



ANNUAL REPORT 2022

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Annual Report 2022

光群雷射科技股份有限公司

K Laser
Technology
Inc.



K LASER TECHNOLOGY INC.

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To Shareholders

For the full year 2022, the consolidated sales of K Laser Group grew 4.5% to 6.42 billion NT dollars. The annual gross profit margin was 18%. The operating loss of 17.69 million NT dollars was resulted from the loss of 276 million NT dollars posted by Optivision for 2022. Net profit of 2022 was 277.53 million NT dollars, EPS 1.82.

The Hologram business as our core business was quite remarkable in 2022. Not only had the sales revenue increased 19%, about 746 million NT dollars, but also had the operating profit grown 5.1%. Going forward, we will continue to stay focused on increasing our market share and revenues. Our goal to double our 2020 total sales revenue by 2025 remains the same.

Technology Development

As holographic materials getting popular, it is only natural that market prices get slashed by competition. However, our operating costs have also been inflated by inflationary increases in recent years. To improve the profit margin which is getting thinner under the pressures from the price side and from the cost side at the same time, we are taking these actions to strengthen our production technologies and product innovation.

1. Adopt automated production to improve efficiency and maintain consistency of quality.
2. Reduce material cost through development of new materials.
3. Direct our research and development efforts for functional products that meet the demands of customers and can be sold for a higher price.
4. Dedicate ourselves to improve our design and origination capabilities to provide various unique products with security functions. That will help us to maintain the selling price of our products as well.

Our Strategy and Global Situation

China's economy has rebounded strongly since it lifted its COVID restrictions. IMF even predicts that China will contribute to one third of global economy growth in 2023. Having a strong foothold in China market, K Laser is expected to benefit from China's rebound in activity. However, according to IMF the growths in Europe and the US in 2023 will slow further given that inflation remains high and rate hikes and monetary policies are working their way through the economy. As a result, we are conservative about the sales growth in advanced economies.

Meanwhile, there are other industry trends and external factors that are affecting our product development and marketing strategies.

1. The plastic waste reduction policy shifts the packaging landscape to more eco-friendly materials and finishing processes.
2. In response to consumerism and customization, brand owners tend to do short and variable runs and to revamp packaging designs more frequently.
3. Globalization is challenged. On-shoring and near-shoring are likely to be adopted by certain businesses in certain areas.
4. The tensions between the US and China continue and more uncertainties are ahead.

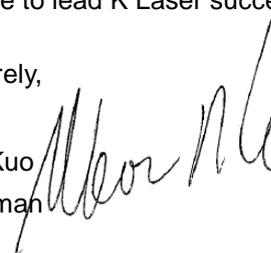
In light of the challenges and trends, we continue to commit ourselves to developing environmentally friendly products for our customers, and at the same time, we offer our knowledge and experience of integrating hologram with graphic designs for creation of unique packaging for customers who look to enhance the look of their products. We also anticipate having more competitions locally since more players begin to proliferate manufacturing sites overseas as well.

While industry competition is foreseeable, the complicated geopolitical rivalries that seem to move in a downward spiral are very concerning. At such a time, we are very wary of all headwinds and are preparing to adjust for different scenarios.

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. Company 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 14 offices and 9 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. Milestones

- | | |
|------|---|
| 1988 | Established in Hsinchu Science Park to manufacture and sell holographic anti-counterfeiting materials. |
| 1989 | Developed composition technology and strengthened product application development to expand market niche. |
| 1990 | Produced colorful diamond paper and general laser paper, entering the field of laser film production. |
| 1991 | Developed production equipment that can produce 30cm wide product and launched PVC laser film and self-adhesive paper products. |
| 1992 | Developed 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 | IPO. Established subsidiaries in Dubai and Thailand.

Launched holographic color OPP films.

