billion.
 27. Jing-Shou-Shang-Zi No. 09401060170, authorized capital stock NT\$10.9 billion and paid-in capital NT\$7.69176664 billion.
 28. Jing-Shou-Shang-Zi No. 09401136480, authorized capital stock NT\$10.9 billion and paid-in capital NT\$7.81266164 billion.
 29. Jing-Shou-Shang-Zi No. 09401161000, authorized capital stock NT\$10.9 billion and paid-in capital NT\$9.07897897 billion.
 30. Jing-Shou-Shang-Zi No. 09401204350, authorized capital stock NT\$10.9 billion and paid-in capital NT\$9.12958739 billion.
 31. Jing-Shou-Shang-Zi No. 09501007380, authorized capital stock NT\$10.9 billion and paid-in capital NT\$9.1540174 billion.
 32. Jing-Shou-Shang-Zi No. 09501077070, authorized capital stock NT\$10.9 billion and paid-in capital NT\$9.550249 billion.
 33. Jing-Shou-Shang-Zi No. 09501160380, authorized capital stock NT\$13 billion and paid-in capital NT\$9.86793076 billion.
 34. Jing-Shou-Shang-Zi No. 09501163350, authorized capital stock NT\$13 billion and paid-in capital NT\$10.10099813 billion.
 35. Jing-Shou-Shang-Zi No. 09501191840, authorized capital stock NT\$13 billion and paid-in capital NT\$10.89670967 billion.
 36. Jing-Shou-Shang-Zi No. 09501232620, authorized capital stock NT\$13 billion and paid-in capital NT\$10.90079967 billion.
 37. Jing-Shou-Shang-Zi No. 09601019120, authorized capital stock NT\$13 billion and paid-in capital NT\$10.90543467 billion.
 38. Jing-Shou-Shang-Zi No. 09601078430, authorized capital stock NT\$13 billion and paid-in capital NT\$10.91078967 billion.
 39. Jing-Shou-Shang-Zi No. 09601177990, authorized capital stock NT\$13 billion and paid-in capital NT\$10.91594467 billion.
 40. Jing-Shou-Shang-Zi No. 09601199070, authorized capital stock NT\$15 billion and paid-in capital NT\$12.14696675 billion.
 41. Jing-Shou-Shang-Zi No. 09701009440, authorized capital stock NT\$15 billion and paid-in capital NT\$12.14706675 billion.
 42. Jing-Shou-Shang-Zi No. 09701089030, authorized capital stock NT\$15 billion and paid-in capital NT\$12.15037175 billion.
 43. Jing-Shou-Shang-Zi No. 09701175060, authorized capital stock NT\$15 billion and paid-in capital NT\$12.15154175 billion.
 44. Jing-Shou-Shang-Zi No. 09701200320, authorized capital stock NT\$15 billion and paid-in capital NT\$12.80854009 billion.
 45. Jing-Shou-Shang-Zi No. 09801061510, authorized capital stock NT\$15 billion and paid-in capital NT\$12.56675009 billion.
 46. Jing-Shou-Shang-Zi No. 09801180250, authorized capital stock NT\$15 billion and paid-in capital NT\$12.59735576 billion.
 47. Jing-Shou-Shang-Zi No. 09801280260, authorized capital stock NT\$15 billion and paid-in capital NT\$12.47287576 billion.
 48. Jing-Shou-Shang-Zi No. 09901106450, authorized capital stock NT\$15 billion and paid-in capital NT\$12.37287576 billion.
 49. Jing-Shou-Shang-Zi No. 09901275210, authorized capital stock NT\$15 billion and paid-in capital

						NT\$12.24410576 billion.
50.	Jing-Shou-Shang-Zi No.	10001010550,	authorized	capital stock	NT\$15 billion	and paid-in capital
						NT\$12.45037914 billion.
51.	Jing-Shou-Shang-Zi No.	10001070130,	authorized	capital stock	NT\$15 billion	and paid-in capital
						NT\$12.72549545 billion.
52.	Jing-Shou-Shang-Zi No.	10001157030,	authorized	capital stock	NT\$15 billion	and paid-in capital
						NT\$12.74814783 billion.
53.	Jing-Shou-Shang-Zi No.	10001286450,	authorized	capital stock	NT\$15 billion	and paid-in capital
						NT\$12.24888354 billion.
54.	Jing-Shou-Shang-Zi No.	10101055590,	authorized	capital stock	NT\$15 billion	and paid-in capital
						NT\$11.97544282 billion.
55.	Jing-Shou-Shang-Zi No.	10101144030,	authorized	capital stock	NT\$15 billion	and paid-in capital
						NT\$11.702419 billion.
56.	Jing-Shou-Shang-Zi No.	10101203850,	authorized	capital stock	NT\$15 billion	and paid-in capital
						NT\$11.868894 billion.
57.	Jing-Shou-Shang-Zi No.	10201002850,	authorized	capital stock	NT\$15 billion	and paid-in capital
						NT\$11.907519 billion.
58.	Jing-Shou-Shang-Zi No.	10201055970,	authorized	capital stock	NT\$15 billion	and paid-in capital
						NT\$11.906719 billion.
59.	Jing-Shou-Shang-Zi No.	10201077850,	authorized	capital stock	NT\$15 billion	and paid-in capital
						NT\$11.926719 billion.
60.	Jing-Shou-Shang-Zi No.	10201089780,	authorized	capital stock	NT\$15 billion	and paid-in capital
						NT\$11.926319 billion.
61.	Jing-Shou-Shang-Zi No.	10201167530,	authorized	capital stock	NT\$15 billion	and paid-in capital
						NT\$11.925369 billion.
62.	Jing-Shou-Shang-Zi No.	10301074130,	authorized	capital stock	NT\$15 billion	and paid-in capital
						NT\$11.924424 billion.
63.	Jing-Shou-Shang-Zi No.	10301139200,	authorized	capital stock	NT\$15 billion	and paid-in capital
						NT\$11.923184 billion.
64.	Jing-Shou-Shang-Zi No.	10401047430,	authorized	capital stock	NT\$15 billion	and paid-in capital
						NT\$11.923034 billion.
65.	Jing-Shou-Shang-Zi No.	10401086750,	authorized	capital stock	NT\$15 billion	and paid-in capital
						NT\$11.922944 billion.
66.	Jing-Shou-Shang-Zi No.	10401239940,	authorized	capital stock	NT\$15 billion	and paid-in capital
						NT\$11.622944 billion.
67.	Jing-Shou-Shang-Zi No.	10501243690,	authorized	capital stock	NT\$15 billion	and paid-in capital
						NT\$11.67483269 billion.
68.	Jing-Shou-Shang-Zi No.	10601033520,	authorized	capital stock	NT\$15 billion	and paid-in capital
						NT\$11.71173138 billion.
69.	Jing-Shou-Shang-Zi No.	10601091290,	authorized	capital stock	NT\$15 billion	and paid-in capital
						NT\$11.73709921 billion.
70.	Jing-Shou-Shang-Zi No.	10601144700,	authorized	capital stock	NT\$15 billion	and paid-in capital
						NT\$12.06542676 billion.
71.	Jing-Shou-Shang-Zi No.	10701004040,	authorized	capital stock	NT\$15 billion	and paid-in capital
						NT\$12.20238284 billion.
72.	Jing-Shou-Shang-Zi No.	10701034600,	authorized	capital stock	NT\$15 billion	and paid-in capital
						NT\$12.21277681 billion.
73.	Jing-Shou-Shang-Zi No.	10701053680,	authorized	capital stock	NT\$15 billion	and paid-in capital
						NT\$12.22745065 billion.

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

Information relevant to the aggregate reporting policy: None.

(II) Shareholder structure

Shareholder structure Quantity	Government institutions	Financial institutions	Other institutions	Individuals	Foreign institutions and juristic (corporate) persons	Total
Persons	7	51	260	90,718	400	91,436
Shares held	60,172,050	212,780,273	116,024,635	432,525,649	401,242,458	1,222,745,065
Shareholding ratio (%)	4.92	17.40	9.49	35.37	32.82	100

(III) Distribution of equity

1. Common stock

Shareholding category	Number of shareholders	Shares held	Shareholding ratio (%)
1 to 999	30,103	3,143,598	0.26
1,000 to 5,000	48,559	99,234,447	8.12
5,001 to 10,000	6,845	54,972,086	4.50
10,001 to 15,000	1,940	24,660,079	2.02
15,001 to 20,000	1,297	24,151,385	1.98
20,001 to 30,000	982	25,197,303	2.06
30,001 to 40,000	444	15,921,645	1.30
40,001 to 50,000	266	12,481,391	1.02
50,001 to 100,000	477	34,448,537	2.82
100,001 to 200,000	205	28,943,874	2.37
200,001 to 400,000	104	28,742,386	2.35
400,001 to 600,000	45	21,957,955	1.80
600,001 to 800,000	24	16,726,002	1.37
800,001 to 1,000,000	17	15,482,795	1.27
Over 1,000,001	128	816,681,582	66.79
Total	91,436	1,222,745,065	100

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

Note 2: Denomination of each share is NT\$10.

2. The Company has not issued any preferred shares.

(IV) Major Shareholders

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

Major Shareholders	Type of	Shares held	Shareholding ratio (%)
Yuanta Taiwan High Dividend Fund		59,878,361	4.90
Yann Yuan Investment Co., Ltd.		52,600,000	4.30
Fubon Life Insurance Co., Ltd.		48,092,000	3.93
Chin-Kung Lee		34,000,941	2.78
China Life Insurance Co., Ltd.		29,071,000	2.38
New Labor Pension Fund		28,748,000	2.35
United Microelectronics Corporation		23,157,696	1.89
Stichting Depository APG Emerging Markets Equity Pool		21,875,000	1.79
Mitsubishi UFJ Morgan Stanley Securities Co.,Ltd.- Equity Trading Division (Proprietary Trading Desk)		21,682,000	1.77
Chunghwa Post Co., Ltd		17,851,000	1.46
Total		336,955,998	27.56

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

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

Unit: NTD

Item		Year	2020	2021	2022 as of May 1
Market price per share		Highest	39.90	52.00	47.75
		Lowest	28.40	34.50	39.10
		Average	33.75	42.30	43.92
Net worth per share		Before distribution	23.98	27.96	-
		After distribution	21.98	(Note 1)	-
EPS		Weighted average number of shares (1,000 shares) (After retrospection)	1,222,745	1,222,745	-
	EPS	Before adjustment (retroactive)	2.97	4.23	-
		After adjustment (retroactive)	2.97	(Note 1)	-
Dividends per share		Cash dividend	2.00	3.00(Note 1)	-
	Stock dividends	Out of earnings	-	-	-
		Out of additional paid-in capital	-	-	-
		Accumulated, unpaid dividends	-	-	-
ROI analysis		P/E ratio (Note 2)	11.25	10.02	-
		P/D ratio (Note 3)	16.70	14.13	-
		Cash dividend yield (Note 4)	0.060	0.071	-

Note 1: To be resolved during the general shareholders' meeting 2022.

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

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

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

(VI) Dividend policy and implementation

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

From the profit earned by the Company as shown through the final account, if any, the sum to pay tax and make good previous loss, if any, shall be first set aside, and then 10% for legal reserve and then the sum for special reserve for provision or reversal to meet the Company's operating needs and as required by laws. The final balance, if any, added with unappropriated retained earnings accumulated in previous year(s), shall be duly distributed at the percentages as proposed by the board of directors and resolved in the shareholders' meeting.

The Company's dividend policy shall be conditioned by the investment environment, capital needs, domestic and international competition, and capital budgeting of the Company at the present moment and in the future. Shareholders' interest, balance of dividend payment and long-term financial planning of the Company shall also be taken into consideration by the board of directors when the board proposes the motion for allocation of stock dividends annually as required by law and presents the same before the general meeting of shareholders for ratification. The Company is currently in the growth stage of its life cycle and is still in need of capital for expansion and investment in the future. The cash dividend allocated to shareholders in the current year shall be no less than 20% of the total dividends to the shareholders for the year.

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

Unit: NTD

Item	Amount		Projected dividend yield
Unallocated earnings – beginning		5,784,759,074	
Add: Net profit after tax	5,175,046,071		
Less: Confirmed actuarial gain/loss of welfare	(53,368,800)		
Less: Disposal of equity instrument at fair value through other comprehensive income	(326,124,544)		
The amount of net profit after tax for the period and the amount adjusted to the current year's undistributed earnings		4,795,552,727	
Less: Provision of 10% legal reserve		(479,555,273)	
Allocable earnings		10,100,756,528	
Scope of allocation			
Dividends to shareholders – cash		3,668,235,195	NT\$3 per share
Total allocation		3,668,235,195	
Unallocated earnings – ending		6,432,521,333	
<p>Note: 1. According to the Company's distribution policy, the allocable earnings for 2021 shall be allocated as the first priority. The deficit, if any, shall be allocated from the allocable earnings accumulated for the previous year's according to the first-in first-out policy in the order of the years in which the earnings were generated chronically.</p> <p>2. The distribution yield is calculated based on the outstanding common stock totaling 1,222,745,065 shares when the board of directors' meeting was held.</p> <p>3. The cash dividend shall be rounded to the whole dollar amount according to the allocation rate. The total of the odd lots less than NT\$1 included in the distribution shall be transferred to the employees' welfare committee.</p> <p>4. Should the Company encounter a change of share capital that changes the number of outstanding shares on a later date, the board of directors shall be fully authorized to make the necessary adjustments to the percentage of cash dividends allocated to shareholders.</p> <p>5. The base date for allocation of cash dividends and matters thereto shall be set by the board of directors with authorization upon resolution by the general shareholders' meeting.</p>			

3. Expected change in dividend policy: None.

(VII) Impacts of proposed stock dividends on the Company's business performance and earnings per share: N/A.

(VIII) Employee and directors' remuneration

1. The percentage or range of remuneration to employees and directors specified in the Company's Charter:

Subject to the profit sought for the current year, the Company shall allocate 8%–10% of the profit as the remuneration to employees, and no more than 1% thereof as the remuneration to directors. However, profits must first be taken to offset against cumulative losses if any.

2. The basis for estimating the amount of employee and director

remuneration shall take into account the number of shares to be distributed as stock bonuses, and the accounting treatment of any discrepancy between the actual distributed amount and the estimated figure for the current period:

The profit sought by the Company in 2021 totaled NT\$7,116,696,402 (namely, the earnings before tax less the remuneration to employees and directors). 8% thereof was allocated as the remuneration to employees in cash, i.e. NT\$569,335,713, and 0.8% thereof as the remuneration to directors, i.e. NT\$56,933,571. There was no difference from the estimated amount for 2021.

3. Board of directors passed remuneration distribution:

(1) Remuneration to employees/directors in cash or shares. Any discrepancy between the annual recognized distributed amount and figure, the difference, reason and response should be disclosed: The 2021 remuneration to employees and directors resolved on the board meeting held on March 4, 2022 was NT\$569,335,713 and to NT\$56,933,571, respectively. There is no discrepancy with the 2021 estimates.

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

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

The 2019 remuneration to employees and directors resolved on the board meeting held on March 12, 2021 was NT\$382,117,867 and to NT\$38,211,786, respectively. There is no discrepancy with the 2020 estimates.

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

II. Instance of corporate bonds: None.

III. Instance of preference shares: None

IV. Issuance of Overseas Depository Receipts: None.

V. Information about new restricted employee shares: None.

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

VII. Implementation of Capital Utilization Plan: None.

Five. Overview of Operations

I. Business Contents

(I) Scope of business

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

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

In 2017, the proportion of import/export was 34.94% and 65.06% respectively.

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

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

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

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

Primary products/services and proportion of business in 2021

Unit: NTD thousand

Product line	Operating revenue	Proportion of business (%)
Wafer test service	11,954,015	35.41
Integrated circuits test service	15,797,053	46.79
Others	6,008,321	17.80
Total	33,759,389	100.00

3. The Company's current primary products (services)
Wafer grinding and dicing, test and package services (Logic,

Memory, and mixed signals), Burn-in test and Turnkey Service.

4. New products (services) under development

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

(II) Industry Overview

1. Industry status and development

According to the questionnaire results of TSIA, ITRI's IEK statistics showed that the output value of Taiwan's entire IC industry amounted to NT\$1,106 billion (US\$39.5bn) in Q4 of 2021 (21Q4) (including IC design, IC manufacturing, IC package and IC test), representing a growth of 1.9% from the previous quarter (21Q3) and a growth of 25.4% from the same period in last year (20Q4). The output value of the IC design industry amounted to NT\$317.5 billion (US\$11.3bn), down 3.8% from the previous quarter (21Q3) and up 28.5% from the same period in 2020 (20Q4); the output value of the IC manufacturing industry amounted to NT\$613.5 billion (US\$21.9bn), up 4.5% from the previous quarter (21Q3) and 24.4% from the same period in 2020 (20Q4), including that of the foundry amounting to NT\$504.1 billion (US\$19.3bn), up 6.3% from the previous quarter (21Q3) and 23.6% from the same period in 2020 (20Q4); the memory and other products amounted to NT\$73.4 billion (US\$2.6bn), down 6.9% from the previous quarter (21Q3) and up 30.4% from the same period in 2020 (20Q4); the output value of the IC package industry amounted to NT\$120 billion (US\$4.3bn), up 4.3% from the previous quarter (21Q3) and up 22.4% from the same period in 2020 (20Q4); the output value of the IC test industry amounted to NT\$55 billion (US\$2.0bn), up 3.8% from the previous quarter (21Q3) and up 26.4% from the same period in 2020 (20Q4). The exchange rate of NTD against USD was 1:28.0. The test industry is identified as a capital-intensive advanced high-tech industry with considerable barriers to entry. Recently, the constant evolution of IC process and increasingly complicated functions have made the IC test become more and more important. Notwithstanding, due to the increasing capital expenditure, more and more leading IDMs and foundries have given up expansion of the back-end production capacity and contracted the IC test services to others. As a result, the professional test industry was booming.

For the IC package and test industry in 2022 the overall booming economy was due to gradual stabilization of the vaccine coverage and the COVID-19 outbreak, coupled with sales recovery of electronic terminal products. Taiwan has the world's most advanced package and test and chip heterogeneous integration package and test technology

which meet the demands of high integration and high-performance chips for global electronic terminal products. Taiwan's output value in the package and test industry is estimated at NT\$695 billion in 2022, growth of 8.9% compared to that in 2021.

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

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

3. Development trends and degree of competition for our products

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

According to the MIC report, the global top ten suppliers in the package and test industry by the scale of operating revenue in 2021 were ASE, Amkor, Changjiang Electronics Technology Co. Ltd., Powertech Technology Inc., Tongfu Microelectronics Co., Ltd., Huatian Technology Co., Ltd., King Yuan Electronics Co., Ltd. (KYECC), ChipMOS TECHNOLOGIES INC, Chipbond Technology Corporation and Sigurd.

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

(III) Technology and R&D overview

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

Unit: NTD thousand

Item/Year	2022 as of March 31	2021
R&D expenditure	309,378	1,202,520
Net operating revenue	8,983,837	33,759,389
To operating revenue (%)	3.44	3.56

Note: The information is a self-closing figure of the consolidated information as of March 31, 2022.

2. Successfully developed technology or product during the most recent year and up to the date of publication of this annual report
 - (1) AMR (Autonomous Mobile Robot) used for wafer (chip) delivery
 - (2) High and low temperature test module with carrier transfer mechanism
 - (3) Bi-directional tray transfer module
 - (4) Bowl feeder - flexible feeding system
 - (5) Burn in socket water cooling system
 - (6) Burn in socket automatic cap opening mechanism
 - (7) Develop High Power Burn In Oven & Burn In Board.
 - (8) Develop E-serial new generation logical tester.
 - (9) Develop I-serial new generation CIS tester.
 - (10) Develop D-serial new generation Driver tester.
 - (11) Develop MEMS Magnetic device wafer probing test solution and final test system.
 - (12) Develop MEMS Pressure/Gyro/TPMS device test solution and system.
 - (13) Build up design vertical probe card for probing fine pitch bumping wafer testing.
 - (14) Develop CP contact technical and burn needle study.
 - (15) Develop H/W test interface with micro coaxial cable solution.
 - (16) Develop VCPC for Fine Pitch< 50um and High Speed>56Gbps (success verify).
 - (17) During 2019–2021 develop 401 case of difference design type of test board and released to production 10,250 pcs of KYEC developing test board on our testing production line.

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

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

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

II. An Overview of Market and Sales

(I) Market analysis

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

Unit: NTD thousand

Year	2021		2020	
Area	Domestic sales	Export sales	Domestic sales	Export sales
Sales value of primary products	Value	Value	Value	Value
Wafer test	5,311,630	6,642,385	4,031,282	5,749,517
Integrated circuits test	7,764,356	8,032,697	4,685,955	9,764,125
Others	3,173,853	2,834,468	2,669,702	2,058,723
Total	16,249,839	17,509,550	11,386,939	17,572,365

Market share

The Company's consolidated operating revenue amounted to NT\$33.759 billion in 2021, representing a growth of 16.6 % from 2020 that topped among peers. The turnover of annual package and test services generated by it in 2021 ranked 7th place in the same trade in the world, securing the stable market share.

Future supply and demand in this market and growth outlook

Given IDMs' contracting their back-end needs to others

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

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

Competitive niche and positive factors for future development

1. Capital and technique intensive:

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

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

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

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

3. Economies of business scale and range of product line

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

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

1. Merger of competitors or alliance of upstream and downstream suppliers:

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

Corresponding Strategy:

- (1) Provide integrated services which enable customers to receive the complete service for test, Burn-in and product package by placing one order, thereby cutting the entire production period.
- (2) Establish long-term cooperative relationship with customers: The Company works hard to establish the long-term cooperative relationship with

customers with its strength in quality, speed and cost, so that its production capacity could be utilized perfectly and stably.

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

2. Strong capital demand:

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

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

3. More capital investment, more business risk

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

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

(II) Main product applications and production processes

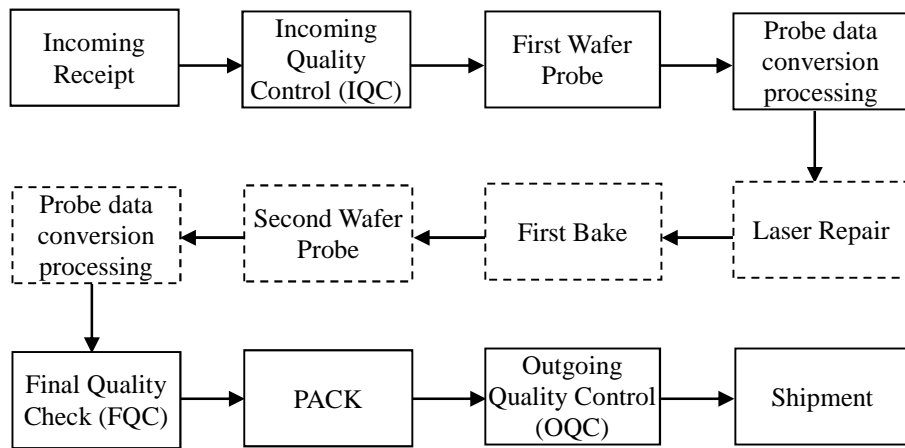
1. Important purpose of main products

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

2. Production process of main products

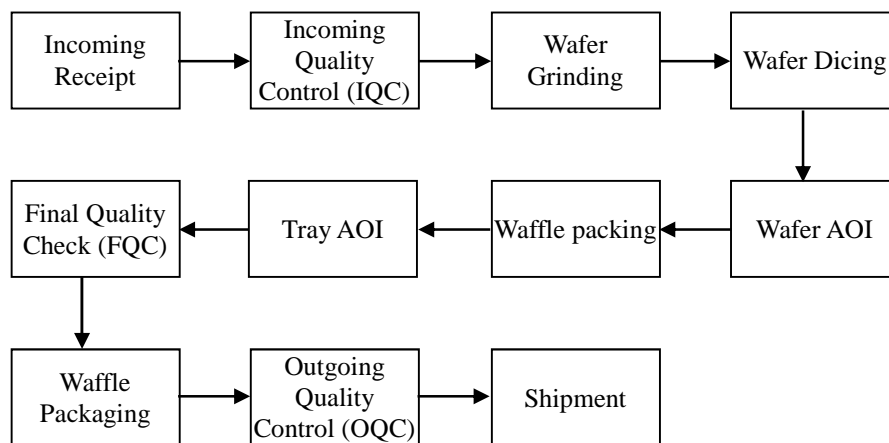
A. Wafer probing

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



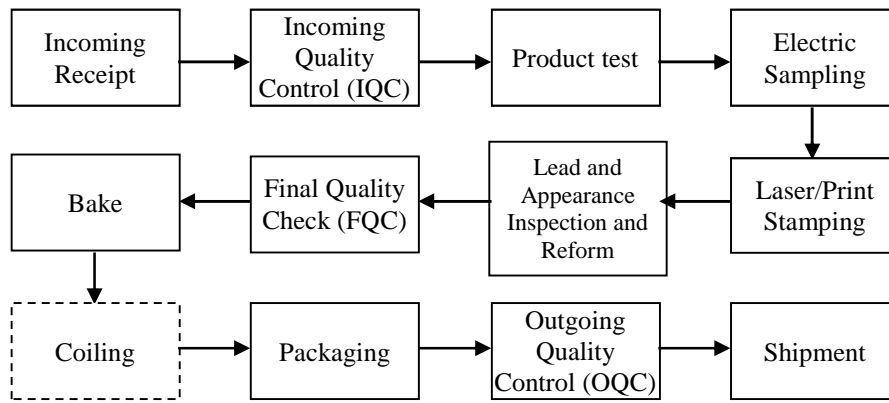
B. Wafer grinding/wafer dicing/waffle packing

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



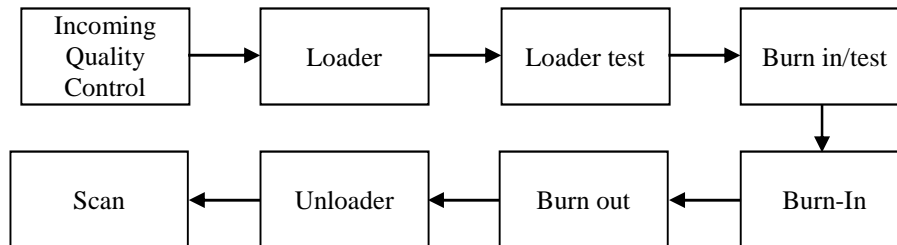
C. IC product testing procedures

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



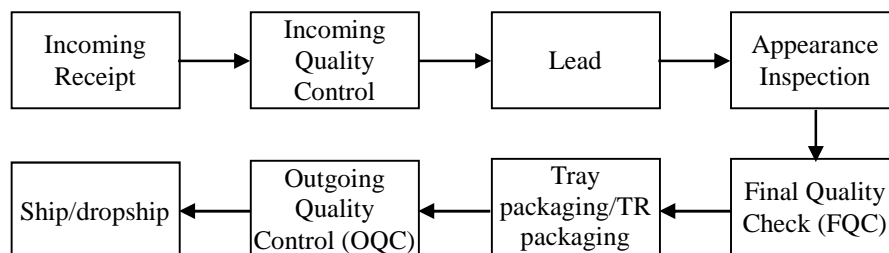
D. Burn-in

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



E. Lead/dropship

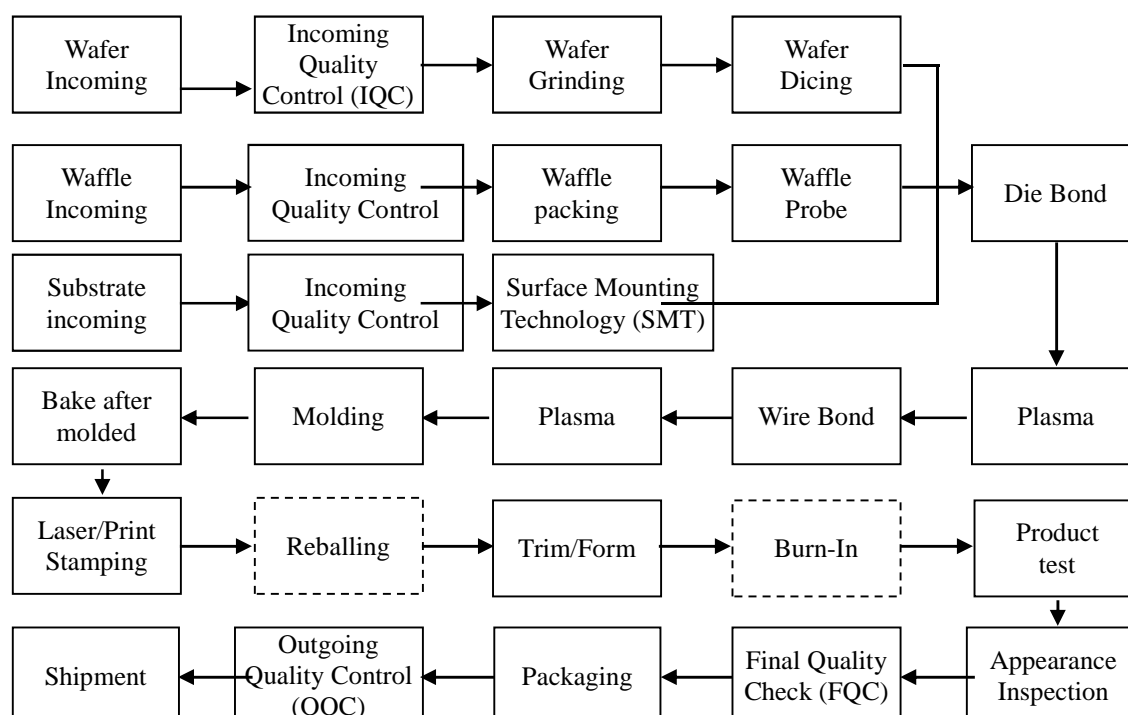
Help the lead scan & reform of tested IC products and pack the same into the tap-on-reel trays designated by customers for convenient shipping and processing, and also provide the Dropship service. The main process thereof is stated as following:



F. Package and Test Shipment

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

automation, automotive electronics and consumable electronics successfully. The main process thereof is stated as following:



(III) Supply of main raw materials

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

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

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

Unit: NTD thousand

Item	2021				2020			
	Title	Amount	To the annual net procurement amount (%)	Relationship with the issuer	Name	Amount	To the annual net procurement amount (%)	Relationship with the issuer
	Net purchases	4,299,942	100	-	Net purchases	3,437,614	100	-

2. Information about main customers:

Unit: NTD thousand

Item	2021				2020			
	Name	Amount	To the annual net sales amount (%)	Relationship with the issuer	Name	Amount	To the annual net sales amount (%)	Relationship with the issuer
1	MEDIATEK INC.	5,044,632	15	Note	MEDIATEK INC.	2,917,792	10	Note
	Net sales	33,759,389	100	-	Net sales	28,959,304	100	-

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

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

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

Quantity: Thousand (pcs)
Unit: NTD thousand

Year Production volume and value Main products	2021			2020		
	Production capacity	Quantity	Production value	Production capacity	Quantity	Production value
Wafer test	9,415	5,287	8,155,773	8,748	4,804	6,745,441
Integrated circuits test	21,072,908	11,700,658	12,261,020	17,426,979	9,847,899	11,654,576
Others	5,758,258	3,851,142	5,550,747	3,737,403	2,794,221	4,341,049
Total	-	-	25,967,540	-	-	22,741,066

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

Quantity: Thousand (pcs)
Unit: NTD thousand

Sales volume and value of major products	2021				2020			
	Domestic sales		Export sales		Domestic sales		Export sales	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Wafer test	3,347	5,311,630	1,939	6,642,385	3,053	4,031,282	1,706	5,749,517
Integrated circuits test	5,718,546	7,764,356	5,541,645	8,032,697	4,981,084	4,685,955	4,788,103	9,764,125
Others	1,875,224	3,173,853	1,729,614	2,834,468	1,073,468	2,669,702	1,649,645	2,058,723
Total	-	16,249,839	-	17,509,550	-	11,386,939	-	17,572,365

III. Information on Employees

The number of employees employed for the 2 most recent fiscal years, and during the current fiscal year up to the date of publication of the annual report, their average years of service, average age, and education levels

Year		2020	2021	2022 as of April 30
Number of employees	Direct employees	3,103	2,964	2,900
	Indirect employees	4,172	4,057	3,991
	Total	7,275	7,021	6,891
Average age		34.4	35.0	36.0
Average years of service		6.8	7.5	7.7
Academic background percentage (%)	Ph. D.	0.04	0.06	0.05
	Master's degree	10.31	10.41	10.25
	University/college	71.20	70.63	70.93
	Senior high school	17.53	17.99	17.84
	Less than senior high school	0.92	0.91	0.89

IV. Information on Environmental Protection Expenses

- (I) Any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions), and disclosing an estimate of possible

expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided:

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

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

The Company and the subsidiary continued to establish multiple energy-saving projects in 2021, and the actual expenditure thereof was about NT\$124,410 thousand.

1. The Company and subsidiaries have established the ISO 50001 (energy management system) and ISO 14064-1 greenhouse gas inventory.
2. In 2021, the Company and its subsidiaries recycled approximately 1,189,400 tons of wastewater.
3. The Company and subsidiaries implemented energy-saving projects in 2021 and a total of 9,322,000 kWh was saved. The benefit generated therefor amounted to NT\$23.715 million.
4. The Company and subsidiaries continued to implement the energy-saving project in 2022, and about 14.145 million kWh are expected to be saved.
5. The Company and subsidiaries passed the ISO 14001 for environmental management, followed the local competent authorities' policies, and sought recycling methods to mitigate the burden imposed by the waste on the environment.

V. Employer and employee relationships

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

1. Employee benefits, continuing education, training:

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

The Committee provides the following subsidies:

- a. Childbirth
- b. Gift certificates for three major festivals (Lunar Chinese

New Year, Dragon Boat Festival and Moon Festival)

- c. Gift certificate for birthday
 - d. Merchants
 - e. Marriage
 - f. Funeral
 - g. Injury and sickness
 - h. Company dinner party
 - i. Budget of social activities
 - j. Periodic organization of various activities and competitions
 - k. Free massage service
 - l. Field service of coffee bar
 - m. Field service of convenient chain store and preferential treatment for shopping
- B. Other welfare policies
- a. Remuneration to employees
Provide the allocation of incentive compensation for employees subject to their personal performance to share earnings with all colleagues.
 - b. Free periodic health checkup
The Company values the employees' health very much and arranges the employees to take the free health checkup periodically.
 - c. Provide diversified activities
Encourage the colleagues to relax and adjust themselves physically and mentally besides the routine work through diversified activity design.
 - d. Medical room and free medical consultation with specialists
 - e. Provide colleagues who are away from home with the employee dormitory (equipped with bed, chair and desk, closet, air conditioner and Wi-Fi)
 - f. Staff restaurant and meal allowance
 - g. Reading room, books and magazines, and publications loan service (regular subscription for multiple domestic/foreign books, newspapers and magazines, etc.)
 - h. Parking lots for cars and motorcycles
 - i. Incentives to senior employees (with the seniority of 5

years and 10 years)

- j. Selection of model employees and reward to the model employees
- k. Subsidies to budget of department activities

C. Continuing education/training

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

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

The training is intended to upgrade the inspiration to the colleagues in knowledge and technology, and also to shape the Company's corporate culture, core values and organizational common view. In the future, when facing the changeable environment, the Company will continue to uphold its lifelong-learning philosophy to fulfill the purpose for holistic education.

2. Retirement system and the status of its implementation:

In order to take care of the employees' life after retirement, facilitate the labor-management relations and improve work efficiency, the Company established the Supervisory Committee of

Workers' Pension Preparation Fund pursuant to laws. The Committee shall supervise the deposit and disbursement of the Fund, and provide pension reserves at 2% of the total monthly salary and deposit the same at the Bank of Taiwan on a monthly basis pursuant to the relevant requirements. As of July 1, 2005, the employees who apply the new system should contribute the pension at 6% of their personal monthly salary to be deposited at the personal pension account opened in the Bureau of Labor Insurance.

3. Labor-management agreement

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

4. Measures for preserving employees' interests and rights

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

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

VI. Cyber security management

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

1. Cyber security risk management framework:

We have established an Information Security Task Force, with the senior vice president of the Administration Center serving as the top supervisor and the assistant vice president as the chief convener, and each business division also appoints a representative. Regular information security meetings are held to formulate and review information security management objectives and policies. Moreover, as a means to implement information security management, we have established an information security manager to regularly monitor the promotion of the Information Security Task Force.

2. Information security policy:

At KYEC, our information security policy is “to build an information security management system that aligns with the law and meets the needs of customers; to protect confidential company and customer information; and raise overall awareness of information security.” We continue to update and improve various internal information security management mechanisms, strengthen network security management, system access control management, system development, maintenance of security management, information asset security management, while implementing off-site backup management, access control management and monitoring. Furthermore, we provide education and training on security information to our employees through regular internal information security knowledge promotion so that the awareness of security information is rooted in every employee.

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

Security information and network risk evaluation

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

- Network security:
 - ◆ Introduce information security information sharing to get hold of global information security events and strengthen network security in a timely manner.
 - ◆ Timely update of anti-virus software.
 - ◆ Introduce Security Scorecard to monitor and analyze information security risks and vulnerabilities.
 - ◆ Regularly outsource a third-party information security vendor to conduct penetration testing and vulnerability scanning.
- Endpoint security:
 - ◆ Introduce system scanning equipment.
 - ◆ Build a new device must complete a full report of the scan

before the network is allowed online.

- ◆ Plant-wide daily anti-virus monitoring is performed and machinery and equipment with an abnormality is promptly handled.
- Employee information security awareness:
 - ◆ Employee information security awareness education and training is carried out each year and the completion rate of training is 100%.
 - ◆ Outsource third-party information security vendors to carry out social engineering exercises.
 - ◆ Promote information security management regulators through the computers start screen.
- Information security protection:
 - ◆ Introduce information leakage protection system and keep internal confidential documents safe to prevent threat of leakage.
 - ◆ Introduce document printing record analysis and tracking to avoid data leakage.
- Supply chain information security promotion:
 - ◆ Prior to entering the plant, a supplier must have their external devices scanned for virus.

