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ANNUAL REPORT 2020



Annual Report 2020

光群雷射科技股份有限公司
K LASER TECHNOLOGY INC.



PRINTED ON 2021.05.05

K LASER TECHNOLOGY INC.

光群雷射科技股份有限公司
K LASER TECHNOLOGY INC.

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To Shareholders

Summary

For the full year 2020, the consolidated sales of K Laser Group grew 5% to 5.46 billion NT dollars. The annual gross profit margin was 23%, and the operating profit jumped more than seven-fold to 227.9 million NT dollars. Net profit of 2020 was 144.41 million NT dollars, EPS 0.96.

It is remarkable that we were able to grow our sales revenue and net profit when COVID-19 rages worldwide. Thanks to the fact that we had kept sufficient stock in our channels worldwide, we were able to keep our sales activities going without being disrupted by the pandemic while the improvement of productivity had offset the cost increase resulted from the surge of shipping rates. In addition, with the completion of organization restructuring and the implementation of strict expense control, the expense ratio had decreased 3%. All the above had contributed to the improvement in our financial performance in 2020.

Technology Development

Over the years, we have kept on improving our true-seamless and wide-web products to meet the market demands. We have also strived to drive customer stickiness, and ultimately elevate our overall profit margin through the following practices.

1. We have dedicated ourselves to improve our design and origination capabilities to provide various unique products with security functions and help customers to achieve desired outcome.
2. We have directed our research and development efforts to create products that are eco-friendly, resistant to high temperature and humidity, and have high abrasion and folding endurance.
3. We have continued to embrace the latest technologies to ensure our competitiveness in the security label market.

Our Strategy and Global Situation

Our research and development efforts are influenced by these noteworthy trends.

- 1.) The plastic waste reduction policy has spurred more and more customers to use eco-friendly materials for packaging.
- 2.) The plastic waste reduction policy has spurred more and more customers to use eco-friendly materials for packaging.
- 3.) The plastic waste reduction policy has spurred more and more customers to use eco-friendly materials for packaging.
- 4.) The plastic waste reduction policy has spurred more and more customers to use eco-friendly materials for packaging.

In response to the above trends, we already had our products qualified for digital printing by customers. We have also been adjusting our production to exploit the demand for environmentally friendly products, and enhancing our technology integration capabilities to satisfy the appetite for multi-featured security solutions. Making an inventory strategy to move sales quickly will be one of our focuses going forward.

In terms of global situation, there is a growing prospect for a strong recovery of world economy as vaccination gets popular across countries. However, the treacherous political-economic relations among countries that exert forms of sanction any time at will may impact our business operations unpredictably. At such a time, we must take advantage of our production establishments and sales channels across the globe to keep our business thriving.

We plan to enhance the function of some overseas subsidiaries to turn them into regional headquarters and have them support each other to achieve the greatest benefits for the Group.

Finally, we would like to express our gratitude to our shareholders for your supports and our employees for their efforts. We will keep the great spirit of teamwork and continue to lead K Laser successfully in the future.

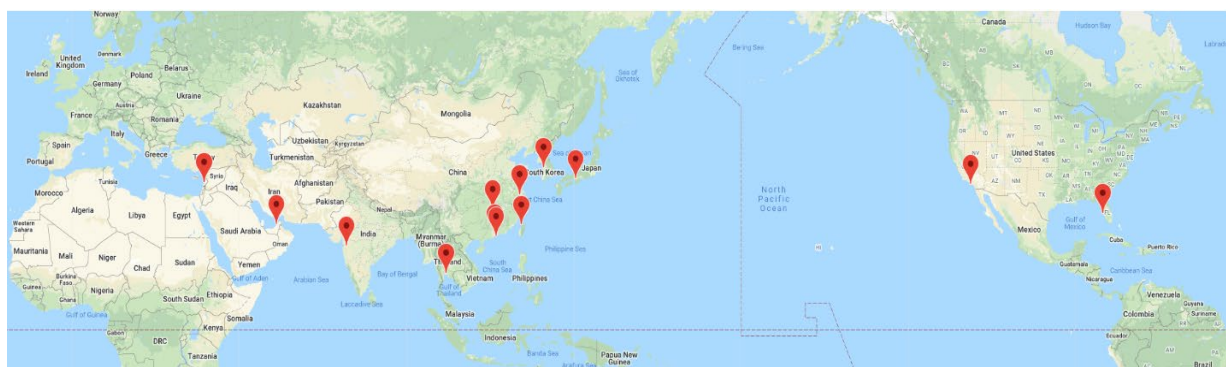
Sincerely,

Alex Kuo
Chairman

2. Company Overview

1. Corporate profile

K laser group (TWSE: 2461) was founded in Hsinchu Science Park on April 29, 1988 and has been committed to laser holography since its establishment. At present, there are 11 offices and 8 production centers all over the world, and they are the main suppliers of laser materials and lens materials in the world. Products include laminating film, transfer film, hot stamping foil, cold stamping foils, laminating paper, transfer paper, etc., which can be widely used in anti-counterfeiting certification, packaging, printing and decoration.



2、 Evolution of the company

- | | |
|------|---|
| 1988 | Established in Hsinchu Science Park to manufacture and sell holographic anti-counterfeiting materials. |
| 1989 | Develop composition technology and strengthen product application development to expand market niche. |
| 1990 | Produce colorful diamond paper and general laser paper, and officially enter the field of laser film production. |
| 1991 | Develop production equipment that can produce 30cm wide product and launch PVC laser film and self-adhesive paper products. |
| 1992 | Develop production equipment that can produce 60cm and 80cm wide products.
Introduce CONTACT COPY and TRUE COLOR laser holography. |
| 1993 | Introduced digital laser holographic photography. Launched glazing film products.
Established AMAGIC Holographics, Inc. |
| 1994 | Launched laser gilding film products. Completed the development of holography with various technology combinations. |
| 1995 | Launched holographic paper boxes and transparent laser anti-counterfeiting film products. |
| 1996 | Initial public offering of shares. Established subsidiaries in Dubai, Middle East and Thailand. |

Launched holographic color OPP films.

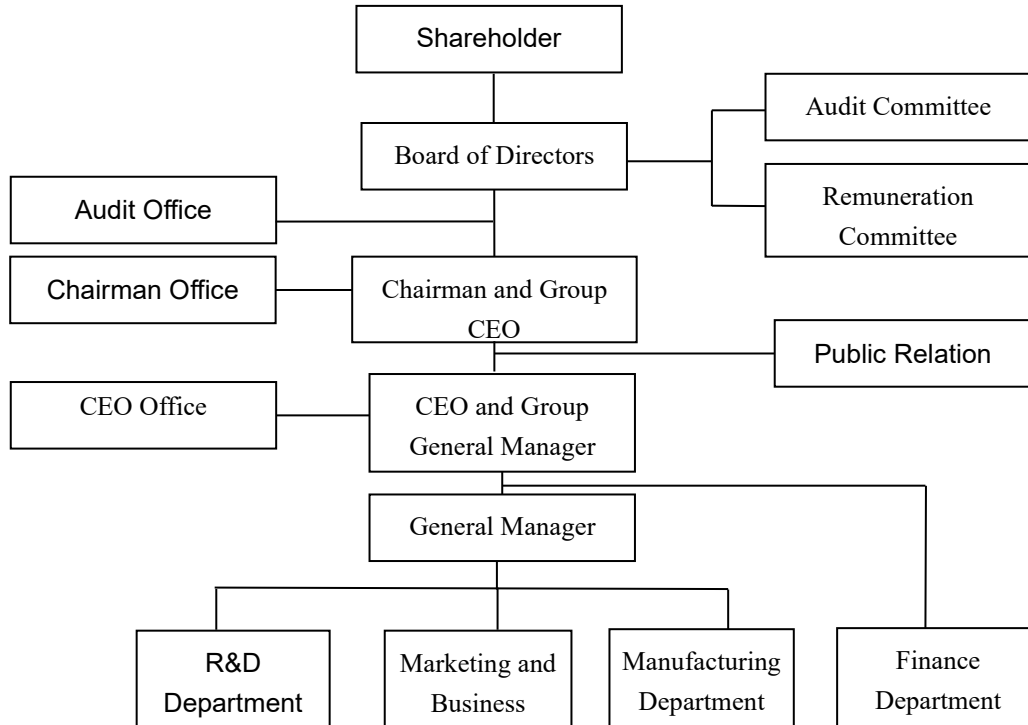
Phase-shifted Fizeau interferometer won the first Outstanding Optoelectronic Product Award at the International Optoelectronic Exhibition.

- 1997 Awarded by the Optical Engineering Society of the Republic of China as an excellent manufacturer of optics.
- 1998 Developed and completed the production equipment of 100cm wide product. Passed BSI ISO9001 international quality certification.
- Phase shift Fizeau interferometer won the 7th Taiwan Excellence Award.
- 1999 Listed on Taiwan Stock Market Over-the-Counter (OTC).
- 2000 Awarded Small Giant Award by Ministry of Economic Affairs.
- 2001 Listed on Taiwan Stock Exchange (Code: 2461). Won the National Rock Award.
- Established Global Operations Headquarters in Hsinchu Science Park.
- Established U.S. R&D center and subsidiaries in Wuxi and Dongguan, China.
- New investment in K Laser Technology (projector industry).
- 2002 Established K Laser Technology (Korea) Co.
- 2003 Established a subsidiary of K Laser Technology Japan Co.
- 2004 Added a new investment in K Laser Group (photoelectric brightening film industry).
- 2012 Launched a pure non-stitching holographic film.
- Merged Reinvestment company - K Laser Group(photoelectric brightening film industry) into Optivision Technology Inc. and became a subsidiary of K Laser Group.
- 2014 Subsidiary of K Laser Technology was traded on Taiwan Over-the-Counter (Code: 3666).
- 2015 New reinvestment Insight Medical Solutions Inc. (medical instrument industry).
- 2016 Merged reinvestment company- HuNan HeRui Laser Technology Co. (holographic industry) into K Laser Group and became a subsidiary of K laser Group.
- Merged reinvestment company - Everest display (projector industry) into K Laser Group and became a subsidiary of K Laser Group.
- 2017 Boxlight, a foreign reinvestment company, was listed on NASDAQ (Code: BOXL).
- 2019 Merged reinvestment company - Insight Medical Solutions Inc. merged into K Laser Group and became a subsidiary of K Laser Group.
- 2020 Made a simple merger with the reinvestment company - Everest display (projector industry) on June 30, 109.

3. Governance Report of Company

1. Organization System

(1) Organization System Diagram



(2) Functions of All Main Departments

Main Department	Functions of All Department
Chairman Office	* Enterprise Development * Public Relation
Audit Office	* Check and evaluate the correctness, reliability, efficiency and effectiveness of the company's internal control, and then provide improvement suggestions to promote business efficiency and effectively implement internal control.
CEO Office	* Enterprise Policy and Management * Subsidiary Management
Finance Department	* Financial scheduling, fund management, collection, production and analysis of accounting data, stock affairs handling, etc. * Related Enterprise Support
Manufacturing Department	* Production and Manufacturing of Products
R&D Department	* Products R&D
Marketing and Business Department	* Sales, Promotion and Export of Products

2. Directors and Major Officers

(1). Director

1. Director (including Independent Director) Information

March 30, 2021

Title	Name	Gender	Elect (Take Office) Date	Term	Primary Election Date of Election	Time of Election Holding of Shares		Present Shareholding		Present Shareholding of Spouse and Minors		Shareholding in Names of Others		Main Experience and Education Degree	Current Part-Time Positions of the Company and Other Companies	Other managers, directors or supervisors who have a spouse or a relationship within parents			Remarks
						Number of Shares	Shareholding Rate	Number of Shares	Shareholding Rate	Number of Shares	Shareholding Rate	Number of Shares	Shareholding Rate			Title	Name	Relation	
Chairman	Alex Kuo	Male	2020.05.28	3	1988.03.16	10,997,756	6.90	10,997,756	6.90	1,099,194	0.69	—	—	Ph.D of Electrical Engineering, State University of New York at Stony Brook, USA	Chairman, CEO and General Manager of K-Laser Group Chairman and Director of Subsidiaries of K-Laser Company	Director	Daniel Kuo	Parents, etc.	Note 1
																Director	Lisa Hsu	Spouse	
Director	Daniel Kuo	Male	2020.05.28	3	1992.06.21	1,122,254	0.70	818,254	0.51	4,572	—	—	—	Master of Civil Engineering, New Jersey Institute of Technology, USA	Chairman of Guangyao Technology (Holding) Inc. Director of Subsidiaries of K-Laser Company	Chairman	Alex Kuo	Parents, etc.	
																Director	Lisa Hsu	Parents, etc.	
Director	Lisa Hsu	Female	2020.05.28	3	2011.06.17	1,040,194	0.65	1,099,194	0.69	10,997,756	6.90	—	—	Master of Computer, New York Institute of Technology, USA Master of Economy, State University of New York, USA	Representative Spokesperson Supervisor of Everest Display (Holding) Inc Director of Subsidiaries of K-Laser Company	Director	Daniel Kuo	Parents, etc.	
																Chairman	Alex Kuo	Spouse	
Director	C.L. Kuo	Male	2020.05.28	3	2017.05.26	—	—	—	—	—	—	—	—	Graduated from National Taipei University of Technology, majored in Industrial Engineering CEO of K-Laser China Group General Manager of Dongguan K-Laser Technology Co., Ltd General Manager of Wuxi K-Laser Technology Co., Ltd Director of Housekeeping Department and Director of General Management Department of K-Laser Technology (Holding) Co., Ltd	Director of Subsidiaries of K-Laser Company	—	—	—	

Title	Name	Gender	Elect (Take Office) Date	Term	Primary Election Date of Election	Time of Election Holding of Shares		Present Shareholding		Present Shareholding of Spouse and Minors		Shareholding in Names of Others		Main Experience and Education Degree	Current Part-Time Positions of the Company and Other Companies	Other managers, directors or supervisors who have a spouse or a relationship within parents			Remarks
						Number of Shares	Shareholding Rate	Number of Shares	Shareholding Rate	Number of Shares	Shareholding Rate	Number of Shares	Shareholding Rate			Title	Name	Relation	
Independent Director	Bi-Xin Huang	Female	2020.05.28	3	2017.05.26	—	—	—	—	—	—	—	—	MBA, National Chiao Tung University Director of Administrative Finance of Hanenergy Technology (Holding) Co., Ltd Financial Manager of AVID Electronics Corp. and Related Enterprise Accounting Director of Taiwan Semiconductor Manufacturing (Holding) Company Accounting Manager of Taiwan Hongzhi Computer Co., Ltd	Independent Director of K-Laser Technology (Holding) Co., Ltd Supervisor of Chin-Shi Electronic Material Ltd.	—	—	—	
Independent Director	Ren Liu	Male	2020.05.28	3	2020.05.28	—	—	—	—	—	—	—	—	Bachelor of Physics, National Chiao Tung University Master of Electronic Engineering, Stanford University, USA Senior Adviser of Director Room of National Space Organization Senior Researcher of Comprehensive Plan Room of National Space Organization Captain of Flight Control Team of National Space Organization Senior Researcher of Industrial Team of National Space Organization, Researcher/Technical Manager/Plan Host of Honeywell R&D Center/Aerospace Department	Contract Researcher of Graduate Institute of Photonics, National Sun Yat-sen University	—	—	—	
Independent Director	Gen-Sen Chang-Hsieh	Female	2020.05.28	3	2011.06.17	—	—	—	—	476	—	—	—	Bachelor of Business, National Taiwan University MBA, University of California, Irvine Assistant Professor of Hwa Hsia University of Technology Accountant of USA International Accounting Firm Finance Director of American Branch of Taiwan K-Laser Accountant of Bettercom Accounting Firm	Independent Director of K-Laser Technology (Holding) Co., Ltd Independent Director of China Airlines Co., Ltd	—	—	—	

Note 1: If the chairman of the board of directors and the general manager or the equivalent person (top manager) are the same person, spouse or first-degree relatives, the reasons, rationality, necessity and countermeasures shall be explained:

The chairman and general manager of the Company can have more information to understand the company's operating conditions, so that the board of directors can better master the Company's operating conditions, improve management efficiency, and implement decisions smoothly.

In 2017, the Company set up Audit Committee, which clearly defined the organizational rules of the Audit Committee, and could also improve the management of the board of directors and reduce the doubts of the chairman as the general manager.

2. Major shareholders of corporate shareholders: None
3. Major shareholders of corporate shareholders if they are legal persons: None
4. Remuneration of general directors and independent directors in 2020

Unite: NT\$ 1000

Title	Name	Remuneration of Director								Proportion of total amount to net profit after tax of individual financial report in 2020 (A+B+C+D)		Part-time employees receive relevant remuneration								Proportion of total amount to net profit after tax of individual financial report in 2020 (A+B+C+D+E+F+G)		Whether have received remuneration from reinvested enterprises or parent companies outside subsidiaries (J)
		Remuneration (A)		Retirement Pension (B)		Remuneration of Director (C)		Business Execution Expense (D)				Salary, Bonus, Special Disbursement/Special Allowance, etc. (E)		Retirement Pension (F)		Employee Remuneration (G)						
		The Compan y	All companie s in financial report	The Compa ny	All companies in financial report	The Compan y	All companies in financial report	The Company	All companies in financial report	The Company	All companies in financial report	The Compa ny	All companie s in financial report	The Company		All companies in financial report		The Company	All companies in financial report			
												Cash Bonus	Share Bonus	Cash Bonus	Share Bonus							
Chairman	Alex Kuo	—	—	—	—	1,857	1,857	48	48	1.32%	1.32%	4,699	5,362	—	—	2,407	—	2,407	—	6.24%	6.70%	—
Director	Daniel Kuo	—	—	—	—	743	7,735	54	90	0.55%	5.42%	—	5,879	—	—	—	—	—	—	0.55%	9.49%	—
Director	Lisa Hsu	—	—	—	—	371	371	54	54	0.29%	0.29%	339	629	6,450	6,450	—	—	—	—	5.00%	5.20%	—
Director	C.L. Kuo	—	—	—	—	371	371	54	54	0.29%	0.29%	—	—	—	—	—	—	—	—	0.29%	0.29%	—
Independen t Director	Huang Zhensan g (Note)	100	100	—	—	—	—	24	24	0.86%	0.86%	—	—	—	—	—	—	—	—	0.86%	0.86%	—
Independen t Director	Bi-Xin Huang	240	240	—	—	—	—	54	54	0.20%	0.20%	—	—	—	—	—	—	—	—	0.20%	0.20%	—
Independen t Director	Gen-Sen Chang- Hsieh	240	240	—	—	—	—	54	54	0.20%	0.20%	—	—	—	—	—	—	—	—	0.20%	0.20%	—
Independen t Director	Ren Liu (Note)	140	140	—	—	—	—	30	30	0.12%	0.12%	—	—	—	—	—	—	—	—	0.12%	0.12%	—

Description: (1) The remuneration of directors and independent directors is handled in accordance with the articles of association, the degree of participation and contribution to the operation of the company, and with reference to the domestic industry standards.

(2) The remuneration of directors and independent directors shall be treated according to the personnel salary policy approved by the board of directors and according to their evaluation.

(3) Mr. Huang Zhensang was re-elected at the shareholders' regular meeting on May 28, 2020, and was dismissed as an independent director of the Company.

(4) On May 28, 2020, Mr. Ren Liu was re-elected as an independent director of the Company.

5. Professional knowledge and independence of directors

March 30, 2021

Condition Name	Whether had working experience over 5 years And the following professional qualifications			Comply with independence (Note 1)												Number of independent directors of other public companies concurrently
	Lecturer or above in public colleges and universities in relevant departments required for business, legal affairs, finance, accounting or corporate business	Judges, prosecutors, lawyers, accountants or other professional and technical personnel who have passed the national examination and are certified as required by the company's business	Working experience in business, legal affairs, finance, accounting or corporate business	1	2	3	4	5	6	7	8	9	10	11	12	
Alex Kuo	—	—	✓	—	—	—	—	—	✓	—	✓	✓	—	✓	✓	—
Daniel Kuo	—	—	✓	—	—	—	—	✓	✓	✓	✓	✓	—	✓	✓	—
Lisa Hsu	—	—	✓	—	—	—	—	✓	✓	—	✓	✓	—	✓	✓	—
C.L. Kuo	—	—	✓	✓	—	✓	—	✓	✓	✓	✓	✓	✓	✓	✓	—
BiXin Huang	—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—
Ren Liu	—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—
Gen-Sen Chang-Hsieh	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—

Note 1:

- (1) Employees who are not the company or its affiliated enterprises.
- (2) Directors and supervisors of non-company or its affiliated enterprises (except where the independent directors set up by the company and its parent company, subsidiary company or subsidiary company of the same parent company in accordance with this Law or local laws and regulations).
- (3) It is not a natural person shareholder who holds more than 1% of the total issued shares of the company or holds the top ten shares in the name of others.
- (4) Spouses, relatives within the second degree or lineal relatives within the third degree who are not managers listed in (1) or persons listed in (2) and (3).
- (5) Directors, supervisors or employees of corporate shareholders who do not directly hold more than 5% of the total issued shares of the company, hold the top five shares, or appoint their representatives as directors or supervisors of the company according to Item 1 or Item 2 of Article 27 of the Company Law (except for independent directors set up by the company and its parent company, subsidiaries or subsidiaries of the same parent company in accordance with this Law or local laws and regulations).
- (6) More than half of the shares that are not directors of the company or have voting rights are directors, supervisors or employees of other companies controlled by the same person (except that independent directors set up by the company or its parent company, subsidiary company or subsidiary company of the same parent company in accordance with this Law or local laws and regulations).
- (7) Directors (councilors), supervisors (supervisors) or employees of other companies or institutions who are the same person or spouse as the chairman, general manager or equivalent position of the company (except for independent directors set up by the company and its parent company, subsidiaries or subsidiaries of the same parent company in accordance with this Law or local laws and regulations).
- (8) Directors (councilors), supervisors (supervisors), managers or shareholders holding more than 5% of the shares of specific companies or institutions that have no financial or business dealings with the company (except for those specific companies or institutions that hold more than 20% but not more than 50% of the total issued shares of the company and are independent directors set up by the company and its parent company, subsidiaries or subsidiaries belonging to the same parent company in accordance with this Law or local laws and regulations).
- (9) Professionals, business owners, partners, directors (directors), supervisors (supervisors), managers and their spouses of sole proprietorships, partnerships, companies or institutions who do not provide audit services for companies or affiliated enterprises or have received business, legal affairs, finance, accounting and other related services with a cumulative amount of remuneration not exceeding NT\$ 500,000 in the last two years. However, members of the remuneration committee, the public takeover review committee or the merger and acquisition special committee who perform their functions and powers in accordance with the relevant laws and regulations of the Securities and Exchange Law or the Merger and Acquisition Law shall not be subject to this restriction.
- (10) Have no spouse or kinship within parents, etc. with other directors.
- (11) None of the events in Article 30 of the Company Law has occurred.
- (12) Not elected by the government, legal person or its representative as stipulated in Article 27 of the Company Law.

(2). Information of the general manager, vice general manager, heads of departments and branches

1. Information of general manager, vice general manager, heads of departments and branches

March 30, 2021

Title	Name	Gender	Appointment Date	Shareholding		The spouse's minor children shareholding		Shareholding in the name of others		Main Experience and Education Degree	Current position of other companies	Managers with spouse or within parents, etc.			Remarks
				Number of Shares	Ratio of Shareholding	Number of Shares	Ratio of Shareholding	Number of Shares	Ratio of Shareholding			Title	Name	Relation	
CEO and General Manager of Group	Alex Kuo	Male	2002.08.21	10,997,756	6.90%	1,099,194	0.69%	—	—	Ph.D. of Electrical Engineering, State University of New York at Stony Brook, USA Chairman of K-Laser Group	—	—	—	—	Note 1
Finance Manager and Finance Director	Teresa Huang	Female	2006.01.03	460,500	0.29%	—	—	—	—	Master of Accounting, Bentley University, USA Director of Financial Administration Department of K-Laser	Supervisor of Ensam Trading (Holding) Co., Ltd.	—	—	—	
Spacial Assistant of Chairman Office Representative Spokesperson	Vincent Tsai	Male	2016.05.13	—	—	—	—	—	—	Master of Accounting, University at Albany, State University of New York, USA Senior Finance Manager of K-Laser Audit Director of K-Laser Finance Director of China Region of K-Laser	—	—	—	—	
R&D Director	Lin Liugong	Male	2019.08.12	—	—	—	—	—	—	PhD of Chemistry, State University of New York at Stony Brook, USA Technical Manager of TSMC Founder and General Manager of Yingpu Technology Vice CEO of National Synchrotron Radiation Research Center R&D Vice Manager of K-Laser	—	—	—	—	
Director of Marketing and Business	Jacky Chen	Male	2021.01.04	38,000	0.02%	—	—	—	—	Bachelor of Economy, Shih Hsin University Vice Manager of Marketing and Business Department of K-Laser	—	—	—	—	
Director of Manufacturing	Sappho Chen	Female	2021.01.04	—	—	—	—	—	—	International Trade of National Taichung University of Science and Technology Vice Manager of Manufacturing Department of K-Laser	—	—	—	—	

Title	Name	Gender	Appointment Date	Shareholding		The spouse's minor children shareholding		Shareholding in the name of others		Main Experience and Education Degree	Current position of other companies	Managers with spouse or within parents, etc.			Remarks
				Number of Shares	Ratio of Shareholding	Number of Shares	Ratio of Shareholding	Number of Shares	Ratio of Shareholding			Title	Name	Relation	
Accounting Director	Serena Hung	Female	2013.08.13	112,000	0.07%	—	—	—	—	Master of Management Science of National Chiao Tung University and Senior Accounting Manager of K-Laser	—	—	—	—	
Audit Director	Yumei Tsai	Female	2018.08.14	33,715	0.02%	—	—	—	—	Master of Electronic Communication, California State University, San Francisco, USA Audit Director of K-Laser Special Assistant of CEO Office of K-Laser	—	—	—	—	

Note 1: If the chairman of the board of directors and the general manager or the equivalent person (top manager) are the same person, spouse or first-degree relatives, the reasons, rationality, necessity and countermeasures shall be explained:

The chairman and general manager of the Company can have more information to understand the company's operating conditions, so that the board of directors can better grasp the company's operating conditions, improve management efficiency, and implement decisions smoothly.

In 2017, the Company set up Audit Committee, which clearly defined the organizational rules of the Audit Committee, and could also improve the management of the board of directors and reduce the doubts of the chairman as the general manager.

2. Remuneration of General Manager and Vice General Manager in 2020

Unite: NT\$ 1000

Title	Name	Remuneration (A)		Retirement Pension (B)		Bonus, Special Disbursement/Special Allowance, etc. (C)		Amount of Employee Remuneration (Note 1) (D)				The ratio of the total amount of A, B, C and D to the net profit after tax in 2019		Whether have received remuneration from reinvested enterprises or parent companies outside subsidiaries (E)
		The Company	All companies in financial report	The Company	All companies in financial report	The Company	All companies in financial report	The Company		All companies in financial report		The Company	All companies in Financial report	
								Cash Bonus	Share Bonus	Cash Bonus	Share Bonus			
CEO of Group And General Manager	Alex Kuo	2,400	3,063	—	—	2,299	2,299	2,407	—	2,407	—	4.92%	5.38%	—
Deputy General Manager	Lin Liugong Jacky Chen SapphoChen	4,356	5,011	271	271	852	1,097	1,100	—	1,100	—	4.56%	5.18%	—

Note 1: It is the proposed distribution amount of the total amount of employee remuneration in 2020 approved by the resolution of the board of directors on March 23, 2021.

3. The name and distribution of the manager who distributes the employee's remuneration

March 30, 2021/Unit: NT\$ 1000

	Title	Name	Amount of Share Bonus	Amount of Cash Bonus	Total	Proportion of total amount to net profit after tax of individual financial report in 2020 (%)
Manager	CEO and General Manager of Group	Alex Kuo	—	5,970	5,970	4.13
	Finance Head and Finance Director	Teresa Huang				
	Special Assistant and Representative Spokesperson of Chairman Office	Vincent Tsai				
	R&D Director	Lin Liugong				
	Audit Director	Yumei Tsai				
	Accounting Director	Serena Hung				
	Director of Marketing and Business	Jacky Chen				
	Director of Manufacturing	Sappho Chen				

Note: It is the proposed distribution amount of the total amount of employee remuneration in 2020 approved by the resolution of the board of directors on March 23, 2021.

4. The Company and all financial reporting companies analyze the proportion of remuneration paid to directors, supervisors, general managers and deputy general managers in the net profit after tax in the last two years, and explain the policy, standard and combination of remuneration payment, the procedure of setting remuneration and its relationship with business performance:

Unit: NT\$ 1000

Title	2019				2020			
	The Company		All companies in financial report		The Company		All companies in financial report	
	Total remuneration	Proportion of net profit after tax	Total remuneration	Proportion of net profit after tax	Total remuneration	Proportion of net profit after tax	Total remuneration	Proportion of net profit after tax
Director	6,187	(5.16%)	12,771	(10.66%)	18,329	12.69%	32,189	22.29%
General Manager and Vice General Manager	8,321	(6.94%)	9,656	(8.06%)	13,684	9.48%	15,248	10.56%

Description:

- (1) The remuneration of directors shall be handled according to the articles of association, the degree of participation and contribution to the operation of the company, and with reference to the domestic industry standards.
- (2) The relevant treatment of the general manager and deputy general manager shall be handled according to the personnel salary policy approved by the board of directors and according to their evaluation.
- (3) The remuneration paid in 2019 is actually distributed, and the remuneration paid in 2020 is the proposed distribution amount of the total amount of employees' remuneration in 2020, which was approved by the board of directors on March 23, 2021.

3. Operation Situation of Company Governance

(1) Information of Operation Situation of Board of Directors

Chairman Alex Kuo held 9 board meetings in 2020, and the attendance of directors is as follows:

Title	Name	Times of Actual Presence	Times of Authorized Presence	Actual Presence Ratio	Remarks
Chairman	Alex Kuo	8	1	88.89%	-
Director	Daniel Kuo	9	0	100%	-
Director	Lisa Hsu	9	0	100%	-
Director	C.L. Kuo	9	0	100%	-
Independent Director	Huang Zhensang	4	0	100%	On May 28, 2020, re-elected and dismissed
Independent Director	Gen-Sen Chang-Hsieh	9	0	100%	-
Independent Director	BiXin Huang	9	0	100%	-
Independent Director	Ren Liu	5	0	100%	On May 28, 2020, re-elected and new

Other recorded matters:

1. In case of any of the following circumstances in the operation of the board of directors, the date and period of the board of directors, the contents of the proposal, the opinions of all independent directors and the company's handling of the opinions of independent directors shall be stated:

(1) Matters listed in Article 14-3 of the Securities and Exchange Law:

The Company has set up an audit committee, which is not applicable to Article 14-3 of the Securities and Exchange Law. Please refer to the operation of the audit committee in this annual report for relevant information.

(2) Except for the previous matters, other matters resolved by the board of directors with records or written statements that are opposed or reserved by independent directors: None °

2. The directors' implementation of the avoidance of the interested proposal shall state the names of the directors, the contents of the proposal, the reasons for avoiding the interests and the voting situation:

(1) The “Rules of Procedure of the Board of Directors” of the Company clearly stipulates that directors who have an interest in meeting matters with themselves or the legal persons they represent should explain the important contents of their own interests to the current board of directors, and those who are in danger of harming the interests of the company should not participate in the discussion and voting, and should avoid the discussion and voting, and should not exercise their voting rights on behalf of other directors.

(2) If a director participates in voting in violation of the withdrawal, his voting rights shall be invalid.

(3) Proposals related to directors' interests up to now:

-The 2nd Interim Board of Directors of the 11th Session on March 13, 2020

- Approved the revision of the 27th share buyback transfer method and the setting of the transfer base date

Alex Kuo, chairman and employee, Lisa Hsu, director and employee, and Daniel Kuo, director and employee, did not participate in the discussion and voting of this proposal.

-The 17th session of the 11th Board of Directors on March 30, 2020

- Approve the company's 2019 employee and director remuneration distribution case

Alex Kuo, chairman and employee, Lisa Hsu, director and employee, and Daniel Kuo, director and employee, did not participate in the discussion and voting of this proposal.

-The 17th Board of Directors of the 12th Session on March 23, 2021

- Approve the periodic review of the company's directors' salary and remuneration policy

Alex Kuo, chairman and employee, and Lisa Hsu and Daniel Kuo, directors, did not participate in the discussion and voting of this proposal.

- Approve the periodic review of the salary and remuneration policy of members of the Audit Committee of the Company

Independent directors Gen-Sen Chang-Hsieh, Bixin Huang and Ren Liu did not participate in the discussion and voting of this proposal.

- Approve the periodic review of the remuneration policy of members of the remuneration Committee of the company

Independent directors Gen-Sen Chang-Hsieh, Bixin Huang and Ren Liu did not participate in the discussion and voting of this proposal.

- Approve the periodic review of the company's manager salary remuneration policy

Alex Kuo, the chairman and employee, does not participate in the discussion and voting of this proposal.

3. The board of directors evaluates the implementation situation

Evaluation cycle: once a year

Evaluation period: to evaluate the performance of the board of directors from January 1, 2020 to December 31, 2020

Evaluation scope: board of directors and individual directors

Evaluation methods: internal self-evaluation of the board of directors, self-evaluation of board members and peer evaluation

Evaluation content: (Full score is 5)

I. Performance evaluation of board of directors

Examination items	Average score
Participation in the company's operations	4.66
Improve the decision-making quality of the board of directors	4.76
Composition and structure of board of directors	4.89
Selection and Continuing Education of Directors	4.89
Internal Control	4.63

II. Performance evaluation of individual directors: performance evaluation of board members

Examination items	Average score
Master the company's objectives and tasks	4.86
Cognition of directors' responsibilities	4.90
Participation in the company's operations	4.73
Internal relationship management and communication	4.81
Professional and continuing education of directors	4.81
Internal Control	4.57

III. Performance evaluation of functional committees:

A. Performance evaluation of the Audit Committee

Examination items	Average score
Participation in the company's operations	4.44
Occupational cognition	4.53
Composition and selection of Committee members	4.78
Internal Control	4.22

B. Performance evaluation of remuneration committee

Examination items	Average score
Participation in the company's operations	5.00
Occupational cognition	4.80
Composition and selection of Committee members	5.00

4. Evaluation of the objectives and implementation of strengthening the functions of the board of directors in the year and the latest year:

- (1) Three of the current seven directors of the Company are independent directors. The members of the directors of the Company have diverse backgrounds, including different industrial, academic and financial professional backgrounds, including three female directors.
- (2) On March 30, 2020, in order to improve corporate governance and professional functions of the board of directors, the board of directors of the Company resolved to amend the rules of procedure of the board of directors, effectively play the role of directors, and update relevant regulations and standard operating procedures for handling directors' requirements.
- (3) Evaluation of implementation situation: The Audit Committee operates normally.

(3) Information on the operation of the Audit Committee

The Audit Committee of the Company is composed of three independent directors to assist the board of directors in fulfilling its supervision of the company's quality and integrity in implementing relevant accounting, auditing, financial reporting procedures and financial control.

(1) The matters considered by the Audit Committee mainly include:

- A. establish or amend the internal control system
- B. Assessment of the effectiveness of the internal control system
- C. Procedures for handling major financial business activities such as acquiring or disposing of assets, engaging in derivative commodity trading, lending funds to others, endorsing others or providing guarantees for others
- D. Matters involving directors' own interests
- E. significant transactions in assets or derivatives
- F. Significant loan of funds, endorsement or guarantee
- G. Raising, issuing or privately placing securities with equity nature
- H. Appointment, dismissal or remuneration of certified public accountants
- I. Appointment and removal of financial, accounting or internal audit supervisors
- J. Annual financial report and semi-annual financial report

The Board of Directors prepared the Company's business report, financial statements and earnings distribution proposal for the year of 2020, among which the financial statements were audited by Deloitte & Touche, and an audit report was issued. The above-mentioned business report, financial statements and earnings distribution proposal have been checked by the Audit Committee, and it is considered that there is no discrepancy.

The Audit Committee evaluates the effectiveness of the policies and procedures of the company's internal control system (including control measures such as sales, procurement, production, personnel, finance, information security, and compliance with laws and regulations), and supervises the operation of the company's internal audit unit and reviews the self-evaluation results of internal control. The Audit Committee believes that the company's internal control system is effective.

In order to perform its duties, the Audit Committee has the right to conduct any appropriate audit and investigation according to its Articles of Association, and has direct contact with the internal auditors, certified accountants and all employees of the company. The Audit Committee also has the right to hire and supervise lawyers, accountants or other consultants to assist the Audit Committee in performing its duties. Please refer to our website for the Articles of Association of the Audit Committee.

The Audit Committee is entrusted with the responsibility of supervising the independence of certified public accountants to ensure the fairness of financial statements. In order to ensure the independence of certified public accountants, the Audit Committee formulates an independence evaluation form with reference to Article 47 of the Accounting Law and the contents of the Announcement No.10 of Professional Ethics of Accountants, "Integrity, Fairness, Objectivity and Independence", and evaluates the independence, professionalism and competency of accountants to assess whether they are related persons, business or financial interests with the Company; On November 11, 2020, the 3rd Audit Committee of the 2nd Session reviewed and approved the accountants Huang Yimin and Xu Wenya of Deloitte & Touche, who are qualified to serve as certified accountants of finance and tax of the Company.

(2) Meetings of the Audit Committee:

Chairman Huang Bixin convened the Audit Committee 7 times in 2020, and the attendance was as follows:

Title	Name	Times of Actual Presence	Times of Authorized Presence	Actual Presence Ratio	Remarks
President	Huang Bixin	7	0	100%	-
Member of Committee	Cheng Sang Huang	2	0	100%	On May 28, 2020, re-elected and dismissed
Member of Committee	Gen-Sen Chang-Hsieh	7	0	100%	-
Member of Committee	Ren Liu	5	0	100%	On May 28, 2020, re-elected and new

(3) Other recorded matters:

1. In case of any of the following circumstances in the operation of the audit Committee, the date and period of the audit Committee, the contents of the proposal, the resolution result of the audit Committee and the handling of the opinions of the audit Committee by the company shall be stated.

A. Operation of the Audit Committee.

Start Date of Meeting (Period)	Content of motion	Matters listed in Article 14-5 of the Securities and Exchange Law	Matters not approved by the Audit Committee but agreed by more than 2/3 of all directors
May 12, 2020 (14th Session of the First Regular Session of the Audit Committee)	1. Internal Audit Business Report from January to April, 2020		None
	2. Financial statements and surplus distribution in the first quarter of 2020		
	3. Put forward reasonable opinions on the case that the reinvestment company Everest Display Inc. appointed Yuanhe Certified Public Accountants to distribute the cash of minority shareholders		

Start Date of Meeting (Period)	Content of motion	Matters listed in Article 14-5 of the Securities and Exchange Law	Matters not approved by the Audit Committee but agreed by more than 2/3 of all directors
	Resolution of the Audit Committee (May 12, 2020): All members of the Audit Committee agreed to pass it Handling of the opinions of the Audit Committee by the company: all the directors present agreed and approved		
May 28, 2020 □ (1st meeting of the second regular meeting of the Interim Audit Committee)	1. Selection of Convenor of the Second Audit Committee		None
	Resolution of the Audit Committee (May 28, 2020): All members of the Audit Committee agreed to pass it Handling of the opinions of the Audit Committee by the company: all the directors present agreed and approved		
June 29th, 2020 □ (1st Session of the Second Regular Session of the Audit Committee)	1. Amendment to the Expert Opinion on Price Rationality of the Company's Purchase of Minority Shares of Everest Display Inc.		None
	Resolution of the Audit Committee (June 29, 2020): All members of the Audit Committee agreed to pass it Handling of the opinions of the Audit Committee by the company: all the directors present agreed and approved		

Start Date of Meeting (Period)	Content of motion	Matters listed in Article 14-5 of the Securities and Exchange Law	Matters not approved by the Audit Committee but agreed by more than 2/3 of all directors
August 11th, 2020□ (2nd Session of the Second Regular Session of the Audit Committee)	1. Internal Audit Business Report from January to July, 2020		None
	2. Financial statements and earnings distribution in the first two quarters of 2020		
	Resolution of the Audit Committee (August 11, 2020): All members of the Audit Committee agreed to pass it Handling of the opinions of the Audit Committee by the company: all the directors present agreed and approved		
November 11, 2020 Resolution of the Audit Committee (August 11, 2020): All members of the Audit Committee agreed to pass it	1. Internal Audit Business Report from January to October, 2020		None
	2. Financial statements and surplus distribution in the first three quarters of 109		
	3. Evaluation of the independence of certified public accountants of the Company	V	
	4. Revise the company's case of establishing a social welfare charity foundation		
	Resolution of the Audit Committee (November 11, 2020): All members of the Audit Committee agreed to pass it Handling of the opinions of the Audit Committee by the company: all the directors present agreed and approved		
December 24th, 2020□ (The 4th Session of the Second Regular	1. Internal Audit Business Report from January to November, 2020		None
	2. The Company plans to issue the sixth domestic secured	V	

Start Date of Meeting (Period)	Content of motion	Matters listed in Article 14-5 of the Securities and Exchange Law	Matters not approved by the Audit Committee but agreed by more than 2/3 of all directors
Session of the Audit Committee)	convertible corporate bonds		
	3. The Company intends to apply to Taichung Commercial Bank Co., Ltd. for the guarantee amount in order to issue the sixth domestic secured convertible corporate bonds		
	4. Dongguan K-Laser Technology Co., Ltd., a subsidiary of the reinvestment, applied for the amount of silver ticket for real estate guarantee	V	
	Resolution of the Audit Committee (December 24, 2020): All members of the Audit Committee agreed to pass it Handling of the opinions of the Audit Committee by the company: all the directors present agreed and approved		
March 23, 2021 □ (5th Session of the Second Regular Session of the Audit Committee)	1. Annual audit report and internal control system statement report in 2020	V	None
	2. Financial statements and surplus distribution in 2020 of the Republic of China	V	
	3. Issuance of new shares restricting employees' rights	V	
	4. Formulating the Company's Code of Good Faith and Code of Ethical Conduct		
	Resolution of the Audit Committee (March 23, 2021): All members of the Audit Committee agreed to pass it Handling of the opinions of the Audit Committee by the company: all the directors present agreed and approved		

B. Except for the matters mentioned above, other matters that have not been approved by the Audit Committee and agreed by more than 2/3 of all directors: there is no such situation.

2. The implementation of the independent directors' avoidance of the interest proposal shall state the names of the independent directors, the contents of the proposal, the reasons for avoiding the interests and the voting situation: none.

3. Communication between independent directors, internal audit supervisors and accountants (including major issues, methods and results of communication on the company's financial and business conditions, etc.)

A. The internal audit director of the Company regularly communicates the audit report results with the audit committee members, and makes an internal audit report at the quarterly audit committee meeting. In case of special circumstances, he will immediately report to the audit committee members. In 2020, there was no such special situation. The communication between the Audit Committee of the Company and the internal audit supervisor is in good condition.

B. The certified public accountants of the Company report the audit or review results of the financial statements of the current quarter and other communication matters required by relevant laws and regulations at the quarterly audit committee meeting. If

there are any special circumstances, they will immediately report to the members of the audit committee. In 2020, there was no such special situation. The Audit Committee of the company communicates well with certified accountants.

Start Date of Meeting (Period)	Communicate with the internal audit supervisor	Communicate with certified accountants
May 12, 2020□ (14th Session of the First Regular Session of the Audit Committee)	Review internal audit report (closed meeting)	1. Discuss the review of the financial statements in the first quarter of 2020, including any problems or difficulties in the review and the response of the management (closed meeting) 2. Report on changes of laws and regulations
August 11th, 2020□ (2nd Session of the Second Regular Session of the Audit Committee)	Review internal audit report (closed meeting)	1. Discuss the review of the financial statements in the first two quarters of 109, including any problems or difficulties in the review and the response of the management (closed meeting)
November 11th, 2020□ (3rd Session of the Second Regular Session of the Audit Committee)	Review internal audit report (closed meeting)	1. Discuss the review of the financial statements in the first three quarters of 2020, including any problems or difficulties in the review and the response of the management (closed meeting)
March 23, 2021□ (5th Session of the Second Regular Session of the Audit Committee)	1. Review the internal audit report (closed meeting)□ 2. Review the Statement of Internal Control System in 2020	1. Discuss the review of the financial statements in 2020 of the Republic of China, including any problems or difficulties in the review and the response of the management (closed meeting) 2. Report on changes of laws and regulations

Results: All the above matters have been reviewed or approved by the Audit Committee, and the independent directors have no objection.

(3) the operation of corporate governance and the differences between it and the code of practice on corporate governance of listed and OTC companies and the reasons

Evaluation Item	Operation Situation			Differences and reasons between the code of practice on corporate governance of listed and OTC companies
	Yes	No	Abstract Description	
1. Whether the company has formulated and disclosed the Code of Practice on Corporate Governance in accordance with “the Code of Practice on Corporate Governance of Listed and OTC Companies”?	✓		On May 12, 2020, the Company submitted the Company's Code of Practice on Corporate Governance to the Board of Directors for review, and after it was reviewed and approved by the Board of Directors, it was disclosed on the website of the Company and the public information viewing station.	None
2. The company's equity structure and shareholder rights (1) Does the company formulate internal operating procedures to deal with shareholders' suggestions, doubts, disputes and litigation matters, and implement them according to the procedures? (2) Does the company have a list of the major shareholders who actually control the company and the ultimate controllers of the major shareholders? (3) Does the company establish and implement risk control and firewall mechanisms with related enterprises? (4) Does the company set internal regulations to prohibit insiders from using undisclosed information in the market to buy and sell securities?	✓		(1) The Company has established operating procedures and has spokespersons, proxy spokespersons, stock affairs contractors, etc., which can effectively deal with shareholders' suggestions or disputes and other related issues. (2) There is a special person responsible for handling and mastering the list of the major shareholders who actually control the company and the ultimate controllers of the major shareholders. (3) The management powers and responsibilities among the related enterprises of the Company are clearly divided, and the business contacts are also subject to the relevant provisions of the internal control system of the Company. (4) The Company has formulated internal regulations prohibiting insiders from trading securities by using undisclosed information in the market.	None
3. Composition and Responsibilities of the Board of Directors (1) Has the board of directors drawn up a diversified policy on its membership and implemented it? (2) Does the company voluntarily set up other functional committees besides the salary and remuneration committee and audit committee according to law? (3) Has the company formulated the performance evaluation method of the board of directors and its evaluation method, conducted the performance evaluation on an annual and regular basis, and reported the results of the performance evaluation to the board of directors, and used them as reference for individual directors' remuneration and nomination for renewal? (4) Does the company regularly evaluate the independence of certified	✓		(1) On May 12, 2020, the Company submitted the Company's Code of Practice on Corporate Governance to the Board of Directors for review. Chapter III, Strengthening the Board's Functions, is to formulate the policy of diversity of board members. The nomination and selection of board members of the Company follow the provisions of the Articles of Association, and adopt the candidate nomination system. Besides evaluating the academic qualifications of candidates, they also comply with the method of election of directors and the Code of Practice on Corporate Governance of Listed and OTC Companies issued by Taiwan Stock Exchange to ensure the diversity and independence of board members. (2) The members of the Board of Directors of the Company have different professional backgrounds, genders and work fields, and are listed in the list of the 12th directors of the Company. Chairman Alex Kuo, director Daniel Kuo and director C.L. Kuo are good at business	None

Evaluation Item	Operation Situation		Differences and reasons between the code of practice on corporate governance of listed and OTC companies
	Yes	No	
accountants?			<p>management, decision-making judgment, international negotiation and crisis management, and have in-depth and rich industrial knowledge and international market outlook. Director Lisa Hsu is good at communication and public relations affairs, independent directors Gen-Sen Chang-Hsieh, Bi-Xin Huang and Ren Liu, etc. They have rich experience and major in finance, industry analysis, enterprise resource planning integration, financial affairs, financial accounting and other related fields, which are of great benefit to the operation and management of the Company.</p> <p>(3) In order to realize the diversity of directors and improve the board structure, the proportion of female directors is 43%, the proportion of directors with employee status is 14%, one independent director has a term of less than 3 years, one independent director has a term of 4-6 years, and seven directors are all aged 60-69. In order to continuously strengthen the diversity of directors, the company invited Mr. Ren Liu to join the board of directors of the company at the 12th board of directors. Mr. Ren Liu specializes in forward-looking technology and project management, and has quite specialized and professional experience in the field of R&D and application of science and technology, which has contributed a lot to the professionalism of the board of directors of the Company. In addition, in order to continuously strengthen the professionalism and diversity of the board of directors, the Company plans to add a director with legal expertise to the 13th board of directors to achieve its goal.</p> <p>(4) The diversity policy formulated by the board of directors on its membership is disclosed on the company website and the public information viewing station.</p> <p>(5) The Company has set up a salary and remuneration committee according to law, and will decide whether to set up other functional committees according to business needs in the future.</p> <p>(6) The Company has worked out the performance evaluation method of the board of directors and its evaluation method, and regularly conducts performance evaluation before the next annual</p>

Evaluation Item	Operation Situation			Differences and reasons between the code of practice on corporate governance of listed and OTC companies
	Yes	No	Abstract Description	
			<p>general meeting of shareholders.</p> <p>(7) The certified public accountant appointed by the Company is not a director, supervisor, manager, employee or shareholder of the Company or its related party, and meets the requirements of independent judgment of the competent authority. (Note 1 of the Independent Evaluation Form of Certified Public Accountants)</p> <p>The Company regularly evaluates (once a year) the professionalism and independence of the certified public accountants every year, and the certified public accountants have also issued an independence statement on the entrusted audit operation, which was submitted by the Finance Administration Department and reviewed and approved by the Board of Directors on November 11, 2020. The certified financial and tax accountants for the year of 109 have all met the independence evaluation standards of the Company, and are qualified to serve as certified accountants and accounting firms of the Company and issue a statement of independence.</p>	
4. Are listed and OTC companies equipped with competent and appropriate number of corporate governance personnel, and designate corporate governance supervisors to take charge of corporate governance-related affairs (including but not limited to providing information required by directors and supervisors to perform their business, handling matters related to meetings of board of directors and shareholders' meeting according to law, handling company registration and change registration, and making minutes of board of directors and shareholders' meeting, etc.)?	✓		The company's corporate governance personnel are concurrently employed by the staff of the Chairman's Office and the Financial Administration Department, and are responsible for corporate governance-related affairs (including providing information required by directors to perform their business, handling matters related to meetings of the board of directors and shareholders' meeting according to law, handling company registration and change registration, and making minutes of the board of directors and shareholders' meeting, etc.).	None
5. Does the company establish communication channels with stakeholders (including but not limited to shareholders, employees, customers and suppliers, etc.), set up stakeholder zones on the company website, and properly respond to important corporate social responsibility issues concerned by stakeholders?	✓		The Company has established appropriate communication channels and set up website zones with stakeholders such as manufacturers, customers, banks and investors to properly respond to important corporate social responsibility issues of concern to stakeholders.	None
6. Does the company appoint a	✓		The Company appoints a professional stock affairs	None

Evaluation Item	Operation Situation		Differences and reasons between the code of practice on corporate governance of listed and OTC companies
	Yes	No	
professional agency to handle the affairs of the shareholders' meeting?			agency to handle the affairs of the shareholders' meeting.
<p>7. Information Disclosure</p> <p>(1) Does the company set up a website to disclose financial business and corporate governance information?</p> <p>(2) Does the company adopt other information disclosure methods (such as setting up an English website, appointing a special person to collect and disclose company information, implementing the spokesperson system, placing the company website during the legal person briefing, etc.)?</p> <p>(3) Does the company announce and declare the annual financial report within two months after the end of the fiscal year, and announce and declare the financial reports of the first, second and third quarters and the operating conditions of each month before the prescribed time limit?</p>	✓		<p>(1) The Company has websites in both Chinese and English, the address of which is http://www.klasergroup.com, and has disclosed the company's status, basic information and business-related information.</p> <p>(2) The Company has appointed a special person to be responsible for the disclosure of major information of the Company, and input the announcement of the "Market Observation Post System" on time.</p> <p>(3) The Company has appointed a special person to be responsible for the disclosure of the company's major information within the specified time, and input the announcement of the "Market Observation Post System" on time.</p>
8. Does the company have other important information that is helpful to understand the operation of corporate governance (including but not limited to employee rights, employee care, investor relations, supplier relations, rights of interested parties, further education of directors and supervisors, implementation of risk management policies and risk measurement standards, implementation of customer policies, and the company's purchase of liability insurance for directors and supervisors, etc.)?	✓		<p>(1) All directors of the Company have professional background and are currently engaged in related work; Independent directors have been required by law to study for more than six hours every year. In addition, the company also provides relevant further education information for reference from time to time.</p> <p>(2) Implementation of risk management policies and risk measurement standards: details of other important risks and corresponding measures.</p> <p>(3) Implementation of policies to protect consumers or customers: The Company has a special person responsible for handling customer complaints or product control.</p> <p>(4) The Company purchased liability insurance for directors: In order to strengthen the corporate governance mechanism, the Company purchased liability insurance of USD 3 million for directors of the Company from November 5, 2020 to November 5, 2030, which was reported to the Board of Directors on November 11, 2020.</p>
<p>9. Please explain the improved situation according to the evaluation results of corporate governance released by the Corporate Governance Center of Taiwan Stock Exchange in the latest year, and put forward priority strengthening items and measures for those that have not been improved:</p> <p>1. Whether the company's annual report disclosed the implementation of the resolutions of the shareholders' regular meeting in the previous year, the implementation has not been disclosed in the 2018 annual report, but has been disclosed since 2019.</p> <p>2. Does the company set up an Audit Committee that meets the requirements? If the annual report reveals the</p>			

Evaluation Item	Operation Situation		Differences and reasons between the code of practice on corporate governance of listed and OTC companies
	Yes	No	
		Abstract Description	
annual work focus and operation of the Audit Committee in detail. The Company has set up an Audit Committee since 2017. The annual work focus and operation of the Audit Committee have not been disclosed in the 2018 annual report, but have been disclosed since 2019.			
3. Whether the company's annual report reveals the specific dividend policy has not been disclosed in the 2018 annual report, but has been disclosed in the 2019 annual report this year.			
4. Whether the company regularly evaluates the independence of certified accountants and discloses the specific standards for evaluating the independence of certified accountants has not been disclosed in the 2018 annual report, but has been disclosed since 2019.			
5. Does the company formulate and disclose a code of practice on corporate governance in accordance with “the Code of Practice on Corporate Governance of Listed and OTC Companies”, on May 12, 2009, the Company submitted the Company's Code of Practice on Corporate Governance to the Board of Directors for approval and uploaded it to the public information viewing station and the website of the Company after it was approved by the Board of Directors?			

Note 1: Evaluation standard of accountant independence

	Evaluation Item		Inspection Result
Article 46 of the Accounting Law	1	Whether the appointed accountant agrees with others to use his name to perform business.	There is no such situation
	2	Whether the appointed accountant performs business in the name of other accountants.	
	3	Whether the appointed accountant is employed by a person without accountant qualification to perform accountant business.	
	4	Whether the appointed accountant takes advantage of his position as an accountant to compete unfairly in industry and commerce.	
	5	Whether the appointed accountant carries out business on events that are of interest to him or her.	
	6	Whether the appointed accountant is the guarantor outside the accountant's business in the name of accountant.	
	7	Whether the appointed accountant buys the movable or immovable property managed by the business.	
	8	Whether the appointed accountant requests, contracts or accepts illegal benefits or remuneration.	
	9	Whether the appointed accountant solicits business by improper means.	
	10	Whether the appointed accountant is a publicity advertisement other than opening, transferring, merging, being entrusted by customers or being introduced by an accounting firm.	
	11	Whether the appointed accountant divulges business secrets without the permission of the designated authority or the Company.	
	12	Whether the appointed accountant is an act determined by other competent authorities that can affect the accountant's reputation.	
Article 47 of the Accounting Law	1	Whether the appointed accountant is currently employed by the Company to take regular jobs, receive fixed salary or act as a director or supervisor.	
	2	Whether the appointed accountant has served as a director, supervisor,	

	Evaluation Item		Inspection Result
		manager or an employee who has a significant influence on visa cases of the Company, and has left the company for less than two years.	
	3	Whether the appointed accountant has spouse, direct blood relation, direct in-laws or second-degree internal and collateral blood relation with the responsible person or manager of the Company.	
	4	Whether the appointed accountant or his spouse or minor children have investment or share financial benefits with the Company.	
	5	Whether the appointed accountant or his spouse or minor children have funds to borrow from the company.	
	6	Whether the appointed accountant performs management consulting or other non-visa business, which is enough to affect independence.	
	7	Whether the appointed accountant does not comply with the rotation of accountants, handling accounting affairs on behalf of others by the competent authority of business events, or other norms that may affect independence.	

(v) The composition, responsibilities and operation of the salary and Remuneration Committee

(1) Information on members of the remuneration Committee

Identification	Condition Name	Whether had working experience over 5 years And the following professional qualifications			Comply with independence (Note 1)										Number of members of salary and remuneration committees of other public companies	Remarks (Note 2)
		Lecturer or above in public and private colleges and universities in business, legal affairs, finance, accounting or related departments required by company business	Judges, prosecutors, lawyers, accountants or other professional and technical personnel who have passed the national examination and are certified as required by the company's business	Working experience in business, legal affairs, finance, accounting or company business	1	2	3	4	5	6	7	8	9	10		
Independent Director	Gen-Sen Chang-Hsieh	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	—
Independent Director	Ren Liu	—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	—
Independent Director	Bi-Xin Huang	—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	—

Note 1: If each member meets the following conditions two years before the election and during the term of office,

please type in the space below each condition code“✓”。

- (1) Employees who are not the company or its affiliated enterprises.
- (2) Directors and supervisors of non-company or its affiliated enterprises (except where the independent directors set up by the company and its parent company, subsidiary company or subsidiary company of the same parent company in accordance with this Law or local laws and regulations).
- (3) Natural person shareholders who are not themselves, their spouses, minor children or hold more than 1% of the total issued shares of the company in the name of others or hold the top ten shares.
- (4) Spouses, relatives within the second degree or lineal relatives within the third degree who are not managers listed in (1) or persons listed in (2) and (3).
- (5) Directors, supervisors or employees of corporate shareholders who do not directly hold more than 5% of the total issued shares of the company, hold the top five shares, or appoint their representatives as directors or supervisors of the company according to Article 27, Item 1 or Item 2 of the Company Law (except for independent directors set up by the company and its parent company, subsidiaries or subsidiaries of the same parent company in accordance with this Law or local laws and regulations).
- (6) More than half of the shares that are not directors of the company or have voting rights are directors, supervisors or employees of other companies controlled by the same person (except for independent directors set up by the company or its parent company, subsidiaries or subsidiaries of the same parent company in accordance with this Law or local laws and regulations).
- (7) Directors (councilors), supervisors (supervisors) or employees of other companies or institutions who are not the same person or spouse as the chairman, general manager or equivalent of the company (except for independent directors set up by the company and its parent company, subsidiaries or subsidiaries of the same parent company in accordance with this Law or local laws and regulations).
- (8) Directors (councilors), supervisors (supervisors), managers or shareholders holding more than 5% of the shares of a specific company or institution that does not have financial or business contacts with the company (except where the specific company or institution holds more than 20% but not more than 50% of the total issued shares of the company and is an independent director set up by the company and its parent company, subsidiary company or subsidiary company belonging to the same parent company in accordance with this Law or local laws and regulations).
- (9) Professionals, sole proprietorships, partnerships, business owners, partners, directors (councilors), supervisors (supervisors), managers and their spouses of companies or institutions that do not provide audit services for companies or affiliated enterprises, or receive business, legal affairs, finance, accounting and other related services with accumulated remuneration not exceeding NT\$ 500,000 in the last two years. However, members of the remuneration committee, the public takeover review committee or the merger and acquisition special committee who perform their functions and powers in accordance with the relevant laws and regulations of the Securities and Exchange Law or the Merger and Acquisition Law shall not be subject to this restriction.
- (10) None of the events in Article 30 of the Company Law exists.

Note 2: If the members are directors (excluding independent directors), please explain whether they are in compliance with Article 6, Item 5 of the Measures for Setting up and Exercising the Functions of the Salary Committee of Companies Listed on Stocks or Trading on the Business Premises of Securities Firms.

- (2) The function of the Salary and Compensation Committee of the Company is to evaluate the salary and remuneration policies and systems of directors and managers of the Company in a professional and objective position. It meets at least twice a year, and may meet at any time as needed to make recommendations to the board of directors for reference in its decision-making.

The functions and powers of the Remuneration Committee of the Company:

- (1) Regularly review the Company's remuneration method and propose amendments.
- (2) Formulate and regularly review the policies, systems, standards and structure of the performance and remuneration of directors and managers of the Company.
- (3) Regularly evaluate the achievement of the performance targets of directors and managers of the Company and evaluate the salary and remuneration of individual managers.

When the remuneration committee performs its functions and powers, it shall comply with the following standards:

- (1) Ensure that the company's salary and remuneration arrangements comply with relevant laws and regulations and are sufficient to attract outstanding talents.
 - (2) The performance evaluation and remuneration of directors and managers should refer to the usual level of contribution from peers, and consider the individual performance evaluation results, investment time, responsibilities, achievement of individual goals, performance in other positions, remuneration given by the company to the same position in recent years, and the rationality of the relationship between individual performance and the company's operating performance and future risks.
 - (3) Directors and managers should not be guided to engage in behaviors beyond the company's risk appetite in pursuit of remuneration.
 - (4) The proportion of remuneration paid to directors and senior managers for short-term performance and the payment time of part of the changed salary should be determined by considering the characteristics of the industry and the nature of the company's business.
 - (5) The rationality should be considered when determining the content and amount of directors' and managers' remuneration, and the decision of directors' and managers' remuneration should not deviate significantly from financial performance.
 - (6) Members of the Committee shall not participate in discussion and vote on the decision on their personal salary and remuneration.
- (3) Information on the operation of the Salary and Remuneration Committee
1. There are 3 members of the Remuneration Committee of the Company.
 2. The term of office of the current member: May 28, 2020 to May 27, 2023. The Remuneration Committee was held twice in 2020, and the attendance of the members of the Audit Committee is as follows:

Title	Name	Times of Actual Presence	Times of Authorized Presence	Ratio of Actual Presence	Remarks
Convener	Bi-Xin Huang	2	0	100 %	-
Member of Committee	Cheng Sang Huang	1	0	100 %	On May 28, 2020, re-elected and dismissed
Member of Committee	Gen-Sen Chang-Hsieh	2	0	100 %	-
Member of Committee	Ren Liu	1	0	100 %	On May 28, 2020, re-elected and new
Other recorded matters:					
<ol style="list-style-type: none"> 1. If the board of directors does not adopt or amend the recommendations of the Remuneration Committee, it shall state the date and period of the board of directors, the content of the proposal, the resolution result of the board of directors and the company's handling of the opinions of the Remuneration Committee (if the remuneration approved by the board of directors is better than the recommendations of the Remuneration Committee, it shall state the differences and reasons): None. 2. If members have objections or reservations and have records or written statements, they shall state the date, period, contents of the proposal, opinions of all members and treatment of opinions of members: none. 					