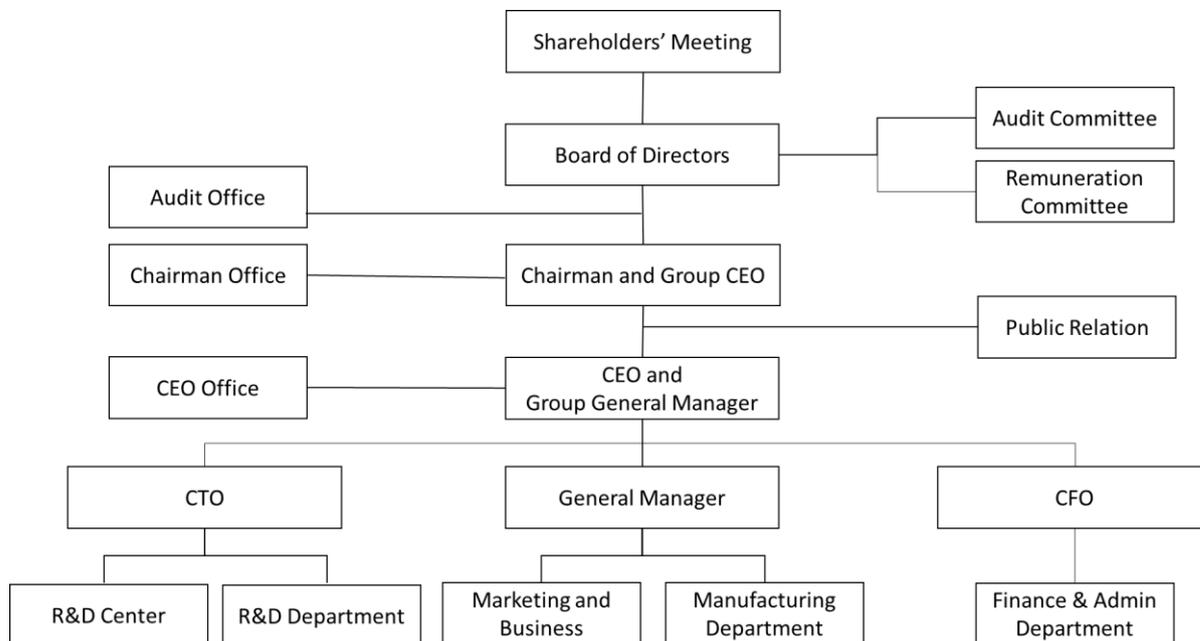
Phase-shifted Fizeau interferometer won the first Outstanding Optoelectronic Product Award at the International Optoelectronic Exhibition. |
| 1997 | Awarded by the Optical Engineering Society of the Republic of China as an excellent manufacturer of optics. |
| 1998 | Developed and completed the production equipment of 100cm wide product. Passed BSI ISO9001 international quality certification. |

- Phase shift Fizeau interferometer won the 7th Taiwan Excellence Award.
- 1999 Listed on TPEX.
- 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.
Newly reinvested Everest display (projector industry).
- 2002 Established a subsidiary-K Laser Technology (Korea) Co.
- 2003 Established a subsidiary- K Laser Technology Japan Co.
- 2004 Newly reinvested Optivision Technology Inc. (photoelectric brightening film industry).
- 2012 Launched a Tru-Seamless holographic film.
Optivision Technology Inc., a reinvestment company, was merged into K Laser Group and became a subsidiary.
- 2014 The subsidiary Optivision Technology Inc., was listed on TPEX (Code: 3666).
- 2015 Newly reinvested Insight Medical Solutions Inc. (medical instrument industry).
- 2016 HeRui Laser Technology Co. (holographic industry), a reinvestment company, was merged into K Laser Group and became a subsidiary.
Everest display (projector industry), a reinvestment company, was merged into K Laser Group and became a subsidiary.
- 2017 Boxlight, an oversea reinvestment company, was listed on NASDAQ (Code: BOXL).
- 2019 Insight Medical Solutions Inc., a reinvestment company, was merged into K Laser Group and became a subsidiary.
- 2020 Completed the short form merger with the reinvestment company - Everest display (projector industry) on June 30, 2020.
- 2021 Merged reinvestment company - Jiangsu Sunderray Laser Packing Material Co., Ltd merged into K Laser Group and became a subsidiary of K Laser Group.
- 2022 The subsidiary in Dongguan sold the land and plant, and leasebacked until 2024.