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

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

VII. Important Contracts

(I) Supply and distribution contracts

Contract nature	Duration	Main contents	Restrictive terms
Processing contract	2021.01–	Test & processing	Confidentiality of a third party's business

(II) Technologies cooperation contracts

Contract nature	Duration	Main contents	Restrictive terms
Cooperation agreement	2021.05.01– 2023.04.30	Equipment development contract	Confidentiality of a third party's business

(III) Engineering contracts

Contract nature	Counterparty	Duration	Main contents
Construction contract	Jiu Han Engineering Co., Ltd.	2021.01.11– 2021.06.30	TL2 1F clean room (3,857.8 square meters) 1st-phase of new construction
Construction contract	Jiu Han Engineering Co., Ltd.	2021.05.12– 2021.06.30	TL2 1F Clean Room Class 10 (1,907.4 square meters) Expansion construction
Construction contract	Jiu Han Engineering Co., Ltd.	2021.01.19– 2022.04.01	The main body of the 3rd phase of Tungluo plant – the 1st of electrical and mechanical engineering
Construction contract	WEI SHUN ARCHITECTURE	2021.10.30– 2022.04.29	New built construction at TL3 plant – Miscellaneous construction
Construction contract	Jiu Han Engineering Co., Ltd.	2021.01.18– 2022.04.01	The main body of the 3rd phase of Tungluo plant – the 1st of fire-fighting engineering
Construction contract	Jiu Han Engineering Co., Ltd.	2021.03.19– 2021.04.30	TL2 3F & 4F clean room expansion construction
Construction contract	WEI SHUN ARCHITECTURE	2021.07.01– 2022.03.31	TL3 plant civil works – 161KV new power building construction
Construction contract	Jiu Han Engineering Co., Ltd.	2021.04.15– 2021.05.31	TL2 1F 1K high board area of clean room expansion construction
Construction contract	WEI SHUN ARCHITECTURE	2021.07.20– 2022.03.31	New built construction at TL3 plant – landscape architecture construction
Construction contract	Jiu Han Engineering Co., Ltd.	2021.08.09– 2022.04.29	TL3 161KV power building MEP new construction
Construction contract	Jia Xing Technology Engineering Co., Ltd.	2021.01.18– 2021.09.30	CH5 3F Project, 2nd phase of machinery of Hook Up construction
Construction contract	Jiu Han Engineering Co., Ltd.	2021.01.08– 2021.02.02	TL2 5F RD regional expansion of 2nd phase – new construction
Construction contract	Jiu Han Engineering Co., Ltd.	2021.05.07– 2021.06.30	TL2 1F office area (661.1 square meters) renovation project
Construction contract	Jia Xing Technology Engineering Co., Ltd.	2021.05.24– 2021.10.31	TL2 1F Clean Room Expansion – 2nd phase of Hook Up Project
Construction contract	Jiu Han Engineering Co., Ltd.	2021.08.04– 2022.01.31	CH1 Ice machine #1 replacement of piping and power of Hook Up project
Construction contract	Jiu Han Engineering Co., Ltd.	2021.09.01– 2021.10.29	TL2 5F RD general area expansion – new construction
Construction contract	Jiu Han Engineering Co., Ltd.	2021.05.10– 2021.09.30	CH4 6F MDF new partition in generator room (51.5 square meters) construction
Construction contract	Jia Xing Technology Engineering Co., Ltd.	2021.03.30– 2021.08.31	TL2 1F Clean Room Expansion – 1st phase of Hook Up Project
Construction contract	Sun-Jet Precision Inc.	2021.04.09– 2021.12.31	CH1-CH4 cooling water and sewage diversion construction

(IV) Long-term loan contracts

Unit: NTD thousand

Contract nature	Counterparty	Duration	Interest rate (%)	Amount
Loan	The Shanghai Commercial & Savings Bank	2021.03.27–2023.03.27	0.85	USD1,451
Loan	The Shanghai Commercial & Savings Bank	2021.03.15–2024.03.15	0.85	USD32,000
Loan	Taiwan Shin Kong Commercial Bank Co., Ltd.	2021.12.15–2024.12.15	0.60	USD5,000
Loan	Bank of China Limited	2021.10.15–2023.10.14	0.57	USD35,000
Loan	Mizuho Bank	2022.01.01–2024.01.01	0.73	NTD500,000
Loan	Taishin International Bank	2021.06.03–2025.06.03	0.82	USD8,368
Loan	Taishin International Bank	2021.06.03–2025.06.03	1.05	NTD875,000
Loan	Taiwan Business Bank	2021.04.07–2023.04.07	0.550556	USD10,000
Loan	Citibank Taiwan Ltd.	2021.11.22–2023.11.22	0.85	USD5,000
Loan	Cathay United Bank	2021.12.25–2023.12.25	0.65	USD16,000
Loan	Standard Chartered Bank	2021.06.30–2023.06.30	0.72	USD12,000
Loan	Hua Nan Bank	2021.04.09–2023.04.09	0.70	USD5,000
Loan	HSBC Bank (Taiwan)	2021.12.01–2024.12.02	0.82	USD286
Loan	HSBC Bank (Taiwan)	2021.12.21–2024.12.20	0.87	USD2,130
Loan	HSBC Bank (Taiwan)	2021.11.30–2024.09.28	0.81	USD4,000
Loan	Yuanta Commercial Bank	2021.06.22–2025.06.22	0.861	USD29,335
Loan	E.Sun Commercial Bank, Ltd.	2021.12.27–2025.12.26	0.91	USD1,252
Loan	First Commercial Bank	2021.07.01–2026.07.01	0.80	USD30,000
Loan	First Commercial Bank	2020.01.20–2025.01.20	1.16	NTD814,398
Loan	Jih Sun International Bank	2021.03.12–2024.03.12	1.0	NTD500,000
Loan	CTBC Bank	2020.02.07–2024.02.07	1.195	NTD300,000
Loan	O-Bank Co., Ltd.	2020.02.07–2025.02.07	1.0894	NTD171,429
Loan	KGI Bank	2020.07.15–2024.07.15	0.99078	NTD240,000
Loan	Chang Hwa Commercial Bank	2020.01.20–2025.01.20	1.11033	NTD556,000
Loan	Bank of Taiwan	2020.01.20–2024.01.20	1.1211	NTD600,000
Loan	Far Eastern International Bank	2020.02.07–2023.02.07	1.015	NTD600,000
Loan	Mega International Commercial Bank	2021.04.29–2023.04.28	0.65	USD5,000
Loan	Mega International Commercial Bank	2020.02.07–2025.02.07	1.0806	NTD680,000
Mortgage loan	D14.2 billion syndicated loan of Mega Bank	2018.12.07–2023.12.06	1.245	NTD2,500,000
Mortgage loan	D12 billion syndicated loan of Mega Bank	2020.10.12–2025.10.11	1.145	NTD7,380,000

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

Six. Overview of finance

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

(I) Condensed balance sheet

Condensed consolidated balance sheet

Unit: NTD thousand

Item	Year	Financial information in the most recent five (5) years				
		2021	2020	2019	2018	2017
Current assets		18,849,216	15,811,876	13,890,983	12,625,373	11,505,395
Property, plant and equipment		45,576,661	39,147,575	36,890,887	31,907,296	26,657,896
Intangible assets		73,599	86,442	73,795	171,062	44,915
Other assets		7,720,707	6,269,625	4,223,484	2,452,028	2,950,038
Total assets		72,220,183	61,315,518	55,079,149	47,155,759	41,158,244
Current liabilities	Before distribution	11,144,099	8,219,797	7,900,969	5,401,904	7,008,005
	After distribution	(Note 1)	10,665,287	10,101,910	7,052,610	9,206,305
Non-current liabilities		26,197,916	23,769,645	20,979,726	17,234,003	9,098,245
Total liabilities	Before distribution	37,342,015	31,989,442	28,880,695	22,635,907	16,106,250
	After distribution	(Note 1)	34,434,932	31,081,636	24,286,613	18,304,550
Total equity attributable to the owner of parent company		34,184,275	29,319,071	26,191,939	24,477,111	25,046,336
Capital stock		12,227,451	12,227,451	12,227,451	12,227,451	12,202,383
Additional paid-in capital		4,885,134	4,588,172	4,832,721	4,844,536	5,327,372
Retained earnings	Before distribution	13,801,607	11,206,995	9,534,173	8,208,297	7,746,405
	After distribution	(Note 1)	9,006,054	7,577,781	6,557,591	6,036,616
Other equities		3,270,083	1,296,453	(402,406)	(803,173)	(229,824)
Treasury stock		-	-	-	-	-
Non-controlling equity		693,893	7,005	6,515	42,741	5,658
Total equity	Before distribution	34,878,168	29,326,076	26,198,454	24,519,852	25,051,994
	After distribution	(Note 1)	26,880,586	23,997,513	22,869,146	22,853,694

Note 1: To be resolved during the general shareholders' meeting 2022.

Note 2: Financial statements for 2017–2021 have been audited and certified by the CPA.

Condensed Summary Balance Sheet of Individual Entity

Unit: NTD thousand

Item	Year	Financial information in the most recent five (5) years				
		2021	2020	2019	2018	2017
Current assets		14,487,436	11,351,866	11,104,729	10,682,961	9,408,719
Property, plant and equipment		34,613,760	31,370,700	30,379,042	28,321,210	23,397,902
Intangible assets		69,247	80,159	66,148	162,619	43,316
Other assets		15,962,834	12,132,949	8,891,473	7,087,793	7,505,850
Total assets		65,133,277	54,935,674	50,441,392	46,254,583	40,355,787
Current liabilities	Before distribution	7,032,776	5,527,248	6,290,525	4,666,325	6,359,967
	After distribution	(Note 1)	7,972,738	8,491,466	6,317,031	8,558,267
Non-current liabilities		23,916,226	20,089,355	17,958,928	17,111,147	8,949,484
Total liabilities	Before distribution	30,949,002	25,616,603	24,249,453	21,777,472	15,309,451
	After distribution	(Note 1)	28,062,093	26,450,394	23,428,178	17,507,751
Capital stock		12,227,451	12,227,451	12,227,451	12,227,451	12,202,383
Additional paid-in capital		4,885,134	4,588,172	4,832,721	4,844,536	5,327,372
Retained earnings	Before distribution	13,801,607	11,206,995	9,534,173	8,208,297	7,746,405
	After distribution	(Note 1)	9,006,054	7,577,781	6,557,591	6,036,616
Other equities		3,270,083	1,296,453	(402,406)	(803,173)	(229,824)
Treasury stock		-	-	-	-	-
Total equity	Before distribution	34,184,275	29,319,071	26,191,939	24,477,111	25,046,336
	After distribution	(Note 1)	26,873,581	23,990,998	22,826,405	22,848,036

Note 1: To be resolved during the general shareholders' meeting 2022.

Note 2: Financial statements for 2017–2021 have been audited and certified by the CPA.

(II) Condensed comprehensive income statement

Condensed consolidated comprehensive Income Statements

Unit: NTD thousand

Item \ Year	Financial information in the most recent five (5) years				
	2021	2020	2019	2018	2017
Operating revenue	33,759,389	28,959,304	25,539,437	20,815,369	19,686,911
Gross profit	10,352,067	7,953,988	7,015,916	5,363,698	5,782,405
Operating profit (loss)	6,606,516	4,650,711	4,045,014	2,719,681	3,466,624
Non-operating revenue and expense	248,731	(107,056)	(130,151)	(330,123)	(531,459)
Net profit before tax	6,855,247	4,543,655	3,914,863	2,389,558	2,935,165
Continuing departments net income – current period	5,234,242	3,637,140	3,041,484	1,793,890	2,234,080
Loss of discontinuing operation	-	-	-	-	-
Net income (loss) – current period	5,234,242	3,637,140	3,041,484	1,793,890	2,234,080
Other comprehensive income (net after tax) – current period	1,595,123	1,691,418	343,585	(245,673)	(134,992)
Total comprehensive income – current period	6,829,365	5,328,558	3,385,069	1,548,217	2,099,088
Net profit attributable to the owner of parent	5,175,046	3,636,653	3,041,566	1,795,344	2,233,646
Net profit attributable to non-controlling equity	59,196	487	(82)	(1,454)	434
Comprehensive income attributable to the owner of parent	6,769,183	5,328,068	3,385,203	1,549,371	2,098,892
Comprehensive income attributable to non-controlling equity	60,182	490	(134)	(1,154)	196
EPS	4.23	2.97	2.49	1.47	1.88

Note: Financial statements for 2017–2021 have been audited and certified by the CPA.

Condensed Comprehensive Income Statement of Individual Entity

Unit: NTD thousand

Item \ Year	Financial information in the most recent five (5) years				
	2021	2020	2019	2018	2017
Operating revenue	25,820,727	23,344,758	21,845,844	18,469,742	17,532,168
Gross profit	7,343,991	6,063,978	5,736,588	4,844,342	5,217,767
Operating profit (loss)	4,505,313	3,405,804	3,237,339	2,672,603	3,308,786
Non-operating revenue and expense	2,004,775	961,563	577,772	(318,946)	(398,164)
Net profit before tax	6,510,088	4,367,367	3,815,111	2,353,657	2,910,622
Continuing departments net income – current period	5,175,046	3,636,653	3,041,566	1,795,344	2,233,646
Loss of discontinuing operation	-	-	-	-	-
Net income (loss) – current period	5,175,046	3,636,653	3,041,566	1,795,344	2,233,646
Other comprehensive income (net after tax) – current period	1,594,137	1,691,415	343,637	(245,973)	(134,754)
Total comprehensive income – current period	6,769,183	5,328,068	3,385,203	1,549,371	2,098,892
EPS	4.23	2.97	2.49	1.47	1.88

Note: Financial statements for 2017–2021 have been audited and certified by the CPA.

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

Year	Name of accounting firm	Name of CPA	Audit opinion
2017	Ernst & Young	Chia-Ling Tu, Shao-Pin Kuo	Unqualified opinion
2018	Ernst & Young	Shao-Pin Kuo, Wen-Fun Fuh	Unqualified opinion
2019	Ernst & Young	Shao-Pin Kuo, Wen-Fun Fuh	Unqualified opinion
2020	Ernst & Young	Shao-Pin Kuo, Wen-Fun Fuh	Unqualified opinion
2021	Ernst & Young	Shao-Pin Kuo, Wen-Fun Fuh	Unqualified opinion

II. Financial analysis in the most recent five years

Financial analysis consolidated statements

Analysis items		Year	Financial analysis in the most recent five years				
			2021	2020	2019	2018	2017
Financial structure %	Ratio of liabilities to assets		51.71	52.17	52.43	48.00	39.13
	Ratio of long-term capital to property, plant and equipment		128.13	131.02	125.03	129.35	126.43
Solvency %	Current ratio		169.14	192.36	175.81	233.72	164.18
	Quick ratio		154.15	174.60	158.68	200.52	151.59
	Times Interest Earned Ratio		20.96	12.99	13.56	12.66	15.85
Operational ability	Receivables turnover (times)		4.94	4.86	4.45	4.16	4.26
	Average cash collection days		74	75	82	88	86
	Inventory turnover (times)		18.56	19.25	16.44	18.95	23.83
	Payables turnover (times)		20.42	18.85	15.88	16.44	21.32
	Average inventory turnover days		20	19	22	19	15
	Property, plant and equipment turnover (times)		0.80	0.76	0.74	0.71	0.71
	Total assets turnover (times)		0.51	0.50	0.50	0.47	0.46
Profitability	Return on assets (%)		8.25	6.77	6.44	4.43	5.65
	Return on equity (%)		16.30	13.10	11.99	7.24	9.16
	Ratio of income before tax to paid-in capital (%)		56.06	37.16	32.02	19.54	24.05
	Net profit margin (%)		15.50	12.56	11.91	8.62	11.35
	EPS (NT\$)		4.23	2.97	2.49	1.47	1.88
Cash flow	Cash flow ratio (%)		123.14	150.89	137.12	156.02	129.50
	Cash flow adequacy ratio (%)		87.72	87.39	85.75	83.43	88.93
	Cash flow reinvestment ratio (%)		7.86	7.90	7.84	5.72	7.15
Leverage	Operating leverage		2.39	2.81	2.75	3.47	2.83
	Financial leverage		1.05	1.09	1.08	1.08	1.06

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

Increase in times interest earned ratio, return on assets, return on equity, ratio of income before tax to paid-in capital, net profit margin and earnings per share from the same period last year was mainly due to the increase in customers' rush orders, and demand for automotive, server, data center and network communication products, resulting in the growth of operating revenue, net profit before tax and net profit for the period.

Note: Financial figures for 2017–2021 were based on the financial statements audited and certified by the CPA.

Individual Statement of Financial Analysis

Analysis items		Financial analysis in the most recent five years				
		2021	2020	2019	2018	2017
Financial structure %	Ratio of liabilities to assets	47.52	46.63	48.07	47.08	37.94
	Ratio of long-term capital to property, plant and equipment	160.22	151.85	141.99	145.14	143.38
Solvency %	Current ratio	206.00	205.38	176.53	228.94	147.94
	Quick ratio	190.60	189.11	158.84	201.88	137.70
	Times Interest Earned Ratio	33.47	21.07	16.92	13.29	16.63
Operational ability	Receivables turnover (times)	4.82	4.83	4.50	4.14	4.26
	Average cash collection days	76	76	81	88	86
	Inventory turnover (times)	18.79	19.28	16.97	20.50	26.75
	Payables turnover (times)	22.76	21.30	17.85	18.66	25.49
	Average inventory turnover days	19	19	22	18	14
	Property, plant and equipment turnover (times)	0.78	0.76	0.74	0.71	0.72
	Total assets turnover (times)	0.43	0.44	0.45	0.43	0.42
Profitability	Return on assets (%)	8.89	7.23	6.69	4.50	5.74
	Return on equity (%)	16.30	13.10	12.01	7.25	9.16
	Ratio of income before tax to paid-in capital (%)	53.24	35.72	31.20	19.25	23.85
	Net profit margin (%)	20.04	15.58	13.92	9.72	12.74
	EPS (NT\$)	4.23	2.97	2.49	1.47	1.88
Cash flow	Cash flow ratio (%)	151.08	175.76	157.85	171.16	133.60
	Cash flow adequacy ratio (%)	91.37	91.18	91.17	85.71	89.64
	Cash flow reinvestment ratio (%)	6.27	6.40	7.70	5.62	6.96
Leverage	Operating leverage	2.59	3.01	2.97	3.29	2.76
	Financial leverage	1.05	1.07	1.08	1.08	1.06

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

Increase in times interest earned ratio, return on assets, return on equity, ratio of income before tax to paid-in capital, net profit margin and earnings per share from the same period last year was mainly due to the increase in customers' rush orders, and demand for automotive, server, data center and network communication products, resulting in the growth of operating revenue, net profit before tax and net profit for the period.

Note: Financial figures for 2017–2021 were based on the financial statements audited and certified by the CPA.

The calculation formula for said ratios is identified as follows:

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

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

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

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

1. Net cash flow from operating activities refers to net cash inflow from operating activities as stated in the Statement of Cash Flow.

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

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

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

King Yuan Electronics Co., Ltd. Audit Report from the Audit Committee

This report is to certify that the Company's 2021 business report, consolidated financial statements (including separate financial statement) and the motion for allocation of earnings were prepared and submitted by the Company's board of directors, and the consolidated financial statements (including separate financial statement) contained therein were already audited by EY Taiwan, which also issued its audit report. Said business report, consolidated financial statement (including separate financial statement) and motion for allocation of earnings have also been reviewed by the committee, which in our opinion comply with the relevant requirements. This report is hereby submitted in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act accordingly.

King Yuan Electronics Co., Ltd.

Convener of Audit Committee: Hui-Chun Hsu

April 8, 2022

- IV. Consolidated Financial Report and Accountant's Review Report for the Most Recent Fiscal Year:** Please refer to Appendix I.
- V. Parent Company Only Financial Report and Accountant's Review Report for the Most Recent Fiscal Year:** Please refer to Appendix II.
- VI. If the Company or its affiliates have experienced financial difficulties in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the annual report shall explain how said difficulties will affect the Company's financial position:** None.

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

I. Financial Status

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

Analysis of financial position

Unit: NTD thousand

Year Title	2021.12.31	2020.12.31	Increase (decrease)	Variation (%)
Current assets	18,849,216	15,811,876	3,037,340	19.21
Non-current financial assets at fair value through other comprehensive income	6,546,477	4,446,563	2,099,914	47.23
Investment under equity method	79,126	69,856	9,270	13.27
Property, plant and equipment	45,576,661	39,147,575	6,429,086	16.42
Other non-current assets	1,168,703	1,839,648	(670,945)	(36.47)
Total assets	72,220,183	61,315,518	10,904,665	17.78
Current liabilities	11,144,099	8,219,797	2,924,302	35.58
Non-current liabilities	26,197,916	23,769,645	2,428,271	10.22
Total liabilities	37,342,015	31,989,442	5,352,573	16.73
Capital stock	12,227,451	12,227,451	-	-
Additional paid-in capital	4,885,134	4,588,172	296,962	6.47
Retained earnings	13,801,607	11,206,995	2,594,612	23.15
Total shareholders' equity	34,878,168	29,326,076	5,552,092	18.93
<p>The main reasons for the change between the previous and current periods by more than 20% and the amount of change amounting to more than NT\$10 million, and the effect thereof are analyzed and stated as follows:</p> <p>Increase in financial assets measured at fair value through other comprehensive income – non-current: Mainly due to the increase in fair worth of Yann Yuan Investment Co., Ltd. and Xie Yong Investment Co., Ltd.</p> <p>Decrease in other non-current assets: Mainly due to the reclassification of some right-of-use assets to property, plant and equipment as a result of the execution of offtake rights.</p> <p>Increase in current liabilities: Mainly due to the increase in capital expenditures from last period, resulting in an increase in equipment payables and operating revenues, which led to an increase in equipment spare parts and other related payables.</p> <p>Increase in retained earnings: Mainly due to the increase in profit for the year.</p>				

II. Financial Performance

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

Comparison and analysis of operating results

Unit: NTD thousand

Year Title	2021	2020	Increase (decrease)	Variation (%)
Operating revenue	33,759,389	28,959,304	4,800,085	16.58
Operating cost	(23,407,322)	(21,005,316)	2,402,006	11.44
Gross profit	10,352,067	7,953,988	2,398,079	30.15
Operating expense	(3,745,551)	(3,303,277)	442,274	13.39
Net operating profit	6,606,516	4,650,711	1,955,805	42.05
Non-operating revenue and expense	248,731	(107,056)	355,787	332.34
Net profit before tax	6,855,247	4,543,655	2,311,592	50.88
Income tax expense	(1,621,005)	(906,515)	714,490	78.82
Net profit – current period	5,234,242	3,637,140	1,597,102	43.91
Other comprehensive income (loss) – current period	1,595,123	1,691,418	(96,295)	(5.69)
Total comprehensive income – current period	6,829,365	5,328,558	1,500,807	28.17
<p>The main reasons for the change between the previous and current periods by more than 20% and the amount of change amounting to more than NT\$10 million, and the effect thereof are analyzed and stated as follows:</p> <p>Increase in gross profit, net profit, pre-tax income, income tax expense, net income and total comprehensive income for the period: Mainly due to the increase in customers' rush orders, and demand for automotive, server, data center and network communication products.</p> <p>Increase in non-operating revenue and expense: Mainly due to the increase in gain on disposal of machinery and equipment, and the decrease in impairment loss of machinery and equipment.</p>				

III. Cash flow

Any cash flow changes during the most recent fiscal year, corrective measures to be taken in response to illiquidity, and a liquidity analysis for the coming year.

Analysis of liquidity in the previous two years

Year \ Item	2021	2020	Increase (decrease) (%)
Cash flow ratio	123.14%	150.89%	(18.39)
Cash flow adequacy ratio	87.72%	87.39%	0.38
Cash flow reinvestment ratio	7.86%	7.90%	(0.51)
Analysis of variations: The variation between the previous and current periods was less than 20%.			

Analysis of liquidity in the coming year

Unit: NTD thousand

Initial cash balance ①	Projected net cash flow from operating activities for the year ②	Projected cash outflow of the year ③	Projected cash balance (deficit) ① + ② - ③	Remedial measures against insufficient projected cash flow	
				Investment plans	Financing plans
6,420,308	19,337,932	19,602,158	6,156,082	-	5,718,689
1. Analysis of cash flow for the year: (1) Operating activities: The net cash inflow, NT\$19,337,932 thousand, is expected to be generated from operating activities. (2) Investing activities: The capital expenditure is expected to be NT\$8,923,812 thousand. (3) Financing activities: Expected to repay the long-term loan of NT\$7,077,487 thousand, allocate cash dividends, and distribute the remuneration to employees and directors of NT\$2,865,819 thousand.					

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

(I) Major capital expenditure and source of capital

Unit: NTD thousand

Projects	Actual or expected source of fund	Actual or expected date of completion	Total fund to be required	Actual or expected fund utilization		
				2020	2021	2022
Investment in construction of factories and machine & equipment	Own funds and bank borrowings	2020.12	10,594,833	9,971,509	623,324	-
Investment in construction of factories and machine & equipment	Own funds and bank borrowings	2021.12	15,133,352	-	13,339,803	1,793,549
Investment in construction of factories and machine & equipment	Own funds and bank borrowings	2022.12	11,712,884	-	-	11,712,884

(II) Projected benefits

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

Unit: NTD thousand

Year	Item	Output volume	Sale volume	Sale value	Gross profit
2022	Integrated circuits processing and test	Note	Note	1,165,230	233,046
2023	Integrated circuits processing and test	Note	Note	1,664,614	466,092
2024	Integrated circuits processing and test	Note	Note	1,664,614	466,092

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

2. Other benefits
 - A. Strengthen the production structure of the vertical division of labor in the semiconductor industry.
 - B. Balance the fab's production capacity which is growing rapidly, and share the risk over investment in the fab investment at the latter stage to upgrade the investment efficiency in the core business.
 - C. Increase the high-efficiency and low-cost professional test services to upgrade the entire competitiveness.
 - D. Solve the back-end production problems with respect to the IC design companies which the Company has successively invested in.

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

- (I) The Company's investment strategy is primarily intended to align with the Company's enhanced development of the core business, so as to strengthen the relationship with major customers and extend the sensitivity of related industries.
- (II) The investment gain, NT\$22,260 thousand, recognized by the Company under equity method in 2021, primarily resulted from the gain from the operation of the Company's investees, Fixwell Technology Corp. and Wei Jiu Industrial Co., Ltd.
- (III) Investment plan for the coming one fiscal year: None.

VI. Analysis and assessment of risk factors

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

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

Unit: NTD thousand

Item	2021	2020
Exchange gains (losses) (A)	70,474	39,870
Interest income (expense) (B)	(195,612)	(210,161)
Operating revenue (C)	25,820,727	23,344,758
Net profit before tax (D)	6,510,088	4,367,367
A/C (%)	0.27	0.17
A/D (%)	1.08	0.91
B/C (%)	-	-
B/D (%)	-	-

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

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

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

2. The Company's responsive measures against interest rate and exchange rate changes and inflation:
- A. The capital expenditure is intended for the import of equipment. In order to mitigate the impact rendered by the fluctuation in foreign exchange rate on profit, the Company reached an agreement with major customers to collect accounts receivable in USD, in part, to make some payments.

- B. Establish Article 12 of the Operating Procedures for Acquisition or Disposition of Assets, “Operating Procedure for Acquisition or Disposition of Derivatives” as the basis for operation of the foreign currency exchange rate hedging tools to mitigate the impact rendered by the fluctuation in foreign exchange rate on profit.
- C. Collect the information about fluctuation in foreign exchange rate and interest rate on a daily basis to help take responsive measures in a timely manner.

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

1. The Company has never engaged in any high-risk and highly leveraged investments or loans to third parties. Therefore, no impact on the Company’s operation was rendered by said transactions.
2. Endorsements/guarantees
 - (1) The Company has issued an endorsement/guarantee in favor of Suzhou Zhen Kun Technology Ltd., which guarantees the offering of credit facilities to finance the operations of The Shanghai Commercial & Savings Bank. Until December 31, 2021, the relevant credit facility has been US\$5,000 thousand.
3. The Company adopts the stable policy to operate its financial fund. The fund is mainly deposited as term-deposit at banks and renowned money market/bond fund with fair rate of return. The Company also established the operating procedures for loaning to others and operating procedures for making endorsements/guarantees.

(III) Future research and development plans and projected expenses

Item No.	Plan	Projected duration	Projected expenses (NT\$)
1	CP FOSB Auto Storage	2022/Q4	2,000,000
2	Tray Box Auto Storage	2022/Q4	3,000,000
3	Auto Battery Change Development	2022/Q4	800,000
4	CP line probe card auto loader/unloader.	2022/Q4	3,000,000
5	Automated inspection for probe card.	2022/Q4	5,000,000
6	Peripheral Equipment Manipulator loading 800 kg level.	2022/Q3	1,000,000
7	Develop cost effective Burn in system for HPC IC. 1. Support higher power consumption up to 800W / per DUT. 2. Implement high communicated interface. 3. Enhance system reliability.	2022/Q4	12,000,000
8	Develop E-serial new generation logical tester. 1. E320 2048channel / 576 DPS for CP. 2. Add DPS Option Mudule. 3. Improve system efficiency	2022/Q4	33,600,000
9	Develop I-serial new generation CIS tester. 1. Design PIB board for C-phy/D-phy solution. 2. Plan CIS FT solution. 3. Enhance CIS test protocol for different application. 4. Improve system efficiency.	2022/Q4	35,000,000
10	Develop D-serial new generation Driver tester. 1. Implement high parallel test DUT . 2. Add MFPE high speed board 1.6G. 3. Add High density PE board for pin count demand. 4. Improve system efficiency.	2022/Q4	12,000,000
11	Develop MEMS Gas Flow-Sensor Mass Production Test Technology. 1. Establish the experimental and certification environment for MEMS Gas Flow-Sensor. 2. R&D the test modules and technology for MEMS Gas Flow-Sensor.	2022/Q3	16,000,000
12	Develop MEMS Bio-Sensor CP Wet Test Mass Production Test Technology. 1. Establish the experimental and certification environment for MEMS Bio-Sensor CP Wet Test. 2. R&D the test modules and technology for MEMS Bio-Sensor CP Wet Test.	2022/Q3	12,000,000
13	Develop MEMS Vibration Sensor Production Test Technology. 1. Establish the experimental and certification environment for MEMS Vibration Sensor. 2. R&D of MEMS Vibration Sensor test module and technology.	2022/Q4	6,000,000
14	Develop VCPC for CRES Analysis Technology.	2022/Q4	6,000,000
15	Develop RF for <50GH RF Signal & High Speed test interface PCB.	2022/Q4	3,000,000

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

The Company has taken adequate responsive measures against the changes in domestic or foreign policies and laws in recent years. Therefore, no significant impact should be rendered on the Company's financial standing.

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

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

In recent years, there have been frequent information security incidents such as cyber attacks and ransomware. For this reason, the Company attaches great importance to information security risk control and protection, builds a multi-level as well as in-depth information security management and control protection network, and implements strict control measures.

As of the date of this annual report, there have been no incidents affecting its finance and sales due to technological or industrial changes.

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

Ethics is the first priority which the corporate identity should focus on. The Company has specified such important principle in its corporate culture and articles of incorporation. Therefore, ethics has become an essence upheld by the Company in its corporate governance.

(VII) Expected benefits, risks and responsive measures of planned mergers or acquisitions: None.

(VIII) Expected benefits, risks and responsive measures associated with plant expansions: None.

(IX) Risks and responsive measures associated with concentrated sales or purchases: None.

(X) Impacts, risks and responsive measures following a major transfer of shareholding by directors, supervisors, or shareholders with more

than 10% ownership interest: None.

(XI) Impacts, risks and responsive measures associated with a change of management: None.

(XII) Major litigations and non-contentious cases: Describe the major litigations, non-contentious cases or administrative litigations involving the Company or any director, president, person-in-charge or major shareholder with more than 10% ownership interest, whether concluded or pending judgment, that are likely to pose a significant impact to shareholder equity or security prices of the Company, and disclose the nature of dispute, the amount involved, the date the litigation first started, the key parties involved, and progress as of the publication date of this annual report: None.

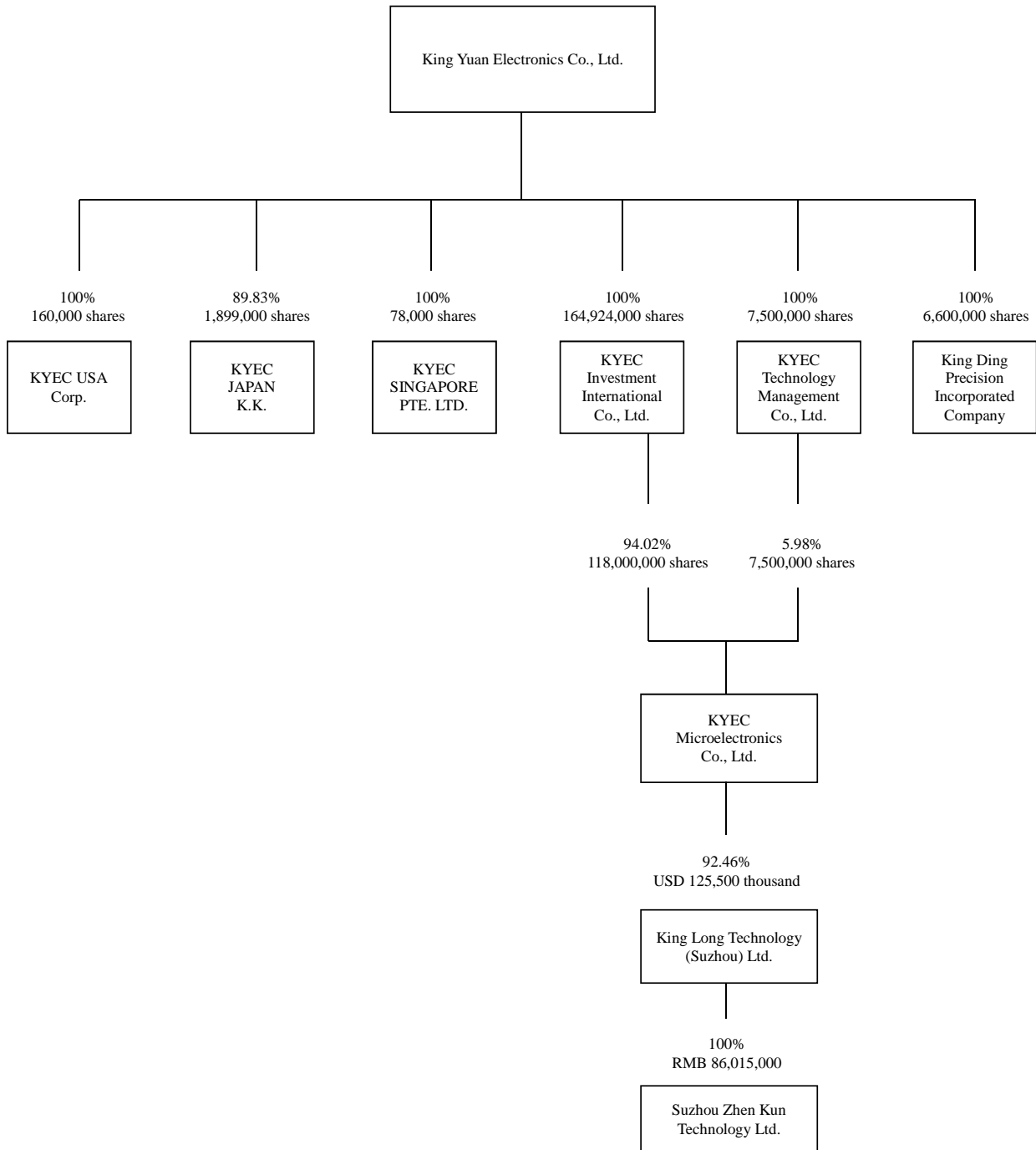
(XIII) Other significant risks and response measures: None.

VII. Other Significant Events: None.

Eight. Special Items

I. Information on Affiliates

(I) Organizational chart of affiliates



(II) Basic information on affiliated companies

Corporate name	Date of Establishment	Address of Establishment	Paid-in capital	Core Business
KYEC USA Corp.	2000.07	CA USA	US\$160,000	Acts as the agent for business in the territories of the U.S.A. and related communications.
KYEC SINGAPORE PTE. LTD.	2006.12	SINGAPORE	SGD78,000	Acts as the agent for business in the territories of South East Asia and Europe and related communications.
KYEC JAPAN K.K.	2002.04	FUKUOKA JAPAN	JP¥84,560,000	Engages in electronic parts manufacturing and trading, and acts as the agent for business in the territories of Japan and related communications.
KYEC Investment International Co., Ltd.	2005.05	B.VI	US\$164,924,000	General investment
KYEC Technology Management Co., Ltd.	2003.01	SAMOA	US\$7,500,000	General investment
KYEC Microelectronics Co., Ltd.	2002.05	CAYMAN	USD 125,500 thousand	General investment
King Ding Precision Incorporated Company	2018.03	Chu-Nan Township, Miaoli County	NT\$66,000,000	Manufacturing of electronic parts, wholesale and retail of electronic materials, and repairing of electric appliances and electronic products
King Long Technology (Suzhou) Ltd.	2002.09	Suzhou City, Jiangsu Province, China	RMB 546,176 thousand	Research and development, design, manufacturing, packaging, testing, processing and maintenance of semiconductor integrated circuits, transistors, electronic components, electronic materials, analog or hybrid automatic data processors, solid-state memory systems, heating ovens and related products and components. Integrated circuit-related technology transfer, technical consultation, technical services, sales of the Company's products and after-sales services
Suzhou Zhen	2005.12	Suzhou City,	RMB 533,348	Research and development,

Kun Technology Ltd.		Jiangsu Province, China	thousand	production (packaging, testing), processing of large-scale integrated circuits for electronic components, electronic materials, analog or hybrid automatic data processing machines, solid state memory systems, and heating oven controllers, sales of independently produced products, and provision of related after-sales services; integrated circuit-related technology transfer, technical consultation, technical services
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(III) Entities having controlling and subordinate relations with the Company under Article 369-3 of the Company Act: None.