3. The salary and remuneration committee of our company met, reviewed and evaluated the salary and remuneration information of our company in the last year as follows:

Date	Content of motion	Resolution Result	The company's handling of the opinions of the Salary and remuneration committee
March 30, 2020	Review the remuneration policy of directors of the Company	All members of the Committee agreed to adopt it	Submitted to the board of directors shall be approved by all the directors present
	Review the company's manager salary remuneration policy		
May 28, 2020	The case of electing the convener of the fourth salary and remuneration Committee	All members of the Committee agreed that Commissioner Gen-Sen Chang-Hsieh should be the convener	The first interim board of directors of the 12th Session of the Company resolved to appoint three independent directors, including Ms. Gen-Sen Chang-Hsieh, Ms. Bi-Xin Huang and Mr. Ren Liu, as members of the 4th Remuneration Committee of the Company
March 23, 2021	Review the compensation distribution of employees and directors of the Company in 2020	All members of the Committee agreed to adopt it	Submitted to the board of directors shall be approved by all the directors present
	Review the Company's Directors' Salary and Compensation Policy		
	Review the company's manager salary remuneration policy		

(6) The fulfillment of social responsibility and the differences between the fulfillment of social responsibility and the code of practice on corporate social responsibility of listed and OTC companies and the reasons

Evaluation Item	Operation Situation			Differences and reasons between the code of practice on corporate social responsibility of listed and OTC companies
	Yes	No	Abstract Description	
1. Does the company conduct risk assessment on environmental, social and corporate governance issues related to the company's operations in accordance with the principle of materiality, and formulate relevant risk management policies or strategies?	✓		Based on the business philosophy and vision, the Company has fully fulfilled its social responsibilities, formulated "the Code of Practice on Corporate Social Responsibility", which was approved by the Board of Directors, and reviewed the implementation results in a timely manner, and its daily operation activities followed legal norms.	None
2. Does the company set up a special (part-time) unit to promote corporate social responsibility, which is authorized by the board of directors to be handled by senior management and reported to the board of directors?	✓		The company's social responsibility promotion is held by the chairman of the board as the convener, and the chairman's office and the financial administration department are concurrently responsible for implementing relevant corporate governance norms, participating in social welfare, formulating the company's environmental protection and energy saving measures, and implementing the government's relevant energy saving and carbon reduction plans, so as to cultivate and fulfill corporate social responsibility for a long time in a systematic and organized way.	None
3. Environmental issues (1) Does the company establish an appropriate environmental management system according to its industrial characteristics? (2) Is the company committed to improving the utilization efficiency of various resources and using recycled materials with low impact on environmental load? (3) Does the company assess the potential risks and opportunities of climate change to the enterprise at present and in the future, and take corresponding measures for climate-related issues? (4) Does the company keep statistics on greenhouse gas emissions, water consumption and total weight of waste in the past two years, and formulate policies for energy conservation, carbon reduction, greenhouse gas reduction, water reduction or other waste management?	✓		(1)The Company has established an appropriate environmental management system according to the industrial characteristics. Our process is free from air pollution, and has obtained the water pollution prevention measures plan permit, and invested in wastewater equipment to treat the wastewater generated in the process. (2)The Company is committed to improving the utilization efficiency of various resources and formulating relevant management measures. In order to improve the utilization efficiency of water resources, our company purchases and regularly maintains equipment such as ice water machines and cooling towers to strengthen water recycling and reuse, so as to save energy and reduce carbon. (3)At present, the Company has not evaluated the potential risks and opportunities of the enterprise at present and in the future in view of climate change, and has taken corresponding measures for climate-related issues, which will be gradually revised in the future. (4)The Company promotes various energy-saving and carbon-reducing measures, including the installation of LED lamps and paperless operation, so as to reduce the impact of our	None

Evaluation Item	Operation Situation			Differences and reasons between the code of practice on corporate social responsibility of listed and OTC companies
	Yes	No	Abstract Description	
			operation on the natural environment.	
<p>4. Society Issue</p> <p>(1) Does the company formulate relevant management policies and procedures in accordance with relevant laws and regulations and international human rights conventions?</p> <p>(2) Does the company formulate and implement reasonable employee welfare measures (including salary, vacation and other benefits, etc.), and properly reflect the operating performance or achievements in employee salaries?</p> <p>(3) Does the company provide employees with a safe and healthy working environment and regularly carry out safety and health education for employees?</p> <p>(4) Does the company establish an effective career ability development training program for its employees?</p> <p>(5) Does the company comply with relevant laws and international standards on customer health and safety, customer privacy, marketing and labeling of products and services, and formulate relevant policies and complaint procedures for protecting consumers' rights and interests?</p> <p>(6) Does the company formulate supplier management policies, requiring suppliers to comply with relevant norms on issues such as environmental protection, occupational safety and health or labor human rights, and their</p>	✓	✓	<p>(1) The personnel management of the Company is strictly implemented in accordance with the Labor Standards Act, Labor Insurance Regulations, Employee Welfare Regulations and relevant laws and regulations.</p> <p>(2) The Company has working rules and relevant personnel management regulations, covering the basic salary, working hours, vacation, pension payment, labor and health insurance payment, occupational disaster compensation, etc. of employed workers, which comply with the relevant provisions of the Labor Standards Act. Set up a staff welfare Committee to handle various welfare matters through the operation of the welfare Committee elected by employees; The Company's remuneration policy includes relevant methods and policies for salary remuneration of managers and employees, and pays salary remuneration with reference to market payment standards and individual performance.</p> <p>(3) It has a positive correlation with business performance. The Company regularly carries out fire safety inspection and maintenance of drinking water and other equipment to maintain the safety and health of employees. The Company also conducts daily inspections and inspections on the factory area to implement occupational safety management. In addition, it regularly organizes fire drills and occupational safety education and training every year to cultivate employees' ability of emergency response and self-safety management. All employees will participate in labor and health insurance, pay all kinds of benefits according to regulations, and have regular health check-up and education and training subsidies, so as to provide a good working environment and protect employees' personal safety, so that employees can work wholeheartedly.</p> <p>(4) Employees are the most important assets of the company, and the company has established an effective development training plan according to the development of employees' career ability.</p> <p>(5) The Company abides by relevant laws and international standards in the marketing and labeling of products and services, and</p>	None

Evaluation Item	Operation Situation			Differences and reasons between the code of practice on corporate social responsibility of listed and OTC companies
	Yes	No	Abstract Description	
implementation?			<p>provides customers with stable product quality through strict quality management system. At the same time, in order to ensure customer service quality and enhance customer satisfaction, we set up customer service windows and communication websites, actively and regularly conduct customer satisfaction surveys and visits every year, strengthen the cooperative relationship with customers, and establish the cornerstone of sustainable business operation by establishing a mutually beneficial and co-prosperous relationship with customers.</p> <p>(6) The Company and suppliers will also assess whether the suppliers have any record of influencing the environment and society in the past. Contracts with major suppliers include provisions that suppliers may terminate or rescind contracts at any time if they violate their corporate social responsibility policies and have a significant impact on the environment and society.</p>	
5. Does the company prepare the corporate social responsibility report and other reports that reveal the company's non-financial information with reference to the international standards or guidelines for preparing reports? Has the pre-disclosure report been confirmed or guaranteed by the third-party verification unit?	✓		At present, the Company is not within the scope of preparing corporate social responsibility report as stipulated by law, so the report has not been prepared yet.	None
6. If a company has its own code of corporate social responsibility in accordance with the Code of Practice for Corporate Social Responsibility of Listed and OTC Companies, please state the difference between its operation and the code: None.				
7. Other important information that is helpful to understand the operation of corporate social responsibility: None.				

(7) Company's performance of honest operation and adoption measures

The performance of honest operation and the difference between it and the code of honest operation of listed and OTC companies and the reasons

Evaluation Item	Operation Situation			Differences and reasons between the code of good faith and the code of conduct of listed and OTC companies
	Yes	No	Abstract Description	
<p>1. Formulate policies and plans for honest management</p> <p>(1) Has the company formulated a credit management policy approved by the board of directors, and clearly stated the policies and practices of credit management in regulations and external documents, as well as the commitment of the board of directors and senior management to actively implement the business policy?</p> <p>(2) Does the company establish an assessment mechanism for the risk of dishonest behavior, regularly analyze and assess the business activities with high risk of dishonest behavior within its business scope, and formulate a plan to prevent dishonest behavior based on this, which at least covers the preventive measures against the behaviors of Article 7, paragraph 2, of the Code of Good Faith for Listed and OTC Companies?</p> <p>(3) Does the company work out plans to prevent dishonest behavior, specify operating procedures, behavioral guidelines, disciplinary and appeal systems for violations in each plan, and implement them, and regularly review and revise the pre-disclosure plan?</p>	✓		<p>(1) On March 23, 2021, the Company submitted the Company's Code of Good Faith and Code of Ethical Conduct to the Board of Directors for approval, which was reviewed and approved by the Board of Directors. In the regulations and external documents, the Company clearly stated the policies and practices of operating in good faith, and the commitment of the board of directors and management to actively implement the operating policies. Among them, the company has formulated "internal major information processing procedures" to standardize the internal major information processing and disclosure mechanism, avoid improper information leakage, and ensure the consistency and accuracy of the company's information published to the outside world; It is clearly stated in the Rules of Procedure of the Board of Directors that a director has an interest in meeting matters with himself or the legal person he represents, and should explain the important contents of his own interest to the current board of directors, so that those who are in danger of harming the interests of the company may not participate in the discussion and voting, and should avoid the discussion and voting, and may not exercise their voting rights on behalf of other directors.</p> <p>(2) The Company has taken preventive measures against the business activities with high risk of dishonest behavior in Article 7, Item 2 of the Code of Good Faith for Listed and OTC Companies or other business areas.</p> <p>(3) The Company has worked out plans to prevent dishonest behavior, and clearly defined and implemented operating procedures, behavioral guidelines, disciplinary and appeal systems for violations in each plan.</p>	None
<p>2. The implementation of integrity management</p> <p>(1) Does the company evaluate the credit record of the counterparty and specify the terms of credit behavior in the</p>	✓		<p>(1) The Company not only evaluates the credit record of the counterparty, but also stipulates the terms of credit behavior in the contract signed with the counterparty.</p> <p>(2) The promotion of the company's business</p>	None

Evaluation Item	Operation Situation			Differences and reasons between the code of good faith and the code of conduct of listed and OTC companies
	Yes	No	Abstract Description	
<p>contract signed between the company and the counterparty?</p> <p>(2) Does the company set up a dedicated unit under the board of directors to promote the honest operation of enterprises, and regularly report to the board of directors its honest operation policies, schemes to prevent dishonest behaviors and supervise their implementation?</p> <p>(3) Does the company formulate policies to prevent conflicts of interest, provide appropriate channels for presentation, and implement them?</p> <p>(4) Has the company established an effective accounting system and internal control system for the implementation of honest operation, and the internal audit unit shall draw up relevant audit plans according to the assessment results of dishonest behavior risks, and then check the compliance of the scheme for preventing dishonest behavior, or entrust an accountant to perform the audit?</p> <p>(5) Does the company regularly organize internal and external education and training for honest operation?</p>	✓		<p>integrity management is jointly run by the Financial Administration Department, which mainly establishes a good corporate governance and risk control system and complies with various laws and regulations.</p> <p>(3) The Company has formulated policies to prevent conflicts of interest, provided appropriate channels for presentation and implemented them.</p> <p>(4) The Company has established an effective accounting system and internal control system, which are regularly checked and implemented by the internal audit unit.</p> <p>(5) The Company regularly organizes education and training on integrity management.</p> <p>(6) The Company publicizes and enables colleagues to clearly understand the concept and norms of integrity management through meetings of supervisors and dinners of departments.</p>	None
<p>3. Operation of the Company Reporting System</p> <p>(1) Has the company established a specific reporting and reward system, established a convenient reporting channel, and assigned appropriate personnel to accept the report?</p> <p>(2) Has the company established the investigation standard operating procedures for accepting and reporting matters, the follow-up measures to be taken after the investigation is completed, and the relevant confidentiality mechanism?</p> <p>(3) Does the company take measures to protect whistle-blowers from improper disposal due to whistle-blowing?</p>	✓		<p>The Company has stipulated the reporting and reward system and related confidentiality mechanism in the "Working Rules" and the "Code of Honesty and Business Practice", which are implemented according to the regulations and protect the whistle-blowers from improper disposal due to reporting.</p>	None
<p>4. Strengthen information disclosure</p> <p>(1) Has the company disclosed the contents and promotion effects of its code of good faith on its website and public information observatory?</p>	✓		<p>The Company has disclosed the contents of the relevant code of good faith on its website (http://www.klasergroup.com).</p>	None

Evaluation Item	Operation Situation			Differences and reasons between the code of good faith and the code of conduct of listed and OTC companies
	Yes	No	Abstract Description	
5. If a company has established its own code of good faith operation in accordance with the Code of Good Faith Operation of Listed and OTC Companies, please state the differences between its operation and the established code: the company has established the Code of Good Faith Operation and the Code of Ethical Conduct in accordance with the Code of Good Faith Operation of Listed and OTC Companies, followed the code and continuously promoted publicity and awareness among management colleagues, and its related operations are not significantly different.				
6. Other important information that is helpful to understand the company's honest operation (such as the company's review and revision of its honest operation code, etc.): None.				

(8) Code of corporate governance, relevant regulations and other important information that can enhance the understanding of the operation of corporate governance:

Rules and regulations related to corporate governance:

- A. Articles of Association
- B. Rules of Procedure for Shareholder Meeting
- C. Regulation of Board of Directors Meeting
- D. Election Method of Board of Directors
- E. Operation Method for Performance Evaluation of Board of Directors
- F. Measures for The Establishment and Scope of Duties of Independent Directors
- G. Organizational Rules of Salary and Remuneration Committee
- H. Internal Major Information Processing Procedures
- I. Code of Practice on Corporate Social Responsibility
- J. Code of Practice on Corporate Governance

Visit the website of the Company for inquiry : <http://www.klasergroup.com> °

(9) The implementation of the internal control system

1. Statement of Internal Control

K-Laser Technology Inc.
Statement of Internal Control System

Date: March 23, 2021

According to the results of self-assessment, the internal control system of the Company in 2020 is hereby declared as follows:

1. The Company knows that it is the responsibility of the board of directors and managers of the Company to establish, implement and maintain the internal control system, and the Company has already established this system. Its purpose is to provide reasonable assurance for the achievement of the objectives of operating effectiveness and efficiency (including profit, performance and asset security, etc.), reliability, timeliness and transparency of reporting, and compliance with relevant norms and compliance with relevant laws and regulations.
2. The internal control system has its inherent limitations, no matter how perfect the design, the effective internal control system can only provide reasonable guarantee for the achievement of the above three goals; Moreover, due to the change of environment and circumstances, the effectiveness of the internal control system may change accordingly. However, the internal control system of the Company has a self-monitoring mechanism, and once the deficiencies are identified, the Company will take corrective actions.
3. The Company judges whether the design and implementation of the internal control system are effective according to the judgment items of the effectiveness of the internal control system stipulated in the "Processing Criteria for Establishing Internal Control Systems of Public Companies" (hereinafter referred to as the "Processing Criteria"). The judgment items of the internal control system adopted in the "Treatment Criteria", is that according to the process of management control, the internal control system is divided into five components: 1. control environment, 2. risk assessment, 3. control operation, 4. information and communication, and 5. supervision operation. Each component includes several items. Please refer to the "Treatment Criteria" for the aforementioned items.
4. The Company has adopted the above-mentioned internal control system judgment items to evaluate the effectiveness of the design and implementation of the internal control system.
5. Based on the evaluation results in the preceding paragraph, the Company considers that the design and implementation of the internal control system (including supervision and management of subsidiaries) of the Company as of December 31, 2020 is effective, including understanding the operation effect and the degree to which the efficiency target is achieved, the reporting system is reliable, timely and transparent, and it can reasonably ensure the achievement of the above objectives.
6. This statement will become the main content of the annual report and the prospectus of the Company, and will be made public. If there are any illegal things such as hypocrisy or concealment in the above-mentioned disclosure, it will involve the legal liabilities of Articles 20, 32, 171 and 174 of the Securities and Exchange Law.
7. This declaration was approved by the board of directors of the Company on March 23, 2021. Among the 7 directors present, 0 were against it, and the rest agreed with the contents of this declaration, and made this declaration.

K-Laser Technology Inc.

Chairman: Alex Kuo

General Manager: Alex Kuo

2. If an accountant is entrusted to examine the internal control system, the accountant's examination report shall be disclosed: None.
- (9) The company and its internal personnel were punished according to law, the company punished its internal personnel for violating the internal control system, the main defects and improvements: none.
11. The important resolutions of the shareholders' meeting and the board of directors
1. Board of Directors
 - (1) The 18th session of the 11th board of directors

Time: May 12, 2020

 1. Passed the financial report of the Company in the first quarter of 2020.
 2. Passed the surplus distribution in the first quarter of 2020.
 3. Passed the case that The Company absorbed and merged Everest Display Inc.
 - (2) The first interim board of directors of the 12th session

Time: May 25, 2020

 1. Passed the proposal of electing the chairman of the board of directors of the Company.
 2. Passed the appointment of members of the Audit Committee by the Company.
 3. Passed the appointment of members of the Salary and Remuneration Committee by the Company.
 - (3) The 1st board of directors of the 12th session

Time: June 29, 2020

 1. Passed the amendment of the expert opinion on the price rationality of the purchase of minority shares of Everest Display Inc. by the Company.
 2. Passed the amend the merger contract that the Company absorbed and merged Everest Display Inc.
 - (4) The 2nd board of directors of the 12th session

Time: August 21, 2020

 1. Passed the consolidated financial report of the Group in the first two quarters of the Company.
 2. Passed the Company's surplus distribution in the first two quarters
 - (5) The 3rd board of directors of the 12th session

Time: November 21, 2020

 1. Passed the consolidated financial reports of the Group in the first three quarters of the Company.
 2. Passed the company's surplus distribution in the first three quarters.
 3. Passed the independence assessment of certified public accountants of the Company.
 4. Passed the establishment of social welfare charitable foundation by the Company.

(6) The 4th board of directors of the 12th session

Time: December 24, 2020

1. Passed the change report of the Company's representative spokesperson.
2. Passed the Company's plan to issue the sixth domestic secured corporate bond conversion case.

(7) The 5th board of directors of the 12th session

Time: March 9, 2021

1. Passed the resolution on convening and accepting shareholders' proposals at the general meeting of shareholders of the Company in 2021.

(7) The 6th board of directors of the 12th session

Time: March 23, 2021

1. Passed the revision of the convening cause of the ordinary shareholders' meeting of the Company in 2021.
2. Passed the business report and financial statements of the Company in 2020.
3. Passed the Company's annual surplus distribution in 2020.

2. Important resolutions of the shareholders' meeting and their implementation

Time: The 2020 Annual General Meeting of Shareholders was held in Hsinchu on May 28, 2020. The resolutions adopted by shareholders attending the meeting and their implementation are as follows:

- (1) Acknowledgment of the 2019 annual business report and financial statements.

Implementation Situation: the business report and financial statements in 2019 were acknowledged, in which the consolidated revenue for the whole year was about NT\$ 5,199,022,000 and the net loss after tax was about NT\$ 158,709,000.

- (2) Acknowledge the case of profit and loss appropriation in 2019.

Implementation situation: the shareholders' meeting passed the resolution of not distributing dividends, which has been handled according to the resolution of the shareholders' meeting.

- (3) Approve the revision of the Articles of Association.

Implementation Situation: The change registration was approved by the competent authority on June 12, 2020 and announced on the company website.

- (4) Approve and revise the internal regulations of the company as follows:

A. "Rules of Procedure for Shareholder Meeting"

Implementation Situation: It was announced on the Market Observation Post System and our website on June 17, 2020, and was handled according to the revised procedures.

- (12) The directors or independent directors have different opinions on important resolutions passed by the board of directors and have records or written statements, the main contents are: none.
- (13) Summary of resignation and dismissal of persons related to the company (including chairman, general manager, accounting supervisor, financial supervisor, internal audit supervisor and r&d supervisor, etc.): none.

4. Information on CPA professional fees

(1) Information on public expenses of accountants

Name of Accountant Firm	Name of Accountant		Audit Period	Remarks
Deloitte & Touche	Huang Yiming	Xu Wenya	2020.01.01~2020.12.31	

Public Expense		Audit Fee	Non-Audit Fee	Total
Item	Amount Class Interval			
1	Less than NT\$ 2,000,000		✓	
2	NT\$ 2,000,000 (including) ~ NT\$ 4,000,000			
3	NT\$ 4,000,000 (including) ~ NT\$ 6,000,000			
4	NT\$ 6,000,000 (including) ~ NT\$ 8,000,000	✓		✓
5	NT\$ 8,000,000 (including) ~ NT\$ 10,000,000			
6	More than NT\$ 10,000,000 (including)			

Amount Unit: NT\$ 1000

Name of Accountant Firm	Name of Accountant	Audit Fee	Non-Audit Fee					Accountant Audit Period	Remarks
			System Design	Company Registration	Human Resources	Other	Subtotal		
Deloitte & Touche	Huang Yimin Xu Wenya	6,950				728	728	2020.01.01~ 2020.12.31	(Note 1)

Note 1: The "others" of non-audit fees account for 25% of the total amount of non-audit fees. Its service contents include: 1. Transfer pricing report 2. Business tax direct deduction fees, business tax administrative fees 3. Non-executive salary information check fees.

- (2) Where the proportion of non-audit public fees paid to certified public accountants, certified public accountants' firms and their affiliated enterprises to audit public fees is more than one-fourth: this is not the case.
- (3) Where an accounting firm is replaced and the audit fees paid in the replacement year are lower than those in the previous year: this is not the case.
- (4) Audit fees decreased by more than 15% compared with the previous year: there is no such situation.

5. Information on replacement of CPA:

(1) About the former accountant

Date of Change	Passed by the board of directors on March 30, 2020		
Reason and Description of Change	In 2019, the Company was replaced by Huang Yimin and Hong Guotian as Huang Yimin and Xu Wenya due to the internal staff turnover of the accounting firm.		
Describe that the appointer or accountant terminates or refuses to accept the appointment	Party	Accountant	Appointer
	Situation		
	Active termination of appointment	N/A	
No longer accept (continue) appointment	N/A		
Opinions and reasons for issuing audit reports other than unqualified opinions in the latest two years	None		
Whether the issuer has any disagreement	Yes	Accounting principles or practices	
		Disclosure of financial reports	
		Check the scope or steps	
		Other	
	None	V	
	Description		
Other disclosure matters (which should be disclosed from item 1-4 to item 1-7 of paragraph 6 of Article 10 of these Standards)	None		

(2) About the succession of accountants

Name of Accounting Firm	Deloitte & Touche
Name of Accountant	Accountant Huang Yiming and Xu Wenya
Date of Appointment	Passed by the board of directors on March 30, 2020
Before the appointment, see the consultation items and results on the reasonable method or original rules of the settlement of the special transaction and the intention of signing and issuing the financial report	None
Written opinions of successive accountants on different opinions of previous accountants	None

(3) The reply of the former accountant to the matters in Item 1 and Item 2-3 of Paragraph 6 of

Article 10 of these Standards: None.

6. If the chairman, general manager and manager in charge of financial or accounting affairs of the company have worked in the certified public accountant's firm or its affiliated enterprise in the last year, they shall disclose their names, professional titles and the period of their employment in the certified public accountant's firm or its affiliated enterprise: None.

7. Changes in the equity and pledge of directors, supervisors, managers and major shareholders with a shareholding ratio of more than 10%

(1). Changes in equity of directors, supervisors, managers and major shareholders

Unit: Share

Title	Name	2020		The current year ended on March 30, 2021	
		Increase (decrease) number of shareholding	Increase (decrease) number of pledged shares	Increase (decrease) number of shareholding	Increase (decrease) number of pledged shares
Chairman concurrently serves as general manager	Alex Kuo	320,000	(550,000)	—	—
Director	Daniel Kuo	120,000	—	(30,000)	—
Director	Lisa Hsu	221,214	—	—	—
Director	C.L. Kuo	—	—	—	—
Independent Director	Bi-Xin Huang	—	—	—	—
Independent Director	Gen-Sen Chang- Hsieh	—	—	—	—
Independent Director	Ren Liu	—	—	—	—
Spercial Assistant of Chairman Office Representative Spokesperson	Vincent Tsai	—	—	—	—
Finance Manager and Finance Director	Teresa Huang	160,000	—	—	—
R&D Director	Lin Liugong	—	—	—	—
Director of Marketing and Business	Jacky Chen	38,000	—	—	—
Director of Manufacturing	Sappho Chen	—	—	—	—
Audit Director	Yumei Tsai	12,000	—	(4,000)	—
Accounting Director	Serena Hung	30,000	—	—	—

(2) The relative person of equity transfers or equity pledge is the related person: none.

8. Information on the relationship between the top ten shareholders in terms of shareholding ratio

March 30, 2021

Name	Shareholding of self		Shareholding of spouses and minor children		Total shareholding in name of others		The title or names and relationships of the top ten shareholders who have related relationships with each other or are relatives within spouses or two parents	
	Number of Shares	Shareholding Rate	Number of Shares	Shareholding Rate	Number of Shares	Shareholding Rate	Name (Or name)	Relation
Alex Kuo	10,997,756	6.90%	1,099,194	0.69%	—	—	—	—
Treasury stock client of K-Laser Technology Inc.	9,095,000	5.71%	—	—	—	—	—	—
Investment client of JP Morgan	3,685,000	2.31%	—	—	—	—	—	—
Shi Guitang	3,363,196	2.11%	—	—	—	—	—	—
He Meiling	2,820,259	1.77%	—	—	—	—	—	—
Wang Kunlong	2,578,000	1.62%	—	—	—	—	—	—
Huang Rongan	2,201,000	1.38%	—	—	—	—	—	—
Qiu Yuying	2,008,000	1.26%	—	—	—	—	—	—
Zeng Zhicheng	1,880,000	1.18%	—	—	—	—	—	—
Capital Securities Corp. trusts Luk Fook Securities (HK) Limited	1,650,000	1.04%	—	—	—	—	—	—

9. Comprehensive shareholding ratio

Unit: Share/% March 30, 2021

Re-investment business (note)	The Company Investment (1)		Investments by directors, supervisors, managers and directly or indirectly controlled enterprises (2)		Comprehensive Investment (1)+(2)	
	Number of Shares	Shareholding Rate	Number of Shares	Shareholding Rate	Number of Shares	Shareholding Rate
K Laser China Group Co., Ltd.	21,289,005	100%	—	—	21,289,005	100%
K Laser International Co., Ltd.	20,361,462	100%	—	—	20,361,462	100%
Guangyao Technology Co., Ltd	23,821,835	40.64%	545,023	0.93%	24,366,858	41.57%
iWin Technology Co., Ltd.	157,545	49%	163,975	51%	321,520	100%
Vicome Corp	3,021,420	30%	60,000	0.6%	3,081,420	30.6%
Insight Medical Solutions Co., Ltd	8,995,264	45%	897,000	4%	9,892,264	49%

Note: It is a long-term investment of the company using the equity method.

4. Fund raising

1. Overview of capital and shares

(1) Source of equity

1. Source of equity

March 30, 2021

Unit: 1000 shares; NT \$1000 (except issue price)

Date	Issue price (yuan)	Authorized capital stock		Capital stock paid in		Notes			
		Number of shares	Amount of money	Number of shares	Amount of money	Source of equity		Pay off the share fund with property other than cash	Other
2015.05	10	200,000	2,000,000	157,166	1,571,665	Cancellation of treasury shares	170,000	-	ZSZ No.1040012090
2015.07	10	200,000	2,000,000	147,166	1,471,665	Cancellation of treasury shares	100,000	-	ZSZ No.1040020998
2015.11	10	200,000	2,000,000	132,466	1,324,665	Cancellation of treasury shares	147,000	-	ZSZ No.1040034261
2017.03	10	200,000	2,000,000	133,883	1,338,825	CB to capital increase	14,160	-	ZSZ No.1060007841
2017.12	10	200,000	2,000,000	165,325	1,653,246	CB to capital increase	314,421	-	ZSZ No.1061000188
2018.12	10	200,000	2,000,000	159,325	1,593,246	Cancellation of treasury shares	60,000	-	ZSZ No.1070035038

Unit: shares / March 30, 2021

Types of stock shares	Authorized capital stock					Notes
	Outstanding capital stock			Unissued shares	total	
	Listed (note)	Restricted listing	total			
Common stock	159,324,631	-	159,324,631	40,675,369	200,000,000	

Note: Include 9,095,000 shares of treasury stock for employees who have not yet transferred.

2. Summary of information about the declaration system: None.

(2) Shareholder structure

March 30, 2021

Shareholder structure Quantity	Government organs	Financial institutions	Other legal entities	Foreign institutions and foreigners	Individuals	Total
Number of people	-	1	137	58	23,087	23,283
Number of shares held (shares)	-	3,000	10,868,118	10,569,433	137,884,080	159,324,631
Shareholding ratio	0.00%	0.00%	6.82%	6.63%	86.54%	100.00%

(3) Share dispersion (face value per share is 10 yuan)

March 30, 2021

Shareholding classification	Number of shareholders	Number of shares held	Shareholding ratio %
1 to 999	13,922	513,469	0.32%
1,000 to 5,000	6,327	14,587,446	9.16%
5,001 to 10,000	1,363	11,158,431	7.00%
10,001 to 15,000	426	5,505,381	3.46%
15,001 to 20,000	300	5,669,058	3.56%
20,001 to 30,000	298	7,809,583	4.90%
30,001 to 40,000	148	5,349,788	3.36%
40,001 to 50,000	116	5,443,552	3.42%
50,001 to 100,000	205	15,324,159	9.62%
100,001 to 200,000	86	12,878,741	8.08%
200,001 to 400,000	47	12,498,297	7.85%
400,001 to 600,000	21	10,559,775	6.63%
600,001 to 800,000	5	3,511,292	2.20%
800,001 to 1,000,000	7	6,099,254	3.82%
More than 1,000,001 shares	12	42,416,405	26.62%
Total	23,283	159,324,631	100.00%

(4) List of major shareholders

March 30, 2021

Shares Name of major shareholders	Number of shares held	Shareholding %
Guo Weiwu	10,997,756	6.90%
K Laser Technology Co. treasury stock account	9,095,000	5.71%
JP Morgan Chase Bank Trusteeship JP Morgan Limited Investment Special Account	3,685,000	2.31%
Shi Guitang	3,363,196	2.11%
He Meiling	2,820,259	1.77%
Wang Kunlong	2,578,000	1.62%
Huang Rongan	2,201,000	1.38%
Qiu Yuying	2,008,000	1.26%
Zeng Zhicheng	1,880,000	1.18%
The Capital Group (Stock) Trusteeship Lukfook Securities (Hong Kong)	1,650,000	1.04%

(5) Market price per share, net worth, earnings, dividends and related information

Unit: New Taiwan Dollars (NT\$)

Project \ Year		2019	2020	For the year ended March 31, 2021
Market price per share	Highest	25.35	20.30	21.75
	Lowest	12.85	11.25	16.00
	Average	17.92	15.79	18.16
Net value per share	Before distribution	15.79	16.83	—
	After distribution	15.79	15.88	—
Earnings per share	Weighted average number of shares (1000 shares)	152,102	150,947	—
	Earnings per share	(0.79)	0.96	—
Dividend per share (Note)	Cash dividends		0.96	—
	Stock grants	Earnings rationed shares	—	—
		Capital surplus allotment	—	—
	Accumulated unpaid dividends		—	—
Return on investment analysis	Principal-to-Earnings Ratio		16.45	—
	Principal-to-Profit ratio		16.45	—
	Cash dividend yield rate		6.08%	—

Note: The distribution of surplus in 2020 was resolved by the board of directors and has not been submitted to the shareholders' meeting.

(6) Dividend policy and implementation of the company

1. Dividend policy

In addition, special reserve is provided for in accordance with the Company's operating requirements and laws and regulations. If there is any surplus and undistributed surplus at the beginning of the period, the Board of Directors shall prepare a proposal for distribution of surplus to the shareholders for resolution.

The Company's dividend policy is based on the Company Law and the Company's Articles of Incorporation, and is determined in accordance with the Company's capital and financial structure, operating conditions, earnings, and the characteristics and cycles of the industries to which the Company belongs, and is distributed on the principle of conservatism to promote the Company's sustainable business development. Distributions of distributable earnings shall be in the form of cash dividends, depending on future capital expenditures and working capital planning, and stock dividends may also be distributed, provided that the percentage of stock dividends distributed shall not exceed 50% of the total dividends. The aforementioned conditions, timing, amount and type of retained earnings and distributable dividends may be adjusted at the appropriate time in response to changes in the economic and industrial climate and taking into account the

Company's future development needs and profitability, provided that the target of cash dividend shall not be less than 10% of the distributable earnings of the current year.

2. Proposed Dividend Distribution at the Shareholders' Meeting

The proposed distribution of earnings in 2020 was approved by the Board of Directors on March 23, 2021 to distribute cash dividends to shareholders in the amount of NT\$144,220 thousand, or NT\$0.96 per share.

(7) The effect of the stock grants on the Company's operating performance and earnings per share: Not applicable.

(8) Remuneration of employees, directors and supervisors

1. The independent directors of the Company shall receive fixed compensation, and the other directors shall be paid for their attendance at each meeting of the Board of Directors, and in accordance with Article 32 of the Company's Articles of Incorporation, the Company shall set aside not more than 2% of the Company's annual profit before taxation as remuneration to the directors before the distribution of remuneration to employees and directors.

According to Article 32 of the articles of association of the company, if the company makes any profit in the year, 4% ~ 8% of the pre-tax profit before deducting the remuneration of the employees and directors shall be allocated as the remuneration of the employees. The manager's remuneration includes salary and bonus, in which the salary refers to the level of the industry and items such as title, rank, academic experience, professional ability and responsibilities, etc. The bonus is based on the evaluation of the manager's performance, which includes financial indicators (e.g. revenue and net income achieve rate before tax) and non-financial indicators (e.g. work performance, quality of work, attitude to work, leadership, communication and coordination, teamwork, and significant deficiencies in compliance with laws and regulations and operational risks of the department under their supervision), and is approved by the chairman of the board of directors according to the performance evaluation results and the allocation principles recommended by the Salary and Compensation Committee.

The remuneration of the directors and managers of the company shall be determined by the board of directors and submitted to the shareholders' meeting. However, if the company still has accumulated losses, it shall reserve the amount of compensation in advance, and then allocate the remuneration of employees and directors in accordance with the preceding paragraph. The object of the employee's remuneration in the preceding paragraph may include employees of subordinate companies who meet certain conditions.

2. The basis for estimating the amount of employee and director compensation, the basis for calculating the number of shares of employee compensation distributed in stock, and the accounting treatment if the actual amount of distribution differs from the estimated amount:

According to the regulations of the articles of association of the company and with reference to the actual remuneration paid in the past, the company estimates the amount of remuneration that may be paid to employees and directors. If there is any difference between

the actual amount paid in and the estimated amount, it shall be treated according to the change of accounting estimation and listed as the profit and loss of the next year.

3. Remuneration approved by the board of directors for the year of 2020:

According to the resolution of the board of directors of the company on March 23, 110, the company passed the following:

Unit: New Taiwan Dollars (NT\$)

Project	Amount of money	Cash Amount	Stock Amount	Differences from annual estimates of recognized expenses, reasons and treatment	The amount of employee compensation distributed in stock and its proportion to the total amount of net income after tax and total employee compensation in the individual financial reports for the period
Employees' Compensation		13,370	0	None	Not applicable
Directors' Compensation		3,342	0	None	

4. The actual distribution of employee, director's and supervisor's remuneration in the previous year and the difference between the amount of employee, director's and supervisor's remuneration and the amount of the difference, the reasons for the difference and the treatment of the difference should be stated.

Due to the loss in year 2019, the remuneration of employees and directors was not estimated.

(9) Buy-back of the Company's shares by the Company (if executed)

March 30, 2021

Number of Buyback	25th	26th	27th
Purpose of Buyback	Maintain corporate credit and shareholders' rights	Transfer of shares to employees	Transfer of shares to employees
Buyback Period	2018/07/17~2018/09/14	2018/11/12~2019/01/11	2020/03/16--2020/05/15
Buyback Interval Price	9.73~22.51yuan	8.65~18.78yuan	9.10~24.31yuan
Type and number of shares buyback	6,000 thousand shares of common stock	6,000 thousand shares of common stock	6,000 thousand shares of common stock
Amount of shares buyback	88,356 thousand Yuan	79,419thousand Yuan	77,891thousand Yuan
Number of shares buyback as a percentage of the number to be buyback (%)	100%	100%	100%
Number of shares cancelled and transferred	6,000 thousand shares of common stock	2,905 thousand shares of common stock	-
Cumulative number of shares held by the Company	-	3,095 thousand shares of common stock	6,000 thousand shares of common stock
Ratio of the cumulative number of shares held to the total number of shares issued (%)	-	1.94%	3.77%

2. Handling of corporate bonds

(1) Handling of corporate bonds

March 30, 2021

Type of corporate debt(Note 2)		The sixth domestic secured conversion of corporate bond
Issue (processing) date		March 24, 2021
Denomination		NT\$100,000
Issuance price		Each face value is NT\$100,000.
Total amount		Issued at 101% of the face value
Interest Rate		NT\$600 million
Term		0%
Guarantee agency		Five-year maturity date: 2026/03/24
Trustee		Taichung Commercial Bank Co.
Underwriter		KGI Commercial Bank Co.
Certified Lawyer		-
Certified Public Accountant		-
Repayment Method		Except for the conversion of the convertible bonds into common shares in accordance with Article 10 herein or the exercise of the right of sell-back in accordance with Article 19 herein, and the early redemption by the Company in accordance with Article 18 herein, the principal shall be repaid in cash at maturity at the face value of the bonds.
Outstanding principal		NT \$600000
Terms of Redemption or Early Settlement		1.If the closing price of the Company's common stock on the Taiwan Stock Exchange for 30 consecutive business days exceeds the conversion price of the bonds by more than 30% (inclusive) from the day after the first month from the date of issuance to the 40th day before the expiration of the issuance period, the Company may redeem the bonds from the bondholders in cash at the face value of the bonds. 2.If the outstanding balance of the conversion bonds is less than 10% of the total amount of the bonds issued from the day after the first month of the issuance of the bonds to the 40th day before the expiration of the issuance period, the Company may redeem the conversion bonds of the bondholders in cash at the face value of the bonds.
Restrictions		-
Name of credit rating agency, rating date, and rating result of corporate bonds		-
Additional rights	Amount of ordinary shares, overseas depositary receipts or other marketable securities converted (exchanged or subscribed) as of the date of publication of the annual report	None

	Method of issuance and conversion (exchange or subscription)	Refer to the issue and conversion method
The possible dilution of equity and the impact on the existing shareholders' equity by the issuance and conversion, exchange or subscription methods and issuance conditions		Compared with the allocation of funds required, the issuance of domestic convertible bonds as a source of financing will effectively reduce and delay the degree of equity dilution. In addition, after the conversion of convertible bonds by investors, in addition to reducing liabilities, it will also increase shareholders' equity, thereby increasing the net value of each share. Therefore, in the long run, the existing shareholders' equity can be more guaranteed.
Name of the entrusted depository of the subject matter of exchange		-

(2) Information on Convertible Bonds:

March 30, 2021		
Type of corporate debt		The sixth domestic secured conversion of corporate bond
Year		2021
Market value of convertible bonds	Highest	130.50
	Lowest	111.10
	Average	122.64
Conversion price		19.8
Issuance (processing) date and conversion price at the time of issue		Issued on March 24, 2021 Conversion price at the time of issue: NTD 19.8
Method of fulfilling conversion obligations		Issuance of new shares

(3) Exchange of corporate bond information: None

(4) Summary of the declaration and issuance of corporate bonds: None

(5) Corporate bonds with warrants: None

3. Status of Preferred Shares

(1) Special shares: None

(2) Information of special stock with warrants: None

4. Status of Overseas Depository Certificate: None

5. Issuance of Employee Stock Option Plan: None

6. Issuance of New Restricted Employee Shares: None

7. Status of New Share Issuance in Connection with Mergers and Acquisitions: None

8. Implementation of fund utilization: None

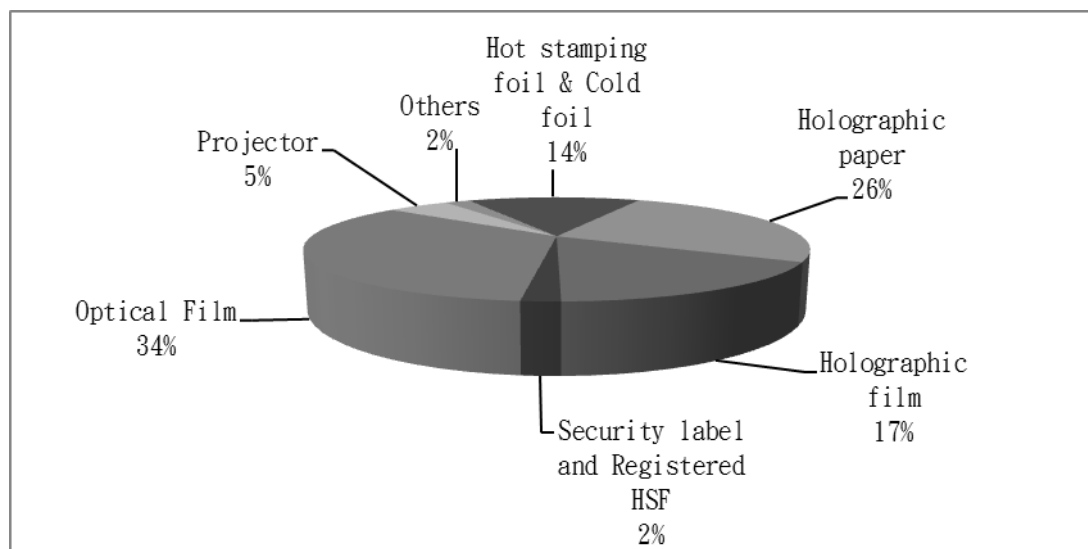
Operational Highlights

1. Business Activities

1.1 Business Scope

1.1-1 Operation Items : The company engages in the research and development, production and sales of holographic products. The major holographic products are holographic film, hot stamping foil, cold foil, holographic paper, security label, optical films and etc.

1.1-2 Major Products and Sales Percentage :



1.1-3 Current products:

- A. Holographic PET film
- B. Holographic PVC film
- C. Holographic OPP film
- D. Holographic paper
- E. Holographic Transfer Film
- F. Holographic Security Label
- G. Hot Stamping Foil
- H. Register Hot Stamping Foil
- I. Cold Foil
- J. UV Fresnel Lens
- K. Optical Film

1.1-4 New products in plan :

- A. PE fresnal lens Label
- B. AI authentic solution for Label & RHSF
- C. Holographic PVC for Building materials

1.2. Industry Overview

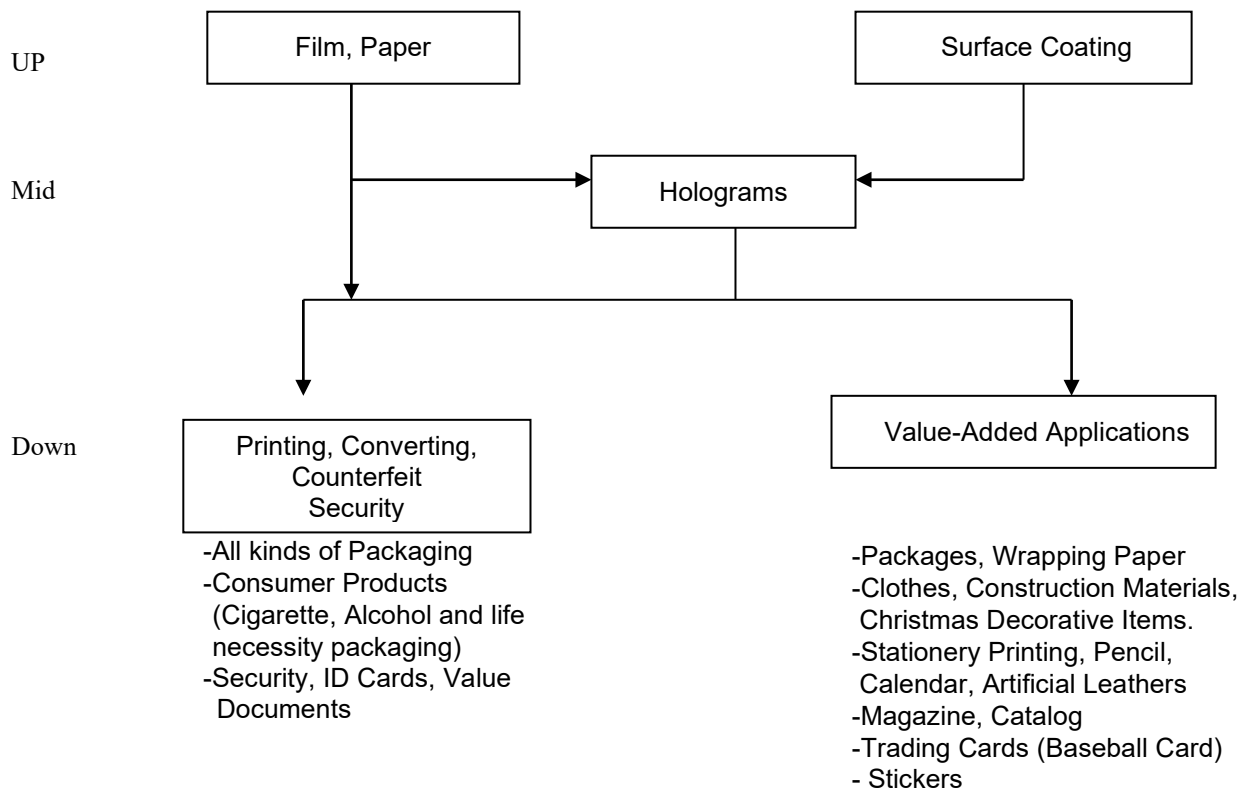
1.2-1 Present Industry Situation and Development Plan

Current Status: Cigarette packaging remains the world's largest market using holographic film, followed by toothpaste box and home & personal care packaging market. These two markets

are still considered stable but the rest of the market might fluctuate based on the market economy situation. In order to maintain the market share, we will approach brand owner and provide them with total packaging design concept and solution.

Development: Because of environmental protection, Transfer film and transfer paper will be the focus development of the industry in the future. With the successful development of the wide format process, new markets and new applications will be the focus of performance growth, and part of the business focus will be placed on the building materials market and the commercial and industrial market.

1.2-2 The Relationship Between Up-, Mid-, and Down-Stream Supply Chain Services



PET, OPP, PVC films and paper are the most common carriers of holograms. We have secured steady supplies of films from NanYa Plastics and Shinkong Synthetic Fibers Corporation, and papers from Yuen Foong Co., Ltd etc. The raw materials may affect the quality of hologram embossing. On the other hand, customers' requirements for material strength and temperature resistance as well as production speed are also crucial. In many cases, we have developed very close partnerships with customers and produced highly anti-counterfeiting and value-added packages.

Vertical integration will be a trend in the industry. Some hologram manufacturers begin investing in coating business to produce the materials for hologram embossing. At the same time, film suppliers are also developing materials that can be used for hologram embossing without coating. Some converters have also purchased embossing machines to produce holographic materials themselves.

1.2-3 Product Development Trends & Competition

1. Development trends:

- A. The combination of holographic and Fresnel Lens effect will be the trend for customized registered printing.
- B. 1,000mm and above holographic film will be the mainstream product for group sales revenue.

- C. The sales for Tru seamless(TSL) Fresnel Lens in China and Taiwan are growing and sales of this product in the Korean and Japanese markets will be the focus in the future.
- D. Sales on transfer film and transfer board are expected to increase in 2021 for non-tobacco packaging.

2. Competitive scenario:

- A. Major international competitors for transfer film are from India. K Laser keeps improving the product competitiveness in order to widen the gap with the competitors,
- B. Chinese and Indian competitors have the low-cost advantages, whereas, K Laser has the true seamless and brighter holographic advantages.
- C. True seamless UV Fresnel lens is the exclusive product in market, and it will continue to be the main promoted products.
- D. Holographic PVC product is shrinking due to the massive competition, however, holographic PVC suitable for building materials is being developed, and the current situation will be changed if the mass production and delivery are smooth.

1.3 Technology and R&D Highlights

1.3-1 R&D Expenditures of K Laser

Unit : NT\$ Thousands

Year	2019	2020
R&D Expenditures	248,527	254,895

1.3-2 R&D Achievements and Plans for the Future

According to the market request, the Company develops high value-add product with aesthetic and high security features to achieve technology innovation, quality improvement and wide range of product application. The Company also integrates and develops the upstream and downstream process technology, and improves resolution and design ability.

The technique Road-Map, R&D release following new Tech. and new Product in this year:

- A. Origination Technology:
 - (a) 1 Meter seamless rainbow origination technology (b) 1 Meter Drum busy pattern origination technology (c) 1.5 Meters plane origination technology
- B. New Product:
 - (a) True Seamless products (b) Lens effect film (c) UV emboss related products
 - (d) Scratch resistant metallized transfer film (e) Rainbow holographic Metallized transfer paper for HP Indigo 12000 and 10000 one shot (f) 1.5 Meters wide-web UV overprintable rainbow metallized holographic film
- C. Equipment Development:
 - (a) 1 Meter seamless optical production machine (b) 1 Meter drum electroforming machine
 - (c) 1.5 Meters Film to Film Embossing machine (d) AI authentic solution

R&D Strategy:

- A. Combine supplies' and customer's technology, develop more value and more tamper function products.
- B. Developing Seamless holographic origination technology and production process.
- C. Developing high precision coating technology, recipe and process, to promote products' application and control products' quality efficiently.
- D. Developing the optical effect origination for the electric products application.
- E. Developing UV embossing process combine deep grating and holographic effects.
- F. Developing aesthetic and high security technique to improve R&D ability.
- G. Developing Lens effect film and foil for new application.

- H. Developing Rainbow metallized holographic transfer paper for HP Indigo to provide various design and application.
- I. Developing wide-web UV overprintable rainbow metallized holographic film to improve products' competitiveness.

1.4. Long and Short Term Business Plan

1.4-1 Long Term Business Plan

The Company has established International Business Unit to integrate the Group resources and to plan for global sales and marketing activities. Business Unit will responsible for the centralized product planning and global sales & marketing strategies in order to expand the global business and to reduce the China market dependence. The focus of future market development will be the Southeast Asian market and the Middle East, India and Africa market.

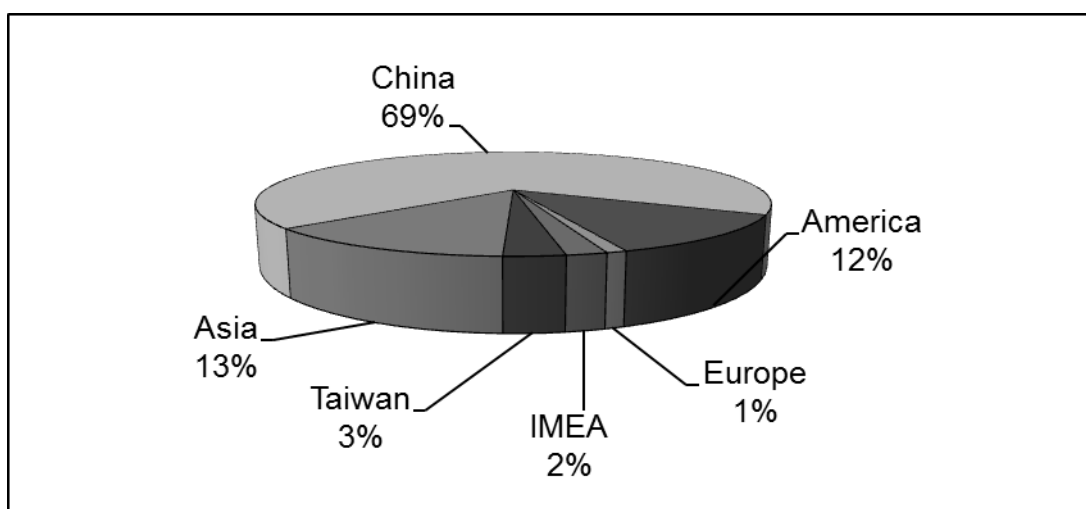
1.4-2 Short Term Business Plan

- A. Taiwan Market: Marketing strategy persists to cooperation with brand and designing company; and developing opportunity for specific security label market. Maintain service existing client. Development commercial and industrial printers market.
- B. China Market: To maintain and service the current cigarette packaging customers. Seeking and developing orders for cosmetic & personal care packaging and label products through attending major exhibition in China.
- C. Asia Market: Dispatch experienced marketing personnel to Vietnam and Indonesia to learn about the needs of the local market and set up a warehouse in the local area.
- D. US Market: To secure the cold foil business and to further develop the business on wide laminating and self-adhesive market. Targeting Brazil for the south America market, seeking for appropriate sales channel and promote laminated film and cold foil products
- E. Europe Market: It is a matured PET laminating market and the focus will be to actively promote transfer film. .

2. Marketing and Sales Conditions

2.1 Market Analysis

2.1-1 Major Sales Regions :



2.1-2 Future Market Supply, Demand and Growth Potential

1. Global hologram market and industry overview

Currently, China is the biggest market in Holographic industry in term of sales volume, and followed by America, Europe and Asia (excluding China). With the awareness of environmental protection and EU new packaging regulation to be imposed on 2025, the demand for transfer film is expected to grow yearly. K laser produces competitive transfer film and this will help in

the sales growth. Wide holographic materials (greater than 1,000mm wide) will be the sales growth point of the US market.

2. Mainland China market

In China, holographic material is mainly used on cigarette and liqueur packaging. In order to diversify risks and improve performance development, daily chemical brand customers will become the focus of future development, Adopting the technical advantages of KLASER's holographic development and composition, actively develop the special register printing market.

2.1-3 Factors Relating to Future Development of KLT

1. Favorable Factors (Competitive Niche)

- A. With the rising of environmental concern, the demand of transfer film and transfer board kept increasing. K LASER is competitive in term of quality and pricing.
- B. The development of 1.5m wide rainbow film will help to reduce the production cost and to create new market application
- C. Through group integration, the company adapts centralized/batch production strategy to reduce the production cost and keep from market penetration without cutting margin.
- D. With the installation of new origination machine in 2019, K LASER can support customers with total printing and packaging solutions in shorter lead time.
- E. The newly established Commercial Design department continues to launch eye-catching printing samples. It also helps to develop customers from the packaging design company.

2. Threaten and Adaptive Strategy

- A. The demand for cigarette and alcohol has dropped, this caused the shrinkage of the market.
Response strategy: to develop home & personal care packaging and label printing customers.
- B. Holographic effect has long been in the market, consumers have lost interest on the design visual effect.
Response strategy: Introducing new holographic effect product into market by using new optical holographic equipment. Actively promoting UV Fresnel lens to the market
- C. Price War- Made in India
Response strategy: The Company has taken a number of steps by developing substitute materials, increasing product efficiency, and focusing on the new seamless processes to get rid of the threat of competitors.

2.2 Major Applications of Products & Product Manufacturing Process

2.2-1 Applications of Major Processes

- A. Hot Stamping Foil target market
 - Cigarette Packaging market • Stationary market
 - Wine Label market • Greeting card market
 - Paper box market • ID Card market • Toy market
 - Cosmetic market
- B. Cold Foil target market:
 - Label market • Wine Label market • Beverage market
 - Soft tube market • Security market
- C. PET film target market
 - Decoration market • Glitter market • Yarn market
 - Security label market • Tape market
 - Artificial leather market • Demetalized market
 - Paper box market • Printing market
- D. OPP film target market

- Shopping bag market • Paper box market
- OPP lamination market • Festival couplets market
- Tape market • Printing market • Demetalized market

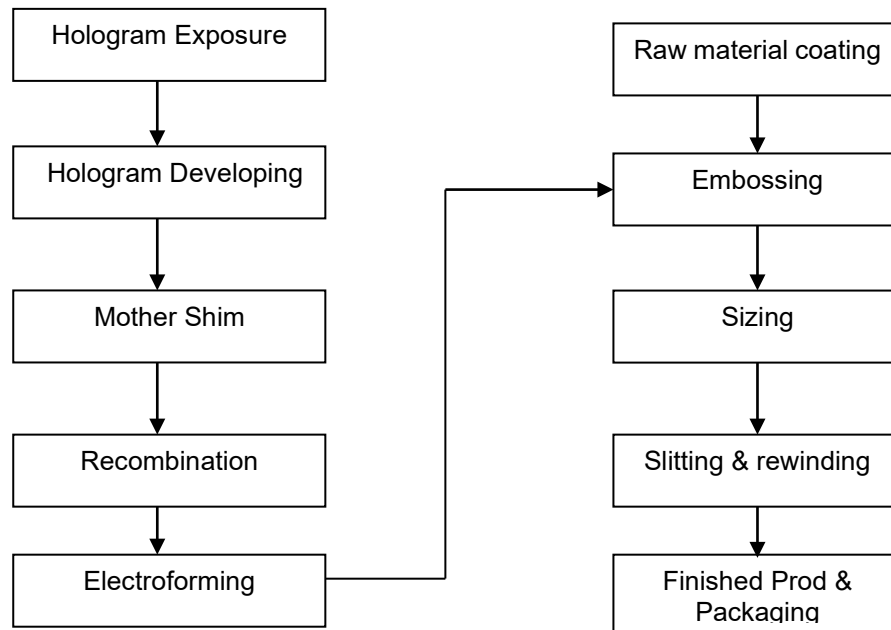
E. PVC film target market

- Christmas market • Sticker market • Ribbon market
- Festival couplets market
- Sequin market • Printing market • Credit Card market

F. Holographic paper target market

- Packaging market • Paper folding box market • Greeting card market • Sticker market
- Wine label market • Magazine market • Stationery market • Paper bag market.

2.2-2 Product Manufacturing Process (Hot Stamping Foil)



2.3 Major Raw Material & Status

In recent years, the company's major suppliers are Jiangsu Xinguang (base coating film), NAN YA Plastics (base film), and SEKISUI , Fanyi (stock) company (optoelectronics), with no major changes. The above suppliers have stable material quality, reasonable prices and on time delivery.

2.4 Major Customers and Suppliers Who Had Made Up Exceeding 10%

2.4-1 Major Suppliers : None of major suppliers who made up exceeding 10%.

2.4-2 Major Customer : Made up exceeding 10%.

Unit : NT\$ Thousands

Customer	2019		2020	
	Amount	%	Amount	%
Dongguan light chi photoelectric co., LTD	785,215	15.10%	1,205,671	22.17%

2.5 Production Quantity / Value

Unit : NT\$ Thousands /KM²

Production Product	Year		2019			2020		
	Capacity	Quantity	Value	Capacity	Quantity	Value		
Holographic Film(included Security label)	352,496	200,178	941,522	345,494	216,128	967,574		
Holographic Paper	175,720	98,339	1,158,188	175,720	88,648	1,011,304		
Optical Film	22,620	15,533	1,118,513	32,400	22,261	1,503,214		
Others	-	-	27,970	-	-	26,787		
Total	550,836	314,050	3,246,192	553,614	327,036	3,508,879		

2.6 Sales Quantity / Value

Unit : NT\$ Thousands /KM²

Sales Product	Year		2019				2020			
			Domestic		Export		Domestic		Export	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Holographic Film	3,577	40,345	186,647	1,556,800	4,256	47,435	239,810	1,993,631		
Holographic Paper	2	291	109,405	1,609,301	1	115	159,625	1,068,980		
Optical Film	746	55,121	14,727	1,312,045	977	96,587	21,025	1,751,323		
Security label	3,359	71,264	3,555	40,985	3,796	73,607	431	34,360		
Projector/ Projector Accessories	103	42,278	36	283,521	93	35,285	23	151,411		
Others	1,188	5,819	5,694	181,255	847	5,887	6,507	180,609		
Total	8,974	215,117	320,063	4,983,905	9,969	258,916	427,420	5,180,314		

3. Employee Analysis

Employee Analysis from 2019 to Mar. 31, 2021

Year		2019	2020	Mar. 31, 2021
Number of Employees	Administrators	131	143	144
	Sales	111	120	117
	Technicians	96	105	109
	Direct Engineers	501	502	516
	Indirect Engineers	257	258	265
	Total	1,095	1,127	1,150
Average Age		35.72	37.95	37.60
Average Years of Employment		6.64	7.11	7.04
Level of Education (%)	Ph.D.	0.4	0.3	0.3
	Masters Degree	7	8	7
	Bachelors/ Associate Degree	38	39	39
	Senior High School	37	33	32
	Under	18	21	21

4. Environmental protection expenditure information

- 4.1 The total amount of losses (including compensation) and punishments caused by environmental pollution in the past two years, and the future countermeasures (including improvement measures) and possible expenditures: none.
- 4.2 The company's relevant information in response to the EU environment-protecting directive (RoHS) is as follows:

The company's products are not involved in the EU environment-protecting directive (RoHS) related specifications.

5. Labor Relations

- 5.1 The Company's employee welfare measures, further education and training, retirement system, and the agreement between labor relations:

Employee welfare measures:

The Company's employee welfare measures are handled in accordance with the Labor Standards Law, Labor Insurance Regulations, Employee Welfare Regulations and related laws and regulations. All employees are covered by labor insurance and national health insurance, and benefits for maternity, injury, medical treatment, disability, old age, and death are handled in accordance with the regulations. Our company also has regular health checkups and education training for employees to enable them to work with full dedication.

The company has a staff canteen, cafeteria, fitness room, community center, reading room, rhythm classroom, billiard room and special parking lot, and other indoor and outdoor sports facilities, so that employees can have a place to relieve stress and rest after work.

In terms of employee welfare committee, in addition to providing various subsidies to employees for weddings, funerals, illnesses and childbirth, domestic tours, employee hiking activities, and special discount stores are held from time to time to regulate the physical and mental health of employees and strengthen their friendship.

Employee Retirement System:

In order to stabilize the retirement life of employees, the Company has established a retirement plan for formally employed employees. According to the plan, the payment of retirement benefits to employees is calculated based on the years of working for the Company and the average salary at the time of retirement, and the Company has set aside a monthly retirement fund at 2% of the total salary paid since 2007. The fund is managed by the Employees' Retirement Fund Administration Committee and deposited in the Bank of Taiwan in its name to protect labor rights and interests. Since July 1, 2005, the new government retirement system has been adopted in parallel. Employees who are suitable to apply the pension system under the "New Labor Pension Act" are required to contribute 6% of their monthly salaries to the personal pension account of the Bureau of Labor Insurance, and those who voluntarily contribute to the pension fund will have their monthly salaries deducted to the personal pension account of the Bureau of Labor Insurance on their behalf according to their own contribution rates.

The applicable regulations of the Company under the Labor Pension Act are as follows:

1. Self-retirement

A worker may request for retirement under one of the following circumstances: (For those who are suitable to apply the Labor Pension Act, the same regulations shall apply)

- (1) If the employee has worked for at least fifteen years and has reached the age of fifty-five.
- (2) Those who have worked for more than 25 years.
- (3) Those who have worked for at least ten years and have reached the age of sixty.

2. Compulsory Retirement

The Company shall not force an employee to retire unless he/she has one of the following circumstances.

- (1) The employee has reached the age of sixty-five.
- (2) The employee is mentally or physically incapacitated to perform the work.