3. Governance Report of Company

1. Organization

(1) Organization Chart



(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 * Subsidiaries Management
CFO	* Planning and Managing the Finance, Accounting, Tax and Investors Relationship
CTO	Integrating and Managing the Company's R&D team, resource, and environment to increase R&D efficiency
Finance & Admin Department	* Financial scheduling, fund management, collection, production and analysis of accounting data, stock affairs handling, etc. * Related Parties Support
Manufacturing Department	* 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 7, 2023

Title	Name	Gender Age	Elect (Take Office) Date	Tenure	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	Share holding Rate	Number of Shares	Share holding Rate	Number of Shares	Share holding Rate	Number of Shares	Share holding Rate			Number of Shares	Share holding Rate	Title	
Chairman	Alex Kuo	Male 61-70	2020.05.28	3	1988.03.16	10,997,756	6.90	13,662,256	8.34	1,099,194	0.67	—	—	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 Technology Inc.	Director	Daniel Kuo	Second-degree relative	Note 1
																Director	Lisa Hsu	Spouse	
Director	Daniel Kuo	Male 61-70	2020.05.28	3	1992.06.21	1,122,254	0.70	818,254	0.50	4,572	—	—	—	Master of Civil Engineering, New Jersey Institute of Technology, USA	Chairman of Optivision Technology Inc. Director of Subsidiaries of K Laser Technology Inc.	Chairman	Alex Kuo	Second-degree relative	
																Director	Lisa Hsu	Second-degree relative.	
Director	Lisa Hsu	Female 61-70	2020.05.28	3	2011.06.17	1,040,194	0.65	1,099,194	0.67	13,662,256	8.34	108,504	0.07	Master of Computer, New York Institute of Technology, USA Master of Economy, State University of New York, USA	Director of K Laser Technology Inc.	Director	Daniel Kuo	Second-degree relative	
																Chairman	Alex Kuo	Spouse	
Director	C.L. Kuo	Male 61-70	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 Manger of Wuxi K Laser Technology Co., Ltd Factory Manager and Director of General Management Department of K Laser Technology Inc.	Director of Subsidiaries of K Laser Technology Inc.	—	—	—	

Title	Name	Gender Age	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	Share holding Rate	Number of Shares	Share holding Rate	Number of Shares	Share holding Rate	Number of Shares	Share holding Rate			Title	Name	Relation	
Independent Director	Bi-Xin Huang	Female 61-70	2020.05.28	3	2017.05.26	—	—	—	—	—	—	—	—	MBA, National Chiao Tung University Director of Administrative Finance of Hanenergy Technology Co., Ltd Financial Manager of AVID Electronics Corp. and Related Enterprise Accounting Director of Taiwan Semiconductor Manufacturing Co., Ltd. Accounting Manager of Taiwan Hongzhi Computer Co., Ltd	Independent Director of K Laser Technology Inc. Supervisor of Chin-Shi Electronic Material Ltd.	—	—	—	
Independent Director	Ren Liu	Male 61-70	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 61-70	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 Inc. Independent Director of China Airlines 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, to improve and assist the management of the board and reduce the doubts of the chairman as the general manager.

2. Major shareholders of the institutional shareholders:

Institutional Shareholder	Major shareholders of the institutional shareholder	Shareholding
Hefeng United Co., Ltd.	Hui-Chen Su	83.33%
	En-Chih Lin	16.67%

3. Major shareholders of corporate shareholders if they are legal persons: None

4. Remuneration of general directors and independent directors in 2022

Unit: NT\$ 1000

Title	Name	Remuneration of Director								Proportion of total amount to net profit after tax of individual financial report in 2021 (A+B+C+D)		Part-time employees receive relevant remuneration								Proportion of total amount to net profit after tax of individual financial report in 2021 (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 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	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	
Chairman	Alex Kuo	—	—	—	—	2,685	2,685	30	30	0.98%	0.98%	4,823	5,380	48	48	2,020	—	2,020	—	3.46%	3.67%	—
Director	Daniel Kuo	—	—	—	—	1,074	1,074	30	72	0.40%	0.41%	—	5,459	—	—	—	—	—	—	0.40%	2.38%	—
Director	Lisa Hsu	—	—	—	—	537	537	30	30	0.20%	0.20%	—	189	—	—	—	—	—	—	0.20%	0.27%	—
Director	C.L. Kuo	—	—	—	—	537	537	30	30	0.20%	0.20%	—	—	—	—	—	—	—	—	0.20%	0.20%	—
Independent Director	Bi-Xin Huang	330	330	—	—	—	—	30	30	0.13%	0.13%	—	—	—	—	—	—	—	—	0.13%	0.13%	—
Independent Director	Gen-Sen Chang-Hsieh	330	330	—	—	—	—	30	30	0.13%	0.13%	—	—	—	—	—	—	—	—	0.13%	0.13%	—
Independent Director	Ren Liu	330	330	—	—	—	—	24	24	0.13%	0.13%	—	—	—	—	—	—	—	—	0.13%	0.13%	—

Description: (1) The Company's policy, system, standard and structure for Directors' compensation is based on his/her duty, risk, input time, along with domestic industry level.