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

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

2021.12.31

Name of affiliated corporations	Title	Name or Representative	Shareholding	
			Shares	Shareholding ratio (%)
KYTEC USA Corp.	Chairman	An-Hsuan Liu (Representative of KYEC)	160,000 shares	100.00
	Director	Gauss Chang (Representative of KYEC)	160,000 shares	100.00
	Director	Pei-Liang Sun (Representative of KYEC)	160,000 shares	100.00
	Director	Neil Chung (Representative of KYEC)	160,000 shares	100.00
KYTEC SINGAPORE PTE. LTD.	Chairman	An-Hsuan Liu (Representative of KYEC)	78,000 shares	100.00
	Director	Gauss Chang (Representative of KYEC)	78,000 shares	100.00
	Director	Chi-Yuan Hsueh (Representative of KYEC)	78,000 shares	100.00
	Director	Logan Chao (Representative of KYEC)	78,000 shares	100.00
KYTEC JAPAN K.K.	Chairman	An-Hsuan Liu (Representative of KYEC)	1,899 shares	89.83
	Director	Morris Chang	0 share	0.00
	Director (Adjunct President)	Yoshiaki Suzuki	37 shares	1.75
	Supervisor	Logan Chao	0 share	0.00
	Supervisor	Yoshiro Hori	55 shares	2.60
KYTEC Investment International Co., Ltd.	Chairman	Chin-Kung Lee (Representative of KYEC)	164,924,000 shares	100.00
KYTEC Technology Management Co., Ltd.	Chairman	Chin-Kung Lee (Representative of KYEC)	7,500,000 shares	100.00
KYTEC Microelectronics Co., Ltd.	Chairman	Chin-Kung Lee (Representative of KYEC Investment International Co., Ltd. and KYEC Technology Management Co., Ltd.)	125,500,000 shares	100.00

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

(VI) Operating overview of affiliated corporations

Unit: NTD thousand

Name of affiliated corporations	Capital	Asset Total amount	Liability Total amount	Net worth	Operating Revenue	Operating Income	Current profit and loss (after tax)	EPS (NT\$) (after tax)
KYEC USA Corp.	4,973	33,711	22,344	11,367	46,275	3,001	(200)	(1.25)
KYEC SINGAPORE PTE. LTD.	1,830	9,104	2,791	6,313	23,873	4,855	4,619	59.22
KYEC JAPAN K.K.	23,897	73,214	13,598	59,616	27,438	7,365	4,863	2,300.20
KYEC Investment International Co., Ltd.	5,292,315	7,925,793	-	7,925,793	-	-	1,757,293	10.66
KYEC Technology Management Co., Ltd.	251,579	504,621	-	504,621	-	-	111,770	14.90
KYEC Microelectronics Co., Ltd.	4,074,993	8,438,491	5	8,438,486	-	-	1,869,063	14.89
King Long Technology (Suzhou) Ltd.	2,370,525	15,223,844	6,176,627	9,047,217	6,698,003	1,819,420	1,927,763	-
Suzhou Zhen Kun Technology Ltd.	2,397,835	1,361,095	746,257	614,838	1,432,882	204,126	187,296	-
King Ding Precision Incorporated Company	66,000	72,137	228	71,909	3,036	(1,959)	1,375	0.21

II. Any private placement of securities in the recent years up to the publication of this annual report: None.

III. Holding or disposition of the Company's stock by subsidiaries in the most recent year and up to the publication date of the annual report: None.

IV. Other important supplementary information: None.

V. Any events in the most recent year and up to the date of publication of this annual report that had significant impacts on the interest of shareholder rights or security prices as stated in subparagraph 2 of paragraph 3 of Article 36 of the Securities and Exchange Act: None.

**KING YUAN ELECTRONICS CO., LTD.
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
WITH
INDEPENDENT AUDITOR'S REPORT TRANSLATED
FROM CHINESE**

**Address: No. 81, Sec. 2, Gongdao 5th Rd., Hsinchu City 300, Taiwan (R.O.C.)
Telephone: 886-3-5751888**

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

REPRESENTATION LETTER

The entities included in the consolidated financial statements as of December 31, 2021 and for the year then ended prepared under the International Financial Reporting Standards, No.10 are the same as the entities to be included in the combined financial statements of the Company, if any to be prepared, pursuant to the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises (referred to as “Combined Financial Statements”). Also, the footnotes disclosed in the Consolidated Financial Statements have fully covered the required information in such Combined Financial Statements. Accordingly, the Company did not prepare any other set of Combined Financial Statements than the Consolidated Financial Statements.

Very truly yours,

King Yuan Electronics Co., Ltd.

Chairman: C. K. Lee

March 4, 2022



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, 2021 and 2020, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2021 and 2020, 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, 2021 and 2020, and their consolidated financial performance and cash flows for the years ended December 31, 2021 and 2020, 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 effective by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in 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 2021 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\$33,759,389 thousand as net sales. Their main activities are providing testing and assembly services that represented 88%, or NT\$29,660,396 thousand in the amount, of the net operating revenues.

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 revenues that increases the complexity of the revenue recognition. Therefore, we determined the matter to be a key audit matter.

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

We also considered the appropriateness of the disclosures of sales. Please refer to Note 4 and Note 6 in notes to the 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 auditing standards generally accepted in 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 auditing standards generally accepted in 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 2021 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, 2021 and 2020.

Kuo, Shao-Pin

Fuh, Wen-Fun

Ernst & Young, Taiwan
March 4, 2022

Notice to Readers

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

English Translation of Financial Statements Originally Issued in Chinese
KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
As of December 31, 2021 and 2020
(Amounts in thousands of New Taiwan Dollars)

ASSETS	Notes	December 31, 2021	%	December 31, 2020	%
Current assets					
Cash and cash equivalents	4, 6(1)	\$8,649,932	12	\$8,008,530	13
Contract assets-current	4, 6(16), 6(17), 7	178,880	-	202,972	-
Notes receivable, net	4, 6(3), 6(17)	7,706	-	3,049	-
Accounts receivable, net	4, 6(4), 6(17)	5,765,273	8	4,164,991	7
Accounts receivable from related parties, net	4, 6(4), 6(17), 7	2,151,913	3	1,724,951	3
Other receivables		352,477	1	161,712	-
Other receivables from related parties	4, 7	4,825	-	33,257	-
Current tax assets		315	-	315	-
Inventories, net	4, 6(5)	1,371,473	2	980,969	2
Prepayments	6(6)	299,259	-	479,283	1
Other current assets		67,160	-	51,843	-
Other financial assets-current	8	3	-	4	-
Total current assets		<u>18,849,216</u>	<u>26</u>	<u>15,811,876</u>	<u>26</u>
Non-current assets					
Financial assets at fair value through other comprehensive income-non-current	4, 6(2)	6,546,477	10	4,446,563	8
Investments accounted for using the equity method	4, 6(7)	79,126	-	69,856	-
Property, plant and equipment	4, 6(8), 7, 8	45,576,661	63	39,147,575	64
Right-of-use assets	4, 6(18)	677,896	1	1,328,232	2
Intangible assets	4, 6(9)	73,599	-	86,442	-
Deferred tax assets	4, 6(21), 6(22)	261,675	-	227,623	-
Other financial assets-non-current	8	105,972	-	115,669	-
Other non-current assets		49,561	-	81,682	-
Total non-current assets		<u>53,370,967</u>	<u>74</u>	<u>45,503,642</u>	<u>74</u>
Total assets		<u>\$72,220,183</u>	<u>100</u>	<u>\$61,315,518</u>	<u>100</u>

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

(continued)

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

As of December 31, 2021 and 2020

(Amounts in thousands of New Taiwan Dollars)

	Notes	December 31, 2021	%	December 31, 2020	%
LIABILITIES AND EQUITY					
Current liabilities					
Short-term loans	4, 6(10), 9	\$566,856	1	\$100,854	-
Contract liabilities-current	4, 6(16), 7	157,024	-	229,603	-
Notes payable		10,066	-	4,435	-
Accounts payable	7	1,119,144	2	1,117,955	2
Accounts payable to related parties		21,414	-	19,487	-
Other payables		3,731,749	5	2,914,621	5
Other payables to related parties	7	98,930	-	65,456	-
Payables on equipment		1,778,300	3	623,324	1
Current tax liabilities	4, 6(22)	666,596	1	408,303	1
Lease liabilities-current	4, 6(18)	92,050	-	310,144	1
Current portion of long-term loans	4, 6(12), 8, 9	2,017,322	3	1,844,759	3
Other current liabilities	6(11)	884,648	1	580,856	1
Total current liabilities		11,144,099	16	8,219,797	14
Non-current liabilities					
Long-term loans	4, 6(12), 8, 9	23,517,245	32	21,966,029	36
Deferred tax liabilities	4, 6(21), 6(22)	1,527,445	2	667,968	1
Lease liabilities-non-current	4, 6(18)	492,615	1	566,437	1
Long-term deferred income		16,538	-	-	-
Net defined benefit liabilities	4, 6(13)	610,222	1	566,456	1
Guarantee deposits		33,851	-	2,755	-
Total non-current liabilities		26,197,916	36	23,769,645	39
Total liabilities		37,342,015	52	31,989,442	53
Equity attributable to owners of the parent company					
Share capital	4, 6(14)				
Common stock		12,227,451	17	12,227,451	20
Capital surplus	4, 6(14), 6(15), 6(24)	4,885,134	7	4,588,172	7
Retained earnings	4, 6(2), 6(14)	3,019,879	4	2,656,958	4
Legal reserve		201,416	-	402,406	1
Special reserve		10,580,312	15	8,147,631	13
Undistributed earnings		13,801,607	19	11,206,995	18
Total retained earnings		3,270,083	4	1,296,453	2
Other equity	4, 6(14)	34,184,275	47	29,319,071	47
Equity attributable to owners of the parent company		693,893	1	7,005	-
Non-controlling interests	4, 6(14), 6(24)	34,878,168	48	29,326,076	47
Total equity		\$72,220,183	100	\$61,315,518	100
Total liabilities and equities					

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, 2021 and 2020
(Amounts in thousands of New Taiwan Dollars, except for earnings per share)

Description	Notes	2021	%	2020	%
Net sales	4, 6(16), 6(18), 7	\$33,759,389	100	\$28,959,304	100
Operating costs	4, 6(5), 6(8), 6(9), 6(13), 6(18), 6(19), 7	(23,407,322)	(69)	(21,005,316)	(73)
Gross profit		<u>10,352,067</u>	<u>31</u>	<u>7,953,988</u>	<u>27</u>
Operating expenses	4, 6(8), 6(9), 6(13), 6(17), 6(18), 6(19), 7				
Selling expenses		(363,529)	(1)	(387,045)	(1)
Administrative expenses		(2,178,521)	(6)	(1,710,532)	(6)
Research and development expenses		(1,202,856)	(4)	(1,202,520)	(4)
Expected credit losses		(645)	-	(3,180)	-
Total operating expenses		<u>(3,745,551)</u>	<u>(11)</u>	<u>(3,303,277)</u>	<u>(11)</u>
Operating income		<u>6,606,516</u>	<u>20</u>	<u>4,650,711</u>	<u>16</u>
Non-operating income and expenses	4, 6(2), 6(7), 6(8), 6(20), 7				
Interest income		22,692	-	19,335	-
Other income		320,231	1	260,488	1
Other gains and losses		227,074	-	(23,928)	-
Finance costs		(343,526)	(1)	(379,039)	(1)
Share of profit of associates accounted for using the equity method		22,260	-	16,088	-
Total non-operating income and expenses		<u>248,731</u>	<u>-</u>	<u>(107,056)</u>	<u>-</u>
Net income before income tax		<u>6,855,247</u>	<u>20</u>	<u>4,543,655</u>	<u>16</u>
Income tax expense	4, 6(22)	<u>(1,621,005)</u>	<u>(5)</u>	<u>(906,515)</u>	<u>(3)</u>
Net income		<u>5,234,242</u>	<u>15</u>	<u>3,637,140</u>	<u>13</u>
Other comprehensive income	4, 6(13), 6(21)				
Items that will not be reclassified subsequently to profit or loss:					
Remeasurements of the defined benefit plan		(53,368)	-	(45,906)	-
Unrealized gains from equity instrument investments measured at fair value through other comprehensive income		2,101,279	6	2,056,310	7
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		(419,982)	(1)	(403,570)	(2)
Items that will be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial statements of foreign operations		(41,254)	-	105,729	-
Income tax related to components of other comprehensive income that will be reclassified to profit or loss		8,448	-	(21,145)	-
Other comprehensive income, net of tax		<u>1,595,123</u>	<u>5</u>	<u>1,691,418</u>	<u>5</u>
Total comprehensive income		<u>\$6,829,365</u>	<u>20</u>	<u>\$5,328,558</u>	<u>18</u>
Net income attributable to :					
Owners of the parent company		\$5,175,046	15	\$3,636,653	13
Non-controlling interests		59,196	-	487	-
		<u>\$5,234,242</u>	<u>15</u>	<u>\$3,637,140</u>	<u>13</u>
Total comprehensive income attributable to :					
Owners of the parent company		\$6,769,183	20	\$5,328,068	18
Non-controlling interests		60,182	-	490	-
		<u>\$6,829,365</u>	<u>20</u>	<u>\$5,328,558</u>	<u>18</u>
Earnings per share(NT\$)	4, 6(23)				
Basic Earnings Per Share		<u>\$4.23</u>		<u>\$2.97</u>	
Diluted Earnings Per Share		<u>\$4.18</u>		<u>\$2.94</u>	

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

English Translation of Financial Statements Originally Issued in Chinese

KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2021 and 2020

(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, 2020	\$12,227,451	\$4,832,721	\$2,359,299	\$803,172	\$6,371,702	\$(441,617)	\$59,211	\$26,191,939	\$6,515	\$26,198,454		
Appropriation and distribution of 2019 earnings:												
Legal reserve	-	-	297,659	-	(297,659)	-	-	-	-	-	-	
Cash dividends	-	(244,549)	-	-	(1,956,392)	-	-	-	-	(2,200,941)	-	
Reversal of special reserve	-	-	-	(400,766)	400,766	-	-	-	-	-	-	
Profit for the year ended December 31, 2020	-	-	-	-	3,636,653	-	-	-	-	3,636,653	487	
Other comprehensive income for the year ended December 31, 2020	-	-	-	-	(45,906)	84,581	1,652,740	1,691,415	3	1,691,418	3	
Total comprehensive income	-	-	-	-	3,590,747	84,581	1,652,740	5,328,068	490	5,328,558		
Changes in ownership interests in subsidiaries	-	-	-	-	5	-	-	5	-	5	5	
Disposal of equity instrument investments measured at fair value through other comprehensive income	-	-	-	-	38,462	-	(38,462)	-	-	-	-	
Balance as of December 31, 2020	\$12,227,451	\$4,588,172	\$2,656,958	\$402,406	\$8,147,631	\$(357,036)	\$1,653,489	\$29,319,071	\$7,005	\$29,326,076		
Balance as of January 1, 2021	\$12,227,451	\$4,588,172	\$2,656,958	\$402,406	\$8,147,631	\$(357,036)	\$1,653,489	\$29,319,071	\$7,005	\$29,326,076		
Appropriation and distribution of 2020 earnings:												
Legal reserve	-	-	362,921	-	(362,921)	-	-	-	-	-	-	
Cash dividends	-	(244,549)	-	-	(2,200,941)	-	-	(2,445,490)	-	(2,445,490)	-	
Reversal of special reserve	-	-	-	(200,990)	200,990	-	-	-	-	-	-	
Profit for the year ended December 31, 2021	-	-	-	-	5,175,046	-	-	5,175,046	59,196	5,234,242	59,196	
Other comprehensive income for the year ended December 31, 2021	-	-	-	-	(53,368)	(33,792)	1,681,297	1,594,137	986	1,595,123	986	
Total comprehensive income	-	-	-	-	5,121,678	(33,792)	1,681,297	6,769,183	60,182	6,829,365	60,182	
Changes in ownership interests in subsidiaries	-	541,511	-	-	-	-	-	541,511	626,706	1,168,217	626,706	
Disposal of equity instrument investments measured at fair value through other comprehensive income	-	-	-	-	(326,125)	-	326,125	-	-	-	-	
Balance as of December 31, 2021	\$12,227,451	\$4,885,134	\$3,019,879	\$201,416	\$10,580,312	\$(390,828)	\$3,660,911	\$34,184,275	\$693,893	\$34,878,168		

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

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KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2021 and 2020
(Amounts in thousands of New Taiwan Dollars)

Description	2021	2020	Description	2021	2020
Cash flows from operating activities :			Cash flows from investing activities :		
Profit before tax from continuing operations	\$6,855,247	\$4,543,655	Proceeds from disposal of financial assets at fair value through other comprehensive income	\$1,365	\$65,027
Adjustments for :			Acquisition of property, plant and equipment	(13,963,127)	(10,935,021)
The profit or loss items which did not affect cash flows:			Proceeds from disposal of property, plant and equipment	341,578	89,917
Depreciation	9,162,765	8,355,775	Increase in refundable deposits	-	(65,528)
Amortization	49,593	52,193	Decrease in refundable deposits	32,109	-
Expected credit losses	645	3,180	Acquisition of intangible assets	(36,793)	(64,763)
Interest expenses	343,526	379,039	Increase in other financial assets	-	(2,544)
Interest income	(22,692)	(19,335)	Decrease in other financial assets	9,698	-
Dividend income	(85,016)	(50,966)	Dividends received	98,006	62,426
Share-based payment expenses	20,452	-	Net cash used in investing activities	(13,517,164)	(10,850,486)
Investment gain accounted for using the equity method	(22,260)	(16,088)			
(Gain) loss on disposal of property, plant and equipment	(164,810)	15,524			
Impairment of non-financial assets	59,461	153,955			
Unrealized foreign exchange gain	(164,411)	(264,212)			
Changes in operating assets and liabilities :			Cash flows from financing activities :		
Contract assets	24,092	(76,790)	Increase in short-term loans	598,369	145,628
Notes receivable	(4,657)	1,219	Decrease in short-term loans	(131,812)	(535,872)
Accounts receivable	(1,600,926)	791,252	Borrowing in long-term loans	16,299,865	28,934,872
Accounts receivable from related parties	(426,962)	(813,924)	Repayments of long-term loans	(14,433,360)	(25,212,072)
Other receivables	(195,069)	99,768	Increase in guarantee deposits	31,096	822
Other receivables from related parties	22,977	(18,780)	Cash payments for the principal portion of the lease liabilities	(310,374)	(510,312)
Inventories	(390,504)	100,066	Cash dividends	(2,445,490)	(2,200,941)
Prepayments	115,685	(266,952)	Interest paid	(329,548)	(372,098)
Other current assets	(15,317)	25,527	Change in non-controlling interests	1,147,767	-
Contract liabilities	(72,579)	161,273	Net cash provided by financing activities	426,513	250,027
Notes payable	5,631	2,802			
Accounts payable	1,189	62,992			
Accounts payable to related parties	1,927	(11,226)	Effect of changes in exchange rate on cash and cash equivalents	8,999	40,259
Other payables	820,074	(50,354)	Net increase in cash and cash equivalents	641,402	1,842,525
Other payables to related parties	18,225	(25,592)	Cash and cash equivalents at the beginning of the year	8,008,530	6,166,005
Other current liabilities	303,792	276,933	Cash and cash equivalents at the end of the year	\$8,649,932	\$8,008,530
Accrued pension liabilities	(9,602)	(7,619)			
Other operating liabilities	16,538	-			
Cash generated from operating activities	14,647,014	13,403,315			
Interest received	24,861	15,623			
Income tax paid	(948,821)	(1,016,213)			
Net cash provided by operating activities	13,723,054	12,402,725			

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

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KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

1. Organization and Operation

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

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

The accompanying consolidated financial statements of KYEC and its subsidiaries ("the Company") were approved and authorized for issue by the Board of Directors on March 4, 2022.

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, 2021. 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, but 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	Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements	January 1, 2022

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KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

A. Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements

a. Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)

The amendments updated IFRS 3 by replacing a reference to an old version of the Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018. The amendments also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential “day 2” gains or losses arising for liabilities and contingent liabilities. Besides, the amendments clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Conceptual Framework.

b. Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

c. Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments clarify what costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

d. Annual Improvements to IFRS Standards 2018 - 2020

Amendment to IFRS 1

The amendment simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.

Amendment to IFRS 9 Financial Instruments

The amendment clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

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KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Amendment to Illustrative Examples Accompanying IFRS 16 Leases

The amendment to Illustrative Example 13 accompanying IFRS 16 modifies the treatment of lease incentives relating to lessee’s leasehold improvements.

Amendment to IAS 41

The amendment removes a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in IAS 41 with those in other IFRS Standards.

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, 2022 and have no material impact on the Company.

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
A	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
B	IFRS 17 “Insurance Contracts”	January 1, 2023
C	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2023
D	Disclosure Initiative - Accounting Policies – Amendments to IAS 1	January 1, 2023
E	Definition of Accounting Estimates – Amendments to IAS 8	January 1, 2023
F	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	January 1, 2023

- 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

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

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 ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the 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 gains or losses 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. 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.

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

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

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

D. Disclosure Initiative - Accounting Policies – Amendments to IAS 1

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

E. Definition of Accounting Estimates – Amendments to IAS 8

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

F. Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

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

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

4. Summary of Significant Accounting Policies

Statement of Compliance

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

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KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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 statements

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.

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KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

If the Company loses control of a subsidiary, it:

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

The consolidated entities are listed as follows:

Investor	Subsidiary	Business nature	Percentage of Ownership(%)	
			2021.12.31	2020.12.31
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
KYEC	KYEC Japan K.K.	Manufacturing and sales of electronic parts and components, sales agent and business communication in Japan	89.83	89.83
KYEC	KYEC SINGAPORE PTE. Ltd.	Sales agent and business communication in Southeast Asia and Europe	100.00	100.00
KYEC	King Ding Precision Incorporated Company	Manufacturing, selling and wholesale of electronics parts and components and repairing of electronics related products	100.00	100.00

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KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Investor	Subsidiary	Business nature	Percentage of Ownership(%)	
			2021.12.31	2020.12.31
KYEC Investment International Co., Ltd.	KYEC Microelectronics Co., Ltd.	General investing	94.02	94.02
KYEC Technology Management Co., Ltd.	KYEC Microelectronics Co., Ltd.	General investing	5.98	5.98
KYEC Microelectronics Co., Ltd.	King Long Technology (Suzhou) Ltd. (Note)	Research and development, design, manufacture, packaging, testing, processing and maintenance of semiconductor integrated circuits, transistors, electronic components, electronic materials, analog or hybrid automatic data processors, solid-state memory systems, heating ovens and related products and components. Integrated circuit related technology transfer, technical consultation, technical services, sales of self-produced products and provision of related after-sales services	92.46	100.00
King Long Technology (Suzhou) Ltd.	Suzhou Zhengkuan Technology Ltd.	R&D, production (assembly and 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

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KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Note:

On August 3, 2021, the Company's shareholders' meeting resolved to approve the proposal for King Long Technology (Suzhou) Ltd. to launch an initial public offering of RMB denominated ordinary shares(A-shares) on the Shanghai Stock Exchange or the Shenzhen Stock Exchange.

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.

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KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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.

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KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

All 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.

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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.

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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.

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- 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.

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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.

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

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.

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

Raw materials – Purchase cost on weighted average method

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

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

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

Investments accounted for using the equity method

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 or an investment 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.

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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 Additional Paid in Capital 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.

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

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

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

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

Leases

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

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

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

A. The Company as a lessee

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

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

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

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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.

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.

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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).

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Impairment of non-financial assets

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

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

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

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

Treasury shares

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

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

Revenue recognition

The Company's revenues 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 revenues over time. The Company estimates the volume discounts using the expected value method based on historical experiences. However, revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur and when the uncertainty associated with the variable consideration is subsequently resolved. During the period specified in the contract, refund liability is recognized for the expected volume discounts.

The credit period of the Company's service revenue is from 30 to 120 days. For most of the contracts, when the Company transfers those processed assets to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Company usually collects the payments shortly after transferring those processed assets to customers; therefore, there is no significant financing component to the contract. For some of the contracts, the Company transfers those processed assets to customers but does not have a right to an amount of consideration that is unconditional, these contracts should be presented as contract assets. Besides, in accordance with IFRS 9, the Company measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses.

B. Revenues 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 obligations is satisfied over time and the Company recognizes revenues 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 revenues 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 financing 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.

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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 financing component. The Company provides its customer with a warranty for refund for defectives products. Such warranty is accounted for in accordance with IAS 17 as liability provision.

Borrowing costs

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

Government grants

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

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.

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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.

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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.

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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.

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

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

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

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

5. Significant Accounting Judgments, Estimates and Assumptions

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

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

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A. Fair value of Level 3 financial instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the income approach (for example the discounted cash flows model) or market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

B. Revenue recognition - sales returns and discounts

The Company estimates sales returns and allowance based on historical experience and other known factors at the time of sale, which reduces the operating revenue. In assessing the aforementioned sales returns and allowance, on the basis of highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Please refer to Note 6. (11) for more details.

6. Contents of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash on hand	\$750	\$814
Checking and savings accounts	6,916,202	6,761,722
Time deposits	1,732,980	1,245,994
Total	<u>\$8,649,932</u>	<u>\$8,008,530</u>

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

	December 31, 2021	December 31, 2020
Equity instrument investments measured at fair value through other comprehensive income- non-current		
Listed company's stocks	\$43,028	\$28,117
Unlisted company's stocks	6,503,449	4,418,446
Total	<u>\$6,546,477</u>	<u>\$4,446,563</u>

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The Company has equity instrument investments measured at fair value through other comprehensive income. Details on dividends recognized for the years of 2021 and 2020 are as follows:

	For the years ended	
	December 31	
	2021	2020
Related to investments held at the end of the reporting period	\$85,016	\$50,183
Related to investments derecognized during the period	-	783
Dividends recognized during the period	<u>\$85,016</u>	<u>\$50,966</u>

In consideration of disposition or liquidation of certain investments according to the Company's investment strategy, the Company derecognized certain equity instrument investments measured at fair value through other comprehensive income. Details on derecognition of the investments for the years ended December 31, 2021 and 2020 are as follows:

	December 31,	December 31,
	2021	2020
The fair value of the investments at the date of derecognition	<u>\$1,365</u>	<u>\$65,027</u>
The cumulative gain (loss) on disposal	<u>\$(326,125)</u>	<u>38,462</u>

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

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(3) Notes receivable

	December 31, 2021	December 31, 2020
Notes receivable from operating activities	\$7,706	\$3,049
Less: loss allowance	-	-
Total	<u>\$7,706</u>	<u>\$3,049</u>

Notes receivable were not pledged.

The Company adopted IFRS 9 for impairment assessment. Please refer to Note 6 (17) for more details on accumulated impairment. Please refer to Note 12 for more details on credit risk.

(4) Trade receivables and trade receivables from related parties

	December 31, 2021	December 31, 2020
Trade receivables	\$5,791,559	\$4,190,171
Less: loss allowance	(26,286)	(25,180)
Subtotal	<u>5,765,273</u>	<u>4,164,991</u>
Trade receivables from related parties	2,151,913	1,724,951
Less: loss allowance	-	-
Subtotal	<u>2,151,913</u>	<u>1,724,951</u>
Total	<u>\$7,917,186</u>	<u>\$5,889,942</u>

No trade receivables were pledged.

The receivables are generally on 30 to 120 days terms. Please refer to Note 6 (17) for more details on loss allowance of trade receivables for the years ended December 31, 2021 and 2020. Please refer to Note 12 for more details on credit risk.

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(5) Inventories

	December 31, 2021	December 31, 2020
Raw materials	\$967,833	\$719,695
Work in progress	308,687	200,562
Finished goods	94,953	60,712
Total	<u>\$1,371,473</u>	<u>\$980,969</u>

The cost of inventories recognized in operating costs for the year ended December 31, 2021 amounted to NT\$23,407,322 thousand, including the reversal gain of inventories of NT\$18,523 thousand, and scrap loss of NT\$42,674 thousand, respectively. The reversal is due to the fact that the previous write-down of inventories had been scrapped.

The cost of inventories recognized in operating costs for the year ended December 31, 2020 amounted to NT\$21,005,316 thousand, including the write-down of inventories of NT\$40,342 thousand, and scrap loss of NT\$3,931 thousand, respectively.

No inventories were pledged.

(6) Prepayments

	December 31, 2021	December 31, 2020
Prepaid equipment	\$198,251	\$336,191
Prepaid expenses	57,994	91,026
Input tax	27,735	41,895
Others	15,279	10,171
Total	<u>\$299,259</u>	<u>\$479,283</u>

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(7) Investments accounted for using the equity method

	December 31, 2021		December 31, 2020	
	Carrying amount	Percentage of ownership	Carrying amount	Percentage of ownership
Fixwell Technology Corp.	\$50,400	23.33%	\$46,981	23.33%
Wei Jiu Industrial Co., Ltd.	28,726	34.00%	22,875	34.00%
Total	\$79,126		\$69,856	

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	
	2021	2020
Net income	\$22,260	\$16,088
Other comprehensive income, net of tax	-	-
Total comprehensive income	\$22,260	\$16,088

The investments mentioned above were not pledged.

(8) Property, plant and equipment

	December 31, 2021	December 31, 2020
	Owner occupied property, plant and equipment	\$45,442,522
Property, plant and equipment leased out under operating leases	134,139	187,498
Total	\$45,576,661	\$39,147,575

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A. Owner occupied property, plant and equipment

	Land	Buildings and facilities	Plant equipment	Machinery and equipment	Office equipment	Transportation equipment	Miscellaneous equipment	Leasehold improvements	Construction in progress and equipment awaiting examination		Total
Cost:											
As of January 1, 2021	\$1,146,274	\$4,703,395	\$9,270,901	\$92,792,664	\$766,201	\$56,522	\$5,763,620	\$4,425	\$2,009,292	\$116,513,294	
Additions	504,773	681,743	1,313,586	7,095,953	85,931	8,177	507,473	-	4,935,716	15,133,352	
Disposals	-	(21,214)	(55,895)	(3,433,743)	(8,490)	(4,056)	(239,311)	-	-	(3,762,709)	
Transfers	-	478,659	-	5,179,660	2,040	-	84,568	-	(4,950,212)	794,715	
Exchange differences	-	(6,137)	(4,847)	(65,955)	(442)	(29)	(8,922)	-	(2,804)	(89,136)	
As of December 31, 2021	\$1,651,047	\$5,836,446	\$10,523,745	\$101,568,579	\$845,240	\$60,614	\$6,107,428	\$4,425	\$1,991,992	\$128,589,516	
As of January 1, 2020	\$1,143,394	\$4,682,938	\$8,697,635	\$86,063,081	\$694,066	\$53,957	\$5,339,081	\$4,425	\$1,532,268	\$108,210,845	
Additions	2,880	37,596	646,772	6,246,740	71,529	2,485	403,643	-	3,170,651	10,582,296	
Disposals	-	-	(82,939)	(2,428,569)	(1,258)	-	(56,125)	-	(9,697)	(2,578,588)	
Transfers	-	(32,986)	-	2,776,823	1,169	-	55,765	-	(2,689,031)	111,740	
Exchange differences	-	15,847	9,433	134,589	695	80	21,256	-	5,101	187,001	
As of December 31, 2020	\$1,146,274	\$4,703,395	\$9,270,901	\$92,792,664	\$766,201	\$56,522	\$5,763,620	\$4,425	\$2,009,292	\$116,513,294	

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	Land	Buildings and facilities	Plant equipment	Machinery and equipment	Office equipment	Transportation equipment	Miscellaneous equipment	Leasehold improvements	Construction in progress and equipment awaiting examination	Total
Accumulated depreciations and impairment:										
As of January 1, 2021	\$-	\$1,987,607	\$6,362,024	\$64,375,903	\$628,781	\$43,540	\$4,152,855	\$2,507	\$-	\$77,553,217
Depreciation	-	206,169	592,812	7,680,174	44,681	5,851	469,558	443	-	8,999,688
Disposals	-	(5,068)	(55,896)	(3,293,691)	(8,206)	(3,559)	(230,246)	-	-	(3,596,666)
Transfers	-	7,537	-	165,520	-	-	(79)	-	-	172,978
Impairment	-	-	-	59,461	-	-	-	-	-	59,461
Exchange differences	-	(3,122)	(1,885)	(31,044)	(331)	(28)	(5,274)	-	-	(41,684)
As of December 31, 2021	\$-	\$2,193,123	\$6,897,055	\$68,956,323	\$664,925	\$45,804	\$4,386,814	\$2,950	\$-	\$83,146,994
As of January 1, 2020										
Depreciation	\$-	\$1,834,937	\$5,931,834	\$59,219,514	\$593,520	\$37,065	\$3,812,555	\$2,065	\$-	\$71,431,490
Disposals	-	165,837	507,379	7,100,725	35,964	6,403	380,139	442	-	8,196,889
Transfers	-	(21,577)	(82,939)	(2,324,940)	(1,249)	-	(54,715)	-	-	(2,463,843)
Impairment	-	-	-	134,518	-	-	-	-	-	112,941
Exchange differences	-	-	-	153,955	-	-	-	-	-	153,955
As of December 31, 2020	\$-	\$1,987,607	\$6,362,024	\$64,375,903	\$628,781	\$43,540	\$4,152,855	\$2,507	\$-	\$77,553,217
Net carrying amount as at:										
December 31, 2021	\$1,651,047	\$3,643,323	\$3,626,690	\$32,612,256	\$180,315	\$14,810	\$1,720,614	\$1,475	\$1,991,992	\$45,442,522
December 31, 2020	\$1,146,274	\$2,715,788	\$2,908,877	\$28,416,761	\$137,420	\$12,982	\$1,610,765	\$1,918	\$2,009,292	\$38,960,077

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

	Buildings and facilities	Machinery and equipment	Total
Cost:			
As at January 1, 2021	\$179,609	\$253,103	\$432,712
Additions	-	-	-
Disposals	-	(5,700)	(5,700)
Transfers	(11,140)	3,470	(7,670)
Exchange differences	(53)	-	(53)
As at December 31, 2021	<u>\$168,416</u>	<u>\$250,873</u>	<u>\$419,289</u>
As at January 1, 2020	\$146,480	\$220,026	\$366,506
Additions	-	12,537	12,537
Disposals	-	-	-
Transfers	32,986	20,540	53,526
Exchange differences	143	-	143
As at December 31, 2020	<u>\$179,609</u>	<u>\$253,103</u>	<u>\$432,712</u>
Accumulated depreciation and impairment:			
As at January 1, 2021	\$110,378	\$134,836	\$245,214
Depreciation	5,755	25,324	31,079
Disposals	-	(2,565)	(2,565)
Transfers	(7,537)	18,992	11,455
Exchange differences	(33)	-	(33)
As at December 31, 2021	<u>\$108,563</u>	<u>\$176,587</u>	<u>\$285,150</u>
As at January 1, 2020	\$83,760	\$171,214	\$254,974
Depreciation	4,949	25,831	30,780
Disposals	-	-	-
Transfers	21,577	(62,209)	(40,632)
Exchange differences	92	-	92
As at December 31, 2020	<u>\$110,378</u>	<u>\$134,836</u>	<u>\$245,214</u>
Net carrying amounts as at:			
December 31, 2021	<u>\$59,853</u>	<u>\$74,286</u>	<u>\$134,139</u>
December 31, 2020	<u>\$69,231</u>	<u>\$118,267</u>	<u>\$187,498</u>

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

	For the years ended December 31,	
	2021	2020
Construction in progress	\$43,685	\$49,810
Capitalization rate of borrowing costs	0.87~ 1.02%	0.95~ 5.23%

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

	For the years ended December 31,	
	2021	2020
Acquisition of property, plant and equipment	\$15,133,352	\$10,594,833
Net decrease (increase) in payables to equipment suppliers	(1,154,976)	340,188
Net decrease in other payables - related parties	(15,249)	-
Total	<u>\$13,963,127</u>	<u>\$10,935,021</u>

	For the years ended December 31,	
	2021	2020
Disposal of property, plant and equipment	\$333,988	\$99,221
Net decrease (increase) in other receivables	2,135	(2,783)
Net decrease (increase) in other receivables - related parties	5,455	(6,521)
Total	<u>\$341,578</u>	<u>\$89,917</u>

E. In order to meet the needs of future operation and development, the Company decided to purchase three lots of land and buildings located in Miaoli County for operational use. The total purchase price was NT \$850 million (including tax). As of December 31, 2020, the Company has paid off the total consideration. The ownership transfer registration has been completed in April 2021.

In order to meet the needs of future operation and development, the Company decided to acquire the additional floors of the abovementioned buildings for production efficiency improvement. The expected purchase price was NT \$350 million (including tax). As of December 31, 2021, the Company has paid off the total consideration. The ownership transfer registration has been completed in April 2021. No such transaction occurred in 2020.

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F. As of December 31, 2021 and 2020, the Company recognized an impairment loss of NT\$ 59,461 and NT\$153,955 thousand, respectively, for certain machinery and equipment which were either damaged or idle and could no longer be used.

G. Please refer to Note 8 for property, plant and equipment under pledges as collateral.

(9) Intangible assets

	<u>Software</u>
Cost:	
As of January 1, 2021	\$320,090
Additions from acquisitions	36,793
Disposals	(70,163)
Exchange differences	(341)
As of December 31, 2021	<u>\$286,379</u>
As of January 1, 2020	\$326,722
Additions from acquisitions	64,763
Disposals	(72,287)
Exchange differences	892
As of December 31, 2020	<u>\$320,090</u>
Amortization and impairment:	
As of January 1, 2021	\$233,648
Amortization	49,593
Disposals	(70,163)
Exchange differences	(298)
As of December 31, 2021	<u>\$212,780</u>
As of January 1, 2020	\$252,927
Amortization	52,193
Disposals	(72,287)
Exchange differences	815
As of December 31, 2020	<u>\$233,648</u>

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Net carrying amount as of:

December 31, 2021	<u><u>\$73,599</u></u>
December 31, 2020	<u><u>\$86,442</u></u>

Amortization expenses of intangible assets recognized are as follows:

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Operating costs	\$19,775	\$28,937
Selling and administrative expenses	23,357	18,403
Research and development expenses	6,461	4,853
Total	<u><u>\$49,593</u></u>	<u><u>\$52,193</u></u>

(10) Short-term loan

	<u>Interest Rates</u>	<u>December 31,</u>	<u>December 31,</u>
	(%)	2021	2020
Unsecured bank loans	3.70~3.92%	<u><u>\$566,856</u></u>	<u><u>\$100,854</u></u>

The Company's unused short-term lines of credits amounted to NT\$7,497,900 thousand and NT\$6,395,233 thousand as of December 31, 2021 and 2020, respectively.