The age specified in the first paragraph of the preceding paragraph may be adjusted by the Company for workers with special characteristics such as danger and strong physical strength, upon approval of the central competent authority. However, the age shall not be less than fifty-five years.

3. Criteria for granting pensions

- (1) For the working years before and after the application of the Labor Standards Law, and for those who choose to continue to apply the pension provisions of the Labor Standards Law or to retain the working years before the application of the Labor Pension Act according to the Labor Pension Act, the pension benefits shall be calculated and paid in accordance with Article 84bis and Article 55 of the Labor Standards Law.
- (2) If an employee with the seniority as mentioned in the preceding paragraph has been compulsorily retired in accordance with the provisions of Article 35, Paragraph 1, Clause 2, and his or her mental or physical disability is caused by the performance of his or her duties, an additional 20% shall be paid in accordance with the provisions of Article 55, Paragraph 1, Clause 2 of the Labor Standards Law.
- (3) For employees subject to the pension provisions of the Labor Pension Act, the Company shall contribute 6% of their salaries to their individual pension accounts on a monthly basis.

4. Payment of Pensions

The Company shall pay the employee's pension within 30 days from the date of retirement.

Employee Stock Ownership Trust

In addition to the provisions of the Labor Standards Law and the Labor Pension Act, the Company has set up a special stock ownership trust committee, to which all employees within the Company's regular personnel establishment may apply for membership and decide the amount of monthly contributions to purchase shares of the Company in a fixed amount. In accordance with the Articles of Incorporation of the Employee Stock Ownership Committee, the Company will also set aside the corresponding public contribution as a reward for stock ownership.

The agreement between labor relations is always based on rational communication to maintain a harmonious relationship, and both labor and management can use the employee welfare committee to maintain a good labor-management relationship.

The subsidiaries have also complied with local laws and regulations.

- 5.2 For the most recent fiscal year and up to the date of publication of the annual report, the estimated amount of losses incurred due to labor disputes and the possible countermeasures at present and in the future: None.

6. Important Contracts

Nature of Agreement	Party	Start and End Date	Content	Restriction Clause
Medium and long term loan contract	Taipei Fubon Bank	2019.12~2022.12	The joint credit line is NT \$800,000(thousand)	Plant as collateral
Medium and long term loan contract	KGI Bank	2019.12~2021.12	The credit line is NT \$120,000(thousand)	None
Medium and long term loan contract	Taipei Fubon Bank	2020.05~2022.05	The credit line is NT \$100,000(thousand)	None
Medium and long term loan contract	China Trust Bank	2020.08~2022.08	The credit line is NT \$100,000(thousand)	None
Medium and long term loan contract	Risheng Bank	2020.11~2022.11	The credit line is NT \$150,000(thousand)	None
Medium and long term loan contract	Yuanta Bank	2019.03~2021.03	The credit line is NT \$100,000(thousand)	None
Medium and long term loan contract	Cathay United Bank	2020.10~2022.10	The credit line is NT \$150,000(thousand)	None

6. Financial Overview

1. Concise financial statements for the last five years

(1) Concise Balance Sheet and Consolidated Income Statement Information

Concise Balance Sheet - Consolidated

Unit: NT \$1000

Year		Financial information for the last five years (Note 1)				
		2016	2017	2018	2019	2020
Project						
Current Assets		4,693,458	4,458,503	4,326,249	4,404,924	5,494,650
Property, plant and equipment		1,339,897	1,291,759	1,246,743	1,189,677	1,131,375
Intangible Assets		1,724	7,082	6,917	48,465	44,672
Other Assets		994,487	1,076,296	1,030,248	1,143,398	1,288,793
Total Assets		7,029,566	6,833,640	6,610,157	6,786,464	7,959,490
Current liabilities	Before distribution	2,845,550	2,035,167	2,223,575	2,142,290	2,525,096
	After distribution (Note 2)	2,954,664	2,126,629	2,285,618	2,142,290	2,669,316
Non-current liabilities		899,791	1,085,882	998,362	1,400,653	1,468,470
Total liabilities	Before distribution	3,745,341	3,121,049	3,221,937	3,542,943	3,993,566
	After distribution (Note 2)	3,854,455	3,212,511	3,283,980	3,542,943	4,137,786
Equity attributable to owners of parent company		2,474,006	2,908,024	2,686,816	2,401,089	2,541,150
Share capital		1,328,299	1,653,246	1,593,246	1,593,246	1,593,246
Capital surplus		392,890	548,370	529,962	551,531	585,347
Retained earnings	Before distribution	869,637	915,195	857,871	669,939	798,781
	After distribution (Note 2)	760,523	823,733	795,828	669,939	654,561
Other interests		(116,820)	(177,585)	(201,145)	(311,505)	(317,488)
Treasury stock		-	(31,202)	(93,118)	(102,122)	(118,736)
Non-controlling interests		810,219	804,567	701,404	842,432	1,424,774
Total equity	Before distribution	3,284,225	3,712,591	3,388,220	3,243,521	3,965,924
	After distribution	3,175,111	3,621,129	3,326,177	3,243,521	3,821,704

* Financial information using international financial reporting standards.

Note 1: The financial data of the last five years have been audited and certified by accountants.

Note 2: The latest earnings distribution has been proposed by the board of directors and has not yet been decided by the board of shareholders.

Concise Balance Sheet - Consolidated

Unit: NT \$1000

Year Project	Financial information for the last five years (Note 1)				
	2016	2017	2018	2019	2020
Operating income	5,080,255	5,217,612	5,202,250	5,199,022	5,439,230
Gross operating profit	1,281,402	1,283,526	1,093,893	1,184,160	1,264,093
Operating profit and loss	473,149	412,743	172,849	31,018	228,722
Non-operating income and expenses	(130,576)	(137,828)	(85,850)	(146,410)	3,379
Net income before tax	342,573	274,915	86,999	(115,392)	232,101
Net profit for the current period from continuing operations	249,897	200,265	24,455	(158,709)	191,139
Loss from suspended units	-	-	-	-	-
Current net profit (loss)	249,897	200,265	24,455	(158,709)	191,139
Other comprehensive income (loss) for the current period (net of tax)	(220,268)	(80,752)	(78,242)	(117,997)	1,795
Total comprehensive income or loss for the current period	29,629	119,513	(53,787)	(276,706)	192,934
Net income attributable to owners of parent company	215,461	155,016	65,829	(119,835)	144,409
Net income attributable to non-controlling interests	34,436	45,249	(41,374)	(38,874)	46,730
Total comprehensive income or loss attributable to owners of the parent company	9,674	93,907	23,290	(234,732)	137,403
Total comprehensive income or loss attributable to non-controlling interests	19,955	25,606	(77,077)	(41,974)	55,531
Earnings per share (Note 2)	1.63	1.12	0.41	(0.79)	0.96

*Financial information in accordance with International Financial Reporting Standards.

Note 1: All financial information for the last five years have been audited and approved by the accountants.

Note 2: Earnings per share is calculated based on the weighted average number of shares retroactively.

Concise balance sheet - individual

Unit: NT \$1000

<div>Year</div> <div>Project</div>		Financial information for the last five years (Note 1)				
		2016	2017	2018	2019	2020
Current Assets		435,657	401,654	290,977	455,606	641,961
Property, plant and equipment		211,192	195,907	199,166	159,873	159,057
Intangible Assets		195	1,953	3,751	3,009	2,393
Other Assets		3,895,447	3,901,470	3,761,144	3,765,639	4,117,139
Total Assets		4,542,491	4,500,984	4,255,038	4,384,127	4,920,550
Current liabilities	Before distribution	1,170,564	511,136	578,918	576,699	1,040,972
	After distribution (Note 2)	1,279,678	602,598	640,961	576,699	1,185,192
Non-current liabilities		897,921	1,081,824	989,304	1,406,339	1,338,428
Total liabilities	Before distribution	2,068,485	1,592,960	1,568,222	1,983,038	2,379,400
	After distribution (Note 2)	2,177,599	1,684,422	1,630,265	1,983,038	2,523,620
Equity attributable to owners of parent company		2,474,006	2,908,024	2,686,816	2,401,089	2,541,150
Share capital		1,328,299	1,653,246	1,593,246	1,593,246	1,593,246
Capital surplus		392,890	548,370	529,962	551,531	585,347
Retained earnings	Before distribution	869,637	915,195	857,871	669,939	798,781
	After distribution (Note 2)	760,523	823,733	795,828	669,939	654,561
Other interests		(116,820)	(177,585)	(201,145)	(311,505)	(317,488)
Treasury stock		-	(31,202)	(93,118)	(102,122)	(118,736)
Total equity	Before distribution	2,474,006	2,908,024	2,686,816	2,401,089	2,541,150
	After distribution	2,364,892	2,816,562	2,624,773	2,401,089	2,396,930

* Financial information using international financial reporting standards.

Note 1: The financial data of the last five years have been audited and certified by accountants.

Note 2: The latest earnings distribution has been proposed by the board of directors and has not yet been decided by the board of shareholders.

Concise balance sheet - individual

Unit: NT \$1000

Year Project	Financial information for the last five years (Note 1)				
	2016	2017	2018	2019	2020
Operating income	550,738	568,068	617,703	650,286	810,550
Gross operating profit	103,681	96,892	114,920	107,752	136,011
Operating profit and loss	(22,502)	(39,512)	(30,793)	(73,128)	(57,128)
Non-operating income and expenses	248,800	205,579	104,588	(44,661)	207,537
Net income before tax	226,298	166,067	73,795	(117,789)	150,409
Net profit for the current period from continuing operations	215,461	155,016	65,829	(119,835)	144,409
Loss from suspended units	-	-	-	-	-
Net profit (loss) for the current period	215,461	155,016	65,829	(119,835)	144,409
Other comprehensive income (loss) for the current period (net of tax)	(205,787)	(61,109)	(42,539)	(114,897)	(7,006)
Total comprehensive income or loss for the current period	9,674	93,907	23,290	(234,732)	137,403
Earnings per share (Note 2)	1.63	1.12	0.41	(0.79)	0.96

*Financial information in accordance with International Financial Reporting Standards.

Note 1: All financial information for the last five years have been audited and approved by the accountants.

Note 2: Earnings per share is calculated based on the weighted average number of shares retroactively.

(3) Name and audit opinion of certified public accountants in recent five years

☐ Name and audit opinion of certified public accountants in the last five years

Year	Name of Certified Public Accountant	Comments
2016	Yu Hongbin, Wu Kechang	Revision of formal unqualified opinion
2017	Huang Yimin, Hong Guotian	Revision of formal unqualified opinion
2018	Huang Yimin, Hong Guotian	Revision of formal unqualified opinion
2019	Hsu Wenya, Huang Yimin	Revision of formal unqualified opinion
2020	Huang Yimin, Hsu Wenya	Revision of formal unqualified opinion

2、 Financial analysis of the last five years

(1) Financial analysis

Financial analysis - Consolidation

Year (Note 1)		Financial analysis of the last five years				
Analysis items (Note 2)		2016	2017	2018	2019	2020
Financial Structure	Debt to assets ratio (%)	53.28	45.67	48.74	52.21	50.17
	Proportion of long term funds in real estate, plant and equipment (%)	312.26	371.47	351.84	390.37	480.34
Solvency	Current ratio (%)	164.73	219.07	194.56	205.62	217.60
	Quick ratio (%)	131.41	172.62	146.89	159.80	175.63
	Interest coverage ratio	9.55	7.38	3.60	-1.84	7.02
Operating Capacity	Receivables turnover ratio (times)	2.84	2.82	3.05	3.22	3.57
	Average cash collection days	128.51	129.30	119.67	113.35	102.24
	Inventory turnover ratio (times)	5.25	4.49	4.45	4.24	4.38
	Turnover rate of accounts payable (times)	6.67	5.52	5.73	5.71	5.73
	Average days of sales	69.54	81.28	82.02	86.08	83.33
	Property, plant and equipment turnover rate (times)	3.81	3.97	4.10	4.27	4.69
	Total assets turnover rate (times)	0.78	0.75	0.77	0.78	0.74
Profitability	Return on assets (%)	4.35	3.41	0.76	-1.88	3.01
	Return rate of owner's equity attributable to parent company (%)	8.59	5.76	2.35	-4.71	5.84
	Ratio of net income before tax to paid-in capital (%)	25.79	16.63	5.46	-7.24	14.57
	Net income ratio (%)	4.92	3.84	0.47	-3.05	3.51
	Earnings per share (NT\$)	1.63	1.12	0.41	-0.79	0.96
Cash Flow	Fund flow ratio (%)	17.59	29.40	12.60	21.95	14.15
	Fund Flow Adequacy Ratio (%)	170.92	162.00	140.97	186.19	162.50
	Cash reinvestment ratio (%)	6.65	6.76	2.74	6.01	4.58
Leverage	Operating leverage ratio	1.44	1.50	2.17	8.69	2.06
	Financial leverage ratio	1.09	1.12	1.24	-3.23	1.20
<p>The changes in financial ratios of 20% or more in the last two years are described as follows.</p> <p>1. K Laser Technology, a subsidiary of K Laser Group, increased its premium cash by RMB 700million at the end of 2020, so the shareholders' equity increased significantly at the end of 2020, resulting in a significant increase in the ratio of long-term capital to property, plant and equipment.</p> <p>2. In the current period, due to the growth of turnover, the expected loss of credit impairment and the loss of investment outside the industry, the overall profit increased, and the relevant profitability ratio, cash flow ratio, leverage degree and interest coverage ratio increased significantly. Financial leverage also turned from negative to positive.</p>						

* Financial information using international financial reporting standards.

* The cash flow ratio is not calculated when the net cash flow of operating activities in each year is negative

* Operating leverage and financial leverage degrees are not calculated when the operating profit of each year is negative

Note 1: All financial information for the last five years have been audited and approved by the accountants.

Note 2: The calculation formula of financial ratio is as follows:

1. Financial structure

- (1) The ratio of liabilities to assets = Total Liabilities / total assets.
- (2) Ratio of long-term capital to real estate, plant and equipment = (total equity + non current liabilities) / net amount of real estate, plant and equipment.

2. Solvency

- (1) Current ratio = Current assets / Current liabilities.
- (2) Quick ratio = (Current assets - Inventory - Prepaid Expenses) / Current liabilities.
- (3) Interest coverage ratio = Net income before income tax and interest expense / Interest expense for the current period.

3. Operating capacity

- (1) Receivables (including accounts receivable and notes receivable due to business) turnover ratio = Net sales / Average receivables (including accounts receivable and notes receivable due to business) balance for each period.
- (2) Average cash collection days = 365/receivable turnover rate.
- (3) Inventory turnover = cost of goods sold / average inventory amount.
- (4) Payables (including accounts payable and notes payable arising from operations) turnover ratio = cost of goods sold / average amount payable in each period (including accounts payable and notes payable due to business) in each period.
- (5) Average days of sales = 365 / Inventory turnover rate.
- (6) Property, plant and equipment turnover ratio = net sales / average net sales of property, plant and equipment.
- (7) Total assets turnover = net sales / average total assets.

4. Profitability

- (1) Return on assets = [Profit and loss after tax + interest expense \times (1 - tax rate)] / average total assets.
- (2) Return on equity attributable to the parent company's owners = Net income after tax attributable to the parent company's owners / average net shareholders' equity attributable to the parent company's owners.
- (3) Net income ratio = Profit and loss after tax / net sales.
- (4) Earnings per share = (Profit and loss attributable to owners of the parent company - preferred stock dividends) / weighted average number of shares outstanding.

5. Cash Flow

- (1) Cash flow ratio = Net cash flow from operating activities / Current liabilities.
- (2) Net cash flow adequacy ratio = net cash flow from operating activities for the last five years / last five years (capital expenditures + increase in inventories + cash dividends).
- (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends) / (gross property, plant and equipment + long-term investments + other non-current assets + working capital).

6. Leverage ratio.

- (1) Operating leverage ratio = (net operating income - variable operating costs and expenses) / operating income.
- (2) Financial leverage ratio = operating income / (operating income - interest expense).

Financial analysis - Individual

<div style="display: flex; align-items: center;"> <div style="flex: 1; text-align: center;">Year (Note 1)</div> <div style="flex: 1; text-align: center;">Financial analysis of the last five years</div> </div>						
		2016	2017	2018	2019	2020
Analysis items (Note 2)						
Financial Structure	Debt to assets ratio (%)	45.54	35.39	36.86	45.23	48.36
	Proportion of long term funds in real estate, plant and equipment (%)	1596.62	2036.60	1845.76	2381.53	2439.11
Solvency	Current ratio (%)	37.22	78.58	50.26	79.00	61.67
	Quick ratio (%)	34.24	72.11	43.64	72.01	52.14
	Interest coverage ratio	8.19	6.69	4.69	-4.50	6.88
Operating Capacity	Receivables turnover ratio (times)	5.95	6.72	6.01	5.54	6.17
	Average cash collection days	61.34	54.31	60.73	65.88	59.16
	Inventory turnover ratio (times)	16.65	14.78	15.62	15.38	11.09
	Turnover rate of accounts payable (times)	7.90	9.02	8.29	7.25	6.94
	Average days of sales	21.92	24.69	23.37	23.73	32.91
	Property, plant and equipment turnover rate (times)	2.60	2.79	3.13	3.62	5.08
	Total assets turnover rate (times)	0.12	0.13	0.14	0.15	0.17
Profitability	Return on assets (%)	5.36	3.96	1.87	-2.38	3.54
	Return on equity (%)	8.59	5.76	2.35	-4.71	5.84
	Ratio of net income before tax to paid-in capital (%)	17.04	10.04	4.63	-7.39	9.44
	Net income ratio (%)	39.12	27.29	10.66	-18.43	17.82
	Earnings per share (NT\$)	1.63	1.12	0.41	-0.79	0.96
Cash Flow	Fund flow ratio (%)	-	-	-	2.83	-
	Fund Flow Adequacy Ratio (%)	9.64	0.85	-	3.32	3.67
	Cash reinvestment ratio (%)	-	-	-	-1.10	-
Leverage	Operating leverage ratio	-	-	-	-	-
	Financial leverage ratio	-	-	-	-	-
<p>The changes in financial ratios of 20% or more in the last two years are described as follows:</p> <p>The overall profitability ratio, cash flow ratio, leverage and interest coverage ratio increased significantly due to the growth in revenue and significant reduction in losses from non-industrial investments.</p> <p>In the second half of the year of 2020, due to the simple consolidation of K Laser Technology, the product attributes were different, resulting in a decline in inventory turnover and an increase in the average selling date at the end of the period.</p>						

* Financial information using international financial reporting standards.

* Cash flow ratio is not calculated when net cash flow from operating activities is negative for each year.

* Operating leverage ratio and financial leverage ratio are not calculated when operating income is negative for each year.

Note 1: All financial information for the last five years have been audited and approved by the accountants.

Note 2: The formula for calculating financial ratios is as follows:

1. Financial structure

- (1) The ratio of liabilities to assets = Total Liabilities / total assets.
- (2) Ratio of long-term capital to real estate, plant and equipment = (total equity + non current liabilities) / net amount of real estate, plant and equipment.

2. Solvency

- (1) Current ratio = Current assets / Current liabilities.
- (2) Quick ratio = (Current assets - Inventory - Prepaid Expenses) / Current liabilities.
- (3) Interest coverage ratio = Net income before income tax and interest expense / Interest expense for the current period.

3. Operating capacity

- (1) Receivables (including accounts receivable and notes receivable due to business) turnover ratio = Net sales / Average receivables (including accounts receivable and notes receivable due to business) balance for each period.
- (2) Average cash collection days = 365/receivable turnover rate.
- (3) Inventory turnover = cost of goods sold / average inventory amount.
- (4) Payables (including accounts payable and notes payable arising from operations) turnover ratio = cost of goods sold / average amount payable in each period (including accounts payable and notes payable due to business) in each period.
- (5) Average days of sales = 365 / Inventory turnover rate.
- (6) Property, plant and equipment turnover ratio = net sales / average net sales of property, plant and equipment.
- (7) Total assets turnover = net sales / average total assets.

4. Profitability

- (1) Return on assets = [Profit and loss after tax + interest expense \times (1 - tax rate)] / average total assets.
- (2) Return on equity attributable to the parent company's owners = Net income after tax attributable to the parent company's owners / average net shareholders' equity attributable to the parent company's owners.
- (3) Net income ratio = Profit and loss after tax / net sales.
- (4) Earnings per share = (Profit and loss attributable to owners of the parent company - preferred stock dividends) / weighted average number of shares outstanding.

5. Cash Flow

- (1) Cash flow ratio = Net cash flow from operating activities / Current liabilities.
- (2) Net cash flow adequacy ratio = net cash flow from operating activities for the last five years / last five years (capital expenditures + increase in inventories + cash dividends).
- (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends) / (gross property, plant and equipment + long-term investments + other non-current assets + working capital).

6. Leverage ratio.

- (1) Operating leverage ratio = (net operating income - variable operating costs and expenses) / operating income.
- (2) Financial leverage ratio = operating income / (operating income - interest expense).

3. An Reveiw Report of the Audit Committee on the latest annual financial report

Audit Committee Review Report

The board of directors has issued a report on the Company's business, financial statements, and proposed appropriation of earnings for the year ended December 31, 2020, of which the financial statements have been audited and the audit report has been issued by Deloitte Touche Tohmatsu Limited. The above business report, financial statements and earnings distribution report have been checked by the audit committee, and it is found that there are no inappropriate parts. Please refer to Article 14-4 of the Securities and Exchange Act and Article 219 of the Companies Act and report the above for your review.

K Laser Technology Co.

Convenor of Audit Committee: Huang Bixin

March 23, 2021

K Laser Technology Inc. and
its Subsidiaries

Consolidated Financial Statements
for the Years Ended December 31,
2020 and 2019 and Independent
Auditors' Report

(Translated)

Address: No. 1, Lihsin 6th Road, Hsinchu
Science Park, Hsinchu City
Tel: (03)577-0316

Declaration of Consolidated Financial Statements of Associates

The companies that are required to be included in the consolidated financial statements of associates in accordance with the “Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Associated Enterprises” for the year ended December 31, 2020 are all the same as those included in the consolidated financial statements of parent and subsidiary companies prepared in conformity with the International Financial Reporting Standard No. 10. In addition, relevant information that should be disclosed in the consolidated financial statements of associates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, K Laser Technology Inc. and its subsidiaries did not prepare a separate set of consolidated financial statements of associates.

Company Name: K Laser Technology Inc.

Chairman: Kuo Wei-Wu

March 23, 2021

Independent Auditors' Report

Submitted to K Laser Technology Inc.

Opinion

We have audited the accompanying consolidated financial statements of K Laser Technology Inc. and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2020 and 2019, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements (including a summary of significant accounting policies).

In our opinion, based on our audits and the report of other auditors (as referred to in the Other Matters section), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of K Laser Technology Inc. and its subsidiaries as of December 31, 2020 and 2019 and their consolidated financial performance and consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit of the consolidated financial statements for the year ended December 31, 2020 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. We conducted our audit of the consolidated financial statements for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and

Attestation of Financial Statements by Certified Public Accountants, the approval letter with Ref. No. 1090360805 issued by the Financial Supervisory Commission of the Republic of China on February 25, 2020 and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit section of the auditors' report. We are independent of K Laser Technology Inc. in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China and have fulfilled our other 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 the consolidated financial statements of K Laser Technology Inc. and its subsidiaries for the year ended December 31, 2020. 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.

Recognition of Sales Revenue

The sales revenue of K Laser Technology Inc. and its subsidiaries is mainly generated from the manufacture of laser films, anti-counterfeit labels, precision optical components and optical instruments, etc. The sales from the products sold during the year 2020 were significantly focused on one single customer. Since the sales revenue and the verification thereof were significant to the consolidated financial statements, we therefore identified the sales revenue from the said customer as a key audit matter for the year. Refer to Note 4 to the consolidated financial statements for the details on accounting policies related to revenue recognition.

Our key audit procedures performed in respect of the aforementioned key audit matters included understanding of the internal control procedures relevant to sale transactions, and confirmation and assessment of the effectiveness of internal controls related to sale transactions. In addition, we also sampled the records of the transactions made with the major customers to review their external shipping documents and export declaration forms and verify that the

payment recipients were consistent with the entities to which products were sold.

Other Matters

We did not audit the financial statements of some subsidiaries included in the consolidated financial statements of K Laser Technology Inc. and its subsidiaries, but such statements were instead audited by other auditors. Our opinion stated in the consolidated financial statements, insofar as it relates to the amounts included in the financial statements of some subsidiaries, is based solely on the report of other auditors. As of December 31, 2020 and 2019, the total assets of the aforementioned subsidiaries amounted to NT\$439,989 thousand and NT\$223,410 thousand, respectively, which accounted for 5.53% and 3.29% of the consolidated total assets, respectively. For the years ended December 31, 2020 and 2019, the net operating revenue of these subsidiaries were NT\$285,507 thousand and NT\$323,629 thousand, respectively, which accounted for 5.25% and 6.22% of the consolidated net operating revenue, respectively. The financial statements of some investee companies accounted for using the equity method were audited by other auditors. The amounts within the consolidated financial statements for those investee companies were based solely on the reports of other auditors. As of December 31, 2020 and 2019, investments of the aforementioned investee companies accounted for using the equity method were NT\$123,089 thousand and NT\$110,335 thousand, respectively, which accounted for 1.55% and 1.62% of the consolidated total assets, respectively. For the years ended December 31, 2020 and 2019, the amounts of investment gain recognized by the aforementioned investee companies and accounted for using the equity method were NT\$13,315 thousand and NT\$9,460 thousand, respectively, which accounted for 5.74% and (8.20)% of the consolidated net profit or loss before tax, respectively. Refer to Note 36 to the consolidated financial statements for relevant information of the above investee companies which we have not audited but were audited by other auditors.

We have also audited the financial statements of K Laser Technology Inc. as of and for the years ended December 31, 2020 and 2019 on which we have issued an unqualified opinion and the auditors' report mentioned in the Other Matters section for reference.

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 Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of 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 of K Laser Technology Inc. and its subsidiaries to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going concern basis of accounting unless management either intends to liquidate K Laser Technology Inc. and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the audit committee) are responsible for overseeing the financial reporting process of K Laser Technology Inc. and its subsidiaries.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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 the 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 controls of K Laser Technology Inc. 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 of K Laser Technology Inc. and its subsidiaries to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause K Laser Technology Inc. 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 disclosures) and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit, and also 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 that those matters of most significance in the audit of the consolidated financial statements for the year ended December 31, 2020 are the key audit matters. We describe these matters in our auditors' report unless any 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.

Deloitte & Touche

Huang Yi-Min, CPA

Hsu Wen-Ya, CPA

Financial Supervisory Commission Approval
No.:
Jin-Guan-Zheng-Shen-Zi-1030024438

Securities and Futures Bureau Approval No.:
Tai-Cai-Zheng-6-Zi-0920123784

March 23, 2021

K Laser Technology Inc. and its Subsidiaries

Consolidated Balance Sheet

December 31, 2020 and 2019

Unit: In Thousands of New Taiwan Dollars

Code	Assets	December 31, 2020		December 31, 2019	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Notes 4 and 6)	\$ 2,629,811	33	\$ 1,588,179	23
1110	Financial assets at fair value through profit or loss - current (Notes 4 and 7)	27,150	-	201,777	3
1150	Notes receivable (Notes 4 and 8)	35,457	1	105,839	2
1170	Trade receivables (Notes 4 and 8)	855,955	11	910,058	13
1180	Trade receivables from related parties (Notes 4, 8 and 30)	670,406	8	473,652	7
1200	Other receivables (Note 30)	58,048	1	36,358	1
1220	Current tax assets (Notes 4 and 24)	7,552	-	11,512	-
130X	Inventories (Notes 4 and 9)	993,440	13	914,826	14
1460	Current assets held for sale (Notes 4 and 10)	28,154	-	-	-
1470	Other current assets (Notes 6 and 19)	188,677	2	162,723	2
11XX	Total current assets	<u>5,494,650</u>	<u>69</u>	<u>4,404,924</u>	<u>65</u>
	Non-current assets				
1517	Financial assets at fair value through other comprehensive income — non-current (Notes 4 and 11)	118,244	2	102,466	1
1550	Investments accounted for using the equity method (Notes 4 and 13)	591,940	7	600,010	9
1600	Property, plant and equipment (Notes 4 and 14)	1,131,375	14	1,189,677	18
1755	Right-of-use assets (Notes 4 and 15)	263,580	3	249,659	4
1805	Goodwill (Notes 4, 17 and 27)	85,752	1	85,752	1
1821	Other intangible assets (Notes 4 and 18)	44,672	1	48,465	1
1840	Deferred tax assets (Notes 4 and 24)	21,094	-	27,887	-
1990	Other non-current assets (Notes 6 and 19)	208,183	3	77,624	1
15XX	Total non-current assets	<u>2,464,840</u>	<u>31</u>	<u>2,381,540</u>	<u>35</u>
1XXX	Total assets	<u>\$ 7,959,490</u>	<u>100</u>	<u>\$ 6,786,464</u>	<u>100</u>
	Liabilities and Equity				
	Current liabilities				
2100	Short-term borrowings (Note 20)	\$ 810,164	10	\$ 801,147	12
2110	Short-term notes and bills payable (Note 20)	299,917	4	169,943	2
2150	Notes payable	257,027	3	158,715	2
2170	Trade payables	507,491	7	442,698	7
2180	Trade payables to related parties (Note 30)	43,535	1	48,468	1
2200	Other payables	415,897	5	367,623	5
2220	Other payables to related parties (Note 30)	1,753	-	12,054	-
2230	Current tax liabilities (Notes 4 and 24)	13,559	-	22,463	-
2280	Lease liabilities—current (Notes 4 and 15)	51,244	1	38,882	1
2320	Current portion of long-term liabilities (Note 20)	100,000	1	10,000	-
2399	Other current liabilities	24,509	-	70,297	1
21XX	Total current liabilities	<u>2,525,096</u>	<u>32</u>	<u>2,142,290</u>	<u>31</u>
	Non-current liabilities				
2540	Long-term borrowings (Note 20)	1,250,000	16	1,180,000	18
2580	Lease liabilities—non-current (Notes 4 and 15)	199,582	2	195,155	3
2640	Net defined benefit liabilities—non-current (Notes 4 and 21)	18,888	-	25,498	-
25XX	Total non-current liabilities	<u>1,468,470</u>	<u>18</u>	<u>1,400,653</u>	<u>21</u>
2XXX	Total liabilities	<u>3,993,566</u>	<u>50</u>	<u>3,542,943</u>	<u>52</u>
	Equity (Note 22)				
	Share capital				
3110	Ordinary shares	1,593,246	20	1,593,246	23
3200	Capital reserve	585,347	7	551,531	8
	Retained earnings				
3310	Legal reserve	213,042	3	213,042	3
3320	Special reserve	200,987	2	201,090	3
3350	Unappropriated earnings	384,752	5	255,807	4
	Other equity				
3410	Exchange differences on translation of foreign financial statements	(287,085)	(4)	(278,472)	(4)
3420	Unrealized gain on financial assets at fair value through other comprehensive income	(30,403)	-	(33,033)	(1)
3500	Treasury shares	(118,736)	(1)	(102,122)	(1)
31XX	Total equity attributable to the Company	2,541,150	32	2,401,089	35
36XX	Non-controlling interests	1,424,774	18	842,432	13
3XXX	Total equity	<u>3,965,924</u>	<u>50</u>	<u>3,243,521</u>	<u>48</u>
	Total liabilities and equity	<u>\$ 7,959,490</u>	<u>100</u>	<u>\$ 6,786,464</u>	<u>100</u>

The accompanying notes are an integral part of the consolidated financial statements.
(Please refer to the Deloitte & Touche auditors' report dated March 23, 2021.)

Chairman: Kuo Wei-Wu

Manager: Kuo Wei-Wu

Accounting Manager: Hung Ya-Ching

K Laser Technology Inc. and its Subsidiaries
Consolidated Statement of Comprehensive Income
For the years ended December 31, 2020 and 2019

Unit: In Thousands of New Taiwan Dollars;
Earnings (Loss) Per Share: In New Taiwan Dollars

		2020		2019	
C o d e		Amount	%	Amount	%
4000	Operating revenue (Notes 4 and 30)	\$ 5,439,230	100	\$ 5,199,022	100
5110	Cost of goods sold (Notes 9 and 30)	<u>4,175,137</u>	<u>76</u>	<u>4,014,862</u>	<u>77</u>
5950	Gross profit	<u>1,264,093</u>	<u>24</u>	<u>1,184,160</u>	<u>23</u>
	Operating expenses (Notes 8 and 30)				
6100	Selling and marketing	328,332	6	317,144	6
6200	General and administrative	435,814	8	406,136	8
6300	Research and development	254,895	5	248,527	5
6450	Expected credit impairment loss	<u>16,330</u>	<u>-</u>	<u>181,335</u>	<u>3</u>
6000	Total operating expenses	<u>1,035,371</u>	<u>19</u>	<u>1,153,142</u>	<u>22</u>
6900	Profit from operations	<u>228,722</u>	<u>5</u>	<u>31,018</u>	<u>1</u>
	Non-operating income and expenses				
7060	Share of profit or loss of associates accounted for using the equity method (Note 13)	31,550	1	(103,825)	(2)
7100	Interest income (Note 30)	10,175	-	13,871	-
7130	Dividend income	2,354	-	837	-
7190	Other income-others (Note 30)	42,242	1	15,042	-
7210	Gain (or loss) on disposal of property, plant and equipment	(2,212)	-	2,602	-
7230	Loss on foreign exchange	(23,648)	-	(11,795)	-
7235	Gain on financial assets (liabilities) at fair value through profit or loss	(31)	-	880	-
7510	Interest expense	(38,560)	(1)	(40,634)	(1)
7590	Miscellaneous expense	(32,425)	(1)	(68,147)	(1)
7625	Gain on disposal of investment	22,673	-	49,298	1
7670	Impairment loss	(8,739)	<u>-</u>	(4,539)	<u>-</u>
7000	Total non-operating income and expenses	<u>3,379</u>	<u>-</u>	<u>(146,410)</u>	<u>(3)</u>

(Continued on next page)

(Brought forward from previous page)

Code		2020		2019	
		Amount	%	Amount	%
7900	Profit (loss) before tax	\$ 232,101	5	(\$115,392)	(2)
7950	Income tax expense (Notes 4 and 28)	(40,962)	(1)	(43,317)	(1)
8200	Profit (loss) for the year	<u>191,139</u>	<u>4</u>	<u>(158,709)</u>	<u>(3)</u>
	Other comprehensive income (loss) (Note 21)				
8310	Items that will not be reclassified subsequently to profit or loss				
8311	Remeasurement of defined benefit plans	236	-	(4,228)	-
8316	Unrealized loss on investments in equity instruments at fair value through other comprehensive income	12,617	-	(24,763)	-
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(9,186)	-	(88,238)	(2)
8370	Share of other comprehensive loss of subsidiaries, associates and joint ventures accounted for using the equity method	(1,872)	-	(768)	-
8300	Total other comprehensive income (loss)	<u>1,795</u>	<u>-</u>	<u>(117,997)</u>	<u>(2)</u>
8500	Total comprehensive income (loss) for the year	<u>\$ 192,934</u>	<u>4</u>	<u>(\$276,706)</u>	<u>(5)</u>
	Net profit (loss) attributed to				
8610	Owners of the company	\$ 144,409	3	(\$119,835)	(2)
8620	Non-controlling interests	46,730	1	(38,874)	(1)
8600		<u>\$ 191,139</u>	<u>4</u>	<u>(\$158,709)</u>	<u>(3)</u>
	Total comprehensive income (loss) attributed to				
8710	Owners of the company	\$ 137,403	3	(\$234,732)	(4)
8720	Non-controlling interests	55,531	1	(41,974)	(1)
8700		<u>\$ 192,934</u>	<u>4</u>	<u>(\$276,706)</u>	<u>(5)</u>
	Earnings (loss) per share (Note 25)				
	From continuing operations				
9710	Basic	<u>\$ 0.96</u>		<u>(\$ 0.79)</u>	
9810	Diluted	<u>\$ 0.95</u>			

The accompanying notes are an integral part of the consolidated financial statements.
(Please refer to the Deloitte & Touche auditors' report dated March 23, 2021.)

Chairman: Kuo Wei-Wu Manager: Kuo Wei-Wu Accounting Manager: Hung Ya-Ching

K Laser Technology Inc. and its Subsidiaries
Consolidated Statement of Changes in Equity
For the years ended December 31, 2020 and 2019

Unit: In Thousands of New Taiwan Dollars

		Equity Attributable to Shareholders of the Parent Company						Other equity			
Code		Ordinary shares	Capital reserve	Retained earnings			Exchange differences on translation of financial statements of foreign operations	Unrealized loss (gain) on financial assets at fair value through other comprehensive income	Transactions of Treasury shares	Non-controlling interests	Total equity
				Legal reserve	Special reserve	Unappropriated earnings					
A1	Balance at January 1, 2019	\$ 1,593,246	\$ 529,962	\$ 206,459	\$ 162,918	\$ 488,494	(\$ 195,571)	(\$ 5,574)	(\$ 93,118)	\$ 701,404	\$ 3,388,220
	Appropriation and distribution of 2018 earnings (Note 22)										
B1	Legal reserve	-	-	6,583	-	(6,583)	-	-	-	-	-
B3	Special reserve	-	-	-	38,226	(38,226)	-	-	-	-	-
B5	Cash dividends to shareholders of the Company	-	-	-	-	(62,043)	-	-	-	-	(62,043)
D1	Net profit (loss) for the year ended December 31, 2019	-	-	-	-	(119,835)	-	-	-	(38,874)	(158,709)
D3	Other comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	(4,228)	(82,979)	(27,690)	-	(3,100)	(117,997)
L1	Buy-back of treasury shares (Note 22)	-	-	-	-	-	-	-	(17,422)	-	(17,422)
L5	Acquisition of the parent company's shares by subsidiaries as treasury shares	-	-	-	-	-	-	-	(22,785)	(28,503)	(51,288)
N1	Share-based payment transactions (Note 26)	-	21,060	-	-	-	-	-	31,203	-	52,263
M5	Differences between equity purchase price and carrying amount arising from actual acquisition or disposal of subsidiaries	-	211	-	(54)	(177)	78	231	-	-	289
M7	Changes in percentage of ownership interests in subsidiaries	-	298	-	-	(1,595)	-	-	-	-	(1,297)
O1	Non-controlling interests	-	-	-	-	-	-	-	-	211,505	211,505
Z1	Balance at December 31, 2019	1,593,246	551,531	213,042	201,090	255,807	(278,472)	(33,033)	(102,122)	842,432	3,243,521
	Appropriation and distribution of 2019 earnings (Note 22)										
B1	Legal reserve	-	-	-	-	-	-	-	-	-	-
B5	Cash dividends to shareholders of the Company	-	-	-	-	-	-	-	-	-	-
D1	Net profit for the year ended December 31, 2020	-	-	-	-	144,409	-	-	-	46,730	191,139
D3	Other comprehensive income (loss) after tax for the year ended December 31, 2020	-	-	-	-	236	(8,874)	1,632	-	8,801	1,795
L1	Buy-back of treasury shares (Note 22)	-	-	-	-	-	-	-	(77,812)	-	(77,812)
L5	Acquisition of the parent company's shares by subsidiaries as treasury shares	-	(3,668)	-	-	-	-	-	22,785	25,153	44,270
N1	Share-based payment transactions	-	10,824	-	-	-	-	-	38,413	-	49,237
M5	Differences between equity purchase price and carrying amount arising from actual acquisition or disposal of subsidiaries	-	22,969	-	(103)	(11,200)	261	998	-	62,941	75,866
M7	Changes in percentage of ownership interests in subsidiaries	-	3,691	-	-	-	-	-	-	-	3,691
C7	Cchanges in associates accounted for using the equity method	-	-	-	-	(4,500)	-	-	-	-	(4,500)
O1	Non-controlling interests	-	-	-	-	-	-	-	-	438,717	438,717
Z1	Balance at December 31, 2020	\$ 1,593,246	\$ 585,347	\$ 213,042	\$ 200,987	\$ 384,752	(\$287,085)	(\$30,403)	(\$ 118,736)	\$ 1,424,774	\$ 3,965,924

The accompanying notes are an integral part of the consolidated financial statements.
(Please refer to the Deloitte & Touche auditors' report dated March 23, 2021.)

Chairman: Kuo Wei-Wu

Manager: Kuo Wei-Wu

Accounting Manager: Hung Ya-Ching

K Laser Technology Inc. and its Subsidiaries
Consolidated Statement of Cash Flows
For the years ended December 31, 2020 and 2019

Unit: In Thousands of New Taiwan Dollars

Code		2020	2019
	Cash flows from operating activities		
A10000	Profit (loss) before tax	\$ 232,101	(\$ 115,392)
A20010	Income and expense adjustments		
A20100	Depreciation expense	231,574	230,257
A20200	Amortization expense	5,028	3,903
A20300	Expected credit impairment loss	16,330	181,335
A20400	Net (gain) on financial assets at fair value through profit or loss	31	(880)
A20900	Interest expense	38,560	40,634
A21200	Interest income	(10,175)	(13,871)
A21300	Dividend income	(2,354)	(837)
A21900	Share-based compensation expense	9,301	23,002
A22300	Share of (profit) loss of associates and joint ventures accounted for using the equity method	(31,550)	103,825
A22500	Loss (gain) on disposal and write-down of property, plant and equipment	2,212	(2,602)
A23100	Gain on disposal of investment	(22,673)	(49,298)
A23700	Impairment loss recognized on non-financial asset	8,739	4,539
A23800	Loss on inventory valuation and obsolescence	126	27,886
A29900	Gain on lease modification	(246)	(5)
A30000	Net change in operating assets and liabilities		
A31130	Notes receivable	70,382	(65,450)
A31150	Trade receivables	31,956	239,889
A31160	Trade receivables from related parties	(201,462)	(100,796)
A31180	Other receivables	(27,680)	19,313
A31200	Inventories	(78,740)	50,017
A31240	Other current assets	(28,796)	50,890
A31990	Other non-current assets	(7,383)	(3,635)
A32130	Notes payable	98,312	(70,047)
A32150	Trade payables	64,793	(39,864)
A32160	Trade payables to related parties	(4,933)	3,725
A32180	Other payables	34,137	38,860
A32230	Other current liabilities	3,449	(13,061)
A32240	Net defined benefit liabilities — non-current	(<u>6,374</u>)	(<u>1,092</u>)

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Code		2020	2019
A33000	Cash generated from operations	\$ 424,665	\$ 541,245
A33100	Interest received	10,175	13,871
A33300	Interest paid	(38,435)	(40,859)
A33500	Income tax paid	(39,114)	(43,945)
AAAA	Net cash generated from operating activities	<u>357,291</u>	<u>470,312</u>
	Cash flows from investing activities		
B00010	Acquisition of financial assets at fair value through other comprehensive income	(3,000)	-
B00100	Acquisition of financial assets recognized initially at fair value through profit or loss	(584,470)	(878,342)
B00200	Disposal of financial assets recognized initially at fair value through profit or loss	764,621	759,139
B01800	Acquisition of long-term equity investment accounted for using the equity method	(9,005)	(76,906)
B01900	Proceeds from disposal of long-term equity investment accounted for using the equity method	19,762	8,375
B02000	Increase in prepayments for investment	-	(21,375)
B02700	Purchase of property, plant and equipment	(137,993)	(120,937)
B02800	Proceeds from disposal of property, plant and equipment	5,415	69,143
B03700	Decrease (increase) in refundable deposits	7,888	(8,644)
B04100	Decrease in other receivables	6,458	8,944
B04500	Purchase of intangible assets	(1,235)	(1,077)
B05000	Cash inflow due to merger	-	142,360
B06600	Decrease (increase) in other financial assets	(128,028)	631
B07600	Dividends received	<u>7,045</u>	<u>5,042</u>
BBBB	Net cash used in investing activities	(<u>52,542</u>)	(<u>113,647</u>)
	Cash flows from financing activities		
C00200	Increase (decrease) in short-term borrowings	9,017	(120,006)
C00500	Increase in short-term notes and bills payable	130,000	70,000
C01600	Long-term borrowings	250,000	920,000
C01700	Repayments of Long-term borrowings	(90,000)	(770,000)
C04500	Dividends paid to owners of the Company	-	(62,043)
C04900	Payments for buy-back of treasury shares	(77,812)	(17,422)
C05000	Disposal of treasury shares	45,507	-
C05100	Purchase of treasury shares by employees	-	81,141
C05400	Acquisition of interests in subsidiaries	(13,235)	(9,084)
C05500	Proceeds from sale of investments in subsidiaries	44,925	10,455

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Code		2020	2019
C05800	Changes in non-controlling interests	\$ 498,218	(\$ 17,781)
C04020	Repayment of the principal portion of lease liabilities	(51,331)	(40,939)
CCCC	Net cash generated from financing activities	<u>745,289</u>	<u>44,321</u>
DDDD	Effects of exchange rate changes on the balance of cash and cash equivalents	(8,406)	(50,532)
EEEE	Increase in cash and cash equivalents for the year	1,041,632	350,454
E00100	Cash and cash equivalents at the beginning of the year	<u>1,588,179</u>	<u>1,237,725</u>
E00200	Cash and cash equivalents at the end of the year	<u>\$ 2,629,811</u>	<u>\$ 1,588,179</u>

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

(Please refer to the Deloitte & Touche auditors' report dated March 23, 2021.)

Chairman: Kuo Wei-Wu Manager: Kuo Wei-Wu Accounting Manager: Hung Ya-Ching

K Laser Technology Inc. and its Subsidiaries
Notes to the Consolidated Financial Report
For the years ended December 31, 2020 and 2019
(In thousands of New Taiwan Dollars, except as otherwise indicated herein)

I. Corporate History

K Laser Technology Inc. (hereinafter referred to as K Laser or the Company), which was incorporated in Hsinchu Science Park in April 1988, mainly engages in research, development, production, manufacturing and sale of specific materials, equipment and optical coating for holographic products and embossed holographic products, and export and import of the products mentioned above.

Stocks of the Company were traded at Taipei Exchange from December 9, 1999 and have been traded at Taiwan Stock Exchange since September 17, 2001.

The functional currency adopted by the Company is used to express amounts indicated in the consolidated financial report.

II. Date and Procedure of Adoption of Financial Statements

The consolidated financial statements were adopted by the board of directors of the parent on March 23, 2021.

III. Applicability of New and Amended Regulations and Interpretations

- (1) We initially apply the amended Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (hereinafter referred to as the FSC) of the Republic of China.

Except as otherwise explained below, the application of the amended IFRSs, which are recognized and published by the FSC, will not cause any significant change in accounting policies of the Group.

1. Amendments to IFRS 3 “Definition of a Business”

These amendments are applicable to all transactions made by the Group after January 1, 2020. The amendments require that a business shall at least include contribution and important

processes, both of which must significantly contribute to its production capacity. Significance of the “process acquired” is determined based on different judgment elements depending on whether production occurs on the acquisition date. In addition, a business may at its discretion use the concentration test, a simplified method additionally added to evaluate whether the combination of activities and assets acquired meet the needs of the business.

2. Amendments to IAS 1 and IAS 8 “Definition of Material”

The Group has applied these amendments since January 1, 2020 by using “being reasonably expected to influence users” as the material threshold, adjusting disclosures in the financial report and deleting all immaterial information that may obscure material information.

3. Amendments to IFRS 16 “Covid-19-Related Rent Concessions”

The Group chooses to proceed with Covid-19-related rent negotiations with lessors in a practical manner that is suitable for the amendments. Refer to Note 4 for relevant accounting policies. Before applying the amendments, the Company should decide whether the provisions for lease modifications are applicable to the aforementioned rent negotiations.

The Group has applied the amendments since January 1, 2020. As the aforementioned rent negotiations only influence the year 2020, the retrospective application of the amendments does not influence the retained earnings as of January 1, 2020.

(2) IFRS recognized by the FSC, which were applied in 2020

Standards Issued / Amended / Revised and Interpretations	Effectiveness Date Announced by IASB
Amendments to IFRS 4 “Extension of the Temporary Exemption applicable to IFRS 9”	Effective on the date of announcement
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform — Phase 2”	Effective from the annual reporting period after January 1, 2021

(3) IFRSs that have been announced by IASB but have not been recognized or announced yet by the FSC

<u>Standards Issued / Amended / Revised and Interpretations</u>	<u>Effectiveness Date Announced by IASB (Note 1)</u>
“Annual Improvement to Standards 2018-2020 Cycle”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Amendments to References to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	Not decided yet
Amendments to IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 6)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)
Amendments to IAS 16 “Property, Plant and Equipment : Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts — Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

Note 1: Except otherwise as indicated herein, the standards newly issued/amended/revised or interpretations come into effect from the annual reporting period after the indicated date.

Note 2: Amendments to IFRS 9 are applicable to exchanges of financial liabilities or modifications of terms occurring in an annual reporting period after January 1, 2022. Amendments IAS 41 “Agriculture” are applicable to measurement of fair value in an annual reporting period after January 1, 2022. Amendments to IFRS 1 “First-time Adoption of IFRSs” are applicable to retrospectively applicable to an annual reporting period after January 1, 2022.

Note 3: The amendments are applicable to a business combination, the acquisition date of which falls in an annual reporting period after January 1, 2022.

Note 4: The amendments are applicable to the property, plant and equipment that are not in such locations and such conditions until January 1, 2022 as expected by the management.

Note 5: The amendments are applicable to a contract under which the obligations have not been fully performed as of January 1, 2022.

Note 6: The amendments are applicable to postponement of an annual reporting period after January 1, 2023.

Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies to be made in an annual reporting period after January 1, 2023.

1. Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

According to the amendments, when the Group sells or contributes assets to its associate or the Group loses its control over its subsidiary but still has a significant impact on the subsidiary, the consolidated is required to recognize the income or loss generated from the transaction if the assets or subsidiary mentioned above falls in the definition of “business” stated in IFRS 3 “Business Combinations.”

In addition, when the Group sells or contributes assets to its associate or the Group loses its control over its subsidiary in a transaction made with its associate but still has a significant impact on the subsidiary, the Group is required to recognize the income or loss generated from the transaction to the extent that the equity of investors is irrelevant to the associate, that is to say, by writing off the Group’s share of the income or loss, if the assets or subsidiary mentioned above is not defined as the “business” as stated in IFRS 3 “Business Combinations.”

2. Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”

The amendments explain that to determine whether a liability is classified to be non-current, the Group should be evaluated to see whether it has the right at the end of a reporting period to defer the repayment deadline to at least 12 months beyond the reporting period. If the Group has such right at the end of the reporting period, the liability will be classified to be non-current

no matter whether the Group is expected to exercise such right. The amendments also explain that in case the Group needs to comply with some specific conditions before being granting the right to defer repayment of liabilities, the Group is required to be in compliance with the specific conditions by or at the end of the reporting period, even when the lender verifies thereafter whether the company complies with the conditions.

According to the amendments, for the purpose of liability classification, the aforementioned repayment refers to transfer of cash, other economic resources or the Group's equity instrument to the counterparty so as to eliminate the liabilities. However, if the counterparty may at its option request the Group to transfer its equity instrument so as to repay the liabilities in accordance with the terms provided for the liabilities, and if the option is separately recognized in equity in compliance with the provisions of IAS 32 "Financial Instruments: Presentation," then the aforementioned terms do not influence classification of liabilities.

3. Amendments to IAS 1 "Disclosure of Accounting Policies"

The amendments expressly indicate that the Group shall disclose the information of material accounting policies based on the definition of material. If the information of accounting policies is reasonably expected to influence the decisions made by general users of financial statements based on the financial statements, then the information of accounting policies shall be regarded as material information. The amendments also explain:

- Information of accounting policies relevant to immaterial transactions or immaterial other matters or circumstances is regarded as immaterial information. The Group is not required to disclose such information.
- The Group may determine that the information of accounting policies is material based on the nature of the transactions or other matters or circumstances even though the amount is not significant.

- Not all information of accounting policies relevant to material transactions or material other matters or circumstances is regarded as material information.

In addition, examples are also given in the amendments to explain the information of accounting policies that is relevant to material transactions or material other matters or circumstances may be regarded as material information in any of the following situations:

- (1) The Group changes accounting policies during a reporting period and the change results in material changes in the information in financial statements;
- (2) The Group chooses, from the accounting policies permitted in the standards, the accounting policy applicable to the Group;
- (3) The Group establishes accounting policies in compliance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” for a lack of specific standards;
- (4) The Group discloses relevant accounting policies that it has to exercise material judgment or assumption to determine; or
- (5) Complicated provisions for accounting treatment are involved and users of financial statements depend on such information to understand material transactions and material other matters or circumstances.

4. Amendments to IAS 8 “Definition of Accounting Estimates”

The amendments expressly indicate that accounting estimates refer to amounts in such currencies in financial statements as measured to be influenced by uncertainty. In applying an accounting policy, the Group may need to measure some items in its financial statements by using some estimated amounts that cannot be observed directly, so it needs to use measurement techniques and input values to establish accounting estimates for the purpose. If the influence of changes in measurement techniques and input values on accounting estimates is not related to correction of an error occurring in the previous period, then such changes are regarded as changes in accounting estimates.

The influence of changes in measurement techniques and input values on accounting estimates

IV. Explanations of Material Accounting Policies

(1) Declaration of Compliance

The consolidated financial statements are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs recognized and published by the FSC.

(2) Preparation Basis

The consolidated financial report is prepared on the basis of historical cost, except for financial instruments, which are measured at fair value.

Fair value measurement is classified from level 1 to level 3 based on observable level and importance of relevant inputs.

1. Level 1 inputs: They refer to the prices of the same assets or liabilities obtained in the active market on measurement date (not adjusted).
2. Level 2 inputs: They refer to direct inputs (i.e. prices) or indirect inputs (presumed from prices) observable, except level 1 prices, for assets or liabilities.
3. Level 3 inputs: They refer to inputs not observable for assets or liabilities.

(3) Standards of Distinguishing Current Assets and Liabilities from Non-current Assets and Liabilities

Current assets include:

1. Assets held primarily for transaction;
2. Assets expected to be realized within 12 months after the balance sheet date; and
3. Cash and cash equivalents (not including the same that would be used to exchange or pay off liabilities 12 months after the balance sheet date and be therefore restricted).

Current liabilities include:

1. Liabilities held primarily for transaction;
2. Liabilities due and repaid within 12 months after the balance sheet date
3. Liabilities for which the repayment period is not unconditionally allowed to be postponed to at least 12 months after the balance sheet date.

The assets and liabilities which are not listed as current assets and current liabilities above are classified as non-current assets and non-current liabilities.

(4) Consolidation Basis

The consolidated financial report includes the financial reports of K Laser and the entities (subsidiaries) controlled by K Laser.

The financial report of each subsidiary has been adjusted in order to cause the accounting policies used by each subsidiary to be consistent with those used by the Group.

The transactions, account balances, incomes and expenses among individual entities were already deleted completely during the preparation of the consolidated financial report.

Refer to Note 13 and Schedules 6 and 7 for the detailed information, shareholding and business activities of each subsidiary.

(5) Business Combinations

Business combinations are processed by using the acquisition method. Acquisition-related costs are listed as expenses for the year when the costs occur and services are obtained.

Goodwill refers to the net worth, measured based on the fair value of transfer pricing, the amount of the acquiree's non-controlling interests and the total equity of the acquiree in fair value previously possessed by the acquirer as of the acquisition date, and in excess of the identifiable assets obtained and the liabilities assumed on the acquisition date.

Non-controlling interests for which the acquirer has the acquiree's current ownership interest and of which the acquirer is entitled, upon liquidation, to enjoy the acquiree's net assets are measured by the

percentage share of the recognized amount of net identifiable assets of the acquiree enjoyed by the acquirer. Other non-controlling interests are measured in fair value.

In case that the identifiable assets obtained and the liabilities assumed for a business combination have not been measured yet, the temporarily determined amounts of such assets and liabilities are recognized on the balance sheet date. Besides, during the measurement period, retrospective adjustment shall be made and additional assets or liabilities shall be recognized in order to reflect the new information of the facts and circumstances existing on the acquisition date.

(6) Foreign Currency

For the transactions completed by using a foreign currency rather than the functional currency of an entity of the Group, the entity shall convert the foreign currency to the functional currency at the exchange rate prevailing on the date of transaction in preparing the financial report.

Foreign monetary items are converted at the closing rate on the balance sheet date. Exchange differences generated from the transfer or conversion of monetary items are recognized in profits or losses for the current year when the differences occur.

Foreign currency non-monetary items measured at fair value are converted at the exchange rate on the date when fair value is determined. Exchange differences generated are listed as current profits or losses. However, in case of changes in fair value recognized in other comprehensive incomes or losses, the exchange differences generated are listed as other comprehensive incomes or losses.

Foreign currency non-monetary items measured at historical cost are converted at the exchange rate on the date of transaction and will not be re-converted.

In preparing the consolidated financial report, K Laser converts the assets and liabilities of the entities operating overseas (including the subsidiaries using, and the subsidiaries operating in the countries using, any currency that differs from the currency used by K Laser) to NT dollars at the exchange rate on the balance sheet date. Incomes and

expenses are converted at the average exchange rate of the current year. Exchange differences generated are recognized as other comprehensive incomes or losses.

If the Group disposes all equity of a subsidiary operating overseas, disposes part of the equity of a subsidiary operating overseas but loses its control over the subsidiary, or disposes a joint agreement of a subsidiary operating overseas, or if the retained interest of an associate is financial assets and processed pursuant to the accounting policy established for financial instruments, then the accumulate exchange differences that are attributable to the owners of the Group and relevant to the entities operating overseas will be reclassified to profits (losses).

When the disposal of part of the equity of the subsidiary operating overseas does not cause the Group to lose its control over the subsidiary, the accumulate exchange differences are proportionally returned to non-controlling interests of the subsidiary, instead of being recognized as profits or losses. In any other situation where any part of the equity of a subsidiary is disposed, the accumulate exchange differences are reclassified to profits or losses at the ratio of disposal.

(7) Inventories

Inventories include merchandise, raw materials, finished goods and work in process. Inventories are measured by using the lower of cost or net realizable value method. Cost and net realizable value are compared base on each individual item, except the same type of inventories. Net realizable value refers to the amount of the selling price, estimated in normal circumstances, from which the estimated cost required to be put in prior to the completion and the estimated cost needed for the completion of sale are subtracted. Cost of inventories is calculated by using the weighted average method.

(8) Investments in Associates

An associate refers to an enterprise on which the Group has a significant influence and that is not a subsidiary or joint venture of the Group.

Investments made by the Group in associates are measured by using the equity method. With the equity method, investments in associates are originally recognized at cost. After the date of acquisition, the book amount increases or decreases correlatively subject to the profits or losses, share of other comprehensive incomes or losses and profit distribution enjoyed by the Group from associates. Besides, changes in entity of associates are recognized proportionally based on the ratio of shareholding.

Acquisition cost exceeding the Group's share of the identifiable assets and liabilities of associates in fair value on the date of acquisition is recognized as goodwill. The goodwill is included in the book amount of the investments and shall not be amortized. The Group's share of the identifiable assets and liabilities of associates in fair value on the date of acquisition in excess of acquisition cost is recognized as current profits or losses.

If the Group fails, when an associate issues new shares, to subscribe for the shares proportionally at the rate of its shareholding so that the rate of its shareholding changes and the net equity of the investment increases or decreases accordingly, then capital reserve shall be adjusted by such increase or decrease – changes in net equity of associates and joint ventures accounted for using the equity method, and investments accounted for using the equity method. However, in case of its failure to subscribe for or obtain shares proportionally at the rate of its shareholding so that its ownership interest in the associate decreases, then the associate-related amount recognized as other comprehensive incomes or losses shall be reclassified at the ratio of decrease in the amount, and the basis of accounting treatment used shall be the same as that required to be complied with by the associate if it was required to dispose relevant assets or liabilities directly. If the aforementioned adjustment is debited to capital reserve and the balance of capital reserve generated from the investments accounted for using the equity method is not sufficient, the difference shall be debited to retained earnings.

When the Group's share of loss in an associate equals or exceeds its interest in the associate (including the book amount of investments in the associate accounted for using the equity method, and other long-term interest substantially comprising the Group's net investments in the associate), no loss shall be further recognized. The Group recognizes additional losses and liabilities only to the extent of legal obligations or constructive obligations incurred or payments made on behalf of the associate.

In evaluating impairment, the Group regards the entire book amount of investments (including goodwill) as single assets and compares the recoverable amount with the book amount to perform the impairment test. The impairment loss recognized is part of the book amount of investments. Any reverse of impairment loss is recognized to the extent of the subsequent increase in the recoverable amount of the investments.

The Group stops using the equity method when it does not invest in the associate anymore. Its retained interest in the associate is measured at fair value. The difference between the fair value and disposal proceeds and the book amount of investments as of the date when it stops using the equity method is listed in current profits or losses. For all amounts relevant to the associate and recognized as other comprehensive income or loss, the basis of accounting treatment used shall be the same as that required to be complied with by the associate if it was required to dispose relevant assets or liabilities directly. If investments originally made in an associate become investments in a joint venture, or investments originally made in a joint venture become investments in an associate, then the Group will use the equity method continuously and will not measure separately for the retained interest.

Profits or losses generated from upstream, downstream and sidestream transactions between the Group and an associate are recognized in the consolidated financial report only to the extent that the equity of the associate owned by the Group is not influenced accordingly.

(9) Property, Plant and Equipment

Property, plant and equipment are recognized at cost and measured subsequently based on the amount of cost less both accumulated depreciation and accumulated impairment loss.

Each important portion of the property, plant and equipment within service life is depreciated by using the straight line method. When the lease period is shorter than the service life, the depreciation is allocated within the lease period. The Group reviews the estimated service life, residual value and depreciation method at least at the end of every year and put off the impact on applicable changes in accounting estimates.

Upon derecognition of property, plant and equipment, the difference between the net proceeds on disposal and the book amount of the assets is recognized in profits or losses.

(10) Investment Property

Investment property refers to the property possessed for earning rents and/or capital appreciation.

Investment property is originally measured at cost (inclusive of transaction cost) and is subsequently measured based on the amount of cost less accumulated depreciation and accumulated impairment loss. The consolidate company allocates depreciation on a straight-line basis.

Upon derecognition of Investment property, the difference between the net disposal proceeds and the book amount of such assets is recognized in profits or losses.

(11) Goodwill

For the goodwill obtained from a business combination, the amount of goodwill recognized on the acquisition date is taken as cost. Such goodwill is measured subsequently based on the amount of the cost less accumulated impairment loss.

For the purpose of the impairment test, goodwill is amortized to each cash-generating unit or cash-generating unit group (hereinafter referred to as CGU) expected by the Group to be benefited from effects of the business combination.

For CGUs of the amortized goodwill, the impairment test is conducted by comparing the book amount of CGUs of goodwill with the recoverable amount of goodwill every year and when a sign shows that the CGUs may be impaired. If the goodwill amortized to CGUs is obtained from a business combination in the current year, then the impairment test shall be conducted prior to the end of the current year. If the recoverable amount of the CGUs of the amortized goodwill is less than its book amount, then the book amount of the goodwill amortized to CGUs shall be reduced by the impairment loss first, and the book amount of each of the concerned assets shall be reduced at the ratio of the book amount of each of the assets in CGUs. Impairment loss, if any, is recognized as current loss directly. Goodwill impairment loss shall not be reversed in any subsequent period.