(2) According to the Company's Bylaws, the Company may pay the Directors as his/her carrying out the Company's duty. The amount is considered based on the degree of participation, the contribution and domestic/international industry level.

(3) The Directors' compensation is based on the salary policy approved by the Board of Directors and determined by his/her performance. The Company pays salary to the independent directors on monthly bases with fixed compensation. For other directors, the Company shall allocate the compensation under 2% of the pre-tax net income before deducting employees' and directors' compensation, and distribute by the degree of participation and contribution to the company.

(4) The latest compensation is approved by the Board of Directors on March 23, 2023.

5. Professional knowledge and independence of directors

Criteria Name/ Title	Professional Qualification and Experience	Independent Directors' Independence Status (Note)	Number of Serving as an Independent Director in Other Taiwanese Public Companies Concurrently
Chairman Alex Kuo	Please refer to the Director Information on page 6 in this annual report	NA	0
Director Daniel Kuo			0
Director Lisa Hsu			0
Director C.L. Kuo			0
Independent Director Bi-Xin Huang	None of the Directors has been in or is under any circumstances stated in Article 30 of the Company Act. (Note 1)	According to the Company's bylaw and Corporate Governance Best Practice Principles, the Company adopts the candidate nomination system for elections of directors. The Company has acquired the directors' written statements, working experiences, proof of current employment, and kinship forms, to verify themselves, their spouses, their third-degree relatives' independent status while nominating. The Company has also verified the three independent directors comply with Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies and Article 14-2 of the Securities and Exchange Act from two years before electing to their term. The independent directors have exercised their power independently according to Article 14-3 of the Securities and Exchange Act.	0
Independent Director Ren Liu			0
Independent Director Gen-Sen Chang-Hsieh			1

Note 1: A person shall not act in a management capacity for a company, and if so appointed, must be immediately discharged if they have been:

1. Convicted for a violation of the Statutes for the Prevention of Organizational Crimes and: has not started serving the sentence; has not completed serving the sentence; or five years have not elapsed since completion of serving the sentence, expiration of probation, or pardon;
2. Convicted for fraud, breach of trust or misappropriation, with imprisonment for a term of more than one year, and: has not started serving the sentence; has not completed serving the sentence; or two years have not elapsed since completion of serving the sentence, expiration of probation, or pardon;
3. Convicted for violation of the Anti-Corruption Act, and: has not started serving the sentence; has not completed serving the sentence; or two years have not elapsed since completion of serving the sentence, expiration of probation, or pardon;
4. Adjudicated bankrupt or adjudicated to commence a liquidation process by a court, and having not been reinstated to his or her rights and privileges;

5. Sanctioned for unlawful use of credit instruments, and the term of such sanction has not expired yet;
6. if she/he does not have any or limited legal capacity; or
7. if she/he has been adjudicated to require legal guardianship and such requirement has not been revoked yet.

Note 2:

1. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.
2. Not serving concurrently as an independent director on more than three other public companies in total.
3. During the two years before being elected and during the term of office, meet any of the following situations:
 - (1) Not an employee of the company or any of its affiliates;
 - (2) Not a director or supervisor of the company or any of its affiliates;
 - (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders;
 - (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the officer in the preceding (1) subparagraph, or of any of the above persons in the preceding subparagraphs (2) and (3);
 - (5) Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the company, ranks as of its top five shareholders, or has representative director(s) serving on the company's board based on Article 27 of the Company Law;
 - (6) Not a director, supervisor, or employee of a company of which the majority of board seats or voting shares is controlled by a company that also controls the same of the company;
 - (7) Not a director, supervisor, or employee of a company of which the chairman or CEO (or equivalent) themselves or their spouse also serve as the company's chairman or CEO (or equivalent);
 - (8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the company; and
 - (9) Other than serving as a compensation committee member of the company, not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof, and the service provided is an "audit service" or a "non-audit service which total compensation within the recent two years exceeds NT\$500,000".