(11) Other current liabilities

	<u>December 31,</u>	<u>December 31,</u>
	2021	2020
Refund liabilities	\$398,110	\$194,956
Receipts on behalf of others	482,752	380,540
Others	3,786	5,360
Total	<u><u>\$884,648</u></u>	<u><u>\$580,856</u></u>

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(12) Long-term borrowings

As of December 31, 2021

<u>Lenders</u>	<u>Nature</u>	<u>Maturity Date</u>	<u>Balance</u>	<u>Terms of repayment</u>
Shanghai Commercial Bank	Unsecured bank loans	2023.03.27	\$40,151	Revolving Credit
Shanghai Commercial Bank	Unsecured bank loans	2024.03.15	885,760	Revolving Credit
Standard Chartered Bank	Unsecured bank loans	2023.06.30	332,160	Revolving Credit
Citibank	Unsecured bank loans	2023.11.22	138,400	Revolving Credit
Bank of China	Unsecured bank loans	2023.10.14	968,800	Revolving Credit
Cathay United Bank	Unsecured bank loans	2023.12.25	442,880	Revolving Credit
Mizuho Bank	Unsecured bank loans	2024.01.01	500,000	Revolving Credit
Shin Kong Commercial Bank	Unsecured bank loans	2024.12.15	138,400	Revolving Credit
Taiwan Business Bank	Unsecured bank loans	2023.04.07	276,800	Revolving Credit
Hua Nan Commercial Bank	Unsecured bank loans	2023.04.09	138,400	Revolving Credit
Mega Bank	Unsecured bank loans	2023.04.28	138,400	Revolving Credit
Taishin Bank	Unsecured bank loans	2025.06.03	1,106,636	Revolving Credit
HSBC Taiwan Bank	Unsecured bank loans	2024.09.28	110,720	Revolving Credit
HSBC Taiwan Bank	Unsecured bank loans	2024.12.20	58,967	50% of principal will be repaid on December 21, 2023. The remaining principal will be repaid on maturity day.
HSBC Taiwan Bank	Unsecured bank loans	2024.12.02	7,920	Repay at maturity

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Lenders	Nature	Maturity Date	Balance	Terms of repayment
First Bank	Unsecured bank loans	2026.07.01	830,400	25% of principal will be repaid in 3 annual payments starting from January 1, 2024. The remaining principal will be repaid on maturity day.
Yuanta Commercial Bank	Unsecured bank loans	2025.06.22	811,983	50% of principal will be repaid on December 22, 2024. The remaining principal will be repaid on maturity day.
E. Sun Commercial Bank	Unsecured bank loans	2025.12.26	34,649	Repayable semi-annually starting from December 27, 2023.
KGI Bank	Unsecured bank loans	2024.07.15	240,000	The principal will be repaid in 5 semi-annual payments starting from July 15, 2022.
O Bank	Unsecured bank loans	2025.02.07	171,429	The principal will be repaid in 7 semi-annual payments starting from February 7, 2022.
Mega Bank	Unsecured bank loans	2025.02.07	680,000	50% of principal will be repaid on August 7, 2023. The remaining principal will be repaid on maturity day.
Chang Hwa Commercial Bank	Unsecured bank loans	2025.01.20	556,000	The principal will be repaid in 5 semi-annual payments starting from January 20, 2023.
Bank of Taiwan	Unsecured bank loans	2024.01.20	600,000	50% of principal will be repaid on July 20, 2022. The remaining principal will be repaid on maturity day.
First Bank	Unsecured bank loans	2025.01.20	814,398	The principal will be repaid in 5 semi-annual payments starting from July 20, 2022.

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Lenders	Nature	Maturity Date	Balance	Terms of repayment
Far Eastern Bank	Unsecured bank loans	2023.02.07	600,000	Repay at maturity
CTBC Bank	Unsecured bank loans	2024.02.07	300,000	50% of principal will be repaid on August 7, 2023. The remaining principal will be repaid on maturity day.
JihSun Bank	Unsecured bank loans	2024.03.12	500,000	50% of principal will be repaid on September 12, 2023. The remaining principal will be repaid on maturity day.
Mega Bank and 17 others	Commercial paper loans	2023.12.06	2,500,000	Revolving credit. Renewable every three months. Credit has not been fully utilized.
Mega Bank and 13 others	Commercial paper loans	2025.10.11	7,380,000	Revolving credit. Renewable every three months. Credit has not been fully utilized.
Bank of Taiwan and 6 others (King Long)	Secured bank loans	2024.02.01	1,485,029	Repayable in 6 semi-annual instalments from August 01, 2021.
Bank of Taiwan and 8 others (King Long)	Secured bank loans	2025.01.05	710,438	Repayable in 6 semi-annual instalments from July 05, 2022.
Shanghai Commercial Bank (King Long)	Unsecured bank loans	2022.05.23	69,180	Repayable in 4 semi-annual instalments from December 5, 2020.
Taishin Bank (King Long)	Unsecured bank loans	2022.05.29	69,180	Repayable in 4 semi-annual instalments from December 5, 2020.
Taishin Bank (King Long)	Unsecured bank loans	2024.12.27	276,720	Repayable in 4 semi-annual instalments from June 27, 2023.
Bank of Taiwan (King Long)	Unsecured bank loans	2022.07.17	177,891	Repayable in 7 quarterly instalments from January 17, 2021.

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Lenders	Nature	Maturity Date	Balance	Terms of repayment
Shin Kong Commercial Bank (King Long)	Unsecured bank loans	2022.07.17	184,480	Repayable in 3 semi-annual instalments from July 17, 2021.
Yuanta Commercial Bank (King Long)	Unsecured bank loans	2022.08.12	138,360	Repayable in 6 quarterly instalments from May 30, 2021.
O Bank (King Long)	Unsecured bank loans	2022.10.10	46,120	Repayable in 6 semi-annual instalments from April 29, 2020.
E. Sun Bank (King Long)	Unsecured bank loans	2022.10.11	138,360	Repayable in 4 semi-annual instalments from April 30, 2021.
Fubon Bank (King Long)	Unsecured bank loans	2022.11.27	46,489	After paying US\$480 thousand on May 28, 2021, repayable in 6 quarterly instalments.
Taiwan Cooperative Commercial Bank (King Long)	Unsecured bank loans	2022.12.16	158,125	Repayable in 7 quarterly instalments from June 16, 2021.
HSBC Bank (King Long)	Unsecured bank loans	2022.12.17	166,032	Repayable in 5 semi-annual instalments from December 31, 2020.
Chang Hwa Commercial Bank (King Long)	Unsecured bank loans	2023.04.23	415,079	Repay at maturity
CTBC Bank (King Long)	Unsecured bank loans	2023.05.08	117,606	Repayable in 4 semi-annual instalments of US\$750 thousand (except for the last payment which is US\$2,750 thousand) from November 8, 2021.
Shanghai Commercial Bank (Zhengkuan)	Unsecured bank loans	2022.11.07	69,180	Repayable in 4 semi-annual instalments from May 7, 2022.
Subtotal			25,571,522	
Less: current portion			(2,017,322)	
Less: arrangement fee			(21,458)	
Less: unamortized discount			(15,497)	
Total			\$ 23,517,245	
Interest Rates			0.50%~4.65%	

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As of December 31, 2020

Lenders	Nature	Maturity	Balance	Terms of repayment
		Date		
Shanghai Commercial Bank	Unsecured bank loans	2023.03.19	\$911,360	Revolving Credit
Shanghai Commercial Bank	Unsecured bank loans	2022.03.27	375,105	Revolving Credit
Taishin Bank	Unsecured bank loans	2023.02.07	1,300,000	Revolving Credit
Mega Bank	Unsecured bank loans	2022.09.18	313,280	Revolving Credit
Land Bank	Unsecured bank loans	2022.03.03	170,880	Revolving Credit
First Commercial Bank	Unsecured bank loans	2022.07.20	12,463	Revolving Credit
MUFG Bank	Unsecured bank loans	2022.12.04	56,960	Revolving Credit
Bank of China	Unsecured bank loans	2022.10.14	712,000	Revolving Credit
Taiwan Business Bank	Unsecured bank loans	2022.03.11	541,120	Revolving Credit
Cathay United Bank	Unsecured bank loans	2022.12.25	227,840	Revolving Credit
HSBC Taiwan Bank	Unsecured bank loans	2022.10.27	703,485	Revolving Credit
Shin Kong Commercial Bank	Unsecured bank loans	2022.12.11	284,800	Revolving Credit
Mizuho Bank	Unsecured bank loans	2023.01.01	500,000	Revolving Credit
KGI Bank	Unsecured bank loans	2024.07.15	400,000	The principal will be repaid in 5 semi-annual payments starting from July 15, 2022.
O Bank	Unsecured bank loans	2025.02.07	300,000	The principal will be repaid in 7 semi-annual payments starting from February 7, 2022.

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Lenders	Nature	Maturity Date	Balance	Terms of repayment
Mega Bank	Unsecured bank loans	2025.02.07	680,000	50% of principal will be repaid on August 7, 2023. The remaining principal will be repaid on maturity day.
Chang Hwa Commercial Bank	Unsecured bank loans	2025.01.20	695,000	The principal will be repaid in 5 semi-annual payments starting from January 20, 2023.
Fubon Bank	Unsecured bank loans	2023.02.07	800,000	50% of principal will be repaid on August 7, 2022. The remaining principal will be repaid on maturity day.
Bank of Taiwan	Unsecured bank loans	2024.01.20	1,200,000	50% of principal will be repaid on July 20, 2022. The remaining principal will be repaid on maturity day.
First Commercial Bank	Unsecured bank loans	2025.01.20	895,497	The principal will be repaid in 5 semi-annual payments starting from July 20, 2022.
Far Eastern Bank	Unsecured bank loans	2023.02.07	1,100,000	Repay at maturity
CTBC Bank	Unsecured bank loans	2024.02.07	300,000	50% of principal will be repaid on August 7, 2023. The remaining principal will be repaid on maturity day.
Mega Bank and 17 others	Commercial paper loans	2023.12.06	5,680,000	Revolving credit. Renewable every three months. Credit has not been fully utilized.
Mega Bank and 13 others	Commercial paper loans	2025.10.11	200,000	Revolving credit. Renewable every three months. Credit has not been fully utilized.
Bank of Taiwan and 6 others (King Long)	Secured bank loans	2024.02.01	1,799,746	Repayable in 6 semi-annual instalments from August 01, 2021.
Bank of Taiwan and 8 others (King Long)	Secured bank loans	2025.01.05	310,912	Repayable in 6 semi-annual instalments from July 05, 2022.

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<u>Lenders</u>	<u>Nature</u>	<u>Maturity Date</u>	<u>Balance</u>	<u>Terms of repayment</u>
Shanghai Commercial Bank (King Long)	Unsecured bank loans	2022.05.23	213,657	Repayable in 4 semi-annual instalments from December 5, 2020.
Taishin Bank (King Long)	Unsecured bank loans	2022.05.29	213,657	Repayable in 4 semi-annual instalments from December 5, 2020.
Bank of Taiwan (King Long)	Unsecured bank loans	2022.07.17	427,314	Repayable in 7 quarterly instalments from January 17, 2021.
Shin Kong Commercial Bank (King Long)	Unsecured bank loans	2022.07.17	284,876	Repayable in 3 semi-annual instalments from July 17, 2021.
Yuanta Commercial Bank (King Long)	Unsecured bank loans	2022.08.12	284,876	Repayable in 6 quarterly instalments from May 30, 2021.
O Bank (King Long)	Unsecured bank loans	2022.10.10	94,959	Repayable in 6 semi-annual instalments from April 29, 2020.
E. Sun Bank (King Long)	Unsecured bank loans	2022.10.11	284,876	Repayable in 4 semi-annual instalments from April 30, 2021.
Fubon Bank (King Long)	Unsecured bank loans	2022.11.27	85,463	After paying US\$160 thousand on May 28, 2021, repayable in 6 quarterly instalments.
Taiwan Cooperative Commercial Bank (King Long)	Unsecured bank loans	2022.12.16	284,876	Repayable in 7 quarterly instalments from June 16, 2021.
HSBC Bank (King Long)	Unsecured bank loans	2022.12.17	341,851	Repayable in 5 semi-annual instalments from December 31, 2020.
Chang Hwa Commercial Bank (King Long)	Unsecured bank loans	2023.04.23	427,314	Repay at maturity
CTBC Bank (King Long)	Unsecured bank loans	2023.05.08	142,438	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.

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<u>Lenders</u>	<u>Nature</u>	<u>Maturity Date</u>	<u>Balance</u>	<u>Terms of repayment</u>
HSBC Taiwan Bank (Zhengkuan)	Unsecured bank loans	2021.04.09	28,488	Repayable in 5 semi-annual instalments (except for the last payment which is due in 5 months) from April 27, 2019.
KGI Bank (Zhengkuan)	Unsecured bank loans	2022.11.08	136,741	Repayable in 5 semi-annual instalments (except for the last payment which is due in 3 months) from January 26, 2020.
Shanghai Commercial Bank (Zhengkuan)	Unsecured bank loans	2022.11.07	142,438	Repayable in 4 semi-annual instalments from May 7, 2021.
Subtotal			23,864,272	
Less: current portion			(1,844,759)	
Less: arrangement fee			(42,717)	
Less: unamortized discount			(10,767)	
Total			<u>\$21,966,029</u>	
Interest Rates			<u>0.50%~4.65%</u>	

- 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.

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Pension expenses under the defined contribution plan for the years ended December 31, 2021 and 2020 were NT\$338,317 thousand and NT\$247,250 thousand, respectively.

Defined benefit plan

The Company adopts a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company contributes an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company assesses the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company will make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandation, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statements shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Company expects to contribute NT\$17,659 thousand to its defined benefit plan during the 12 months beginning December 31, 2021.

The maturities of the defined benefits plan as at December 31, 2021 and 2020 are both in 2025.

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Pension costs recognized in profit or loss for the years ended December 31, 2021 and 2020.

	For the years ended December 31,	
	2021	2020
Current period service costs	\$5,791	\$5,655
Interest income or expense	2,266	4,226
Overestimate (underestimate)	19	(4)
Total	<u>\$8,076</u>	<u>\$9,877</u>

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

	For the years ended December 31,	
	2021	2020
Defined benefit obligation	\$902,431	\$849,561
Plan assets at fair value	(292,209)	(283,105)
Other non-current liabilities - accrued pension liabilities recognized on the consolidated balance sheets	<u>\$610,222</u>	<u>\$566,456</u>

Reconciliation of liability (asset) of the defined benefit plan is as follows:

	Defined benefit obligation	Fair value of plan assets	Benefit liability (asset)
As at January 1, 2020	\$802,898	\$(274,729)	\$528,169
Current period service costs	5,655	-	5,655
Net interest expense (income)	6,424	(2,198)	4,226
Subtotal	814,977	(276,927)	538,050
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	-	-	-
Actuarial gains and losses arising from changes in financial assumptions	56,665	-	56,665
Experience adjustments	(1,354)	-	(1,354)

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	Defined benefit obligation	Fair value of plan assets	Benefit liability (asset)
Return on plan assets	-	(9,405)	(9,405)
Subtotal	55,311	(9,405)	45,906
Payments from the plan	(20,727)	20,727	-
Contributions by employer	-	(17,500)	(17,500)
As at December 31, 2020	\$849,561	\$(283,105)	\$566,456
Current period service costs	5,791	-	5,791
Net interest expense (income)	3,398	(1,132)	2,266
Subtotal	858,750	(284,237)	574,513
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	(2,110)	-	(2,110)
Actuarial gains and losses arising from changes in financial assumptions	31,335	-	31,335
Experience adjustments	28,135	-	28,135
Return on plan assets	-	(3,992)	(3,992)
Subtotal	57,360	(3,992)	53,368
Payments from the plan	(13,679)	13,679	-
Contributions by employer	-	(17,659)	(17,659)
As at December 31, 2021	\$902,431	\$(292,209)	\$610,222

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

	December 31, 2021	December 31, 2020
Discount rate	0.68%	0.40%
Expected rate of salary increases	2.00%	1.50%

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A sensitivity analysis for significant assumption as at December 31, 2021 and 2020 is shown as below:

	Effect on the defined benefit obligation			
	2021		2020	
	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%	\$-	\$(70,995)	\$-	\$(70,049)
Discount rate decrease by 0.5%	78,279	-	77,657	-
Future salary increase by 0.5%	76,821	-	76,376	-
Future salary decrease by 0.5%	-	(70,449)	-	(69,659)

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, 2021 and 2020, 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.

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B. Capital surplus

	December 31, 2021	December 31, 2020
Additional paid-in capital	\$333,919	\$578,468
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	541,511	-
Total	<u>\$4,885,134</u>	<u>\$4,588,172</u>

According to the Company Act, the capital surplus shall not be used except for offset the deficit of the company. When a company incurs no loss, it may distribute the capital surplus generated from the excess of the issuance price over the par value of share capital and donations. The distribution could be made in cash to its shareholders in proportion to the number of shares being held by each of them.

C. Retained earnings and dividend policy

According to KYEC's Articles of Incorporation, net profits for each fiscal year, if any, shall be distributed in following order:

- a. reserve for tax payments;
- b. offset prior year's losses;
- c. set aside 10% of the remaining amount after deducting items (a) and (b) as legal reserve;
- 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.

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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.

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As of December 31, 2021 and 2020, special reserve set aside for the first-time adoption of TIFRS amounted to NT\$201,416 thousand.

The appropriations for earnings for 2020 and 2019 were resolved by the shareholders in its meeting on August 3, 2021 and June 10, 2020, respectively. The appropriations and dividends per share were as follows:

	Appropriation of earnings		Dividend per share (NT\$)	
	2020	2019	2020	2019
Legal reserve	\$362,921	\$297,659		
Special reserve	(200,990)	(400,766)		
Cash dividends-common stock	2,200,941	1,956,392	\$1.80	\$1.60
Total	\$2,362,872	\$1,853,285		

On August 3, 2021 and June 10, 2020, the shareholders' meeting resolved to debit capital surplus by NT\$244,549 thousand and NT\$244,549 thousand, respectively, and distribute the same amounts of cash to shareholders.

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,	
	2021	2020
Beginning balance	\$7,005	\$6,515
Net gain attributable to non-controlling interests	59,196	487
Other comprehensive income, attributable to non-controlling interests, net of tax:		
Exchange differences resulting from translating the financial statements of foreign operations	986	3
Changes in ownership interests in subsidiaries	626,706	-
Ending balance	\$693,893	\$7,005

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(15) Share-based payment plans

Certain employees of the Company are entitled to share-based payment as part of their remuneration. Services are provided by the employees in return for the equity instruments granted. These plans are accounted for as equity-settled share-based payment transactions.

Restricted stocks plan for employees of subsidiaries

On May 17, 2021, the Board of Directors of King Long Technology (Suzhou) Ltd., (“ King Long ”) resolved to issue registered capital of CNY\$34,784,936, which can be granted to qualified employees. Restricted stocks for employees with a total number of 12,502,187 units and 22,282,749 units at the exercising prices of CNY\$4.18 and CNY\$7.42 per unit, respectively. Restriction on the rights and vesting conditions of restricted stocks for employees is 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 shares, excluding inheritance.
- C. Before employees are allocated new shares with restricted employees' rights and the acquired conditions have not been met, the voting rights of shareholders shall be exercised by trust or centralized custodian institution in accordance with the contract.
- D. Employee's continuous employment with the King Long through the vesting dates, with no violation on any terms of the King Long’s employment agreement and employee policies, are eligible to receive the vested shares.
- E. The fair value information of restricted stocks for employees are as follows:

<u>Grant date</u>	<u>Cut-off date of lock-up period</u>	<u>Total units of restricted stocks issued</u>	<u>Total unit outstanding</u>	<u>Fair value per unit</u>
2021.05.20	2026.05.19	34,784,936	34,784,936	CNY\$7.38

The compensation cost was recognized under the fair value method and the Black-Scholes Option Pricing model was used to estimate the fair value of options granted. The estimated compensation expenses amounted to NT\$173,162 thousand in total based on the vesting conditions and will be recognized during the vesting period.

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

	<u>Restricted stocks for employees</u>
Expected volatility (%)	44.88%
Risk free interest rate (%)	0.08%
Expected life (Year)	5 years

The expected life of the restricted stocks is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the restricted 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:

	<u>For the year ended December 31,</u> <u>2021</u>
Restricted stocks for employees	<u><u>\$20,452</u></u>

The Company did not modify or cancel any share-based payment plans for the years ended December 31, 2021.

(16) Operating revenues

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Assembly and testing processing revenues	\$29,660,396	\$25,066,252
Revenues from rental of machinery	2,555,932	2,075,224
Rental income from property	25,237	26,010
Other operating revenues	1,517,824	1,791,818
Total revenues	<u><u>\$33,759,389</u></u>	<u><u>\$28,959,304</u></u>

Relevant information of revenues from contracts with customers for the years ended December 31, 2021 and 2020 are as follows:

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A. Disaggregation of revenues

Nature of revenues	Timing of revenue recognition	For the years ended December 31,	
		2021	2020
Rendering of services	Over time	\$29,660,396	\$25,066,252
Revenues from rental of machinery	Over time	2,555,932	2,075,224
Rental income from property	On a straight-line basis or on a systematic basis (Note)	25,237	26,010
Other operating revenues	At a point in time	1,517,824	1,791,818
Total		\$33,759,389	\$28,959,304

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

B. Contract balances

(a) Contract assets – current

Nature of revenues	December 31, 2021	December 31, 2020	January 1, 2020
Rendering of services	\$178,880	\$202,972	\$126,182

Please refer to Note 6(17) for more details on effect of impairment. Relevant information of revenues from contracts with customers for the years ended December 31, 2021 and 2020 are as follows:

	For the years ended December 31,	
	2021	2020
The opening balance transferred to trade receivables	\$202,972	\$126,182
Degree of completion measurement	\$178,880	\$202,972

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(b) Contract liabilities - current

Nature of revenues	December 31, 2021	December 31, 2020	January 1, 2020
Revenues from rental of machinery	\$-	\$11,591	\$52,486
Assembly and testing processing revenues	154,167	70,512	14,428
Other operating revenues	2,857	147,500	1,416
Total	<u>\$157,024</u>	<u>\$229,603</u>	<u>\$68,330</u>

The difference of the beginning and ending balances is the net effect of the completion of performance obligations for old contracts signed before the opening date and new contracts signed before the ending date.

(17) Expected credit losses

Operating expenses - expected credit losses

	For the years ended December 31,	
	2021	2020
Contract assets	\$-	\$-
Notes receivable	-	-
Trade receivables	645	3,180
Total	<u>\$645</u>	<u>\$3,180</u>

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, 2021 and 2020 are as follows:

A. The gross carrying amount of contract assets is NT\$178,880 thousand and NT\$202,972 thousand, respectively. Expected credit loss ratio is estimated to be 0%.

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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, 2021

Group 1	Not yet due (Note)	Overdue				Total
		1-90 days	91-180 days	181-365 days	>366 days	
Gross carrying amount	\$7,841,319	\$84,082	\$5,227	\$1,373	\$20	\$7,932,021
Loss ratio	-%	-%	1%	2%	5%	
Lifetime expected credit losses	(7,049)	-	(52)	(27)	(1)	(7,129)
Subtotal	7,834,270	84,082	5,175	1,346	19	7,924,892

Group 2	Not yet due (Note)	Overdue				Total
		1-90 days	91-180 days	181-365 days	>366 days	
Gross carrying amount	171	217	-	1,097	17,672	19,157
Loss ratio	100%	-%	-%	100%	100%	
Lifetime expected credit losses	(171)	(217)	-	(1,097)	(17,672)	(19,157)
Subtotal	-	-	-	-	-	-
Total						<u>\$7,924,892</u>

As at December 31, 2020

Group 1	Not yet due (Note)	Overdue				Total
		1-90 days	91-180 days	181-365 days	>366 days	
Gross carrying amount	\$5,694,839	\$189,765	\$10,986	\$1,115	\$365	\$5,897,070
Loss ratio	-%	-%	1%	2%	5%	
Lifetime expected credit losses	(3,929)	-	(110)	(22)	(18)	(4,079)
Subtotal	5,690,910	189,765	10,876	1,093	347	5,892,991

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Group 2	Not yet due (Note)	Overdue				Total
		1-90 days	91-180 days	181-365 days	>366 days	
Gross carrying amount	\$571	\$-	\$-	\$45	\$20,485	\$21,101
Loss ratio	100%	-%	-%	100%	100%	
Lifetime expected credit losses	(571)	-	-	(45)	(20,485)	(21,101)
Subtotal	-	-	-	-	-	-
Total						<u>\$5,892,991</u>

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

The movement in the provision for impairment of contract assets, notes receivable, and trade receivables for the years ended December 31, 2021 and 2020 is as follows:

	Contract assets	Notes receivable	Trade receivables	Other receivables
Beginning balance as at January 1, 2021	\$-	\$-	\$25,180	\$23,149
Addition for the current period	-	-	645	-
Write off (Note)	-	-	-	-
Effect of changes in exchange rate			461	-
Ending balance as at December 31, 2021	<u>\$-</u>	<u>\$-</u>	<u>\$26,286</u>	<u>\$23,149</u>
Beginning balance as at January 1, 2020	\$-	\$-	\$47,083	\$-
Addition for the current period	-	-	3,180	-
Write off (Note)	-	-	(1,941)	-
Transfer	-	-	(23,149)	23,149
Effect of changes in exchange rate	-	-	7	-
Ending balance as at December 31, 2020	<u>\$-</u>	<u>\$-</u>	<u>\$25,180</u>	<u>\$23,149</u>

Note: Although the Company wrote off the financial assets during 2021 and 2020, collection activities are still underway.

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(18) Leases

A. The Company as a lessee

The Company leases land and buildings with lease terms ranging from 4 to 58 years. At the end of the lease terms, the Company does not have the purchase option to acquire the leasehold land and buildings.

The Company leases machinery and equipment for operational use with lease terms of 2 years. The Company has purchase options to acquire leasehold machinery and equipment at the end of the lease terms.

The Company leases transportation equipment for operational use with lease terms of 3 years. The Company has purchase options to acquire leasehold transportation equipment at the end of the lease terms.

The effect that leases have on the financial position, financial performance and cash flows of the Company are as follows:

a. Amounts recognized in the balance sheet

(a) Right-of-use assets

The carrying amount of right-of-use assets

	December 31, 2021	December 31, 2020
Land	\$554,903	\$576,345
Buildings	36,949	37,257
Machinery and equipment	72,922	714,630
Transportation equipment	13,122	-
Total	<u>\$677,896</u>	<u>\$1,328,232</u>

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During the years ended December 31, 2021 and 2020, the Company's additions to right-of-use assets amounted to NT\$24,275 thousand and NT\$89,750 thousand, respectively.

During the years ended December 31, 2021 and 2020, the Company exercised the purchase options and transferred the right-of-use assets to machinery and equipment in the amount of NT\$538,273 thousand and NT\$32,681 thousand, respectively.

(b) Lease liabilities

	December 31, 2021	December 31, 2020
Lease liabilities- current	\$92,050	\$310,144
Lease liabilities- non-current	492,615	566,437
Total	<u>\$584,665</u>	<u>\$876,581</u>

Please refer to Note 6 (20)C for the interest on lease liabilities recognized during the years ended December 31, 2021 and 2020, and refer to Note 12 (3) section E Liquidity Risk Management for the maturity analysis for lease liabilities as at December 31, 2021 and 2020.

b. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	<u>For the years ended December 31,</u>	
	2021	2020
Land	\$20,853	\$20,867
Buildings	6,069	5,184
Machinery and equipment	103,436	102,055
Transportation equipment	1,640	-
Total	<u>\$131,998</u>	<u>\$128,106</u>

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c. Income and costs relating to leasing activities

	For the years ended December 31,	
	2021	2020
The expenses relating to short-term leases	\$100,462	\$67,682
The expenses relating to leases of low-value assets (not including the expenses relating to short-term leases of low-value assets)	4,805	3,752
Total	<u>\$105,267</u>	<u>\$71,434</u>

d. Cash outflows relating to leasing activities

During the years ended December 31, 2021 and 2020, the Company's total cash outflows for leases amounted to NT\$427,287 thousand and NT\$601,739 thousand, respectively.

e. Other information relating to leasing activities

Extension and termination options

Some of the Company's property rental agreements contain extension and termination options. In determining the lease terms, the non-cancellable period for which the Company has the right to use an underlying asset, together with periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option. These options are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Company.

After the commencement date, the Company reassesses the lease term upon the occurrence of a significant event or a significant change in circumstances that is within the control of the lessee and affects whether the Company is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

B. The Company as a lessor

The Company entered into commercial property leases with remaining terms between one to two years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

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	For the years ended December 31,	
	2021	2020
Lease income for operating leases		
Income relating to fixed lease payments and variable lease payments that depend on an index or a rate	\$25,237	\$26,010

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, 2021 and 2020 are as follow:

	December 31, 2021	December 31, 2020
Not later than one year	\$17,175	\$17,025
Later than one year and not later than five years	347	601
Total	\$17,522	\$17,626

(19) Summary statement of employee benefits, depreciation and amortization expenses by function for the years ended December 31, 2021 and 2020:

	For the years ended December 31,					
	2021			2020		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	\$5,399,164	\$1,422,375	\$6,821,539	\$4,721,179	\$1,307,172	\$6,028,351
Labor and health insurance	443,706	79,745	523,451	403,209	78,411	481,620
Pension	262,216	84,177	346,393	195,103	62,024	257,127
Remuneration of directors	-	56,934	56,934	-	38,212	38,212
Other employee benefits expense	261,467	45,543	307,010	331,506	49,079	380,585
Total	\$6,366,553	\$1,688,774	\$8,055,327	\$5,650,997	\$1,534,898	\$7,185,895
Depreciation	\$8,279,561	\$883,204	\$9,162,765	\$7,657,092	\$698,683	\$8,355,775
Amortization	\$19,775	\$29,818	\$49,593	\$28,937	\$23,256	\$52,193

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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.

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Based on profit of current period, KYEC estimated the amounts of the employees' compensation and remuneration to directors for the year ended December 31, 2021 to be 8% of profit of current period (or NT\$569,336 thousand) and 0.8% of profit of current period (or NT\$56,934 thousand), respectively, which were recognized as salary expense. If the Board of Directors resolved to distribute employees' compensation in the form of stocks, then the number of stocks distributed is calculated based on the closing price one day prior to the date of resolution. If the estimated amounts differ from the actual distribution resolved by the Board of Directors, the difference will be recognized in the profit or loss in the subsequent year. A resolution was passed at a Board of Directors meeting held on March 4, 2022 to distribute NT\$569,336 thousand and NT\$56,934 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, 2021.

Actual distribution of employees' compensation and remuneration to directors of 2020 amounted to NT\$382,118 thousand and NT\$38,212 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 2020.

(20) Non-operating income and expenses

A. Other income

	For the years ended December 31,	
	2021	2020
Dividend income	\$85,016	\$50,966
Government grant	108,392	76,551
Others	126,823	132,971
Total	<u>\$320,231</u>	<u>\$260,488</u>

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B. Other gains and losses

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Gain (loss) on disposal of property, plant and equipment	\$164,810	\$(15,524)
Foreign exchange gains, net	134,139	242,514
Impairment losses – Property, plant and equipment	(59,461)	(153,955)
Others	(12,414)	(96,963)
Total	<u>\$227,074</u>	<u>\$(23,928)</u>

C. Finance costs

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Interest expenses on borrowings from bank	\$331,880	\$359,046
Interest expenses on lease liabilities	11,646	19,993
Total	<u>\$343,526</u>	<u>\$379,039</u>

(21) Components of other comprehensive income

For the year ended December 31, 2021

	Reclassification				
	Arising during the period	adjustments during the period	Other comprehensive income	Income tax expenses	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	\$(53,368)	\$-	\$(53,368)	\$-	\$(53,368)

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Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income	2,101,279	-	2,101,279	(419,982)	1,681,297
To be reclassified to profit or loss in subsequent periods: Exchange differences resulting from translating the financial statements of a foreign operations	<u>(41,254)</u>	<u>-</u>	<u>(41,254)</u>	<u>8,448</u>	<u>(32,806)</u>
Total other comprehensive income	<u>\$2,006,657</u>	<u>\$-</u>	<u>\$2,006,657</u>	<u>\$(411,534)</u>	<u>\$1,595,123</u>

For the year ended December 31, 2020

	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	\$(45,906)	\$-	\$(45,906)	\$-	\$(45,906)
Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income	2,094,772	(38,462)	2,056,310	(403,570)	1,652,740
To be reclassified to profit or loss in subsequent periods: Exchange differences resulting from translating the financial statements of a foreign operations	<u>105,729</u>	<u>-</u>	<u>105,729</u>	<u>(21,145)</u>	<u>84,584</u>
Total other comprehensive income	<u>\$2,154,595</u>	<u>\$(38,462)</u>	<u>\$2,116,133</u>	<u>\$(424,715)</u>	<u>\$1,691,418</u>

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(22) Income tax

The major components of income tax expense are as follows:

Income tax expense recognized in profit or loss

	For the years ended December 31,	
	2021	2020
Current income tax expense:		
Current income tax charge	\$1,224,207	\$899,168
Adjustments in respect of current income tax of prior periods	(17,093)	(198,244)
Deferred tax expense (income):		
Deferred tax expense relating to origination and reversal of temporary differences	413,891	205,591
Income tax expense recognized in profit or loss	<u>\$1,621,005</u>	<u>\$906,515</u>

Income tax relating to components of other comprehensive income

	For the years ended December 31,	
	2021	2020
Deferred tax expense (income):		
Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income	\$419,982	\$403,570
Exchange differences resulting from translating the financial statements of foreign operations	(8,448)	21,145
Income tax relating to components of other comprehensive income	<u>\$411,534</u>	<u>\$424,715</u>

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

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	For the years ended December 31,	
	2021	2020
Accounting profit before tax from continuing operations	\$6,855,247	\$4,543,655
Tax at the domestic rates applicable to profits in the country concerned	\$1,371,049	\$908,731
Tax effect of expenses not deductible for tax purposes	(363,774)	(150,106)
Tax effect of deferred tax assets/liabilities	413,891	205,591
Different tax rates application between the parent company and subsidiaries	216,932	140,543
Adjustments in respect of current income tax of prior periods	(17,093)	(198,244)
Total income tax expense recognized in profit or loss	\$1,621,005	\$906,515

Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2021

	Beginning balance	Recognized			Exchange differences	Ending balance
		Recognized in profit or loss	in other comprehensive income	Charged directly to equity		
Temporary differences						
Unrealized exchange gains and losses	\$(29,772)	\$1,251	\$-	\$-	\$-	\$(28,521)
Impairment loss of goodwill	12,650	-	-	-	-	12,650
Other impairment loss	35,393	(20,580)	-	-	-	14,813
Depreciation difference for tax purpose	23,235	9,232	-	-	-	32,467
Unrealized sales discount	38,991	40,631	-	-	-	79,622
Investments accounted for using the equity method	(200,006)	(375,570)	-	-	-	(575,576)

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Exchange differences						
resulting from translating						
the financial statements of						
foreign operations	89,259	-	8,448	-	-	97,707
Unrealized investment gains						
and losses	(438,190)	(65,175)	(419,982)	-	-	(923,347)
Others	28,095	(3,680)	-	-	-	24,415
Deferred tax income/ (expense)		<u>\$(413,891)</u>	<u>\$(411,534)</u>	<u>\$-</u>	<u>\$-</u>	
Net deferred tax						
assets/(liabilities)		<u>\$(440,345)</u>				<u>\$(1,265,770)</u>
Reflected in balance sheet as						
follows:						
Deferred tax assets		<u>\$227,623</u>				<u>\$261,675</u>
Deferred tax liabilities		<u>\$667,968</u>				<u>\$1,527,445</u>

For the year ended December 31, 2020

	Beginning	Recognized	Recognized	Charged	Exchange	Ending
	balance	in profit or	in other	directly to	differences	balance
	-	loss	comprehensive	equity	-	-
	-	-	income	-	-	-
Temporary differences						
Unrealized exchange gains						
and losses	\$ (5,624)	\$(24,148)	\$-	\$-	\$-	\$(29,772)
Impairment loss of goodwill	12,650	-	-	-	-	12,650
Other impairment loss	11,054	24,339	-	-	-	35,393
Depreciation difference for						
tax purpose	24,219	(984)	-	-	-	23,235
Unrealized sales discount	7,816	31,175	-	-	-	38,991
Investments accounted for						
using the equity method	29,151	(229,157)	-	-	-	(200,006)
Exchange differences						
resulting from translating						
the financial statements of						
foreign operations	110,404	-	(21,145)	-	-	89,259

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Unrealized investment gains						
and losses	(34,297)	(323)	(403,570)	-	-	(438,190)
Others	11,540	16,555	-	-	-	28,095
Unused tax losses	23,048	(23,048)	-	-	-	-
Deferred tax income/ (expense)		<u>\$(205,591)</u>	<u>\$(424,715)</u>	<u>\$-</u>	<u>\$-</u>	
Net deferred tax						
assets/(liabilities)		<u>\$189,961</u>				<u>\$(440,345)</u>
Reflected in balance sheet as follows:						
Deferred tax assets		<u>\$229,882</u>				<u>\$227,623</u>
Deferred tax liabilities		<u>\$39,921</u>				<u>\$667,968</u>

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

Entities	Year	Tax losses for the period	Unused tax losses as at (Note)		Expiration year
			December 31, 2021	December 31, 2020	
Foreign					
Subsidiaries	2014	\$118,606	\$-	\$37,471	2024
	2015	134,650	-	135,449	2025
	2016	40,531	27,705	40,771	2026
	2017	32,269	32,269	32,461	2027
	2018	75,458	75,458	75,906	2028
			<u>\$135,432</u>	<u>\$322,058</u>	

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

Unrecognized deferred tax assets

As of December 31, 2021 and 2020, deferred tax assets that have not been recognized amounted to NT\$33,858 thousand and NT\$80,515 thousand, respectively.