Upon disposal of any operation in the CGUs of the amortized goodwill, the amount of goodwill relevant to the disposed operation is included in the book amount of the operation in order to determine the gain or loss on the disposal.

(12) Intangible Assets

1. Individual Acquisition

Intangible assets with limited service life acquired individually are originally measured at cost and measured subsequently based on the amount of cost less accumulated amortization and accumulated impairment loss. Intangible assets are amortized within service life by using the straight line method. Estimated service life, residual value and amortization method shall be reviewed at least at the end of every year and the impact on applicable changes in accounting estimates shall be put off. Intangible assets without defined service life are listed at cost less accumulated impairment loss.

2. Derecognition

Upon derecognition of intangible assets, the difference between the net disposal proceeds and the book amount to such assets is recognized in current profits or losses.

(13) Impairment of Property, Plant and Equipment, Right-of-use Assets and Intangible Assets

The Group evaluates on every balance sheet date whether there is any sign indicating that property, plant and equipment, right-of-use assets or intangible assets may be impaired. In case of any sign of impairment, a recoverable amount is estimated for the assets. If a recoverable amount cannot be estimated for any individual asset, the Group will estimate the recoverable amount of the CGU of the concerned asset.

As for the intangible assets without defined service life and that have not been available for use, the test is conducted at least every year and upon occurrence of a sign of impairment.

The recoverable amount is the higher of fair value less costs to sell and use value. If the recoverable amount of individual assets or CGUs is less than the book amount thereof, then the book amount of the assets or CGUs will be reduced to the recoverable amount, and the impairment loss will be recognized in profits or losses.

Upon subsequent reverse of impairment loss, the book amount of the assets or CGUs is increased to the revised recoverable amount. However, the increased book amount shall not exceed the book value (less amortization or depreciation) determined if the impairment loss of the assets or CGUs was not recognized in the previous year. Reverse of impairment loss is recognized in profits or losses.

(14) Non-current Assets Held for Sale

The book amount of non-current assets are classified as assets held for sale when they are expected to be traded instead of being used continuously and then recycled. The non-current assets as classified above shall be available for sale immediately in their current status and such sale shall be highly possible. The sale is highly possible when proper levels of management commit to a plan of selling such assets and the sale transaction is expected to be completed within a year after the date of classification.

(15) Financial Instruments

Financial assets and financial liabilities are recognized in the consolidated balance sheet when the Group becomes a party to the contract concerning the instruments.

If financial assets or financial liabilities are not measured at fair value through profit or loss (“FVTPL”), the financial assets or financial liabilities, upon original recognition, are measured at fair value plus transaction cost attributable directly to the obtained or issued financial assets or financial liabilities. Transaction cost attributable directly to the obtained or issued financial assets or financial liabilities at FVTPL is recognized as profits or losses immediately.

1. Financial Assets

Routine transactions of financial assets are recognized and derecognized on transaction date.

(1) Type of Measurement

Types of financial assets held by the Group are financial assets at FVTPL, financial assets measured at amortized cost, and investments in equity instruments measured at fair value through other comprehensive income (“FVTOCI”).

A. Financial Assets at FVTPL

Financial assets at FVTPL include the financial assets that are enforced or designated to be measured at FVTPL. The financial assets enforced to be measured at FVTPL include the investments in equity instruments not designated by the Company to be measured at FVTOCI, and the investments in debt instruments not classified as those measured at amortized cost or measured at FVTOCI.

Financial assets at FVTPL are measured at fair value while the incomes or losses generated from remeasurement (including any dividend or interest generated from the financial assets) are recognized in profits or losses. Refer to Note 29 for the method used to determine fair value.

B. Financial Assets at Amortized Cost

Financial assets invested by the Group are classified as the financial assets measured at amortized cost if both of the following conditions are satisfied simultaneously:

- a. The financial assets are possessed in a specific business model, and the model is used to acquire contractual cash flows by possessing financial assets; and
- b. Cash flows generated on the specific date as provided in contractual terms are completely used for payment of principals and the interest on the outstanding principals.

After being recognized originally, the financial assets measured at amortized cost (including cash and cash equivalents, trade receivables measured at mortised cost, etc.) are measured at the amortized cost of the total book amount less any impairment loss determined by the effective interest method. Foreign exchange gains or losses are recognized in profits or losses.

Interest income is computed at the effective interest rate multiplied by the total book amount of financial assets, except in either of the following situations:

- a. For the credit-impaired financial assets purchased or established, interest income is computed at the effective interest rate, after credit adjustment, multiplied by the amortized cost of the financial assets.
- b. If the financial assets without credit impairment upon purchase or establishment become credit-impaired subsequently, then interest income is computed at the effective interest rate multiplied by the amortized cost of the financial assets.

Credit-impaired financial assets refer to the financial assets, the issuer or debtor of which has serious financial difficulty or violates the contract, or the debtor of which may apply for bankruptcy or financial restructuring, or the active market of which disappears due to financial difficulty.

Cash equivalents include the time deposits lasting for no more than 3 months, or for a period between 3 and 12 months, after the acquisition date, with the interest, obtained in case of early termination, higher than that for current deposits, and the time deposits that are highly liquid and may be transferred to a fixed amount of cash any time with minimal risk of changes in value to fulfill short-term cash commitments.

C. Investments in Equity Instruments at FVTOCI

Upon original recognition, the Group may irrevocably choose to indicate that the investments in equity instruments which are not possessed for sale and not recognized by acquirers of business combinations or for which considerations are provided shall be measured at FVTOCI.

Investments in equity instruments at FVTOCI are measured at fair value, and the subsequent changes in fair value are listed in other comprehensive incomes or losses and accumulated in other equity. Upon disposal of investments, accumulated profits or losses are transferred directly to retained earnings and will not be reclassified as profits or losses.

Dividends for investments in equity instruments at FVTOCI are recognized in profits immediately when the Group's right to collect payments has been established unless the dividends obviously represent part of the investment cost recovered.

(2) Impairment of Financial Assets

The Group evaluates impairment loss of financial assets at amortized cost based on the expected credit loss every balance sheet date.

Loss allowances for trade receivables are recognized based on the expected credit loss for the duration of trade receivables. As for other financial assets, the Group

determines whether credit risks increases significantly after the original recognition of such other financial assets. If the risk does not increase significantly, then loss allowances for other financial assets are recognized based on the expected credit loss for 12 months. If the risk increases significantly, loss allowances are recognized based on the expected credit loss for the duration of such other financial assets.

The expected credit loss refers to the weighted average credit loss computed by weighting the risk of a breach of contract. The expected credit loss for 12 months means the expected credit loss incurred due to violation of a financial instrument within 12 months after the date of reporting. The expected credit loss for the duration means the expected credit loss incurred due to all violations of a financial instrument for the duration of the financial instrument.

For internal credit risk management, the Group determines, without taking any collateral it possesses into account, that a breach of contract with respect to financial assets occurs in case of any of the following situations:

- A. Internal or external information indicates that it is impossible for the debtor to repay debts.
- B. Financial assets have expired unless any reasonable and supporting information indicates that the postponed violation basis is more appropriate.

For all financial assets, impairment loss is reflected by reducing the book amount of the financial assets through the allowance account.

(3) Derecognition of Financial Assets

The Group derecognizes financial assets only when their rights to cash flows from financial assets under a contract expire or when financial assets have been transferred and almost all risks of ownership of the assets and payments of the assets have been transferred to other enterprises.

Upon derecognition of the entire financial assets measured at amortized cost, the difference between the book amount of the financial assets and the received consideration is recognized in profits or losses. Upon derecognition of the entire investments in equity instruments measured at FVTOCI, the accumulated profits or losses of the investments in equity instruments are transferred to retained earnings directly instead of being reclassified as profits or losses.

2. Equity Instruments

The debt and equity instruments issued by the Group are classified as financial liabilities or equity based on the substance of the contractual agreement and the definitions of a financial liability and an equity instrument.

The equity instruments issued by the Group are recognized based on the obtained consideration less the cost of direct issuance.

The equity instruments of the Group taken back are recognized as and subtracted from equity. No purchase, sale, issuance or annulment of equity instruments of the Group shall be recognized as profit or loss.

(16) Liability Reserve

The amount recognized as liability reserve is the best estimate of the amount needed, in consideration of the risk of obligations and uncertainty into account, to repay obligations on the balance sheet date. Liability reserve is measured based on the present discounted value of the cash flows expected to repayment of obligations.

(17) Revenue Recognition

After identifying its obligations under a contract made with a customer, the Group amortizes the transaction price to each obligation and recognizes revenue upon fulfillment of each obligation.

Sales Revenue

Sales revenue comes from sale of hologram and photonics products. The revenue is recognized when the customer controls the

committed assets, that is to say, the point of time when construal obligations are fulfilled by delivering products to the designated place.

For the goods delivered to be processed, revenue is not recognized upon such delivery as the ownership of processed goods is not transferred.

(18) Lease

Upon establishment of a contract, the Group evaluates whether the contract is (or includes) a lease.

1. The Group is a lessor.

If almost all of the risks pertaining to the ownership of the assets and the compensation are required to be transferred to the lessee in accordance with the terms of the lease, then the lease is classified as a financed lease. All other leases are classified as operating leases.

When subleasing right-of-use assets, the Group determines the classification of the sublease (instead of the subject assets). However, if the master lease is applicable to the short-term leases for which the Group recognizes exemptions, then the sublease is classified as an operating lease.

Lease payments less lease incentives are recognized as incomes under the operating lease for the lease period on a straight-line basis.

2. The Group is a lessee.

For other leases, right-of-use assets and lease liabilities are recognized on the date of lease commencement, except for leases of low-value assets for which exemptions can be recognized and short-term leases, in which case, lease payments are recognize as expenses for the lease period on a straight-line basis.

Right-of-use assets are originally measured at cost (including the amount of originally measured lease liabilities, lease payments made before the date of lease commencement less the received lease incentives, the original direct cost and the estimated cost of restored subject assets). They are subsequently measured based on the cost less accumulated depreciation and accumulated

impairment loss, and the remeasured amount of lease liabilities is adjusted accordingly. Right-of-use assets are expressed separately in the consolidated balance sheet.

Right-of-use assets are depreciated on a straight-line basis between the date of lease commencement and the expiration of the service life or expiration of the lease period, whichever comes first.

Lease liabilities are originally measured based on the current value of lease payments (including periodical payments, substantially periodical payments, lease payments subject to changes in the index or rate, amounts expected to be paid by the lessee to the extent of the guaranteed residual value, prices exercising based on call options ensured reasonably, and penalties for lease termination reflected already in the lease period less the received lease incentives). If a lease implies an interest rate that can be determined easily, then lease payments are discounted at the interest rate. If the interest rate cannot be determined easily, then the lessee's incremental borrowing rate of interest is used.

After that, lease liabilities are measured at amortized cost by using the effective interest method, and interest expenses are amortized for the leasing. In case the lease period, the amount expected to be paid to the extent of the guaranteed residual value, the evaluation of call options for subject assets, or the index or rate determined for lease payments changes, then the Group remeasures lease liabilities and adjusts right-of-use assets accordingly. However, if the book amount of right-of-use assets has been reduced to zero, then the rest of the remeasured amount is recognized in profits or losses. Lease liabilities are expressed separately in the consolidated balance sheet.

Variable rents that are not subjected to the index or rate under the lease agreement are recognized as expenses for the year when the rents occur.

The Group negotiated with the lessor for the rents directly relevant to Covid 19 and adjusted the rents due before June 30,

2020 so that the adjusted rents were almost equal to the rents before the negotiation. The negotiation has not caused any change in other terms of the lease. The Group chose to deal with the negotiation expediently for the rents in the lease contract satisfying the aforementioned conditions. The Group did not evaluate whether the negotiation was conducted to amend the lease, but intended to recognize the decrease in rent payments as profits upon occurrence of such decrease and reduce lease liabilities accordingly.

(19) Borrowing Cost

The borrowing cost directly attributable to the acquired assets is part of the cost of the assets until almost all activities necessary for the assets to be used or sold as expected have been completed.

If specific borrowings are used for temporary interments prior to the occurrence of the capital expenditure that meets requirements, then any and all investment incomes earned accordingly are subtracted from the borrowing costs satisfying the condition of capitalization.

Except otherwise as stated above, all other borrowing costs are recognized as losses for the year when the costs occur.

(20) Government Subsidy

A government subsidy is recognized only when the Group is reasonably believed to comply with the conditions attached to the government subsidy and will receive the subsidy.

A government subsidy is recognized as profit on a systemic basis for the year in which the Group recognizes as expenses the costs to be covered by the subsidy.

If a government subsidy is used to cover the expenses or losses occurring already or is just granted, as financial support, to the Group and no relevant cost will occur in the future, then the subsidy is recognized as profit for the year when the subsidy is received.

(21) Employee Benefits

1. Short-term Employee Benefits

Liabilities relevant to short-term employee benefits are measured based on non-discounted amounts expected to pay to exchange for employees' service.

2. Post-employment Benefits

As for retirement pensions under the defined contribution plan, the pension amounts allocated for the period when employees provide service are recognized as expenses.

Defined costs (including service costs, net interest and remeasurements) of the defined benefit plan are calculated by using the projected unit credit method. Service costs, the previous year's service costs and net interest on defined benefit liabilities (assets) are recognized as employee benefit expenses upon their occurrence or when the plan is amended or reduced. Remeasurements (including actuarial gains and losses, changes in effects on asset ceiling, and return on plan asset less interest) are recognized in other comprehensive incomes or losses upon their occurrence and listed in other equity, and they are subsequently will not be reclassified to profits or losses.

Net defined benefit liabilities (assets) are allocated shortage (surplus) of the defined benefit plan. Net defined benefit assets shall not exceed the current value of the refund of contributions from the plan or the reduction in future contributions.

3. Other long-term Employee Benefits

The accounting treatment of other long-term employee benefits is the same as that of the defined benefit plan. However, relevant remeasurements are recognized in profits or losses.

(22) Share-based Payment Arrangement

Equity-settled share-based payments made to employees are measured based on fair value of equity instruments on the payment date.

Employee stock options are recognized as expenses on a straight-line basis for the given period based on the fair value determined on the payment date and the best estimate of the expected

obtained employee stock options, and the “capital reserve—employee stock option” is also adjusted simultaneously.

The Group amends the estimate of the expected obtained employee stock options on each balance sheet date. If an originally estimated amount is amended, its effects are recognized as profits or losses so that accumulated expenses reflect the amended estimate, and the “capital reserve—employee stock option” is also adjusted accordingly.

(23) Treasury Shares

When the Group buys back its outstanding shares to be treasury shares, the cost paid is debited to treasury shares, as a subtrahend under shareholders’ equity.

Transfer of treasury shares to employees is treated in compliance with IFRS 2 “Share-based Payment.” Upon cancellation of treasury shares, “treasures shares” are credited and “capital reserve—premium on shares” and “capital stock” are debited at equity ratio. If the book value of treasury shares is higher than the sum of par value and premium, then the difference writes off the capital reserve generated from the same type of treasury shares. In case of any shortage, retained earnings are debited again. If the book value is lower, then the difference is credited to the capital reserve generated from the same type of treasury shares. The book value of treasury shares is computed by using the weighted average method.

Shares of the Company held by its subsidiaries are treated as treasury shares.

(24) Income Tax

Income tax expense is the sum of current income tax and deferred income tax.

1. Current Income Tax

The income tax on unappropriated earnings computed in accordance with the Income Tax Act of the Republic of China is recognized for the year when the resolution is adopted at the shareholders’ meeting. Adjustment made for the previous year’s income tax payable is listed in current income tax.

2. Deferred Income Tax

Deferred income tax is computed based on temporary differences generated from the book amounts of assets and liabilities and the tax base used to compute taxable income.

Deferred income tax liabilities are generally recognized based on taxable temporary differences. Deferred income tax assets are recognized when there may probably be taxable incomes from which the tax credits generated from temporary differences and loss carryforwards can be subtracted.

Taxable temporary differences relevant to investments in subsidiaries and associates are recognized as deferred income tax liabilities, except when the Company is able to control the point of reverse of temporary differences and the taxable temporary differences will not be reversed in the foreseeable future. Deductible temporary differences relevant to the investments are recognized as deferred income tax assets only to the extent of the foreseeable reverse expected in the future when there is taxable income sufficient to realize temporary differences.

The book amount of deferred income tax assets is reviewed again on every balance sheet date. For all or part of assets that taxable income may probably not be sufficient to recover, the book value is reduced. Those that are not originally recognized as deferred income tax assets are also reviewed again on every balance sheet date. The book value is increased when there may be any taxable income used to recover all or part of the assets.

Deferred income tax assets and liabilities are measured at the tax rate applicable to the year when liabilities are expected to be repaid or assets are expected to be realized. The interest rate refers to the interest rate determined by the tax law that is enacted or substantially enacted as of the balance sheet date. Deferred income tax liabilities and assets are measured to reflect the tax consequences generated in the way that the Group expects to recover or repay the book amount of its assets or liabilities as of the balance sheet date.

3. Current and Deferred Income Taxes

Current and deferred income taxes are recognized in profits or losses. However, the current and deferred income taxes relevant to the items recognized in other comprehensive incomes or losses or those included directly in equity are recognized in other comprehensive incomes or losses or included directly in equity respectively.

V. Main Sources of Material Accounting Judgments, Estimates and Assumption Uncertainty

For relevant information not available by the Group from other resources in applying accounting policies, the management must make relevant judgments, estimates and assumptions based on historical experience and other relevant factors. The actual result may probably differ from the estimate.

The management will review estimates and basic assumptions continuously. If a revised estimate only influences the current year, the estimate will be recognized in the year when it is revised. If a revised accounting estimate influences the current and future years, the estimate will be recognized in the year when it is revised and the future years

VI. Cash and Cash Equivalents

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash on hand and Revolving funds	\$ 26,889	\$ 25,148
Bank checks and saving deposits of bank	2,128,693	1,388,075
Cash equivalents		
Time deposits	<u>474,229</u>	<u>174,956</u>
	<u>\$ 2,629,811</u>	<u>\$ 1,588,179</u>

- (1) The market interest rate range of time deposits as of the balance sheet date is as follows: (The interest rate for checking deposits is 0%.)

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Demand deposits	0.001%-0.3%	0.001%-0.3939%
Time deposits	0.03%-1.4%	0.03%-5%

- (2) The bank deposits of the Group for the following purposes have been reclassified to other current assets and other non-current assets.

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Other current assets (Note 19)		
Guarantee deposits for bank acceptance	\$ 105,698	\$ 67,318
Guarantee deposits for L/Cs	-	24
Performance bond	<u>1,482</u>	<u>3,012</u>
	<u>\$ 107,180</u>	<u>\$ 70,354</u>
Other non-current assets (Note 19)		
Guarantee deposits for land leases with Hsinchu Science Park	\$ 5,000	\$ 5,000
Guarantee deposits for issuance of debentures	<u>128,445</u>	<u>-</u>
	<u>\$ 133,445</u>	<u>\$ 5,000</u>

VII. Financial Instruments at FVTPL

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Non-derivative financial assets		
Beneficiary certificates of funds	\$ 5,265	\$ 29,577
Hybrid financial assets—structured time deposits	<u>21,885</u>	<u>172,200</u>
	<u>\$ 27,150</u>	<u>\$ 201,777</u>

VIII. Notes Receivable and Trade Receivables

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Notes receivable</u>		
at amortized cost		
Total book amount	<u>\$ 35,457</u>	<u>\$ 105,839</u>
<u>Trade receivables</u>		
at amortized cost		
Total book amount	\$ 931,365	\$ 979,566
Less: loss allowance	<u>(75,410)</u>	<u>(69,508)</u>
	<u>\$ 855,955</u>	<u>\$ 910,058</u>
<u>Trade receivables from related parties (Note 30)</u>		
at amortized cost		
Total book amount	\$ 737,706	\$ 625,330
Less: loss allowance	<u>(67,300)</u>	<u>(151,678)</u>
	<u>\$ 670,406</u>	<u>\$ 473,652</u>
<u>Non-accrual loans</u>		
Non-accrual loans	\$ 7,705	\$ -
Less: loss allowance	<u>(7,705)</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ -</u>

(1) Notes Receivable

The notes receivable of the Group as of December 31, 2020 and 2019 were not overdue.

(2) Trade Receivables

As for the payments of products sold by the Group, the average credit period is between 90 and 150 days after the date of monthly settlement. No interest accrues for trade receivables. To reduce credit risk, the management of the Group designates a team to be responsible for a decision of credit line, credit approval and other monitoring procedures to ensure that proper measures are taken to recover overdue receivables. In addition, the Group reviews recoverable amounts of receivables on a case-by-case basis on the balance sheet date to ensure that a proper amount of impairment loss is allocated for unrecoverable receivables. Accordingly, the management of the Group believes that the Group's credit risk has significantly reduced.

As shown in the history of credit loss incurred by the Group, the Group's subsidiaries located in different areas use different standards to evaluate their respective expected loss, and credit loss to customers in different fields of industry also varies. Thus different expected credit loss rates are determined in the provision matrix for customers in different areas and different fields of industry and for trade receivables overdue/with different payment periods.

If evidence shows that the counterparty encounters serious financial difficulties and the Group is unable to reasonably expect a recoverable amount, then the Group will write off relevant trade receivables directly; however, claiming activities will still continue. Amounts claimed and recovered are recognized in profits.

The analysis on aging of trade receivables based on days past due is as follows:

	December 31, 2020	December 31, 2019
Not overdue	\$ 1,389,971	\$ 1,215,885
1~60 days	133,975	144,974
61~90 days	24,245	32,435
91~180 days	35,314	48,457
181~360 days	16,058	33,147

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Over 361 days	69,508	129,998
Total	<u>\$ 1,669,071</u>	<u>\$ 1,604,896</u>

Information of changes in trade receivables loss allowance is as follows:

	<u>2020</u>	<u>2019</u>
Beginning balance	\$ 221,186	\$ 41,458
Add: Expected credit impairment loss allocated for the year	16,330	181,335
Less: Amounts written off actually for the year	(87,555)	(878)
Amounts reclassified to non-accrual loans	(7,705)	-
Foreign exchange differences	454	(729)
Ending balance	<u>\$ 142,710</u>	<u>\$ 221,186</u>

As of December 31, 2020, the total individual non-accrual loans amounting to NT\$7,705 thousand were liquidated or in material financial difficulties. The Group has proceeded with legal proceedings for collection and has allocated adequate allowance for bad debts.

IX. Inventories

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Finished goods	\$ 570,120	\$ 537,909
Work in process	64,927	50,849
Raw materials and supplies	265,056	239,296
Merchandise	93,337	86,772
	<u>\$ 993,440</u>	<u>\$ 914,826</u>

Cost of goods sold relevant to inventories was NT\$4,175,137 thousand and NT\$4,014,862 thousand respectively in 2020 and 2019

Cost of goods sold included an inventory valuation loss amounting to NT\$126 thousand and NT\$27,886 thousand respectively in 2020 and 2019.

X. Non-current Assets and Disposal Groups Classified as Held for Sale

The board of the Group approved a plan on March 30, 2020 to dispose all of its equity in Boxlight Corporation, an investee company measured by using the equity method. The plan is ongoing and the disposal procedure is expected to be completed within 12 months. The Group conducted impairment evaluation on the date of the board meeting where the plan was approved, and its book value was less than the fair

value on the date. Thus it was reclassified to current assets held for sale based on its book value and was expressed separately in the consolidated balance sheet.

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Boxlight Corporation	<u>\$ 28,154</u>	<u>\$ -</u>

As of December 31, 2020, the Group possessed equity in Boxlight Corporation with fair value of NT\$203,500 thousand.

XI. Financial Assets at FVTOCI

Investments in Equity Instruments – Non-current

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Non-current</u>		
Domestic investments -non-listed (non-over-the-counter) stocks		
CM Visual Technology Corp.	\$ 459	\$ 8,520
Chinese Development, Biomedicine and Venture Investment Co., Ltd.	32,457	28,161
Mega Plastic Industry Co., Ltd.	2,068	-
Aether Precision Technology Inc.	1,249	1,249
Foreign investments -non-listed (non-over-the-counter) stocks		
Guangcan Optoelectronic (Cayman) Holding Company	73,090	54,370
Shenzhen City Zhenhuaajia Environmental Energy Co., Ltd.	8,921	10,166
	<u>\$ 118,244</u>	<u>\$ 102,466</u>

To achieve objectives in its medium and long-term strategy, the Group has invested in common shares of the aforementioned companies and expected to acquire gains on the long-term investments. The management of the Group believes that such investments will be inconsistent with the aforementioned long-term investment planning if the short-term fluctuation in fair value of such investments is listed in profit or loss, so the management determines that such investments are measured at FVTOCI.

XII. Subsidiaries

(1) Subsidiaries Listed in the Consolidated Financial Report

The subjects that the consolidated financial report is prepared for are as follows:

Name of investing company	Name of subsidiary	Nature of business	Shareholding	
			December 31, 2020	December 31, 2019
K Laser	K Laser International Co., Ltd. (hereinafter referred to as International)	Reinvestment business	100%	100%
K Laser	K Laser China Group Co., Ltd. (hereinafter referred to as China Group)	Reinvestment business	100%	100%
K Laser	Optivision Technology Inc. (hereinafter referred to as Optivision Technology)	Research, development and manufacturing of precision optical components	41%	46%
K Laser	Everest Display Inc. (hereinafter referred to as Everest Display) (Note 3)	Sale of produced optical instruments and equipment	-	80%
K Laser	Insight Medical Solutions Inc. (hereinafter referred to as Insight Medical) (Note 2)	Research, Development and sale of endoscopes used In gastrointestinal tracts	45%	44%
K Laser	Everest International Co., Ltd.	Reinvestment in companies	100%	100%
K Laser and China Group Holding	iWin Technology Co., Ltd. (hereinafter referred to as iWin)	Reinvestment in companies	100%	100%
International	K Laser Technology (Korea) Co., Ltd. (hereinafter referred to as K Laser Korea)	Manufacturing and sale of holographic products	100%	100%
International	K Laser Technology (Thailand) Co., Ltd. (hereinafter referred to as K Laser Thailand)	Manufacturing and sale of holographic products	83%	83%
International	K Laser Technology (USA) Co., Ltd. (hereinafter referred to as K Laser USA)	Sale of holographic products	80%	80%
International	K Laser IMEA Co., Ltd. (hereinafter referred to as IMEA)	Reinvestment in companies	100%	100%
International	Amagic Technologies U.S.A. (Dubai) (hereinafter referred to as Amagic Dubai)	As an agent to sell holographic products	100%	100%
International	K Laser Technology Japan Co., Ltd. (hereinafter referred to as K Laser Japan)	Manufacturing and sale of holographic products	70%	70%
China Group	K Laser China Group Holding Co., Limited (hereinafter referred to as China Group Holding)	Reinvestment in companies	99.60%	99.60%
China Group	Holoprint Co., Ltd. (hereinafter referred to as Holoprint)	Reinvestment in companies	100%	100%

(Continued on next page)

(Brought forward from previous page)

Name of investing company	Name of subsidiary	Nature of business	Shareholding	
			December 31, 2020	December 31, 2019
China Group Holding	K Laser Technology (Hong Kong) Co., Ltd. (hereinafter referred to as K Laser Hong Kong)	As an agent to sell holographic products	100%	100%
China Group Holding	Holomagic Co., Ltd. (hereinafter referred to as Holomagic)	Reinvestment in companies	100%	100%
China Group Holding	Top Band Investment Limited (hereinafter referred to as Top Band)	Reinvestment in companies	100%	100%
Holomagic	Treasure Access Limited (hereinafter referred to as Treasure))	Reinvestment in companies	100%	100%
Top Band	Union Bloom Limited (hereinafter referred to as Union)	Reinvestment in companies	100%	100%
Optivision Technology Inc.	Bright Triumph Limited	Reinvestment business	100%	100%
Bright Triumph Limited	Ningpo Optivision Optical Technology Co., Ltd.	Processing of optical films	100%	100%
Treasure	Wuxi K Laser Laser Technology Co., Ltd. (hereinafter referred to as Wuxi K Laser)	Manufacturing and sale of holographic products	100%	100%
Treasure	Hunan Herui Laser Technology Co., Ltd. (hereinafter referred to as Hunan Herui Laser)	Manufacturing and sale of holographic products	49%	49%
Union	Dongguan K Laser Technology Co., Ltd. (hereinafter referred to as Dongguan K Laser)	Manufacturing and sale of holographic products	100%	100%
IMEA	Amagic Holographics India Private Limited (hereinafter referred to as Amagic India)	Manufacturing and sale of holographic products	100%	100%
iWin	Finity Laboratories (hereinafter referred to as Finity)	Research and development of holography	100%	100%
Everest Display	Everest International Co., Ltd.	Reinvestment business	(Note 3)	100%
Insight Medical	Insight Medical Solutions Holdings Inc. (hereinafter referred to as IMS Holding)	Reinvestment business	100%	100%
Insight Medical	ICMD Co., Ltd.	Sale of endoscopes used in gastrointestinal tracts Research, development and sale of endoscopes used in gastrointestinal tracts	-	80%
IMS Holding	Glory Group Medical (Wuxi) Co., Ltd	Manufacturing and sale of holographic products	100%	-
K Laser Thailand	K Laser Technology (Indonesia) Co., Ltd. (hereinafter referred to as K Laser Indonesia) (Note 1)	Manufacturing and sale of holographic products	70%	-

Note 1: K Laser technology (Indonesia) Co., Ltd., incorporated in 2019, mainly engages in manufacturing and sale of holographic products.

Note 2: Insight Medical Solutions Inc., incorporated on April 23, 2015, mainly engages in research and development of endoscopes used in gastrointestinal tracts, and is an associate of the Group using the equity method. Insight Medical conducted a seasoned equity offering in December 2019. After the change, the shares held by the Group increased to 44% and the Group also obtained control. Thus Insight Medical was included in the consolidated entities from December 2019.

Note 3: The Company conducted a short-form merger with Everest Display on June 30, 2020. After the merger, Everest Display was a dissolved company.

The financial statements of Insight Medical Solutions Inc., K Laser Technology (Hong Kong) Co., Ltd., a subsidiary of K Laser China Group Co., Ltd., Amagic Technologies U.S.A. (Dubai), a subsidiary of K Laser International Co., Ltd., and Amagic Holographics India Private Limited, a subsidiary of K Laser IMEA Co., Ltd., which are included in the consolidated financial statements, are audited by other CPAs rather than CPAs of the Company. The total assets of these subsidiaries, which were audited by other CPAs, were NT\$439,989 thousand and NT\$223,410 thousand respectively as of December 31, 2020 and 2019. The net operating revenue of these subsidiaries, which were audited by other CPAs, were NT\$285,507 thousand and NT\$323,629 thousand respectively for the years ended December 31, 2020 and December 31, 2019.

(2) Information of the Subsidiaries with Material Non-controlling Interests

Name of subsidiary	Main place of business	Ratio of shareholding with non-controlling interests and voting rights	
		December 31, 2020	December 31, 2019
Optivision Technology Inc.	Hsinchu City	59%	54%

Name of subsidiary	Profit or loss distributed to non-controlling interests		Non-controlling interests	
	2020	2019	December 31, 2020	December 31, 2019
Optivision Technology Inc.	<u>\$ 72,475</u>	<u>(\$13,494)</u>	<u>\$ 937,534</u>	<u>\$ 395,595</u>

K Laser was approved by the board of directors on December 24, 2020 to participate in the seasoned equity offering of Optivision Technology and subscribed for 3,267 thousand shares of Optivision Technology at NT\$228,719 thousand on December 31, 2020. After the seasoned equity offering, its shareholding became 41%.

The following summary financial information of Optivision Technology Inc. was prepared based on the amounts before the elimination of intracompany transactions.

Optivision Technology Inc. and Its Subsidiaries

	December 31, 2020	December 31, 2019
Current assets	\$ 2,059,623	\$ 974,194
Non-current assets	320,491	277,973
Current liabilities	(740,937)	(505,038)
Non-current liabilities	(37,062)	(9,215)
Equity	<u>\$ 1,602,115</u>	<u>\$ 737,914</u>
	2020	2019
Operating revenue	<u>\$ 1,833,577</u>	<u>\$ 1,367,166</u>
Net profit (loss) from continuing operations	<u>\$ 130,960</u>	<u>(\$ 19,279)</u>
Profit (loss) for the year	130,960	(19,279)
Other comprehensive income (loss)	<u>19,406</u>	<u>2,413</u>
Total comprehensive income (loss)	<u>\$ 150,366</u>	<u>(\$ 16,866)</u>
Cash flows		
Operating activities	\$ 27,565	\$ 42,469
Investing activities	(38,888)	(20,827)
Financing activities	805,163	(3,762)
Effect of exchange rate changes	<u>635</u>	<u>(3,146)</u>
Net cash inflow	<u>\$ 794,475</u>	<u>\$ 14,734</u>

XIII. Investments Accounted for Using the Equity Method

(1) Investments in Associates

Name of investee company	Main business activities	Place of incorporation and business	December 31, 2020		December 31, 2019	
			Book amount	Shareholding %	Book amount	Shareholding %
<u>Individual immaterial associates</u>						
Vicome Corp.	Manufacturing, processing, purchase and sale of fluorescent pigments and dyes	Yunlin	\$123,089	30	\$110,335	33
Guangfeng Optoelectronics (Wuxi) Co., Ltd.	Production and sale of optical instruments	China	38,501	45	35,519	45
JiangSu Sunderray Laser Packing Material Co., Ltd.	Production of specific film coating, decorative films and environmentally friendly transfer paper	China	158,478	33	148,749	33
Foshan Donglin Packaging Materials Co., Ltd.	Production of packaging materials for tobacco and extended products	China	36,350	25	35,043	25
Hunan Hexin Packaging Materials Co., Ltd.	Mainly engaging in producing, processing and selling films and cigarette packs, and division of rolling paper	China	218,231	49	205,521	49
Boxlight Corporation	Production and sale of optical instruments	USA	-	-	22,158	25
CIO Tech Ltd.	Investment holding	Cayman Islands	17,291	22	21,310	24
Prepayments for investments			=	-	<u>21,375</u>	-
			<u>\$591,940</u>		<u>\$600,010</u>	

1. Insight Medical Solutions Inc., which mainly engages in research and development of endoscopes used in gastrointestinal tracts, etc., is one of the Group's associates evaluated by using the equity method. Insight Medical Solutions Inc. conducted a seasoned equity offering in December 2019. After the seasoned equity offering, the shares held by the Group increased to 44% and the Group also obtained control. Thus Insight Medical was included in the consolidated entities from December 2019. Refer to Note 12 for details.
2. In March 2020, the Group transferred its equity in Boxlight Corporation to the assets held for sale at the book value. Refer to Note 10 for details.
3. Information of fair value of an associate from open market quotation is as follows:

Company name	December 31, 2019
Boxlight Corporation	<u>USD3,256 thousand</u> <u>(NTD97,615 thousand)</u>

(2) Information of Individual Immaterial Associates

	<u>2020</u>	<u>2019</u>
Share enjoyed by the Group		
Net profit loss from continuing operations	\$ 31,550	(\$103,825)
Other comprehensive income (loss)	(<u>1,872</u>)	(<u>768</u>)
Total comprehensive income (loss)	<u>\$ 29,678</u>	<u>(\$104,593)</u>

The Group's share of the profits (or losses) and other comprehensive incomes (or losses) of its associates recognized by the Group in 2020 and 2019 using the equity method were recognized based on the financial statements of the same years audited by CPAs of the associates. However, financial reports of some investee companies were audited by other CPAs instead of CPAs of the Group. The amount of investments made by the aforementioned investee companies and accounted for by using the equity method was NT\$123,809 thousand and NT\$110,335 thousand respectively as of December 31, 2020 and 2019. The amount of investment gains recognized by the aforementioned investee companies using the equity method for the years ended on December 31, 2020 and 2019 was NT\$13,315 thousand and NT\$9,460 thousand respectively.

IVX. Property, Plant and Equipment

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Land	\$ 102,994	\$ 111,734
Building	374,603	399,161
Machinery equipment	405,407	428,785
Other equipment	142,543	179,136
Unfinished construction and equipment pending acceptance	<u>105,828</u>	<u>70,861</u>
	<u>\$ 1,131,375</u>	<u>\$ 1,189,677</u>

	Land	Building	Machinery equipment	Other equipment	Unfinished construction and equipment pending acceptance	Total
<u>Cost</u>						
Balance at January 1, 2020	\$ 111,734	\$ 1,012,956	\$ 1,805,803	\$ 677,651	\$ 70,861	\$ 3,679,005
Addition	-	13,058	49,155	21,109	57,558	140,880
Disposition	-	(13,608)	(141,277)	(74,867)	-	(229,752)
Reclassification	-	-	27,487	(5,590)	(22,144)	(247)
Net exchange differences	(6,064)	1,414	3,784	1,277	(447)	(36)
Balance at December 31, 2020	\$ 105,670	\$ 1,013,820	\$ 1,744,952	\$ 619,580	\$ 105,828	\$ 3,589,850
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2020	\$ -	\$ 613,795	\$ 1,377,018	\$ 498,515	\$ -	\$ 2,489,328
Depreciation expense	-	32,433	94,841	50,982	-	178,256
Impairment loss	2,676	1,968	3,747	348	-	8,739
Disposition	-	(10,826)	(137,281)	(74,018)	-	(222,125)
Reclassification	-	-	(529)	477	-	(52)
Net exchange differences	-	1,847	1,749	733	-	4,329
Balance at December 31, 2020	\$ 2,676	\$ 639,217	\$ 1,339,545	\$ 477,037	\$ -	\$ 2,458,475
Net at January 1, 2020	\$ 111,734	\$ 399,161	\$ 428,785	\$ 179,136	\$ 70,861	\$ 1,189,677
Net at December 31, 2020	\$ 102,994	\$ 374,603	\$ 405,407	\$ 142,543	\$ 105,828	\$ 1,131,375
<u>Cost</u>						
Balance at January 1, 2019	\$ 105,749	\$ 1,022,191	\$ 1,930,941	\$ 626,571	\$ 53,312	\$ 3,738,764
Addition	-	3,901	46,050	16,485	48,404	114,840
Disposition	-	(8,545)	(164,936)	(14,275)	(13,468)	(201,224)
Acquisition of business combinations	-	-	12,079	33,402	14,995	60,476
Reclassification	-	8,094	10,033	22,899	(31,232)	9,794
Net exchange differences	5,985	(12,685)	(28,364)	(7,431)	(1,150)	(43,645)
Balance at December 31, 2019	\$ 111,734	\$ 1,012,956	\$ 1,805,803	\$ 677,651	\$ 70,861	\$ 3,679,005
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2019	\$ -	\$ 592,362	\$ 1,452,230	\$ 447,429	\$ -	\$ 2,492,021
Depreciation expense	-	33,602	101,291	48,508	-	183,401
Impairment loss	-	-	995	3,544	-	4,539
Disposition	-	(7,853)	(156,116)	(13,927)	-	(177,896)
Acquisition of business combinations	-	-	4,298	14,006	-	18,304
Reclassification	-	3,656	(4,678)	3,867	-	2,845
Net exchange differences	-	(7,972)	(21,002)	(4,912)	-	(33,886)
Balance at December 31, 2019	\$ -	\$ 613,795	\$ 1,377,018	\$ 498,515	\$ -	\$ 2,489,328
Net at December 31, 2019	\$ 111,734	\$ 399,161	\$ 428,785	\$ 179,136	\$ 70,861	\$ 1,189,677

- (1) Property, plant and equipment of the Group is depreciated based on the following service lives on a straight-line basis.

Building	
House and building	25 ~50years
House furnishings	2~10 years
Machinery equipment	2~15 years

- (2) The balance of property, plant and equipment not depreciated yet by the Group and the investment property mortgaged to the bank as security for loans as of December 31, 2020 and 2019 are detailed as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Land	\$ 38,635	\$ 40,826
House and building	<u>154,614</u>	<u>165,249</u>
	<u>\$ 193,249</u>	<u>\$ 206,075</u>

XV. Lease Agreement

- (1) Right-of-use Assets

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Book amount of right-of-use assets		
Land	\$ 155,490	\$ 165,879
Building	89,676	65,677
Machinery equipment	10,907	13,165
Transportation equipment	<u>7,507</u>	<u>4,938</u>
	<u>\$ 263,580</u>	<u>\$ 249,659</u>
	<u>2020</u>	<u>2019</u>
Added Right-of-use assets	<u>\$ 69,312</u>	<u>\$ 16,700</u>
Expense of depreciation of right-of-use assets		
Land	\$ 10,746	\$ 10,967
Building	35,686	27,044
Machinery equipment	2,263	1,828
Transportation equipment	<u>4,623</u>	<u>4,570</u>
	<u>\$ 53,318</u>	<u>\$ 44,409</u>

- (2) Lease Liabilities

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Book amount of lease liabilities		
Current	<u>\$ 51,244</u>	<u>\$ 38,882</u>
Non-current	<u>\$ 199,582</u>	<u>\$ 195,155</u>

The range of discount rates for lease liabilities is as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Land	1.4%~3.63%	1.4%~3.63%
Building	1.5%~5.5%	1.5%~5.5%
Machinery equipment	1.5%	1.5%
Transportation equipment	1.5%~2.36%	1.5%~2.36%

(3) Other Lease Information

	<u>2020</u>	<u>2019</u>
Short-term lease expenses	<u>\$ 34,065</u>	<u>\$ 24,909</u>
Low-value asset lease expenses	<u>\$ 2,316</u>	<u>\$ 250</u>
Total cash outflow from leases	<u>(\$ 93,288)</u>	<u>(\$ 71,577)</u>

The consolidated company chose to recognize exemptions applicable to the asset leases that are in line with short-term leases and did not recognize right-of-use assets or lease liabilities relevant to such leases.

XVI. Investment Property

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Investment property	<u>\$ -</u>	<u>\$ -</u>
	<u>2020</u>	<u>2019</u>
<u>Cost</u>		
Balance at January 1	\$ -	\$ 59,360
Reclassification	-	(8,094)
Disposition	-	(49,615)
Net exchange differences	-	(1,651)
Balance at December 31	<u>\$ -</u>	<u>\$ -</u>
<u>Accumulated depreciation and impairment</u>		
Balance at January 1	\$ -	\$ 7,823
Depreciation expense	-	2,447
Reclassification	-	(3,656)
Disposition	-	(6,401)
Net exchange differences	-	(213)
Balance at December 31	<u>\$ -</u>	<u>\$ -</u>

The aforementioned investment property was depreciated based on the following service lives on a straight-line basis.

House and building	20~50 years
House furnishings	10 years

XVII. Goodwill

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Cost</u>		
Beginning balance	\$ 85,752	\$ -
Business combinations acquired in the year	<u>-</u>	<u>85,752</u>
Ending balance	<u>\$ 85,752</u>	<u>\$ 85,752</u>
<u>Accumulated impairment loss</u>		
Beginning balance	<u>\$ -</u>	<u>\$ -</u>
Ending balance	<u>\$ -</u>	<u>\$ -</u>
Net at the end of the year	<u>\$ 85,752</u>	<u>\$ 85,752</u>

The Group had control over Insight Medical Solutions Inc. on December 23, 2019 and recognized Insight Medical-related goodwill amounting to NT\$85,752 thousand, which mainly resulted from the expected growth of operating revenue with respect to capsule endoscope products in Taiwan.

The amount recoverable by Insight Medical Solutions Inc. was determined based on value of use and estimated based on the cash flows expected for its finance for the following 5 years, approved by the management of the Group and computed at the annual discount rate 15.3%. Cash flows for the future after the 5 years were expanded at the growth rate 2% consistently. Other key assumptions included operating revenue and gross profit forecasts. These forecasts were made by taking into account the past operation of the cash-generating units and expectation of the management for the market.

XVIII. Other Intangible Assets

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Book amount of each category</u>		
Computer software cost	\$ 3,257	\$ 4,092
Expertise	<u>41,415</u>	<u>44,373</u>
	<u>\$ 44,672</u>	<u>\$ 48,465</u>
	<u>2020</u>	<u>2019</u>
<u>Cost</u>		
Balance at January 1	\$ 66,296	\$ 20,996
Acquisition for the year	1,235	1,078
Disposition for the year	(1,320)	(148)
Acquisition of business combinations	-	44,373
Net exchange differences	<u>1</u>	<u>(3)</u>
Balance at December 31	<u>\$ 66,212</u>	<u>\$ 66,296</u>

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	<u>2020</u>	<u>2019</u>
<u>Accumulated amortization and impairment</u>		
Balance at January 1	\$ 17,831	\$ 14,079
Amortization expense	5,028	3,903
Disposition for the year	(1,320)	(148)
Net exchange differences	<u>1</u>	<u>(3)</u>
Balance at December 31	<u>\$ 21,540</u>	<u>\$ 17,831</u>

Amortization expenses were allocated base on the following service lives on a straight-line basis.

Computer software	2~5 years
Expertise	15 years

XIX. Other Assets

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Tax overpaid retained for offsetting the future tax payable	\$ 21,871	\$ 19,677
Prepaid expenses and prepayments	66,348	66,769
Refundable deposits	33,030	40,918
Restricted assets (Note 6)	240,625	75,354
Others	<u>34,986</u>	<u>37,629</u>
	<u>\$ 396,860</u>	<u>\$ 240,347</u>
Current	\$ 188,677	\$ 162,723
Non-current	<u>208,183</u>	<u>77,624</u>
	<u>\$ 396,860</u>	<u>\$ 240,347</u>

XX. Borrowings

(1) Short-term Borrowings

	<u>December 31, 2020</u>		<u>December 31, 2019</u>	
	<u>Interest rate</u>	<u>amount</u>	<u>Interest rate</u>	<u>amount</u>
Credit loan	0.85%~1.60%	\$ 500,000	0.95%~3.58%	\$ 610,754
Loans payable for usance L/Cs	0.64%~1.52%	<u>310,164</u>	0.63%~2.84%	<u>190,393</u>
		<u>\$ 810,164</u>		<u>\$ 801,147</u>

K Laser was the guarantor for the credit loans of the Group as of December 31, 2020 and 2019. For part of the loans, Mr. Kuo Wei-Wu, Chairman of K Laser, and Mr. Kuo Wei-Pin, Director of K Laser, were joint guarantors.

(2) Short-term Notes and Bills Payable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Commercial paper payable	\$ 300,000	\$ 170,000
Less: Discount on short-term notes and bills payable	(83)	(57)
	<u>\$ 299,917</u>	<u>\$ 169,943</u>

Short-term notes and bills payable not due yet are as follows:

December 31, 2020

<u>Guarantee/acceptance institution</u>	<u>Face value</u>	<u>Discount</u>	<u>Book amount</u>	<u>Interest rate range</u>
<u>Commercial paper payable</u>				
Taiwan Finance Corp.	\$ 50,000	\$ 6	\$ 49,994	0.958%
China Bills Finance Corp.	50,000	7	49,993	0.978%
Mega Bills Finance Corp.	50,000	13	49,987	0.978%
International Bills Finance Corp.	50,000	29	49,971	0.938%
Ta Ching Bills Finance Corp.	50,000	21	49,979	0.978%
Dah Chung Bills Finance Corp.	<u>50,000</u>	<u>7</u>	<u>49,993</u>	0.978%
	<u>\$ 300,000</u>	<u>\$ 83</u>	<u>\$ 299,917</u>	

December 31, 2019

<u>Guarantee/acceptance institution</u>	<u>Face value</u>	<u>Discount</u>	<u>Book amount</u>	<u>Interest rate range</u>
<u>Commercial paper payable</u>				
Taiwan Finance Corp.	\$ 50,000	\$ 12	\$ 49,988	0.988%
China Bills Finance Corp.	50,000	6	49,994	0.978%
Mega Bills Finance Corp.	50,000	16	49,984	0.978%
International Bills Finance Corp.	<u>20,000</u>	<u>23</u>	<u>19,977</u>	1.538%
	<u>\$ 170,000</u>	<u>\$ 57</u>	<u>\$ 169,943</u>	

Mr. Kuo Wei-Wu, Chairman of K Laser, was a joint guarantor for the short-term notes and bills payable of the Group as of December 31, 2020 and 2019.

(3) Current Portion of Long-term Liabilities

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current portion of long-term loans	<u>\$ 100,000</u>	<u>\$ 10,000</u>

(4) Long-term Borrowings

	December 31, 2020		December 31, 2019	
	Interest rate%	Amount	Interest rate%	Amount
<u>Guaranteed loans</u>				
Taipei Fubon Bank (Arranger of the syndicated loan)				
A mortgage loan for the period between December 2019 and December 2022, with interest to be paid every month, as a revolving loan allowing separate drawdowns, each of which shall not be more than 6 months after the previous drawdown	1.79	\$ 400,000	1.79	\$ 360,000
Taipei Fubon Bank (Arranger of the syndicated loan)				
A mortgage loan for the period between December 2019 and December 2022, with interest to be paid every season, as a revolving loan allowing separate drawdowns, each of which shall not be more than 6 months after the previous drawdown	0.66	400,000	0.79	360,000
<u>Loans without collateral</u>				
JihSun Bank				
A credit loan for the period between November 2018 and November 2020, with interest to be paid every month, and principal to be repaid in full when due, which was extended for additional 2 years from November 2020 with the maturity date in November 2022	1.20	100,000	1.35	50,000
JihSun Bank				
Credit loan for the period between November 2019 and November 2021, with interest to be paid every month, and principal to be repaid in full when due	-	-	1.80	50,000
KGI Bank				
A credit loan for the period between November 2019 and November 2021, with interest to be paid every month, and principal to be repaid in full when due, which was extended for additional 2 years from December 2020 with the maturity date in December 2022	0.99	80,000	1.15	100,000
Taipei Fubon Bank				
A credit loan for the period between July 2018 and May 2020, with interest to be paid every month, and principal to be repaid in full when due, which was extended for additional 2 years from May 2019 with the maturity date in May 2021, and part of which was repaid early in January 2020	-	-	1.24	100,000
Taipei Fubon Bank				
A credit loan for the period between June 2020 and May 2022, with interest to be paid every month, and principal to be repaid in full when due	1.47	50,000	-	-
Taipei Fubon Bank				

	December 31, 2020		December 31, 2019	
	Interest rate%	Amount	Interest rate%	Amount
A credit loan for the period between June 2020 and May 2022, with interest to be paid every month, and principal to be repaid in full when due	1.55	50,000	-	-
Chinatrust Commercial Bank				
A credit loan for the period between February 2019 and October 2020, with interest to be paid every month, and principal to be repaid in full when due, which was extended for additional 2 years from August 2020 with the maturity date in August 2022	1.22	100,000	1.35	50,000
Yuanta Commercial Bank				
A credit loan for the period between March 2019 and March 2021, with interest to be paid every month, and principal to be repaid in full when due	0.95	100,000	1.30	100,000
E. Sun Bank				
A credit loan for the period between March 2020 and September 2021, with interest to be paid every month, and principal to be repaid in full when due, which was extended for additional 2 years from October 2020 with the maturity date in October 2022	1.23	50,000	-	-

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	December 31, 2020		December 31, 2019	
	Interest rate%	Amount	Interest rate%	Amount
Bank of Panshin A credit loan for the period between April 2018 and April 2020, with interest to be paid every month, and principal to be repaid averagely every season from the 13 th month, which was extended for additional 2 years from June 2019 with the maturity date in June 2021	-	\$ -	1.90	\$ 20,000
Bank of Panshin A credit loan for the period between July 2020 and May 2022, with interest to be paid every month, and principal to be repaid averagely every season from the 13 th month	1.30	20,000	-	-
Less: Current portion of long-term loans		(<u>100,000</u>) <u>\$ 1,250,000</u>		(<u>10,000</u>) <u>\$ 1,180,000</u>

1. For enriching its working capital and repaying corporate bonds, the Group had Taipei Fubon Bank arrange a syndicated loan. The Group then entered into a syndicated loan contract with 9 financial institutions in November 2019. The total line of credit was NT\$800,000 thousand. As of December 31, 2020, the amount of drawdoans was NT\$800,000 thousand and the balance of borrowed money was NT\$800,000 thousand.

(1) Current ratio (i.e. the ratio of current assets to current liabilities) shall not be less than 100%.

(2) Debt ratio (i.e. the ratio of total liabilities less cash and cash equivalents to tangible net worth) shall not be more than 100%.

(3) Times interest earned (i.e. the ratio obtained from net profit before tax plus interest expense, depreciation and amortization divided by interest expense) shall not be less than 300%.

(4) Tangible net worth shall not be less than NT\$ 2,600,000 thousand.

2. Mr. Kuo Wei-Wu, Chairman of K Laser, was a joint guarantor for the aforementioned long-term borrowings. Property, plant and equipment and investment property were mortgaged to Taipei Fubon Bank as a collateral for the syndicated loan.

XXI. Post-employment Benefit Plan

(1) Defined Contribution Plan

The retirement pension system provided in the Labor Pension Act, which is applicable to K Laser, Optivision Technology and Everest Display, refers to the defined contribution plan managed by the government. The 6% of the monthly wages of an employee is allocated to the specific account of the individual with Bureau of Labor Insurance.

The amounts allocated for the years ended December 31, 2020 and 2019 by the Group at the specific percent provided in the defined contribution plan have been recognized as expenses in the amount of NT\$13,187 thousand and NT\$11,944 thousand respectively in the consolidated statement of comprehensive income.

(2) Defined Benefit Plan

The retirement pension system provided in the Labor Standards Act of the Republic of China, which is applicable to K Laser, a company in the Group, refers to the defined benefit plan. The retirement pension to an employee is computed based on the employee's service time and average wage of the 6 months immediately before the date of retirement approval. K Laser allocates the 2% of the monthly wages of an employee to be the employees' retirement funds and transfers it to Supervisory Committee of Business Entities' Labor Retirement Reserve. The committee then deposits it to the specific account with Bank of Taiwan in the name of the committee. If the balance of the specific account at the end of a fiscal year is estimated not to be enough to be paid to the employees who will meet the requirements of retirement in the next year, the difference will be allocated in full by the end of March in the next year. The specific account is entrusted to Bureau of Labor Funds, Ministry of Labor to manage. The Group has no right to influence its investment and management strategies.

Amounts for the defined benefit plan in the consolidated balance sheet are listed as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Present value of a defined benefit obligation	\$ 44,619	\$ 49,662
Fair value of plan assets	<u>(25,731)</u>	<u>(24,164)</u>
Net defined benefit liabilities	<u>\$ 18,888</u>	<u>\$ 25,498</u>

Changes in net defined benefit liabilities (assets) are as follows:

	<u>Present value of a defined benefit obligation</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liabilities</u>
Balance at January 1, 2019	<u>\$ 44,878</u>	<u>(\$22,516)</u>	<u>\$ 22,362</u>
Service cost			
Current service cost	344	-	344
Interest expense (income)	<u>444</u>	<u>(224)</u>	<u>220</u>
Recognized in profit (loss)	<u>788</u>	<u>(224)</u>	<u>564</u>
Remeasurements			
Return on plan assets	-	(788)	(788)
Actuarial losses- Changes in demographic assumptions	729	-	729
Actuarial losses — Changes in financial assumptions	949	-	949
Actuarial losses — Experience adjustments	<u>3,338</u>	<u>-</u>	<u>3,338</u>
Recognized in other comprehensive income (loss)	<u>5,016</u>	<u>(788)</u>	<u>4,228</u>

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	Present value of a defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
Employer's contributions	\$ -	(\$ 636)	(\$ 636)
Benefit payment	(1,020)	-	(1,020)
Balance at December 31, 2019	<u>49,662</u>	<u>(24,164)</u>	<u>25,498</u>
Service cost			
Current service cost	488	-	488
Interest expense (income)	<u>372</u>	<u>(184)</u>	<u>188</u>
Recognized in profit (loss)	<u>860</u>	<u>(184)</u>	<u>676</u>
Remeasurements			
Return on plan assets	-	(783)	(783)
Actuarial losses- Changes in demographic assumptions	843	-	843
Actuarial losses- Changes in financial assumptions	989	-	989
Actuarial losses — Experience adjustments	<u>(1,285)</u>	<u>-</u>	<u>(1,285)</u>
Recognized in other comprehensive income (loss)	<u>547</u>	<u>(783)</u>	<u>(236)</u>
Employer's contributions	-	(600)	(600)
Benefit payment	<u>(6,450)</u>	<u>-</u>	<u>(6,450)</u>
Balance at December 31, 2020	<u>\$ 44,619</u>	<u>(\$25,731)</u>	<u>\$ 18,888</u>

The amounts with respect to the defined benefit plan recognized in profit (loss) are complied by functions as follows:

	2020	2019
By functions:		
Operating cost	\$ 256	\$ 198
Selling and marketing	97	69
General and administrative	253	223
R&D expense	<u>70</u>	<u>74</u>
	<u>\$ 676</u>	<u>\$ 564</u>

The Group is exposed to the following risks with respect to the retirement pension system provided by the Labor Standards Act.

1. Investment Risk: Bureau of Labor Funds, Ministry of Labor invests the labor pension fund by itself or through an agent in

domestic (foreign) domestic equity securities and debt securities, bank deposits and other subject matters. However, the distributable amount of the Company's plan assets is the income calculated at an interest rate not inferior to that announced by the local bank for 2-year time deposits.

2. Interest Rate Risk: Interest rates for government bonds are reduced so that the present value of defined benefit obligations increases. However, the return on debt investments with respect to plan assets increases accordingly. Both offset the impact on the net defined benefit liabilities partially.
3. Wage Risk: The present value of defined benefit obligations is calculated by taking future wages of plan members into account. Thus the increase in wages of plan members will result in an increase in the present value of defined benefit obligations.

The present value of defined benefit obligations of the Group is calculated by a qualified actuary. Material assumptions on the measurement date are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Discount rate	0.50%	0.75%
Expected rate of wage increments	2.00%	2.00%

In case of a reasonable and possible change in any material actuarial assumption, the increase (decrease) in the present value of defined benefit obligations on the premise that other assumptions remain unchanged is as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Discount rate		
Increased by 0.25%	<u>(\$ 1,009)</u>	<u>(\$ 965)</u>
Decreased by 0.25%	<u>\$ 1,049</u>	<u>\$ 1,002</u>
Expected rate of wage increments		
Increased by 0.25%	<u>\$ 1,016</u>	<u>\$ 972</u>
Decreased by 0.25%	<u>(\$ 983)</u>	<u>(\$ 941)</u>

The aforementioned sensitivity analysis may probably not reflect actual changes in the present value of defined benefit obligations as

actuarial assumptions may correlate mutually and changes in only one assumption are not quite possible.

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Amount expected to be contributed in one year	<u>\$ 579</u>	<u>\$ 630</u>
Average expiration period of defined benefit obligations	11.5 years	9.46 years

XXII. Equity

(1) Capital Stock

Common Shares

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Authorized number of shares (Thousand shares)	<u>200,000</u>	<u>200,000</u>
Authorized capital stock	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>
Number of issued and paid-in shares (Thousand shares)	<u>159,325</u>	<u>159,325</u>
Capital stock issued	<u>\$ 1,593,246</u>	<u>\$ 1,593,246</u>

Common shares are issued with par value NT\$10. A shareholder is entitled to one vote for each share the shareholder holds and has the right to receive dividends.

(2) Capital Reserve

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Used to make good of loss, distribute cash or appropriate to be capital stock (1)</u>		
Additional paid-in capital in excess of par - common shares	\$ 454,275	\$ 454,275
Transactions of treasury shares	28,216	14,901
Differences between equity purchase price and carrying amount arising from actual acquisition or disposal of subsidiaries	69,189	46,220
<u>Used to make good of losses only (2)</u>		
Recognized changes in ownership interest in subsidiaries	33,667	29,976
<u>Not used for any purpose</u>		
Employee stock option	-	6,159
	<u>\$ 585,347</u>	<u>\$ 551,531</u>

1. Such capital reserve may be used to make good of loss and may be used to distribute cash or expand capital stock when the company has not loss; however, the amount used to expend capital stock is limited to a certain percentage of the paid-in capital.
2. Such capital reserve is either the equity transaction effect recognized for changes in the equity of the subsidiary or the capital surplus adjustment of the subsidiary accounted for using the equity method when the Company does not acquire or dispose the equity in the subsidiary, and shall be used only to make good of loss.

(3) Retained Earnings and Dividend Policies

K Laser resolved to amend its articles of incorporation at the shareholders' meeting on May 31, 2019. According to the amendment, earnings are distributed and losses are made good of at the end of each season and the board of directors is authorized, through special

resolution, to distribute cash dividends and bonuses and report such distribution at the shareholders' meeting.

According to the earning distribution policy prepared by K Laser pursuant to the amended articles of incorporation, the earnings, if any, at the final settlement of each season, shall be used to pay tax, make good of the previous year's loss and cover the retained employees' remuneration. Then the 10% of the rest of the earnings is allocated as legal reserve (however, no legal reserve shall be allocated if it reaches the amount of the total capital of the Company). Special reserve shall be allocated or reversed in accordance with regulations or as required by the competent authority. In case of any earnings left, the remaining earnings plus each season's accumulated undistributed earnings are accumulated and distributable earnings, for which the board of directors may prepare a proposal of earning distribution. The aforementioned earnings are distributed by issuing new shares and shall be distributed after being resolved at the shareholders' meeting. In case that the earnings are distributed in cash, the earning distribution is adopted only when more than two-thirds of directors shall appear at the meeting and more than a half of directors present approve. Then the approved earning distribution is reported at the shareholders' meeting.

According to the earning distribution policy before K Laser amends its articles of incorporation, the earnings, if any, at the final settlement of each year, shall be first used to pay income tax and make good of accumulated loss. Then the 10% of the rest of the earnings is allocated as legal reserve. Special reserve is allocated under current earnings in accordance with regulations or relevant requirements and then is reversed before being listed in the earnings to be allocated. Then the board of directors prepares and submits the proposal of distribution to the shareholders' meeting for resolution. For allocation of employees' and directors' remunerations in accordance with the amended articles of incorporation, refer to Note 23.

K Laser allocated special reserve based on the approval letters with Ref. No. 1010012865, Ref. No. 1010047490 and Ref. No.

1030006415 issued by the Financial Supervisory Commission and pursuant to the rules provided in the Questions and Answers Applicable to Special Reserve Allocated After Implementation of International Financial Reporting Standards (IFRSs). When the balance of the subtrahend under other shareholders' equity is reserved, earnings may be distributed for the reserved part.

Legal reserve shall be allocated until the balance thereof reaches the total paid-in capital of the company. Legal reserve may be used to make good of loss. When the company has no loss, the portion of legal reserve in excess of 25% of paid-in capital can be used to expand capital stock or be distributed in cash.

K Laser held a general meeting of shareholders on May 31, 2019 and adopted the resolution of earning distribution for the year 2018 as follows:

	Earning distribution	Dividend per share (NTD)
	2018	2018
Legal reserve	\$ 6,583	\$ -
Special reserve	38,226	-
Cash dividends	62,043	0.41

K Laser held a general meeting of shareholders on May 28, 2020 and resolved that no distribution was granted because it had a loss for the year 2019.

K Laser presented at the board meeting held on March 23, 2021 the proposal of earning distribution for the year 2020 as follows:

	Earning distribution	Dividend per share (NTD)
Legal reserve	\$ 12,894	\$ -
Special reserve	116,501	-
Cash dividends	144,220	0.96

The proposal of earning distribution for the year 2020 will be resolved at the shareholders' meeting to be held on May 28, 2021.