5.1 Board Diversity and Independence

(1) Diversity of the board of directors:

The company advocates and respects the policy of diversity of directors. In order to strengthen corporate governance and promote the sound development of the composition and structure of the board of directors, it is believed that the policy of diversity will help improve the overall performance of the company. The Directors are elected based on their capability, and they possess diverse and complementary capabilities across industry, including basic composition (such as gender, age, nationality, culture, etc.), as well as industry experience and related skills (including industry, accounting, finance, marketing, public relations or technology, etc.).

In order to achieve the ideal goals of corporate governance, Article 23 of the Company's "Code of Practice on Corporate Governance" clearly states that the board of directors should have the following capabilities as a whole: 1. Operational judgment 2. Accounting and financial analysis 3. Operation and management 4. Crisis management 5. Industry knowledge 6. International market outlook 7. Leadership 8. Decision-making

The current board of directors of the company consists of seven directors with outstanding professional backgrounds and rich experience in high-tech, finance, business and management fields, including 3 non-executive directors, 3 independent directors and 1 executive director (Alex Kuo, the chairman and General Manager), and the members have rich experience and professionalism in the fields of industry, business, international market, finance, industry analysis, enterprise resource planning and integration, etc.

The average age of the board of directors is 68 years old, and the seven directors are between 61 and 70 years old. In addition, the company also pays attention to gender equality in the composition of the board of directors. The proportion of female directors is 43%. There are currently seven directors, including three female directors. The Company also continues to strengthen corporate governance and promote the sound development of the composition and structure of the board. In addition to the industry and academia experts who specialize in their own industries, the board of directors also raise the goal to have one-third members with financial and management expertise to make the board more coordinative, so as to achieve the corporate governance blueprint set by the authority.

The implementation of the diversity policy of the Board of Directors of the Company is as follows:

Diversity Name	Basic Info								Experience in industry				Professional			
	Nationality	Gender	Employed by the Company	Age		Experience as independent director			Holographic	Management	Industry Analysis	Others	Finance	Foreign Market	IT	Risk Management
				61-65	66-70	< 3Y	3Y-9Y	>9Y								
Alex Kuo	R. O. C.	Male	V		V				V	V	V			V		V
Daniel Kuo	R. O. C.	Male			V				V	V	V			V		V
C. L. Kuo	R. O. C.	Male			V				V	V	V			V		V
Lisa Hsu	R. O. C.	Female			V				V	V					V	
Gen-Sen Chang-Hsieh	R. O. C.	Female			V			V		V		V				V
Bi-Xin Huang	R. O. C.	Female			V		V			V		V	V			V
Ren Liu	R. O. C.	Male			V	V				V	V	V			V	V

The current board of directors of the company consists of 7 directors. The specific management objectives and achievement of the diversity policy of the board of directors are as follows:

Objective	Status
The number of independent directors exceeds one third of the number of directors	Achieved
Directors who also serve as company managers should not exceed one-third of the number of directors	Achieved
Adequate and diverse professional knowledge and skills	Achieved

(2) Independence of the Board of Directors:

The board of directors of the company adopts the "candidate nomination system". All director candidates are nominated and qualified, and after the resolution of the board of directors is passed, they are submitted to the shareholders' meeting for election.

Currently there are 7 Directors in the Board, including 3 independent director and 1 director with employee status (accounting for 43% and 14% of all Directors). The average tenure of three independent directors is 6.6 years (the tenure of each independent director is less than 3 years, 5.6 years, and 11.6 years, respectively).

As of the end of 2022, all independent directors complied with the regulations on independent directors of the Securities and Futures Bureau of the Financial Supervision Commission, and between all directors and independent directors, there are no such matters stated in article 26-3 paragraphs 3 and 4 of the Securities and Exchange Act. For independence, please refer to the disclosure of the professional qualifications and independent information of the independent directors on pages 9-10 of this annual report. For all directors, you can see the information of the directors on page 6-7 of this annual report.