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The assessment of income tax returns

As of December 31, 2021, the assessment of the income tax returns of the Company and its subsidiaries is as follows:

<u>Entities</u>	<u>The assessment of income tax returns</u>
KYEC	Assessed and approved up to 2019
Subsidiary:	
King Long Technology (Suzhou) Ltd.	Filed up to 2020
Suzhou Zhengkuan Technology Ltd.	Filed up to 2020
KYEC USA Corp.	Filed up to 2020
KYEC Japan K.K.	Filed up to 2020
KYEC SINGAPORE PTE. Ltd.	Filed up to 2020
King Ding Precision Incorporated Company	Assessed and approved up to 2019

(23) Earnings per share

Basic earnings per share is calculated by dividing net profit for the year attributable to ordinary equity owners of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the net profit attributable to ordinary equity owners of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
A. Basic earnings per share		
Profit attributable to ordinary equity owners of the parent	<u>\$5,175,046</u>	<u>\$3,636,653</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (thousand share)	<u>1,222,745</u>	<u>1,222,745</u>
Basic earnings per share (NT\$)	<u>\$4.23</u>	<u>\$2.97</u>

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	For the years ended December 31,	
	2021	2020
B. Diluted earnings per share		
Profit attributable to ordinary equity owners of the parent	<u>\$5,175,046</u>	<u>\$3,636,653</u>
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)	<u>14,512</u>	<u>13,079</u>
Weighted average number of ordinary shares outstanding after dilution (in thousands)	<u>1,237,257</u>	<u>1,235,824</u>
Diluted earnings per share (NT\$)	<u>\$4.18</u>	<u>\$2.94</u>

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date the financial statements were issued.

(24) Changes in the ownership interest of subsidiaries

A. Not subscribe to the new shares proportionate to its original ownership interest

King Long Technology (Suzhou) Ltd. increased its capital by cash in August, 2021, and the Company did not subscribe to the new shares proportionate to its original ownership interest and its ownership was reduced to 92.46%. The increase in the investment amounted to NT\$1,147,767 thousand. The change of the ownership interest was accounted for as an equity transaction:

	For the year ended December 31, 2021
Cash for capital increase	<u>\$1,147,767</u>
Increase in non-controlling interest	<u>(626,706)</u>
Differences in equity capital surplus	<u>\$521,061</u>

B. Share-based payment plans

On 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.

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7. Related Party Transactions

Information of the related parties that had transactions with the Company during the financial reporting period is as follows:

A. Name and nature of relationship of the related parties

<u>Name of the related parties</u>	<u>Nature of relationship of the related parties</u>
MediaTek Inc.	The chairman of the Company and the chairman of MediaTek Inc. are close relatives
Mediatek Singapore Pte. Ltd.	Subsidiary of MediaTek Inc.
Airoha Technology Corp.	Subsidiary of MediaTek Inc.
Airoha Technology (Suzhou) Limited	Subsidiary of MediaTek Inc.
Other related parties (Note)	Subsidiary of MediaTek Inc.
Fixwell Technology Corp.	Associates
Wei Jiu Industrial Co., Ltd.	Associates

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

B. Significant transactions with related parties

(a) Operating income

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
MediaTek Inc.	\$5,044,632	\$2,917,792
Mediatek Singapore Pte. Ltd.	3,098,723	2,214,857
Other related parties	737,953	405,734
Associates	5,626	5,585
Total	<u>\$8,886,934</u>	<u>\$5,543,968</u>

Trading prices with related parties were 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, 2021 and 2020 was unsecured, non-interest bearing and must be settled in cash. The receivables from the related parties were not guaranteed.

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- (b) The Company purchased inventories from associates. For the years ended December 31, 2021 and 2020, the purchase amounts were NT\$164,287 thousand and NT\$77,608 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 engaged an associate to perform machinery maintenance services. For the years ended December 31, 2021 and 2020, related operating costs recognized amounted to NT\$313,541 thousand and NT\$300,855 thousand, respectively.
- (d) The Company paid rental expenses for renting machines from associates. For the years ended December 2021 and 2020, the rental expenses amounted to NT\$11,079 thousand and NT\$6,605 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, 2021		For the year ended December 31, 2020	
	Sales price	Disposal gain	Sales price	Disposal gain
Related party				
Associates	\$14,969	\$4,613	\$14,869	\$5,678

The Company deferred the disposal gain derived from sales of property, plant and equipment to related parties, and then recognized such gain over depreciable lives of the disposed assets.

ii. Acquisition of property, plant and equipment

	For the year ended December 31, 2021	For the year ended December 31, 2020
	Purchase price	Purchase price
Related party		
Associates	\$190,112	\$123,070

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

(f) Contract assets

Contract assets - current

	December 31, 2021	December 31, 2020
Other related parties	\$2,249	\$-
MediaTek Inc.	\$30	-
Total	2,279	-
Less: loss allowance	-	-
Net	\$2,279	\$-

(g) Trade receivables from related parties

	December 31, 2021	December 31, 2020
MediaTek Inc.	\$1,127,631	\$1,086,058
Mediatek Singapore Pte. Ltd.	809,590	535,143
Other related parties	214,225	103,289
Associates	467	461
Less: loss allowance	-	-
Net	\$2,151,913	\$1,724,951

(h) Other receivables from related parties

	December 31, 2021	December 31, 2020
MediaTek Inc.	\$4,361	\$25,708
Other related parties	464	598
Fixwell Technology Corp.	-	6,951
Net	\$4,825	\$33,257

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(i) Contract liabilities

	December 31, 2021	December 31, 2020
MediaTek Inc.	\$178	\$183

(j) Account payables to related parties

	December 31, 2021	December 31, 2020
Wei Jiu Industrial Co., Ltd.	\$19,961	\$16,512
Associates	1,453	2,975
Total	\$21,414	\$19,487

(k) Other payables to related parties

	December 31, 2021	December 31, 2020
Fixwell Technology Corp.	\$75,127	\$46,612
Wei Jiu Industrial Co., Ltd.	22,365	18,013
Other related parties	1,438	831
Total	\$98,930	\$65,456

(l) Other income

	For the years ended December 31,	
	2021	2020
Associate	\$141	\$681

(m) Key management personnel compensation

	For the years ended December 31,	
	2021	2020
Short-term employee benefits	\$189,086	\$142,306
Post-employment benefits	1,183	1,509
Total	\$190,269	\$143,815

8. Assets Pledged as Security

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

Items	Carrying amount		Purpose of pledge
	December 31, 2021	December 31, 2020	
Other current financial assets	\$3	\$4	L/C guarantee deposits
Other non-current financial assets	105,972	115,669	Customs clearance
Land	914,594	914,594	Long-term borrowings
Building and facility	2,053,506	1,740,093	Long-term borrowings
Machinery and equipment	8,004,788	8,199,112	Long-term borrowings
Construction-in-progress	-	475,287	Long-term borrowings
Right-of-use assets	62,790	64,589	Long-term borrowings
Total	<u>\$11,141,653</u>	<u>\$11,509,348</u>	

9. Significant Contingent Liabilities and Unrecognized Commitments

As of December 31, 2021, 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\$497,089 thousand.
- B. To construct the plant and factory premises, the Company had entered into several construction contracts in an aggregate amount of NT\$2,085,646 thousand with NT\$1,385,914 thousand already paid and NT\$699,732 thousand remaining unpaid (promissory notes have been issued).
- C. The promissory notes issued for secured bank loans amounted to NT\$41,917,725 thousand.
- D. The Company also provided guarantees to Suzhou Zhengkuan Technology Ltd.'s lines of credit. The lines of credit were provided by The Shanghai Commercial & Savings Bank in the amount of US\$5,000 thousand.
- E. The Company entered into loan agreements with Mega International Commercial Bank and First Commercial Bank, the following financial covenants shall be maintained on an annual basis during the period from 2020 to 2025:

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- (a) Current ratio not less than 100%;
- (b) Debt ratio not more than 150%;
- (c) Interest coverage ratio no less than 300%.

The Company entered into a loan agreement with Far Eastern Int'l Bank, the following financial covenants shall be maintained on a semi-annual and annual basis during the period from 2020 to 2023:

- (a) Current ratio not less than 100%;
- (b) Debt ratio not more than 150%;
- (c) Interest coverage ratio no less than 300%.

The Company entered into a loan agreement with JihSun International Commercial Bank, the following financial covenants shall be maintained on a semi-annual and annual basis during the period from 2021 to 2024:

- (a) Current ratio not less than 100%;
- (b) Debt ratio not more than 150%;
- (c) Interest coverage ratio no less than 300%.

The Company entered into a loan agreement with Yuanta Commercial Bank, the following financial covenants shall be maintained on a semi-annual and annual basis during the period from 2021 to 2025:

- (a) Current ratio not less than 100%;
- (b) Debt ratio not more than 150%;
- (c) Interest coverage ratio no less than 300%.

The Company entered into a syndicated loan agreement with 17 banks, led by Mega International Commercial Bank of Taiwan, and the Company shall maintain the following financial covenants on a semi-annual and annual basis during the period from 2018 to 2023:

- (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 2018 to 2023, Mega International Commercial Bank of Taiwan may assemble a meeting among the banks to govern the matter to decide on a course of action or request for each bank's written approval for such course of action, when necessary.

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The 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 a 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 subsidiary of King Long Technology (Suzhou) Ltd. entered into a syndicated loan agreement with 6 banks, led by Taiwan Bank in Shanghai branch, and the Company shall maintain the following financial covenants on a semi-annual and annual basis during the period from 2018 to 2024:

- (a) Current ratio not less than 100%;
- (b) Debt ratio not more than 140%;
- (c) Interest coverage ratio not less than 100%;
- (d) Equity not less than CNY 800 million.

In the case of failure to adhere to the aforementioned financial covenants during the period from 2018 to 2024, Taiwan Bank in Shanghai branch 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 syndicated loan agreement with 8 banks, led by Taiwan Bank in Shanghai branch, and the Company shall maintain the following financial covenants on a semi-annual and annual basis during the period from 2019 to 2025:

- (a) Current ratio not less than 100%;
- (b) Debt ratio not more than 140%;
- (c) Interest coverage ratio not less than 100%;
- (d) Equity not less than CNY 800 million.

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In the case of failure to adhere to the aforementioned financial covenants during the period from 2019 to 2025, Taiwan Bank in Shanghai branch may assemble a meeting among the banks to govern the matter to decide on a course of action or request for each bank's written approval for such course of action, when necessary.

As of December 31, 2021, the Company did not violate any financial covenants.

10. Losses due to Major Disasters

None.

11. Significant Subsequent Events

None.

12. Others

(1) Categories of financial instruments

A. Categories of financial instruments

	December 31, 2021	December 31, 2020
<u>Financial assets</u>		
Financial assets at fair value through other comprehensive income	\$6,546,477	\$4,446,563
Financial assets measured at amortized cost (Note)	17,086,494	14,292,601
Total	<u>\$23,632,971</u>	<u>\$18,739,164</u>
<u>Financial liabilities</u>		
Financial liabilities at amortized cost:		
Short-term borrowings	\$566,856	\$100,854
Payables (including related parties)	1,150,624	1,141,877
Other payables (including related parties)	5,608,979	3,603,401
Long-term loans (including current portion)	25,534,567	23,810,788
Lease liabilities	584,665	876,581
Guarantee deposits	33,851	2,755
Total	<u>\$33,479,542</u>	<u>\$29,536,256</u>

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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 revenues or expenses 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 primary for strategic purposes, and they are not hedged by the Company.

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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, 2021 and 2020 would have increased/decreased by NT\$24,631 thousand and NT\$33,527 thousand, respectively.

When NT\$ appreciates or depreciates against CNY by 1%, the profit for the years ended December 31, 2021 and 2020 would have decreased/increased by NT\$1,843 thousand and NT\$9,081 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\$26,138 thousand and NT\$23,965 thousand for the years ended December 31, 2021 and 2020, respectively.

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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, 2021 and 2020, 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\$8,606 thousand and NT\$5,623 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.

As of December 31, 2021 and 2020, receivables from top ten customers represented 48% and 48% of the total trade receivables of the Company, respectively. The credit concentration risk of other accounts receivable was insignificant.

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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
<u>December 31, 2021</u>						
Payables	\$6,759,603	\$-	\$-	\$-	\$-	\$6,759,603
Borrowings	2,854,313	8,554,285	4,617,292	10,469,870	418,026	26,913,786
Lease liabilities (Note)	92,050	28,894	29,501	22,906	411,314	584,665
<u>December 31, 2020</u>						
Payables	\$4,745,278	\$-	\$-	\$-	\$-	\$4,745,278
Borrowings	2,207,096	8,543,302	10,888,485	2,074,113	963,275	24,676,271
Lease liabilities (Note)	310,144	85,396	22,189	22,662	436,190	876,581

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

	Maturities Period				
	Less than 1 year	1 to 5 years	6 to 10 years	>10 years	Total
Lease liabilities					
December 31, 2021	\$92,050	\$99,337	\$88,142	\$305,136	\$584,665
December 31, 2020	\$310,144	\$153,194	\$108,107	\$305,136	\$876,581

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

F. Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for year ended December 31, 2021:

	Short-term borrowings	Long-term loans	Lease liabilities	Total liabilities from financing activities
As of January 1, 2021	\$100,854	\$23,810,788	\$876,581	\$24,788,223
Cash flows	466,557	1,866,505	(310,374)	2,022,688
Non-cash changes				
Syndicated loan issuance costs	-	21,654	-	21,654
Amortization on bonds payable	-	(4,730)	-	(4,730)
Additions to right-of-use assets	-	-	24,275	24,275
Remeasurement of lease liabilities	-	-	(1,611)	(1,611)
Foreign exchange movement	(555)	(159,650)	(4,206)	(164,411)
As of December 31, 2021	<u>\$566,856</u>	<u>\$25,534,567</u>	<u>\$584,665</u>	<u>\$26,686,088</u>

Reconciliation of liabilities for year ended December 31, 2020:

	Short-term borrowings	Long-term loans	Lease liabilities	Total liabilities from financing activities
As of January 1, 2020	\$493,383	\$20,328,045	\$1,278,243	\$22,099,671
Cash flows	(390,244)	3,722,800	(510,312)	2,822,244
Non-cash changes				
Syndicated loan issuance costs	-	19,333	-	19,333
Amortization on bonds payable	-	(3,765)	-	(3,765)
Additions to right-of-use assets	-	-	89,750	89,750
Remeasure adjustment of lease liabilities	-	-	25,202	25,202
Foreign exchange movement	(2,285)	(255,625)	(6,302)	(264,212)
As of December 31, 2020	<u>\$100,854</u>	<u>\$23,810,788</u>	<u>\$876,581</u>	<u>\$24,788,223</u>

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

G. Fair values of financial instruments

- a. The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Company to measure or disclose the fair values of financial assets and financial liabilities:

- (a) The carrying amount of cash and cash equivalents, accounts receivable, accounts payable and other payables approximate their fair value due to their short maturities.
- (b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price at the reporting date.
- (c) Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).
- (d) Fair value of debt instruments without market quotations, bank loans and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instruments.

- b. Fair value of financial instruments measured at amortized cost

The carrying amounts of the Company's financial assets and financial liabilities measured at amortized cost approximate their fair value.

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

c. Fair value measurement hierarchy for financial instruments

Please refer to Note 12(3) section H for fair value measurement hierarchy for financial instruments of the Company.

H. Fair value measurement hierarchy

a. Fair value measurement hierarchy

All asset 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: Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.

Level 3: Unobservable inputs for the assets or liabilities.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

b. Fair value measurement hierarchy of the Company's assets and liabilities

The Company does not have assets measured at fair value on a non-recurring basis; the following table presents the fair value measurement hierarchy of the Company's assets and liabilities on a recurring basis:

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December 31, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at fair value through other comprehensive income Equity instruments measured at fair value through other comprehensive income	\$43,028	\$-	\$6,503,449	\$6,546,477

December 31, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at fair value through other comprehensive income Equity instruments measured at fair value through other comprehensive income	\$28,117	\$-	\$4,418,446	\$4,446,563

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, 2021 :

	<u>Assets</u>
	<u>At fair value through other comprehensive income</u>
	<u>Stocks</u>
Beginning balance as at January 1, 2021	\$4,418,446
The fair value of the investments of derecognition	(1,365)
Total gains and losses recognized for the year ended December 31, 2021:	
Amount recognized in OCI (presented in “unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income”)	2,086,368
Ending balance as at December 31, 2021	<u>\$6,503,449</u>

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For the year ended December 31, 2020 :

	<u>Assets</u>
	<u>At fair value through other comprehensive income</u>
	<u>Stocks</u>
Beginning balance as at January 1, 2020	\$2,400,157
Total gains and losses recognized for the year ended December 31, 2020:	
Amount recognized in OCI (presented in “unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income”)	<u>2,018,289</u>
Ending balance as at December 31, 2020	<u><u>\$4,418,446</u></u>

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As at December 31, 2021

Financial assets:	<u>Valuation techniques</u>	<u>Significant unobservable inputs</u>	<u>Quantitative information</u>	<u>Relationship between inputs and fair value</u>	<u>Sensitivity of the input to fair value</u>
Financial assets at fair value through other comprehensive income					
Stocks	Assets approach	Discount for lack of marketability	10%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase/decrease in the discount for lack of marketability would result in decrease/increase in the Company’s equity by NT\$714,919 thousand.
Stocks	Markets approach	P/E, P/B, EV/EBITDA, EV/EBIT and EV/Sales	30%	The higher the proportion of similar quantified information, the higher the fair value of the stocks	10% increase/decrease in the discount for lack of marketability would result in decrease/increase in the Company’s equity by NT\$9,883 thousand.

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As at December 31, 2020

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
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\$489,775 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\$1,495 thousand.

Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Company's Finance Department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The Department analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies at each reporting date.

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(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, 2021		
	Foreign Currency (thousand)	Exchange rate	NT\$ (thousand)
<u>Monetary financial assets</u>			
US\$	\$254,361	27.68	\$7,040,714
CNY	787,799	4.344	3,422,198
JPY	870,111	0.2405	209,262
<u>Monetary financial liabilities</u>			
US\$	343,348	27.68	9,503,862
CNY	745,364	4.344	3,237,863
JPY	927,990	0.2405	223,182

	December 31, 2020		
	Foreign Currency (thousand)	Exchange rate	NT\$ (thousand)
<u>Monetary financial assets</u>			
US\$	\$190,855	28.48	\$5,435,546
CNY	768,237	4.377	3,362,575
JPY	440,924	0.2763	121,827
<u>Monetary financial liabilities</u>			
US\$	308,578	28.48	8,788,289
CNY	560,758	4.377	2,454,439
JPY	277,443	0.2763	76,657

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 asset and liability denominated in foreign currencies. The foreign exchange gains were NT\$134,139 thousand and NT\$242,514 thousand for the years ended December 31, 2021 and 2020, respectively.

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

J. Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

K. The impact of the COVID-19 pandemic on the Company

Since the outbreak of COVID -19, the pandemic has been controlled appropriately in the countries where the Company's main operations and production are located. Therefore, no significant impact was incurred on the Company due to the pandemic.

Near the end of May 2021, a foreign migrant worker cluster infection occurred at the Company's premises. The Company, following the guidance from the Central Epidemic Command Center, decisively adopted series of measures to contain the infection. The measures included quarantine of infected workers, 48 hours production suspension and load reduction, etc. It is estimated that this cluster infection reduced approximately 30% of the Company's monthly sales in June 2021. Other than this one-time impact, COVID-19 does not have any significant impact on the Company's going concern basis, funding ability and operations.

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, 2021:
 - A. Financing provided to others: None.
 - B. Endorsement/Guarantee provided to others: Please refer to Attachment 1.
 - C. Securities held as of December 31, 2021: Please refer to Attachment 2.
 - D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the capital stock: None.

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- E. Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock: Please refer to Attachment 3.
- F. Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock: None.
- G. Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock: Please refer to Attachment 4.
- H. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock: Please refer to Attachment 5.
- I. Financial instruments and derivative transactions: None.
- J. Parent-subsidiary relationship between business dealings and important circumstances: Please refer to Attachment 6.

(2) Information on investees

Information regarding investee companies over which the Company can exercise significant influence or control: Please refer to Attachment 7.

(3) Investment in Mainland China: Please refer to Attachment 6 and Attachment 8.

(4) Major shareholders information: There is no shareholder who owns above 5% securities of the Company as at December 31, 2021.

14. Segment Information

A. General information

The main revenue stream of the Company comes from testing and assembly services. The chief operating decision maker reviews the overall operating results to make decisions about resources to be allocated to and evaluates the overall performance. Therefore, the Company is aggregated into a single segment.

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

B. Regional information

(a) From external customer revenue:

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Taiwan	\$11,539,373	\$8,184,190
Asia	15,345,062	14,551,928
North America	6,243,330	5,565,380
Others	631,624	657,806
Total	<u>\$33,759,389</u>	<u>\$28,959,304</u>

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

	<u>December 31,</u>	<u>December 31,</u>
	<u>2021</u>	<u>2020</u>
Taiwan	\$35,221,439	\$32,645,996
Asia	11,089,124	7,893,696
Others	17,593	22,557
Total	<u>\$46,328,156</u>	<u>\$40,562,249</u>

(c) Important customer information

For the years ended December 31, 2021 and 2020, the information of external customer's revenue which exceeds 10% of the Company's consolidated revenues is as follows:

	<u>For the years ended December 31,</u>			
	<u>2021</u>		<u>2020</u>	
MediaTek Inc.	<u>\$5,044,632</u>	<u>15%</u>	<u>\$2,917,792</u>	<u>10%</u>

ENDORSEMENTS/GUARANTEES PROVIDED

For the year ended December 31, 2021

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

Endorsement/ Guarantee NO.	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note 2)	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable (Note 3)	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China
		Name	Nature of Relationship										
1	The Company	Suzhou Zhengkuan Technology Ltd.	(Note 1)	\$6,836,855	\$993,260	\$138,400	\$69,200	-	0.40%	\$13,673,710	Y	N	Y

Note 1: A subsidiary in which endorser/guarantor holds directly over 50% of equity interest.

Note 2: The amount of guarantees/endorsements for any single entity shall not exceed 20% of net worth of endorser/guarantor.

Note 3: The maximum endorsement/guarantee amount allowable shall not exceed 40% of the Company's net worth as of December 31, 2021.

KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES

Attachment 2

MARKTEABLE SECURITIES HELD

As of December 31, 2021

(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, 2021				Note
					Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
	Stock	Shieh Yong Investment Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	121,840,431	1,669,533	7.58%	1,669,533	
	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	-	3.10%	-	
The Company	Stock	YANN YUAN Investment Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	25,000,000	4,764,734	15.34%	4,764,734	
	Stock	Movella Inc. (Note)	-	Non-current financial assets at fair value through other comprehensive income	528,745	-	0.81%	-	
	Stock	IROC Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	315,999	12,877	1.23%	12,877	
	Stock	Subtron Technology Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	927,147	30,151	0.32%	30,151	
	Stock	CAL-COMP INDÚSTRIA DE SEMICONDUCTORES S.A.	-	Non-current financial assets at fair value through other comprehensive income	11,965,500	69,182	17.16%	69,182	

Note: The security was renamed from Mcube Inc.

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

As of December 31, 2021

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

Held Company Name	Type of Properties	Transaction Date	Transaction Amount	Payment Status	Counter-party	Relationship	Prior Transaction of Related Counter-party			Price Reference	Purpose and Usage of Acquisition	Other Commitments
							Owner	Relationship with the Issuer	Transfer Date			
The Company	Land and building	2020.10.30 (Note)	\$350,000	According to the trading term of purchase order, the Company has paid off the total consideration as of December 31, 2021.	Henghou Xingye Co., Ltd.	None	Not applicable		Reference to valuation report	Purpose: to meet the needs of future operation and development usage status: ownership has been transferred	None	
The Company	Land and building	2020.12.25 (Note)	\$639,000	According to the trading term of purchase order, the Company has paid \$447,300 as of December 31, 2021.	Weishun architecture Co., Ltd.	None	Not applicable		Price comparison and bargaining	Purpose: to meet the needs of future operation and development usage status: ownership not transferred	None	

Note: Board of Directors approval date.

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

As of December 31, 2021

(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 (Including Contract Assets)	
			Purchase/Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total
The Company	MediaTek Inc.	The chairman of the Company and the chairman of Mediatek Inc. are close relatives	Sales	\$4,654,610	18.03%	Month-end 75 days	-	-	\$1,069,273	17.32 %
	Mediatek Singapore Pte. Ltd.	Subsidiary of MediaTek Inc.	Sales	\$2,947,566	11.42%	Month-end 60 days	-	-	\$787,233	12.75 %
	Airoha Technology Corp. Airoha Technology (Suzhou) Limited.	Subsidiary of MediaTek Inc. Subsidiary of MediaTek Inc.	Sales Sales	\$504,002 \$114,130	1.95% 0.44%	Month-end 60 days Month-end 75 days	- -	- -	\$155,744 \$32,178	2.52 % 0.52 %
King Long Technology (Suzhou) Ltd.	MediaTek Inc.	The chairman of the Company and the chairman of Mediatek Inc. are close relatives	Sales	\$390,022	5.82%	Month-end 75 days	-	-	\$58,388	3.45 %
	Mediatek Singapore Pte. Ltd.	Subsidiary of MediaTek Inc.	Sales	\$151,158	2.26%	Month-end 75 days	-	-	\$22,357	1.32 %
	Suzhou Zhengkuan Technology Ltd.	Subsidiary	Sales	\$158,619	2.37%	Month-end 180 days	-	-	\$96,486	5.71 %

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

As of December 31, 2021

(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	\$1,073,634 (Note 1)	4.38	\$-	-	\$732,225	-
	Mediatek Singapore Pte. Ltd.	Subsidiary of MediaTek Inc.	\$787,565 (Note 2)	4.50	\$29	-	\$505,191	-
	Airoha Technology Corp.	Subsidiary of MediaTek Inc.	\$155,744	4.87	\$-	-	\$98,266	-
	King Long Technology (Suzhou) Ltd.	Subsidiary	\$436,705 (Note 3)	0.83	\$-	-	\$20,822	-
King Long Technology (Suzhou) Ltd.	Suzhou Zhengkuan Technology Ltd.	Subsidiary	\$156,880 (Note 4)	1.89	\$-	-	\$28,164	-

Note 1: Includes other receivables - related party amounting to NT\$4,361 thousand arising from handling charges, freights and tax fees.

Note 2: Includes other receivables - related party amounting to NT\$332 thousand arising from customs clearance charges and freights.

Note 3: Includes other receivables - related party amounting to NT\$425,716 thousand arising from disposal of equipments and accessories.

Note 4: Includes other receivables - related party amounting to NT\$60,394 thousand arising from utility fees.

INTERCOMPANY RELATIONSHIP AND SIGNIFICANT INTERCOMPANY TRANSACTIONS DURING THE REPORTING PERIOD

For the year ended December 31, 2021

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

Number	Company name	Counterparty	Relationship	Financial Statement Account	Amount (Foreign Currency in Thousands)	Transaction Terms	% of Net Revenues or total Assets
0	KYTEC	KYTEC USA Corp.	1	Commission expense	\$46,330	according to contract	0.14%
				Accrued expenses	2,076		-
		King Long Technology (Suzhou) Ltd.		Disposal of equipment	1,140,684		1.58%
				Purchase equipment	20,018		0.03%
				Accounts receivable	10,989		0.02%
				Other receivables	425,716		0.59%
				Accrued expenses	10,168		0.01%
				Sales revenue	32,399		0.10%
				Equipment repair	1,182		-
				Deferred credits	148,074		0.21%
1	King Long Technology (Suzhou) Ltd.	KYTEC Japan. K.K.	3	Accrued expenses	6,585	according to contract	0.01%
				Commission expense	26,442		0.08%
		Suzhou Zhengkuan Technology Ltd.		Commission expense	23,897		0.07%
				Endorsement guarantee	138,400		-
					(US\$5,000)		-
				Disposal of equipment	32,195		0.04%
				Purchase equipment	1,213		-
				Accrued expenses	1,977		-
				Sales revenue	2,350		0.01%
				Deferred credits	14,265		0.02%
Sales revenue	158,619	0.47%					
Accounts receivable	96,486	0.13%					
Other receivables	60,394	0.08%					

Note 1: The information of transactions between the Company and the consolidated subsidiaries should be noted in "Number" column.

(1) Number 0 represents the Company.

(2) The consolidated subsidiaries are numbered in order from number 1.

Note 2: The transaction relationships with the counterparties are as follows:

(1) The Company to the consolidated subsidiary.

(2) The consolidated subsidiary to the Company.

(3) The consolidated subsidiary to another consolidated subsidiary.

Note 3: In calculating the ratio, the transaction amount is divided by consolidated total assets for balance sheet accounts and is divided by consolidated total revenues for income statement accounts.

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)

For the year ended December 31, 2021

(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, 2021		Net Income (Loss) of the Investee	Investment income (loss) recognised by the Company for the year ended of December 31, 2021.	Note
				December 31, 2021	December 31, 2020	Shares	Percentage of Ownership			
	KYEC USA Corp.	Note 1	Sales agent and business communication in USA	\$4,973	\$4,973	160,000	100.00 %	\$11,367	\$(200)	
	KYEC Investment International Co., Ltd.	Note 2	Investing activities	5,292,315	5,292,315	164,923,636	100.00 %	7,925,792	1,757,293	
	KYEC Technology Management Co., Ltd.	Note 3	Investing activities	251,579	251,579	7,500,000	100.00 %	504,621	111,770	
	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 %	53,553	4,863	
The Company	KYEC SINGAPORE PTE. LTD.	Note 5	Sales agent and business communication in South East Asia and Europe	1,830	1,830	78,000	100.00 %	6,313	4,619	
	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 %	50,400	50,698	
	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 %	28,726	30,711	
	King Ding Precision Incorporated Company	Note 8	Manufacturing, selling and wholesale of electronics parts and components and repairing of electronics related products	72,600	72,600	6,600,000	100.00 %	71,337	1,375	
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 286,336	USD 66,791	-
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 18,231	USD 66,791	-

Note 1 : 101 Metro Drive., #540 San Jose, CA 95110 USA.

Note 2 : Wickhams Cay II Road Town, Tortola, VG1110, British Virgin Islands.

Note 3 : Portcullis TrustNet Chambers, P.O. Box 1225, Apia, Samoa.

Note 4 : 5F 2-3-8 Monochihama, 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, 2021

(Amounts in New Taiwan Thousand Dollars, CNY thousand, 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, 2021	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2021	Net Income (Loss) of the Investee Company	Percentage of Ownership	Share of Profits/Losses (Note 5)	Carrying Amount as of December 31, 2021	Accumulated Inward Remittance of Earnings as of December 31, 2021
					Outflow	Inflow						
King Long Technology (Suzhou) Ltd.	Note 1	\$2,370,525 (CNY 546,176)	Indirectly investment in Mainland China through companies registered in a third region (Note 2)	\$3,422,770 (USD 123,655)	\$-	\$-	\$3,422,770 (USD 123,655)	\$1,927,763 (USD 68,902)	92.46%	\$1,869,063 (USD 66,791)	\$8,430,414 (USD 304,567)	\$-
Suzhou Zhengkuan Technology Ltd.	Note 3	\$2,314,850 (CNY 533,348)	Indirectly investment in Mainland China through companies registered in a third region (Note 4)	\$1,349,916 (USD 48,769)	\$-	\$-	\$1,349,916 (USD 48,769)	\$187,296 (USD 6,698)	92.46%	\$181,024 (USD 6,473)	\$690,448 (USD 24,944)	\$-
Accumulated Investment in Mainland China as of December 31, 2021						Investment Amounts Authorized by Investment Commission, MOEA				Upper Limit on Investment		
						\$4,772,686 (USD 172,424)				\$20,510,565		

Note 1: 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.

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: R&D, production (assembly and 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.

Note 4: Investment was through King Long Technology (Suzhou) Ltd.

Note 5: Recognition of investment gains (losses) was calculated based on the investee's audited financial statements.

KING YUAN ELECTRONICS CO., LTD.

**PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
WITH
INDEPENDENT AUDITOR'S REPORT TRANSLATED
FROM CHINESE**

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

Telephone: 886-3-5751888

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



安永聯合會計師事務所

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English Translation of a Report Originally Issued in Chinese

Independent Auditors' Report

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

Opinion

We have audited the accompany parent company only balance sheets of King Yuan Electronics Co., Ltd. as of December 31, 2021 and 2020, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2021 and 2020, and notes to the parent company only financial statements, including the summary of significant accounting policies (together “the financial statements”).

In our opinion, the parent company only financial statements referred to above present fairly, in all material respects, the financial position of King Yuan Electronics Co., Ltd. as of December 31, 2021 and 2020, and its financial performance and cash flows for the years ended December 31, 2021 and 2020, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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



Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2021 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

King Yuan Electronics Co., Ltd. recognized NT\$25,820,727 thousand as net sales. Their main activities are providing testing and assembly services that represented 86%, or NT\$22,081,412 thousand in the amount, of the net operating revenues.