(4) Other Equity

1. Exchange differences on translation of foreign financial statements:

	2020	2019
Beginning balance	(\$ 278,472)	(\$ 195,571)
Exchange differences arising on translating net assets of foreign operations	(7,002)	(82,211)
Share of other comprehensive income (loss) of associates accounted for using the equity method	(1,872)	(768)
Disposal of partial equity in subsidiaries	<u>261</u>	<u>78</u>
Ending balance	(\$ <u>287,085</u>)	(\$ <u>278,472</u>)

Exchange differences arising on translating the net assets of foreign operations in the functional currency to those in the presentation currency used by the Group (i.e. NTD) are recognized directly as other comprehensive income (loss) and accumulated in exchange differences on translation of foreign financial statements. The previously accumulated exchange differences on translation of foreign financial statements are reclassified as profit or loss upon disposal of the foreign operations.

2. Unrealized Gains (Losses) on Financial Assets at FVTOCI

	2020	2019
Beginning balance	(\$33,033)	(\$5,574)
Unrealized gains (losses) from investments in equity instruments measured at FVTOCI	1,632	(27,690)
Disposal of partial equity in subsidiaries	<u>998</u>	<u>231</u>
Ending balance	(<u>\$30,403</u>)	(<u>\$33,033</u>)

Investments in equity instruments at FVTOCI are measured at fair value. Changes in fair value are subsequently listed in other comprehensive income (loss) and accumulated in other equity. Upon disposal of investments, the accumulated gain (loss) is transferred directly to retaining earnings and will not be reclassified as profit (loss).

(5) Treasury Shares

1. Information of changes in treasury shares is as follows:

Unit: Share

2020				
Reason of possessing shares	Number of shares at the beginning of the year	Increase in the year	Decrease in the year	Number of shares at the end of the year
Shares transferred to employees	6,000,000	6,000,000	(2,905,000)	9,095,000
Shares of the parent company possessed by subsidiaries	<u>2,750,000</u>	=	(<u>2,750,000</u>)	=
	<u>8,750,000</u>	<u>6,000,000</u>	(<u>5,655,000</u>)	<u>9,095,000</u>
2019				
Reason of possessing shares	Number of shares at the beginning of the year	Increase in the year	Decrease in the year	Number of shares at the end of the year
Shares transferred to employees	6,714,000	1,286,000	(2,000,000)	6,000,000
Shares of the parent company possessed by subsidiaries	=	<u>2,750,000</u>	=	<u>2,750,000</u>
	<u>6,714,000</u>	<u>4,036,000</u>	(<u>2,000,000</u>)	<u>8,750,000</u>

2. Insight Medical Solutions Inc., a subsidiary of K Laser, held the Company's shares on the balance sheet date. Relevant information is as follows:

December 31, 2019

Name of subsidiary	Number of shares (Share)	Amount transferred as treasury shares	Market price per share on December 31, 2019 (NTD)
Insight Medical Solutions Inc.	<u>2,750,000</u>	<u>\$ 22,785</u>	<u>\$ 19.10</u>

The aforementioned amount transferred as treasury shares from the Company's shares held by Insight Medical Solutions Inc. has been adjusted at the ratio of the shares of Insight Medical Solutions Inc. held by the Company.

3. According to Article 28-2 of the Securities and Exchange Act, The number of shares bought back by a company shall not exceed 10% of the total number of issued and outstanding shares of the company. The total amount of the shares bought back shall not exceed the sum of retained earnings, premium on capital stock and realized capital reserve. The treasury shares held by the Group in accordance with Securities and Exchange Act shall not be pledged and shall not be attached with any right to distributed dividends or voting. The K Laser shares possessed by its subsidiaries are deemed as treasury shares, the rights attached to which are the same as those attached to general shares, except that treasury shares do not entitle their holders to participate in any seasoned equity offering conducted by K Laser or have the voting right.

(6) Non-controlling Interests

	2020	2019
Beginning balance	\$ 842,432	\$ 701,404
Share attributed to non-controlling interests		
Profit (loss) for the year	46,730	(38,874)
Exchange differences on translation of foreign financial statements	(2,184)	(6,027)
Unrealized gains (losses) on financial assets at FVTOCI	10,985	2,927
Addition for the year	475,815	-
Acquisition through business combinations	-	225,859
Disposal of partial equity in subsidiaries	44,925	10,455
Purchase of non-controlling interests of subsidiaries	(14,033)	(9,084)
Dividends distributed by subsidiaries	(6,689)	(17,192)
Refund of shares for increases in capital stocks of subsidiaries	-	(589)
Shares of the parent company sold (possessed) by subsidiaries	26,390	(28,503)
Others	403	2,056
Ending balance	<u>\$ 1,424,774</u>	<u>\$ 842,432</u>

XXIII. Net Profit of Continuing Operations

Employee Benefit Expense and Depreciation and Amortization Expenses

	2020			
	Operating cost	Operating expenses	Non-operating expenses and losses	Total
Short-term employee benefits	<u>\$ 365,461</u>	<u>\$ 384,754</u>	<u>\$ -</u>	<u>\$ 750,215</u>
Post-employment benefits	<u>\$ 6,124</u>	<u>\$ 7,739</u>	<u>\$ -</u>	<u>\$ 13,863</u>
Termination benefits	<u>\$ 145</u>	<u>\$ 19</u>	<u>\$ -</u>	<u>\$ 164</u>
Other employee benefits	<u>\$ 5,464</u>	<u>\$ 12,429</u>	<u>\$ -</u>	<u>\$ 17,893</u>
Depreciation expense				
Depreciation of property, plant and equipment	\$ 109,958	\$ 66,837	\$ 1,461	\$ 178,256
Depreciation of right-of-use assets	<u>27,183</u>	<u>24,420</u>	<u>1,715</u>	<u>53,318</u>
	<u>\$ 137,141</u>	<u>\$ 91,257</u>	<u>\$ 3,176</u>	<u>\$ 231,574</u>
Amortization expense	<u>\$ 214</u>	<u>\$ 4,814</u>	<u>\$ -</u>	<u>\$ 5,028</u>

	2019			
	Operating cost	Operating expenses	Non-operating expenses and losses	Total
Short-term employee benefits	\$ 369,728	\$ 410,513	\$ -	\$ 780,241
Post-employment benefits	\$ 6,346	\$ 6,162	\$ -	\$ 12,508
Other employee benefits	\$ 8,580	\$ 17,638	\$ -	\$ 26,218
Depreciation expense				
Depreciation of property, plant and equipment	\$ 127,498	\$ 52,494	\$ 3,409	\$ 183,401
Depreciation of right-of-use assets	26,572	15,983	1,854	44,409
Depreciation of investment property	-	-	2,447	2,447
	\$ 154,070	\$ 68,477	\$ 7,710	\$ 230,257
Amortization expense	\$ 220	\$ 3,683	\$ -	\$ 3,903

K Laser allocates employees' remuneration and directors' remuneration, from its profit computed before deduction of employees' remuneration and directors' remuneration, at a rate from 4% to 8% and at a rate no more than 2% respectively in accordance with the articles of incorporation. The employees' remuneration and directors' remuneration estimated for the year 2020 are resolved at the board meeting on March 23, 2021 as follows:

Estimated Percentage

	2020
Employees' remuneration	8%
Directors' remuneration	2%

Amounts

	2020	
	Cash	Stock
Employees' remuneration	\$ 13,370	\$ -
Directors' remuneration	3,342	-

If any amount is changed after the date when the annual consolidated financial report is announced, then such change is treated as a change in accounting estimate and entered into the account for the following year after adjustment.

Neither employees' remuneration nor directors' remuneration is allocated due to a loss suffered for the year 2019. The employees' remuneration and directors' remuneration for the year 2018 were resolved at the board meeting on March 26, 2019 as follows:

	2018	
	Cash	Stock
Employees' remuneration	\$ 6,560	\$ -
Directors' remuneration	1,640	-

There is no difference between the actually distributed amount of the employees' remuneration and directors' remuneration for the year 2018 and the corresponding amount recognized in the consolidated financial report of the year 2018.

For information of the employees' remuneration and directors' remuneration resolved by the board of directors of K Laser, please check at the market observatory post system of Taiwan Stock Exchange.

XXIV. Income Tax of Continuing Operations

(1) Income Tax Recognized in Profit or Loss

The income tax expense mainly comprises the items listed as follows:

	2020	2019
Current income tax		
Incurred for the current year	\$ 47,949	\$ 53,519
Adjustment of the previous year	(13,373)	(12,184)
Others	(10)	-
Deferred income tax		
Incurred for the current year	<u>6,396</u>	<u>1,982</u>
Income tax expense recognized in profit or loss	<u>\$ 40,962</u>	<u>\$ 43,317</u>

The accounting income and the income tax expense are reconciled as follows:

	2020	2019
Profit (loss) before tax of continuing operations	<u>\$ 232,101</u>	<u>(\$115,392)</u>
Income tax expense computed based on the net profit before tax at the legal tax rate	\$ 104,233	(\$9,716)

	<u>2020</u>	<u>2019</u>
Investment (gain) loss recognized by using the equity method	(40,425)	33,650
Dividend income from foreign investments	52,100	15,800
Gains on disposals of domestic equity investments	(500)	(9,100)
Reduction of investee companies' capital to cover losses	(25,500)	-
Less withholding tax on dividend income	(17,900)	-
Deferred tax assets not recognized for the previous year but used for the current year	(3,978)	(2,335)
Loss carryforwards not recognized	-	29,687
Used loss carryforwards not recognized for the previous year	(19,989)	-
Current adjustment of the income tax expense of the previous year	(13,373)	(12,184)
Others	<u>6,294</u>	<u>(2,485)</u>
Income tax expense recognized in profit (loss)	<u>\$ 40,962</u>	<u>\$ 43,317</u>

(2) Current Tax Assets and Liabilities

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current tax assets		
Tax refund receivable	<u>\$ 7,552</u>	<u>\$ 11,512</u>
Current tax liabilities		
Income tax payable	<u>\$ 13,559</u>	<u>\$ 22,463</u>

(3) Deferred Tax Assets and Liabilities

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Deferred tax assets</u>		
Temporary difference	\$ 15,094	\$ 13,587
Loss carryforwards	<u>6,000</u>	<u>14,300</u>
Deferred tax assets	<u>\$ 21,094</u>	<u>\$ 27,887</u>

(4) Information relevant to the loss carryforwards not recognized as of December 31, 2020 is as follows:

<u>Balance not carried forward</u>	<u>Last year for carryforward</u>
\$ 61,006	2022
4,634	2023
2,620	2026
<u>26,045</u>	<u>2029</u>
<u>\$ 94,305</u>	

(5) Income Tax Assessment

The profit-seeking enterprise annual income tax returns filed by K Laser as of 2018 (inclusive) have been assessed by the tax authority.

XXV. Earning (Loss) Per Share

Both the numerator and the denominator used to calculate earnings (loss) per share are disclosed as follows:

	<u>2020</u>		<u>2019</u>		
	<u>Amount (Numerator)</u>	<u>Number of shares (Thousand Shares) (Denominator)</u>	<u>Amount (Numerator)</u>	<u>Number of shares (Thousand Shares) (Denominator)</u>	<u>Loss per share (NTD) (Attributed to shareholders of the Company; after tax)</u>
Basic earnings per share					
Current net profit (loss) attributed to shareholders of common shares	\$ 144,409	150,947	\$ 0.96 (\$119,835)	152,102	(\$ 0.79)
Impact of potential common shares with dilutive effect					
Employees' remuneration	-	686			
Diluted earnings per share					

	2020			2019		
	Amount (Numerator)		Earnings per share (NTD)	Amount (Numerator)		Loss per share (NTD)
	Attributed to shareholders of the Company; after tax	Number of shares (Thousand Shares) (Denominator)	Attributed to shareholders of the Company; after tax	Attributed to shareholders of the Company; after tax	Number of shares (Thousand Shares) (Denominator)	Attributed to shareholders of the Company; after tax
Current net profit attributed to shareholders of common shares	<u>\$ 144,409</u>	<u>151,633</u>	<u>\$ 0.95</u>			

If the Company chooses to distribute employees' remuneration by stock or cash, then for calculation of diluted earnings per share, employees' remuneration is assumed to be distributed by stock and the weighted average number of common shares is included when potential common shares have dilutive effect. When calculating diluted earnings per share before the number of shares distributed as employees' remuneration is resolved at the shareholders' meeting in the next year, the Company shall continue to consider dilutive effect of the potential common shares.

XXVI. Share-based Payment Arrangement

- (1) The Company resolved in August 2019 and December 2019 to transfer 2,000 thousand treasury shares and 2,905 thousand treasury shares respectively at NT\$16 and NT\$17 per share to employees, including the employees of the Company and its subsidiaries who have satisfied certain conditions. Among the shares, 2,905 thousand shares were however given in January 2020.

The treasury shares transferred by the Company to employees in August and December 2019 were evaluated base on the Black-Scholes model. The input values used in the evaluation model are as follows:

	August 2019	December 2019
Stock price on grant date	NT\$23.10	NT\$19.05
Exercise price	NT\$16.00	NT\$17.00
Expected ratio of stock price fluctuation	37.47%	43.21%
Expected duration	0 year	0 year
Risk-free interest rate	0.43%	0.49%

The remuneration cost recognized for the year 2019 was NT\$20,359 thousand.

- (2) Optivision Technology, a subsidiary of the Company, resolved at its board meeting on November 3, 2017 to issue employee stock warrants in accordance with Article 167 of the Company Act. A total of 1,000 thousand units were issued. Each unit of stock warrants entitled its holder to subscribe for 1 common share. The price of each subscribed share was NT\$22. Optivision Technology would issue new shares to give the shares to subscribers. Upon completion of 2 years after obtaining stock warrants, employees may exercise the stock option to subscribe for up to 50% of the shares as provided for stock warrants. Upon completion of 3 years after obtaining stock warrants, they may exercise the stock option to subscribe for up to 75% of the shares as provided for stock warrants. Upon completion of 4 years after obtaining stock warrants, they may exercise the stock option to subscribe for all of the shares as provided for stock warrants. The stock option survives for 6 years. If an employee fails to exercise the stock option in the period, the employee shall be deemed to have waived the stock option. Optivision Technology issued all employee stock warrants on May 10, 2018. In case of ex-rights, ex-dividends, seasoned equity offering or cash capital reduction, the subscription price is adjusted based on the formula. As of December 31, 2020, the outstanding employee stock warrants could be used to subscribe for 412 thousand units at the subscription price NT\$20.2.

Information relevant to employee stock options is as follows:

Employee stock option	2020		2019	
	Number of shares available for subscription (Thousand shares)	Weighted average exercise price (NTD)	Number of shares available for subscription (Thousand shares)	Weighted average exercise price (NTD)
Outstanding at the beginning of the year	828	\$20.7	933	\$20.7
Given for the year	(311)	20.2~20.7	-	-
Expired for the year	(105)	20.7	(105)	20.7
Outstanding at the end of the year	<u>412</u>	20.2	<u>828</u>	20.7
Exercisable at the end of the year	<u>362</u>	20.2	<u>-</u>	-

Information relevant to the employee stock options outstanding as of the balance sheet date is as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Range of exercise prices (NTD)	\$20.2	\$20.7
Weighted average remaining term of the contract (year)	3.35 year	4.42 year

The employee stock options granted by Optivision Technology on May 10, 2018 were evaluated base on the Black-Scholes model. The input values used in the evaluation model are as follows:

Stock price on the grant date	NT\$22
Exercise price	NT\$22
Expected ratio of stock price fluctuation	49.56%
Expected duration	4~5 years
Expected dividend rate	0 %
Risk-free interest rate	0.68~0.73%

The remuneration cost recognized for the years ended December 31, 2020 and 2019 was NT\$1,081 thousand and NT\$2,643 thousand respectively.

(3) Employee Stock Option Plan for Seasoned Equity Offering

Optivision Technology, a subsidiary of the Company, was approved by Securities and Futures Bureau, FSC on November 30, 2020 to issue 10,000 thousand shares for its seasoned equity offering. The

board of directors resolved to retain 15% of the issued shares for employees to subscribe. The number of shares retained for employees to subscribe and the subscription price were confirmed on December 21, 2020. Optivision Technology recognized the remuneration cost NT\$8,220 thousand on the grant date at the fair value computed based on the option evaluation model Black-Scholes.

1. The share-based payment arrangement of Optivision Technology as of December 31, 2020 is as follows:

Type of agreement	Grant date	Quantity granted	Vesting conditions
Shares from seasoned equity offering retained for employees to subscribe	2020.12.21	1,500 thousand shares	Vesting immediately

2. Optivision Technology used the option evaluation model Black-Scholes to calculate fair value for employee stock options with respect to seasoned equity offering on the grant date, that is to say, December 21, 2020. Relevant information is as follows:

Stock price on the grant date (NTD)	Exercise price (NTD)	Expected ratio of stock price fluctuation	Expected duration	Expected dividend rate	Risk-free interest rate	Fair value per share (NTD)
\$74.3	\$70	70.98%	7日	0.00%	0.19%	\$5.48

XXVII. Business Combinations

- (1) The Group participated in a seasoned equity offering of Insight Medical, an associate accounted for using the equity method, on December 23, 2019. After the seasoned equity offering, the Group has possessed 44% of equity of Insight Medical and has had control over it.

Transfer Pricing

	Amount
Cash	\$ 114,441
Fair value of the shares possessed originally	<u>150,172</u>
	<u>\$ 264,613</u>

- (2) Amounts of Assets Acquired and Liabilities Assumed on the Acquisition Date

	<u>Insight Medical</u>
Current assets	

	<u>Insight Medical</u>
Cash	\$ 256,801
Financial assets at fair value through profit or loss	51,288
Trade receivables and notes receivable	165
Other receivables	55
Inventories	12,352
Other current assets	7,871
Non-current assets	
Fixed assets	42,173
Financial assets at fair value through other comprehensive income	1,249
Intangible assets	44,373
Other non-current assets	8,152
Current liabilities	
Short-term borrowings	(10,000)
Trade payables and notes payable	(736)
Other payables	(8,869)
Other current liabilities	(154)
Ending balance	<u>\$ 404,720</u>

(3) Non-controlling Interests

Non-controlling interests of Insight Medical were measured at the fair value of the non-controlling interests on the acquisition date, that is to say, NT\$225,859 thousand. The fair value was estimated by using the identifiable net asset approach on the acquisition date.

(4) Goodwill Generated from Acquisition

	<u>Insight Medical</u>
Transfer pricing	\$ 264,613
Add: Non-controlling interests	225,859
Less: Fair value of identifiable net assets available	(404,720)
Provisional amount of goodwill generate from acquisition	<u>\$ 85,752</u>

The goodwill generated from business combinations is not expected to be a deduction for the purpose of taxation.

(5) Net Cash Inflow from Acquisition of Subsidiaries

	<u>Insight Medical</u>
Balance of cash from acquisition of subsidiaries	\$ 256,801
Less: Consideration paid in cash	(114,441)

Insight Medical
\$ 142,360

II XIII. Capital Risk Management

The Group manages capital risk to ensure that it has necessary financial resources and business plans to cover any working capital, capital expenditure, research and development, debt repayment and dividend payment required in the following 12 months.

XXIX. Financial Instruments

(1) Information of Fair Value — Financial Instruments Not Measured at Fair Value

The management of the Group believes that the book amounts of the financial assets and financial liabilities not measured at fair value are still close to fair value.

(2) Information of Fair Value-Financial Instruments Measured at Fair Value

1. Hierarchy of Fair Value

December 31, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at fair value through profit or loss	<u>\$ 27,150</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,150</u>
Financial assets at fair value through other comprehensive income				
Investments in equity instruments				
— Foreign common shares not listed (OTC)	\$ -	\$ -	\$ 82,011	\$ 82,011
— Domestic common shares not listed (OTC)	<u>-</u>	<u>-</u>	<u>36,233</u>	<u>36,233</u>
Financial assets at fair value through other comprehensive income	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 118,244</u>	<u>\$ 118,244</u>

December 31, 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at fair value through profit or loss	<u>\$ 201,777</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 201,777</u>
Financial assets at fair value through other comprehensive income				
Investments in equity instruments				
— Foreign common shares not listed (OTC)	\$ -	\$ -	\$ 64,536	\$ 64,536
— Domestic common shares not listed (OTC)	<u>-</u>	<u>-</u>	<u>37,930</u>	<u>37,930</u>
Financial assets at fair value through other comprehensive income	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 102,466</u>	<u>\$ 102,466</u>

2. There was no transfer between level 1 and level 2 fair value measurements in 2020 and 2019.
3. For the financial assets with Level 3 changes in fair value, there was no adjustment except the changes in fair value recognized in other comprehensive income or loss.

4. Valuation technique and input value measured at level 3 fair value

Category of financial instrument	Valuation technique and input value
Domestic and foreign investments in non-listed(non-OTC) equity	Market approach: Make adjustments based on the price-to-earning ratio and market price/net worth of the investee company at fair value of a observable, comparable company at the end of the year.

(3) Type of Financial Instrument

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets</u>		
At amortized cost		
Cash and cash equivalents	\$ 2,629,811	\$ 1,588,179
Notes receivable and trade receivables (including those from related parties)	1,561,818	1,489,549
Other receivables	58,048	36,358
Refundable deposits	33,030	40,918
Restricted assets (current & non-current)	240,625	75,354
Financial assets at fair value through profit or loss — current	27,150	201,777
Financial assets at fair value through other comprehensive income — non-current	118,244	102,466
<u>Financial liabilities</u>		
At amortized cost		
Short-term borrowings	810,164	801,147
Short-term notes and bills payable	299,917	169,943
Notes payable and trade payables (including those to related parties)	808,053	649,881
Other payables (including those to related parties)	417,650	379,677
Long-term borrowings (including current portion thereof)	1,350,000	1,190,000

(4) Purpose and Policy of Financial Risk Management

Main financial instruments of the Group include equity investments, trade receivables, other receivables, refundable deposits, trade payables, short-term notes and bills payable, other payables and loans. Financial management departments of the Group provide service

for each business, master and coordinate operations in domestic and international financial markets, and supervise and manage the financial risks relevant to business operation based on the level and extent of each risk and the internal risk report that analyzes risk exposure. Such risks include market risk, credit risk and liquidity risk.

1. Market Risk

Main market risks assumed by the Group for its operating activities are exchange rate risk and interest rate risk.

The Group does not change the methods that it has adopted to manage and measure risk exposure with respect to market risk for financial instruments.

(1) Currency Risk

The Group manages the exchange risk generated from its foreign currency transactions by using forward exchange agreements to manage the risk within the scope permitted by the Procedure of Treating Transactions of Derivatives.

Refer to Note 35 for book amounts of monetary assets and monetary liabilities of the Group in non-functional currencies on the balance sheet date.

The sensitivity analysis conducted by the Group only includes outstanding foreign currency monetary items, and the amounts in foreign currencies are converted at the exchange rate plus 1% of appreciation against the NTD at the end of the year to adjust the increase in the profit before tax. In case of 1% of depreciation, the impact on the profit before tax will be a negative value of the same amount.

	Effect of USD		Effect of Japanese Yen		Effect of CNY	
	2020	2019	2020	2019	2020	2019
Effect on profit and loss	\$9,072	\$9,121	(\$ 2,131)	(\$ 1,324)	\$7,354	\$5,170

(2) Interest Rate Risk

Interest rate risk of the Group mainly comes from floating-rate time deposits and loans.

The book amounts of financial assets and financial liabilities of the Group exposed to interest rate risk on the balance sheet date are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
With cash flow interest rate risk		
Financial assets	\$ 105,698	\$ 67,317
Financial liabilities	1,439,085	1,401,905

The sensitivity analysis for interest rate risk is based on changes in fair value of floating-rate financial assets and liabilities at the end of the financial reporting period. If the interest rate rises by a percentage point, then the cash outflow of the Group would increase by NT\$13,334 thousand and by NT\$13,346 thousand respectively for the years ended December 31, 2020 and 2019.

2. Credit Risk

Credit risk refers to the risk incurred when the counterparty to the transaction delays contractual obligations and thus causes financial loss of the Group.

The Group requires the counterparty to an important transaction to provide a collateral or any other guarantee, so the Group is able to reduce credit risk effectively. The management of the Group has designated a team to be responsible for a decision of credit line, credit approval and other monitoring procedures to ensure that proper measures are taken to recover overdue receivables. In addition, the Group reviews recoverable amounts of receivables on a case-by-case basis on the balance sheet date to ensure that a proper amount of impairment loss is allocated for unrecoverable receivables. Accordingly, the management of the Group believes that the Group's credit risk has significantly reduced.

3. Liquidity Risk

The working capital of the Group is sufficient, so there is no liquidity risk from its being unable to raise funds to perform contractual obligations.

(1) The non-derivative financial liabilities to be repaid by the Group as scheduled are due and repayable as follows:

December 31, 2020				
	Less than 1 year	2~3 years	Over 3 years	Total
<u>Non-derivative financial liabilities</u>				
Liabilities without interest	\$ 1,225,703	\$ -	\$ -	\$ 1,225,703
Lease liabilities	50,821	45,298	161,193	257,312
Floating rate liabilities	189,085	1,250,000	-	1,439,085
Fixed rate liabilities	<u>1,020,996</u>	<u>-</u>	<u>-</u>	<u>1,020,996</u>
	<u>\$ 2,486,605</u>	<u>\$ 1,295,298</u>	<u>\$ 161,193</u>	<u>\$ 3,943,096</u>
	Less than 3 years	3~5 years	5~10 years	Over 10 years
Lease liabilities	<u>\$ 96,119</u>	<u>\$ 65,174</u>	<u>\$ 57,463</u>	<u>\$ 38,556</u>
December 31, 2019				
	Less than 1 year	2~3 years	Over 3 years	T o t a l
<u>Non-derivative financial liabilities</u>				
Liabilities without interest	\$ 1,029,558	\$ -	\$ -	\$ 1,029,558
Lease liabilities	43,584	32,429	181,189	257,202
Floating rate liabilities	231,905	1,170,000	-	1,401,905
Fixed rate liabilities	<u>749,185</u>	<u>10,000</u>	<u>-</u>	<u>759,185</u>
	<u>\$ 2,054,232</u>	<u>\$ 1,212,429</u>	<u>\$ 181,189</u>	<u>\$ 3,447,850</u>
	Less than 3 years	3~5 years	5~10 years	Over 10 years
Lease liabilities	<u>\$ 76,013</u>	<u>\$ 72,239</u>	<u>\$ 59,137</u>	<u>\$ 49,813</u>

(2) Line of credit

	December 31, 2020	December 31, 2019
Unsecured bank loan commitment		
-Used in the credit line	\$ 1,960,164	\$ 1,591,147
-Unused in the credit line	<u>786,676</u>	<u>1,277,813</u>
	<u>\$ 2,746,840</u>	<u>\$ 2,868,960</u>
Secured bank loan commitment		
— Used in the credit line	\$ 800,000	\$ 720,000
— Unused in the credit line	<u>-</u>	<u>80,000</u>
	<u>\$ 800,000</u>	<u>\$ 800,000</u>

XXX. Transactions with Related Parties

Transactions, account balances, incomes and expenses among K Laser and its subsidiaries (i.e. related parties of K Laser) have been eliminated completely upon business combination, so they are not disclosed in the Notes.

Transactions between the Group and other related parties are as follows:

(1) Name of each Related Party and Relationship with the Related Party

<u>Name of related party</u>	<u>Relationship with the Group</u>
Dongguan City Guangzhi Photoelectric Co., Ltd.	One of other related parties (as Chairman of Optivision Technology Inc., a subsidiary of the Group, is a director of its parent company)
Hunan Heshuo Packaging Materials Co., Ltd.	One of other related parties
Insight Medical Solutions Inc.	An associate evaluated by using the equity method (which has become a subsidiary of the Group since December 23, 2019)
Guangfeng Optoelectronics (Wuxi) Co., Ltd.	An associate evaluated by using the equity method
JiangSu Sunderray Laser Packing Material Co., Ltd.	An associate evaluated by using the equity method
Hunan Hexin Packaging Materials Co., Ltd.	An associate evaluated by using the equity method
Boxlight Corporation	An associate evaluated by using the equity method (transferred to assets held for sale in March 2020)
Kuo Wei-Wu	Chairman of K Laser
Kuo Wei-Pin	Director of K Laser

(2) Operating Transactions

	<u>2020</u>	<u>2019</u>
<u>Sale</u>		
Other related parties		
Dongguan City Guangzhi		
Photoelectric	\$ 1,205,671	\$ 785,215
Associates	<u>9,916</u>	<u>31,067</u>
	<u>\$ 1,215,587</u>	<u>\$ 816,282</u>
 <u>Purchase</u>		
Other related parties	\$ 5,041	\$ -
Associates	<u>198,376</u>	<u>134,379</u>
	<u>\$ 203,417</u>	<u>\$ 134,379</u>
 <u>Manufacturing expenses</u>		
Associates	<u>\$ 10,301</u>	<u>\$ 10,423</u>
 <u>Operating expenses</u>		
Associates	<u>\$ 3,033</u>	<u>\$ 3,376</u>
 <u>Interest income</u>		
Associates		
Hanns Touch Solution Inc.	<u>\$ 913</u>	<u>\$ 1,190</u>
 <u>Other incomes</u>		
Associates		
Insight Medical	\$ -	\$ 4,424
Others	<u>592</u>	<u>1,410</u>
	<u>\$ 592</u>	<u>\$ 5,834</u>

There is no material difference between the transaction terms provided for the related parties and those provided for general customers.

(3) The outstanding balance as of the balance sheet date is as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Trade receivables from related parties</u>		
Other related parties		
Dongguan City Guangzhi		
Photoelectric	\$ 676,582	\$ 468,848
Associates	<u>61,124</u>	<u>156,482</u>
	737,706	625,330
Less: Loss allowance	<u>(67,300)</u>	<u>(151,678)</u>
	<u>\$ 670,406</u>	<u>\$ 473,652</u>

(Continued on next page)

(Brought forward from previous page)

	December 31, 2020	December 31, 2019
<u>Notes payable and trade payables to related parties</u>		
Other related parties	\$ 1,574	\$ -
Associates		
JiangSu Sunderray	40,489	48,168
Others	<u>1,472</u>	<u>300</u>
	<u>\$ 43,535</u>	<u>\$ 48,468</u>
<u>Other receivables (not including loans)</u>		
Other related parties	\$ 58	\$ -
Associates		
Apportronics (Wuxi)	844	-
Others	<u>-</u>	<u>110</u>
	<u>\$ 902</u>	<u>\$ 110</u>
<u>Other payables</u>		
Associates		
Hanns Touch Solution Inc.	\$ 1,728	\$ -
Others	<u>25</u>	<u>12,054</u>
	<u>\$ 1,753</u>	<u>\$ 12,054</u>

There is no material difference between the transaction terms provided for the related parties and those provided for general customers.

(4) Financing

The Group loaned funds to related parties in the years ended December 31, 2020 and 2019 as follows:

	2020		2019	
Name of related party	Maximum balance	Ending balance of drawdown	Maximum balance	Ending balance of drawdown
Associates -Hanns Touch Solution Inc.	<u>\$ 41,078</u>	<u>\$ 28,451</u>	<u>\$ 46,030</u>	<u>\$ 34,440</u>

(5) Endorsement and Guarantee

The joint guarantors for the loans to the Group were the related parties of the Group. The joint guarantee is as follows:

Name of related party	Nature of joint guarantee	December 31, 2020	December 31, 2019
Main managements	Short-term borrowings	\$810,164	\$801,147
	Commercial paper payable	299,917	169,943

Name of related party	Nature of joint guarantee	December 31, 2020	December 31, 2019
	Long-term borrowings	<u>1,350,000</u>	<u>1,190,000</u>
		<u>\$ 2,460,081</u>	<u>\$ 2,161,090</u>

(6) Benefits and Remunerations to Main Managements

The benefits and remunerations given by the Group to its directors and main managements for the years ended December 31, 2020 and 2019 respectively are as follows:

	2020	2019
Short-term employee benefits	<u>\$ 25,302</u>	<u>\$ 26,370</u>
Post-employment benefits	<u>\$ 6,450</u>	<u>\$ -</u>

The remunerations to directors and main managements are determined by the remuneration committee based on individual performance and market trends.

XXXI. Pledged Assets

The following assets of the Group were provided as guarantees for loans under loan contracts and for the need of business operation.

	December 31, 2020	December 31, 2019
Bank deposits	<u>\$ 240,625</u>	<u>\$ 75,354</u>
Property, plant and equipment	<u>193,249</u>	<u>206,075</u>
	<u>\$ 433,874</u>	<u>\$ 281,429</u>

XXXII. Material Commitments and Contingent Liabilities

The endorsements and guarantees provided by the Group for others are detailed as follows:

Unit: Per thousand in foreign currency / NT dollars

	December 31, 2020	December 31, 2019
Everest Display Inc.		
Guaranteed amount	<u>NTD -</u>	<u>NTD 480,000</u>
Drawdown amount	<u>NTD -</u>	<u>NTD 405,036</u>

XXXIII. Material Subsequent Events

K Laser expects to issue 6,000 units on March 24, 2021 with par value NT\$100 thousand. As for the guaranteed 5-year ordinary corporate bonds in NTD with the coupon rate 0%, the total principal is NT\$600,000 thousand.

XXXIV. Other Matters

Impacted by the Covid-19 pandemic, the Group was required to take corresponding measures by local government agencies and some factories were postponed to resume operation; fortunately, the operating revenue of the Group has not been significantly impacted. As the pandemic has mitigated, the business operation of the Group has gradually returned to normal.

To respond to the impact of the pandemic, the Group has taken the following actions:

Government Relief Measures

The Group applied for salary subsidies in succession from the government and was granted the funds amounting to NT\$11,714 thousand.

XXXV. Information of Exchange Rates for Financial Assets and Liabilities in Foreign Currencies

Information of the foreign currency financial assets and liabilities that have a material impact on the Group is as follows:

Unit: Per thousand in foreign currency / NT dollars

	December 31, 2020			December 31, 2019		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
<u>Financial assets</u>						
<u>Monetary item</u>						
USD	\$ 44,605	28.48	\$ 1,270,350	\$ 44,974	29.98	\$ 1,348,321
JPY	54	0.2763	15	643	0.276	177
CNY	175,151	4.377	766,636	128,954	4.305	555,147
<u>Long-term equity investments accounted for using the equity method</u>						
USD	7,106	28.48	202,389	7,596	29.98	227,736
<u>Financial liabilities</u>						
<u>Monetary item</u>						
USD	12,750	28.48	363,120	14,552	29.98	436,269
JPY	771,150	0.2763	213,069	480,406	0.276	132,592
CNY	7,135	4.377	31,230	8,863	4.305	38,155

XXXVI. Disclosures in the Notes

(1) Material Transactions and Reinvestment-related Information:

No.	Item	Explanation
1	Funds lent to others: Schedule 1	Schedule 1
2	Enforcement and guarantee for others	Schedule 2
3	Negotiable securities held at the end of the year (not including investments in subsidiaries, associates and joint ventures)	Schedule 3
4	Accumulated purchases or sales of negotiable securities up to NT\$300 million or 20% of the paid-in capital	None
5	Acquisition cost of real estate up to NT\$300 million or 20% of the paid-in capital	None
6	Proceeds up to NT\$300 million or 20% of the paid-in capital from disposal of real estate	None
7	Purchases from or sales to related parties up to NT\$300 million or 20% of the paid-in capital	Schedule 4
8	Receivables from related parties up to NT\$100 million or 20% of the paid-in capital	Schedule 5
9	Transactions of derivatives	None
10	Others: Business relationship between the parent company and subsidiaries, and between subsidiaries, and important transactions among them and transaction amounts	Schedule 8
11	Information of investee companies	Schedule 6

(2) Information of investments in Mainland China:

No.	Item	Explanation
1	Name of investee company in Mainland China, main business activities, paid-in capital, investment method, funds remitted in and out, shareholding, investment gain or loss, book value of investments at the end of the year, investment gain (loss) remitted back already, and limit of investments in Mainland China	Schedule 7
2	Following material transactions with investee companies in Mainland China directly or through a third region, and price, payment terms and unrealized gain (loss) with respect to the transactions: (1) Amount and percentage of purchase, and ending balance and percentage of relevant payables (2) Amount and percentage of sale, and ending balance and percentage of relevant receivables (3) Amount of property transaction, and profit (loss) generated (4) Ending balance of endorsement or collateral provided for notes, and purposes (5) Maximum balance of financing, ending balance, range of interest rates and total interest for the current year (6) Other transactions that have material influence on the profit (loss) for the current year or financial status, such as provision or receipt of service	Schedule 7

(3) Information of Main Shareholders:

Name of Shareholder Holding Over 5% of Equity, Number of Shares Held and Ratio of Shareholding (Schedule 9)

XXXVII. Financial Information of Operating Segments

The Group produces and sells holographic products, provides information of single industry for main decision makers to distribute resources and evaluate performance of each segment, and emphasizes every area where products are delivered or provided.

- China
- Wuxi K Laser Technology Co., Ltd.
 - Dongguan K Laser Technology Co., Ltd.
 - K Laser Technology (Hong Kong) Co., Ltd.
 - Hunan Herui Laser Technology Co., Ltd.
 - Ningpo Optivision Optical Technology Co., Ltd.
 - Glory Group Medical (Wuxi) Co., Ltd
- Other regions of Asia— K Laser Technology Inc.
- K Laser Technology (Thailand) Co., Ltd.
 - K Laser Technology (Indonesia) Co., Ltd.
 - K Laser Technology (Korea) Co., Ltd.

— K Laser Technology Japan Co., Ltd.
— Amagic Holographics India Private Limited
— Optivision Technology Inc.
— Insight Medical Solutions Inc.

Other areas — Amagic Technologies U.S.A. (Dubai)

— K Laser Technology (USA) Co., Ltd.
— Finity Laboratories

(1) Revenue of Segments and Business Results

The revenue and business results of the Group's continuing operations are analyzed by the reportable segment as follows:

Financial information of the Group's segments for the years ended December 31, 2020 and 2019 is listed as follows:

	2020				Total
	China	Other regions of Asia	Others	Adjustment and write-off	
Operating revenue	\$ 2,876,303	\$ 3,042,537	\$ 744,505	(\$1,224,115)	\$ 5,439,230
Operating cost	<u>2,282,830</u>	<u>2,536,894</u>	<u>597,064</u>	(<u>1,241,651</u>)	<u>4,175,137</u>
Gross profit	593,473	505,643	147,441	17,536	1,264,093
Operating expenses	<u>376,676</u>	<u>537,509</u>	<u>115,243</u>	<u>5,943</u>	<u>1,035,371</u>
Operating income	216,797	(31,866)	32,198	11,593	228,722
Interest income	6,415	3,072	893	(205)	10,175
Interest expense	419	32,650	1,767	3,724	38,560
Other incomes and (expenses and losses)	(<u>8,453</u>)	<u>246,345</u>	<u>376,288</u>	<u>(582,416)</u>	<u>31,764</u>
Net loss before tax	<u>\$ 214,340</u>	<u>\$ 184,901</u>	<u>\$ 407,612</u>	<u>(\$574,752)</u>	<u>\$ 232,101</u>

	2019				Total
	China	Other regions of Asia	Others	Adjustment and write-off	
Operating revenue	\$ 3,026,574	\$ 2,817,835	\$ 954,144	(\$1,599,531)	\$ 5,199,022
Operating cost	<u>2,347,284</u>	<u>2,469,910</u>	<u>799,973</u>	(<u>1,602,305</u>)	<u>4,014,862</u>
Gross profit	679,290	347,925	154,171	2,774	1,184,160
Operating expenses	<u>408,616</u>	<u>625,065</u>	<u>140,992</u>	(<u>21,531</u>)	<u>1,153,142</u>
Operating income	270,674	(277,140)	13,179	24,305	31,018
Interest income	7,838	4,791	1,242	-	13,871
Interest expense	418	38,354	2,046	(184)	40,634
Other incomes and (expenses and losses)	(<u>60,551</u>)	<u>(109,638)</u>	<u>321,271</u>	<u>(270,729)</u>	<u>(119,647)</u>
Net loss before tax	<u>\$ 217,543</u>	<u>(\$420,341)</u>	<u>\$ 333,646</u>	<u>(\$246,240)</u>	<u>(\$115,392)</u>

Transactions made among segments for the years ended December 2020 and 2019 have been written off.

(2) Segment Assets

	December 31, 2020				
	China	Other regions of Asia	Others	Adjustment and write-off	Total
Cash and cash equivalents	\$ 778,609	\$ 1,647,759	\$ 203,443	\$ -	\$ 2,629,811
Notes receivable and trade receivables	716,148	1,143,606	80,285	(378,221)	1,561,818
Inventories	538,122	312,076	215,877	(72,635)	993,440
Other current assets	<u>217,792</u>	<u>82,588</u>	<u>18,446</u>	<u>(9,245)</u>	<u>309,581</u>
Total current assets	<u>2,250,671</u>	<u>3,186,029</u>	<u>518,051</u>	<u>(460,101)</u>	<u>5,494,650</u>
Funds and investments	495,069	4,010,455	4,832,848	(8,628,188)	710,184
Property, plant and equipment	438,538	629,010	26,025	37,802	1,131,375
Right-of-use assets	22,021	222,147	25,036	(5,624)	263,580
Intangible assets	-	3,257	-	127,167	130,424
Other assets	<u>33,067</u>	<u>224,573</u>	<u>21,775</u>	<u>(50,138)</u>	<u>229,277</u>
Total assets	<u>\$ 3,239,366</u>	<u>\$ 8,275,471</u>	<u>\$ 5,423,735</u>	<u>(\$8,979,082)</u>	<u>\$ 7,959,490</u>

	December 31, 2019				
	China	Other regions of Asia	Others	Adjustment and write-off	Total
Cash and cash equivalents	\$ 569,092	\$ 865,114	\$ 153,973	\$ -	\$ 1,588,179
Notes receivable and trade receivables	818,362	911,133	99,513	(339,459)	1,489,549
Inventories	437,720	294,016	218,693	(35,603)	914,826
Other current assets	<u>346,024</u>	<u>156,296</u>	<u>13,807</u>	<u>(103,757)</u>	<u>412,370</u>
Total current assets	<u>2,171,198</u>	<u>2,226,559</u>	<u>485,986</u>	<u>(478,819)</u>	<u>4,404,924</u>
Funds and investments	453,849	3,601,662	4,965,505	(8,318,540)	702,476
Fixed assets	447,116	663,183	30,133	49,245	1,189,677
Intangible assets	-	4,092	-	130,125	134,217
Other assets	<u>45,678</u>	<u>318,941</u>	<u>57,655</u>	<u>(67,104)</u>	<u>355,170</u>
Total assets	<u>\$ 3,117,841</u>	<u>\$ 6,814,437</u>	<u>\$ 5,539,279</u>	<u>(\$8,685,093)</u>	<u>\$ 6,786,464</u>

(3) Information of Main Customers

The customers from each of which the income reached more than 10% of the total income of the Group are as follows:

Name of customer	2020		2019	
	Amount	%	Amount	%
Dongguan City				
Guangzhi	<u>\$ 1,205,671</u>	<u>19</u>	<u>\$ 785,215</u>	<u>15</u>
Photoelectric				

K Laser Technology Inc. and its Subsidiaries
Funds of the Company and Reinvestee Companies to Other Entities
From January 1 to December 31, 2020

Schedule 1

Unit: In Thousands of New Taiwan Dollars / Thousands in Foreign Currency:

No. (Note 1)	Company lending funds	Company receiving the loan	Account	Is it a related party?	Maximum balance of the year	Ending balance	Drawdown	Interest rate range	Nature of lending (Note 2)	Amount of business	Reason of short-term financing	Allocated amount of allowance for bad debts	Security		Limit of funds lent to an individual entity (Note 3)	Total limit of lending (Note 3)	Remark
													Name	Value			
0	K Laser Technology Inc.	Everest Display Inc.	Other receivables	Yes	\$ 60,000	\$ -	\$ -	-	2	\$ -	Capital turnover	\$ -	No	No	\$ -	\$ -	(Note4)
1	Dongguan K Laser Technology Co., Ltd.	Hunan Hexin Packaging Materials Co., Ltd.	Other receivables	Yes	41,078 (RMB 9,500)	35,016 (RMB 8,000)	28,451 (RMB 6,500)	3.85%	2	-	Capital turnover	-	No	No	393,516 (RMB 89,905)	393,516 (RMB 89,905)	

Note 1: Information of funds loaned by the Company and its subsidiaries to other entities shall be provided separately in two forms and indicated in the “No.” section. Numbers shall be given as follows:

(1) For the Company, please indicate “0.”

(2) For subsidiaries, number in numerical order from 1 by the type of company.

Note 2: Information of funds loaned by the Company and its subsidiaries to other entities shall be provided separately in two forms and indicated in the “No.” section. Numbers shall be given as follows:

(1) In case of business with the entity, please indicate “1.”

(2) In case of necessary short-term financing, indicate “2.”

Note 3 : Limits and types of the funds loaned by the Company and its subsidiaries to other entities are as follows:

(1) As provided in the Company’s procedure of loaning funds to other entities, the total limit of funds loaned to other entities shall not exceed 25% of the current net worth of the Company, and the limit of funds loaned to a single entity shall not exceed 10% of the current net worth.

(2) As provided in the Company’s procedure for a subsidiary to loan funds to other entities and provide endorsement and guarantee, the total amount loaned by a Group company (subsidiary) shall not exceed 40% of the net worth of the Group company (subsidiary), and the total amount loaned to other entities based on necessary short-term financing shall not exceed 40% of the net worth of the Group company (subsidiary).

Note 4: The Company conducted a short-form merger with Everest Display on June 30, 2020

K Laser Technology Inc. and its Subsidiaries
Endorsement and Guarantee for Other Entities
From January 1 to December 31, 2020

Schedule 2

Unit: In Thousands of New Taiwan Dollars／Thousands in Foreign Currency:

No. (Note 1)	Name of company providing endorsement and guarantee	Entity for which endorsement and guarantee are provided		Limit of endorsement and guarantee provided for a single enterprise (Note 3)	Maximum balance of endorsement and guarantee for the year	Ending balance of endorsement and guarantee	Drawdown	Amount of endorsement and guarantee secured by property	Ratio of accumulated endorsement and guarantee to the net worth indicated in the latest financial statements (%)	Maximum limit of endorsement and guarantee (Note 3)	Endorsement and guarantee provided by the parent company to a subsidiary	Endorsement and guarantee provided by a subsidiary for the parent company	Endorsement and guarantee provided for an entity in Mainland China	Remark
		Company name	Relation (Note 2)											
0	K Laser Technology Inc.	Everest Display Inc.	3	\$ -	\$ 480,000	\$ -	\$ -	\$ -	-	\$ -	Yes	No	No	(Note 5)

Note 1: Information of endorsements and guarantees provided by the Company and its subsidiaries shall be provided separately in two forms and indicated in the “No.” section. Numbers shall be given as follows:

- (1) For the Company, please indicate “0.”
- (2) For subsidiaries, number in numerical order from 1 by the type of company.

Note 2: There are 6 types of relations between the Company and the entity for which endorsement and guarantee are provided. These types are stated as follows:

- (1) An entity that has business with the Company
- (2) A subsidiary when the Company holds more than 50% of its common shares directly
- (3) A investee company when the parent company and its subsidiaries hold more than 50% of its common shares
- (4) A parent company that holds more than 50% of common shares of the company directly or through its subsidiaries
- (5) Companies provided guarantees for each other in accordance with a contract for the need of contracting for work
- (6) A company for which shareholders, for the purpose of mutual investment, provide endorsement and guarantee at the rate of their respective shareholdings

Note 3: Limits and types of the endorsements and guarantees provided by the Company and its subsidiaries are as follows:

- (1) As provided in the Company’s regulations of endorsement and guarantee, the maximum limit of endorsement and guarantee shall be limited to 40% of the Company’s net worth indicated in its latest financial statements, and the limit of endorsement and guarantee provided for a single enterprise shall not exceed 20% of the Company’s net worth indicated in its latest financial statements.
- (2) As provided in the Company’s procedure for a subsidiary to loan funds to other entities and provide endorsement and guarantee, the total liabilities assumed by a Group company (subsidiary) for endorsement and guarantee shall not exceed 40% of the net worth of the Group company (subsidiary) indicated in its latest financial statements, and the endorsement and guarantee provided for a single enterprise shall not exceed 20% of the net worth of the Group company (subsidiary) indicated in its latest financial statements.
- (3) The funds loaned to a company or firm that has business with a Group company shall be limited to the amount of business between both parties. The so-called business refers to purchase from or sale to each other, whichever is higher.

Note 4: For the amount actually appropriated, please refer to Note 32.

Note 5: The Company conducted a short-form merger with Everest Display on June 30, 2020.

K Laser Technology Inc. and its Subsidiaries
Marketable Securities Held at the End of the Year
December 31, 2020

Schedule 3

Unit: In thousands of New Taiwan Dollars, except as otherwise indicated herein

Holding company	Type and name of marketable securities	Relation with the issuer of marketable securities	Items on books	End of the year				Remark
				Number of shares	Book amount	Ratio of shareholding	Fair value	
K Laser Technology Inc.	<u>Stocks</u>							
	Minton Optic Industry Co., Ltd.	None	Financial assets at fair value through profit or loss— Non-current	857,900	\$ -	1	\$ -	
	CM Visual Technology Corp.	None	Financial assets at fair value through other comprehensive income— Non-current	138,000	459	-	459	
	China Development Biotechnology Co., Ltd.	None	Financial assets at fair value through other comprehensive income— Non-current	3,000,000	32,457	2	32,457	
	Mega Plastic Industry Co., Ltd.	None	Financial assets at fair value through other comprehensive income— Non-current	150,000	2,068	15	2,068	
Insight Medical Solutions Inc.	Aether Precision Technology Inc.	None	Financial assets at fair value through other comprehensive income— Non-current	240,000	1,249	10	1,249	
Bright Triumph Limited	Guangcan Optoelectronic (Cayman) Holding Company	None	Financial assets at fair value through other comprehensive income— Non-current	625,000	73,090	18	73,090	
Dongguan K Laser Technology Co., Ltd.	Shenzhen City Zhenhuaajia Environmental Energy Co., Ltd.	None	Financial assets at fair value through other comprehensive income— Non-current	1,900,000	8,921	19	8,921	
	<u>Funds</u>							
K Laser Technology Inc.	Jih Sun Asian High Yield Bond Fund	None	Financial assets at fair value through profit or loss— Current	417,526	5,265	-	5,265	
Dongguan K Laser Technology Co., Ltd.	Qianyuan Rixinyueyi Open-end Financial Investment Product with China Construction Bank	None	Financial assets at fair value through profit or loss— Current	-	21,885	-	21,885	

Note 1: For information of investments in subsidiaries and associates, please refer to Schedule 6 and Schedule 7.

K Laser Technology Inc. and its Subsidiaries
Purchase from or Sale to Related Parties Amounting to Over NT\$100 Million or 20% of Paid-in Capital
From January 1 to December 31, 2020

Schedule 4

Unit: In Thousands of New Taiwan Dollars

Selling (purchasing) company	Counterparty	Relation	Transaction				Transaction terms different from those for general transactions, and reasons		Notes receivable (payable) and trade receivables (payables)		Remark
			Sale (purchase)	Amount	Ratio to total sale (purchase) %	Credit period	Unit price	Credit period	Balance	Ratio to total notes receivable (payable) and trade receivables (payables)%	
Optivision Technology Inc.	Dongguan Zhiguang Photoelectric Co., Ltd.	One of other related parties	Sale	\$ 1,185,685	68	120 days after monthly settlement; cash to be received in the next month	N/A	N/A	\$ 670,247	73	
Optivision Technology Inc.	Ningpo Optivision Optical Technology Co., Ltd.	A subsidiary	Sale	233,531	13	120 days after monthly settlement; cash to be received in the next month	N/A	N/A	117,915	13	
K Laser Technology Inc.	Dongguan K Laser Technology Co., Ltd.	A sub-subsidiary of which 100% of shares are held by the Company	Purchase	(323,921)	56	60 days after monthly settlement; cash to be received	N/A	N/A	(55,467)	50	
K Laser Technology Inc.	K Laser Technology (USA) Co., Ltd.	A sub-subsidiary of which 75% of shares are held by the Company	Sale	363,030	45	90 days after monthly settlement; cash to be received	N/A	N/A	80,078	31	
Wuxi K Laser Laser Technology Co., Ltd.	K Laser Technology (Hong Kong) Co., Ltd.	A sister company	Sale	RMB 33,289	28	60 days after monthly settlement; cash to be received	N/A	N/A	RMB 5,732	16	

K Laser Technology Inc. and its Subsidiaries
Receivables from Related Parties Amounting to Over NT\$100 Million or 20% of Paid-in Capital
From January 1 to December 31, 2020

Schedule 5

Unit: In Thousands of New Taiwan Dollars

Company recognizing the account as receivables	Counterparty to the transaction	Relation	Balance of receivables from related parties	Turnover	Receivables from related parties due and unpaid		Amount of receivables from related parties that are recovered after the year	Amount of allowance for bad debts allocated on books
					Amount	Treatment method		
Optivision Technology Inc.	Dongguan Zhiguang Photoelectric Co., Ltd.	One of other related parties	Trade receivables \$ 670,247	2.09	-	-	\$ 302,031	\$ 6,250
Optivision Technology Inc.	Ningpo Optivision Optical Technology Co., Ltd.	A subsidiary	Trade receivables 117,915	2.11	-	-	48,828	-

K Laser Technology Inc. and its Subsidiaries
Information of Reinvestee Companies, their Locations, etc.
From January 1 to December 31, 2020

Schedule 6

Unit: In Thousands of New Taiwan Dollars/Thousands in Foreign Currency:

Name of investing company	Name of investee company	Location	Main business activities	Amount of original investment		Shares held at the end of the year			Profit (loss) of the investee company	Investment gain (loss) recognized for the year	Remark
				End of the year	End of last year	Number of shares	Ratio%	Book amount			
K Laser Technology Inc.	K Laser China Group Co., Ltd.	British Virgin Islands	Reinvestment in companies	\$ 722,454	\$ 722,454	21,289,005	100	\$ 2,065,995	\$ 166,207	\$ 140,939	
"	K Laser International Co., Ltd.	British Virgin Islands	Reinvestment in companies	703,856	703,856	20,361,462	100	671,315	21,845	21,845	
"	Optivision Technology Inc.	Hsinchu City	Production and sale of optical instruments and electronic parts and components	514,219	300,229	24,311,835	41	664,562	130,960	58,437	
"	iWin Technology Co., Ltd.	British Virgin Islands	Reinvestment in companies	97,372	97,372	157,545	49	18,359	2,204	1,456	
"	Vicome Corp.	Yunlin County	Manufacturing, processing, purchase and sale of fluorescent pigments and dyes	35,494	26,489	3,021,420	30	123,089	40,276	13,315	
"	Everest Display Inc.	Hsinchu City	Production and sale of optical instruments and wireless communication mechanical equipment	-	406,056	-	-	-	-	-	Note 1
"	Insight Medical Solutions Inc.	Hsinchu City	Research, development and sale of endoscopes used in gastrointestinal tracts	269,813	264,613	8,995,264	45	224,334	(97,699)	(38,741)	
"	Everest International Co., Ltd.	Samoa	Reinvestment in companies	217,125	-	6,820,810	100	39,960	13,966	14,883	Note 1
K Laser International Co., Ltd.	K Laser Technology (USA) Co., Ltd.	USA	Sale of holographic products	USD 6,500	USD 6,500	6,500,000	80	USD 6,005	USD 1,210	USD 965	
"	K Laser Technology (Thailand) Co., Ltd.	Thailand	Manufacturing and sale of holographic products	USD 1,801	USD 1,801	9,277,984	83	USD 8,983	USD 626	USD 518	
"	K Laser Technology (Korea) Co., Ltd.	Korea	Manufacturing and sale of holographic products	USD 2,946	USD 2,946	677,040	100	USD 1,867	(USD 282)	(USD 282)	
"	K Laser IMEA Co., Ltd.	Mauritius	Reinvestment in companies	USD 2,600	USD 2,600	2,600,390	100	USD 516	(USD 966)	(USD 966)	
"	Amagic Technologies U.S.A. (Dubai) Ltd.	Dubai	As an agent and sale of holographic products	USD 1,094	USD 1,094	-	100	USD 2,085	USD 258	USD 258	
"	K Laser Technology Japan Co., Ltd.	Japan	Manufacturing and sale of holographic products	USD 830	USD 830	1,344	70	USD 2,940	USD 105	USD 73	
"	Guangfeng Optoelectronics (Wuxi) Co., Ltd.	China	Production and sale of optical instruments	USD 1,503	USD 1,503	7,142,857	17	USD 647	USD 215	USD 37	
"	Boxlight Corporation	USA	Production and sale of optical instruments	-	USD 2,005	-	-	USD -	USD -	USD -	
"	CIO Tech Ltd.	Cayman Islands	Reinvestment in companies	USD 750	USD 750	11,000,000	24	USD 607	(USD 471)	(USD 104)	
K Laser Technology (Thailand) Co., Ltd.	K Laser Technology (Indonesia) Co., Ltd.	Indonesia	Manufacturing and sale of holographic products	THB 21,168	THB 21,168	266,000	70	THB 20,380	THB 274	THB 192	
K Laser China Group Co., Ltd.	K Laser China Group Holding Co., Limited	Cayman Islands	Reinvestment in companies	RMB 180,503	RMB 180,503	89,096,401	100	RMB 483,465	RMB 39,163	RMB 39,008	
"	Holoprint Co., Ltd.	British Virgin Islands	Reinvestment in companies	RMB 1	RMB 1	1	100	RMB -	RMB -	RMB -	
K Laser China Group Holding Co., Limited	K Laser Technology (Hong Kong) Co., Ltd.	Hong Kong	As an agent to sell holographic products	RMB 1,092	RMB 1,092	1,283,500	100	RMB 3,876	RMB 578	RMB 578	
"	Holomagic Co., Ltd.	British Virgin Islands	Reinvestment in companies	RMB 72,440	RMB 72,440	30,000	100	RMB 232,865	RMB 7,812	RMB 7,852	
"	Top Band Investment., Ltd.	British Virgin Islands	Reinvestment in companies	RMB 130,106	RMB 130,106	50,000	100	RMB 225,689	RMB 31,414	RMB 31,289	
"	iWin Technology Co., Ltd.	British Virgin Islands	Reinvestment in companies	RMB 20,825	RMB 20,825	163,975	51	RMB 4,366	RMB 516	RMB 263	
Holomagic Co., Ltd.	Treasure Access Limited	Hong Kong	Reinvestment in companies	RMB 29,243	RMB 29,243	10,000	100	RMB 230,451	RMB 8,085	RMB 8,085	

(Continued on next page)

(Brought forward from previous page)

Name of investing company	Name of investee company	Location	Main business activities	Amount of original investment		Shares held at the end of the year			Profit (loss) of the investee company	Investment gain (loss) recognized for the year	Remark
				End of the year	End of last year	Number of shares	Ratio%	Book amount			
Top Band Investment Ltd.	Union Bloom Co., Ltd.	Hong Kong	Reinvestment in companies	RMB 113,329	RMB 113,329	10,000	100	RMB 221,681	RMB 31,077	RMB 31,077	
K Laser IMEA Co., Ltd.	Amagic Holographics India Private Limited	India	Manufacturing and sale of holographic products	USD 2,508	USD 2,508	10,915,594	100	USD 463	(USD 963)	(USD 963)	
iWin Technology Co., Ltd.	Finity Laboratories	USA	Research and development of holography	USD 700	USD 700	700,000	100	USD 1,170	USD 76	USD 76	
Treasure Access Limited	Wuxi K Laser Laser Technology Co., Ltd.	China	Manufacturing and sale of holographic products	RMB 44,156	RMB 44,156	-	100	RMB 148,100	RMB 5,317	RMB 5,317	
"	Hunan Herui Laser Technology Co., Ltd.	China	Research, development and production of new environmentally-friendly packaging materials and anti-counterfeit products	RMB 21,952	RMB 21,952	-	49	RMB 37,528	RMB 9,664	RMB 4,735	
"	JiangSu Sunderray Laser Packing Material Co., Ltd.	China	Production of specific film coating, decorative films, and environmentally friendly transfer paper	RMB 26,600	RMB 26,600	26,600,000	33	RMB 36,207	RMB 5,032	RMB 1,654	
Union Bloom Co., Ltd.	Dongguan K Laser Technology Co., Ltd.	China	Manufacturing and sale of holographic products	RMB 165,621	RMB 165,621	-	100	RMB 224,764	RMB 35,172	RMB 35,172	
Wuxi K Laser Laser Technology Co., Ltd.	Foshan Donglin Packaging Materials Co., Ltd.	China	Production of packaging materials for tobacco and extended products	RMB 8,253	RMB 8,253	-	25	RMB 8,304	RMB 1,954	RMB 516	
Dongguan K Laser Technology Co., Ltd.	Hunan Hexin Packaging Materials Co., Ltd.	China	Mainly engaging in producing, processing and selling films and cigarette packs, and division of rolling paper	RMB 48,100	RMB 48,100	-	49	RMB 49,859	RMB 4,324	RMB 2,119	
Optivision Technology Inc.	Bright Triumph Limited	Mauritius	Reinvestment in companies	242,173	242,173	7,913,767	100	146,531	125	125	
Bright Triumph Limited	Ningpo Optivision Optical Technology Co., Ltd.	China	Manufacturing, processing and production of bright enhancement layers, prism sheets, diffusion films and optical films	USD 5,258	USD 5,258	-	100	USD 2,589	(USD 94)	(USD 94)	
Everest Display Inc.	Everest International Co., Ltd.	Samoa	Reinvestment in companies	-	217,125	-	-	-	12,139	(917)	Note 1
"	Boxlight Corporation	USA	Production and sale of optical instruments	-	140,258	-	-	-	-	-	
Everest International Co., Ltd.	Guangfeng Optoelectronics (Wuxi) Co., Ltd.	China	Production and sale of optical instruments	USD 2,014	USD 2,014	11,456,748	28	USD 705	USD 215	USD 60	
"	Boxlight Corporation	USA	Production and sale of optical instruments	-	-	-	-	USD -	USD -	USD -	
Insight Medical Solutions Inc.	Insight Medical Solutions Holdings Inc.	Cayman Islands	Reinvestment in companies	USD 2,500	USD 750	2,500,000	100	68,456	(4,792)	(4,792)	
"	ICMD Co., Ltd.	Hsinchu County	Sale of endoscopes used in gastrointestinal tracts	-	20,000	-	-	-	(9,521)	(7,616)	
Insight Medical Solutions Holdings Inc.	Glory Group Medical (Wuxi) Co., Ltd	China	Research, development and sale of endoscopes used in gastrointestinal tracts	USD 2,500	USD 750	2,500	100	68,537	(4,705)	(4,705)	

Note 1 : The Company conducted a short-form merger with Everest Display on June 30, 2020 .