(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 7, 2023

Title	Name	Gender /Age	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 61-70	2002.08.21	13,662,256	8.34%	1,099,194	0.67%	—	—	Ph.D. of Electrical Engineering, State University of New York at Stony Brook, USA Chairman of K Laser Group	—	—	—	—	Note 1
CFO	Teresa Huang	Female 51-60	2006.01.03	436,000	0.27%	—	—	—	—	Master of Accounting, Bentley University, USA Director of Financial Administration Department of K Laser	Supervisor of Ensam Trading (Holding) Co., Ltd.	—	—	—	
CTO	Liugong Lin	Male 51-60	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 41-50	2021.01.04	113,000	0.07%	—	—	—	—	Bachelor of Economy, Shih Hsin University Vice Manager of Marketing and Business Department of K Laser	—	—	—	—	
Director of Manufacturing	Sappho Chen	Female 51-60	2021.01.04	16,500	0.01%	—	—	—	—	International Trade of National Taichung University of Science and Technology Vice Manager of Manufacturing Department of K Laser	—	—	—	—	
Accounting Director	Serena Hung	Female 41-50	2013.08.13	77,500	0.05%	—	—	—	—	Master of Management Science of National Chiao Tung University and Senior Accounting Manager of K Laser	—	—	—	—	
Audit Director	Yumei Tsai	Female 51-60	2018.08.14	40,715	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 2022

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	2,958	48	48	2,423	2,423	2,020	—	2,020	—	2.49%	2.69%	—
Deputy General Manager	Teresa Huang Liugong Lin Jacky Chen Sappho Chen	6,156	6,788	467	467	1,262	1,415	2,213	—	2,213	—	3.64%	3.92%	—

Note 1: It is the total amount of employee remuneration in 2022 approved by the resolution of the board of directors on March 24, 2022.

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

March 23, 2023 /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 2022 (%)
Manager	CEO and General Manager of Group	Alex Kuo	—	4,916	4,916	1.77
	CFO	Teresa Huang				
	CTO	Liugong Lin				
	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 2022 approved by the resolution of the board of directors on March 23, 2023.

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:

Unite: NT\$ 1000

Title	2021				2022			
	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	6,932	1.91%	6,968	1.91%	6,026	2.17%	6,068	2.19%
General Manager and Vice General Manager	20,870	5.74%	22,028	6.06%	16,989	6.13%	18,332	6.61%

The relationship between the remuneration of the company's directors, general managers and vice general managers and operating performance and future risks is as follows:

- (1) The Company's policy, system, standard and structure for Directors' compensation is based on his/her duty, risk, input time, along with domestic industry level.
- (2) According to Article 19-2 of the Company's Bylaws, independent directors receive fixed monthly remuneration, and the remaining directors shall be paid according to Article 32 of the Company's Bylaws. If the company has a profit during the year, the Company shall allocate the compensation under 2% of the pre-tax net income before deducting employees' and directors' compensation, and distribute by the degree of participation and contribution to the company, along with domestic and foreign level.

(3) The company regularly evaluates the remuneration of directors in accordance with the "Principles for Performance Evaluation of the Board of Directors". The relevant performance evaluation and the rationality of remuneration are reviewed by the Remuneration Committee and the Board of Directors.

(4) The company's managers' remunerations are the various work allowances and bonuses stipulated in the personnel salary policy, to sympathize and reward employees for their hard work at work. The related bonuses are determined by the company's annual performance, financial status, operating status and personal performance. In addition, if the company makes a profit in the current year, 4%-8% will be allocated as employee compensation in accordance with Article 32 of the Company Bylaw. The performance evaluation results carried out by the company in accordance with the "Employee Evaluation Procedures" and "Employee Dividend Distribution Procedures" are used as a reference for the issuance of manager bonuses. The performance evaluation items for managers are as follows:

Financial indicators: Allocated according to the company's management profit and loss statement, the contribution of each department, and the target achievement rate of the manager is considered.

Non-financial indicators: the practice of the company's core values and operational management capabilities, including work performance, work quality, work attitude, leadership, communication and coordination, the material weakness regards to legal compliance and operational matters, etc. The company review the remuneration system with actual operating conditions and relevant laws and regulations in a timely manner.

(5) The combination of remuneration paid by the company is determined in accordance with the organizational regulations of the Remuneration Committee, including cash remuneration, stock options, stock dividends, retirement benefits or resignation benefits, various allowances and other measures with substantial incentives. Its scope is the same as stated in "Regulations Governing Information to be Published in Annual Reports of Public Companies".

3. Corporate Governance Implementation

(1) Information of Operation Situation of Board of Directors

Chairman Alex Kuo held 6 board meetings in 2021, 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	5	0	100%	-
Director	Daniel Kuo	5	0	100%	-
Director	Lisa Hsu	5	0	100%	-
Director	C.L. Kuo	5	0	100%	-
Independent Director	Gen-Sen Chang-Hsieh	5	0	100%	-
Independent Director	BiXin Huang	5	0	100%	-
Independent Director	Ren Liu	4	1	80%	-

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 15th meeting of the 12th session of Board of Directors on Nov 8, 2022

● Discussed the independent directors' remuneration. Independent directors Gen-

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

- Discussed the directors' remuneration. Alex Kuo(chairman and employee), Lisa Hsu(director), Daniel Kuo(director), C.L. Kuo(director), did not participate in the discussion and voting of this proposal.