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

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

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

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

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



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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2021 parent company only financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Kuo, Shao-Pin

Fuh, Wen-Fun

Ernst & Young, Taiwan
March 4, 2022

Notice to Readers

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

English Translation of Financial Statements Originally Issued in Chinese

**KING YUAN ELECTRONICS CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS**

As of December 31, 2021 and 2020

(Amounts in thousands of New Taiwan Dollars)

ASSETS	Notes	December 31, 2021	%	December 31, 2020	%
Current assets					
Cash and cash equivalents	4, 6(1)	\$6,420,308	10	\$5,110,784	10
Contract assets-current	4, 6(14), 6(15), 7	178,596	-	202,972	-
Notes receivable, net	4, 6(3), 6(15)	7,706	-	3,049	-
Accounts receivable, net	4, 6(4), 6(15)	3,904,721	6	3,127,686	6
Accounts receivable from related parties, net	4, 6(4), 6(15), 7	2,081,340	3	1,749,678	3
Other receivables	4, 6(15)	314,282	-	94,551	-
Other receivables from related parties	4, 7	430,541	1	111,918	-
Inventories, net	4, 6(5)	1,029,780	2	774,144	2
Prepayments	6(6)	53,284	-	125,241	-
Other current assets		66,878	-	51,843	-
Total current assets		<u>14,487,436</u>	<u>22</u>	<u>11,351,866</u>	<u>21</u>
Non-current assets					
Financial assets at fair value through other comprehensive income-non-current	4, 6(2)	6,546,477	10	4,446,563	8
Investments accounted for using the equity method	4, 6(7)	8,489,770	13	6,148,166	11
Property, plant and equipment	4, 6(8), 7, 8	34,613,760	54	31,370,700	58
Right-of-use assets	4, 6(16)	553,546	1	1,191,431	2
Intangible assets	4, 6(9)	69,247	-	80,159	-
Deferred tax assets	4, 6(20)	261,675	-	227,623	-
Other financial assets-non-current	8	105,972	-	115,669	-
Other non-current assets		5,394	-	3,497	-
Total non-current assets		<u>50,645,841</u>	<u>78</u>	<u>43,583,808</u>	<u>79</u>
Total assets		<u>\$65,133,277</u>	<u>100</u>	<u>\$54,935,674</u>	<u>100</u>

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

(continued)

English Translation of Financial Statements Originally Issued in Chinese

**KING YUAN ELECTRONICS CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS**

As of December 31, 2021 and 2020

(Amounts in thousands of New Taiwan Dollars)

	Notes	December 31, 2021	%	December 31, 2020	%
LIABILITIES AND EQUITY					
Current liabilities					
Contract liabilities-current		\$-	-	\$11,590	-
Notes payable	4, 6(14)	10,066	-	4,435	-
Accounts payable		777,667	1	790,394	1
Accounts payable to related parties	7	21,414	-	19,487	-
Other payables		3,324,753	5	2,623,108	4
Other payables to related parties	7	119,736	-	306,083	1
Payables on equipment		1,235,723	2	494,636	1
Current tax liabilities	4, 6(20)	574,809	1	394,417	1
Lease liabilities-current	4, 6(16)	86,364	-	304,358	1
Other current liabilities	4, 6(10)	882,244	2	578,740	1
Total current liabilities		7,032,776	11	5,527,248	10
Non-current liabilities					
Long-term loans	4, 6(11), 8	21,275,331	33	18,318,298	34
Deferred tax liabilities	4, 6(20)	1,527,445	2	667,968	1
Lease liabilities-non-current	4, 6(16)	469,377	1	533,878	1
Net defined benefit liabilities	4, 6(12)	610,222	1	566,456	1
Guarantee deposits		33,851	-	2,755	-
Total non-current liabilities		23,916,226	37	20,089,355	37
Total liabilities		30,949,002	48	25,616,603	47
Equity					
Share capital	4, 6(13)				
Common stock		12,227,451	19	12,227,451	22
Capital surplus	4, 6(7), 6(13)	4,885,134	8	4,588,172	9
Retained earnings	4, 6(2), 6(13)				
Legal reserve		3,019,879	5	2,656,958	5
Special reserve		201,416	-	402,406	1
Undistributed earnings		10,580,312	15	8,147,631	14
Total retained earnings		13,801,607	20	11,206,995	20
Other equity	4, 6(13)	3,270,083	5	1,296,453	2
Total equity		34,184,275	52	29,319,071	53
Total liabilities and equity		\$65,133,277	100	\$54,935,674	100

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

KING YUAN ELECTRONICS CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2021 and 2020

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

Description	Notes	2021	%	2020	%
Net sales	4, 6(14), 6(16), 7	\$25,820,727	100	\$23,344,758	100
Operating costs	4, 6(5), 6(8), 6(9), 6(12), 6(16), 6(17), 7	(18,476,736)	(72)	(17,280,780)	(74)
Gross profit		7,343,991	28	6,063,978	26
Operating expenses	4, 6(8), 6(9), 6(12), 6(16), 6(17), 7				
Selling expenses		(345,629)	(1)	(359,004)	(1)
Administrative expenses		(1,646,203)	(6)	(1,386,381)	(6)
Research and development expenses		(846,846)	(3)	(909,932)	(4)
Expected credit losses		-	-	(2,857)	-
Total operating expenses		(2,838,678)	(10)	(2,658,174)	(11)
Operating income		4,505,313	18	3,405,804	15
Non-operating income and expenses	4, 6(7), 6(8), 6(18), 7				
Interest income		4,872	-	7,424	-
Other income		193,414	1	177,060	1
Other gains and losses		105,488	-	(164,770)	(1)
Finance costs		(200,484)	(1)	(217,585)	(1)
Share of profit of associates accounted for using the equity method		1,901,485	7	1,159,434	5
Total non-operating income and expenses		2,004,775	7	961,563	4
Net income before income tax		6,510,088	25	4,367,367	19
Income tax expense	4, 6(20)	(1,335,042)	(5)	(730,714)	(3)
Net income		5,175,046	20	3,636,653	16
Other comprehensive income	4, 6(19)				
Items that will not be reclassified subsequently to profit or loss:					
Remeasurements of the defined benefit plan		(53,368)	-	(45,906)	-
Unrealized gains from equity instrument investments measured at fair value through other comprehensive income		2,101,279	8	2,056,310	9
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		(419,982)	(2)	(403,570)	(2)
Items that will be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial statements of foreign operations		(42,240)	-	105,726	-
Income tax related to components of other comprehensive income that will be reclassified to profit or loss		8,448	-	(21,145)	-
Other comprehensive income, net of tax		1,594,137	6	1,691,415	7
Total comprehensive income		\$6,769,183	26	\$5,328,068	23
Earnings per share(NT\$)	4, 6(21)				
Basic Earnings Per Share		\$4.23		\$2.97	
Diluted Earnings Per Share		\$4.18		\$2.94	

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

KING YUAN ELECTRONICS CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2021 and 2020

(Amounts in thousands of New Taiwan Dollars)

Description	Common stock	Capital surplus	Retained earnings			Undistributed earnings	Other equity		Total Equity
			Legal reserve	Special reserve	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, 2020	\$12,227,451	\$4,832,721	\$2,359,299	\$803,172	\$6,371,702	\$(441,617)	\$39,211	\$26,191,939	
Appropriation and distribution of 2019 earnings :	-	-	297,659	-	(297,659)	-	-	-	
Legal reserve	-	(244,549)	-	-	(1,956,392)	-	-	(2,200,941)	
Cash dividends	-	-	-	(400,766)	400,766	-	-	-	
Reversal of special reserve	-	-	-	-	-	-	-	-	
Profit for the year ended December 31, 2020	-	-	-	-	3,636,653	-	-	3,636,653	
Other comprehensive income for the year ended December 31, 2020	-	-	-	-	(45,906)	84,581	1,652,740	1,691,415	
Total comprehensive income	-	-	-	-	3,590,747	84,581	1,652,740	5,328,068	
Changes in ownership interests in subsidiaries	-	-	-	-	5	-	-	5	
Disposal of equity instrument investments measured at fair value through other comprehensive income	-	-	-	-	38,462	-	(38,462)	-	
Balance as of December 31, 2020	\$12,227,451	\$4,588,172	\$2,656,958	\$402,406	\$8,147,631	\$(357,036)	\$1,653,489	\$29,319,071	
Balance as of January 1, 2021	\$12,227,451	\$4,588,172	\$2,656,958	\$402,406	\$8,147,631	\$(357,036)	\$1,653,489	\$29,319,071	
Appropriation and distribution of 2020 earnings :	-	-	362,921	-	(362,921)	-	-	-	
Legal reserve	-	(244,549)	-	-	(2,200,941)	-	-	(2,445,490)	
Cash dividends	-	-	-	(200,990)	200,990	-	-	-	
Reversal of special reserve	-	-	-	-	-	-	-	-	
Profit for the year ended December 31, 2021	-	-	-	-	5,175,046	-	-	5,175,046	
Other comprehensive income for the year ended December 31, 2021	-	-	-	-	(53,368)	(33,792)	1,681,297	1,594,137	
Total comprehensive income	-	-	-	-	5,121,678	(33,792)	1,681,297	6,769,183	
Changes in ownership interests in subsidiaries	-	541,511	-	-	-	-	-	541,511	
Disposal of equity instrument investments measured at fair value through other comprehensive income	-	-	-	-	(326,125)	-	326,125	-	
Balance as of December 31, 2021	\$12,227,451	\$4,885,134	\$3,019,879	\$201,416	\$10,580,312	\$(390,828)	\$3,660,911	\$34,184,275	

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

English Translation of Financial Statements Originally Issued in Chinese
KING YUAN ELECTRONICS CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
For the years ended December 31, 2021 and 2020
(Amounts in thousands of New Taiwan Dollars)

Description	2021	2020	Description	2021	2020
Cash flows from operating activities :			Cash flows from investing activities :		
Profit before tax from continuing operations	\$6,510,088	\$4,367,367	Proceeds from disposal of financial assets at fair value through other comprehensive income	\$1,365	\$65,027
Adjustments for:			Acquisition of property, plant and equipment	(10,199,072)	(8,182,159)
The profit or loss items which did not affect cash flows:			Proceeds from disposal of property, plant and equipment	786,587	840,968
Depreciation	7,102,275	6,809,397	Increase in refundable deposits	(1,897)	(10)
Amortization	47,250	49,887	Acquisition of intangible assets	(36,338)	(63,898)
Expected credit losses	-	2,857	Increase in other financial assets	-	(2,544)
Interest expenses	200,484	217,585	Decrease in other financial assets	9,697	-
Interest income	(4,872)	(7,424)	Dividends received	98,006	64,076
Dividend income	(85,016)	(50,966)	Net cash used in investing activities	(9,341,652)	(7,278,540)
Investment gain accounted for using the equity method	(1,901,485)	(1,159,434)			
Gain on disposal of property, plant and equipment	(96,761)	(46,075)	Cash flows from financing activities :		
Impairment of non-financial assets	59,461	153,955	Borrowing in long-term loans	15,621,188	26,184,895
Unrealized foreign exchange loss (gain)	8,687	(78,024)	Repayments of long-term loans	(12,688,419)	(24,750,701)
Changes in operating assets and liabilities :			Increase in guarantee deposits	31,096	822
Contract assets	24,376	(76,790)	Cash payments for the principal portion of the lease liabilities	(304,763)	(505,826)
Notes receivable	(4,657)	1,219	Cash dividends	(2,445,490)	(2,200,941)
Accounts receivable	(777,035)	623,507	Interest paid	(187,708)	(209,644)
Accounts receivable from related parties	(331,662)	(863,506)	Net cash provided by (used in) financing activities	25,904	(1,481,395)
Other receivables	(221,695)	45,210			
Other receivables from related parties	92,839	261,002			
Inventories	(255,636)	133,698			
Prepayments	7,618	19,270			
Other current assets	(15,035)	25,101			
Contract liabilities	(11,590)	(40,896)			
Notes payable	5,631	2,802			
Accounts payable	(12,727)	14,894			
Accounts payable to related parties	1,927	(11,850)			
Other payables	702,439	(127,589)			
Other payables to related parties	22,525	(28,361)			
Other current liabilities	303,504	275,090			
Accrued pension liabilities	(9,602)	(7,619)			
Cash generated from operating activities	11,361,331	10,504,307			
Interest received	4,700	7,397			
Income tax paid	(740,759)	(796,930)			
Net cash provided by operating activities	10,625,272	9,714,774			
			Net increase in cash and cash equivalents	1,309,524	954,839
			Cash and cash equivalents at the beginning of the year	5,110,784	4,155,945
			Cash and cash equivalents at the end of the year	\$6,420,308	\$5,110,784

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

1. Organization and Operation

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

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

The parent company only financial statements of the Company were approved and authorized for issue by the Board of Directors on March 4, 2022.

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, 2021. 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, but 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	Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements	January 1, 2022

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A. Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements

a. Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)

The amendments updated IFRS 3 by replacing a reference to an old version of the Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018. The amendments also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential “day 2” gains or losses arising for liabilities and contingent liabilities. Besides, the amendments clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Conceptual Framework.

b. Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

c. Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments clarify what costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

d. Annual Improvements to IFRS Standards 2018 – 2020

Amendment to IFRS 1

The amendment simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.

Amendment to IFRS 9 Financial Instruments

The amendment clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

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Amendment to Illustrative Examples Accompanying IFRS 16 Leases

The amendment to Illustrative Example 13 accompanying IFRS 16 modifies the treatment of lease incentives relating to lessee's leasehold improvements.

Amendment to IAS 41

The amendment removes a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in IAS 41 with those in other IFRS Standards.

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, 2022 and have no material impact on the Company.

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
A	IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
B	IFRS 17 "Insurance Contracts"	January 1, 2023
C	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2023
D	Disclosure Initiative - Accounting Policies – Amendments to IAS 1	January 1, 2023
E	Definition of Accounting Estimates – Amendments to IAS 8	January 1, 2023
F	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	January 1, 2023

- 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 ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the 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 gains or losses 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. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after January 1, 2023 (from the original effective date of January 1, 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after January 1, 2023.

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

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

D. Disclosure Initiative - Accounting Policies – Amendments to IAS 1

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

E. Definition of Accounting Estimates – Amendments to IAS 8

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

F. Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

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

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

4. Summary of Significant Accounting Policies

Statement of Compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”).

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Basis of Preparation

The Company prepares the parent company only financial statements in accordance with the Regulations. According to article 21 of the Regulations, the profit or loss and other comprehensive income presented in the parent company only financial statements will be the same as the allocations of profit or loss and of other comprehensive income attributable to owners of the parent presented in the financial statements prepared on a consolidated basis, and the owners' equity presented in the parent company only financial statements will be the same as the equity attributable to owners of the parent presented in the financial statements prepared on a consolidated basis. Therefore, the investments in subsidiaries will be disclosed under “Investments accounted for using the equity method” in the parent company only financial report and change in value will be adjusted.

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

Foreign currency transactions

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

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

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

- A. exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.

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- B. foreign currency items within the scope of IFRS 9 “Financial Instruments” are accounted for based on the accounting policy for financial instruments.
- C. exchange differences arising on a monetary item that forms part of a reporting entity’s net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

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

Translation of financial statements in foreign currency

Each foreign operation of the Company determines its function currency upon its primary economic environment and items included in the financial statements of each operation are measured using that functional currency. The assets and liabilities of foreign operations are translated into NT\$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following partial disposals are accounted for as disposals:

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

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is adjusted in “investments accounted for using the equity method”. In partial disposal of an associate or jointly controlled entity that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

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

Current and non-current distinction

An asset is classified as current when:

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

All other assets are classified as non-current.

A liability is classified as current when:

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

All other liabilities are classified as non-current.

Cash and cash equivalents

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

Financial instruments

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

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

A. Financial instruments: Recognition and Measurement

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

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

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

Financial assets measured at amortized cost

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

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

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

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

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

Financial assets measured at fair value through other comprehensive income

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

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

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

- a. A gain or loss on a financial asset measured at fair value through other comprehensive income is recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
- b. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- c. Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

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- (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 asset 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.

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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;

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

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

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

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

Financial liabilities at amortized cost

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

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

Derecognition of financial liabilities

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

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

E. Offsetting of financial instruments

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

Derivative financial instruments

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

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

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

Fair value measurement

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

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

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

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

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

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

Inventories

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

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

Raw materials – Purchase cost on weighted average method

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

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

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

Investments accounted for using the equity method

According to Article 21 of the Regulations, the investments in subsidiaries will be disclosed under “investments accounted for using the equity method” and changes in value will be adjusted accordingly. The profit or loss and other comprehensive income presented in parent company only financial statements will be the same as the allocations of profit or loss and other comprehensive income attributable to owners of the parent presented in the financial statements prepared on a consolidated basis, and the owners' equity presented in the parent company only financial statements will be the same as the equity attributable to owners of the parent presented in the financial statements prepared on a consolidated basis. The difference of the accounting treatment between the parent company only basis and the consolidated basis are adjusted under “investments accounted for using the equity method”, “share of profit of subsidiaries and associates accounted for using the equity method” and “share of other comprehensive income of subsidiaries and associates accounted for using the equity method”.

The Company's investment in its associates is accounted for using the equity method. An associate is an entity over which the Company has significant influence.

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

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

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When the associate issues new shares, and the Company's interest in an associate is reduced or increased as the Company fails to acquire shares newly issued in the associate proportionately to its original ownership interest, the increase or decrease in the interest in the associate is recognized in capital surplus and investments accounted for using the equity method. When the interest in the associate is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Company disposes the associate.

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

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

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

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

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

Property, plant and equipment

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

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

Buildings and facilities	31 years
Plant equipment	5~16 years
Machinery and equipment	2~ 8 years
Transportation equipment	3~ 6 years
Office equipment	3~ 5 years
Right-of-use assets	4~28 years
Leased assets	3~11 years
Leasehold improvements	10 years

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

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

Leases

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

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

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

A. The Company as a lessee

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

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

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

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

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

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

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

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

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

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

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

B. The Company as a lessor

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

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

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

Intangible assets

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

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

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

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

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

A. Research and development costs

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

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

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

B. Computer software

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

Impairment of non-financial assets

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

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

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

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

Treasury shares

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

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

Revenue recognition

The Company's revenues 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 revenues over time. The Company estimates the volume discounts using the expected value method based on historical experiences. However, revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur and when the uncertainty associated with the variable consideration is subsequently resolved. During the period specified in the contract, refund liability is recognized for the expected volume discounts.

The credit period of the Company's service revenue is from 30 to 120 days. For most of the contracts, when the Company transfers those processed assets to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Company usually collects the payments shortly after transferring those processed assets to customers; therefore, there is no significant financing component to the contract. For some of the contracts, the Company transfers those processed assets to customers but does not have a right to an amount of consideration that is unconditional, these contracts should be presented as contract assets. Besides, in accordance with IFRS 9, the Company measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses.

B. Revenues from rental of machinery

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

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 financing component. The Company provides its customer with a warranty for refund for defectives products. Such warranty is accounted for in accordance with IAS 17 as liability provision.

Borrowing costs

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

Post-employment benefits

All regular employees of the Company are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence not associated with the Company. Therefore, fund assets are not included in the Company's parent company only financial statements.

For the defined contribution plan, the Company will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due.

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

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

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

Share-based payment transactions

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

The cost of equity-settled transactions is recognized, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

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

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

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

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

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

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Income taxes

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

A. Current income tax

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

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

B. Deferred tax

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

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

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

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

- a. where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- b. in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

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

5. Significant Accounting Judgments, Estimates and Assumptions

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

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

A. Fair value of Level 3 financial instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the income approach (for example the discounted cash flows model) or market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

B. Revenue recognition - sales returns and discounts

The Company estimates sales returns and allowance based on historical experience and other known factors at the time of sale, which reduces the operating revenue. In assessing the aforementioned sales returns and allowance, on the basis of highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Please refer to Note 6. (10) for more details.

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6. Contents of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Checking and savings accounts	\$4,920,308	\$4,520,784
Time deposits	1,500,000	590,000
Total	<u>\$6,420,308</u>	<u>\$5,110,784</u>

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

	December 31, 2021	December 31, 2020
Equity instrument investments measured at fair value through other comprehensive income- non-current		
Listed company's stocks	\$43,028	28,117
Unlisted company's stocks	6,503,449	4,418,446
Total	<u>\$6,546,477</u>	<u>\$4,446,563</u>

The Company has equity instrument investments measured at fair value through other comprehensive income. Details on dividends recognized for the years of 2021 and 2020 are as follows:

	For the years ended December 31,	
	2021	2020
Related to investments derecognized during the period	\$-	\$783
Related to investments held at the end of the reporting period	85,016	50,183
Dividends recognized during the period	<u>\$85,016</u>	<u>\$50,966</u>

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In consideration of disposition or liquidation of certain investments according to the Company's investment strategy, the Company derecognized certain equity instrument investments measured at fair value through other comprehensive income. Details on derecognition of the investments for the years ended December 31, 2021 and 2020 are as follows:

	December 31, 2021	December 31, 2020
The fair value of the investments at the date of derecognition	\$1,365	\$65,027
The cumulative (loss) gain on disposal	\$(326,125)	\$38,462

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

(3) Notes receivable

	December 31, 2021	December 31, 2020
Notes receivable from operating activities	\$7,706	\$3,049
Less: loss allowance	-	-
Total	\$7,706	\$3,049

Notes receivable were not pledged.

The Company adopted IFRS 9 for impairment assessment. Please refer to Note 6.(15) for more details on accumulated impairment. Please refer to Note 12 for more details on credit risk.

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(4) Trade receivables and trade receivables from related parties

	December 31, 2021	December 31, 2020
Trade receivables	\$3,929,879	\$3,152,844
Less: loss allowance	(25,158)	(25,158)
Subtotal	<u>3,904,721</u>	<u>3,127,686</u>
Trade receivables from related parties	2,081,340	1,749,678
Less: loss allowance	-	-
Subtotal	<u>2,081,340</u>	<u>1,749,678</u>
Total	<u>\$5,986,061</u>	<u>\$4,877,364</u>

No trade receivables were pledged.

The receivables are generally on 30 to 120 days terms. Please refer to Note 6.(15) for more details on loss allowance of trade receivables for the years ended December 31, 2021 and 2020. Please refer to Note 12 for more details on credit risk.

(5) Inventories

	December 31, 2021	December 31, 2020
Raw materials	\$751,224	\$595,414
Work in progress	278,556	178,730
Finished goods	-	-
Total	<u>\$1,029,780</u>	<u>\$774,144</u>

The cost of inventories recognized in operating costs for the year ended December 31, 2021 amounted to NT\$18,476,736 thousand, including the reversal gain of inventories of NT\$17,680 thousand, and scrap loss of NT\$42,674 thousand, respectively. The reversal is due to the fact that the previous write-down of inventories had been scrapped.

The cost of inventories recognized in operating costs for the year ended December 31, 2020 amounted to NT\$17,280,780 thousand, including the write-down of inventories of NT\$42,208 thousand, and scrap loss of NT\$3,931 thousand, respectively.

No inventories were pledged.

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(6) Prepayments

	December 31, 2021	December 31, 2020
Prepaid equipment	\$-	\$64,339
Prepaid expenses	10,533	9,486
Input tax	27,472	41,245
Others	15,279	10,171
Total	<u>\$53,284</u>	<u>\$125,241</u>

(7) Investments accounted for using the equity method

Investees	December 31, 2021		December 31, 2020	
	Carrying amount	Percentage of ownership	Carrying amount	Percentage of ownership
Subsidiaries:				
KYEC USA Corp.	\$11,367	100.00%	\$12,035	100.00%
KYEC Investment International Co., Ltd.	7,925,792	100.00%	5,691,034	100.00%
KYEC Technology Management Co., Ltd.	504,621	100.00%	362,498	100.00%
KYEC Japan K.K.	53,553	89.83%	56,828	89.83%
KYEC SINGAPORE PTE. LTD.	6,313	100.00%	2,130	100.00%
King Ding Precision Incorporated Company (King Ding)	71,337	100.00%	69,962	100.00%
Subtotal	<u>8,572,983</u>		<u>6,194,487</u>	
Investments in associates:				
Fixwell Technology Corp.	50,400	23.33%	46,981	23.33%
Wei Jiu Industrial Co., Ltd.	28,726	34.00%	22,875	34.00%
Subtotal	<u>79,126</u>		<u>69,856</u>	
Less: deferred credits	<u>(162,339)</u>		<u>(116,177)</u>	
Total	<u>\$8,489,770</u>		<u>\$6,148,166</u>	

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A. Investments in subsidiaries

Investments in subsidiaries are expressed as “Investments accounted for using the equity method” in the Company’s parent company only financial statements with necessary valuation adjustments.

The Company indirectly invested in King Long Technology (Suzhou) Ltd. via KYEC Investment International Co., Ltd. and KYEC Technology Management Co., Ltd. During the year 2021, the Company's ownership in King Long Technology (Suzhou) Ltd. changed due to capital increase and the exercise of employee stock options. The change (NT\$541,511 thousand in the amount) was recorded as an increase in capital surplus. No such transaction occurred in 2020.

No investments were pledged.

B. Investments in associates

The Company’s investments in Fixwell Technology Corp. and Wei Jiu Industrial Co., Ltd. are not individually material. The summarized financial information of the Company’s ownership in those associates is as follows:

	For the years ended December 31,	
	2021	2020
Net income	\$22,260	\$16,088
Other comprehensive income, net of tax	-	-
Total comprehensive income	\$22,260	\$16,088

The investments mentioned above were not pledged.

(8) Property, plant and equipment

	December 31,	December 31,
	2021	2020
Owner occupied property, plant and equipment	\$34,482,459	\$30,896,867
Property, plant and equipment leased out under operating leases	131,301	473,833
Total	\$34,613,760	\$31,370,700

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A. Owner occupied property, plant and equipment

	Land	Buildings and facilities	Plant equipment	Machinery and equipment	Office equipment	Transportation equipment	Miscellaneous equipment	Leasehold improvements	Construction in progress and equipment awaiting examination		Total
Cost:											
As of January 1, 2021	\$1,146,274	\$3,712,080	\$8,452,705	\$80,184,528	\$702,375	\$51,521	\$4,278,432	\$4,425	\$1,534,006	\$100,066,346	
Additions	504,772	671,877	1,023,802	7,946,435	63,184	6,329	337,573	-	177,315	10,731,287	
Disposals	-	-	(41,139)	(4,423,123)	(1,741)	(4,056)	(135,624)	-	-	(4,605,683)	
Transfers	-	11,140	-	1,144,018	-	-	-	-	64,339	1,219,497	
As of December 31, 2021	\$1,651,046	\$4,395,097	\$9,435,368	\$84,851,858	\$763,818	\$53,794	\$4,480,381	\$4,425	\$1,775,660	\$107,411,447	
As of January 1, 2020	\$1,143,394	\$3,707,470	\$8,074,490	\$76,195,437	\$638,316	\$49,036	\$3,931,109	\$4,425	\$1,207,352	\$94,951,029	
Additions	2,880	37,596	413,804	6,737,966	65,028	2,485	375,860	-	266,378	7,901,997	
Disposals	-	-	(35,589)	(2,571,040)	(969)	-	(28,537)	-	-	(2,636,135)	
Transfers	-	(32,986)	-	(177,835)	-	-	-	-	60,276	(150,545)	
As of December 31, 2020	\$1,146,274	\$3,712,080	\$8,452,705	\$80,184,528	\$702,375	\$51,521	\$4,278,432	\$4,425	\$1,534,006	\$100,066,346	

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	Land	Buildings and facilities	Plant equipment	Machinery and equipment	Office equipment	Transportation equipment	Miscellaneous equipment	Leasehold improvements	Construction in progress and equipment awaiting examination	Total
Accumulated depreciations and impairment:										
As of January 1, 2021	\$-	\$1,473,242	\$6,030,457	\$57,804,185	\$583,476	\$39,059	\$3,236,553	\$2,507	\$-	\$69,169,479
Depreciation	-	136,148	472,460	5,973,200	38,165	5,419	303,350	443	-	6,929,185
Disposals	-	-	(41,139)	(3,370,732)	(1,741)	(3,560)	(135,521)	-	-	(3,552,693)
Transfers	-	7,537	-	316,019	-	-	-	-	-	323,556
Impairment	-	-	-	59,461	-	-	-	-	-	59,461
As of December 31, 2021	\$-	\$1,616,927	\$6,461,778	\$60,782,133	\$619,900	\$40,918	\$3,404,382	\$2,950	\$-	\$72,928,988
As of January 1, 2020	\$-	\$1,374,762	\$5,644,417	\$54,110,172	\$552,640	\$32,918	\$2,989,691	\$2,064	\$-	\$64,706,664
Depreciation	-	120,057	421,629	5,738,076	31,805	6,141	275,399	443	-	6,593,550
Disposals	-	-	(35,589)	(2,217,001)	(969)	-	(28,537)	-	-	(2,282,096)
Transfers	-	(21,577)	-	18,983	-	-	-	-	-	(2,594)
Impairment	-	-	-	153,955	-	-	-	-	-	153,955
As of December 31, 2020	\$-	\$1,473,242	\$6,030,457	\$57,804,185	\$583,476	\$39,059	\$3,236,553	\$2,507	\$-	\$69,169,479
Net carrying amount as at:										
December 31, 2021	\$1,651,046	\$2,778,170	\$2,973,590	\$24,069,725	\$143,918	\$12,876	\$1,075,999	\$1,475	\$1,775,660	\$34,482,459
December 31, 2020	\$1,146,274	\$2,238,838	\$2,422,248	\$22,380,343	\$118,899	\$12,462	\$1,041,879	\$1,918	\$1,534,006	\$30,896,867

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

	Buildings and facilities	Machinery and equipment	Total
Cost:			
As at January 1, 2021	\$170,692	\$678,102	\$848,794
Additions	-	-	-
Disposals	-	-	-
Transfers	(11,140)	(421,312)	(432,452)
As at December 31, 2021	<u>\$159,552</u>	<u>\$256,790</u>	<u>\$416,342</u>
As at January 1, 2020	\$137,706	\$270,170	\$407,876
Additions	-	193,187	193,187
Disposals	-	-	-
Transfers	32,986	214,745	247,731
As at December 31, 2020	<u>\$170,692</u>	<u>\$678,102</u>	<u>\$848,794</u>
Accumulated depreciation and impairment:			
As at January 1, 2021	\$104,718	\$270,243	\$374,961
Depreciation	5,356	43,847	49,203
Disposals	-	-	-
Transfers	(7,537)	(131,586)	(139,123)
As at December 31, 2021	<u>\$102,537</u>	<u>\$182,504</u>	<u>\$285,041</u>
As at January 1, 2020	\$78,585	\$194,614	\$273,199
Depreciation	4,556	90,383	94,939
Disposals	-	-	-
Transfers	21,577	(14,754)	6,823
As at December 31, 2020	<u>\$104,718</u>	<u>\$270,243</u>	<u>\$374,961</u>
Net carrying amounts as at:			
December 31, 2021	<u>\$57,015</u>	<u>\$74,286</u>	<u>\$131,301</u>
December 31, 2020	<u>\$65,974</u>	<u>\$407,859</u>	<u>\$473,833</u>

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

	For the years ended December 31,	
	2021	2020
Construction in progress	\$43,685	\$45,074
Capitalization rate of borrowing costs	0.87%~1.02%	0.95%~1.93%

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

	For the years ended December 31,	
	2021	2020
Acquisition of property, plant and equipment	\$10,731,287	\$8,095,184
Net decrease (increase) in payables to equipment suppliers	(741,087)	302,414
Net decrease (increase) in other payables - related parties	208,872	(215,439)
Total	<u>\$10,199,072</u>	<u>\$8,182,159</u>

	For the years ended December 31,	
	2021	2020
Disposal of property, plant and equipment	\$1,195,913	\$395,197
Net decrease (increase) in other receivables	2,136	(2,783)
Net decrease (increase) in other receivables - related parties	(411,462)	448,554
Total	<u>\$786,587</u>	<u>\$840,968</u>

E. In order to meet the needs of future operation and development, the Company decided to purchase three lots of land and buildings located in Miaoli County for operational use. The total purchase price was NT \$850 million (including tax). As of December 31, 2020, the Company has paid off the total consideration. The ownership transfer registration has been completed in April 2021.

In order to meet the needs of future operation and development, the Company decided to acquire the additional floors of the abovementioned buildings for production efficiency improvement. The expected purchase price was NT \$350 million (including tax). As of December 31, 2021, the Company has paid off the total consideration. The ownership transfer registration has been completed in April 2021. No such transaction occurred in 2020.

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F. As of December 31, 2021 and 2020, the Company recognized an impairment loss of NT\$59,461 thousand and \$153,955 thousand, respectively, for certain machinery and equipment which were either damaged or idle and could no longer be used.

G. Please refer to Note 8 for property, plant and equipment under pledges as collateral.

(9) Intangible assets

	<u>Software</u>
Cost:	
As of January 1, 2021	\$174,350
Additions from acquisitions	36,338
Disposals	(70,163)
As of December 31, 2021	<u>\$140,525</u>
As of January 1, 2020	\$182,739
Additions from acquisitions	63,898
Disposals	(72,287)
As of December 31, 2020	<u>\$174,350</u>
Amortization and impairment:	
As of January 1, 2021	\$94,191
Amortization	47,250
Disposals	(70,163)
As of December 31, 2021	<u>\$71,278</u>
As of January 1, 2020	\$116,591
Amortization	49,887
Disposals	(72,287)
As of December 31, 2020	<u>\$94,191</u>
Net carrying amount as of:	
December 31, 2021	<u>\$69,247</u>
December 31, 2020	<u>\$80,159</u>

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Amortization expenses of intangible assets recognized are as follows:

	For the years ended December 31,	
	2021	2020
Operating costs	\$19,775	\$28,938
Selling and administrative expenses	22,583	17,750
Research and development expenses	4,892	3,199
Total	<u>\$47,250</u>	<u>\$49,887</u>

(10) Other current liabilities

	December 31,	December 31,
	2021	2020
Refund liabilities	398,109	\$194,956
Receipts on behalf of others	482,747	380,535
Others	1,388	3,249
Total	<u>882,244</u>	<u>\$578,740</u>

(11) Long-term borrowings

As of December 31, 2021

Lenders	Nature	Maturity Date	Balance	Terms of repayment
Shanghai Commercial Bank	Unsecured bank loans	2023.03.27	\$40,151	Revolving Credit
Shanghai Commercial Bank	Unsecured bank loans	2024.03.15	885,760	Revolving Credit
Standard Chartered Bank	Unsecured bank loans	2023.06.30	332,160	Revolving Credit
Citibank	Unsecured bank loans	2023.11.22	138,400	Revolving Credit
Bank of China	Unsecured bank loans	2023.10.14	968,800	Revolving Credit

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Lenders	Nature	Maturity Date	Balance	Terms of repayment
Cathay United Bank	Unsecured bank loans	2023.12.25	442,880	Revolving Credit
Mizuho Bank	Unsecured bank loans	2024.01.01	500,000	Revolving Credit
Shin Kong Commercial Bank	Unsecured bank loans	2024.12.15	138,400	Revolving Credit
Taiwan Business Bank	Unsecured bank loans	2023.04.07	276,800	Revolving Credit
Hua Nan Commercial Bank	Unsecured bank loans	2023.04.09	138,400	Revolving Credit
Mega Bank	Unsecured bank loans	2023.04.28	138,400	Revolving Credit
Taishin Bank	Unsecured bank loans	2025.06.03	1,106,636	Revolving Credit
HSBC Taiwan Bank	Unsecured bank loans	2024.09.28	110,720	Revolving Credit
HSBC Taiwan Bank	Unsecured bank loans	2024.12.20	58,967	50% of principal will be repaid on December 21, 2023. The remaining principal will be repaid on maturity day.
HSBC Taiwan Bank	Unsecured bank loans	2024.12.02	7,920	Repay at maturity
First Bank	Unsecured bank loans	2026.07.01	830,400	25% of principal will be repaid in 3 annual payments starting from January 1, 2024. The remaining principal will be repaid on maturity day.
Yuanta Commercial Bank	Unsecured bank loans	2025.06.22	811,983	50% of principal will be repaid on December 22, 2024. The remaining principal will be repaid on maturity day.

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Lenders	Nature	Maturity Date	Balance	Terms of repayment
E. Sun Commercial Bank	Unsecured bank loans	2025.12.26	34,649	Repayable semi-annually starting from December 27, 2023.
KGI Bank	Unsecured bank loans	2024.07.15	240,000	The principal will be repaid in 5 semi-annual payments starting from July 15, 2022.
O Bank	Unsecured bank loans	2025.02.07	171,429	The principal will be repaid in 7 semi-annual payments starting from February 7, 2022.
Mega Bank	Unsecured bank loans	2025.02.07	680,000	50% of principal will be repaid on August 7, 2023. The remaining principal will be repaid on maturity day.
Chang Hwa Commercial Bank	Unsecured bank loans	2025.01.20	556,000	The principal will be repaid in 5 semi-annual payments starting from January 20, 2023.
Bank of Taiwan	Unsecured bank loans	2024.01.20	600,000	50% of principal will be repaid on July 20, 2022. The remaining principal will be repaid on maturity day.
First Bank	Unsecured bank loans	2025.01.20	814,398	The principal will be repaid in 5 semi-annual payments starting from July 20, 2022.
Far Eastern Bank	Unsecured bank loans	2023.02.07	600,000	Repay at maturity
CTBC Bank	Unsecured bank loans	2024.02.07	300,000	50% of principal will be repaid on August 7, 2023. The remaining principal will be repaid on maturity day.

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Lenders	Nature	Maturity Date	Balance	Terms of repayment
JihSun Bank	Unsecured bank loans	2024.03.12	500,000	50% of principal will be repaid on September 12, 2023. The remaining principal will be repaid on maturity day.
Mega Bank and 17 others	Commercial paper loans	2023.12.06	2,500,000	Revolving credit. Renewable every three months. Credit has not been fully utilized.
Mega Bank and 13 others	Commercial paper loans	2025.10.11	7,380,000	Revolving credit. Renewable every three months. Credit has not been fully utilized.
Subtotal			21,303,253	
Less: current portion			-	
Less: arrangement fee			(12,425)	
Less: unamortized discount			(15,497)	
Total			\$21,275,331	
Interest Rates			0.50%~1.25%	

As of December 31, 2020

Lenders	Nature	Maturity Date	Balance	Terms of repayment
Shanghai Commercial Bank	Unsecured bank loans	2023.03.19	\$911,360	Revolving Credit
Shanghai Commercial Bank	Unsecured bank loans	2022.03.27	375,105	Revolving Credit
Taishin Bank	Unsecured bank loans	2023.02.07	1,300,000	Revolving Credit
Mega Bank	Unsecured bank loans	2022.09.18	313,280	Revolving Credit
Land Bank	Unsecured bank loans	2022.03.03	170,880	Revolving Credit

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Lenders	Nature	Maturity	Balance	Terms of repayment
		Date		
First Commercial Bank	Unsecured bank loans	2022.07.20	12,463	Revolving Credit
MUFG Bank	Unsecured bank loans	2022.12.04	56,960	Revolving Credit
Bank of China	Unsecured bank loans	2022.10.14	712,000	Revolving Credit
Taiwan Business Bank	Unsecured bank loans	2022.03.11	541,120	Revolving Credit
Cathay United Bank	Unsecured bank loans	2022.12.25	227,840	Revolving Credit
HSBC Taiwan Bank	Unsecured bank loans	2022.10.27	703,485	Revolving Credit
Shin Kong Commercial Bank	Unsecured bank loans	2022.12.11	284,800	Revolving Credit
Mizuho Bank	Unsecured bank loans	2023.01.01	500,000	Revolving Credit
KGI Bank	Unsecured bank loans	2024.07.15	400,000	The principal will be repaid in 5 semi-annual payments starting from July 15, 2022.
O Bank	Unsecured bank loans	2025.02.07	300,000	The principal will be repaid in 7 semi-annual payments starting from February 7, 2022.
Mega Bank	Unsecured bank loans	2025.02.07	680,000	50% of principal will be repaid on August 7, 2023. The remaining principal will be repaid on maturity day.
Chang Hwa Commercial Bank	Unsecured bank loans	2025.01.20	695,000	The principal will be repaid in 5 semi-annual payments starting from January 20, 2023.

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Lenders	Nature	Maturity	Balance	Terms of repayment
		Date		
Fubon Bank	Unsecured bank loans	2023.02.07	800,000	50% of principal will be repaid on August 7, 2022. The remaining principal will be repaid on maturity day.
Bank of Taiwan	Unsecured bank loans	2024.01.20	1,200,000	50% of principal will be repaid on July 20, 2022. The remaining principal will be repaid on maturity day.
First Commercial Bank	Unsecured bank loans	2025.01.20	895,497	The principal will be repaid in 5 semi-annual payments starting from July 20, 2022.
Far Eastern Bank	Unsecured bank loans	2023.02.07	1,100,000	Repay at maturity
CTBC Bank	Unsecured bank loans	2024.02.07	300,000	50% of principal will be repaid on August 7, 2023. The remaining principal will be repaid on maturity day.
Mega Bank and 17 others	Commercial paper loans	2023.12.06	5,680,000	Revolving credit. Renewable every three months. Credit has not been fully utilized.
Mega Bank and 13 others	Commercial paper loans	2025.10.11	200,000	Revolving credit. Renewable every three months. Credit has not been fully utilized.
Subtotal			18,359,790	
Less: current portion			-	
Less: arrangement fee			(30,725)	
Less: unamortized discount			(10,767)	
Total			<u>\$18,318,298</u>	
Interest Rates			<u>0.50%~1.26%</u>	

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- a. Certain property, plant and equipment were pledged. Please refer to Note 8 for more details.
- b. Please refer to Note 9 for the financial covenants during the loan period.
- c. The Company's unused short-term lines of credits amounted to NT\$5,113,404 thousand and NT\$4,269,436 thousand as of December 31, 2021 and 2020, respectively.

(12) Post-employment benefits

Defined contribution plan

The Company adopts a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. The Company has made monthly contribution of 6% of each individual employee's salaries or wages to employee's pension accounts.

Pension benefits for employees of overseas subsidiaries and branches are provided in accordance with the local regulations.

Pension expenses under the defined contribution plan for the years ended December 31, 2021 and 2020 were NT\$197,769 thousand and NT\$194,388 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.

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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\$17,659 thousand to its defined benefit plan during the 12 months beginning December 31, 2021.

The maturities of the defined benefits plan as at December 31, 2021 and 2020 are both in 2025.