K Laser Technology Inc. and its Subsidiaries
Information of Investment in Mainland China
From January 1 to December 31, 2020

Schedule 7

Unit : In Thousands in Foreign Currency: /Thousands of New Taiwan Dollars

1. Name of investee company, main business activities, paid-in capital, investment method, capital remittance, shareholdings, profit or loss of the year, investment gain (loss) recognized, ending book value of investment, investment gain remitted back, and limit of investment in Mainland China:

Name of invested company in Mainland China	Min business activities	Paid-in capital	Investment method	Accumulated investment amount remitted from Taiwan as of the beginning of the year	Investment amount remitted or recovered in the year		Accumulated investment amount remitted from Taiwan as of the end of the year	Ratio of shares held by the Company through direct or indirect investment%	Investee company's profit (loss) of the year	Investment gain (loss) recognized for the year	Ending book value of investment	Investment gain remitted back to Taiwan as of the end of the year
					Remitted	Recovered						
Wuxi K Laser Laser Technology Co., Ltd.	Research, development, production of laser holographic products, electro-optics apparatus and optoelectronic materials	\$ 552,986 (RMB 126,339)	Reinvestment in the company in Mainland China through reinvestments in an existing company in a third region	\$ 190,531 (USD 6,690)	\$ -	\$ -	\$ 190,531 (USD 6,690)	100	\$ 23,273 (RMB 5,317)	\$ 23,273 (RMB 5,317)	\$ 648,234 (RMB148,100)	\$ 187,060 (RMB 42,737)
Dongguan K Laser Technology Co., Ltd.	Production and sale of other polyethylene and rigid polyvinyl chloride films and foils	724,923 (RMB 165,621)	Reinvestment in the company in Mainland China through reinvestments in an existing company in a third region	58,640 (USD 2,059)	-	-	58,640 (USD 2,059)	100	153,948 (RMB 35,172)	153,948 (RMB 35,172)	983,792 (RMB224,764)	649,949 (RMB148,492)
Dongguan Zhimmi Laser Printing Co., Ltd. (Note 5)	Production and sale of printed paper packaging boxes and laser printed paper	110,904 (RMB 25,338)	Investment in the company in Mainland China through remittance from a third region	61,232 (USD 2,150)	-	-	61,232 (USD 2,150)	-	-	-	-	-
Hunan Herui Laser Technology Co., Ltd.	Research, development and production of laser paper, anodized aluminum and other new environmentally-friendly packaging materials and anti-counterfeit products	226,729 (RMB 51,800) (Note 2)	Reinvestment in the company in Mainland China through reinvestments in an existing company in a third region	-	-	-	-	49	42,299 (RMB 9,664)	20,725 (RMB 4,735)	164,260 (RMB 37,528)	16,646 (RMB 3,803)
JiangSu Sunderray Laser Packing Material Co., Ltd.	Production of specific film coating, decorative films and environmentally friendly transfer paper	350,160 (RMB 80,000) (Note 3)	Reinvestment in the company in Mainland China through reinvestments in an existing company in a third region	-	-	-	-	33	22,025 (RMB 5,032)	7,240 (RMB 1,654)	158,478 (RMB 36,207)	37,931 (RMB 8,666)
Guangfeng Optoelectronics (Wuxi) Co., Ltd.	Research, development and production of large LCDs, and optical engines and projection tubes for LCDs	180,910 (RMB 41,332)	Reinvestment in the company in Mainland China through reinvestments in an existing company in a third region	42,805 (USD 1,503)	-	-	42,805 (USD 1,503)	17	6,123 (USD 215)	1,054 (USD 37)	18,427 (USD 647)	-
Glory Group Medical (Wuxi) Co., Ltd	Research, development and sale of endoscopes used in gastrointestinal tracts	71,200 (USD 2,500)	Reinvestment in the company in Mainland China through reinvestments in an existing company in a third region	21,360 (USD 750)	49,840 (USD 1,750)	-	71,200 (USD 2,500)	100	(4,705)	(4,705)	68,537	-

2. Limit of Investments in Mainland China

Accumulated investment amount remitted from Taiwan to Mainland China as of the end of the year	Investment amount approved by Investment Commission, Ministry of Economic Affairs	Limit of investment provided by Investment Commission, Ministry of Economic Affairs
\$ 353,209 (USD12,402)	\$ 1,719,736 (Note 4) (USD60,384)	\$ 1,524,690 (Note 1)

Note 1: With the approval obtained from the headquarters, the amount of investments is not restricted or limited to 60% of the net worth or NT\$80 million.

Note 2: It contains the investment in cash USD2,512 thousand through a third region.

Note 3: It contains the investment in cash USD3,705 thousand through a third region.

Note 4: It contains the investment from earnings USD11,748 thousand.

Note 5: The invested equity has been disposed, but an application for cancellation of the amount has not been filed to Investment Commission, MOEA.

3. Material Transactions directly or indirectly with Investee Companies in Mainland China through Entities in a Third Region

Unit: In Thousands in Foreign Currency: /Thousands of New Taiwan Dollars

Name of related party	Relation between the Company and the related party	Type of transaction	Amount	Transaction conditions			Notes receivable (payable) and trade receivables (payables)		Unrealized gain (loss)
				Price	Payment terms	Compared with general transactions	Balance	Percentage (%)	
Dongguan K Laser Technology Co., Ltd.	A sub-subsiary of which 99.60% of shares are held indirectly by the Company	Sale	\$ 9,823 (USD 333)	Price negotiation	90 days after monthly settlement	Similar	\$ 2,053 (USD 72)	1	(\$ 441)
Dongguan K Laser Technology Co., Ltd.	A sub-subsiary of which 99.60% of shares are held indirectly by the Company	Purchase	323,921 (USD 10,921)	Price negotiation	60 days after monthly settlement	Similar	55,467 (USD 1,948)	51	-
Wuxi K Laser Laser Technology Co., Ltd.	A sub-subsiary of which 99.60% of shares are held indirectly by the Company	Sale	943 (USD 32)	Price negotiation	60 days after monthly settlement	Similar	- (USD -)	-	-
Wuxi K Laser Laser Technology Co., Ltd.	A sub-subsiary of which 99.60% of shares are held indirectly by the Company	Purchase	21,898 (USD 741)	Price negotiation	60 days after monthly settlement	Similar	7,237 (USD 254)	6	-

4. Property transaction, and gain or loss on such transactions: None

5. Endorsement, guarantee or collateral provided directly or indirectly for investee companies in Mainland China through entities in a third region: Schedule 2

6. Funds directly or indirectly provided for investee companies in Mainland China through a third region: None

7. Other transactions that have a material impact on the current profit or loss or financial status: None

K Laser Technology Inc. and its Subsidiaries
Business Relations and Important Transactions between Parent Company and Subsidiaries
From January 1 to December 31, 2020

Schedule 8

Unit: In Thousands of New Taiwan Dollars/Thousands in Foreign Currency:2020

No.	Name of trading party	Counterparty to the transaction	Relation with trading party	Transaction details			
				Account	Amount	Transaction conditions	Ratio to total consolidated revenue or total assets%
0	K Laser	K Laser USA	Parent company vs subsidiary	Trade receivables	\$80,078	—	1
0	K Laser	K Laser Japan	Parent company vs subsidiary	Trade receivables	23,342	—	-
0	K Laser	Dongguan K Laser	Parent company vs subsidiary	Trade payables	55,467	—	1
0	K Laser	Treasure	Parent company vs subsidiary	Trade payables	10,971	—	-
0	K Laser	Dongguan K Laser	Parent company vs subsidiary	Purchase	323,921	—	6
0	K Laser	Wuxi K Laser	Parent company vs subsidiary	Purchase	21,898	—	-
0	K Laser	Treasure	Parent company vs subsidiary	Purchase	13,038	—	-
0	K Laser	K Laser USA	Parent company vs subsidiary	Sale	363,030	—	7
0	K Laser	K Laser Japan	Parent company vs subsidiary	Sale	65,186	—	1
1	Top Band	Dongguan K Laser	Subsidiary vs subsidiary	Other receivables	RMB 2,891	—	-
2	Dongguan K Laser	Herui Laser	Subsidiary vs subsidiary	Trade receivables	RMB 5,183	—	-
2	Dongguan K Laser	Amagic Dubai	Subsidiary vs subsidiary	Sale	RMB 5,607	—	-
2	Dongguan K Laser	Wuxi K Laser	Subsidiary vs subsidiary	Sale	RMB 6,328	—	-
2	Dongguan K Laser	Herui Laser	Subsidiary vs subsidiary	Sale	RMB 7,299	—	1
3	Wuxi K Laser	K Laser Hong Kong	Subsidiary vs subsidiary	Trade receivables	RMB 5,732	—	-
3	Wuxi K Laser	K Laser Hong Kong	Subsidiary vs subsidiary	Sale	RMB 33,289	—	3
4	Optivision Technology	Ningpo Optivision	Subsidiary vs subsidiary	Trade receivables	117,915	—	1
4	Optivision Technology	Ningpo Optivision	Subsidiary vs subsidiary	Sale	233,531	—	4
4	Optivision Technology	Dongguan K Laser	Subsidiary vs subsidiary	Sale	27,199	—	-

Note 1: Information of business between the parent company and its subsidiaries shall be indicated in the “No.” section. Numbers shall be given as follows:

1. For the Company, please indicate “0.”
2. For subsidiaries, number in numerical order from 1 by the type of company.

Note 2: There are 3 types of relations with the counterparty to a transaction. Please indicate the type.

1. Parent company vs subsidiary
2. Subsidiary vs parent company
3. Subsidiary vs subsidiary

Note 3: For calculation of the ratio of transactions to the total revenue or total assets, in case of assets or liabilities, the ratio of the ending balance of such assets or liabilities to the total consolidated assets is calculated instead, and in case of profits or losses, the ratio of the accumulated amount of such profits or losses in the interim to the total consolidated revenue is calculated instead.

Note 4: Whether the transaction details are shown in the form is determined by the Company pursuant to the materiality principle.

K Laser Technology Inc. and its Subsidiaries
Information of Main Shareholders
December 31, 2020

Schedule 9

Name of key shareholder	Share	
	Number of shares held	Ratio of shareholding
Kuo Wei-Wu	10,997,756	6.9%
K Laser Technology Inc.	9,095,000	5.7%

Note 1: Information of main shareholders contained in the form is the data calculated by Taiwan Depository & Clearing Corporation based on the common shares and preferred shares (including treasury shares) that have been recorded and delivered, without physical substance, by the Company and held by shareholders on the last business day at the end of the current season so as to indicate the shareholders holding over 5% of such shares. The capital stock recorded in the consolidated financial report of the Company may differ from the number of the aforementioned shares recorded and delivered without physical substance because different bases of preparation and calculation are used.

Note 2: If the above information contains any shareholder holding shares through a trust, then trust settlors will be disclosed in their respective accounts under the trust account opened by the trustee. As for a shareholder declaring equity based on the shares more than 10% possessed by the shareholder as an insider in accordance with the Securities and Exchange Act, the shares possessed by the shareholder should contain the shares possessed and the shares in trust and the shares that entitle the shareholder to exercise rights to determine how to use trust property. For information of equity declarations made by insiders, please visit the Market Observation Post System.

K Laser Technology Inc.

Financial Statements for the Years
Ended December 31, 2020 and
2019 and Independent Auditors'
Report

(Translated)

Address: No. 1, Lihsin 6th Road, Hsinchu
Science Park, Hsinchu City
Tel: (03)577-0316

Independent Auditors' Report

K Laser Technology Inc.

Opinion

We have audited the accompanying financial statements of K Laser Technology Inc., which comprise the balance sheets as of December 31, 2020 and 2019, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements (including a summary of significant accounting policies).

In our opinion, based on our audits and the report of other auditors (as referred to in the Other Matters section), the accompanying financial statements present fairly, in all material respects, the financial position of K Laser Technology Inc. as of December 31, 2020 and 2019 and its financial performance and cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit of the financial statements for the year ended December 31, 2020 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. We conducted our audit of the financial statements for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, the approval letter with Ref. No. 1090360805 issued by the Financial Supervisory Commission of the Republic of China on February 25, 2020 and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit section of the auditors' report. We are independent of K Laser Technology Inc. in accordance with the

Norm of Professional Ethics for Certified Public Accountant of the Republic of China and have fulfilled our other 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 the financial statements of K Laser Technology Inc. for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recognition of Sales Revenue

The sales revenue of K Laser Technology Inc. is mainly generated from the manufacture of laser films, anti-counterfeit labels, laser paper, etc., which has been affected by increasingly saturated market and competition within the industry. In addition to developing new products in recent years, acquiring new customers is also a key operational strategy. To meet the demand for sales to customers in this year, inventories are stored in overseas shipping warehouse whereby warehouse custodian is responsible for the checking, acceptance and storage of inventories, as well as sending out shipment information to K Laser Technology Inc. for verification. K Laser Technology Inc. recognized sales revenue based on the shipment information provided by warehouse custodian. Therefore, the validity of sales revenue transactions recognized from overseas shipping warehouse and timing of recognition were identified as key audit matters for the year ended December 31, 2020. Refer to Note 4 to the financial statements for the details on accounting policies related to revenue recognition.

Our key audit procedure performed in respect of the aforementioned key audit matters comprised the following:

1. We understood the internal control procedures for the recognition of sales revenue from overseas shipping warehouse, tested and assessed the effectiveness of related internal controls.
2. We performed substantive tests of sales revenue transactions from overseas shipping warehouse.

3. We confirmed the ending inventories of overseas shipping warehouse by letter.

Other Matters

The financial statements of some investee companies accounted for using the equity method for the years dated December 31, 2020 and 2019 were audited by other auditors. Thus in our opinion expressed in the aforementioned financial report, the amounts within the financial statements for those investee companies were based solely on the reports of other auditors. As of December 31, 2020 and 2019, the aforementioned investments accounted for using the equity method were NT\$436,955 thousand and NT\$252,995 thousand, respectively, which accounted for 8.88% and 5.77% of the total assets, respectively. For the years ended December 31, 2020 and 2019, the amounts of investment gain recognized by the aforementioned investee companies and accounted for using the equity method were NT\$42,475 thousand and NT\$14,863 thousand, respectively, which accounted for (28.24)% and (12.62)% of the profit (loss) before tax, respectively. Refer to Note 35 to the financial statements for relevant information on the above investee companies which we have not audited but were audited by other auditors.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the ability of K Laser Technology Inc. to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going concern basis of accounting unless management either intends to liquidate K Laser Technology Inc. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the audit committee) are responsible for overseeing the financial reporting process of K Laser Technology Inc.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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 the 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 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 controls of K Laser Technology Inc.
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 of K Laser Technology Inc. to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause K Laser Technology Inc. to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements (including the disclosures) and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the segments within K Laser Technology Inc. to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the corporate audit, and also 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 that those matters of most significance in the audit of the financial statements for the year ended December 31, 2020 are the key audit matters. We describe these matters in our auditors' report unless any 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.

Deloitte & Touche

Huang Yi-Min, CPA

Hsu Wen-Ya, CPA

Financial Supervisory Commission

Approval No.:

Jin-Guan-Zheng-Shen-Zi- 1030024438

Securities and Futures Bureau

Approval No.:

Tai-Cai-Zheng-6-Zi-0920123784

March 23, 2021

K Laser Technology Inc.
Balance Sheet
December 31, 2020 and 2019

Unit: In Thousands of New Taiwan Dollars

Code	Assets	December 31, 2020		December 31, 2019	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Notes 4 and 6)	\$ 360,226	7	\$ 283,611	6
1110	Financial assets at fair value through profit or loss – current (Notes 4 and 7)	5,265	-	5,296	-
1150	Notes receivable (Notes 4 and 8)	5,323	-	3,233	-
1170	Trade receivables (Notes 4 and 8)	37,451	1	26,184	1
1180	Trade receivables from related parties (Notes 4, 8 and 28)	108,218	2	82,343	2
1200	Other receivables (Note 28)	9,991	-	13,444	-
1220	Current tax assets (Notes 4 and 23)	208	-	137	-
130X	Inventories (Notes 4 and 9)	83,398	2	36,711	1
1460	Current assets held for sale (Notes 4 and 10)	15,100	-	-	-
1470	Other current assets (Note 17)	16,781	1	4,647	-
11XX	Total current assets	<u>641,961</u>	<u>13</u>	<u>455,606</u>	<u>10</u>
	Non-current assets				
1517	Financial assets at fair value through other comprehensive income – non-current (Notes 4 and 11)	34,984	1	36,681	1
1550	Investments accounted for using the equity method (Notes 4 and 12)	3,807,614	77	3,559,130	81
1600	Property, plant and equipment (Notes 4, 13 and 28)	159,057	3	159,873	4
1755	Right-of-use assets (Notes 4 and 14)	73,629	2	79,680	2
1760	Net investment property (Notes 4 and 15)	37,869	1	49,908	1
1780	Other intangible assets (Notes 4 and 16)	2,393	-	3,009	-
1840	Deferred tax assets (Notes 4 and 23)	11,800	-	17,800	-
1990	Other non-current assets (Notes 6 and 17)	151,243	3	22,440	1
15XX	Total non-current assets	<u>4,278,589</u>	<u>87</u>	<u>3,928,521</u>	<u>90</u>
1XXX	Total assets	<u>\$ 4,920,550</u>	<u>100</u>	<u>\$ 4,384,127</u>	<u>100</u>
	Liabilities and Equity				
	Current liabilities				
2100	Short-term borrowings (Note 18)	\$ 430,000	9	\$ 234,000	5
2110	Short-term notes and bills payable (Note 18)	299,917	6	149,966	4
2170	Trade payables	36,164	1	21,049	1
2180	Trade payables to related parties (Note 28)	75,293	1	59,549	1
2200	Other payables (Notes 19 and 28)	83,268	2	52,905	1
2280	Lease liabilities – current (Notes 4 and 14)	6,023	-	6,227	-
2320	Current portion of long-term liabilities (Note 18)	100,000	2	-	-
2399	Other current liabilities	10,307	-	53,003	1
21XX	Total current liabilities	<u>1,040,972</u>	<u>21</u>	<u>576,699</u>	<u>13</u>
	Non-current liabilities				
2540	Long-term borrowings (Note 18)	1,250,000	26	1,120,000	25
2635	Lease liabilities – non-current (Notes 4 and 14)	68,598	1	73,993	2
2640	Net defined benefit liabilities (Notes 4 and 20)	18,888	-	25,498	1
2650	Credit balance for investments accounted for using the equity method (Notes 4 and 12)	-	-	185,906	4
2670	Other liabilities – others	942	-	942	-
25XX	Total non-current liabilities	<u>1,338,428</u>	<u>27</u>	<u>1,406,339</u>	<u>32</u>
2XXX	Total liabilities	<u>2,379,400</u>	<u>48</u>	<u>1,983,038</u>	<u>45</u>
	Equity (Note 21)				
	Share capital				
3110	Ordinary shares	1,593,246	32	1,593,246	36
3200	Capital reserve	585,347	12	551,531	13
	Retained earnings				
3310	Legal reserve	213,042	4	213,042	5
3320	Special reserve	200,987	4	201,090	4
3350	Unappropriated earnings	384,752	8	255,807	6
	Other equity				
3410	Exchange differences on translation of foreign financial statements	(287,085)	(6)	(278,472)	(6)
3420	Unrealized gain on financial assets at fair value through other comprehensive income	(30,403)	-	(33,033)	(1)
3500	Treasury shares	(118,736)	(2)	(102,122)	(2)
3XXX	Total equity	<u>2,541,150</u>	<u>52</u>	<u>2,401,089</u>	<u>55</u>
	Total liabilities and equity	<u>\$ 4,920,550</u>	<u>100</u>	<u>\$ 4,384,127</u>	<u>100</u>

The accompanying notes are an integral part of the financial statements.
(Please refer to the Deloitte & Touche auditors' report dated March 23, 2021.)

Chairman: Kuo Wei-Wu

Manager: Kuo Wei-Wu

Accounting Manager: Hung Ya-Ching

K Laser Technology Inc.
Statement of Comprehensive Income
For the years ended December 31, 2020 and 2019
Unit: In Thousands of New Taiwan Dollars;
Earnings (Loss) Per Share: In New Taiwan Dollar

Code		2020		2019	
		Amount	%	Amount	%
4100	Operating revenue (Notes 4 and 28)	\$ 810,550	100	\$ 650,286	100
5110	Cost of goods sold (Notes 9 and 28)	<u>666,235</u>	<u>82</u>	<u>542,114</u>	<u>83</u>
5900	Gross profit	144,315	18	108,172	17
5910	Unrealized sales profit	(13,202)	(2)	(13,622)	(2)
5920	Unrealized sales profit	<u>4,898</u>	<u>1</u>	<u>13,202</u>	<u>2</u>
5950	Gross profit	<u>136,011</u>	<u>17</u>	<u>107,752</u>	<u>17</u>
	Operating expenses (Note 28)				
6100	Selling and marketing	40,467	5	38,427	6
6200	General and administrative	75,524	9	79,938	12
6300	Research and development	77,842	10	62,515	10
6450	Expected credit impairment (gain on reversal) loss	(<u>694</u>)	<u>-</u>	<u>-</u>	<u>-</u>
6000	Total operating expenses	<u>193,139</u>	<u>24</u>	<u>180,880</u>	<u>28</u>
6900	Loss from operations	(<u>57,128</u>)	(<u>7</u>)	(<u>73,128</u>)	(<u>11</u>)
	Non-operating income and expenses				
7060	Share of profit or loss of subsidiaries and associates accounted for using the equity method (Note 12)	202,008	25	(105,154)	(16)
7100	Interest income (Note 28)	1,291	-	2,618	-
7190	Other income-others (Note 28)	45,592	6	53,245	8
7210	Loss on disposal of property, plant and equipment	(19)	-	(157)	-

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Code		2020		2019	
		Amount	%	Amount	%
7230	Loss on foreign exchange	(\$ 10,641)	(1)	(\$ 3,646)	-
7235	Gain on financial assets (liabilities) at fair value through profit or loss	(31)	-	301	-
7510	Interest expense	(25,562)	(3)	(21,406)	(3)
7590	Miscellaneous expense	(7,590)	(1)	(11,306)	(2)
7625	Gain on disposal of investment	2,489	-	45,383	7
7670	Impairment loss	<u>-</u>	<u>-</u>	(<u>4,539</u>)	(<u>1</u>)
7000	Total non-operating income and expenses	<u>207,537</u>	<u>26</u>	(<u>44,661</u>)	(<u>7</u>)
7900	Profit (loss) before tax	150,409	19	(117,789)	(18)
7950	Income tax expense (Notes 4 and 23)	(<u>6,000</u>)	(<u>1</u>)	(<u>2,046</u>)	<u>-</u>
8200	Profit (loss) for the year	<u>144,409</u>	<u>18</u>	(<u>119,835</u>)	(<u>18</u>)
	Other comprehensive income (loss) (Notes 20 and 21)				
8310	Items that will not be reclassified subsequently to profit or loss				
8311	Actuarial gain (loss) on defined benefit plan	236	-	(4,228)	(1)
8316	Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	1,632	-	(27,690)	(4)
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(<u>8,874</u>)	(<u>1</u>)	(<u>82,979</u>)	(<u>13</u>)
8300	Total other comprehensive income (loss)	(<u>7,006</u>)	(<u>1</u>)	(<u>114,897</u>)	(<u>18</u>)
8500	Total comprehensive income (loss) for the year	<u>\$ 137,403</u>	<u>17</u>	(<u>\$ 234,732</u>)	(<u>36</u>)

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Code		2020		2019	
		Amount	%	Amount	%
	Earnings (loss) per share (Note 24)				
	From continuing operations				
9710	Basic	<u>\$ 0.96</u>		(<u>\$ 0.79</u>)	
9810	Diluted	<u>\$ 0.95</u>			

The accompanying notes are an integral part of the financial statements.
(Please refer to the Deloitte & Touche auditors' report dated March 23, 2021.)

Chairman: Kuo Wei-Wu Manager: Kuo Wei-Wu Accounting Manager: Hung Ya-Ching

K Laser Technology Inc.
Statement of Changes in Equity
For the years ended December 31, 2020 and 2019

Unit: In Thousands of New Taiwan Dollars

Code		Ordinary shares	Capital reserve	Retained earnings			Other equity		Transactions of Treasury shares	Total equity
				Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translation of financial statements of foreign operations	Unrealized loss (gain) on financial assets at fair value through other comprehensive income		
A1	Balance at January 1, 2019	\$ 1,593,246	\$ 529,962	\$ 206,459	\$ 162,918	\$ 488,494	(\$ 195,571)	(\$ 5,574)	(\$ 93,118)	\$ 2,686,816
B1	Appropriation and distribution of 2018 earnings (Note 21)									
B1	Legal reserve	-	-	6,583	-	(6,583)	-	-	-	-
B3	Special reserve	-	-	-	38,226	(38,226)	-	-	-	-
B5	Cash dividends to shareholders of the Company	-	-	-	-	(62,043)	-	-	-	(62,043)
D1	Net profit for the year ended December 31, 2019	-	-	-	-	(119,835)	-	-	-	(119,835)
D3	Other comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	(4,228)	(82,979)	(27,690)	-	(114,897)
L1	Buy-back of treasury shares (Note 21)	-	-	-	-	-	-	-	(17,422)	(17,422)
L5	Acquisition of the parent company's shares by subsidiaries as treasury shares (Note 21)	-	-	-	-	-	-	-	(22,785)	(22,785)
N1	Share-based payment transactions (Note 25)	-	21,060	-	-	-	-	-	31,203	52,263
M5	Differences between equity purchase price and carrying amount arising from actual acquisition or disposal of subsidiaries	-	211	-	(54)	(177)	78	231	-	289
M7	Changes in percentage of ownership interests in subsidiaries	-	298	-	-	(1,595)	-	-	-	(1,297)
Z1	Balance at December 31, 2019	1,593,246	551,531	213,042	201,090	255,807	(278,472)	(33,033)	(102,122)	2,401,089
D1	Net profit for the year ended December 31, 2020	-	-	-	-	144,409	-	-	-	144,409
D3	Other comprehensive income (loss) after tax for the year ended December 31, 2020	-	-	-	-	236	(8,874)	1,632	-	(7,006)
L1	Buy-back of treasury shares (Note 21)	-	-	-	-	-	-	-	(77,812)	(77,812)
L7	Disposal of shares of the parent company by subsidiaries to be deemed as treasury share transactions	-	(3,668)	-	-	-	-	-	22,785	19,117
M5	Differences between equity purchase price and carrying amount arising from actual acquisition or disposal of subsidiaries	-	22,969	-	(103)	(11,200)	261	998	-	12,925
M7	Changes in percentage of ownership interests in subsidiaries	-	3,691	-	-	-	-	-	-	3,691
C7	Changes in associates accounted for using the equity method	-	-	-	-	(4,500)	-	-	-	(4,500)
N1	Share-based payment transactions	-	10,824	-	-	-	-	-	38,413	49,237
Z1	Balance at December 31, 2020	<u>\$ 1,593,246</u>	<u>\$ 585,347</u>	<u>\$ 213,042</u>	<u>\$ 200,987</u>	<u>\$ 384,752</u>	<u>(\$ 287,085)</u>	<u>(\$ 30,403)</u>	<u>(\$ 118,736)</u>	<u>\$ 2,541,150</u>

The accompanying notes are an integral part of the financial statements.
(Please refer to the Deloitte & Touche auditors' report dated March 23, 2021.)

Chairman: Kuo Wei-Wu

Manager: Kuo Wei-Wu

Accounting Manager: Hung Ya-Ching

K Laser Technology Inc.
Statement of Cash Flows
For the years ended December 31, 2020 and 2019
Unit: In Thousands of New Taiwan Dollars

Code		2020	2019
	Cash flows from operating activities		
A10000	Profit (loss) before tax	\$ 150,409	(\$ 117,789)
A20010	Incomes, expenses and losses not influencing cash flows		
A20100	Depreciation expense	33,113	34,107
A20200	Amortization expense	764	742
A20300	Expected credit (reversal) loss	(694)	-
A20400	Net (gain) on financial assets at fair value through profit or loss	31	(301)
A20900	Interest expense	25,562	21,406
A21200	Interest income	(1,291)	(2,618)
A21900	Share-based compensation expense	-	20,359
A22300	Share of (profit) loss of subsidiaries and associates accounted for using the equity method	(202,008)	105,154
A22500	Loss on disposal and write-down of property, plant and equipment	19	157
A23100	Gain on disposal of investment	(2,489)	(45,383)
A23700	Impairment loss recognized on financial assets	-	4,539
A23800	Gain on inventory valuation and reversal	(561)	(3,748)
A23900	Unrealized sales profit (loss) among associates	13,202	13,622
A24000	Realized sales profit (loss) among associates	(4,898)	(13,202)
A30000	Net change in operating assets and liabilities		
A31130	Notes receivable	(2,032)	(433)
A31150	Trade receivables	29,152	5,336
A31160	Trade receivables from related parties	(25,181)	6,244
A31180	Other receivables	3,452	(4,019)
A31200	Inventories	16,500	816
A31240	Other current assets	(10,970)	620
A31990	Other non-current assets	1,172	(1,554)
A32130	Notes payable	(612)	-
A32150	Trade payables	(16,177)	(3,745)
A32160	Trade payables to related parties	15,744	15,375
A32180	Other payables	(6,457)	2,467
A32230	Other current assets	5,897	2,078
A32240	Net defined benefit liabilities—current	(6,374)	(1,092)
A33000	Cash generated from operations	15,273	39,138
A33100	Interest received	1,291	2,618
A33300	Interest paid	(24,844)	(19,886)
A33500	Income tax paid	(71)	(5,563)
AAAA	Net cash generated from (used in) operating activities	(8,351)	16,307

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Code		2020	2019
	Cash flows from investing activities		
B00010	Acquisition of financial assets at fair value through other comprehensive income	(\$ 3,000)	\$ -
B00100	Acquisition of financial assets recognized initially at fair value through profit or loss	(3,015)	-
B01800	Acquisition of long-term equity investment accounted for using the	(5,200)	(174,924)
B01900	Proceeds from disposal of long-term equity investment accounted for using the equity method	-	18,830
B00200	Disposal of financial assets recognized initially at fair value through profit or loss	3,309	-
B02200	Cash outflows from acquisition of subsidiaries	(246,557)	-
B02300	Cash inflows from disposal of subsidiaries	44,925	-
B02400	Refunds of share payment due to decrease in capital of investee companies accounted for using the equity method	-	138,054
B02600	Proceeds from disposal of assets held for sale	2,513	-
B02700	Purchase of property, plant and equipment	(10,505)	(8,620)
B02800	Proceeds from disposal of property, plant and equipment	70	13,479
B03700	Decrease (increase) in refundable deposits	3,272	(463)
B04500	Purchase of intangible assets	(149)	-
B05000	Cash and cash equivalents obtained the dissolved company due to business combination	36,464	-
B06600	Increase in other financial assets	(128,445)	-
B07600	Dividends received from subsidiaries and associates	<u>263,622</u>	<u>81,935</u>
BBBB	Net cash generated from (used in) investing activities	(<u>42,696</u>)	<u>68,291</u>
	Cash flows from financing activities		
C00200	Decrease in Short-term borrowings	(48,234)	(61,000)
C00600	Increase in short-term notes and bills payable	100,018	50,000
C01600	Long-term borrowings	250,000	870,000
C01700	Repayments of Long-term borrowings	(90,000)	(770,000)
C04200	Repayment of principal portion of lease liabilities	(6,310)	(6,189)
C04500	Dividends paid	-	(62,043)
C04900	Payments for buy-back of treasury shares	(77,812)	(17,422)
C05100	Purchase of treasury shares by employees	<u>-</u>	<u>81,141</u>
CCCC	Net cash generated from financing activities	<u>127,662</u>	<u>84,487</u>
EEEE	Increase in cash and cash equivalents for the year	76,615	169,085
E00100	Cash and cash equivalents at the beginning of the year	<u>283,611</u>	<u>114,526</u>
E00200	Cash and cash equivalents at the end of the year	<u>\$ 360,226</u>	<u>\$ 283,611</u>

The accompanying notes are an integral part of the financial statements.
(Please refer to the Deloitte & Touche auditors' report dated March 23, 2021.)
Chairman: Kuo Wei-Wu Manager: Kuo Wei-Wu Accounting Manager: Hung Ya-Ching

K Laser Technology Inc.
Notes to the Financial Report
For the years ended December 31, 2020 and 2019
(In thousands of New Taiwan Dollars, except as otherwise indicated herein)

I. Corporate History

K Laser Technology Inc. (hereinafter referred to as K Laser or the Company), which was incorporated in Hsinchu Science Park in April 1988, mainly engages in research, development, production, manufacturing and sale of specific materials, equipment and optical coating for holographic products and embossed holographic products, and export and import of the products mentioned above.

Stocks of the Company were traded at Taipei Exchange from December 9, 1999 and have been traded at Taiwan Stock Exchange since September 17, 2001.

The functional currency adopted by the Company is used to express amounts indicated in the financial report.

II. Date and Procedure of Adoption of Financial Statements

The financial statements were adopted by the board of directors of the parent on March 23, 2021.

III. Applicability of New and Amended Regulations and Interpretations

- (1) We initially apply International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC) and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (hereinafter referred to as the FSC) of the Republic of China.

Except as otherwise explained below, the application of the amended IFRSs, which are recognized and published by the FSC, will not cause any significant change in accounting policies of the Group.

1. Amendments to IFRS 3 “Definition of a Business”

These amendments are applicable to all transactions made by the Company after January 1, 2020. The amendments require that a business shall at least include contribution and important processes, both of which must significantly contribute to its production capacity. Significance of the “process acquired” is determined based on different judgment elements depending on whether production occurs on the acquisition date. In addition, a business may at its discretion use the concentration test, a simplified method additionally added to evaluate whether the combination of activities and assets acquired meet the needs of the business.

2. Amendments to IAS 1 and IAS 8 “Definition of Material”

The Company has applied these amendments since January 1, 2020 by using “being reasonably expected to influence users” as the material threshold, adjusting disclosures in the financial report and deleting all immaterial information that may obscure material information.

3. Amendments to IFRS 16 “Covid-19-Related Rent Concessions”

The Company chooses to proceed with Covid-19-related rent negotiations with lessors in a practical manner that is suitable for the amendments. Refer to Note 4 for relevant accounting policies. Before applying the amendments, the Company should decide whether the provisions for lease modifications are applicable to the aforementioned rent negotiations.

The Company has applied the amendments since January 1, 2020. As the aforementioned rent negotiations only influence the year 2020, the retrospective application of the amendments does not influence the retained earnings as of January 1, 2020.

(2) IFRSs recognized by the FSC, which were applied in 2020

Standards Issued / Amended / Revised and Interpretations	Effectiveness Date Announced by IASB
Amendments to IFRS 4 “Extension of the Temporary Exemption applicable to IFRS 9”	Effective on the date of announcement
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform – Phase 2”	Effective from the annual reporting period after January 1, 2021

(3) IFRSs that have been announced by IASB but have not been recognized or announced yet by the FSC

Standards Issued / Amended / Revised and Interpretations	Effectiveness Date Announced by IASB (Note 1)
“Annual Improvement to Standards 2018-2020 Cycle”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Amendments to References to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	Not decided yet
Amendments to IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023

Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 6)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)
Amendments to IAS 16 “Property, Plant and Equipment : Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

Note 1: Except otherwise as indicated herein, the standards newly issued/amended/revised or interpretations come into effect from the annual reporting period after the indicated date.

Note 2: Amendments to IFRS 9 are applicable to exchanges of financial liabilities or modifications of terms occurring in an annual reporting period after January 1, 2022. Amendments IAS 41 “Agriculture” are applicable to measurement of fair value in an annual reporting period after January 1, 2022. Amendments to IFRS 1 “First-time Adoption of IFRSs” are applicable to retrospectively applicable to an annual reporting period after January 1, 2022.

Note 3: The amendments are applicable to a business combination, the acquisition date of which falls in an annual reporting period after January 1, 2022.

Note 4: The amendments are applicable to the property, plant and equipment that are not in such locations and such conditions until January 1, 2022 as expected by the management.

Note 5: The amendments are applicable to a contract under which the obligations have not been fully performed as of January 1, 2022.

Note 6: The amendments are applicable to postponement of an annual reporting period after January 1, 2023.

Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies to be made in an annual reporting period after January 1, 2023.

1. Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

According to the amendments, when the Company sells or contributes assets to its associate or the Company loses its control over its subsidiary but still has a significant impact on the subsidiary, the Company is required to recognize the income or loss generated from the transaction if the assets or subsidiary mentioned above falls in the definition of “business” stated in IFRS 3 “Business Combinations.”

In addition, when the Company sells or contributes assets to its associate or the Company loses its control over its subsidiary in a transaction made with its associate but still has a significant impact on the subsidiary, the Company is required to recognize the income or loss generated from the transaction to the extent that the equity of investors is irrelevant to the associate, that is to say, by writing off the Company’s share of the income or loss, if the assets or subsidiary mentioned above is not defined as the “business” as stated in IFRS 3 “Business Combinations.”

2. Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”

The amendments explain that to determine whether a liability is classified to be non-current, the Company should be evaluated to see whether it has the right at the end of a reporting period to defer the repayment deadline to at least 12 months beyond the reporting period. If the Company has such right at the end of the reporting period, the liability will be classified to be non-current no matter whether the Company is expected to exercise such right. The amendments also explain that in case the Company needs to comply with some specific conditions before being granting the right to defer repayment of liabilities, the Company is required to be in compliance with the specific conditions by or at the end of the reporting period, even when the lender verifies thereafter whether the company complies with the conditions.

According to the amendments, for the purpose of liability classification, the aforementioned repayment refers to transfer of cash, other economic resources or the Company's equity instrument to the counterparty so as to eliminate the liabilities. However, if the counterparty may at its option request the Company to transfer its equity instrument so as to repay the liabilities in accordance with the terms provided for the liabilities, and if the option is separately recognized in equity in compliance with the provisions of IAS 32 "Financial Instruments: Presentation," then the aforementioned terms do not influence classification of liabilities.

3. Amendments to IAS 1 "Disclosure of Accounting Policies"

The amendments expressly indicate that the Company shall disclose the information of material accounting policies based on the definition of material. If the information of accounting policies is reasonably expected to influence the decisions made by general users of financial statements based on the financial statements, then the information of accounting policies shall be regarded as material information. The amendments also explain:

- Information of accounting policies relevant to immaterial transactions or immaterial other matters or circumstances is regarded as immaterial information. The Company is not required to disclose such information.
- The Company may determine that the information of accounting policies is material based on the nature of the transactions or other matters or circumstances even though the amount is not significant.
- Not all information of accounting policies relevant to material transactions or material other matters or circumstances is regarded as material information.

In addition, examples are also given in the amendments to explain the information of accounting policies that is relevant to material transactions or material other matters or circumstances

may be regarded as material information in any of the following situations:

- (1) The Company changes accounting policies during a reporting period and the change results in material changes in the information in financial statements;
- (2) The Company chooses, from the accounting policies permitted in the standards, the accounting policy applicable to the Company;
- (3) The Company establishes accounting policies in compliance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” for a lack of specific standards;
- (4) The Company discloses relevant accounting policies that it has to exercise material judgment or assumption to determine;
or
- (5) Complicated provisions for accounting treatment are involved and users of financial statements depend on such information to understand material transactions and material other matters or circumstances.

4. Amendments to IAS 8 “Definition of Accounting Estimates”

The amendments expressly indicate that accounting estimates refer to amounts in such currencies in financial statements as measured to be influenced by uncertainty. In applying an accounting policy, the Company may need to measure some items in its financial statements by using some estimated amounts that cannot be observed directly, so it needs to use measurement techniques and input values to establish accounting estimates for the purpose. If the influence of changes in measurement techniques and input values on accounting estimates is not related to correction of an error occurring in the previous period, then such changes are regarded as changes in accounting estimates.

In addition to the aforementioned impacts, the impacts of other standards, interpretations on the financial status and financial performance of the Company were still evaluated consistently by the Company as of the date when the financial report was approved to be

published. Relevant impacts will be disclosed after the completion of the evaluation.

IV. Explanations of Material Accounting Policies

(1) Declaration of Compliance

The financial statements are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(2) Preparation Basis

The financial report is prepared on the basis of historical cost, except for financial instruments, which are measured at fair value.

Fair value measurement is classified from level 1 to level 3 based on observable level and importance of relevant inputs.

1. Level 1 Inputs: They refer to the prices of the same assets or liabilities obtained in the active market on measurement date (not adjusted).
2. Level 2 Inputs: They refer to direct inputs (i.e. prices) or indirect inputs (presumed from prices) observable, except level 1 prices, for assets or liabilities.
3. Level 3 Inputs: They refer to inputs not observable for assets or liabilities.

When preparing the financial report, the Company treated its investee companies by using the equity method. For making the current profit (loss), other comprehensive income (loss) and equity stated in the financial report consistent with such current profit (loss), other comprehensive income (loss) and equity attributed to owners of the Company as stated in the consolidated financial report of the Company, the Company dealt with differences between separate basis and consolidated basis in accounting treatment by adjusting “investments accounted for using the equity method,” “share of subsidiaries accounted for using the equity method,” “share of other comprehensive income (loss) of subsidiaries accounted for using the equity method” and relevant equity items.

(3) Standards of Distinguishing Current Assets and Liabilities from Non-current Assets and Liabilities

Current assets include:

1. Assets held primarily for transaction;
2. Assets expected to be realized within 12 months after the balance sheet date; and
3. Cash and cash equivalents (not including the same that would be used to exchange or pay off liabilities 12 months after the balance sheet date and be therefore restricted).

Current liabilities include:

1. Liabilities held primarily for transaction;
2. Liabilities due and repaid within 12 months after the balance sheet date
3. Liabilities for which the repayment period is not unconditionally allowed to be postponed to at least 12 months after the balance sheet date.

The assets and liabilities which are not listed as current assets and current liabilities above are classified as non-current assets and non-current liabilities.

(4) Foreign Currency

For the transactions completed by using a foreign currency rather than the functional currency of the Company, the Company shall convert the foreign currency to the functional currency at the exchange rate prevailing on the date of transaction in preparing the financial report.

Foreign monetary items are converted at the closing rate on the balance sheet date. Exchange differences generated from the transfer or conversion of monetary items are recognized in profits or losses for the current year when the differences occur.

Foreign currency non-monetary items measured at fair value are converted at the exchange rate on the date when fair value is determined. Exchange differences generated are listed as current profits or losses. However, in case of changes in fair value recognized in other comprehensive incomes or losses, the exchange differences generated are listed as other comprehensive incomes or losses.

Foreign currency non-monetary items measured at historical cost are converted at the exchange rate on the date of transaction and will not be re-converted.

In preparing the financial report, the Company converts the assets and liabilities of the overseas entities of the Company (including the subsidiaries and associates using, and the subsidiaries and associates operating in the countries using, any currency that differs from the currency used by the Company) to NT dollars at the exchange rate on the balance sheet date. Incomes and expenses are converted at the average exchange rate of the current year. Exchange differences generated are recognized as other comprehensive incomes or losses.

(5) Inventories

Inventories include merchandise, raw materials, finished goods and work in process. Inventories are measured by using the lower of cost or net realizable value method. Cost and net realizable value are compared base on each individual item, except the same type of inventories. Net realizable value refers to the amount of the selling price, estimated in normal circumstances, from which the estimated cost required to be put in prior to the completion and the estimated cost needed for the completion of sale are subtracted. Cost of inventories is calculated by using the weighted average method.

(6) Investments Accounted for Using the Equity Method

The Company uses the equity method to deal with its investments in subsidiaries and associates.

1. Investments in Subsidiaries

Subsidiaries refer to the entities over which the Company has control.

With the equity method, investments are originally recognized at cost and the book amount after the acquisition date increases or decreases by the amount of the profits or losses, share of other comprehensive income (loss) and profit distributions to be attributed to the Company. Changes in other equity of subsidiaries to be attributed by the Company are recognized at the percentage of its shareholding.

When changes in the Company's ownership interest in a subsidiary do not cause the Company to lose its control over the subsidiary, such changes are treated as equity transactions. The difference between the book amount of investment and the fair value of paid or received consideration is recognized as equity directly.

When the Company's share of loss in a subsidiary equals or exceeds its equity in the subsidiary (including the book amount of the subsidiary under the equity method and other long-term equity comprising the Company's net investment in the subsidiary), a loss is recognized continuously at the percentage of the Company's shareholding.

The portion of acquisition cost in excess of the Company's share of fair value of identifiable assets and liabilities of a subsidiary on the acquisition date is listed as goodwill. The goodwill is included in the book amount of the investment and shall not be amortized. The portion of the Company's share of fair value of identifiable assets and liabilities of a subsidiary on the acquisition date in excess of the acquisition cost is listed as current income.

When losing its control over a subsidiary, the Company measures its remaining investment in the former subsidiary at fair value on the date when it loses its control. The difference between the fair value of the remaining investment and any proceeds from the disposal and the book amount of the investment on the date when it loses its control is listed as current profit or loss. The basis of accounting treatment used for all subsidiary-related amounts recognized as other comprehensive income or loss shall be the same as that required to be complied with by the Company in disposing relevant assets or liabilities directly.

Unrealized profits or losses from downstream transactions between the Company and a subsidiary are written off in the financial report of the Company. Profits or losses generated from upstream, downstream and sidestream transactions between the

Company and a subsidiary are recognized in the financial report of the Company only to the extent that the equity of the subsidiary owned by the Company is not influenced accordingly.

2. Investments in Associates

An associate refers to an enterprise on which the Company has a significant influence and that is not a subsidiary or joint venture of the Company.

Investments made by the Company in associates are measured by using the equity method. With the equity method, investments in associates are originally recognized at cost. After the date of acquisition, the book amount increases or decreases correlatively subject to the profits or losses, share of other comprehensive incomes or losses and profit distribution enjoyed by the Company from associates. Besides, changes in entity of associates are recognized proportionally based on the ratio of shareholding.

Acquisition cost exceeding the Company's share of the identifiable assets and liabilities of associates in fair value on the date of acquisition is recognized as goodwill. The goodwill is included in the book amount of the investments and shall not be amortized. The Company's share of the identifiable assets and liabilities of associates in fair value on the date of acquisition in excess of acquisition cost is recognized as current profits or losses.

If the Company fails, when an associate issues new shares, to subscribe for the shares proportionally at the rate of its shareholding so that the rate of its shareholding changes and the net equity of the investment increases or decreases accordingly, then capital reserve shall be adjusted by such increase or decrease – changes in net equity of associates and joint ventures accounted for using the equity method, and investments accounted for using the equity method. However, in case of its failure to subscribe for or obtain shares proportionally at the rate of its shareholding so that its ownership interest in the associate decreases, then the associate-related amount recognized as other

comprehensive incomes or losses shall be reclassified at the ratio of decrease in the amount, and the basis of accounting treatment used shall be the same as that required to be complied with by the associate if it was required to dispose relevant assets or liabilities directly. If the aforementioned adjustment is debited to capital reserve and the balance of capital reserve generated from the investments accounted for using the equity method is not sufficient, the difference shall be debited to retained earnings.

When the Company's share of loss in an associate equals or exceeds its interest in the associate (including the book amount of investments in the associate accounted for using the equity method, and other long-term interest substantially comprising the Company's net investments in the associate), no loss shall be further recognized. The Company recognizes additional losses and liabilities only to the extent of legal obligations or constructive obligations incurred or payments made on behalf of the associate.

In evaluating impairment, the Company regards the entire book amount of investments (including goodwill) as single assets and compares the recoverable amount with the book amount to perform the impairment test. The impairment loss recognized is part of the book amount of investments. Any reverse of impairment loss is recognized to the extent of the subsequent increase in the recoverable amount of the investments.

The Company stops using the equity method when it does not invest in the associate anymore. Its retained interest in the associate is measured at fair value. The difference between the fair value and disposal proceeds and the book amount of investments as of the date when it stops using the equity method is listed in current profits or losses. For all amounts relevant to the associate and recognized as other comprehensive income or loss, the basis of accounting treatment used shall be the same as that required to be complied with by the associate if it was required to dispose relevant assets or liabilities directly. If investments originally made in an associate become investments in a joint

venture, or investments originally made in a joint venture become investments in an associate, then the Company will use the equity method continuously and will not measure separately for the retained interest.

Profits or losses generated from upstream, downstream and sidestream transactions between the Company and an associate are recognized in the financial report only to the extent that the equity of the associate owned by the Company is not influenced accordingly.

(7) Property, Plant and Equipment

Property, plant and equipment are recognized at cost and measured subsequently based on the amount of cost less both accumulated depreciation and accumulated impairment loss.

Each important portion of the property, plant and equipment within service life is depreciated by using the straight line method. The Company reviews the estimated service life, residual value and depreciation method at least at the end of every year and put off the impact on applicable changes in accounting estimates.

Upon derecognition of property, plant and equipment, the difference between the net proceeds on disposal and the book amount of the assets is recognized in profits or losses.

(8) Investment Property

Investment property refers to the property possessed for earning rents and/or capital appreciation.

Investment property is originally measured at cost (inclusive of transaction cost) and is subsequently measured based on the amount of cost less accumulated depreciation and accumulated impairment loss. The Company allocates depreciation on a straight-line basis.

Upon derecognition of Investment property, the difference between the net disposal proceeds and the book amount of such assets is recognized in profits or losses.

(9) Intangible Assets

1. Individual Acquisition

Intangible assets with limited service life acquired individually are originally measured at cost and measured subsequently based on the amount of cost less accumulated amortization and accumulated impairment loss. Intangible assets are amortized within service life by using the straight line method. Estimated service life, residual value and amortization method shall be reviewed at least at the end of every year and the impact on applicable changes in accounting estimates shall be put off. Intangible assets without defined service life are listed at cost less accumulated impairment loss.

2. Derecognition

Upon derecognition of intangible assets, the difference between the net disposal proceeds and the book amount to such assets is recognized in current profits or losses.

(10) Impairment of Property, Plant and Equipment, Right-of-use Assets and Intangible Assets

The Company evaluates on every balance sheet date whether there is any sign indicating that property, plant and equipment, right-of-use assets or intangible assets may be impaired. In case of any sign of impairment, a recoverable amount is estimated for the assets. If a recoverable amount cannot be estimated for any individual asset, the Company will estimate the recoverable amount of the CGU of the concerned asset.

As for the intangible assets without defined service life and that have not been available for use, the test is conducted at least every year and upon occurrence of a sign of impairment.

The recoverable amount is the higher of fair value less costs to sell and use value. If the recoverable amount of individual assets or CGUs is less than the book amount thereof, then the book amount of the assets or CGUs will be reduced to the recoverable amount, and the impairment loss will be recognized in profits or losses.

Upon subsequent reverse of impairment loss, the book amount of the assets or CGUs is increased to the revised recoverable amount. However, the increased book amount shall not exceed the book value

(less amortization or depreciation) determined if the impairment loss of the assets or CGUs was not recognized in the previous year. Reverse of impairment loss is recognized in profits or losses.

(11) Non-current Assets Held for Sale

The book amount of non-current assets are classified as assets held for sale when they are expected to be traded instead of being used continuously and then recycled. The non-current assets as classified above shall be available for sale immediately in their current status and such sale shall be highly possible. The sale is highly possible when proper levels of management commit to a plan of selling such assets and the sale transaction is expected to be completed within a year after the date of classification.

(12) Financial Instruments

Financial assets and financial liabilities are recognized in the balance sheet when the Company becomes a party to the contract concerning the instruments.

If financial assets or financial liabilities are not measured at fair value through profit or loss (“FVTPL”), the financial assets or financial liabilities, upon original recognition, are measured at fair value plus transaction cost attributable directly to the obtained or issued financial assets or financial liabilities. Transaction cost attributable directly to the obtained or issued financial assets or financial liabilities at FVTPL is recognized as profits or losses immediately.

1. Financial Assets

Routine transactions of financial assets are recognized and derecognized on transaction date.

(1) Type of Measurement

Financial assets held by the Company are financial assets at FVTPL, financial assets measured at amortized cost, and investments in equity instruments measured at fair value through other comprehensive income (“FVTOCI”).

A. Financial Assets at FVTPL

Financial assets at FVTPL include the financial assets that are enforced or designated to be measured at FVTPL. The financial assets enforced to be measured at FVTPL include the investments in equity instruments not designated by the Company to be measured at FVTOCI, and the investments in debt instruments not classified as those measured at amortized cost or measured at FVTOCI.

Financial assets at FVTPL are measured at fair value. Refer to Note 27 for the method used to determine fair value.

B. Financial Assets at Amortized Cost

Financial assets invested by the Company are classified as the financial assets measured at amortized cost if both of the following conditions are satisfied simultaneously:

- a. The financial assets are possessed in a specific business model, and the model is used to acquire contractual cash flows by possessing financial assets; and
- b. Cash flows generated on the specific date as provided in contractual terms are completely used for payment of principals and the interest on the outstanding principals.

After being recognized originally, the financial assets measured at amortized cost (including cash and cash equivalents, trade receivables measured at amortized cost, etc.) are measured at the amortized cost of the total book amount less any impairment loss determined by the effective interest method. Foreign exchange gains or losses are recognized in profits or losses.

Interest income is computed at the effective interest rate multiplied by the total book amount of financial assets, except in either of the following situations:

- a. For the credit-impaired financial assets purchased or established, interest income is computed at the effective

interest rate, after credit adjustment, multiplied by the amortized cost of the financial assets.

- b. If the financial assets without credit impairment upon purchase or establishment become credit-impaired subsequently, then interest income is computed at the effective interest rate multiplied by the amortized cost of the financial assets from the reporting period following the reporting period in which credit impairment occurs.

Credit-impaired financial assets refer to the financial assets, the issuer or debtor of which has serious financial difficulty or violates the contract, or the debtor of which may apply for bankruptcy or financial restructuring, or the active market of which disappears due to financial difficulty.

Cash equivalents include the time deposits lasting for no more than 3 months, or for a period between 3 and 12 months, after the acquisition date, with the interest, obtained in case of early termination, higher than that for current deposits, and the time deposits that are highly liquid and may be transferred to a fixed amount of cash any time with minimal risk of changes in value to fulfill short-term cash commitments.

C. Investments in Equity Instruments at FVTOCI

Upon original recognition, the Company may irrevocably choose to indicate that the investments in equity instruments which are not possessed for sale and not recognized by acquirers of business combinations or for which considerations are provided shall be measured at FVTOCI.

Investments in equity instruments at FVTOCI are measured at fair value, and the subsequent changes in fair value are listed in other comprehensive incomes or losses and accumulated in other equity. Upon disposal of

investments, accumulated profits or losses are transferred directly to retained earnings and will not be reclassified as profits or losses.

Dividends for investments in equity instruments at FVTOCI are recognized in profits immediately when the Company's right to collect payments has been established unless the dividends obviously represent part of the investment cost recovered.

(2) Impairment of Financial Assets

The Company evaluates impairment loss of financial assets at amortized cost based on the expected credit loss every balance sheet date.

Loss allowances for trade receivables are recognized based on the expected credit loss for the duration of trade receivables. As for other financial assets, the Company determines whether credit risks increases significantly after the original recognition of such other financial assets. If the risk does not increase significantly, then loss allowances for other financial assets are recognized based on the expected credit loss for 12 months. If the risk increases significantly, loss allowances are recognized based on the expected credit loss for the duration of such other financial assets.

The expected credit loss refers to the weighted average credit loss computed by weighting the risk of a breach of contract. The expected credit loss for 12 months means the expected credit loss incurred due to violation of a financial instrument within 12 months after the date of reporting. The expected credit loss for the duration means the expected credit loss incurred due to all violations of a financial instrument for the duration of the financial instrument.

For internal credit risk management, the Company determines, without taking any collateral it possesses into account, that a breach of contract with respect to financial assets occurs in case of any of the following situations:

- A. Internal or external information indicates that it is impossible for the debtor to repay debts.
- B. Financial assets have expired unless any reasonable and supporting information indicates that the postponed violation basis is more appropriate.

For all financial assets, impairment loss is reflected by reducing the book amount of the financial assets through the allowance account.

(3) Derecognition of Financial Assets

The Company derecognizes financial assets only when their rights to cash flows from financial assets under a contract expire or when financial assets have been transferred and almost all risks of ownership of the assets and payments of the assets have been transferred to other enterprises.

Upon derecognition of the entire financial assets measured at amortized cost, the difference between the book amount of the financial assets and the received consideration is recognized in profits or losses. Upon derecognition of the entire investments in equity instruments measured at FVTOCI, the accumulated profits or losses of the investments in equity instruments are transferred to retained earnings directly instead of being reclassified as profits or losses.

2. Equity Instruments

The debt and equity instruments issued by the Company are classified as financial liabilities or equity based on the substance of the contractual agreement and the definitions of a financial liability and an equity instrument.

The equity instruments issued by the Company are recognized based on the obtained consideration less the cost of direct issuance.

The equity instruments of the Company taken back are recognized as and subtracted from equity. No purchase, sale, issuance or annulment of equity instruments of the Company shall be recognized as profit or loss.

(13) Liability Reserve

The amount recognized as liability reserve is the best estimate of the amount needed, in consideration of the risk of obligations and uncertainty into account, to repay obligations on the balance sheet date. Liability reserve is measured based on the present discounted value of the cash flows expected to repayment of obligations.

(14) Revenue Recognition

After identifying its obligations under a contract made with a customer, the Company amortizes the transaction price to each obligation and recognizes revenue upon fulfillment of each obligation.

Sales Revenue

Sales revenue comes from sale of holographic products. The Company recognizes revenue and trade receivables on the point of time when all construal obligations for the sale of products are fulfilled or the customer has obtained the right to control and use the products and assumed the risk of product obsolescence.

For the goods delivered to be processed, revenue is not recognized upon such delivery as the ownership of processed goods is not transferred.

(15) Lease

Upon establishment of a contract, the Company evaluates whether the contract is (or includes) a lease.

1. The Company is a lessor.

If almost all of the risks pertaining to the ownership of the assets and the compensation are required to be transferred to the lessee in accordance with the terms of the lease, then the lease is classified as a financed lease. All other leases are classified as operating leases.

When subleasing right-of-use assets, the Company determines the classification of the sublease (instead of the subject assets). However, if the master lease is applicable to the short-term leases for which the Company recognizes exemptions, then the sublease is classified as an operating lease.

Lease payments less lease incentives are recognized as incomes under the operating lease for the lease period on a straight-line basis.

2. The Company is a lessee.

For other leases, right-of-use assets and lease liabilities are recognized on the date of lease commencement, except for leases of low-value assets for which exemptions can be recognized and short-term leases, in which case, lease payments are recognize as expenses for the lease period on a straight-line basis.

Right-of-use assets are originally measured at cost (including the amount of originally measured lease liabilities, lease payments made before the date of lease commencement less the received lease incentives, the original direct cost and the estimated cost of restored subject assets). They are subsequently measured based on the cost less accumulated depreciation and accumulated impairment loss, and the remeasured amount of lease liabilities is adjusted accordingly. Right-of-use assets are expressed separately in the balance sheet.

Right-of-use assets are depreciated on a straight-line basis between the date of lease commencement and the expiration of the service life or expiration of the lease period, whichever comes first.

Lease liabilities are originally measured based on the current value of lease payments (including periodical payments, substantially periodical payments, lease payments subject to changes in the index or rate, amounts expected to be paid by the lessee to the extent of the guaranteed residual value, prices exercising based on call options ensured reasonably, and penalties for lease termination reflected already in the lease period less the received lease incentives). If a lease implies an interest rate that can be determined easily, then lease payments are discounted at the interest rate. If the interest rate cannot be determined easily, then the lessee's incremental borrowing rate of interest is used.

After that, lease liabilities are measured at amortized cost by using the effective interest method, and interest expenses are amortized for the leasing. In case the lease period, the amount expected to be paid to the extent of the guaranteed residual value, the evaluation of call options for subject assets, or the index or rate determined for lease payments changes, then the Company remeasures lease liabilities and adjusts right-of-use assets accordingly. However, if the book amount of right-of-use assets has been reduced to zero, then the rest of the remeasured amount is recognized in profits or losses. Lease liabilities are expressed separately in the balance sheet.

Variable rents that are not subjected to the index or rate under the lease agreement are recognized as expenses for the year when the rents occur.

The Company negotiated with the lessor for the rents directly relevant to Covid 19 and adjusted the rents due before June 30, 2020 so that the adjusted rents were almost equal to the rents before the negotiation. The negotiation has not caused any change in other terms of the lease. The Company chose to deal with the negotiation expediently for the rents in the lease contract satisfying the aforementioned conditions. The Company did not evaluate whether the negotiation was conducted to amend the lease, but intended to recognize the decrease in rent payments as profits upon occurrence of such decrease and reduce lease liabilities accordingly.

(16) Borrowing Cost

The borrowing cost directly attributable to the acquired assets is part of the cost of the assets until almost all activities necessary for the assets to be used or sold as expected have been completed.

If specific borrowings are used for temporary interments prior to the occurrence of the capital expenditure that meets requirements, then any and all investment incomes earned accordingly are subtracted from the borrowing costs satisfying the condition of capitalization.

Except otherwise as stated above, all other borrowing costs are recognized as losses for the year when the costs occur.

(17) Government Subsidy

A government subsidy is recognized only when the Company is reasonably believed to comply with the conditions attached to the government subsidy and will receive the subsidy.

A government subsidy is recognized as profit on a systemic basis for the year in which the Company recognizes as expenses the costs to be covered by the subsidy.

If a government subsidy is used to cover the expenses or losses occurring already or is just granted, as financial support, to the Company and no relevant cost will occur in the future, then the subsidy is recognized as profit for the year when the subsidy is received.

(18) Employee Benefits

1. Short-term Employee Benefits

Liabilities relevant to short-term employee benefits are measured based on non-discounted amounts expected to pay to exchange for employees' service.

2. Post-employment Benefits

As for retirement pensions under the defined contribution plan, the pension amounts allocated for the period when employees provide service are recognized as expenses.

Defined costs (including service costs, net interest and remeasurements) of the defined benefit plan are calculated by using the projected unit credit method. Service costs, the previous year's service costs and net interest on defined benefit liabilities (assets) are recognized as employee benefit expenses upon their occurrence or when the plan is amended or reduced. Remeasurements (including actuarial gains and losses, changes in effects on asset ceiling, and return on plan asset less interest) are recognized in other comprehensive incomes or losses upon their occurrence and listed in other equity, and they are subsequently will not be reclassified to profits or losses.

Net defined benefit liabilities (assets) are allocated shortage (surplus) of the defined benefit plan. Net defined benefit assets shall not exceed the current value of the refund of contributions from the plan or the reduction in future contributions.

3. Other long-term Employee Benefits

The accounting treatment of other long-term employee benefits is the same as that of the defined benefit plan. However, relevant remeasurements are recognized in profits or losses.

(19) Share-based Payment Arrangement

Equity-settled share-based payments made to employees are measured based on fair value of equity instruments on the grant date.

Employee stock options are recognized as expenses on a straight-line basis for the given period based on the fair value determined on the grant date and the best estimate of the expected obtained employee stock options, and the “capital reserve—employee stock option” is also adjusted simultaneously.

The Company amends the estimate of the expected obtained employee stock options on each balance sheet date. If an originally estimated amount is amended, its effects are recognized as profits or losses so that accumulated expenses reflect the amended estimate, and the “capital reserve—employee stock option” is also adjusted accordingly.

(20) Treasury Shares

When the Company buys back its outstanding shares to be treasury shares, the cost paid is debited to treasury shares, as a subtrahend under shareholders' equity.

Transfer of treasury shares to employees is treated in compliance with IFRS 2 “Share-based Payment.” Upon cancellation of treasury shares, “treasures shares” are credited and “capital reserve—premium on shares” and “capital stock” are debited at equity ratio. If the book value of treasury shares is higher than the sum of par value and premium, then the difference writes off the capital reserve generated from the same type of treasury shares. In case of any shortage, retained

earnings are debited again. If the book value is lower, then the difference is credited to the capital reserve generated from the same type of treasury shares. The book value of treasury shares is computed by using the weighted average method.