-The 12th meeting of the 12th session of Board of Directors on March 24, 2022

- Approved the company's 2021 employee and director remuneration distribution. Alex Kuo(chairman and employee), Lisa Hsu(director), Daniel Kuo(director), C.L. Kuo(director), did not participate in the discussion and voting of this proposal.
- Approved the company's managers' 2021 employee bonus distribution. Alex Kuo(chairman and employee), did not participate in the discussion and voting of this proposal.
- Approved the periodic review of the company's directors' salary and remuneration policy
For the independent directors' remuneration, Alex Kuo(chairman and employee), Lisa Hsu(director), Daniel Kuo(director), C.L. Kuo(director), did not participate in the discussion and voting of this proposal.
For the directors' remuneration, Gen-Sen Chang-Hsieh, Bixin Huang and Ren Liu did not participate in the discussion and voting of this proposal.
- Approved the periodic review of the salary and remuneration policy of members of the Audit Committee and 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 remuneration policy of members of the
- Approve the periodic review of the company's manager salary remuneration policy
Alex Kuo(chairman and employee), did not participate in the discussion and voting of this proposal.

3. The status of evaluating board of directors

Evaluation cycle: once a year

Evaluation period: to evaluate the performance of the board of directors from January 1 to December 31, 2022

Evaluation scope: board of directors, individual directors, Audit Committee, and Remuneration Committee

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	4.81
Improve the decision-making quality of the board of directors	4.80
Composition and structure of board of directors	4.91
Selection and Continuing Education of Directors	4.80
Internal Control	4.80

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	4.86
Participation in the company's operations	4.80
Internal relationship management and communication	4.86
Professional and continuing education of directors	4.90
Internal Control	4.86

III. Performance evaluation of functional committees:

A. Performance evaluation of the Audit Committee

Examination items	Average score
Participation in the company's operations	4.89
Occupational cognition	4.67
Composition and selection of Committee members	4.78
Internal Control	4.44

B. Performance evaluation of remuneration committee

Examination items	Average score
Participation in the company's operations	4.44
Occupational cognition	4.40
Composition and selection of Committee members	4.56

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) The Company has finished the 2022 performance evaluation for board of directors and functional committees, and has reported the outcome to the board on Feb 14, 2023 and will report on 2023 Shareholders' meeting .
- (4) Evaluation of implementation situation: The board of directors and functional committees operated normally.

(2) 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 2022, 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 29 of the Corporate Governance Best Practice Principles for audit quality indicators (AQLs), 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 Nov 8th, 2022, and Mar 23th, the Audit Committee reviewed and approved the CPAs 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 5 times in 2022, and the attendance was as follows:

Title	Name	Times of Actual Presence	Times of Authorized Presence	Actual Presence Ratio	Remarks
President	Huang Bixin	5	0	100%	-
Member of Committee	Gen-Sen Chang-Hsieh	5	0	100%	-
Member of Committee	Ren Liu	4	1	80%	-

(3) Other recorded matters:

- 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.

Meeting date (Session)	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 11, 2022 (11 th meeting of the 2 nd Session of the Audit Committee)	1. Internal Audit Report from January to April, 2022		None
	2. Financial statements and surplus distribution in the first quarter of 2022		
	3. Dongguan subsidiary lending to other company		
	Resolution of the Audit Committee (May 11, 2022): All members of the Audit Committee agreed. Handling of the opinions of the Audit Committee by the company: All the presented directors agreed.		
August 5, 2022 (12 th meeting of the 2 nd Session of the Audit Committee)	1. Internal Audit Report from January to July, 2022, and revising 2022 annual audit plan		
	2. Financial statements and earnings distribution in the first two quarters of 2022	V	