Pension costs recognized in profit or loss for the years ended December 31, 2021 and 2020:

	For the years ended December 31,	
	2021	2020
Current period service costs	\$5,791	\$5,655
Interest income or expense	2,266	4,226
Overestimate (underestimate)	19	(4)
Total	<u>\$8,076</u>	<u>\$9,877</u>

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

	For the years ended December 31,	
	2021	2020
Defined benefit obligation at January 1,	\$902,431	\$849,561
Plan assets at fair value	<u>(292,209)</u>	<u>(283,105)</u>
Other non-current liabilities - accrued pension liabilities recognized on the balance sheets	<u>\$610,222</u>	<u>\$566,456</u>

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Reconciliation of liability (asset) of the defined benefit plan is as follows:

	Defined benefit obligation	Fair value of plan assets	Benefit liability (asset)
As at January 1, 2020	\$802,898	\$(274,729)	\$528,169
Current period service costs	5,655	-	5,655
Net interest expense (income)	6,424	(2,198)	4,226
Subtotal	814,977	(276,927)	538,050
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	-	-	-
Actuarial gains and losses arising from changes in financial assumptions	56,665	-	56,665
Experience adjustments	(1,354)	-	(1,354)
Return on plan assets	-	(9,405)	(9,405)
Subtotal	55,311	(9,405)	45,906
Payments from the plan	(20,727)	20,727	-
Contributions by employer	-	(17,500)	(17,500)
As at December 31, 2020	\$849,561	\$(283,105)	\$566,456
Current period service costs	5,791	-	5,791
Net interest expense (income)	3,398	(1,132)	2,266
Subtotal	858,750	(284,237)	574,513
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	(2,110)	-	(2,110)
Actuarial gains and losses arising from changes in financial assumptions	31,335	-	31,335
Experience adjustments	28,135	-	28,135
Return on plan assets	-	(3,992)	(3,992)

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Subtotal	57,360	(3,992)	53,368
Payments from the plan	(13,679)	13,679	-
Contributions by employer	-	(17,659)	(17,659)
As at December 31, 2021	\$902,431	\$(292,209)	\$610,222

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

	December 31, 2021	December 31, 2020
Discount rate	0.68%	0.40%
Expected rate of salary increases	2.00%	1.50%

A sensitivity analysis for significant assumption as at December 31, 2021 and 2020 is shown as below:

	Effect on the defined benefit obligation			
	2021		2020	
	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%	\$-	\$(70,995)	\$-	\$(70,049)
Discount rate decrease by 0.5%	78,279	-	77,657	-
Future salary increase by 0.5%	76,821	-	76,376	-
Future salary decrease by 0.5%	-	(70,449)	-	(69,659)

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

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(13) Equity

A. Share capital

As of December 31, 2021 and 2020, the Company's authorized share capital was both NT\$15,000,000 thousand; issued share capital was both NT\$12,227,451 thousand (1,222,745 thousand shares), with par value of NT\$10 per share. Each share has one voting right and a right to receive dividends.

B. Capital surplus

	December 31, 2021	December 31, 2020
Additional paid-in capital	\$333,919	\$578,468
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	541,511	-
Total	<u>\$4,885,134</u>	<u>\$4,588,172</u>

According to the Company Act, the capital surplus shall not be used except for offset the deficit of the company. When a company incurs no loss, it may distribute the capital surplus generated from the excess of the issuance price over the par value of share capital and donations. The distribution could be made in cash to its shareholders in proportion to the number of shares being held by each of them.

C. Retained earnings and dividend policy

According to the Company's Articles of Incorporation, net profits for each fiscal year, if any, shall be distributed in following order:

- a. reserve for tax payments;
- b. offset prior year's losses;
- c. set aside 10% of the remaining amount after deducting items (a) and (b) as legal reserve;
- d. set aside or reverse special reserve in accordance with law and regulations; and
- e. the distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

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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.

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As of December 31, 2021 and 2020, special reserve set aside for the first-time adoption of TIFRS amounted to NT\$201,416 thousand.

The appropriations for earnings for 2020 and 2019 were resolved by the shareholders in its meeting on August 3, 2021 and June 10, 2020, respectively. The appropriations and dividends per share were as follows:

	<u>Appropriation of earnings</u>		<u>Dividend per share (NT\$)</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Legal reserve	\$362,921	\$297,659		
Special reserve	(200,990)	(400,766)		
Cash dividends-common stock	<u>2,200,941</u>	<u>1,956,392</u>	\$1.80	\$1.60
Total	<u>\$2,362,872</u>	<u>\$1,853,285</u>		

On August 3, 2021 and June 10, 2020, the shareholders' meeting resolved to debit capital surplus by NT\$244,549 thousand and NT\$244,549 thousand, respectively, and distribute the same amounts of cash to shareholders.

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

(14) Operating revenues

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Assembly and testing processing revenues	\$22,081,412	\$19,666,024
Revenues from rental of machinery	2,452,506	1,869,046
Rental income from property	36,132	105,287
Other operating revenues	<u>1,250,677</u>	<u>1,704,401</u>
Total revenues	<u>\$25,820,727</u>	<u>\$23,344,758</u>

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Relevant information of revenues from contracts with customers for the years ended December 31, 2021 and 2020 are as follows:

A. Disaggregation of revenues

Nature of revenues	Timing of revenue recognition	For the years ended December 31,	
		2021	2020
Rendering of services	Over time	\$22,081,412	\$19,666,024
Revenues from rental of machinery	Over time	2,452,506	1,869,046
Rental income from property	On a straight-line basis or on a systematic basis (Note)	36,132	105,287
Other operating revenues	At a point in time	1,250,677	1,704,401
Total		<u>\$25,820,727</u>	<u>\$23,344,758</u>

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

B. Contract balances

(a) Contract assets – current

Nature of revenues	2021.12.31	2020.12.31	2020.01.01
Rendering of services	<u>\$178,596</u>	<u>\$202,972</u>	<u>\$126,182</u>

Please refer to Note 6(15) for more details on effect of impairment. Relevant information of revenues from contracts with customers for the years ended December 31, 2021 and 2020 are as follows:

	For the years ended December 31,	
	2021	2020
The opening balance transferred to trade receivables	<u>\$202,972</u>	<u>\$126,182</u>
Degree of completion measurement	<u>\$178,596</u>	<u>\$202,972</u>

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(b) Contract liabilities - current

<u>Nature of revenues</u>	<u>2021.12.31</u>	<u>2020.12.31</u>	<u>2020.01.01</u>
Revenues from rental of machinery	\$-	\$11,590	\$52,486

Note: The difference of the beginning and ending balances is the net effect of the completion of performance obligations for old contracts signed before the opening date and new contracts signed before the ending date.

(15) Expected credit losses

Operating expenses - expected credit losses

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Contract assets	\$-	\$-
Notes receivable	-	-
Trade receivables	-	2,857
Total	\$-	\$2,857

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, 2021 and 2020 are as follows:

A. The gross carrying amount of contract assets is NT\$178,596 thousand and NT\$202,972 thousand, respectively. Expected credit loss ratio is estimated to be 0%.

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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, 2021

Group 1	Not yet due	Overdue				Total
	(Note)	1-90 days	91-180 days	181-365 days	>366 days	
Gross carrying amount	\$5,992,584	\$4,490	\$2,601	\$1,191	\$-	\$6,000,866
Loss ratio	-%	-%	1%	2%	5%	
Lifetime expected credit losses	(7,049)	-	(26)	(24)	-	(7,099)
Subtotal	5,985,535	4,490	2,575	1,167	-	5,993,767

Group 2	Not yet due	Overdue				Total
	(Note)	1-90 days	91-180 days	181-365 days	>366 days	
Gross carrying amount	\$171	\$217	\$-	\$-	\$17,671	\$18,059
Loss ratio	100%	-%	100%	100%	100%	
Lifetime expected credit losses	(171)	(217)	-	-	(17,671)	(18,059)
Subtotal	-	-	-	-	-	-
Total						<u>\$5,993,767</u>

As at December 31, 2020

Group 1	Not yet due	Overdue				Total
	(Note)	1-90 days	91-180 days	181-365 days	>366 days	
Gross carrying amount	\$4,804,486	\$69,166	\$10,818	\$-	\$-	\$4,884,470
Loss ratio	-%	-%	1%	2%	5%	
Lifetime expected credit losses	(3,949)	-	(108)	-	-	(4,057)
Subtotal	4,800,537	69,166	10,710	-	-	4,880,413

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Group 2	Not yet due (Note)	Overdue				Total
		1-90 days	91-180 days	181-365 days	>366 days	
Gross carrying amount	\$571	\$-	\$-	\$45	\$20,485	\$21,101
Loss ratio	100%	-%	100%	100%	100%	
Lifetime expected credit losses	(571)	-	-	(45)	(20,485)	(21,101)
Subtotal	-	-	-	-	-	-
Total						<u>\$4,880,413</u>

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

The movement in the provision for impairment of contract assets, notes receivable, and trade receivables for the years ended December 31, 2021 and 2020 is as follows:

	Contract assets	Notes receivable	Trade receivables	Other receivables
Beginning balance as at January 1, 2021	\$-	\$-	\$25,158	\$23,149
Addition for the current period	-	-	-	-
Write off	-	-	-	-
Ending balance as at December 31, 2021	<u>\$-</u>	<u>\$-</u>	<u>\$25,158</u>	<u>\$23,149</u>
Beginning balance as at January 1, 2020	\$-	\$-	\$46,648	\$-
Addition for the current period	-	-	2,857	-
Write off (Note)	-	-	(1,198)	-
Transfer	-	-	(23,149)	23,149
Ending balance as at December 31, 2020	<u>\$-</u>	<u>\$-</u>	<u>\$25,158</u>	<u>\$23,149</u>

Note: Although the Company wrote off the financial assets during 2020, collection activities are still underway.

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(16) Leases

A. The Company as a lessee

The Company leases land and buildings with lease terms ranging from 4 to 28 years. At the end of the lease terms, the Company does not have the purchase option to acquire the leasehold land and buildings.

The Company leases machinery and equipment for operational use with lease terms of 2 years. The Company has purchase options to acquire leasehold machinery and equipment at the end of the lease terms.

The Company leases transportation equipment for operational use with lease terms of 3 years. The Company has purchase options to acquire leasehold transportation equipment at the end of the lease terms.

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, 2021	December 31, 2020
Land	\$457,989	\$476,801
Buildings	9,513	-
Machinery and equipment	72,922	714,630
Transportation equipment	13,122	-
Total	<u>\$553,546</u>	<u>\$1,191,431</u>

During the years ended December 31, 2021 and 2020, the Company's additions to right-of-use assets amounted to NT\$24,275 thousand and NT\$89,750 thousand, respectively.

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During the year ended December 31, 2021 and 2020, the Company exercised the purchase option and transferred the right-of-use assets to machinery and equipment in the amount of NT\$538,273 thousand and NT\$32,681 thousand, respectively.

(b) Lease liabilities

	December 31, 2021	December 31, 2020
Lease liabilities- current	\$86,364	\$304,358
Lease liabilities- non-current	469,377	533,878
Total	<u>\$555,741</u>	<u>\$838,236</u>

Please refer to Note 6(18) C for the interest on lease liabilities recognized during the years ended December 31, 2021 and 2020, and refer to Note 12(3) section E Liquidity Risk Management for the maturity analysis for lease liabilities as at December 31, 2021 and 2020.

b. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	For the years ended December 31,	
	2021	2020
Land	\$18,812	\$18,853
Machinery and equipment	103,435	102,055
Transportation equipment	1,640	-
Total	<u>\$123,887</u>	<u>\$120,908</u>

c. Income and costs relating to leasing activities

	For the years ended December 31,	
	2021	2020
The expenses relating to short-term leases	\$47,074	\$36,305
The expenses relating to leases of low-value assets (not including the expenses relating to short-term leases of low-value assets)	505	497
Total	<u>\$47,579</u>	<u>\$36,802</u>

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d. Cash outflows relating to leasing activities

During the years ended December 31, 2021 and 2020, the Company's total cash outflows for leases amounted to NT\$363,642 thousand and NT\$561,801 thousand, respectively.

e. Other information relating to leasing activities

Extension and termination options

Some of the Company's property rental agreements contain extension and termination options. In determining the lease terms, the non-cancellable period for which the Company has the right to use an underlying asset, together with periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option. These options are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Company.

After the commencement date, the Company reassesses the lease term upon the occurrence of a significant event or a significant change in circumstances that is within the control of the lessee and affects whether the Company is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

B. The Company as a lessor

The Company entered into commercial property leases with remaining terms between one to two years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Lease income for operating leases		
Income relating to fixed lease payments and variable lease payments that depend on an index or a rate	<u>\$36,132</u>	<u>\$105,287</u>

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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, 2021 and 2020 are as follow:

	December 31, 2021	December 31, 2020
Not later than one year	\$16,600	\$34,930
Later than one year and not later than five years	347	-
Total	<u>\$16,947</u>	<u>\$34,930</u>

(17) Summary statement of employee benefits, depreciation and amortization expenses by function for the years ended December 31, 2021 and 2020:

	For the years ended December 31,					
	2021			2020		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	\$4,606,762	\$1,084,787	\$5,691,549	\$4,208,403	\$1,038,578	\$5,246,981
Labor and health insurance	443,611	73,448	517,059	403,170	72,965	476,135
Pension	166,075	39,770	205,845	161,096	43,169	204,265
Remuneration of directors	-	56,934	56,934	-	38,212	38,212
Other employee benefits expense	208,609	30,919	239,528	212,690	33,763	246,453
Total	<u>\$5,425,057</u>	<u>\$1,285,858</u>	<u>\$6,710,915</u>	<u>\$4,985,359</u>	<u>\$1,226,687</u>	<u>\$6,212,046</u>
Depreciation	<u>\$6,520,003</u>	<u>\$582,272</u>	<u>\$7,102,275</u>	<u>\$6,311,631</u>	<u>\$497,766</u>	<u>\$6,809,397</u>
Amortization	<u>\$19,775</u>	<u>\$27,475</u>	<u>\$47,250</u>	<u>\$28,938</u>	<u>\$20,949</u>	<u>\$49,887</u>

The average total number of employees was 7,453 and 7,606 as of December 31, 2021 and 2020, respectively. The total number of Board of Directors who has not served as employees was 7 and 7, respectively.

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- A. The average amount of employee benefits expense was NT\$894 thousand and NT\$812 thousand for the years ended December 31, 2021 and 2020, respectively.
- B. The average amount of salaries was NT\$764 thousand and NT\$690 thousand for the years ended December 31, 2021 and 2020, respectively.
- C. The change rate of average amount of salaries was 10.7% and 4.7% for the years ended December 31, 2021 and 2020, respectively.
- D. The remuneration to supervisors were estimated at 0 thousand and 0 thousand for the years ended December 31, 2021 and 2020, respectively.

In accordance with the Articles of Incorporation, no higher than 1% of the profit of the current year is distributable as remuneration to directors (including independent directors). However, the Company's accumulated losses shall have been covered (if any). The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. In addition, according to the Company's Articles of incorporation, the remuneration paid to directors (including independent directors) is determined based on the Company's overall operating performance with consideration of the contribution of each director to the Company and reference to industry norm. The remuneration proposal shall be approved by more than half members of the Compensation Committee and submitted to the Board of Directors for further approval.

According to the Company's Articles of Incorporation and the Company Law, the remuneration of the Company's executives is determined based on the positions of the executives, contribution to the Company's operations, individual performance, and consideration of the Company's future risk and reference to the industry norm. The remuneration is to be reviewed by the Compensation Committee for its plausibility and submitted to the Board of Directors for resolution.

The employee's compensation policy of the Company takes into account various factors such as individual's salary, rank, and performance evaluation, the industry norm and the Company's operating results, etc.

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In accordance with the Articles of Incorporation, 8% to 10% of profit of the current year is distributable as employees' compensation and no higher than 1% of profit of the current year is distributable as remuneration to directors. However, the Company's accumulated losses shall have been covered (if any). The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on profit of current period, the Company estimated the amounts of the employees' compensation and remuneration to directors for the year ended December 31, 2021 to be 8% of profit of current period (or NT\$569,336 thousand) and 0.8% of profit of current period (or NT\$56,934 thousand), respectively, which were recognized as salary expense. If the Board of Directors resolved to distribute employees' compensation in the form of stocks, then the number of stocks distributed is calculated based on the closing price one day prior to the date of resolution. If the estimated amounts differ from the actual distribution resolved by the Board of Directors, the difference will be recognized in the profit or loss in the subsequent year. A resolution was passed at a Board of Directors meeting held on March 4, 2022 to distribute NT\$569,336 thousand and NT\$56,934 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, 2021.

Actual distribution of employees' compensation and remuneration to directors of 2020 amounted to NT\$382,118 thousand and NT\$38,212 thousand, respectively. No material differences exist between the estimated amount and the actual distribution of the employee compensation and remuneration to directors for the year ended December 31, 2020.

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(18) Non-operating income and expenses

A. Other income

	For the years ended December 31,	
	2021	2020
Dividend income	\$85,016	\$50,966
Scrape income	12,868	15,638
Others	95,530	110,456
Total	<u>\$193,414</u>	<u>\$177,060</u>

B. Other gains and losses

	For the years ended December 31,	
	2021	2020
Gains on disposal of property, plant and equipment	\$96,761	\$46,075
Foreign exchange gains, net	70,474	39,870
Impairment losses –Property, plant and equipment	(59,461)	(153,955)
Others	(2,286)	(96,760)
Total	<u>\$105,488</u>	<u>\$(164,770)</u>

C. Finance costs

	For the years ended December 31,	
	2021	2020
Interest expenses on borrowings from bank	\$189,184	\$198,412
Interest expenses on lease liabilities	11,300	19,173
Total	<u>\$200,484</u>	<u>\$217,585</u>

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(19) Components of other comprehensive income

For the year ended December 31, 2021

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income	Income tax expenses	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	\$ (53,368)	\$-	\$ (53,368)	\$-	\$ (53,368)
Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income	2,101,279	-	2,101,279	(419,982)	1,681,297
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	(42,240)	-	(42,240)	8,448	(33,792)
Total other comprehensive income	\$2,005,671	\$-	\$2,005,671	\$(411,534)	\$1,594,137

For the year ended December 31, 2020

	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	\$ (45,906)	\$-	\$ (45,906)	\$-	\$ (45,906)

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Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income	2,094,772	(38,462)	2,056,310	(403,570)	1,652,740
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	105,726	-	105,726	(21,145)	84,581
Total other comprehensive income	<u>\$2,154,592</u>	<u>\$(38,462)</u>	<u>\$2,116,130</u>	<u>\$(424,715)</u>	<u>\$1,691,415</u>

(20) Income tax

The major components of income tax expense are as follows:

Income tax expense recognized in profit or loss

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Current income tax expense:		
Current income tax charge	\$938,244	\$723,367
Adjustments in respect of current income tax of prior periods	(17,093)	(198,244)
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	413,891	205,591
Income tax expense recognized in profit or loss	<u>\$1,335,042</u>	<u>\$730,714</u>

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Income tax relating to components of other comprehensive income

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Deferred tax expense (income):		
Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income	\$419,982	\$403,570
Exchange differences resulting from translating the financial statements of foreign operations	(8,448)	21,145
Income tax relating to components of other comprehensive income	<u>\$411,534</u>	<u>\$424,715</u>

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

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Accounting profit before tax from continuing operations	<u>\$6,510,088</u>	<u>\$4,367,367</u>
Tax at the domestic rates applicable to profits in the country concerned	\$1,302,018	\$873,473
Tax effect of expenses not deductible for tax purposes	(363,774)	(150,106)
Tax effect of deferred tax assets/liabilities	413,891	205,591
Adjustments in respect of current income tax of prior periods	(17,093)	(198,244)
Total income tax expense recognized in profit or loss	<u>\$1,335,042</u>	<u>\$730,714</u>

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Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2021

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Charged directly to equity	Exchange differences	Ending balance
Temporary differences						
Unrealized exchange gains and losses	\$ (29,772)	\$ 1,251	\$ -	\$ -	\$ -	\$ (28,521)
Impairment loss of goodwill	12,650	-	-	-	-	12,650
Other impairment loss	35,393	(20,580)	-	-	-	14,813
Depreciation difference for tax purpose	23,235	9,232	-	-	-	32,467
Unrealized sales discount	38,991	40,631	-	-	-	79,622
Investments accounted for using the equity method	(200,006)	(375,570)	-	-	-	(575,576)
Exchange differences resulting from translating the financial statements of foreign operations	89,259	-	8,448	-	-	97,707
Unrealized investment gains and losses	(438,190)	(65,175)	(419,982)	-	-	(923,347)
Others	28,095	(3,680)	-	-	-	24,415
Deferred tax income/ (expense)		<u>\$ (413,891)</u>	<u>\$ (411,534)</u>	<u>\$ -</u>	<u>\$ -</u>	
Net deferred tax assets/(liabilities)	<u>\$ (440,345)</u>					<u>\$ (1,265,770)</u>
Reflected in balance sheet as follows:						
Deferred tax assets	<u>\$ 227,623</u>					<u>\$ 261,675</u>
Deferred tax liabilities	<u>\$ 667,968</u>					<u>\$ 1,527,445</u>

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For the year ended December 31, 2020

	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	\$ (5,624)	\$ (24,148)	\$ -	\$ -	\$ -	\$ (29,772)
Impairment loss of goodwill	12,650	-	-	-	-	12,650
Other impairment loss	11,054	24,339	-	-	-	35,393
Depreciation difference for tax purpose	24,219	(984)	-	-	-	23,235
Unrealized sales discount	7,816	31,175	-	-	-	38,991
Investments accounted for using the equity method	29,151	(229,157)	-	-	-	(200,006)
Exchange differences resulting from translating the financial statements of foreign operations	110,404	-	(21,145)	-	-	89,259
Unrealized investment gains and losses	(34,297)	(323)	(403,570)	-	-	(438,190)
Others	11,540	16,555	-	-	-	28,095
Unused tax losses	23,048	(23,048)	-	-	-	-
Deferred tax income/ (expense)		<u>\$ (205,591)</u>	<u>\$ (424,715)</u>	<u>\$ -</u>	<u>\$ -</u>	
Net deferred tax assets/(liabilities)	<u>\$ 189,961</u>					<u>\$ (440,345)</u>
Reflected in balance sheet as follows:						
Deferred tax assets	<u>\$ 229,882</u>					<u>\$ 227,623</u>
Deferred tax liabilities	<u>\$ 39,921</u>					<u>\$ 667,968</u>

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The assessment of income tax returns

As of December 31, 2021, the assessment of the income tax returns of the Company is as follows:

<u>Entities</u>	<u>The assessment of income tax returns</u>
The Company	Assessed and approved up to 2019

(21) Earnings per share

Basic earnings per share is calculated by dividing net profit for the year attributable to ordinary equity owners of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the net profit attributable to ordinary equity owners of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	For the years ended	
	December 31,	
	2021	2020
A. Basic earnings per share		
Profit attributable to ordinary equity owners of the parent	\$5,175,046	\$3,636,653
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\$)	\$4.23	\$2.97
B. Diluted earnings per share		
Profit attributable to ordinary equity owners of the parent	\$5,175,046	\$3,636,653

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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)	14,512	13,079
Weighted average number of ordinary shares outstanding after dilution (in thousands)	1,237,257	1,235,824
Diluted earnings per share (NT\$)	\$4.18	\$2.94

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date the financial statements were issued.

7. Related Party Transactions

Information of the related parties that had transactions with the Company during the financial reporting period is as follows:

A. Name and nature of relationship of the related parties

<u>Name of the related parties</u>	<u>Nature of relationship of the related parties</u>
MediaTek Inc.	The chairman of the Company and the chairman of MediaTek Inc. are close relatives
Mediatek Singapore Pte. Ltd.	Subsidiary of MediaTek Inc.
Airoha Technology Corp.	Subsidiary of MediaTek Inc.
Airoha Technology (Suzhou) Limited	Subsidiary of MediaTek Inc.
Other related parties (Note)	Subsidiary of MediaTek Inc.
Fixwell Technology Corp.	Associates
Wei Jiu Industrial Co., Ltd.	Associates
KYEC USA Corp.	Subsidiaries
KYEC SINGAPORE PTE. LTD.	Subsidiaries
KYEC Japan K.K.	Subsidiaries
King Long Technology (Suzhou) Ltd.	Subsidiaries
Suzhou Zhengkuan Technology Ltd.	Subsidiaries
King Ding Precision Inc.	Subsidiaries

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

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B. Significant transactions with related parties

(a) Operating income

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
MediaTek Inc.	\$4,654,610	\$2,820,870
Mediatek Singapore Pte. Ltd.	2,947,566	2,177,299
Other related parties	712,729	391,058
Subsidiaries	34,771	151,836
Associates	5,626	5,585
Total	<u>\$8,355,302</u>	<u>\$5,546,648</u>

Trading prices with related parties were determined through mutual agreement based on the market demands. The trade credit terms with related parties were 45 to 180 days, while the terms with non-related parties were 30 to 120 days. The outstanding balance due from related parties as of December 31, 2021 and 2020 was unsecured, non-interest bearing and must be settled in cash. The receivables from the related parties were not guaranteed.

- (b) The Company purchased inventories from associates and subsidiaries. For the year ended December 31, 2021, the purchase amounts were NT\$164,287 thousand and NT\$106 thousand, respectively. The Company purchased inventories from associates and subsidiaries, for the year ended December 31, 2020, the purchase amount were NT\$77,608 thousand and NT\$537 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 engaged an associate to perform machinery maintenance services. For the years ended December 31, 2021 and 2020, related operating cost recognized amounted to NT\$313,388 thousand and NT\$300,730 thousand, respectively. The Company appointed a subsidiary to perform machinery repairs. For the years ended December 31, 2021 and 2020, the operating cost recognized amounted to NT\$1,182 thousand and NT\$3,680 thousand, respectively.
- (d) The Company paid rental expenses for renting machines from associates. For the years ended December 2021 and 2020, the rental expenses amounted to NT\$11,079 thousand and NT\$6,605 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.

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(e) Significant property transactions with related parties:

i. Disposal of property, plant and equipment

<u>Related party</u>	<u>For the year ended December 31, 2021</u>		<u>For the year ended December 31, 2020</u>	
	<u>Sales price</u>	<u>Disposal gain</u>	<u>Sales price</u>	<u>Disposal gain</u>
King Long Technology (Suzhou) Ltd.	\$1,140,684	\$131,123	\$287,847	\$37,863
Subsidiaries	32,195	3,601	27,847	12,873
Associates	14,969	4,613	14,869	5,678
Subtotal	1,187,848	139,337	330,563	56,414
Unrealize gain on disposal in current year (Note)	-	(46,162)	-	4,917
Net Amount	<u>\$1,187,848</u>	<u>\$93,175</u>	<u>\$330,563</u>	<u>\$61,331</u>

Note: The Company deferred the disposal gain derived from sales of property, plant and equipment to related parties, and then recognized such gain over depreciable lives of the disposed assets.

ii. Acquisition of property, plant and equipment

<u>Related party</u>	<u>For the year ended December 31, 2021</u>	<u>For the year ended December 31, 2020</u>
	<u>Purchase price</u>	<u>Purchase price</u>
Subsidiaries	\$21,231	\$243,360
Associates	190,112	123,070
Total	<u>\$211,343</u>	<u>\$366,430</u>

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

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(f) Contract assets

Contract assets – current

	December 31, 2021	December 31, 2020
Other related parties	\$2,249	\$-
Less: loss allowance	-	-
Net	<u>\$2,249</u>	<u>\$-</u>

(g) Trade receivables from related parties

	December 31, 2021	December 31, 2020
MediaTek Inc.	\$1,069,273	\$1,056,080
Mediatek Singapore Pte. Ltd.	787,233	523,417
Other related parties	213,336	100,036
Subsidiaries	11,031	69,684
Associates	467	461
Less: loss allowance	-	-
Net	<u>\$2,081,340</u>	<u>\$1,749,678</u>

(h) Other receivables from related parties

	December 31, 2021	December 31, 2020
King Long Technology (Suzhou) Ltd.	\$425,716	\$71,659
MediaTek Inc.	4,361	25,708
Other related parties	464	598
Associates	-	6,951
Subsidiaries	-	7,002
Total	<u>\$430,541</u>	<u>\$111,918</u>

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(i) Account payables to related parties

	December 31, 2021	December 31, 2020
Wei Jiu Industrial Co., Ltd.	\$19,961	\$16,512
Associates	1,453	2,975
Total	<u>\$21,414</u>	<u>\$19,487</u>

(j) Other payables to related parties

	December 31, 2021	December 31, 2020
Fixwell Technology Corp.	\$75,127	\$46,612
Wei Jiu Industrial Co., Ltd.	22,365	18,013
Subsidiaries	10,638	7,039
King Long Technology (Suzhou) Ltd.	10,168	233,588
Other related parties	1,438	831
Total	<u>\$119,736</u>	<u>\$306,083</u>

(k) The Company paid NT\$96,669 thousand and NT\$99,387 thousand as commission expenses to the subsidiaries for the years ended December 31, 2021 and 2020, respectively.

(l) Other income

	<u>For the years ended December 31,</u>	
	2021	2020
Associates	\$141	\$681
Subsidiaries	-	926
Total	<u>\$141</u>	<u>\$1,607</u>

C. Endorsements and guarantees:

As of December 31, 2021, the Company guaranteed Suzhou Zhengkuan Technology Ltd. 's lines of credit which were provided by The Shanghai Commercial & Savings Bank. Please refer to Note 9 for more details.

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D. Key management personnel compensation

	For the years ended December 31,	
	2021	2020
Short-term employee benefits	\$179,374	\$120,917
Post-employment benefits	1,008	1,004
Total	\$180,382	\$121,921

8. Assets Pledged as Security

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

Items	Carrying amount		Purpose of pledge
	December 31, 2021	December 31, 2020	
Other non-current financial assets	\$105,972	\$115,669	Customs clearance
Land	914,594	914,594	Long-term borrowings
Building and facility	1,196,213	1,273,901	Long-term borrowings
Machinery and equipment	5,766,116	6,898,747	Long-term borrowings
Total	\$7,982,895	\$9,202,911	

9. Significant Contingent Liabilities and Unrecognized Commitments

As of December 31, 2021, the following contingencies and material commitments were not included in the Company's financial statements:

A. The Company's issued and outstanding letters of credit totaled approximately NT\$497,089 thousand.

B. To construct the plant and factory premises, the Company had entered into several construction contracts in an aggregate amount of NT\$1,533,954 thousand with NT\$924,513 thousand already paid and NT\$609,441 thousand remaining unpaid (promissory notes have been issued).

C. The promissory notes issued for secured bank loans amounted to NT\$41,917,725 thousand.

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D. The Company also provided guarantees to Suzhou Zhengkuan Technology Ltd.'s lines of credit. The lines of credit were provided by The Shanghai Commercial & Savings Bank in the amount of US\$5,000 thousand.

E. The Company entered into loan agreements with Mega International Commercial Bank and First Commercial Bank, the following financial covenants shall be maintained on an 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 no less than 300%.

The Company entered into a loan agreement with Far Eastern Int'l Bank, the following financial covenants shall be maintained on a semi-annual and annual basis during the period from 2020 to 2023:

- (a) Current ratio not less than 100%;
- (b) Debt ratio not more than 150%;
- (c) Interest coverage ratio no less than 300%.

The Company entered into a loan agreement with JihSun International Commercial Bank, the following financial covenants shall be maintained on a semi-annual and annual basis during the period from 2021 to 2024:

- (a) Current ratio not less than 100%;
- (b) Debt ratio not more than 150%;
- (c) Interest coverage ratio no less than 300%.

The Company entered into a loan agreement with Yuanta Commercial Bank, the following financial covenants shall be maintained on a semi-annual and annual basis during the period from 2021 to 2025:

- (a) Current ratio not less than 100%;
- (b) Debt ratio not more than 150%;
- (c) Interest coverage ratio no less than 300%.

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The Company entered into a syndicated loan agreement with 17 banks, led by Mega International Commercial Bank of Taiwan, and the Company shall maintain the following financial covenants on a semi-annual and annual basis during the period from 2018 to 2023:

- (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 2018 to 2023, 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 13 banks, led by Mega International Commercial Bank of Taiwan, and the Company shall maintain the following financial covenants on a semi-annual and annual basis during the period from 2020 to 2025:

- (a) Current ratio not less than 100%;
- (b) Debt ratio not more than 150%;
- (c) Interest coverage ratio not less than 300%.

In the case of failure to adhere to the aforementioned financial covenants during the period from 2020 to 2025, Mega International Commercial Bank of Taiwan may assemble a meeting among the banks to govern the matter to decide on a course of action or request for each bank's written approval for such course of action, when necessary.

As of December 31, 2021, the Company did not violate any financial covenants.

10. Losses due to Major Disasters

None.

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11. Significant Subsequent Events

None.

12. Others

(1) Categories of financial instruments

A. Categories of financial instruments

	December 31, 2021	December 31, 2020
<u>Financial assets</u>		
Financial assets at fair value through other comprehensive income	\$6,546,477	\$4,446,563
Financial assets measured at amortized cost (Note)	13,270,264	10,316,832
Total	<u>\$19,816,741</u>	<u>\$14,763,395</u>
 <u>Financial liabilities</u>		
Financial liabilities at amortized cost:		
Payables (including related parties)	\$809,147	\$814,316
Other payables (including related parties)	4,680,212	3,423,827
Long-term loans (including current portion)	21,275,331	18,318,298
Lease liabilities	555,741	838,236
Guarantee deposits	33,851	2,755
Total	<u>\$27,354,282</u>	<u>\$23,397,432</u>

Note: Includes cash and cash equivalents, notes receivable, trade receivables (including related parties), other receivables (including related parties), other financial assets and refundable deposits.

(2) Financial risk management objectives

The objective of the Company's financial risk management is mainly to manage the market risk, credit risk and liquidity risk derived from its operating activities. The Company identified, measured and managed the aforementioned risks based on the Company's policy and risk tendency.

The Company has established appropriate policies, procedures and internal controls for financial risk management. The plans for material treasury activities are reviewed by Board of Directors and Audit committee in accordance with relevant regulations and internal controls. The Company complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise foreign currency risk, interest rate risk and other price risk (such as equity risk).

In practice, it is rarely the case that a single risk variable will change independently from other risk variables, there are usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

A. Foreign currency risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenues or expenses 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 primary for strategic purposes, and they are not hedged by the Company.

The Company's sensitivity analysis to foreign currency risk mainly focuses on foreign currency monetary items at the end of the reporting period. The Company's foreign currency risk is mainly from the volatility in the exchange rates of US\$. The sensitivity analysis is as follows:

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When NT\$ appreciates or depreciates against US\$ by 1%, the profit for the years ended December 31, 2021 and 2020 would have increased / decreased by NT\$520 thousand and NT\$2,406 thousand, respectively.

B. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's loans and receivables at variable interest rates.

The Company manages its risk by having a balanced portfolio of financial instruments with fixed and floating interest rates. The Company did not apply hedging accounting since such hedging activities did not qualify for criteria of hedge accounting.

The Company's sensitivity analysis to interest rate risk mainly focuses on items exposed to interest rate risk at the end of the reporting period, including investments with floating interest rates and bank borrowings with floating rates. Assuming investments and bank borrowings had been outstanding for the entire period and all other variables were constant, a hypothetical increase/decrease of 10 basis points of interest rate in a reporting period would have resulted in a decrease/increase in profit by NT\$21,303 thousand and NT\$18,360 thousand for the years ended December 31, 2021 and 2020, 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.

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At the reporting date ended December 31, 2021 and 2020, 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\$8,606 thousand and NT\$5,623 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.

As of December 31, 2021 and 2020, receivables from top ten customers represented 52% 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.

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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				Longer than 4		
	year	1 to 2 years	2 to 3 years	3 to 4 years	years	years	Total
<u>December 31, 2021</u>							
Payables	\$5,489,359	\$-	\$-	\$-	\$-		\$5,489,359
Borrowings	189,280	7,044,228	3,923,542	10,347,594	418,026		21,922,670
Lease liabilities	86,364	22,643	23,136	16,715	406,883		555,741
(Note)							
<u>December 31, 2020</u>							
Payables	\$4,238,143	\$-	\$-	\$-	\$-		\$4,238,143
Borrowings	160,053	6,468,700	9,632,289	1,655,063	909,521		18,825,626
Lease liabilities	304,358	79,436	15,642	15,917	422,883		838,236
(Note)							

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

	Maturity Period				
	Less than 1 year	1 to 5 years	6 to 10 years	> 10 years	Total
Lease liabilities					
December 31, 2021	\$86,364	\$78,797	\$85,444	\$305,136	\$555,741
December 31, 2020	\$304,358	\$126,995	\$101,747	\$305,136	\$838,236

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F. Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for year ended December 31, 2021:

	<u>Long-term loans</u>	<u>Lease liabilities</u>	<u>Total liabilities from financing activities</u>
As of January 1, 2021	\$18,318,298	\$838,236	\$19,156,534
Cash flows	2,932,769	(304,763)	2,628,006
Non-cash changes			
Syndicated loan issuance costs	18,300	-	18,300
Amortization on bonds payable	(4,730)	-	(4,730)
Addition to right-of-use assets	-	24,275	24,275
Foreign exchange movement	10,694	(2,007)	8,687
As of December 31, 2021	<u>\$21,275,331</u>	<u>\$555,741</u>	<u>\$21,831,072</u>

Reconciliation of liabilities for year ended December 31, 2020:

	<u>Long-term loans</u>	<u>Lease liabilities</u>	<u>Total liabilities from financing activities</u>
As of January 1, 2020	\$16,944,660	\$1,232,514	\$18,177,174
Cash flows	1,434,194	(505,826)	928,368
Non-cash changes			
Syndicated loan issuance costs	16,380	-	16,380
Amortization on bonds payable	(3,765)	-	(3,765)
Addition to right-of-use assets	-	89,750	89,750
Remeasurement of lease liabilities	-	26,651	26,651
Foreign exchange movement	(73,171)	(4,853)	(78,024)
As of December 31, 2020	<u>\$18,318,298</u>	<u>\$838,236</u>	<u>\$19,156,534</u>

G. Fair values of financial instruments

- a. The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Company to measure or disclose the fair values of financial assets and financial liabilities:

- (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.

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

c. Fair value measurement hierarchy for financial instruments

Please refer to Note 12(3) section H for fair value measurement hierarchy for financial instruments of the Company.

H. Fair value measurement hierarchy

a. Fair value measurement hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.

Level 3: Unobservable inputs for the assets or liabilities.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

b. Fair value measurement hierarchy of the Company's assets and liabilities

The Company does not have assets measured at fair value on a non-recurring basis; the following table presents the fair value measurement hierarchy of the Company's assets and liabilities on a recurring basis:

December 31, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at fair value through other comprehensive income				
Equity instruments measured at fair value through other comprehensive income	\$43,028	\$-	\$6,503,449	\$6,546,477

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

December 31, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at fair value through other comprehensive income				
Equity instruments measured at fair value through other comprehensive income	\$28,117	\$-	\$4,418,446	\$4,446,563

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, 2021:

	<u>Assets</u>
	<u>At fair value through other comprehensive income</u>
	<u>Stocks</u>
Beginning balance as at January 1, 2021	\$4,418,446
The fair value of the investments of derecognition	(1,365)
Total gains and losses recognized for the year ended December 31, 2021:	
Amount recognized in OCI (presented in “unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income”)	2,086,368
Ending balance as at December 31, 2021	<u>\$6,503,449</u>

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

For the year ended December 31, 2020:

	<u>Assets</u>
	<u>At fair value through other comprehensive income</u>
	<u>Stocks</u>
Beginning balance as at January 1, 2020	\$2,400,157
Total gains and losses recognized for the year ended December 31, 2020:	
Amount recognized in OCI (presented in “unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income”)	<u>2,018,289</u>
Ending balance as at December 31, 2020	<u><u>\$4,418,446</u></u>

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As at December 31, 2021

	<u>Valuation</u>	<u>Significant</u>	<u>Quantitative</u>	<u>Relationship</u>	<u>Sensitivity of the input to fair</u>
<u>Financial assets:</u>	<u>techniques</u>	<u>unobservable</u>	<u>information</u>	<u>between inputs</u>	<u>value</u>
		<u>inputs</u>		<u>and fair value</u>	
Financial assets at fair value through other comprehensive income					
Stocks	Assets approach	Discount for lack of marketability	10%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase/decrease in the discount for lack of marketability would result in decrease/increase in the Company’s equity by NT\$714,919 thousand.