Shares of the Company held by its subsidiaries are treated as treasury shares.

(21) Income Tax

Income tax expense is the sum of current income tax and deferred income tax.

1. Current Income Tax

The income tax on unappropriated earnings computed in accordance with the Income Tax Act of the Republic of China is recognized for the year when the resolution is adopted at the shareholders' meeting.

Adjustment made for the previous year's income tax payable is listed in current income tax.

2. Deferred Income Tax

Deferred income tax is computed based on temporary differences generated from the book amounts of assets and liabilities and the tax base used to compute taxable income.

Deferred income tax liabilities are generally recognized based on taxable temporary differences. Deferred income tax assets are recognized when there may probably be taxable incomes from which the tax credits generated from temporary differences and loss carryforwards can be subtracted.

Taxable temporary differences relevant to investments in subsidiaries and associates are recognized as deferred income tax liabilities, except when the Company is able to control the point of reverse of temporary differences and the taxable temporary differences will not be reversed in the foreseeable future. Deductible temporary differences relevant to the investments are recognized as deferred income tax assets only to the extent of the foreseeable reverse expected in the future when there is taxable income sufficient to realize temporary differences.

The book amount of deferred income tax assets is reviewed again on every balance sheet date. For all or part of assets that taxable income may probably not be sufficient to recover, the book value is reduced. Those that are not originally recognized as deferred income tax assets are also reviewed again on every balance sheet date. The book value is increased when there may be any taxable income used to recover all or part of the assets.

Deferred income tax assets and liabilities are measured at the tax rate applicable to the year when liabilities are expected to be repaid or assets are expected to be realized. The interest rate refers to the interest rate determined by the tax law that is enacted or substantially enacted as of the balance sheet date. Deferred income tax liabilities and assets are measured to reflect the tax consequences generated in the way that the Company expects to recover or repay the book amount of its assets or liabilities as of the balance sheet date.

3. Current and Deferred Income Taxes

Current and deferred income taxes are recognized in profits or losses. However, the current and deferred income taxes relevant to the items recognized in other comprehensive incomes or losses or those included directly in equity are recognized in other comprehensive incomes or losses or included directly in equity respectively.

V. Main Sources of Material Accounting Judgments, Estimates and Assumption Uncertainty

For relevant information not available by the Company from other resources in applying accounting policies, the management must make relevant judgments, estimates and assumptions based on historical experience and other relevant factors. The actual result may probably differ from the estimate.

The management will review estimates and basic assumptions continuously. If a revised estimate only influences the current year, the estimate will be recognized in the year when it is revised. If a revised

accounting estimate influences the current and future years, the estimate will be recognized in the year when it is revised and in the future year.

VI. Cash and Cash Equivalents

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash on hand and Revolving funds	\$ 6,552	\$ 6,663
Bank checks and saving deposits of bank	319,498	218,487
Time deposits	<u>34,176</u>	<u>58,461</u>
	<u>\$ 360,226</u>	<u>\$ 283,611</u>

- (1) The market interest rate range of time deposits as of the balance sheet date is as follows: (The interest rate for checking deposits is 0%.)

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Demand deposits	0.001%-0.10%	0.001%-0.33%
Time deposits	0.32%	1.86%-2.25%

- (2) The bank deposits of the Company for the following purposes have been reclassified to other non-current assets.

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Other current assets (Note 17)		
Guarantee deposits for land leases with Hsinchu Science Park	\$ 5,000	\$ 5,000
Guarantee deposits for issuance of debentures	<u>128,445</u>	<u>-</u>
	<u>\$ 133,445</u>	<u>\$ 5,000</u>

VII. Financial Instruments at FVTPL

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Non-derivative financial assets		
Beneficiary certificates of funds	\$ <u>5,265</u>	\$ <u>5,296</u>
Financial assets at fair value through profit or loss – current	\$ <u>5,265</u>	\$ <u>5,296</u>

VIII. Notes Receivable and Trade Receivables

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Notes receivable</u>		
at amortized cost		
Total book amount	\$ <u>5,323</u>	\$ <u>3,233</u>
<u>Trade receivables</u>		

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
at amortized cost		
Total book amount	\$ 87,504	\$ 26,206
Less: Loss allowance	(<u>50,053</u>)	(<u>22</u>)
	<u>\$ 37,451</u>	<u>\$ 26,184</u>
<u>Trade receivables from related parties (Note 28)</u>		
at amortized cost		
Total book amount	\$ 169,268	\$ 82,343
Less: Loss allowance	(<u>61,050</u>)	<u>-</u>
	<u>\$ 108,218</u>	<u>\$ 82,343</u>

(1) Notes Receivable

The notes receivable of the Company as of December 31, 2020 and 2019 were not overdue.

(2) Trade Receivables

As for the payments of products sold by the Company, the average credit period is between 60 and 90 days after the date of monthly settlement. No interest accrues for trade receivables. To reduce credit risk, the management of the Company designates a team to be responsible for a decision of credit line, credit approval and other monitoring procedures to ensure that proper measures are taken to recover overdue receivables. In addition, the Company reviews recoverable amounts of receivables on a case-by-case basis on the balance sheet date to ensure that a proper amount of impairment loss is allocated for unrecoverable receivables. Accordingly, the management of the Company believes that the Company's credit risk has significantly reduced.

As shown in the history of credit loss incurred by the Company, the Company uses different standards to evaluate the expected loss, and credit loss to customers in different fields of industry also varies. Thus different expected credit loss rates are determined in the provision matrix for customers in different areas and different fields of industry and for trade receivables overdue/with different payment periods.

If evidence shows that the counterparty encounters serious financial difficulties and the Company is unable to reasonably expect a recoverable amount, then the Company will write off relevant trade

receivables directly; however, claiming activities will still continue. Amounts claimed and recovered are recognized in profits.

The analysis on aging of trade receivables based on days past due is as follows:

	December 31, 2020	December 31, 2019
Not overdue	\$ 171,740	\$ 106,094
1~60 days	15,682	2,336
61~90 days	8,241	81
91~180 days	34	22
181~360 days	1,582	12
Over 361 days	59,493	4
Total	<u>\$ 256,772</u>	<u>\$ 108,549</u>

Information of changes in trade receivables loss allowance is as follows:

	2020	2019
Beginning balance	\$ 22	\$ 22
Add: Acquisition from business combinations	111,777	-
Less: Expected gain on reversal of credit impairment	(694)	-
Less: Amounts written off actually for the year	(<u>2</u>)	<u>-</u>
Ending balance	<u>\$ 111,103</u>	<u>\$ 22</u>

IX. Inventories

	December 31, 2020	December 31, 2019
Finished goods	\$ 11,519	\$ 12,685
Work in process	3,276	1,577
Raw materials and supplies	52,480	10,555
Merchandise	16,123	11,894
	<u>\$ 83,398</u>	<u>\$ 36,711</u>

Cost of goods sold relevant to inventories was NT\$666,235 thousand and NT\$542,114 thousand respectively in 2020 and 2019.

Gains on recovery of net realizable value of inventories deducted from the cost of goods sold were NT\$561 thousand and NT\$3,748 thousand respectively for the years ended on December 2020 and 2019. Recovery of net realizable value was resulted from digestion of the inventories for which depreciation loss was originally allocated.

X. Non-current Assets and Disposal Groups Classified as Held for Sale

The board of the Company approved a plan on March 30, 2020 to dispose all of its equity in Boxlight Corporation, an investee company measured by using the equity method. The plan is ongoing and the

disposal procedure is expected to be completed within 12 months. The Company conducted impairment evaluation on the date of the board meeting where the plan was approved, and its book value was less than the fair value on the date. Thus it was reclassified to current assets held for sale based on its book value and was expressed separately in the balance sheet.

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Boxlight Corporation	<u>\$ 15,100</u>	<u>\$ -</u>

As of December 31, 2020, the Company possessed equity in Boxlight Corporation with fair value of NT\$124,225 thousand.

XI. Financial Assets at FVTOCI

Investments in Equity Instruments – Non-current

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Domestic investments —		
non-listed		
(non-over-the-counter) stocks		
CM Visual Technology Corp.	\$ 459	\$ 8,520
Chinese Development,		
Biomedicine and Venture		
Investment Co., Ltd.	32,457	28,161
Mega Plastic Industry Co.,		
Ltd.	<u>2,068</u>	<u>-</u>
	<u>\$ 34,984</u>	<u>\$ 36,681</u>

To achieve objectives in its medium and long-term strategy, the Company has invested in common shares of the aforementioned companies and expected to acquire gains on the long-term investments. The management of the Company believes that such investments will be inconsistent with the aforementioned long-term investment planning if the short-term fluctuation in fair value of such investments is listed in profit or loss, so the management determines that such investments are measured at FVTOCI.

XII. Investments Accounted for Using the Equity Method

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Investments in subsidiaries	\$ 3,684,525	\$ 3,448,795
Investments in associates	<u>123,089</u>	<u>110,335</u>
	<u>\$ 3,807,614</u>	<u>\$ 3,559,130</u>

(1) Investments in Associates

Subsidiaries of the Company are listed as follows:

Name of investee company	Main business activities	Place of incorporation and business	December 31, 2020		December 31, 2019	
			Book amount	Shareholding%	Book amount	Shareholding%
<u>Listed (OTC) company</u>						
Optivision Technology Inc.	Production and sale of optical instruments and electronic parts and components	Hsinchu City	\$ 664,562	41	\$ 338,096	46
<u>Non-listed (OTC) company</u>						
K Laser International Co., Ltd.	Reinvestment	British Virgin Islands	671,315	100	729,085	100
K Laser China Group Co., Ltd.	Reinvestment	British Virgin Islands	2,065,995	100	2,121,930	100
iWin Technology Co., Ltd.	Reinvestment	British Virgin Islands	18,359	49	17,856	49
Insight Medical Solutions Inc.	Research, development and sale of endoscopes used in gastrointestinal tracts	Hsinchu City	224,334	45	241,828	44
Everest Display Inc.	Production and sale of optical instruments and wireless communication mechanical equipment	Hsinchu City	-	-	(185,906)	80
Everest International Co., Ltd.	Reinvestee company	Samoa	39,960	100	-	-
Add: Credit balance of investments accounted for using the equity method to be transferred as non-current liabilities			-		185,906	
			\$3,684,525		\$3,448,795	

Information of the market price of equity investments in OTC companies accounted for using the equity method that was calculated at the closing price on the balance sheet date is as follows:

<u>Company name</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Optivision Technology Inc.	<u>\$ 1,923,066</u>	<u>\$ 409,376</u>

1. K Laser International Co., Ltd., which was incorporated in British Virgin Islands in October 2000, is a subsidiary 100% owned by the Company. As of December 31, 2020, the accumulated investments made by the Company was USD19,541 thousand. The subsidiary mainly engages in investment business. The Company invests in entities in America, Asia and other foreign countries through K Laser International Co., Ltd. and mainly engages in production and sale of holographic products and fiber-optic communication related components and investment-related business.
2. K Laser China Group Co., Ltd., which was incorporated in British Virgin Islands in October 2000, is a subsidiary 100% owned by the

Company. The subsidiary decreased its capital in 2019 and gave a refund of shares amounting to USD4,482 thousand. As of December 31, 202 and 2019, the accumulated investments made by the Company was about USD21,289 and the percentage of shareholding was 100%. The subsidiary engages in investment business. The Company invests in Wuxi K Laser Technology Co., Ltd., Dongguan K Laser Technology Co., Ltd., Hunan Herui Laser Technology Co., Ltd. and K Laser Technology (Hong Kong) Co., Ltd. in China indirectly through K Laser China Group Co., Ltd. and mainly engages in production and sale of laser products. The aforementioned indirect investments in China were approved by Investment Commission, MOEA.

3. Everest Display Inc., which was incorporated on July 20, 2001, mainly engages in production and sale of optical instruments and wireless communication mechanical equipment. The Company conducted a short-form merger with Everest Display on May 12, 2020. The record date of merger was June 30, 2020. The Company is the surviving company after the merger. All rights, obligations, claims and liabilities of Everest Display Inc. are assumed by the Company and detailed as follows:

	<u>A m o u n t</u>
Assets assumed:	
Cash and bank deposits	\$ 36,464
Notes receivable	57
Trade receivables	40,419
Inventories	62,625
Prepayments	386
Non-current assets held for sale	15,418
Other current assets	778
Investments accounted for using the equity method	25,034
Property, plant and equipment	2,356
Other non-current assets	<u>5,376</u>
	<u>188,913</u>
Liabilities assumed:	
Short-term borrowings	244,234
Short-term notes and bills payable	49,982
Notes payable	612
Trade payables	31,292
Other payables	4,966
Other payables - related parties	30,823
Current liabilities	<u>70,647</u>
	<u>432,556</u>
Net assets	(\$ <u>243,643</u>)

4. Insight Medical Solutions Inc. was an associate accounted for by the Company using the equity method. The Company participated in the seasoned equity offering of Insight Medical in December 2019. After the seasoned equity offering, the percentage of the Company's shareholding increased to 44% and the Company had control over Insight Medical. Thus Insight Medical has been listed as a subsidiary since December 2019.
5. Everest International Co., Ltd. had been a subsidiary 100% owned by Everest Display Inc. As the Company conducted a short-form

merger with Everest Display Inc., Everest International became a subsidiary directly owned by the Company.

(2) Investments in Associates

Associates of the Company are listed as follows:

Name of investee company	Main business activities	Place of incorporation and business	December 31, 2020		December 31, 2019	
			Book amount	Shareholding%	Book amount	Shareholding%
Vicome Corp.	Manufacturing, processing, purchase and sale of fluorescent pigments and dyes	Yunlin County	<u>\$ 123,089</u>	30	<u>\$ 110,335</u>	33

The financial information of the Company's associates is compiled as follows:

	December 31, 2020	December 31, 2019
Total assets	<u>\$ 622,149</u>	<u>\$ 540,161</u>
Total liabilities	<u>\$ 214,704</u>	<u>\$ 206,421</u>
	2020	2019
Operating revenue for the year	<u>\$ 132,317</u>	<u>\$ 136,640</u>
Net profit for the year	<u>\$ 40,276</u>	<u>\$ 28,617</u>
Other comprehensive income (loss) for the year	<u>(\$ 5,661)</u>	<u>(\$ 3,649)</u>

The Company's share of the profits (or losses) and other comprehensive incomes (or losses) of its associates recognized by the Company in 2020 and 2019 using the equity method were recognized based on the financial statements of the same years audited by CPAs of the associates.

With respect to the gains or losses on long-term equity investments recognized and accounted for using the equity method, the financial statements dated for the years ended on December 31, 2020 and 2019 of Vicome Corp., Amagic Technologies U.S.A. (Dubai), an investee company of K Laser China Group Co., Ltd., Amagic Holographics India Private Limited, and K Laser Technology (Hong Kong) Co., Ltd., an investee company of K Laser China Group Holding Co., Ltd., are audited by other CPAs rather than CPAs of the Company. As of December 31, 2020 and 2019, the aforementioned investments accounted for using the equity method were NT\$436,955 thousand and

NT\$252,995 thousand, respectively, which accounted for 8.88% and 5.77% of the total assets, respectively. For the years ended December 31, 2020 and 2019, the amounts of investment gain recognized by the aforementioned investee companies and accounted for using the equity method were NT\$42,475 thousand and NT\$14,863 thousand, respectively.

XIII. Property, Plant and Equipment

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
House and building	\$ 103,787	\$ 99,881
Machinery equipment	23,089	28,427
Other equipment	26,332	28,169
Unfinished construction and equipment pending acceptance	<u>5,849</u>	<u>3,396</u>
	<u>\$ 159,057</u>	<u>\$ 159,873</u>

	House and building	Machinery equipment	Other equipment	Unfinished construction and equipment pending acceptance	Total
<u>Cost</u>					
Balance at January 1, 2020	\$ 316,185	\$ 217,655	\$ 148,734	\$ 3,396	\$ 685,970
Addition	162	4,038	4,737	2,453	11,390
Disposition	(8,228)	(70,560)	(31,881)	-	(110,669)
Acquisition of business combinations	-	-	3,617	-	3,617
Reclassification	31,030	-	(138)	-	30,892
Balance at December 31, 2020	<u>\$ 339,149</u>	<u>\$ 151,133</u>	<u>\$ 125,069</u>	<u>\$ 5,849</u>	<u>\$ 621,200</u>
<u>Accumulated depreciation and impairment</u>					
Balance at January 1, 2020	\$ 216,304	\$ 189,228	\$ 120,565	\$ -	\$ 526,097
Depreciation expense	6,834	9,376	8,679	-	24,889
Disposition	(8,228)	(70,560)	(31,677)	-	(110,465)
Acquisition of business combinations	-	-	1,261	-	1,261
Reclassification	20,452	-	(91)	-	20,361
Balance at December 31, 2020	<u>\$ 235,362</u>	<u>\$ 128,044</u>	<u>\$ 98,737</u>	<u>\$ -</u>	<u>\$ 462,143</u>
Net at December 31, 2020	<u>\$ 103,787</u>	<u>\$ 23,089</u>	<u>\$ 26,332</u>	<u>\$ 5,849</u>	<u>\$ 159,057</u>
<u>Cost</u>					
Balance at January 1, 2019	\$ 316,156	\$ 220,604	\$ 149,777	\$ 17,088	\$ 703,625
Addition	629	1,926	2,196	-	4,751
Disposition	(600)	(5,467)	(2,871)	(13,468)	(22,406)
Reclassification	-	592	(368)	(224)	-
Balance at December 31, 2019	<u>\$ 316,185</u>	<u>\$ 217,655</u>	<u>\$ 148,734</u>	<u>\$ 3,396</u>	<u>\$ 685,970</u>
<u>Accumulated depreciation and impairment</u>					
Balance at January 1, 2019	\$ 210,169	\$ 184,901	\$ 109,389	\$ -	\$ 504,459
Depreciation expense	6,735	9,786	9,214	-	25,735
Impairment loss	-	995	3,544	-	4,539
Disposition	(600)	(5,207)	(2,829)	-	(8,636)
Reclassification	-	(1,247)	1,247	-	-
Balance at December 31, 2019	<u>\$ 216,304</u>	<u>\$ 189,228</u>	<u>\$ 120,565</u>	<u>\$ -</u>	<u>\$ 526,097</u>
Net at December 31, 2019	<u>\$ 99,881</u>	<u>\$ 28,427</u>	<u>\$ 28,169</u>	<u>\$ 3,396</u>	<u>\$ 159,873</u>

(1) Property, plant and equipment of the Company is depreciated based on the following service lives on a straight-line basis.

Building	
House and building	25 ~50 years
House furnishings	2~10 years
Machinery equipment	2~15 years
Other equipment	3~11 years

- (2) The balance of property, plant and equipment not depreciated yet by the Company and the investment property mortgaged to the bank as security for loans as of December 31, 2020 and 2019 are detailed as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
House and building	\$ 103,787	\$ 99,881
Investment property	<u>37,869</u>	<u>49,908</u>
	<u>\$ 141,656</u>	<u>\$ 149,789</u>

XIV. Lease Agreement

- (1) Right-of-use Assets

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Book amount of right-of-use assets		
Land	\$ 69,220	\$ 73,292
Building	2,569	3,381
Transportation equipment	<u>1,840</u>	<u>3,007</u>
	<u>\$ 73,629</u>	<u>\$ 79,680</u>
	<u>2020</u>	<u>2019</u>
Added right-of-use assets	<u>\$ 712</u>	<u>\$ 266</u>
Expense of depreciation of right-of-use assets		
Land	\$ 4,072	\$ 4,072
Building	856	821
Transportation equipment	<u>1,835</u>	<u>1,835</u>
	<u>\$ 6,763</u>	<u>\$ 6,728</u>

- (2) Lease Liabilities

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Book amount of lease liabilities		
Current	<u>\$ 6,023</u>	<u>\$ 6,227</u>
Non-current	<u>\$ 68,598</u>	<u>\$ 73,993</u>

The range of discount rates for lease liabilities is as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Land	1.4%	1.4%
Building	1.5%	1.5%
Machinery equipment	1.5%	1.5%

(3) Other Lease Information

	<u>2020</u>	<u>2019</u>
Low-value asset lease expenses	\$ <u>178</u>	\$ <u>167</u>
Total cash outflow from leases	\$ <u>7,580</u>	\$ <u>7,532</u>

The Company chose to recognize exemptions applicable to the asset leases that are in line with short-term leases and did not recognize right-of-use assets or lease liabilities relevant to such leases.

XV. Investment Property

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Investment property	\$ <u>37,869</u>	\$ <u>49,908</u>
	<u>2020</u>	<u>2019</u>
<u>Cost</u>		
Balance at January 1	\$ 163,903	\$ 163,903
Disposition for the year	(1,971)	-
Reclassification	(<u>31,030</u>)	-
Balance at December 31	\$ <u>130,902</u>	\$ <u>163,903</u>
<u>Accumulated depreciation and impairment</u>		
Balance at January 1	\$ 113,995	\$ 112,351
Depreciation expense	1,461	1,644
Disposition for the year	(1,971)	-
Reclassification	(<u>20,452</u>)	-
Balance at December 31	\$ <u>93,033</u>	\$ <u>113,995</u>

The aforementioned investment property was depreciated based on the following service lives on a straight-line basis.

House and building	50 years
House furnishings	10 years

The Company appraised investment property based on the evaluation report and the fair value of investment property as of December 31, 2020 and 2019 was NT\$98,642 thousand and NT\$129,593 thousand respectively.

XVI. Other Intangible Assets

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Book amount of each category</u>		
Computer software cost	<u>\$ 2,393</u>	<u>\$ 3,009</u>
	<u>2020</u>	<u>2019</u>
<u>Cost</u>		
Balance at January 1	\$ 5,980	\$ 6,128
Acquisition for the year	148	-
Disposition	(1,319)	(148)
Balance at December 31	<u>\$ 4,809</u>	<u>\$ 5,980</u>
<u>Accumulated amortization and impairment</u>		
Balance at January 1	\$ 2,971	\$ 2,377
Amortization expense	764	742
Disposition	1,319	(148)
Balance at December 31	<u>\$ 2,416</u>	<u>\$ 2,971</u>

Amortization expenses of the aforementioned intangible assets were allocated base on their respective service lives on a straight-line basis.

XVII. Other Assets

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Refundable deposits	\$ 15,530	\$ 15,769
Prepaid expenses and prepayments	15,838	3,605
Restricted assets (Note 6)	133,445	5,000
Others	<u>3,211</u>	<u>2,713</u>
	<u>\$ 168,024</u>	<u>\$ 27,087</u>
Current	\$ 16,781	\$ 4,647
Non-current	<u>151,243</u>	<u>22,440</u>
	<u>\$ 168,024</u>	<u>\$ 27,087</u>

XVIII. Borrowings

(1) Short-term Borrowings

	<u>December 31, 2020</u>		<u>December 31, 2019</u>	
	<u>Interest rate</u>	<u>Amount</u>	<u>Interest rate</u>	<u>Amount</u>
Credit loan	0.85%~1.4%	<u>\$ 430,000</u>	0.95%~1%	<u>\$ 234,000</u>

Mr. Kuo Wei-Wu, Chairman of the Company, was a joint guarantor for the credit loans of the Company as of December 31, 2020 and 2019.

(2) Short-term Notes and Bills Payable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Commercial paper payable	\$ 300,000	\$ 150,000
Less: Discount on short-term notes and bills payable	(<u>83</u>)	(<u>34</u>)
	<u>\$ 299,917</u>	<u>\$ 149,966</u>

Short-term notes and bills payable not due yet are as follows:

December 31, 2020

<u>Guarantee/acceptance institution</u>	<u>Face value</u>	<u>Discount</u>	<u>Book amount</u>	<u>Interest rate range</u>
<u>Commercial paper payable</u>				
International Bills Finance Corp.	\$ 50,000	\$ 29	\$ 49,971	0.938%
China Bills Finance Corp.	50,000	7	49,993	0.978%
Mega Bills Finance Corp.	50,000	13	49,987	0.978%
Taiwan Finance Corp.	50,000	6	49,994	0.958%
Ta Ching Bills Finance Corp.	50,000	21	49,979	0.978%
Dah Chung Bills Finance Corp.	<u>50,000</u>	<u>7</u>	<u>49,993</u>	0.978%
	<u>\$ 300,000</u>	<u>\$ 83</u>	<u>\$ 299,917</u>	

December 31, 2019

<u>Guarantee/acceptance institution</u>	<u>Face value</u>	<u>Discount</u>	<u>Book amount</u>	<u>Interest rate range</u>
<u>Commercial paper payable</u>				
Taiwan Finance Corp.	\$ 50,000	\$ 12	\$ 49,988	0.988%
China Bills Finance Corp.	50,000	6	49,994	0.978%
Dah Chung Bills Finance Corp.	<u>50,000</u>	<u>16</u>	<u>49,984</u>	0.978%
	<u>\$ 150,000</u>	<u>\$ 34</u>	<u>\$ 149,966</u>	

Mr. Kuo Wei-Wu, Chairman of the Company, was a joint guarantor for the short-term notes and bills payable of the Company as of December 31, 2020 and 2019.

(3) Current Portion of Long-term Liabilities

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current portion of long-term loans	<u>\$ 100,000</u>	<u>\$ -</u>

(4) Long-term Borrowings

	December 31, 2020		December 31, 2019	
	Interest rate%	Amount	Interest rate%	Amount
<u>Guaranteed loans</u>				
Taipei Fubon Bank (Arranger of the syndicated loan)				
A mortgage loan for the period between December 2019 and December 2022, with interest to be paid every month, as a revolving loan allowing separate drawdowns, each of which shall not be more than 6 months after the previous drawdown	1.79	\$ 400,000	1.79	\$ 360,000
Taipei Fubon Bank (Arranger of the syndicated loan)				
A mortgage loan for the period between December 2019 and December 2022, with interest to be paid every season, as a revolving loan allowing separate drawdowns, each of which shall not be more than 6 months after the previous drawdown	0.66	400,000	0.79	360,000
<u>Loans without collateral</u>				
JihSun Bank				
A credit loan for the period between November 2018 and November 2020, with interest to be paid every month, and principal to be repaid in full when due, which was extended for additional 2 years from November 2020 with the maturity date in November 2022	1.2	100,000	1.35	50,000
KGI Bank				
A credit loan for the period between November 2019 and November 2021, with interest to be paid every month, and principal to be repaid in full when due, which was extended for additional 2 years from December 2020 with the maturity date in December 2022	0.99	80,000	1.15	100,000
Taipei Fubon Bank				
A credit loan for the period between July 2018 and May 2020, with interest to be paid every month, and principal to be repaid in full when due, which was extended for additional 2 years from May 2019 with the maturity date in May 2021, and part of which was repaid early in January 2020	-	-	1.24	100,000
Taipei Fubon Bank				

	December 31, 2020		December 31, 2019	
	Interest rate%	Amount	Interest rate%	Amount
A credit loan for the period between June 2020 and May 2022, with interest to be paid every month, and principal to be repaid in full when due	1.47	50,000	-	-
Taipei Fubon Bank				
A credit loan for the period between June 2020 and May 2022, with interest to be paid every month, and principal to be repaid in full when due	1.55	50,000	-	-
Chinatrust Commercial Bank				
A credit loan for the period between February 2019 and October 2020, with interest to be paid every month, and principal to be repaid in full when due, which was extended for additional 2 years from August 2020 with the maturity date in August 2022	1.22	100,000	1.35	\$ 50,000

(Continued on next page)

(Brought forward from previous page)

	December 31, 2020		December 31, 2019	
	Interest rate%	Amount	Interest rate%	Amount
Yuanta Commercial Bank				
A credit loan for the period between March 2019 and March 2021, with interest to be paid every month, and principal to be repaid in full when due	0.95	\$ 100,000	1.3	\$ 100,000
E. Sun Bank				
A credit loan for the period between March 2020 and September 2021, with interest to be paid every month, and principal to be repaid in full when due, which was extended for additional 2 years from October 2020 with the maturity date in October 2022	1.23	50,000	-	-
Bank of Panshin				
A credit loan for the period between July 2020 and May 2022, with interest to be paid every month, and principal to be repaid averagely every season from the 13 th month	1.3	20,000	-	-
Less: Current portion of long-term loans		(<u>100,000</u>)		-
		<u>\$ 1,250,000</u>		<u>\$ 1,120,000</u>

1. For enriching its working capital and repaying corporate bonds, the Company had Taipei Fubon Bank arrange a syndicated loan. The Company then entered into a syndicated loan contract with 9 financial institutions in November 2019. The total line of credit was NT\$800,000 thousand. As of December 31, 2020, the amount of drawdowns was NT\$800,000 thousand and the balance of borrowed money was NT\$800,000 thousand.

As stipulated in the syndicated loan agreement, the Company shall have the following financial ratios maintained and shown in the annual consolidated financial statements before the Company repays all debts under the agreement:

- (1) Current ratio (i.e. the ratio of current assets to current liabilities) shall not be less than 100%.

(2) Debt ratio (i.e. the ratio of total liabilities less cash and cash equivalents to tangible net worth) shall not be more than 100%.

(3) Times interest earned (i.e. the ratio obtained from net profit before tax plus interest expense, depreciation and amortization divided by interest expense) shall not be less than 300%.

(4) Tangible net worth shall not be less than NT\$ 2,600,000 thousand.

2. Mr. Kuo Wei-Wu, Chairman of the Company, was a joint guarantor for the aforementioned long-term borrowings. Property, plant and equipment and investment property were mortgaged to Taipei Fubon Bank as a collateral for the syndicated loan.

XIX. Other Payables

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Other payables		
Salaries payable	\$ 17,520	\$ 14,566
Directors' and directors' remunerations payable	16,712	-
Processing costs payable	3,595	2,719
Payables on equipment	1,506	668
Interest payable	436	242
Others	<u>43,499</u>	<u>34,710</u>
	<u>\$ 83,268</u>	<u>\$ 52,905</u>

XX. Post-employment Benefit Plan

(1) Defined Contribution Plan

The retirement pension system provided in the Labor Pension Act, which is applicable to the Company, refers to the defined contribution plan managed by the government. The 6% of the monthly wages of an employee is allocated to the specific account of the individual with Bureau of Labor Insurance.

The amounts allocated for the years ended December 31, 2020 and 2019 by the Company at the specific percent provided in the defined contribution plan have been recognized as expenses in the amount of NT\$4,665 thousand and NT\$4,839 thousand respectively in the statement of comprehensive income..

(2) Defined Benefit Plan

The retirement pension system provided in the Labor Standards Act of the Republic of China, which is applicable to the Company, refers to the defined benefit plan managed by the government. The retirement pension to an employee is computed based on the employee's service time and average wage of the 6 months immediately before the date of retirement approval. The Company allocates the 2% of the monthly wages of an employee to be the employees' retirement funds and transfers it to Supervisory Committee of Business Entities' Labor Retirement Reserve. The committee then deposits it to the specific account with Bank of Taiwan in the name of the committee. If the balance of the specific account at the end of a fiscal year is estimated not to be enough to be paid to the employees who will meet the requirements of retirement in the next year, the difference will be allocated in full by the end of March in the next year. The specific account is entrusted to Bureau of Labor Funds, Ministry of Labor to manage. The Company has no right to influence its investment and management strategies.

Amounts for the defined benefit plan in the balance sheet are listed as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Present value of a defined benefit obligation	\$ 44,619	\$ 49,662
Fair value of plan assets	(25,731)	(24,164)
Net defined benefit liabilities	<u>\$ 18,888</u>	<u>\$ 25,498</u>

Changes in net defined benefit liabilities (assets) are as follows:

	<u>Present value of a defined benefit obligation</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liabilities</u>
Balance at January 1, 2019	<u>\$ 44,878</u>	<u>(\$ 22,516)</u>	<u>\$ 22,362</u>
Service cost			
Current service cost	344	-	344
Interest expense (income)	<u>444</u>	<u>(224)</u>	<u>220</u>
Recognized in profit (loss)	<u>788</u>	<u>(224)</u>	<u>564</u>
Remeasurements			
Return on plan assets	-	(788)	(788)

	Present value of a defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
Actuarial losses —			
Changes in demographic assumptions	729	-	729
Actuarial losses —			
Changes in financial assumptions	949	-	949
Actuarial losses —			
Experience adjustments	<u>3,338</u>	<u>-</u>	<u>3,338</u>
Recognized in other comprehensive income (loss)	<u>5,016</u>	<u>(788)</u>	<u>4,228</u>
Employer's contributions	-	<u>(636)</u>	<u>(636)</u>
Benefit payment	<u>(1,020)</u>	<u>-</u>	<u>(1,020)</u>
Balance at December 31, 2019	<u>49,662</u>	<u>(24,164)</u>	<u>25,498</u>
Service cost			
Current service cost	488	-	488
Interest expense (income)	<u>372</u>	<u>(184)</u>	<u>188</u>
Recognized in profit (loss)	<u>860</u>	<u>(184)</u>	<u>676</u>
Remeasurements			
Return on plan assets	-	<u>(783)</u>	<u>(783)</u>
Actuarial losses —			
Changes in demographic assumptions	843	-	843
Actuarial losses —			
Changes in financial assumptions	989	-	989
Actuarial losses —			
Experience adjustments	<u>(1,285)</u>	<u>-</u>	<u>(1,285)</u>
Recognized in other comprehensive income (loss)	<u>547</u>	<u>(783)</u>	<u>(236)</u>
Employer's contributions	-	<u>(600)</u>	<u>(600)</u>
Benefit payment	<u>(6,450)</u>	<u>-</u>	<u>(6,450)</u>
Balance at December 31, 2020	<u>\$ 44,619</u>	<u>(\$ 25,731)</u>	<u>\$ 18,888</u>

The amounts with respect to the defined benefit plan recognized in profit (loss) are complied by functions as follows:

	<u>2020</u>	<u>2019</u>
By functions:		
Operating cost	\$ 256	\$ 198
Selling and marketing	97	69
General and administrative	253	223
R&D expense	<u>70</u>	<u>74</u>
	<u>\$ 676</u>	<u>\$ 564</u>

The Company is exposed to the following risks with respect to the retirement pension system provided by the Labor Standards Act.

1. Investment Risk: Bureau of Labor Funds, Ministry of Labor invests the labor pension fund by itself or through an agent in domestic (foreign) domestic equity securities and debt securities, bank deposits and other subject matters. However, the distributable amount of the Company's plan assets is the income calculated at an interest rate not inferior to that announced by the local bank for 2-year time deposits.
2. Interest Rate Risk: Interest rates for government bonds are reduced so that the present value of defined benefit obligations increases. However, the return on debt investments with respect to plan assets increases accordingly. Both offset the impact on the net defined benefit liabilities partially.
3. Wage Risk: The present value of defined benefit obligations is calculated by taking future wages of plan members into account. Thus the increase in wages of plan members will result in an increase in the present value of defined benefit obligations.

The present value of defined benefit obligations of the Company is calculated by a qualified actuary. Material assumptions on the measurement date are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Discount rate	0.50%	0.75%
Expected rate of wage increments	2.00%	2.00%

In case of a reasonable and possible change in any material actuarial assumption, the increase (decrease) in the present value of defined benefit obligations on the premise that other assumptions remain unchanged is as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Discount rate		
Increased by 0.25%	(\$ 1,009)	(\$ 965)
Decreased by 0.25%	<u>\$ 1,049</u>	<u>\$ 1,002</u>
Expected rate of wage increments		
Increased by 0.25%	<u>\$ 1,016</u>	<u>\$ 972</u>
Decreased by 0.25%	(<u>\$ 983</u>)	(<u>\$ 941</u>)

The aforementioned sensitivity analysis may probably not reflect actual changes in the present value of defined benefit obligations as actuarial assumptions may correlate mutually and changes in only one assumption are not quite possible.

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Amount expected to be contributed in one year	<u>\$ 579</u>	<u>\$ 630</u>
Average expiration period of defined benefit obligations	11.5 years	9.46 years

XXI. Equity

(1) Capital Stock

Common Shares

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Authorized number of shares (Thousand shares)	<u>200,000</u>	<u>200,000</u>
Authorized capital stock	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>
Number of issued and paid-in shares (Thousand shares)	<u>159,325</u>	<u>159,325</u>
Capital stock issued	<u>\$ 1,593,246</u>	<u>\$ 1,593,246</u>

Common shares are issued with par value NT\$10. A shareholder is entitled to one vote for each share the shareholder holds and has the right to receive dividends.

(2) Capital Reserve

The balance of each type of capital reserve as of December 31, 2020 and 2019 is as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Used to make good of loss, distribute cash or appropriate to be capital stock (1)</u>		
Additional paid-in capital in excess of par - common shares	\$ 454,275	\$ 454,275
Transactions of treasury shares	28,216	14,901
Differences between equity purchase price and carrying amount arising from actual acquisition or disposal of subsidiaries	69,189	46,220
<u>Used to make good of losses only (2)</u>		
Recognized changes in ownership interest in subsidiaries	33,667	29,976
<u>Not used for any purpose</u>		
Employee stock option	-	6,159
	<u>\$ 585,347</u>	<u>\$ 551,531</u>

1. Such capital reserve may be used to make good of loss and may be used to distribute cash or expand capital stock when the company has not loss; however, the amount used to expend capital stock is limited to a certain percentage of the paid-in capital.
2. Such capital reserve is either the equity transaction effect recognized for changes in the equity of the subsidiary or the capital surplus adjustment of the subsidiary accounted for using the equity method when the Company does not acquire or dispose the equity in the subsidiary, and shall be used only to make good of loss.

(3) Retained Earnings and Dividend Policies

K Laser resolved to amend its articles of incorporation at the shareholders' meeting on May 31, 2019. According to the amendment, earnings are distributed and losses are made good of at the end of each season and the board of directors is authorized, through special resolution, to distribute cash dividends and bonuses and report such distribution at the shareholders' meeting.

According to the earning distribution policy prepared by K Laser pursuant to the amended articles of incorporation, the earnings, if any,

at the final settlement of each season, shall be used to pay tax, make good of the previous year's loss and cover the retained employees' remuneration. Then the 10% of the rest of the earnings is allocated as legal reserve (however, no legal reserve shall be allocated if it reaches the amount of the total capital of the Company). Special reserve shall be allocated or reversed in accordance with regulations or as required by the competent authority. In case of any earnings left, the remaining earnings plus each season's accumulated undistributed earnings are accumulated and distributable earnings, for which the board of directors may prepare a proposal of earning distribution. The aforementioned earnings are distributed by issuing new shares and shall be distributed after being resolved at the shareholders' meeting. In case that the earnings are distributed in cash, the earning distribution is adopted only when more than two-thirds of directors shall appear at the meeting and more than a half of directors present approve. Then the approved earning distribution is reported at the shareholders' meeting.

According to the earning distribution policy before K Laser amends its articles of incorporation, the earnings, if any, at the final settlement of each year, shall be first used to pay income tax and make good of accumulated loss. Then the 10% of the rest of the earnings is allocated as legal reserve. Special reserve is allocated under current earnings in accordance with regulations or relevant requirements and then is reversed before being listed in the earnings to be allocated. Then the board of directors prepares and submits the proposal of distribution to the shareholders' meeting for resolution. For allocation of employees' and directors' remunerations in accordance with the amended articles of incorporation, refer to Note 22.

The Company allocated special reserve based on the approval letters with Ref. No. 1010012865, Ref. No. 1010047490 and Ref. No. 1030006415 issued by the Financial Supervisory Commission and pursuant to the rules provided in the Questions and Answers Applicable to Special Reserve Allocated After Implementation of International Financial Reporting Standards (IFRSs). When the balance of the

subtrahend under other shareholders' equity is reserved, earnings may be distributed for the reserved part.

Legal reserve shall be allocated until the balance thereof reaches the total paid-in capital of the company. Legal reserve may be used to make good of loss. When the company has no loss, the portion of legal reserve in excess of 25% of paid-in capital can be used to expand capital stock or be distributed in cash.

The Company held a general meeting of shareholders on May 31, 2019 and adopted the resolution of earning distribution for the year 2018 as follows:

	Earning distribution	Dividend per share (NTD)
	2018	2018
Legal reserve	\$ 6,583	\$ -
Special reserve	38,226	-
Cash dividends	62,043	0.41

The Company had a loss for the year ended December 31, 2019, so it resolved in a general meeting of shareholders on May 28, 2020 that no distribution was granted because of the loss.

The Company presented at the board meeting held on March 23, 2021 the proposal of earning distribution for the year 2020 as follows:

	Earning distribution	Dividend per share (NTD)
Legal reserve	\$ 12,894	\$ -
Special reserve	116,501	-
Cash dividends	144,220	0.96

The proposal of earning distribution for the year 2020 will be resolved at the shareholders' meeting to be held on May 28, 2021.

(4) Other Equity

1. Exchange differences on translation of foreign financial statements :

	2020	2019
Beginning balance	(\$ 278,472)	(\$ 195,571)
Exchange differences arising on translating net assets of foreign operations	(8,874)	(82,979)

	2020	2019
Disposal of partial equity in subsidiaries	<u>261</u>	<u>78</u>
Ending balance	(<u>\$ 287,085</u>)	(<u>\$ 278,472</u>)

Exchange differences arising on translating the net assets of foreign operations in the functional currency to those in the presentation currency used by the Company (i.e. NTD) are recognized directly as other comprehensive income (loss) and accumulated in exchange differences on translation of foreign financial statements. The previously accumulated exchange differences on translation of foreign financial statements are reclassified as profit or loss upon disposal of the foreign operations.

2. Unrealized Gains (Losses) on Financial Assets at FVTOCI

	2020	2019
Beginning balance	(\$ 33,033)	(\$ 5,574)
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	(4,697)	(30,347)
Share of other comprehensive income (loss) of associates accounted for using the equity method	6,329	2,657
Disposal of partial equity of associates accounted for using the equity method	<u>998</u>	<u>231</u>
Ending balance	(<u>\$ 30,403</u>)	(<u>\$ 33,033</u>)

Investments in equity instruments at FVTOCI are measured at fair value. Changes in fair value are subsequently listed in other comprehensive income (loss) and accumulated in other equity. Upon disposal of investments, the accumulated gain (loss) is transferred directly to retaining earnings and will not be reclassified as profit (loss).

(5) Treasury Shares

1. Information of changes in treasury shares is as follows:

Unit: Share

2020				
Reason of possessing shares	Number of shares at the beginning of the year	Increase in the year	Decrease in the year	Number of shares at the end of the year
Shares transferred to employees	6,000,000	6,000,000	(2,905,000)	9,095,000
Shares of the parent company possessed by subsidiaries	<u>2,750,000</u>	<u>-</u>	(<u>2,750,000</u>)	<u>-</u>
	<u>8,750,000</u>	<u>6,000,000</u>	(<u>5,655,000</u>)	<u>9,095,000</u>

2019				
Reason of possessing shares	Number of shares at the beginning of the year	Increase in the year	Decrease in the year	Number of shares at the end of the year
Shares transferred to employees	6,714,000	1,286,000	(2,000,000)	6,000,000
Shares of the parent company possessed by subsidiaries	<u>-</u>	<u>2,750,000</u>	<u>-</u>	<u>2,750,000</u>
	<u>6,714,000</u>	<u>4,036,000</u>	(<u>2,000,000</u>)	<u>8,750,000</u>

2. The Company had control over Insight Medical Solutions Inc., on December 23, 2019 and acquired the Company's shares held by Insight Medical Solutions Inc. Relevant information is as follows:
December 31, 2019

Name of subsidiary	Number of shares (Share)	Amount transferred as treasury shares	Market price per share on December 31, 2019 (NTD)
Insight Medical Solutions Inc.	<u>2,750,000</u>	<u>\$ 22,785</u>	<u>\$ 19.1</u>

The aforementioned amount transferred as treasury shares from the Company's shares held by Insight Medical Solutions Inc. has been adjusted at the ratio of the shares of Insight Medical Solutions Inc. held by the Company.

3. According to Article 28-2 of the Securities and Exchange Act, The number of shares bought back by a company shall not exceed 10% of the total number of issued and outstanding shares of the company. The total amount of the shares bought back shall not exceed the sum of retained earnings, premium on capital stock and realized capital reserve. The treasury shares held by the Company in accordance with Securities and Exchange Act shall not be pledged and shall not be attached with any right to distributed

dividends or voting. The K Laser shares possessed by its subsidiaries are deemed as treasury shares, the rights attached to which are the same as those attached to general shares, except that treasury shares do not entitle their holders to participate in any seasoned equity offering conducted by K Laser or have the voting right.

XXII. Net Profit of Continuing Operations

Employee Benefit Expense and Depreciation and Amortization Expenses

	2020			
	Operating cost	Operating expenses	Non-operating expenses and losses	Total
Short-term employee benefits	\$ 35,561	\$ 88,656	\$ -	\$ 124,217
Post-employment benefits	\$ 1,979	\$ 3,362	\$ -	\$ 5,431
Other employee benefits	\$ 597	\$ 698	\$ -	\$ 1,295
Depreciation expense				
Depreciation of property, plant and equipment	\$ 13,661	\$ 11,228	\$ -	\$ 24,889
Depreciation of right-of-use assets	1,486	3,562	1,715	6,763
Depreciation of investment property	-	-	1,461	1,461
	\$ 15,147	\$ 14,790	\$ 3,176	\$ 33,113
Amortization expense	\$ -	\$ 764	\$ -	\$ 764

	2019			
	Operating cost	Operating expenses	Non-operating expenses and losses	Total
Short-term employee benefits	\$ 34,536	\$ 76,090	\$ -	\$ 110,625
Post-employment benefits	\$ 1,811	\$ 3,592	\$ -	\$ 5,403
Other employee benefits	\$ 494	\$ 509	\$ -	\$ 1,003
Depreciation expense				
Depreciation of property, plant and equipment	\$ 12,940	\$ 11,392	\$ 1,403	\$ 25,735
Depreciation of right-of-use assets	1,423	3,451	1,854	6,728
Depreciation of investment property	-	-	1,644	1,644
	\$ 14,362	\$ 14,843	\$ 4,901	\$ 34,107
Amortization expense	\$ -	\$ 742	\$ -	\$ 742

The Company allocates employees' remuneration and directors' remuneration, from its profit computed before deduction of employees' remuneration and directors' remuneration, at a rate from 4% to 8% and at

a rate no more than 2% respectively in accordance with the articles of incorporation. The employees' remuneration and directors' remuneration estimated for the year 2020 are resolved at the board meeting on March 23, 2021 as follows:

Estimated Percentage

	2020
Employees' remuneration	8%
Directors' remuneration	2%

Amounts

	2020	
	Cash	Stock
Employees' remuneration	\$ 13,370	\$ -
Directors' remuneration	3,342	-

If any amount is changed after the date when the annual financial report is announced, then such change is treated as a change in accounting estimate and entered into the account for the following year after adjustment.

Neither employees' remuneration nor directors' remuneration is allocated due to a loss suffered for the year 2019. The employees' remuneration and directors' remuneration for the year 2018 were resolved at the board meeting on March 26, 2019 as follows:

	2018	
	Cash	Stock
Employees' remuneration	\$ 6,560	\$ -
Directors' remuneration	1,640	-

There is no difference between the actually distributed amount of the employees' remuneration and directors' remuneration for the year 2018 and the corresponding amount recognized in the financial report of the year 2018.

For information of the employees' remuneration and directors' remuneration resolved by the board of directors of the Company, please check at the market observatory post system of Taiwan Stock Exchange.

XXIII. Income Tax of Continuing Operations

(1) Income Tax Recognized in Profit or Loss

The income tax expense mainly comprises the items listed as follows:

	<u>2020</u>	<u>2019</u>
Current income tax		
Adjustment of the previous year	\$ -	\$ 546
Deferred income tax		
Incurred for the current year	<u>6,000</u>	<u>1,500</u>
Income tax expense recognized in profit or loss	<u>\$ 6,000</u>	<u>\$ 2,046</u>

The accounting income and the income tax expense are reconciled as follows:

	<u>2020</u>	<u>2019</u>
Profit (loss) before tax of continuing operations	<u>\$ 150,409</u>	(<u>\$ 117,789</u>)
Tax (income) expense computed based on the net profit before tax at the legal tax rate	\$ 30,100	(\$ 24,400)
Investment (gain) loss recognized by using the equity method	(40,400)	21,000
Reduction of investee companies' capital to cover losses	(25,500)	-
Dividend income from foreign investments	52,100	15,800
Gains on disposals of domestic equity investments	(500)	(9,100)
Loss carryforwards not recognized for the previous year and used for the year	-	(2,700)
Others	8,100	900
Adjustments for the previous year	-	546
Less withholding tax on dividend income	(<u>17,900</u>)	<u>-</u>
Income tax expense recognized in profit (loss)	<u>\$ 6,000</u>	<u>\$ 2,046</u>

(2) Current Tax Assets

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current tax assets		
Tax refund receivable	<u>\$ 208</u>	<u>\$ 137</u>

(3) Deferred Tax Assets

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Temporary difference		
Unrealized gross profit	\$ 4,400	\$ 2,700
Allowance for inventory valuation losses	300	400
Others	1,100	400
Loss carryforwards	<u>6,000</u>	<u>14,300</u>
Deferred tax assets	<u>\$ 11,800</u>	<u>\$ 17,800</u>

- (4) Information relevant to the loss carryforwards not recognized as of December 31, 2020 is as follows:

	<u>December 31, 2020</u>
<u>Loss carryforwards</u>	
Due in 2022	\$ 61,006
Due in 2023	4,634
Due in 2026	<u>2,620</u>
	<u>\$ 68,260</u>

(5) Income Tax Assessment

The profit-seeking enterprise annual income tax returns filed by the Company as of 2018 (inclusive) have been assessed by the tax authority.

XXIV. Earnings (Loss) Per Share

Basic and diluted earnings (loss) per share of the Company for the years 2020 and 2019 are calculated as follows:

	<u>2020</u>			<u>2019</u>		
	Amount (Numerator)	Number of shares (Thousand Shares) (Denominator)	Earnings per share (NTD) After tax	Amount (Numerator) After tax	Number of shares (Thousand Shares) (Denominator)	Loss per share (NTD)) After tax
Basic earnings (loss) per share						
Current net profit (loss) attributed to shareholders of common shares	\$ 144,409	150,947	\$ 0.96	(\$ 119,835)	152,102	(\$ 0.79)
Impact of potential common shares with dilutive effect						
Employees' remuneration	-	686				
Diluted earnings per share						
Current net profit attributed to shareholders of common shares	\$ 144,409	151,633	\$ 0.95			

If the Company chooses to distribute employees' remuneration by stock or cash, then for calculation of diluted earnings per share, employees' remuneration is assumed to be distributed by stock and the weighted average number of common shares is included when potential common shares have dilutive effect. When calculating diluted earnings

per share before the number of shares distributed as employees' remuneration is resolved at the shareholders' meeting in the next year, the Company shall continue to consider dilutive effect of the potential common shares.

XXV. Share-based Payment Arrangement

The Company transferred 2,000 thousand treasury shares and 2,905 thousand treasury shares in August 2019 and December 2019 respectively at NT\$16 and NT\$17 per share to employees, including the employees of the Company and its subsidiaries who have satisfied certain conditions. Among the shares, 2,905 thousand shares were however given in January 2020.

The treasury shares transferred by the Company to employees were evaluated base on the Black-Scholes model. The input values used in the evaluation model are as follows:

	<u>August 2019</u>	<u>December 2019</u>
Stock price on grant date	NT\$23.10	NT\$19.05
Exercise price	NT\$16.00	NT\$17.00
Expected ratio of stock price fluctuation	37.47%	43.21%
Expected duration	0 year	0 year
Risk-free interest rate	0.43%	0.49%

The remuneration cost recognized for the year 2019 was NT\$20,359 thousand.

XXVI. Capital Risk Management

The Company manages capital risk to ensure that it has necessary financial resources and business plans to cover any working capital, capital expenditure, research and development, debt repayment and dividend payment required in the following 12 months.

XXVII. Financial Instruments

(1) Information of Fair Value — Financial Instruments Not Measured at Fair Value

The management of the Company believes that the book amounts of the financial assets and financial liabilities not measured at fair value are still close to fair value.

(2) Information of Fair Value — Financial instruments measured at fair value on a recurring basis

1. Hierarchy of Fair Value

December 31, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at fair value through profit or loss	<u>\$ 5,265</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,265</u>
Financial assets at fair value through other comprehensive income				
Investments in equity instruments				
— Domestic common shares not listed (OTC)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,984</u>	<u>\$ 34,984</u>

December 31, 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at fair value through profit or loss	<u>\$ 5,296</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,296</u>
Financial assets at fair value through other comprehensive income				
Investments in equity instruments				
— Domestic common shares not listed (OTC)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,681</u>	<u>\$ 36,681</u>

- There was no transfer between level 1 and level 2 fair value measurements in 2020 and 2019.
- For the financial assets with Level 3 changes in fair value, there was no adjustment except the changes in fair value recognized in other comprehensive income or loss.
- Valuation technique and input value measured at level 3 fair value

<u>Category of financial instrument</u>	<u>Valuation technique and input value</u>
Domestic and foreign investments in non-listed(non-OTC) equity	Market approach: Make adjustments based on the price-to-earning ratio and market price/net worth of the investee company at fair value of a observable, comparable company at the end of the year.

(3) Type of Financial Instrument

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets</u>		
At amortized cost		
Cash and cash equivalents	\$ 360,226	\$ 283,611
Notes receivable and trade receivables (including those from related parties)	150,992	111,760
Other receivables	9,991	13,444
Refundable deposits	15,530	15,769
Restricted assets	133,445	5,000
Financial assets at fair value through profit or loss-current	5,265	5,296
Financial assets at fair value through other comprehensive income — non-current	34,984	36,681

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	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial liabilities</u>		
At amortized cost		
Short-term borrowings	\$ 430,000	\$ 234,000
Short-term notes and bills payable	299,917	149,966
Notes payable and trade payables (including those to related parties)	111,457	80,598
Other payables	83,268	52,905
Long-term borrowings (including current portion thereof)	1,350,000	1,120,000
Guarantee deposits received (listed as non-current liabilities-Others)	942	942

(4) Purpose and Policy of Financial Risk Management

Main financial instruments of the Company include equity investments, trade receivables, other receivables, refundable deposits, trade payables, short-term notes and bills payable, other payables and loans. Financial management departments of the Company provide service for each business, master and coordinate operations in domestic and international financial markets, and supervise and manage the financial risks relevant to business operation based on the level and extent of each risk and the internal risk report that analyzes risk exposure. Such risks include market risk, credit risk and liquidity risk.

1. Market Risk

Main market risks assumed by the Company for its operating activities are exchange rate risk and interest rate risk.

The Company does not change the methods that it has adopted to manage and measure risk exposure with respect to market risk for financial instruments.

(1) Currency Risk

The Company manages the exchange risk generated from its foreign currency transactions by using forward exchange agreements to manage the risk within the scope permitted by the Procedure of Treating Transactions of Derivatives.

Refer to Note 33 for book amounts of monetary assets and monetary liabilities of the Company in non-functional currencies on the balance sheet date.

The sensitivity analysis conducted by the Company only includes outstanding foreign currency monetary items, and the amounts in foreign currencies are converted at the exchange rate plus 1% of appreciation against the NTD at the end of the year to adjust the increase in the profit before tax. In case of 1% of depreciation, the impact on the profit before tax will be a negative value of the same amount.

	Effect of USD	
	2020	2019
Effect on profit and loss	\$ 5,399	\$ 1,533

(2) Interest Rate Risk

Interest rate risk of the Company mainly comes from floating-rate time deposits and loans.

The book amounts of financial assets and financial liabilities of the Company exposed to interest rate risk on the balance sheet date are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
With cash flow interest rate risk		
Financial assets	\$ -	\$ -
Financial liabilities	1,350,000	1,120,000

The sensitivity analysis for interest rate risk is based on changes in fair value of floating-rate financial assets and liabilities at the end of the financial reporting period. If the interest rate rises by a percentage point, then the cash outflow of the Company would increase by NT\$13,500 thousand and by NT\$11,200 thousand respectively for the years ended December 31, 2020 and 2019.

2. Credit Risk

Credit risk refers to the risk incurred when the counterparty to the transaction delays contractual obligations and thus causes financial loss of the Company.

The Company requires the counterparty to an important transaction to provide a collateral or any other guarantee, so the Company is able to reduce credit risk effectively. The management of the Company has designated a team to be responsible for a decision of credit line, credit approval and other monitoring procedures to ensure that proper measures are taken to recover overdue receivables. In addition, the Company reviews recoverable amounts of receivables on a case-by-case basis on the balance sheet date to ensure that a proper amount of impairment loss is allocated for unrecoverable receivables. Accordingly, the management of the Company believes that the Company's credit risk has significantly reduced.

3. Liquidity Risk

The working capital of the Company is sufficient, so there is no liquidity risk from its being unable to raise funds to perform contractual obligations.

(1) The non-derivative financial liabilities to be repaid by the Company as scheduled are due and repayable as follows:

December 31, 2020				
	Less than 1 year	2~3 years	Over 3 years	Total
<u>Non-derivative financial liabilities</u>				
Liabilities without interest	\$ 194,725	\$ -	\$ -	\$ 194,725
Lease liabilities	7,031	11,437	64,954	83,422
Floating rate liabilities	100,000	1,250,000	-	1,350,000
Fixed rate liabilities	729,917	-	-	729,917
	<u>\$1,031,673</u>	<u>\$1,261,437</u>	<u>\$ 64,954</u>	<u>\$2,358,064</u>
December 31, 2019				
	Less than 1 year	2~3 years	Over 3 years	Total
<u>Non-derivative financial liabilities</u>				
Liabilities without interest	\$ 133,503	\$ -	\$ -	\$ 133,503
Lease liabilities	7,315	6,792	75,990	90,097
Floating rate liabilities	-	1,120,000	-	1,120,000
Fixed rate liabilities	383,966	-	-	383,966

December 31, 2019			
Less than 1 year	2~3 years	Over 3 years	Total
<u>\$ 524,784</u>	<u>\$1,126,792</u>	<u>\$ -</u>	<u>\$1,727,566</u>

(2) Line of Credit

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Unsecured bank loan commitment		
-Used in the credit line	\$ 1,280,000	\$ 784,000
-Unused in the credit line	<u>585,960</u>	<u>714,960</u>
	<u>\$ 1,565,960</u>	<u>\$ 1,348,960</u>
Secured bank loan commitment		
-Used in the credit line	\$ 800,000	\$ 720,000
- Unused in the credit line	<u>-</u>	<u>80,000</u>
	<u>\$ 800,000</u>	<u>\$ 800,000</u>

XXVIII. Transactions with Related Parties

Transactions between the Company and other related parties are as follows:

(1) Name of each Related Party and Relationship with the Related Party

<u>Name of related party</u>	<u>Relationship with the Company</u>
K Laser International Co., Ltd. (hereinafter referred to as International)	A subsidiary
K Laser China Group Co., Ltd. (hereinafter referred to as China Group)	A subsidiary
Optivision Technology Inc. (hereinafter referred to as Optivision Technology)	A subsidiary
Everest Display Inc. (hereinafter referred to as Everest Display)	Subsidiary (merged with the Company on June 30, 2020)
iWin Technology Co., Ltd (hereinafter referred to as iWin)	A subsidiary
K Laser Technology (Korea) Co., Ltd. (hereinafter referred to as K Laser Korea)	A subsidiary
K Laser Technology (Thailand) Co., Ltd. (hereinafter referred to as K Laser Thailand)	A subsidiary
K Laser Technology (USA) Co., Ltd. (hereinafter referred to as K Laser USA)	A subsidiary
K Laser IMEA Co., Ltd. (hereinafter referred to as IMEA)	A subsidiary

Name of related party	Relationship with the Company
Amagic Technologies U.S.A. (Dubai)(hereinafter referred to as Amagic Dubai)	A subsidiary
K Laser Technology Japan Co., Ltd. (hereinafter referred to as K Laser Japan)	A subsidiary
K Laser Technology (Hong Kong) Co., Ltd. (hereinafter referred to as K Laser Hong Kong)	A subsidiary
Holomagic Co., Ltd. (hereinafter referred to as Holomagic)	A subsidiary
Top Band Investment Limited (hereinafter referred to as Top Band)	A subsidiary
Wuxi K Laser Technology Co., Ltd. (hereinafter referred to as Wuxi K Laser)	A subsidiary
Hunan Herui Laser Technology Co., Ltd. (hereinafter referred to as Hunan Herui Laser)	A subsidiary
Dongguan K Laser Technology Co., Ltd. (hereinafter referred to as Dongguan K Laser)	A subsidiary
Amagic Holographics India Private Limited (hereinafter referred to as Amagic India)	A subsidiary
Finity Laboratories(hereinafter referred to as Finity)	A subsidiary
Insight Medical Solutions Inc. (hereinafter referred to as Insight Medical)	It had been an associate evaluated by using the equity method, and became a subsidiary in December 2019.
Jiangsu Sunderray Laser Packing Material Co., Ltd.	An associate evaluated by using the equity method
Treasure Access Limited(hereinafter referred to as Treasure)	A subsidiary

(2) Operating Transactions

	2020	2019
<u>Sale</u>		
Subsidiaries		
K Laser USA	\$ 363,030	\$ 145,918
K Laser Japan	65,186	73,137
International	-	210,482
Others	36,992	29,226
	<u>\$ 465,208</u>	<u>\$ 458,763</u>
<u>Purchase</u>		
Subsidiaries		
Dongguan K Laser	\$ 323,921	\$ -
Wuxi K Laser	21,898	-
Treasure	13,038	-

	<u>2020</u>	<u>2019</u>
Top Band	9,947	355,168
Others	<u>7,982</u>	<u>26,825</u>
	<u>\$ 376,786</u>	<u>\$ 381,993</u>
<u>Operating expenses</u>		
Subsidiaries	<u>\$ 12,900</u>	<u>\$ 2,743</u>
<u>Other income</u>		
Subsidiaries		
Optivision Technology	\$ 13,579	\$ 13,908
Insight Medical	5,270	-
Everest Display	2,186	4,398
Top Band	-	27,675
Others	49	1,781
Associates	<u>-</u>	<u>4,418</u>
	<u>\$ 21,084</u>	<u>\$ 52,180</u>

There is no material difference between the transaction terms provided for the related parties listed above and those provided for general customers.

- (3) The outstanding balance as of the balance sheet date is as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Trade receivables from related parties</u> (from which loss allowance has been deducted)		
Subsidiaries		
K Laser USA	\$ 80,078	\$ 47,579
K Laser Japan	23,342	15,640
International	-	13,650
Others	<u>4,798</u>	<u>5,474</u>
	<u>\$ 108,218</u>	<u>\$ 82,343</u>
<u>Trade payables to related parties</u>		
Subsidiaries		
Dongguan K Laser	\$ 55,467	\$ -
Treasure	10,971	-
Wuxi K Laser	7,237	-
Top Band	-	58,161
Others	<u>1,618</u>	<u>1,388</u>
	<u>\$ 75,293</u>	<u>\$ 59,549</u>
<u>Other receivables</u>		
Subsidiaries		
Optivision Technology	\$ 2,006	\$ 2,033
Wuxi K Laser	1,416	-

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Insight Medical	1,008	-
Amagic India	618	-
Top Band	-	5,884
Everest Display	-	574
Others	<u>153</u>	<u>4,306</u>
	<u>\$ 5,201</u>	<u>\$ 12,797</u>
<u>Other payables</u>		
Subsidiaries	<u>\$ 343</u>	<u>\$ 629</u>

(4) Property Transactions

Fixed assets acquired from related parties are detailed as follows:

	<u>2020</u>		<u>2019</u>	
	<u>Property</u>	<u>Acquisition cost</u>	<u>Property</u>	<u>Acquisition cost</u>
Subsidiaries	<u>Other equipment</u>	<u>\$ 178</u>	<u>Other equipment</u>	<u>\$ 197</u>

(5) Financing

The Company loaned funds to related parties as follows:

	<u>2019</u>			
<u>Name of related party</u>	<u>Maximum balance</u>	<u>Ending balance of drawdown</u>	<u>Maximum balance</u>	<u>Ending balance of drawdown</u>
Subsidiaries	\$ 60,000	\$ -	\$ -	3%

(6) Endorsement and Guarantee

The balance of loans for which Mr. Kuo Wei-Wu, Chairman of the Company, acted as a guarantor was NT\$1,780,000 thousand and NT\$1,354,000 thousand respectively as of December 31, 2020, 2019. (Refer to Note 18.)

(7) Benefits and Remunerations to Main Managements

	<u>2020</u>	<u>2019</u>
Short-term employee benefits	<u>\$ 18,434</u>	<u>\$ 19,787</u>
Post-employment benefits	<u>\$ 6,450</u>	<u>\$ -</u>

The remunerations to directors and main managements are determined by the remuneration committee based on individual performance and market trends.

XXIX. Pledged Assets

The following assets of the Company were provided as guarantees for loans under loan contracts or land leases and for the need of business operation.

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Bank deposits (Note 6)	\$ 133,445	\$ 5,000
Property, plant and equipment (Note 13)	103,787	99,881
Investment property (Note 13)	<u>37,869</u>	<u>49,908</u>
	<u>\$ 275,101</u>	<u>\$ 154,789</u>

XXX. Material Commitments and Contingent Liabilities

The endorsements and guarantees provided by the Company for others are detailed as follows:

Unit: In Thousands of New Taiwan Dollars

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Everest Display Inc.		
Guaranteed amount	<u>NTD -</u>	<u>NTD 480,000</u>
Drawdown amount	<u>NTD -</u>	<u>NTD 405,036</u>

XXXI. Other Matters

The Company's ability to continue as a going concern and the risks of asset impairment and financing were not significantly impacted by the Covid-19 pandemic. However, the influence of the pandemic is still uncertain, and the Company will pay attention to the development of the pandemic continuously.

XXXII. Material Subsequent Events

The Company issued 6,000 units of 5-year guaranteed ordinary corporate bonds in NTD on March 24, 2021, with the coupon rate 0% and par value NT\$100 thousand. The total principal was NT\$600,000 thousand.

XXXIII. Information of Exchange Rates for Financial Assets and Liabilities in Foreign Currencies

Information of the foreign currency financial assets and liabilities that have a material impact on the Company is as follows:

Unit: Per thousand in foreign currency / NT dollars

	December 31, 2020			December 31, 2019		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
<u>Financial assets</u>						
<u>Monetary item</u>						
USD	\$ 22,200	28.48	\$ 632,248	\$ 7,159	29.980	\$ 214,616
CNY	394	4.377	13,807	383	4.3050	1,647
<u>Long-term equity investments</u>						
<u>accounted for</u>						
<u>using the equity</u>						
<u>method</u>						
USD	24,358	28.48	693,707	24,915	29.980	746,941
CNY	473,314	4.377	2,071,695	492,899	4.3050	2,121,930
<u>Financial liabilities</u>						
<u>Monetary item</u>						
USD	3,242	28.48	92,326	2,045	29.980	61,314

XXXIV. Information of Segments

As the Company has disclosed information of segments in the consolidated financial report, such information is not disclosed separately in the financial report.

XXXV. Disclosures in the Notes

(1) Material Transactions and Reinvestment-related Information:

No.	Item	Explanation
1	Funds lent to others: Schedule 1	Schedule 1
2	Enforcement and guarantee for others	Schedule 2
3	Negotiable securities held at the end of the year (not including investments in subsidiaries, associates and joint ventures)	Schedule 3

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No.	Item	Explanation
4.	Accumulated purchases or sales of negotiable securities up to NT\$300 million or 20% of the paid-in capital	None
5	Acquisition cost of real estate up to NT\$300 million or 20% of the paid-in capital	None
6	Proceeds up to NT\$300 million or 20% of the paid-in capital from disposal of real estate	None
7	Purchases from or sales to related parties up to NT\$300 million or 20% of the paid-in capital	Schedule 4
8	Receivables from related parties up to NT\$100 million or 20% of the paid-in capital	Schedule 5
9	Transactions of derivatives	None
10	Information of reinvestee companies	Schedule 6

(2) Information of investments in Mainland China:

No.	Item	Explanation
1	Name of investee company in Mainland China, main business activities, paid-in capital, investment method, funds remitted in and out, shareholding, current profit or loss, recognized investment gain or loss, book value of investments at the end of the year, investment gain (loss) remitted back already, and limit of investments in Mainland China	Schedule 7
2	<p>Following material transactions with investee companies in Mainland China directly or through a third region, and price, payment terms and unrealized gain (loss) with respect to the transactions:</p> <p>(1) Amount and percentage of purchase, and ending balance and percentage of relevant payables</p> <p>(2) Amount and percentage of sale, and ending balance and percentage of relevant receivables</p> <p>(3) Amount of property transaction, and profit (loss) generated</p> <p>(4) Ending balance of endorsement or collateral provided for notes, and purposes</p> <p>(5) Maximum balance of financing, ending balance, range of interest rates and total interest for the current year</p> <p>(6) Other transactions that have material influence on the profit (loss) for the current year or financial status, such as provision or receipt of service</p>	Schedule 7

(3) Information of Main Shareholders:

Name of Shareholder Holding Over 5% of Equity, Number of Shares Held and Ratio of Shareholding (Schedule 8)

K Laser Technology Inc.
Funds of the Company and Reinvestee Companies to Other Entities
From January 1 to December 31, 2020

Schedule 1

Unit: In Thousands of New Taiwan Dollars / Thousands in Foreign Currency

No. (Note 1)	Company lending funds	Company receiving the loan	Account	Is it a related party?	Maximum balance of the year	Ending balance	Drawdown	Interest rate range	Nature of lending (Note 2)	Amount of business	Reason of short-term financing	Allocated amount of allowance for bad debts	Security		Limit of funds lent to an individual entity (Note 3)	Total limit of lending (Note 3)	Remark
													Name	Value			
0	K Laser Technology Inc.	Everest Display Inc.	Other receivables	Yes	\$ 60,000	\$ -	\$ -	-	2	\$ -	Capital turnover	\$ -	No	No	\$ -	\$ -	(Note 4)
1	Dongguan K Laser Technology Co., Ltd.	Hunan Hexin Packaging Materials Co., Ltd.	Other receivables	Yes	41,078 (RMB 9,500)	35,016 (RMB 8,000)	28,451 (RMB 6,500)	3.85%	2	-	Capital turnover	-	No	No	393,516 (RMB 89,905)	393,516 (RMB 89,905)	

Note 1: Information of funds loaned by the Company and its subsidiaries to other entities shall be provided separately in two forms and indicated in the “No.” section. Numbers shall be given as follows:

- (1) For the Company, please indicate “0.”
- (2) For subsidiaries, number in numerical order from 1 by the type of company.

Note 2: Information of funds loaned by the Company and its subsidiaries to other entities shall be provided separately in two forms and indicated in the “No.” section. Numbers shall be given as follows:

- (1) In case of business with the entity, please indicate “1.”
- (2) In case of necessary short-term financing, indicate “2.”

Note 3 : Limits and types of the funds loaned by the Company and its subsidiaries to other entities are as follows:

- (1) As provided in the Company’s procedure of loaning funds to other entities, the total limit of funds loaned to other entities shall not exceed 25% of the current net worth of the Company, and the limit of funds loaned to a single entity shall not exceed 10% of the current net worth.
- (2) As provided in the Company’s procedure for a subsidiary to loan funds to other entities and provide endorsement and guarantee, the total amount loaned by a Group company (subsidiary) shall not exceed 40% of the net worth of the Group company (subsidiary), and the total amount loaned to other entities based on necessary short-term financing shall not exceed 40% of the net worth of the Group company (subsidiary).

Note 4: The Company conducted a short-form merger with Everest Display on June 30, 2020.

K Laser Technology Inc.
Endorsement and Guarantee for Other Entities
From January 1 to December 31, 2020

Schedule 2

Unit: In Thousands of New Taiwan Dollars / Thousands in Foreign Currency

No. (Note 1)	Name of company providing endorsement and guarantee	Entity for which endorsement and guarantee are provided		Limit of endorsement and guarantee provided for a single enterprise (Note 3)	Maximum balance of endorsement and guarantee for the year	Ending balance of endorsement and guarantee	Drawdown	Amount of endorsement and guarantee secured by property	Ratio of accumulated endorsement and guarantee to the net worth indicated in the latest financial statements (%)	Maximum limit of endorsement and guarantee (Note 3)	Endorsement and guarantee provided by the parent company to a subsidiary	Endorsement and guarantee provided by a subsidiary for the parent company	Endorsement and guarantee provided for an entity in Mainland China	Remark
		Company name	Relation (Note 2)											
0	K Laser Technology Inc.	Everest Display Inc.	3	\$ -	\$ 480,000	\$ -	\$ -	\$ -	-	\$ -	Yes	No	No	(Note 5)

Note 1: Information of endorsements and guarantees provided by the Company and its subsidiaries shall be provided separately in two forms and indicated in the “No.” section. Numbers shall be given as follows:

- (1) For the Company, please indicate “0.”
- (2) For subsidiaries, number in numerical order from 1 by the type of company.

Note 2: There are 6 types of relations between the Company and the entity for which endorsement and guarantee are provided. These types are stated as follows:

- (1) An entity that has business with the Company
- (2) A subsidiary when the Company holds more than 50% of its common shares directly
- (3) A investee company when the parent company and its subsidiaries hold more than 50% of its common shares
- (4) A parent company that holds more than 50% of common shares of the company directly or through its subsidiaries
- (5) Companies provided guarantees for each other in accordance with a contract for the need of contracting for work
- (6) A company for which shareholders, for the purpose of mutual investment, provide endorsement and guarantee at the rate of their respective shareholdings

Note 3: Limits and types of the endorsements and guarantees provided by the Company and its subsidiaries are as follows:

- (1) As provided in the Company’s regulations of endorsement and guarantee, the maximum limit of endorsement and guarantee shall be limited to 40% of the Company’s net worth indicated in its latest financial statements, and the limit of endorsement and guarantee provided for a single enterprise shall not exceed 20% of the Company’s net worth indicated in its latest financial statements.
- (2) As provided in the Company’s procedure for a subsidiary to loan funds to other entities and provide endorsement and guarantee, the total liabilities assumed by a Group company (subsidiary) for endorsement and guarantee shall not exceed 40% of the net worth of the Group company (subsidiary) indicated in its latest financial statements, and the endorsement and guarantee provided for a single enterprise shall not exceed 20% of the net worth of the Group company (subsidiary) indicated in its latest financial statements.
- (3) The funds loaned to a company or firm that has business with a Group company shall be limited to the amount of business between both parties. The so-called business refers to purchase from or sale to each other, whichever is higher.

Note 4: For the amount actually appropriated, please refer to Note 30.

Note 5: The Company conducted a short-form merger with Everest Display on June 30, 2020.

K Laser Technology Inc.
Marketable Securities Held at the End of the Year
December 31, 2020

Schedule 3

Unit: In thousands of New Taiwan Dollars, except as otherwise indicated herein

Holding company	Type and name of marketable securities	Relation with the issuer of marketable securities	Items on books	End of the year				Remark
				Number of shares	Book amount	Ratio of shareholding	Fair value	
K Laser Technology Inc.	<u>Stocks</u>							
	Minton Optic Industry Co., Ltd.	None	Financial assets at fair value through profit or loss— Non-current	857,900	\$ -	1	\$ -	
	CM Visual Technology Corp.	None	Financial assets at fair value through other comprehensive income— Non-current	138,000	459	-	459	
	China Development Biotechnology Co., Ltd.	None	Financial assets at fair value through other comprehensive income— Non-current	3,000,000	32,457	2	32,457	
	Mega Plastic Industry Co., Ltd.	None	Financial assets at fair value through other comprehensive income— Non-current	150,000	2,068	15	2,068	
Insight Medical Solutions Inc.	Aether Precision Technology Inc.	None	Financial assets at fair value through other comprehensive income — Non-current	240,000	1,249	10	1,249	
Bright Triumph Limited	Guangcan Optoelectronic (Cayman) Holding Company	None	Financial assets at fair value through other comprehensive income— Non-current	625,000	73,090	18	73,090	
Dongguan K Laser Technology Co., Ltd.	Shenzhen City Zhenhuajia Environmental Energy Co., Ltd.	None	Financial assets at fair value through other comprehensive income— Non-current	1,900,000	8,921	19	8,921	
K Laser Technology Inc.	<u>Funds</u>							
	Jih Sun Asian High Yield Bond Fund	None	Financial assets at fair value through profit or loss— Current	417,526	5,265	-	5,265	
Dongguan K Laser Technology Co., Ltd.	Qianyuan Rixinyueyi Open-end Financial Investment Product with China Construction Bank	None	Financial assets at fair value through profit or loss-Current	-	21,885	-	21,885	

Note 1: For information of investments in subsidiaries and associates, please refer to Schedule 6 and Schedule 7.

K Laser Technology Inc.

Purchase from or Sale to Related Parties Amounting to Over NT\$100 Million or 20% of Paid-in Capital

From January 1 to December 31, 2020

Schedule 4

Unit: In Thousands of New Taiwan Dollars

Selling (purchasing) company	Counterparty	Relation	Transaction				Transaction terms different from those for general transactions, and reasons		Notes receivable (payable) and trade receivables (payables)		Remark
			Sale (purchase)	Amount	Ratio to total sale (purchase) %	Credit period	Unit price	Credit period	Balance	Ratio to total notes receivable (payable) and trade receivables (payables)%	
Optivision Technology Inc.	Dongguan Zhiguang Photoelectric Co., Ltd.	One of other related parties	Sale	\$ 1,185,685	68	120 days after monthly settlement; cash to be received in the next month	N/A	N/A	\$ 670,247	73	
Optivision Technology Inc.	Ningpo Optivision Optical Technology Co., Ltd.	A subsidiary	Sale	233,531	13	120 days after monthly settlement; cash to be received in the next month	N/A	N/A	117,915	13	
K Laser Technology Inc.	Dongguan K Laser Technology Co., Ltd.	A sub-sub-subsidiary of which 100% of shares are held by the Company	Purchase	(323,921)	56	60 days after monthly settlement; cash to be received	N/A	N/A	(55,467)	50	
K Laser Technology Inc.	K Laser Technology (USA) Co., Ltd.	A sub-sub-subsidiary of which 75% of shares are held by the Company	Sale	363,030	45	90 days after monthly settlement; cash to be received	N/A	N/A	80,078	31	
Wuxi K Laser Technology Co., Ltd.	K Laser Technology (Hong Kong) Co., Ltd.	A sister company	Sale	RMB 33,289	28	60 days after monthly settlement; cash to be received	N/A	N/A	RMB5,732	16	

K Laser Technology Inc.

Receivables from Related Parties Amounting to Over NT\$100 Million or 20% of Paid-in Capital

December 31, 2020

Schedule 5

Unit: In Thousands of New Taiwan Dollars

Company recognizing the account as receivables	Counterparty to the transaction	Relation	Balance of receivables from related parties	Turnover	Receivables from related parties due and unpaid		Amount of receivables from related parties that are recovered after the year	Amount of allowance for bad debts allocated on books
					Amount	Treatment method		
Optivision Technology Inc.	Dongguan Zhiguang Photoelectric Co., Ltd.	One of other related parties	Trade receivables \$ 670,247	2.09	-	-	\$ 302,031	\$ 6,250
Optivision Technology Inc.	Ningpo Optivision Optical Technology Co., Ltd.	A subsidiary	Trade receivables 117,915	2.11	-	-	48,828	-

K Laser Technology Inc.
Information of Reinvestee Companies, their Locations, etc.
From January 1 to December 31, 2020

Schedule 6

Unit: In Thousands of New Taiwan Dollars / Thousands in Foreign Currency

Name of investing company	Name of investee company	Location	Main business activities	Amount of original investment		Shares held at the end of the year			Profit (loss) of the investee company	Investment gain (loss) recognized for the year	Remark
				End of the year	End of last year	Number of shares	Ratio%	Book amount			
K Laser Technology Inc.	K Laser China Group Co., Ltd.	British Virgin Islands	Reinvestment in companies	\$ 722,454	\$ 722,454	21,289,005	100	\$ 2,065,995	\$ 166,207	\$ 140,939	
"	K Laser International Co., Ltd.	British Virgin Islands	Reinvestment in companies	703,856	703,856	20,361,462	100	671,315	21,845	21,845	
"	Optivision Technology Inc.	Hsinchu City	Production and sale of optical instruments and electronic parts and components	514,219	300,229	24,311,835	41	664,562	130,960	58,437	
"	iWin Technology Co., Ltd.	British Virgin Islands	Reinvestment in companies	97,372	97,372	157,545	49	18,359	2,204	1,456	
"	Vicome Corp.	Yunlin County	Manufacturing, processing, purchase and sale of fluorescent pigments and dyes	35,494	26,489	3,021,420	30	123,089	40,276	13,315	
"	Everest Display Inc.	Hsinchu City	Production and sale of optical instruments and wireless communication mechanical equipment	-	406,056	-	-	-	-	-	Note 1
"	Insight Medical Solutions Inc.	Hsinchu City	Research, development and sale of endoscopes used in gastrointestinal tracts	269,813	264,613	8,995,264	45	224,334	(97,699)	(38,741)	
"	Everest International Co., Ltd.	Samoa	Reinvestment in companies	217,125	-	6,820,810	100	39,960	13,966	14,883	Note 1
K Laser International Co., Ltd.	K Laser Technology (USA) Co., Ltd.	USA	Sale of holographic products	USD 6,500	USD 6,500	6,500,000	80	USD 6,005	USD 1,210	USD 965	
"	K Laser Technology (Thailand) Co., Ltd.	Thailand	Manufacturing and sale of holographic products	USD 1,801	USD 1,801	9,277,984	83	USD 8,983	USD 626	USD 518	
"	K Laser Technology (Korea) Co., Ltd.	Korea	Manufacturing and sale of holographic products	USD 2,946	USD 2,946	677,040	100	USD 1,867	(USD 282)	(USD 282)	
"	K Laser IMEA Co., Ltd.	Mauritius	Reinvestment in companies	USD 2,600	USD 2,600	2,600,390	100	USD 516	(USD 966)	(USD 966)	
"	Amagic Technologies U.S.A. (Dubai) Ltd.	Dubai	As an agent and sale of holographic products	USD 1,094	USD 1,094	-	100	USD 2,085	USD 258	USD 258	
"	K Laser Technology Japan Co., Ltd.	Japan	Manufacturing and sale of holographic products	USD 830	USD 830	1,344	70	USD 2,940	USD 105	USD 73	
"	Apportonics (Wuxi) Co., Ltd.	China	Production and sale of optical instruments	USD 1,503	USD 1,503	7,142,857	17	USD 647	USD 215	USD 37	
"	Boxlight Corporation	USA	Production and sale of optical instruments	-	USD 2,005	-	-	USD -	USD -	USD -	
"	CIO Tech Ltd.	Cayman Islands	Reinvestment in companies	USD 750	USD 750	11,000,000	24	USD 607	(USD 471)	(USD 104)	
K Laser Technology (Thailand) Co., Ltd.	K Laser Technology (Indonesia) Co., Ltd.	Indonesia	Manufacturing and sale of holographic products	THB 21,168	THB 21,168	266,000	70	THB 20,380	THB 274	THB 192	
K Laser China Group Co., Ltd.	K Laser China Group Holding Co., Limited	Cayman Islands	Reinvestment in companies	RMB 180,503	RMB 180,503	89,096,401	100	RMB 483,465	RMB 39,163	RMB 39,008	
"	Holoprint Co., Ltd.	British Virgin Islands	Reinvestment in companies	RMB 1	RMB 1	1	100	RMB -	RMB -	RMB -	
K Laser China Group Holding Co., Limited	K Laser Technology (Hong Kong) Co., Ltd.	Hong Kong	As an agent to sell holographic products	RMB 1,092	RMB 1,092	1,283,500	100	RMB 3,876	RMB 578	RMB 578	
"	Holomagic Co., Ltd.	British Virgin Islands	Reinvestment in companies	RMB 72,440	RMB 72,440	30,000	100	RMB 232,865	RMB 7,812	RMB 7,852	
"	Top Band Investment., Ltd.	British Virgin Islands	Reinvestment in companies	RMB 130,106	RMB 130,106	50,000	100	RMB 225,689	RMB 31,414	RMB 31,289	
"	iWin Technology Co., Ltd.	British Virgin Islands	Reinvestment in companies	RMB 20,825	RMB 20,825	163,975	51	RMB 4,366	RMB 516	RMB 263	
Holomagic Co., Ltd.	Treasure Access Limited	Hong Kong	Reinvestment in companies	RMB 29,243	RMB 29,243	10,000	100	RMB 230,451	RMB 8,085	RMB 8,085	

(Continued on next page)

(Brought forward from previous page)

Name of investing company	Name of investee company	Location	Main business activities	Amount of original investment		Shares held at the end of the year			Profit (loss) of the investee company	Investment gain (loss) recognized for the year	Remark
				End of the year	End of last year	Number of shares	R a t i o %	Book amount			
Top Band Investment Ltd.	Union Bloom Co., Ltd.	Hong Kong	Reinvestment in companies	RMB 113,329	RMB 113,329	10,000	100	RMB 221,681	RMB 31,077	RMB 31,077	
K Laser IMEA Co., Ltd.	Amagic Holographics India Private Limited	India	Manufacturing and sale of holographic products	USD 2,508	USD 2,508	10,915,594	100	USD 463	(USD 963)	(USD 963)	
iWin Technology Co., Ltd.	Finity Laboratories	USA	Research and development of holography	USD 700	USD 700	700,000	100	USD 1,170	USD 76	USD 76	
Treasure Access Limited	Wuxi K Laser Technology Co., Ltd.	China	Manufacturing and sale of holographic products	RMB 44,156	RMB 44,156	-	100	RMB 148,100	RMB 5,317	RMB 5,317	
"	Hunan Herui Laser Technology Co., Ltd.	China	Research, development and production of new environmentally-friendly packaging materials and anti-counterfeit products	RMB 21,952	RMB 21,952	-	49	RMB 37,528	RMB 9,664	RMB 4,735	
"	Jiangsu Sunderray Laser Packing Material Co., Ltd.	China	Production of specific film coating, decorative films, and environmentally friendly transfer paper	RMB 26,600	RMB 26,600	26,600,000	33	RMB 36,207	RMB 5,032	RMB 1,654	
Union Bloom Co., Ltd.	Dongguan K Laser Technology Co., Ltd.	China	Manufacturing and sale of holographic products	RMB 165,621	RMB 165,621	-	100	RMB 224,764	RMB 35,172	RMB 35,172	
Wuxi K Laser Technology Co., Ltd.	Foshan Donglin Packaging Materials Co., Ltd.	China	Production of packaging materials for tobacco and extended products	RMB 8,253	RMB 8,253	-	25	RMB 8,304	RMB 1,954	RMB 516	
Dongguan K Laser Technology Co., Ltd.	Hunan Hexin Packaging Materials Co., Ltd.	China	Mainly engaging in producing, processing and selling films and cigarette packs, and division of rolling paper	RMB 48,100	RMB 48,100	-	49	RMB 49,859	RMB 4,324	RMB 2,119	
Optivision Technology Inc.	Bright Triumph Limited	Mauritius	Reinvestment in companies	242,173	242,173	7,913,767	100	146,531	125	125	
Bright Triumph Limited	Ningpo Optivision Optical Technology Co., Ltd.	China	Manufacturing, processing and production of bright enhancement layers, prism sheets, diffusion films and optical films	USD 5,258	USD 5,258	-	100	USD 2,589	(USD 94)	(USD 94)	
Everest Display Inc.	Everest International Co., Ltd.	Samoa	Reinvestment in companies	-	217,125	-	-	-	12,139	(917)	Note 1
"	Boxlight Corporation	USA	Production and sale of optical instruments	-	140,258	-	-	-	-	-	
Everest International Co., Ltd.	Apportonics (Wuxi) Co., Ltd.	China	Production and sale of optical instruments	USD 2,014	USD 2,014	11,456,748	28	USD 705	USD 215	USD 60	
"	Boxlight Corporation	USA	Production and sale of optical instruments	-	-	-	-	USD -	USD -	USD -	
Insight Medical Solutions Inc.	Insight Medical Solutions Holdings Inc.	Cayman Islands	Reinvestment in companies	USD 2,500	USD 750	2,500,000	100	68,456	(4,792)	(4,792)	
"	ICMD Co., Ltd.	Hsinchu County	Sale of endoscopes used in gastrointestinal tracts	-	20,000	-	-	-	(9,521)	(7,616)	
Insight Medical Solutions Holdings Inc.	Glory Group Medical (Wuxi) Co., Ltd	China	Research, development and sale of endoscopes used in gastrointestinal tracts	USD 2,500	USD 750	2,500	100	USD 68,537	(USD 4,705)	(USD 4,705)	

Note 1 : The Company conducted a short-form merger with Everest Display on June 30, 2020.

K Laser Technology Inc.
Information of Investment in Mainland China
From January 1 to December 31, 2020

Schedule 7

Unit: In Thousands in Foreign Currency / Thousands of New Taiwan Dollars

1. Name of investee company, main business activities, paid-in capital, investment method, capital remittance, shareholdings, profit or loss of the year, investment gain (loss) recognized, ending book value of investment, investment gain remitted back, and limit of investment in Mainland China:

Name of invested company in Mainland China	Min business activities	Paid-in capital	Investment method	Accumulated investment amount remitted from Taiwan as of the beginning of the year	Investment amount remitted or recovered in the year		Accumulated investment amount remitted from Taiwan as of the end of the year	Ratio of shares held by the Company through direct or indirect investment%	Investee company's profit (loss) of the year	Investment gain (loss) recognized for the year	Ending book value of investment	Investment gain remitted back to Taiwan as of the end of the year
					Remitted	Recovered						
Wuxi K Laser Technology Co., Ltd.	Research, development, production of laser holographic products, electro-optics apparatus and optoelectronic materials	\$ 552,986 (RMB 126,339)	Reinvestment in the company in Mainland China through reinvestments in an existing company in a third region	\$ 190,531 (USD 6,690)	\$ -	\$ -	\$ 190,531 (USD 6,690)	100	\$ 23,273 (RMB 5,317)	\$ 23,273 (RMB 5,317)	\$ 648,234 (RMB 148,100)	\$ 187,060 (RMB 42,737)
Dongguan K Laser Technology Co., Ltd.	Production and sale of other polyethylene and rigid polyvinyl chloride films and foils	724,923 (RMB 165,621)	Reinvestment in the company in Mainland China through reinvestments in an existing company in a third region	58,640 (USD 2,059)	-	-	58,640 (USD 2,059)	100	153,948 (RMB 35,172)	153,948 (RMB 35,172)	983,792 (RMB 224,764)	649,949 (RMB 148,492)
Dongguan Zhimei Laser Printing Co., Ltd. (Note 5)	Production and sale of printed paper packaging boxes and laser printed paper	110,904 (RMB 25,338)	Investment in the company in Mainland China through remittance from a third region	61,232 (USD 2,150)	-	-	61,232 (USD 2,150)	-	-	-	-	-
Hunan Herui Laser Technology Co., Ltd.	Research, development and production of laser paper, anodized aluminum and other new environmentally-friendly packaging materials and anti-counterfeit products	226,729 (RMB 51,800) (Note 2)	Reinvestment in the company in Mainland China through reinvestments in an existing company in a third region	-	-	-	-	49	42,299 (RMB 9,664)	20,725 (RMB 4,735)	164,260 (RMB 37,528)	16,646 (RMB 3,803)
Jiangsu Sunderray Laser Packing Material Co., Ltd.	Production of specific film coating, decorative films and environmentally friendly transfer paper	350,160 (RMB 80,000) (Note 3)	Reinvestment in the company in Mainland China through reinvestments in an existing company in a third region	-	-	-	-	33	22,025 (RMB 5,032)	7,240 (RMB 1,654)	158,478 (RMB 36,207)	37,931 (RMB 8,666)
Apportronics (Wuxi) Co., Ltd.	Research, development and production of large LCDs, and optical engines and projection tubes for LCDs	180,910 (RMB 41,332)	Reinvestment in the company in Mainland China through reinvestments in an existing company in a third region	42,805 (USD 1,503)	-	-	42,805 (USD 1,503)	17	6,123 (USD 215)	1,054 (USD 37)	18,427 (USD 647)	-
Glory Group Medical (Wuxi) Co., Ltd	Research, development and sale of endoscopes used in gastrointestinal tracts	71,200 (USD 2,500)	Reinvestment in the company in Mainland China through reinvestments in an existing company in a third region	21,360 (USD 750)	49,840 (USD 1,750)	-	71,200 (USD 2,500)	100	(4,705)	(4,705)	68,537	-

2. Limit of Investments in Mainland China

Accumulated investment amount remitted from Taiwan to Mainland China as of the end of the year	Investment amount approved by Investment Commission, Ministry of Economic Affairs	Limit of investment provided by Investment Commission, Ministry of Economic Affairs
\$ 353,209 (USD12,402)	\$ 1,719,736 (Note 4) (USD60,384)	\$ 1,524,690 (Note 1)

Note 1: With the approval obtained from the headquarters, the amount of investments is not restricted or limited to 60% of the net worth or NT\$80 million.

Note 2: It contains the investment in cash USD2,512 thousand through a third region.

Note 3: It contains the investment in cash USD3,705 thousand through a third region.

Note 4: It contains the investment from earnings USD11,748 thousand.

Note 5: The invested equity has been disposed, but an application for cancellation of the amount has not been filed to Investment Commission, MOEA.

3. Material Transactions directly or indirectly with Investee Companies in Mainland China through Entities in a Third Region:

Unit: In Thousands in Foreign Currency / Thousands of New Taiwan Dollars

Name of related party	Relation between the Company and the related party	Type of transaction	Amount	Transaction conditions			Notes receivable (payable) and trade receivables (payables)		Unrealized gain (loss)
				Price	Payment terms	Compared with general transactions	Balance	Percentage (%)	
Dongguan K Laser Technology Co., Ltd.	A sub-subsidiary of which 99.60% of shares are held indirectly by the Company	Sale	\$ 9,823 (USD 333)	Price negotiation	90 days after monthly settlement	Similar	\$ 2,053 (USD 72)	1	(\$ 441)
Dongguan K Laser Technology Co., Ltd.	A sub-subsidiary of which 99.60% of shares are held indirectly by the Company	Purchase	323,921 (USD 10,921)	Price negotiation	60 days after monthly settlement	Similar	55,467 (USD 1,948)	51	-
Wuxi K Laser Technology Co., Ltd.	A sub-subsidiary of which 99.60% of shares are held indirectly by the Company	Sale	943 (USD 32)	Price negotiation	60 days after monthly settlement	Similar	- (USD -)	-	-
Wuxi K Laser Technology Co., Ltd.	A sub-subsidiary of which 99.60% of shares are held indirectly by the Company	Purchase	21,898 (USD 741)	Price negotiation	60 days after monthly settlement	Similar	7,237 (USD 254)	6	-

4. Property transaction, and gain or loss on such transactions: None

5. Endorsement, guarantee or collateral provided directly or indirectly for investee companies in Mainland China through entities in a third region: Schedule 2

6. Funds directly or indirectly provided for investee companies in Mainland China through a third region: None

7. Other transactions that have a material impact on the current profit or loss or financial status: None

K Laser Technology Inc.
Information of Main Shareholders
December 31, 2020

Schedule 8

Name of key shareholder	Shares	
	Number of shares held	Ratio of shareholding
Kuo Wei-Wu	10,997,756	6.9%
K Laser Technology Inc.	9,095,000	5.7%

Note 1: Information of main shareholders contained in the form is the data calculated by Taiwan Depository & Clearing Corporation based on the common shares and preferred shares (including treasury shares) that have been recorded and delivered, without physical substance, by the Company and held by shareholders on the last business day at the end of the current season so as to indicate the shareholders holding over 5% of such shares. The capital stock recorded in the financial report of the Company may differ from the number of the aforementioned shares recorded and delivered without physical substance because different bases of preparation and calculation are used.

Note 2: If the above information contains any shareholder holding shares through a trust, then trust settlors will be disclosed in their respective accounts under the trust account opened by the trustee. As for a shareholder declaring equity based on the shares more than 10% possessed by the shareholder as an insider in accordance with the Securities and Exchange Act, the shares possessed by the shareholder should contain the shares possessed and the shares in trust and the shares that entitle the shareholder to exercise rights to determine how to use trust property. For information of equity declarations made by insiders, please visit the Market Observation Post System.

6. Financial Distress in Company and Subsidiaries : None

7. Review and analysis and risk matters of financial status and financial performance

1. Analysis of financial status

Unit: NT \$1000

Project \ Year	2020	2019	Difference		Notes
			Amount of money	%	
Current Assets	5,494,650	4,404,924	1,089,726	24.74%	Description
Non-current assets	2,464,840	2,381,540	83,300	3.50%	
Total assets	7,959,490	6,786,464	1,173,026	17.28%	
Current liabilities	2,525,096	2,142,290	382,806	17.87%	
Long-term liabilities	1,468,470	1,400,653	67,817	4.84%	
Total liabilities	3,993,566	3,542,943	450,623	12.72%	
Share capital	1,593,246	1,593,246	0	0.00%	
Capital surplus	585,347	551,531	33,816	6.13%	
Retained earnings	798,781	669,939	128,842	19.23%	
Total shareholders' equity	3,965,924	3,243,521	722,403	22.27%	Description
The analysis of the change in the proportion of increase and decrease shows: K Laser Technology, a subsidiary of K Laser Group, increased its capital by NT \$700 million in cash at a premium at the end of 2020. As a result, the current assets (bank deposits) and shareholders' equity of K Laser Technology increased significantly at the end of 2020.					

2. Analysis of financial performance

Unit: NT \$1000

Project \ Year	2020	2019	Difference		Notes
			Amount of money	%	
Net operating income	5,439,230	5,199,022	240,208	4.62%	
Operating costs	4,175,137	4,014,862	160,275	3.99%	
Gross operating profit	1,264,093	1,184,160	79,933	6.75%	
Operating expenses	1,035,371	1,153,142	-117,771	-10.21%	
Operating income	228,722	31,018	197,704	637.38%	Description
Non-operating income and expenses	3,379	-146,410	149,789	-102.31%	Description
Net income from continuing operations before taxes	232,101	-115,392	347,493	-301.14%	Description
Income tax expense	-40,962	-43,317	2,355	-5.44%	
Cumulative effect of changes in accounting principles	0	0	0	0.00%	
Net profit after tax from continuing operations	191,139	-158,709	349,848	-220.43%	Description
The analysis of the change in the proportion of increase and decrease shows that: in the year of 2020, the revenue increased, the credit impairment loss of operating expenses decreased by about NT \$165 million, and the investment loss of the invested company under outside-industrial equity method also decreased by about NT \$135 million. Therefore, the operating profit and net profit after tax in the current period increased significantly.					

3、Cash flow analysis

(1) Review and analysis sheet of changes in cash flow

Unit: NT \$1000

2020.01.01 Cash balance at the beginning of the period	Net cash flow from operating activities for the whole year	Net cash flow from investing and financing activities for the whole year	Cash balance (2020.12.31)	Remedial measures for cash deficiency	
				Investment plan	Financial management plan
1,588,179	357,291	684,341	2,629,811	—	—
Analysis of annual cash flow changes:					
1. The cash inflow from operating activities is NT\$357,291,000, and the net profit before tax increased in the current period, which was caused by the increase of investment interest of equity method, but the active control of various receivables resulted in the stable increase of cash flow and no abnormal phenomenon.					
2. The cash outflow from investment activities is NT\$52,542,000, which belongs to the normal purchase of assets.					
3. The cash inflow from financing activities is NT\$745,289,000, which is mainly caused by the cash capital increase of subsidiaries in the current period.					
4. The impact of exchange rate changes is (NT\$8,406,000) .					

(2) Remedial measures and liquidity analysis of expected cash shortage: not applicable.

(3) Analysis of cash flow in the next year

Unit: NT \$1000

2021.01.01 Cash balance at the beginning of the period	Expected net cash flow from operating activities of the whole year	Expected net cash flows from investing and financing activities of the whole year	Estimated cash balance (shortfall) (2020.12.31)	Remedial measures for estimated cash deficiency	
				Investment plan	Financial management plan
2,629,811	584,288	(454,936)	2,759,163	—	—
The estimated cash inflows of 2020 are mainly from operating income; investment and financing outflows include investment in additional equipment and plant expansion, as well as cash dividends, which are sufficient to cover cash inflows from operating activities.					

4、Impact of major capital expenditure in recent year on financial business

(1) Review and analysis of major capital expenditure and its capital source

Unit: NT \$1000

Planned Projects	Actual or expected source of funds	Actual or expected completion date	Total funds required	Actual or intended use of funds				
				2021	2020	2019	2018	2017
Wide format holographic seamless plate making equipment and production process	Equity funds	2021.12.31	37,576	4,100	592	1,700	11,388	4,336

Holographic seamless electroforming equipment and production process	Equity funds	2021.12.31	37,215	10,285	300	606	1,190	3,333
New wide-format holographic seamless plate making equipment and production process	Equity funds	2021.12.31	19,148	18,200	948	-	-	-

(2) Expected potential benefits

1. Wide format holography seamless plate making equipment and production process:

(1) Enhance the efficiency of wide-format pure plateless seam shooting.

(2) Provide wide-format seamless products to expand new markets.

(3) Wide-format seamless process to reduce cost and enhance competitiveness.

2. Holographic seamless electroforming equipment and production process:

(1) Enhance the production capacity of seam-free electroforming manufacturing.

(2) Provide diversified electroforming products without seams to expand the demand of new markets.

3. New wide-format holographic seamless plate making equipment and production process:

(1) Enhance the efficiency of wide-format holographic seamless shooting.

(2) No electroforming process, simplify the plate making process

5. Recent annual reinvestment policy, main reasons for profit or loss, improvement plans and investment plans for the coming year.

(1) Reinvestment policy: The Company's reinvestment is mainly in the field related to the Company's own business, with the development of upstream and downstream integration, hoping to expand the market base, reduce production costs, and improve the Company's operating performance. At present, the Company's reinvestment focus is still on China. In the downstream market development, the Company will continue to promote its products in the terminal packaging products by combining the advantages of its Chinese investors in the market; while in the upstream material side, the Company will cooperate with its reinvestment companies in the development of raw materials, cost reduction and quality improvement.

(2) Profit or loss from the recent year's reinvestment and improvement plan: In 2020, the Company recognized an operating profit of NT\$31,550,000 from the reinvestment company, an increase of NT\$135,375,000 from the loss of NT\$103,825,000 recognized last year, mainly due to the change in accounting treatment of the reinvestment in BOXL in 2020. The increase was mainly due to the change in the accounting treatment of the investment in BOXL in 2020, which resulted in a one-time recognition of the related investment loss.

(3) Estimated investment plan in 2021: In response to the economic slowdown in China and the Chinese government's policy of eliminating extravagance, the Company's investment in China in the coming year will be based on maintaining the existing reinvestments and

continuing to develop markets and products with existing joint venture partners to deepen the partnership with strategic partners; meanwhile, for the expansion in India, the Middle East and North Africa, our company intends to increase the expansion of our subsidiary in Dubai and plan for the expansion of a new plant in India. In addition, the market development opportunities shall be evaluated in Southeast Asia and our business bases at the appropriate time shall be expanded. The above investment plans will be planned and implemented depending on the status of the COVID-19 epidemic this year.

6. Analysis and evaluation of risk matters

- (1) The impact of interest rate, exchange rate changes and inflation on the Company's profit and loss and future countermeasures:

In 2020, the Company and its subsidiaries incurred interest expenses of NT\$38,560,000 and exchange losses of NT\$23,648,000. The Company regularly evaluates bank borrowing rates and obtains loans at lower interest rates through the Company's strengths. As for exchange rates, the Company collects information on international financial information and exchange rate changes at all times and implements them in accordance with clear foreign exchange operating strategies and strict control procedures.

- (2) The Company's policies, main reasons for profit or loss and future countermeasures for engaging in high-risk, highly leveraged investments, funds loan to others, endorsement guarantees and derivative transactions are as follows:

1. The Company engages in high-risk, highly leveraged investments and derivative transactions. In order to manage financial risks, the Company does not engage in high-risk, highly leveraged financial investments. In order to control transaction risks, the Company has established internal management practices and operating procedures based on sound financial and operational principles in accordance with the relevant laws and regulations of the Securities and Futures Bureau, and all derivative transactions engaged in by the Company are handled in accordance with the Company's "Processing Procedures for Dealing with Derivative Financial Products".
2. The Company's endorsement and guarantee: None.
3. Loan of funds to others: None.

- (3) Future R & D plan and expected R & D cost

Unit: NT \$1000

Number of items	R & D plan	Input cost	Estimated time of mass production
1	Wide format holographic seamless plate making equipment and production process	4,100	December, 2021
2	Holographic seamless electroforming equipment and production process	10,285	December, 2021
3	New wide-format holographic seamless plate making equipment and production process	18,200	December, 2021

- (4) The impact of important domestic and foreign policies and legal changes on the Company's financial operations and measures to address them: None.

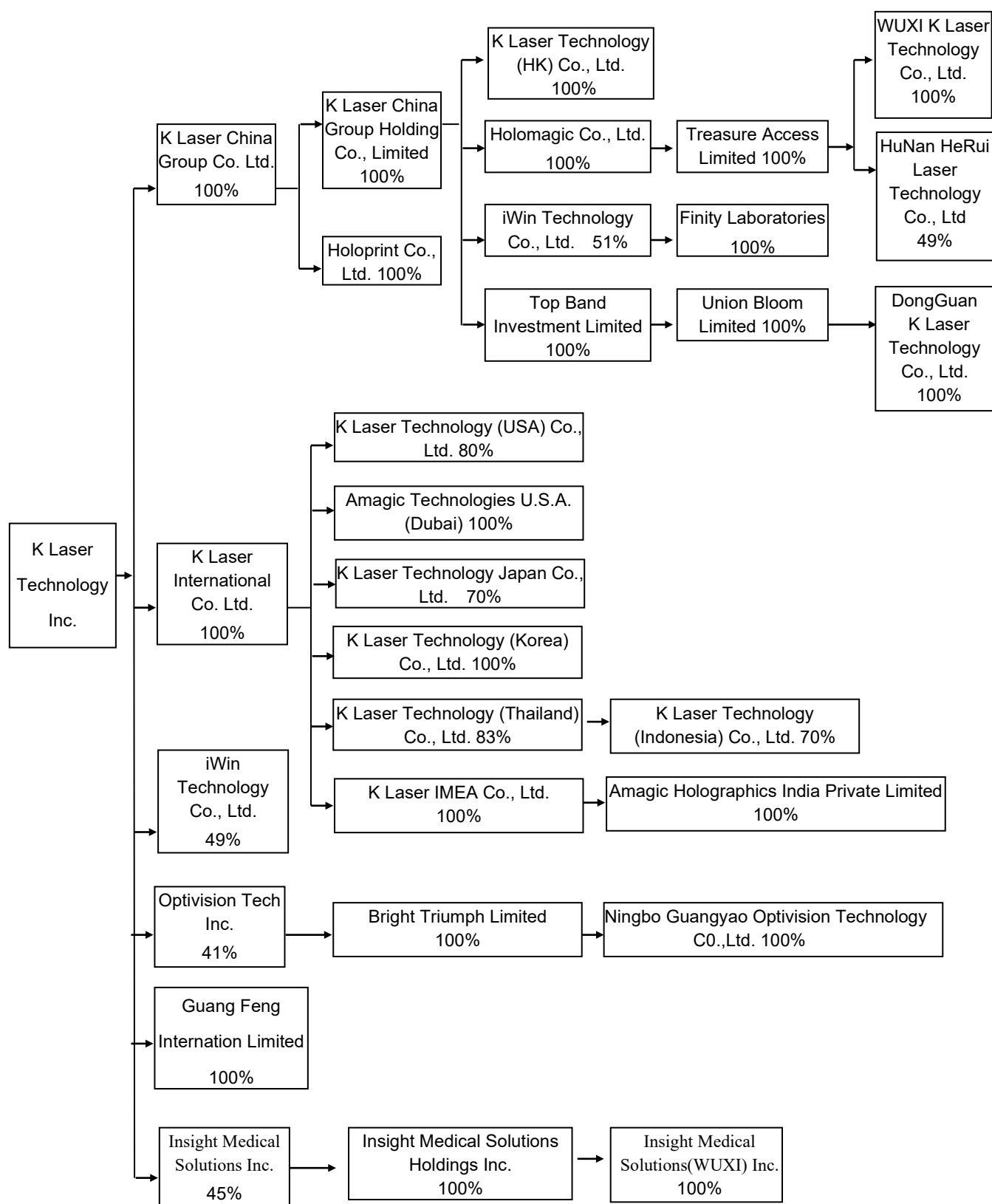
- (5) Impact of technological change and industrial change on the company's financial business and countermeasures: None.
- (6) Impact of corporate image change on corporate crisis management and measures to address it: None.
- (7) Expected benefits, possible risks and countermeasures for mergers and acquisitions: None.
- (8) Expected benefits, possible risks, and countermeasures for plant expansion: None.
- (9) Risks of concentration of purchase or sales of goods and countermeasures: The Company has no concerns about concentration risks with major suppliers and customers.
- (10) The impact, risk and countermeasures of a substantial shift or change in the shareholding of directors, supervisors or major shareholders holding more than 10% of the shares of the Company: None.
- (11) The impact, risk and countermeasures of the change of management power on the Company: None.
- (12) Litigation or non-litigation events: None.
- (13) Other important risks and countermeasures: None.

7. Other Material Events: None.

Special Disclosures

1. Affiliates Information

1.1-1 Group Brief Introduction



1.1-2 Background Information of the Affiliated Companies

Unit: Original \$Thousands 2020/12/31

Entity	Date of Incorporation	Address	Capital	Main Operation or Business Items
K Laser China Group Co., Ltd.	2000/10/31	Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands	RMB \$ 373,458	Investment Business
Holoprint Co., Ltd.	2000/09/29	P.O. Box 957, Road Town, Tortola, British Virgin Islands.	US \$ 1	Investment Business
K Laser China Group Holding Co., Limited	2008/01/03	190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands.	RMB \$ 186,117	Investment Business
iWin Technology Co., Ltd	2005/03/22	Jipfa Building, 3th Floor, Main Street, Road Town, Tortola, British Virgin Islands.	US \$ 6,430	Investment Business
Finity Laboratories	2001/11/16	922 San Leandro Ave., Suite D, Mountain View, California 94043 U.S.A..	US \$ 700	R&D of Holographic Technology
K Laser Technology (HK) Co., Ltd.	2000/06/28	No. 5, 1/F, Trust Centre, 912 Cheung Sha Wan Road, Kowloon, Hong Kong.	HK \$ 1,284	Sales of Holographic Products
Holomagic Co., Ltd.	2000/09/29	Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands	RMB \$ 72,440	Investment Business
Treasure Access Limited	2007/11/28	Unit 901, 9/F, Times Tower, 928-930 Cheung Sha Wan Road, Lai Chi Kok, Kowloon, Hong Kong.	RMB \$ 25,024	Investment Business
WUXI K Laser Technology Co., Ltd.	2000/12/29	#60Segmen, Changjiang road Wuxi New District Zone, Wuxi Jiangsu, China.	RMB \$ 126,339	Production and Sales of Holographic Products
HuNan HeRui Laser Technology Co., Ltd	2009/11/19	No.33, Huangxing Avenue, Xingsha Economic & Technical Development Zone, Changsha, Hu'nan, China	RMB \$ 51,800	Production and Sales of Holographic Products
Top Band Investment Ltd.	2007/09/13	4th Floor, Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Town, Tortola, British Virgin Islands.	RMB \$ 130,106	Investment Business
Union Bloom Limited	2007/11/28	Unit 901, 9/F, Times Tower, 928-930 Cheung Sha Wan Road, Lai Chi Kok, Kowloon, Hong Kong.	RMB \$ 177,857	Investment Business
DongGuan K Laser Technology Co., Ltd.	2001/09/07	Da Hsui Hu Area, Da Pian Mei Village, Daling Shang, Dong Guan City.	RMB \$ 165,621	Production and Sales of Holographic Products
K Laser International Co., Ltd.	2000/10/31	Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands	US \$ 20,361	Investment Business
K Laser Technology (USA) Co., Ltd.	1993/02/18	3123 W. MacArthur Blvd. Santa Ana, CA ,USA.	US \$ 7,527	Sales of Holographic Products
Amagic Technologies U.S.A. (Dubai)	1996/12/03	Jebel Ali Free Zone RA/08 VA-05 P.O.Box 61306 Dubai, UAE..	AED \$ 913	Sales of Holographic Products
K Laser Technology Japan Co., Ltd.	2003/07/11	1-4-44, Atobehonmati, Yao City, Osaka Japan 581-0064	JPY \$ 96,000	Production and Sales of Holographic Products
K Laser Technology (Korea) Co., Ltd.	2002/08/26	464-1 Hyeongok-Ri, Cheongbuk-Myeon, Pyeongtak-City, Gyeonggi-Province, Korea 451-831	KRW \$ 3,385,200	Production and Sales of Holographic Products
K Laser Technology (Thailand) Co., Ltd.	1995/12/18	111/89 Moo 7 Bangchalong, Bangplee, Samutprakarn 10540, Thailand	THB \$ 112,200	Production and Sales of Holographic Products
K Laser Technology (Indonesia) Co., Ltd.	2017/06/27	PUSAT NIAGA ROXY MAS Blok E2 No.44 Jl. K.H. Hasyim Ashari 125, Cideng, Jakarta Pusat 10150	IDR\$ 13,806,270	Production and Sales of Holographic Products
K Laser IMEA Co., Ltd.	2003/07/03	Suite 802, St James Court St Denis Street, Port Louis, Mauritius	US \$ 2,600	Investment Business
Amagic Holographics India Private Limited	2003/07/11	B-74 Ambad MIDC Industrial Area, Ambad, Nashik 422010	INR \$ 109,156	Production and Sales of Holographic Products
Optivision Tech Inc.	2004/07/14	3F.No. 1, Li Hsin Rd. VI, Science-Based Industrial Park, Hsinchu, Taiwan30078, R.O.C.	NT \$ 586,106	Production and R&D of Optical Prism Film
Bright Triumph Limited	2008/03/26	Level 3, Alexander House, 35 Cybercity, Ebene,Mauritius	US \$ 7,914	Investment Business
Ningbo Guangyao Optivision Technology CO.,Ltd.	2008/05/28	N0.6 West Road Lushan Bonded Southern District,Ningbo Free Trade Zone	RMB \$ 33,607	Production of Optical Prism Film
Guang Feng Internation Limited	2005/3/31	Portcullis TrustNet Chambers P.O.Box 1225 Apia, SAMOA	US\$ 6,821	Investment Business
Insight Medical Solutions Inc.	2015/4/23	4F.No. 1, Li Hsin Rd. VI, Science-Based Industrial Park, Hsinchu, Taiwan30078, R.O.C.	NT\$ 200,000	R & D and sales of gastrointestinal endoscopy and other businesses

Entity	Date of Incorporation	Address	Capital	Main Operation or Business Items
Insight Medical Solutions Holdings Inc.	2019/1/14	4F, No. 1, Li Hsin Rd. VI, Science-Based Industrial Park, Hsinchu, Taiwan 30078, R.O.C.	US \$ 2,500	Investment Business
Insight Medical Solutions(WUXI) Inc.	2019/8/23	No. 35-107, Changjiang South Road, Xinwu District, Wuxi, China	RMB \$ 17,206	R & D and sales of gastrointestinal endoscopy and other businesses

1.1-3 Information Regarding Same Shareholders of Affiliated Companies Who Is Deemed to Have Control or Subject to Significant Influence : None

1.1-4 Directors, Supervisors, and Presidents of the Affiliated Companies

2020/12/31

Entity	Title	Name of the Representation	Shareholding	
			Shares	Holding (%)
K Laser China Group Co., Ltd. (KLCN)	Director (K Laser)	Alex Kuo	21,289,005	100%
Holoprint Co., Ltd.	Director (KLCN)	Alex Kuo	1	100%
K Laser China Group Holding Co., Limited (KLCG)	Director (KLCN)	Alex Kuo	102,901,766	100%
	Director (KLCN)	C. L. Kuo		
	Director (KLCN)	Vincent Tsai		
iWin Technology Co., Ltd	Director (K Laser)	Alex Kuo	157,545	49%
	Director (KLCG)	Alex Kuo	163,975	51%
Finity Laboratories	Director (iWin)	Alex Kuo	700,000	100%
	GM	Michael T. Iimura	-	-
K Laser Technology (HK) Co., Ltd.	Director (KLCG)	Alex Kuo	1,283,500	100%
	Director (KLCG)	Daniel Kuo		
	GM	Winnie Chan	-	-
Holomagic Co., Ltd.	Director (KLCG)	Alex Kuo	30,000	100%
Treasure Access Limited	Director (Holomagic)	Alex Kuo	10,000	100%
WUXI K Laser Technology Co., Ltd.	Chairman (Treasure Access)	Daniel Kuo	-	100%
	Director (Treasure Access)	Alex Kuo		
	Director (Treasure Access)	C. L. Kuo		
	Supervisor	Mark Chen	-	-
	VGM	Jack Lai	-	-
HuNan HeRui Laser Technology Co., Ltd	Chairman (Hosin Packaging)	Zhi Wei Yi	-	51%
	Director (Hosin Packaging)	HaiBo LI		
	Director (Treasure Access)	C. L. Kuo		
	Director (Treasure Access)	Alex Kuo	-	49%
	Director (Treasure Access)	Daniel Kuo	-	-
	Supervisor (Hosin Packaging)	Wen Jie Huang	-	-
	VGM	JunDe WU	-	-
Top Band Investment Ltd.	Director (KLCG)	Alex Kuo	50,000	100%
Union Bloom Limited	Director (TOP)	Alex Kuo	10,000	100%
DongGuan K Laser Technology Co., Ltd.	Chairman (Union)	Daniel Kuo	-	100%
	Director (Union)	James Kuo		
	Director (Union)	C. L. Kuo		
	Supervisor	Mark Chen	-	-
	VGM	Coger Ye	-	-
K Laser International Co., Ltd.	Director (K Laser)	Alex Kuo	20,361,462	100%
K Laser Technology (USA) Co., Ltd.	Chairman (International)	Alex Kuo	6,500,000	80%
	Director (International)	Daniel Kuo		
	Director (Murata)	Shiro Murata	1,625,000	20%
	Acting General Manager	Sammy Chen	-	-

Entity	Title	Name of the Representation	Shareholding	
			Shares	Holding (%)
Amagic Technologies U.S.A (Dubai)	Chairman (International)	Alex Kuo	-	100%
	Director & GM	Joseph Habchi	-	-
K Laser Technology Japan Co., Ltd.	Chairman (International)	Daniel Kuo	1,344	70%
	Director (International)	Alex Kuo		
	Director (International)	James Kuo		
	Director	Shiro Murata	576	30%
	Director & GM	Jun Murata		
	Supervisor	Hiroaki Soejima		
K Laser IMEA Co., Ltd.	Director (International)	Alex Kuo	2,600,390	100%
K Laser Technology (Korea) Co., Ltd.	Chairman (International)	Daniel Kuo	677,040	100%
	Director (International)	Alex Kuo		
	Director	Teresa Huang		
	Supervisor	Vincent Tsai		
	GM	Jacky Chen		
K Laser Technology (Thailand) Co., Ltd.	Chairman (International)	Alex Kuo	9,277,984	83%
	Director (International)	Daniel Kuo		
	Director	S. L. Yang	202,998	2%
	Director	Jennifer Fwu	-	-
	Director & GM	Simon Fwu	1,000,000	9%
K Laser Technology (Indonesia) Co., Ltd.	Director (KLTH)	Simon Fwu	266,000	70%
	Director	JULIANI HADISOEWONO	-	-
K Laser IMEA Co., Ltd.	Director (International)	Alex Kuo	2,600,390	100%
Amagic Holographics India Private Limited	Director (IMEA)	Alex Kuo	10,915,954	100%
	Director	Daniel Kuo		
	Director & GM	Joseph Habchi		
Optivision Tech Inc.	Chairman & GM	Daniel Kuo	578,023	0.99%
	Director (K Laser)	K Laser Technology Co., Ltd.	24,311,835	41.48%
	Director	James Kuo	32,039	0.05%
	Director	Ken Yuan	107,253	0.18%
	Independent Director	Yuan-Shi Chiou	-	-
	Independent Director	Ruei-Dang Jang	-	-
	Independent Director	Mong-Ou Yang	-	-
	GM	Ken Yuan	107,253	0.18%
Bright Triumph Limited	Director (Optivision)	Daniel Kuo	7,913,767	100%
Ningbo Guangyao Optivision Technology Co.,Ltd.	Director (BTL)	Daniel Kuo	-	100%
	GM	Chi-Di Hung	-	-
Guang Feng Internation Limited	Director (K Laser)	Alex Kuo	6,820,810	100%
Insight Medical Solutions Inc	Chairman	Alex Kuo	245,000	1%
	Chairman (K Laser)	Alex Kuo	8,995,264	44.98%
	Chairman (K Laser)	Teresa Huang		
	Director	British Virgin Islands Shangderun Medical Biotechnology Holdings Limited	3,200,000	16%
	Director	Gu Yun Chen	243,000	1.22%
	Supervisor	Vincent Tsai	131,000	0.66%
	Supervisor	C. L. Kuo	30,000	0.15%
Insight Medical Solutions Holdings Inc.	Director (IMS)	Alex Kuo	-	-

Entity	Title	Name of the Representation	Shareholding	
			Shares	Holding (%)
Insight Medical Solutions(WUXI) Inc.	Director	Alex Kuo	-	-

1.1-5 Operating Highlights of the Affiliated Companies

Financial Status and Operating Results

Unit : NT\$ Thousands 2020/12/31

Entity	Capital	Total Assets	Total Liabilities	Net Worth	Sales	Operating Income	Net Income (After Tax)	EPS (NT\$) (After Tax)
K Laser China Group Co., Ltd.	1,634,624	2,116,207	-	2,116,207	-	(89)	166,207	7.81
K Laser China Group Holding Co., Limited	814,634	2,125,157	596	2,124,561	-	(192)	171,416	1.92
iWin Technology Co., Ltd	183,138	37,468	-	37,468	-	(39)	2,204	6.86
Finity Laboratories	19,936	31,039	6,779	24,260	581	(7,657)	2,164	3.09
K Laser Technology (HK) Co., Ltd.	4,714	46,041	29,077	16,964	150,625	(1,310)	2,530	1.97
Holomagic Co., Ltd.	317,069	1,019,497	-	1,019,497	582	(311)	34,193	1,139.78
Treasure Access Limited	109,528	1,025,917	17,233	1,008,684	11,115	(7,948)	35,388	3,538.79
WUXI K Laser Technology Co., Ltd.	552,984	790,723	142,490	648,233	515,284	20,520	23,273	N/A
HuNan HeRui Laser Technology Co., Ltd	226,729	741,370	406,143	335,227	863,362	33,818	42,299	N/A
Top Band Investment Ltd.	569,472	988,655	-	988,655	10,660	1,460	137,499	2,749.97
Union Bloom Limited	778,482	984,137	13,841	970,296	-	(232)	136,024	13,602.44
DongGuan K Laser Technology Co., Ltd.	724,922	1,152,187	168,397	983,790	1,062,447	177,226	153,948	N/A
Hunan Hexin Packaging Materials Co., Ltd.	81,412	511,980	396,630	115,350	149,616	42,242	18,926	N/A
K Laser International Co., Ltd.	579,894	681,973	-	681,973	2,079	(216)	21,845	1.07
K Laser Technology (USA) Co., Ltd.	214,367	356,336	132,164	224,172	606,571	31,775	34,461	4.24
Amagic Technologies U.S.A. (Dubai)	5,970	99,815	40,433	59,381	109,404	7,632	7,348	N/A
K Laser Technology Japan Co., Ltd.	26,525	242,101	122,495	119,606	201,050	4,924	2,990	1,557.27
K Laser Technology (Korea) Co., Ltd.	89,369	65,592	12,407	53,185	69,847	(7,702)	(8,031)	(11.86)
K Laser Technology (Thailand) Co., Ltd.	107,218	352,470	43,094	309,376	195,839	20,112	17,828	1.59
K Laser Technology (Indonesia) Co., Ltd.	28,944	27,822	-	27,822	-	(117)	262	0.69
K Laser IMEA Co., Ltd.	74,059	14,726	23	14,703	171	(70)	(27,512)	(10.58)
Amagic Holographics India Private Limited	71,430	13,517	330	13,187	15,120	(19,608)	(27,426)	(2.51)
Optivision Tech Inc.	586,106	2,369,829	767,714	1,602,115	1,752,355	120,851	130,960	2.71
Bright Triumph Limited	225,384	157,280	-	157,280	-	-	125	0.02
Ningbo Guangyao Optivision Technology CO.,Ltd.	147,098	203,707	129,759	73,949	332,096	(459)	(2,677)	N/A
Guang Feng Internation Limited	194,257	39,996	35	39,961	-	(112)	13,966	2.05
Guangfeng Optoelectronics (Wuxi) Co., Ltd.	180,912	181,889	109,461	72,428	430,481	4,258	6,123	0.15
Insight Medical Solutions Inc	200,000	280,615	18,773	261,842	397	(92,760)	(97,699)	(4.88)
Insight Medical Solutions Holdings Inc.	712	68,826	370	68,456	-	(86)	(4,792)	(1.92)
Insight Medical Solutions(WUXI) Inc.	75,312	76,838	8,301	68,537	-	(5,065)	(4,705)	(1,881.99)

Exchange Rate :

\$ 1 USD=\$ 28.4800 NT	\$ 1 EUR=\$ 35.0200 NT
\$ 1 HKD=\$ 3.6730 NT	\$ 1 RMB=\$ 4.3770 NT
\$ 1 JPY=\$ 0.2763 NT	\$ 1 DHS=\$ 7.7619 NT
\$ 1 THB=\$ 0.9556 NT	\$ 1 KRW=\$ 0.0264 NT
\$ 1 INR =\$ 0.3904 NT	

1.2 Consolidated Financial Statements: Please Refer to KLT's Consolidated Financial Statements.

2. Private Placement Securities in the Most Recent Years : None

3. K Laser Shares Held or Sold by its Subsidiaries : None

4. Other Necessary Supplements : None

Major items to affect equity or stock price

Major Items to Affect Equity or Stock Price : None

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海外有價證券資訊之方式：無

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Taipei City 11073, Taiwan, R.O.C.
Website : www.deloitte.com.tw
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Exchangeable Bond Exchange Marketplace
Marketable Security : None

Company Website : www.klasergroup.com

光群雷射科技股份有限公司
K LASER TECHNOLOGY INC.



負責人 / Chairman：郭維武 / Alex Kuo

中華民國一一〇年五月五日刊印
Printed on May 05, 2021