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Stocks	Markets approach	P/E, P/B, EV/EBITDA, EV/EBIT and EV/Sales	30%	The higher the proportion of similar quantified information, the higher the fair value of the stocks	10% increase/decrease in the discount for lack of marketability would result in decrease/increase in the Company's equity by NT\$9,883 thousand.
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As at December 31, 2020

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
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\$489,775 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\$1,495 thousand.

Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Company's Finance Department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The Department analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies at each reporting date.

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NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS

(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, 2021		
	Foreign Currency (thousand)	Exchange rate	NT\$ (thousand)
<u>Monetary financial assets</u>			
US\$	\$244,913	27.68	\$6,779,191
JPY	628,595	0.2405	151,177
CNY	579	4.344	2,517
<u>Monetary financial liabilities</u>			
US\$	243,034	27.68	6,727,176
JPY	653,018	0.2405	157,051

	December 31, 2020		
	Foreign Currency (thousand)	Exchange rate	NT\$ (thousand)
<u>Monetary financial assets</u>			
US\$	\$173,133	28.48	\$4,930,838
JPY	209,229	0.2763	57,810
CNY	577	4.377	2,527
<u>Monetary financial liabilities</u>			
US\$	181,580	28.48	5,171,411
JPY	254,698	0.2763	70,373

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Functional currencies of entities of the Company are varied. Accordingly, the Company is not able to disclose the information of exchange gains and losses of monetary financial assets and liabilities by each significant asset and liability denominated in foreign currencies. The foreign exchange gains were NT\$70,474 thousand and NT\$39,870 thousand for the years ended December 31, 2021 and 2020, respectively.

The above information is disclosed based on the carrying amount of foreign currency (after conversion to functional currency).

J. Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

K. The impact of the COVID-19 pandemic on the Company

Since the outbreak of COVID -19, the pandemic has been controlled appropriately in the countries where the Company's main operations and production are located. Therefore, no significant impact was incurred on the Company due to the pandemic.

Near the end of May 2021, a foreign migrant worker cluster infection occurred at the Company's premises. The Company, following the guidance from the Central Epidemic Command Center, decisively adopted series of measures to contain the infection. The measures included quarantine of infected workers, 48 hours production suspension and load reduction, etc. It is estimated that this cluster infection reduced approximately 30% of the Company's monthly sales in June 2021. Other than this one-time impact, COVID-19 does not have any significant impact on the Company's going concern basis, funding ability and operations.

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, 2021:

A. Financing provided to others: None.

B. Endorsement/Guarantee provided to others: Please refer to Attachment 1.

C. Securities held as of December 31, 2021: Please refer to Attachment 2.

D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the capital stock: None.

E. Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock: Please refer to Attachment 3.

F. Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock: None.

G. Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock: Please refer to Attachment 4.

H. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock: Please refer to Attachment 5.

I. Financial instruments and derivative transactions: None.

J. Parent-subsidiary relationship between business dealings and important circumstance: Please refer to Attachment 6.

(2) Information on investees

A. Information regarding investee companies over which the Company can exercise significant influence or control: Please refer to Attachment 7.

B. The following are additional disclosures for investee companies KYEC has significant influence or control:

a. Financing provided to others: None.

b. Endorsement/Guarantee provided to others: None.

c. Securities held as of December 31, 2021: None.

d. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the capital stock: None.

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KING YUAN ELECTRONICS CO., LTD.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS

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

- e. Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock: None.
 - f. Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock: None.
 - g. Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock: Please refer to Attachment 4.
 - h. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock as of December 31, 2021: Please refer to Attachment 5.
 - i. Financial instruments and derivative transactions: None.
- (2) Investment in Mainland China: Please refer to Attachment 8.
- (3) Major shareholders information: There is no shareholder who owns above 5% securities of the Company as at December 31, 2021.

KING YUAN ELECTRONICS CO., LTD.

ENDORSEMENTS/GUARANTEES PROVIDED

For the year ended December 31, 2021

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

NO.	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note 2)	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable (Note 3)	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China
		Name	Nature of Relationship										
1	The Company	Suzhou Zhengkuan Technology Ltd.	(Note 1)	\$6,836,855	\$993,260	\$138,400	\$69,200	-	0.40%	\$13,673,710	Y	N	Y

Note 1: A subsidiary in which endorser/guarantor holds directly over 50% of equity interest.

Note 2: The amount of guarantees/endorsements for any single entity shall not exceed 20% of net worth of endorser/guarantor.

Note 3: The maximum endorsement/guarantee amount allowable shall not exceed 40% of the Company's net worth as of December 31, 2021.

MARKTEABLE SECURITIES HELD

As of December 31, 2021

(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, 2021				Note
					Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
	Stock	Shieh Yong Investment Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	121,840,431	1,669,533	7.58%	1,669,533	
	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	-	3.10%	-	
The Company	Stock	YANN YUAN Investment Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	25,000,000	4,764,734	15.34%	4,764,734	
	Stock	Movella Inc. (Note)	-	Non-current financial assets at fair value through other comprehensive income	528,745	-	0.81%	-	
	Stock	IROC Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	315,999	12,877	1.23%	12,877	
	Stock	Subtron Technology Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	927,147	30,151	0.32%	30,151	
	Stock	CAL-COMP INDÚSTRIA DE SEMICONDUCTORES S.A.	-	Non-current financial assets at fair value through other comprehensive income	11,965,500	69,182	17.16%	69,182	

Note: The security was renamed from Mcube Inc.

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

As of December 31, 2021

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

Held Company Name	Type of Properties	Transaction Date	Transaction Amount	Payment Status	Counter-party	Relationship	Prior Transaction of Related Counter-party			Price Reference	Purpose and Usage of Acquisition	Other Commitments
							Owner	Relationship with the Issuer	Transfer Date			
The Company	Land and building	2020.10.30 (Note)	\$350,000	According to the trading term of purchase order, the Company has paid off the total consideration as of December 31, 2021.	Henghoun Xingye Co., Ltd.	None	Not applicable		Reference to valuation report	Purpose: to meet the needs of future operation and development usage status: ownership has been transferred	None	
The Company	Land and building	2020.12.25 (Note)	\$639,000	According to the trading term of purchase order, the Company has paid \$447,300 as of December 31, 2021.	Weishun architecture Co., Ltd.	None	Not applicable		Price comparison and bargaining	Purpose: to meet the needs of future operation and development usage status: ownership not transferred	None	

Note: Board of Directors approval date.

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

As of December 31, 2021

(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 (Including Contract Assets)		
			Purchase/Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total
The Company	MediaTek Inc.	The chairman of the Company and the chairman of Mediatek Inc. are close relatives	Sales	\$4,654,610	18.03%	Month-end 75 days	-	-	\$1,069,273	17.32 %
	Mediatek Singapore Pte. Ltd.	Subsidiary of MediaTek Inc.	Sales	\$2,947,566	11.42%	Month-end 60 days	-	-	\$787,233	12.75 %
	Airoha Technology Corp. Airoha Technology (Suzhou) Limited.	Subsidiary of MediaTek Inc. Subsidiary of MediaTek Inc.	Sales Sales	\$504,002 \$114,130	1.95% 0.44%	Month-end 60 days Month-end 75 days	- -	- -	\$155,744 \$32,178	2.52 % 0.52 %
King Long Technology (Suzhou) Ltd.	MediaTek Inc.	The chairman of the Company and the chairman of Mediatek Inc. are close relatives	Sales	\$390,022	5.82%	Month-end 75 days	-	-	\$58,388	3.45 %
	Mediatek Singapore Pte. Ltd.	Subsidiary of MediaTek Inc.	Sales	\$151,158	2.26%	Month-end 75 days	-	-	\$22,357	1.32 %
	Suzhou Zhengkuan Technology Ltd.	Subsidiary	Sales	\$158,619	2.37%	Month-end 180 days	-	-	\$96,486	5.71 %

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

As of December 31, 2021

(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	\$1,073,634 (Note 1)	4.38	\$-	-	\$732,225	-
	Mediatek Singapore Pte. Ltd.	Subsidiary of MediaTek Inc.	\$787,565 (Note 2)	4.50	\$29	-	\$505,191	-
	Airoha Technology Corp.	Subsidiary of MediaTek Inc.	\$155,744	4.87	\$-	-	\$98,266	-
	King Long Technology (Suzhou) Ltd.	Subsidiary	\$436,705 (Note 3)	0.83	\$-	-	\$20,822	-
King Long Technology (Suzhou) Ltd.	Suzhou Zhengkuan Technology Ltd.	Subsidiary	\$156,880 (Note 4)	1.89	\$-	-	\$28,164	-

Note 1: Includes other receivables - related party amounting to NT\$4,361 thousand arising from handling charges, freights and tax fees.

Note 2: Includes other receivables - related party amounting to NT\$332 thousand arising from customs clearance charges and freights.

Note 3: Includes other receivables - related party amounting to NT\$425,716 thousand arising from disposal of equipments and accessories.

Note 4: Includes other receivables - related party amounting to NT\$60,394 thousand arising from utility fees.

INTERCOMPANY RELATIONSHIP AND SIGNIFICANT INTERCOMPANY TRANSACTIONS DURING THE REPORTING PERIOD

For the year ended December 31, 2021

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

Number	Company name	Counterparty	Relationship	Financial Statement Account	Amount (Foreign Currency in Thousands)	Transaction Terms	% of Net Revenues or total Assets	
0	KYTEC	KYTEC USA Corp.		Commission expense	\$46,330		0.14%	
				Accrued expenses	2,076			
		King Long Technology (Suzhou) Ltd.		Disposal of equipment	1,140,684	according to contract	1.58%	
				Purchase equipment	20,018		0.03%	
				Accounts receivable	10,989		0.02%	
				Other receivables	425,716		0.59%	
				Accrued expenses	10,168		0.01%	
				Sales revenue	32,399		0.10%	
				Equipment repair	1,182	-	0.21%	
				Deferred credits	148,074	0.01%		
Accrued expenses	6,585			0.08%				
Commission expense	26,442			0.07%				
1	King Long Technology (Suzhou) Ltd.	KYTEC Japan. K.K.	1	Commission expense	23,897			
				KYTEC Singapore PTE. LTD.	138,400			
		Suzhou Zhengkuan Technology Ltd.			Endorsement guarantee	(US\$5,000)	0.04%	
					Disposal of equipment	32,195		
					Purchase equipment	1,213		
					Accrued expenses	1,977		
					Sales revenue	2,350		
					Deferred credits	14,265		
					3	Sales revenue	158,619	0.47%
						Accounts receivable Other receivables	96,486 60,394	0.13% 0.08%

Note 1: The information of transactions between the Company and the consolidated subsidiaries should be noted in "Number" column.

(1) Number 0 represents the Company.

(2) The consolidated subsidiaries are numbered in order from number 1.

Note 2: The transaction relationships with the counterparties are as follows:

(1) The Company to the consolidated subsidiary.

(2) The consolidated subsidiary to the Company.

(3) The consolidated subsidiary to another consolidated subsidiary.

Note 3: In calculating the ratio, the transaction amount is divided by consolidated total assets for balance sheet accounts and is divided by consolidated total revenues for income statement accounts.

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEE OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)

For the year ended December 31, 2021

(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, 2021			Net Income (Loss) of the Investee	Investment income (loss) recognised by the Company for the year ended December 31, 2021.	Note
				December 31, 2021	December 31, 2020	Shares	Percentage of Ownership	Carrying Value			
The Company	KYEC USA Corp.	Note 1	Sales agent and business communication in USA	\$4,973	\$4,973	160,000	100.00 %	\$11,367	\$(200)		
	KYEC Investment International Co., Ltd.	Note 2	Investing activities	5,292,315	5,292,315	164,923,636	100.00 %	7,925,792	1,757,293		
	KYEC Technology Management Co., Ltd.	Note 3	Investing activities	251,579	251,579	7,500,000	100.00 %	504,621	111,770		
	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 %	53,553	4,368		
The Company	KYEC SINGAPORE PTE. LTD.	Note 5	Sales agent and business communication in South East Asia and Europe	1,830	1,830	78,000	100.00 %	6,313	4,619		
	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 %	50,400	50,698	11,819	
	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 %	28,726	30,711	10,441	
	King Ding Precision Incorporated Company	Note 8	Manufacturing, selling and wholesale of electronics parts and components and repairing of electronics related products	72,600	72,600	6,600,000	100.00 %	71,337	1,375		
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 286,336	USD 66,791	-	
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 18,231	USD 66,791	-	

Note 1: 101 Metro Drive., #540 San Jose, CA 95110 USA.

Note 2: Wickhams Cay II Road Town, Tortola, YG1110, 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 Techpark @Chai Chee, Singapore 469001.

Note 6: No. 380, Huashan Rd., Dadu Dist., Taichung City 432, Taiwan (R.O.C.)

Note 7: No. 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, 2021

(Amounts in New Taiwan Thousand Dollars, CNY thousand, 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, 2021	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2021	Net Income (Loss) of the Investee Company	Percentage of Ownership	Share of Profits/Losses (Note 5)	Carrying Amount as of December 31, 2021	Accumulated Inward Remittance of Earnings as of December 31, 2021
					Outflow	Inflow						
King Long Technology (Suzhou) Ltd.	Note 1	\$2,370,525 (CNY 546,176)	Indirectly investment in Mainland China through companies registered in a third region (Note 2)	\$3,422,770 (USD 123,655)	\$-	\$-	\$3,422,770 (USD 123,655)	\$1,927,763 (USD 68,902)	92.46%	\$1,869,063 (USD 66,791)	\$8,430,414 (USD 304,567)	\$-
Suzhou Zhengkuan Technology Ltd.	Note 3	\$2,314,850 (CNY 533,348)	Indirectly investment in Mainland China through companies registered in a third region (Note 4)	\$1,349,916 (USD 48,769)	\$-	\$-	\$1,349,916 (USD 48,769)	\$187,296 (USD 6,698)	92.46%	\$181,024 (USD 6,473)	\$690,448 (USD 24,944)	\$-
Accumulated Investment in Mainland China as of December 31, 2021						Investment Amounts Authorized by Investment Commission, MOEA				Upper Limit on Investment		
				\$4,772,686 (USD 172,424)		\$4,772,686 (USD 172,424)				\$20,510,565		

Note 1: 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.

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: R&D, production (assembly and 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.

Note 4: Investment was through King Long Technology (Suzhou) Ltd.

Note 5: Recognition of investment gains (losses) was calculated based on the investee's audited financial statements.

KING YUAN ELECTRONICS CO., LTD.
1.STATEMENT OF CASH AND CASH EQUIVALENTS
December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Cash and cash equivalents	Including US\$40,425 thousand and JPY628,595 thousand	\$ 4,920,308	Exchange rate of Dec.31, 2021: NT\$ 27.68 = US\$ 1 NT\$ 0.2405 = JPY 1
Time deposits		1,500,000	
Total		<u>\$ 6,420,308</u>	

KING YUAN ELECTRONICS CO., LTD.
2.STATEMENT OF NOTES RECEIVABLE, NET
December 31, 2021

(In Thousands of New Taiwan Dollars)

Client Name	Description	Amount	Note
GSI Technology Taiwan, Inc.		\$ <u>7,706</u>	

KING YUAN ELECTRONICS CO., LTD.
3.STATEMENT OF TRADE RECEIVABLES, NET
December 31, 2021

(In Thousands of New Taiwan Dollars)

Client Name	Description	Amount	Note
Omnivision Technologies Singapore Pte. Ltd.		\$ 325,884	
Phison Electronics Corporation		254,953	
Silicon Motion, Inc.		245,055	
Nvidia Corporation		218,006	
Others	The amount of each item in "Others" does not exceed 5% of the account balance.	2,885,981	
Total		<u>3,929,879</u>	
Less: loss allowance		<u>(25,158)</u>	
Net		<u>\$ 3,904,721</u>	

KING YUAN ELECTRONICS CO., LTD.**4.STATEMENT OF TRADE RECEIVABLES FROM RELATED PARTIES****December 31, 2021****(In Thousands of New Taiwan Dollars)**

Client Name	Description	Amount	Note
MediaTek Inc.		\$ 1,069,273	
Mediatek Singapore Pte. Ltd.		787,233	
Airoha Technology Corp.		155,744	
Airoha Technology (Suzhou) Limited		32,178	
Richtek Technology Corp.		14,456	
King Long Technology (Suzhou) Ltd.		10,989	
Airoha Technology (HK) Limited		10,958	
Others	The amount of each item in "Others" does not exceed NT\$1,000 thousand.	509	
Total		<u>\$ 2,081,340</u>	

KING YUAN ELECTRONICS CO., LTD.
5.STATEMENT OF OTHER RECEIVABLES
December 31, 2021

(In Thousands of New Taiwan Dollars)

Client Name	Description	Amount	Note
Other receivables		\$ 336,586	
Tax refund		602	
Interest receivable		243	
Total		337,431	
Less: loss allowance		(23,149)	
Net		<u>\$ 314,282</u>	

KING YUAN ELECTRONICS CO., LTD.
6.STATEMENT OF OTHER RECEIVABLES FROM RELATED PARTIES
December 31, 2021

(In Thousands of New Taiwan Dollars)

Client Name	Description	Amount	Note
King Long Technology (Suzhou) Ltd.		\$ 425,716	
MediaTek Inc.		4,361	
Others	The amount of each item in "Others" does not exceed NT\$1,000 thousand.	464	
Total		<u>\$ 430,541</u>	

KING YUAN ELECTRONICS CO., LTD.
7.STATEMENT OF INVENTORIES, NET
December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Description	Amount		Note
		Cost	market price	
Raw materials		\$ 823,881	\$ 909,458	Inventory are valued at lower of cost and net realized value.
Work in process		278,556	278,967	
Total		1,102,437	<u>\$ 1,188,425</u>	
Less: allowance for inventory valuation and obsolescence losses		<u>(72,657)</u>		
Net		<u>\$ 1,029,780</u>		

KING YUAN ELECTRONICS CO., LTD.
8.STATEMENT OF OTHER CURRENT ASSETS
December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Payments on behalf of others		\$ 62,328	
Temporary payments		<u>4,550</u>	
Total		<u>\$ 66,878</u>	

KING YUAN ELECTRONICS CO., LTD.
9. STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME-NON-CURRENT
For the year ended December 31, 2021

(In Thousands of New Taiwan Dollars)

Securities Name	Balance, January 1, 2021			Increase in 2021		Decrease in 2021		Unrealized gain or loss on financial assets at fair value through other comprehensive income	Balance, December 31, 2021		Assets pledged as collateral	Note	
	Shares	Cost of an investment	Unrealized gain or loss	Fair Value	Shares	Amount	Shares		Amount	Shares			Fair value
ADL Engineering INC.	210,614	\$ 327,490	\$ (327,490)	\$ -	-	\$ (210,614)	\$ (1,365)	\$ 1,365	-	\$ -	N/A		
Shieh Yong Investment Co., Ltd.	57,810,000	500,000	703,620	1,203,620	64,030,431	-	-	465,913	121,840,431	1,669,533	N/A		
APM Communication, Inc.	10,456	23,427	(23,427)	-	-	-	-	-	10,456	-	N/A		
Greenliant Systems, Ltd.	2,333,333	30,300	(30,300)	-	-	-	-	-	2,333,333	-	N/A		
YANN YUAN Investment Co., Ltd.	25,000,000	1,275,000	1,929,360	3,204,360	-	-	-	1,560,374	25,000,000	4,764,734	N/A		
Movellia Inc.	528,745	44,880	(44,880)	-	-	-	-	-	528,745	-	N/A		
IROC Co., Ltd.	436,046	15,275	(101)	15,174	-	(120,047)	-	(2,297)	315,999	12,877	N/A		
Subtron Technology Co., Ltd.	927,147	7,983	4,960	12,943	-	-	-	17,208	927,147	30,151	N/A		
CAL-COMP INDUSTRIA DE SEMICONDUTORES S.A.	11,965,500	45,711	(35,245)	10,466	-	-	-	58,716	11,965,500	69,182	N/A		
Total		\$ 2,270,066	\$ 2,176,497	\$ 4,446,563		\$ (1,365)		\$ 2,101,279		\$ 6,546,477			

Note 1: Disposed of all shares of ADL Engineering INC.

Note 2: Stock dividend of Shieh Yong Investment Co., Ltd.

Note 3: IROC Co., Ltd. reduced capital to offset the deficit.

KING YUAN ELECTRONICS CO., LTD.
10. STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
For the year ended December 31, 2021

Investees	(In Thousands of New Taiwan Dollars)														
	Balance, January 1, 2021		Increase in 2021		Decrease in 2021		Investment income (loss)	Cumulative translation adjustment	Capital surplus adjustment	Balance, December 31, 2021		Market value or net assets value		Assets pledged as collateral	Note
	Shares	Amount	Shares	Amount	Shares	Amount				Shares	%	Amount	Unit price		
KYEC USA Corp.	160,000	\$ 12,035	-	\$ -	-	\$ -	(200)	\$ (468)	\$ -	160,000	100.00%	\$ 11,367	\$ 71.04	\$ 11,367	N/A
KYEC Investment International Co., Ltd.	164,923,636	5,691,034	-	-	-	-	1,757,293	(31,664)	509,129	164,923,636	100.00%	7,925,792	48.06	7,925,792	N/A
KYEC Technology Management Co., Ltd.	7,500,000	362,498	-	-	-	-	111,770	(2,029)	32,382	7,500,000	100.00%	504,621	67.28	504,621	N/A
KYEC Japan K. K.	1,899	56,828	-	-	-	-	4,368	(7,643)	-	1,899	89.83%	53,553	28,200.54	53,553	N/A
KYEC SINGAPORE PTE. LTD.	78,000	2,130	-	-	-	-	4,619	(436)	-	78,000	100.00%	6,313	80.94	6,313	N/A
Fixwell Technology Corp.	2,800,000	46,981	-	-	-	(8,400)	11,819	-	-	2,800,000	23.33%	50,400	18.01	50,400	N/A
Wei Jiu Industrial Co., Ltd.	1,020,000	22,875	-	-	-	(4,590)	10,441	-	-	1,020,000	34.00%	28,726	31.37	28,726	N/A
King Ding Precision Incorporated Company	6,600,000	69,962	-	-	-	-	1,375	-	-	6,600,000	100.00%	71,337	10.90	71,337	N/A
Subtotal		6,264,343		-		(12,990)	1,901,485	(42,240)	541,511			8,652,109			
Less: deferred credits		(116,177)		(99,859)		53,697	-	-	-			(162,339)			
Total		\$ 6,148,166		\$ (99,859)		\$ 40,707	\$ 1,901,485	\$ (42,240)	\$ 541,511			\$ 8,489,770			

Note : The decrease amount is due to the cash dividends received.

KING YUAN ELECTRONICS CO., LTD.

**11.STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT AND
ACCUMULATED DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT**

For the year ended December 31, 2021

(In Thousands of New Taiwan Dollars)

A. Please refer to Note 6.(8) for more details of the changes in property, plant and equipment and accumulated depreciation of property, plant and equipment.

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

C. Details of transfer are as following:

Transferred from prepayments	\$	64,339
Transferred from right-of-use assets	\$	538,273
Transferred to intangible assets	\$	-

D. Depreciation expense details are as following:

Operating costs	\$	6,520,003
Selling expenses		2,916
Administration expenses		458,521
Research and development expenses		120,835
Total	\$	7,102,275

KING YUAN ELECTRONICS CO., LTD.
12. STATEMENT OF RIGHT-OF-USE ASSETS
For the year ended December 31, 2021

Item	Balance, January 1, 2021	Increase in 2021	Decrease in 2021	Transfer in 2021	Balance, December 31, 2021
(In Thousands of New Taiwan Dollars)					
Acquisition costs					
Land	\$ 512,896	-	-	-	\$ 512,896
Buildings and facilities	-	9,513	-	-	9,513
Machinery and equipment	812,456	-	-	(722,706)	89,750
Transportation equipment	-	14,762	-	-	14,762
Total costs	<u>1,325,352</u>	<u>24,275</u>	<u>-</u>	<u>(722,706)</u>	<u>626,921</u>
Accumulated depreciation					
Land	\$ 36,095	18,812	-	-	\$ 54,907
Buildings and facilities	-	-	-	-	-
Machinery and equipment	97,826	103,435	-	(184,433)	16,828
Transportation equipment	-	1,640	-	-	1,640
Total accumulated depreciation	<u>133,921</u>	<u>123,887</u>	<u>-</u>	<u>(184,433)</u>	<u>73,375</u>
Book value	<u>\$ 1,191,431</u>	<u>\$ (99,612)</u>	<u>\$ -</u>	<u>\$ (538,273)</u>	<u>\$ 553,546</u>

KING YUAN ELECTRONICS CO., LTD.
13. STATEMENT OF INTANGIBLE ASSETS AND OTHER ASSETS-NON-CURRENT

December 31, 2021

Item	Description	Amount		Note
		Subtotal	Total	
Intangible assets			\$ 69,247	Please refer to Note 6.(9) for more details on intangible assets.
Refundable deposits	Golf club membership deposit	\$ 3,000		
	Car rental deposit	2,000		
	Others	394	\$ 5,394	
Other financial assets-non-current	Customs deposit		\$ 105,972	Please refer to Note 8 for more details.

KING YUAN ELECTRONICS CO., LTD.**14.STATEMENT OF NOTES PAYABLE****December 31, 2021****(In Thousands of New Taiwan Dollars)**

Vendor name	Description	Amount	Note
Acer E-enabling Service Business Inc.		\$ 8,181	
Others	The amount of each item in "Others" does not exceed 5% of the account balance.	1,885	
Total		<u>\$ 10,066</u>	

KING YUAN ELECTRONICS CO., LTD.
15.STATEMENT OF ACCOUNTS PAYABLE
December 31, 2021

(In Thousands of New Taiwan Dollars)

Vendor name	Description	Amount	Note
Avnet Asia Pte Ltd.		\$ 59,354	
Answer Technology Co., Ltd.		58,784	
PIN-JET MICROTECH., CO., LTD.		44,517	
MAKOTO Technology Co., Ltd.		42,712	
Others	The amount of each item in "Others" does not exceed 5% of the account balance.	572,300	
Total		<u>\$ 777,667</u>	

KING YUAN ELECTRONICS CO., LTD.
16.STATEMENTS OF PAYABLES TO RELATED PARTIES
December 31, 2021

(In Thousands of New Taiwan Dollars)

Vendor name	Description	Amount	Note
Wei Jiu Industrial Co., Ltd.		\$ 19,961	
Fixwell Technology Corp.		<u>1,453</u>	
Total		<u>\$ 21,414</u>	

KING YUAN ELECTRONICS CO., LTD.
17.STATEMENT OF OTHER PAYABLES
December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Accrued payroll		\$ 377,545	
Accrued bonuses		475,818	
Accrued employees' compensation and remuneration to directors		638,299	
Accrued accessories expense		806,067	
Accrued utilities expense		109,735	
Accrued labor and health insurance expense		98,621	
Accrued pension expense		34,536	
Accrued interest		6,579	
Others		<u>777,553</u>	Note
Total		<u>\$ 3,324,753</u>	

Note : Mainly indirect supplies.

KING YUAN ELECTRONICS CO., LTD.
18.STATEMENT OF OTHER PAYABLES TO RELATED PARTIES
December 31, 2021

(In Thousands of New Taiwan Dollars)

Related parties	Description	Amount	Note
Fixwell Technology Corp.		\$ 75,127	
Wei Jiu Industrial Co., Ltd.		22,365	
King Long Technology (Suzhou) Ltd.		10,168	
KYEC Japan K.K.		6,585	
KYEC USA Corp.		2,076	
Suzhou Zhengkuan Technology Ltd.		1,977	
Airoha Technology Corp.		1,438	
Total		<u>\$ 119,736</u>	

KING YUAN ELECTRONICS CO., LTD.
19.STATEMENT OF PAYABLES TO EQUIPMENT SUPPLIERS
December 31, 2021

(In Thousands of New Taiwan Dollars)

Vendor name	Description	Amount	Note
Advantest Taiwan Inc.		\$ 391,870	
Jiu Han Engineering Co., Ltd.		265,788	
Wei-Shun Construction Co., Ltd.		168,437	
Accretech Taiwan Co., Ltd.		84,200	
Teradyne (Asia) Pte. Ltd.		78,920	
Others	The amount of each item in "Others" does not exceed 5% of the account balance.	246,508	
Total		<u>\$ 1,235,723</u>	

KING YUAN ELECTRONICS CO., LTD.
20.STATEMENT OF LEASE LIABILITIES
December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Description	Period	Discount rate	Balance, December 31, 2021	Note
Land		6 to 28 years	1.88%	\$ 469,771	
Buildings and facilities		4 years	0.85%~1.01%	9,513	
Machinery and equipment		2 years	0.89%	64,107	Note
Transportation equipment		3 years	1.17%	<u>12,350</u>	Note
Less: current portion				555,741	
Lease liabilities-non-current				<u>(86,364)</u>	
				<u>\$ 469,377</u>	

Note : The Company considers the possibility to exercise the purchase option at the end of the lease term.

KING YUAN ELECTRONICS CO., LTD.
21.STATEMENT OF OTHER CURRENT LIABILITIES
December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Receipts on behalf of others		\$ 482,747	
Allowance for sales returns and discounts		398,109	
Unearned receipts		1,341	
Temporary receipts		47	
Total		<u>\$ 882,244</u>	

KING YUAN ELECTRONICS CO., LTD.
22.STATEMENT OF LONG-TERM LOANS
December 31, 2021

(In Thousands of New Taiwan Dollars)						
Creditor	Description	Loan amount	Contract period	Range of interest rates	Terms of repayment	Note
Shanghai Commercial Bank	Unsecured loans	\$ 40,151	2021.03.27~2023.03.27	0.85%	Please refer to Note	Please refer to Note 8 for more details on collateral.
Shanghai Commercial Bank	Unsecured loans	885,760	2021.03.15~2024.03.15	0.85%	6.(11) for more details.	
Standard Chartered Bank	Unsecured loans	332,160	2021.06.30~2023.06.30	0.72%		
Citibank	Unsecured loans	138,400	2021.11.22~2023.11.22	0.83~0.85%		
Bank of China	Unsecured loans	968,800	2021.10.15~2023.10.14	0.50~0.57%		
Cathay United Bank	Unsecured loans	442,880	2021.12.25~2023.12.25	0.61~0.65%		
Mizuho Bank	Unsecured loans	500,000	2022.01.01~2024.01.01	0.73%		
Shin Kong Commercial Bank	Unsecured loans	138,400	2021.12.15~2024.12.15	0.60%		
Taiwan Business Bank	Unsecured loans	276,800	2021.04.07~2023.04.07	0.50~0.55%		
Hua Nan Commercial Bank	Unsecured loans	138,400	2021.04.09~2023.04.09	0.70%		
Mega Bank	Unsecured loans	138,400	2021.04.29~2023.04.28	0.65%		
Taishin Bank	Unsecured loans	1,106,636	2021.06.03~2025.06.03	0.82~1.05%		
HSBC Taiwan Bank	Unsecured loans	110,720	2021.11.30~2024.09.28	0.81%		
HSBC Taiwan Bank	Unsecured loans	58,967	2021.12.21~2024.12.20	0.87%		
HSBC Taiwan Bank	Unsecured loans	7,920	2021.12.01~2024.12.02	0.82%		
First Bank	Unsecured loans	830,400	2021.07.01~2026.07.01	0.80%		
Yuanta Commercial Bank	Unsecured loans	811,983	2021.06.22~2025.06.22	0.86%		
E. Sun Commercial Bank	Unsecured loans	34,649	2021.12.27~2025.12.26	0.91%		
KGI Bank	Unsecured loans	240,000	2020.07.15~2024.07.15	0.99%		
O Bank	Unsecured loans	171,429	2020.02.07~2025.02.07	1.09%		
Mega Bank	Unsecured loans	680,000	2020.02.07~2025.02.07	1.08%		
Chang Hwa Commercial Bank	Unsecured loans	556,000	2020.01.20~2025.01.20	1.11%		
Bank of Taiwan	Unsecured loans	600,000	2020.01.20~2024.01.20	1.12%		
First Bank	Unsecured loans	814,398	2020.01.20~2025.01.20	1.16%		
Far Eastern Bank	Unsecured loans	600,000	2020.02.07~2023.02.07	1.02%		
CTBC Bank	Unsecured loans	300,000	2020.02.07~2024.02.07	1.20%		
JihSun Bank	Unsecured loans	500,000	2021.03.12~2024.03.12	1.00%		
Mega Bank and 17 others (Note 1)	Commercial Paper	2,500,000	2018.12.07~2023.12.06	1.25%		
Mega Bank and 13 others (Note 2)	Commercial Paper	7,380,000	2020.10.12~2025.10.11	1.15%		
Total		21,303,253				
	Less: current portion	-				
	Less: arrangement fee	(12,425)				
	Less: Long-term coupon discount and amortization	(15,497)				
	Long-term loans	\$ 21,275,331				

Note1: The Company entered into a syndicated loan agreement in the amount of 14.2 billion with 17 banks including Mega International Commercial Bank (lead bank), Taipei Fubon Commercial Bank, CTBC Commercial Bank, Bank of Taiwan, Land Bank of Taiwan, O Bank, E. Sun Commercial Bank, Taishin Commercial Bank, SinoPac Bank, First Commercial Bank, Cathay United Commercial Bank, Hua Nan Commercial Bank, Shin Kong Commercial Bank, Chang Hwa Commercial Bank, Taiwan Business Bank, KGI Commercial Bank, and Bank of Panhsin.

Note2: The Company entered into a syndicated loan agreement in the amount of 12 billion with 13 banks including Mega International Commercial Bank (lead bank), Taipei Fubon Commercial Bank, Bank of Taiwan, First Commercial Bank, Hua Nan Commercial Bank, Shanghai Commercial Bank, E. Sun Commercial Bank, Taishin Commercial Bank, SinoPac Bank, Far Eastern Bank, Taiwan Business Bank, Shin Kong Commercial Bank, Agricultural Bank of Taiwan.

KING YUAN ELECTRONICS CO., LTD.

23.STATEMENT OF REVENUES

For the year ended December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Assembly and testing processing revenues		\$ 22,081,412	
Revenues from rental of machinery		2,452,506	
Rental income from property		36,132	
Other operating revenues		<u>1,250,677</u>	
Total revenues		<u>\$ 25,820,727</u>	

KING YUAN ELECTRONICS CO., LTD.
24.STATEMENT OF COSTS OF GOODS SOLD
For the year ended December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Costs of goods sold			
Raw materials used			
Balance, beginning of the year		\$ 685,751	
Add: purchase		3,129,546	
Less: indirect consumables		(72,489)	
Less: transfer to other expenses		(615,429)	
Less: loss of inventory scrap		(42,674)	
Less: sale of raw materials		(51,387)	
Less: ending balance of the year		(823,881)	
Current consumption		2,209,437	
Direct labor		2,267,410	
Manufacturing overhead		15,013,386	
Manufacturing costs		19,490,233	
Add: work in process, beginning of the year		178,730	
Add: purchase for production consumables		102,218	
Less: transfer to other repair expenses		(199,986)	
Less: transfer to unfinished working orders		(93,007)	
Less: sale of semi-finished products		(1)	
Less: work in process, end of the year		(278,556)	
Cost of finished goods		19,199,631	
Add: finished goods, beginning of the year		-	
Less: finished goods, end of the year		-	
Less: transfer to processing costs		(16,429,786)	
Less: transfer to property, plant and equipment		(800,456)	
Less: transfer to others		(817)	
Costs of goods sold		1,968,572	
Processing costs		16,429,786	
Sale of raw materials		51,387	
Sale of semi-finished products		1	
Other operating costs		1,996	
Loss of inventory scrap		42,674	
Inventory valuation and obsolescence reversal gain		(17,680)	
Operating costs		<u>\$ 18,476,736</u>	

KING YUAN ELECTRONICS CO., LTD.
25.STATEMENT OF MANUFACTURING OVERHEAD
For the year ended December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Depreciation		\$ 6,520,003	
Indirect labor		2,949,686	
Repairs and maintenance		1,712,830	
Consumable materials		1,499,878	
Utilities expense		1,277,230	
Others	The amount of each item in "Others" does not exceed 5% of the account balance.	1,053,759	
Total		<u>\$ 15,013,386</u>	

KING YUAN ELECTRONICS CO., LTD.
26.STATEMENT OF SELLING EXPENSES
For the year ended December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Payroll expense		\$ 179,748	
Commission expense		96,669	
Others	The amount of each item in "Others" does not exceed 5% of the account balance.	69,212	
Total		<u>\$ 345,629</u>	

KING YUAN ELECTRONICS CO., LTD.
27.STATEMENT OF ADMINISTRATIVE EXPENSES
For the year ended December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Payroll expense		\$ 590,084	
Depreciation		458,521	
Repairs and maintenance		83,791	
Utilities expense		72,172	
Others	The amount of each item in "Others" does not exceed 5% of the account balance.	441,635	
Total		<u>\$ 1,646,203</u>	

KING YUAN ELECTRONICS CO., LTD.
28.STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES
For the year ended December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Payroll expense		\$ 411,660	
Indirect consumables		204,418	
Depreciation		120,835	
Others	The amount of each item in "Others" does not exceed 5% of the account balance.	109,933	
Total		<u>\$ 846,846</u>	

29. Please refer to note 6.(17) for more details on employee benefit, accumulated depreciation, and amortization.

King Yuan Electronics Co., Ltd.

Chairman: Chin-Kung Lee



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

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