Meeting date (Session)	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 (August 5, 2022): All members of the Audit Committee agreed. Handling of the opinions of the Audit Committee by the company: All the presented directors agreed.		
November 8, 2022 (13 th meeting of the 2 nd Session of the Audit Committee)	1. Internal Audit Report from January to October, 2022		None
	2. The status of improving the ability of Company self-preparing financial report		
	3. Financial statements and surplus distribution in the first three quarters of 2022		
	4. Evaluation of the independence of certified public accountants of the Company	V	
	5. Internal audit plan of 2023		
	6. Revising the internal audit implementation rules	V	
	Resolution of the Audit Committee (November 8, 2022): All members of the Audit Committee agreed. Handling of the opinions of the Audit Committee by the company: All the presented directors agreed.		
March 23, 2023 (14 th meeting of the 2 nd Session of the Audit Committee)	1. Internal Audit Report from January to February, 2023		None
	2. Evaluation of the independence and qualification of attestation CPA	V	
	3. Create “Rule of advanced approving the attestation CPA for non-assurance service”		
	4. Annual audit report and internal control system statement report of 2022	V	
	5. The operation report and financial statement of 2022	V	
	6. The surplus distribution in the fourth quarter of 2022		
	7. The budget and operation plan of 2023		
	8. Set up the position of corporate governance officer		
Resolution of the Audit Committee (March 23, 2023): All members of the Audit Committee agreed. Handling of the opinions of the Audit Committee by the company: All the presented directors agreed.			

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 2022, 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 2022, there was no such special situation. The Audit Committee of the company communicates well with certified accountants.

Meeting date (Session)	Communicate with the internal audit supervisor	Communicate with certified accountants
May 11, 2022 (11 th meeting of the 2 nd Session of the Audit Committee)	Review internal audit report (closed-door meeting)	1. Discuss the review of the financial statements in the first quarter of 2022, including any problems or difficulties in the review and the response of the management (closed-door meeting)
August 5, 2022 (12 th meeting of the 2 nd Session of the Audit Committee)	Review internal audit report (closed-door meeting)	1. Discuss the review of the financial statements in the first two quarters of 2022, including any problems or difficulties in the review and the response of the management (closed-door meeting)
November 8, 2022 (13 th meeting of the 2 nd Session of the Audit Committee)	Review internal audit report (closed-door meeting)	1. Discuss the review of the financial statements in the first three quarters of 2022, including any problems or difficulties in the review and the response of the management (closed-door meeting) 2. Meeting between CPA and governance before 2022 annual audit
March 23, 2023 (14 th meeting of the 2 nd Session of the Audit Committee)	1. Review the internal audit report (closed-door meeting) 2. Review the Statement of Internal Control System in 2022	1. Discuss the review of the financial statements in 2022, including any problems or difficulties in the review and the response of the management (closed-door 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		
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 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 accountants?	✓		(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 management, decision-making judgment,	None

Evaluation Item	Operation Situation		Abstract Description	Differences and reasons between the code of practice on corporate governance of listed and OTC companies
	Yes	No		
			<p>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 raise the portion of directors with financial and management profession to one-third or higher, to make the board more coordinately.</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 Remuneration Committee and Audit 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 Rules of Performance Evaluation for Board of Directors and Functional Committee. According to the rule, the performance evaluation should be conducted annually, the scope being the whole year and should be completed by next year shareholders'</p>	

Evaluation Item	Operation Situation		Abstract Description	Differences and reasons between the code of practice on corporate governance of listed and OTC companies
	Yes	No		
			<p>general meeting. The Company has finished the performance evaluation for board of directors and functional committees and reported the outcome to the board of directors on February 14, 2023.</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. The Company regularly evaluates (once a year) the professionalism and independence of the certified public accountants every year, according to Article 29 of the Corporate Governance Best Practice Principles for audit quality indicators (AQLs), Article 47 of the Accounting Law and the contents of the Announcement No.10 of Professional Ethics of Accountants, "Integrity, Fairness, Objectivity and Independence". 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 8, 2022 and March 23, 2023. The certified financial and tax accountants for the year of 2023 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 board of directors assigned Teresa Huang, the CFO, as the corporate governance officer, in-charge of the relevant corporate governing matters, including arranging the board of director, audit committee, remuneration committee, and shareholders' meeting; assisting directors to on-board and continuing education; providing data for directors to implement business; and assisting directors to comply with laws.	None

Evaluation Item	Operation Situation		Abstract Description	Differences and reasons between the code of practice on corporate governance of listed and OTC companies
	Yes	No		
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 professional agency to handle the affairs of the shareholders' meeting?	✓		The Company appoints a professional stock affairs agency to handle the affairs of the shareholders' meeting.	None
7. Information Disclosure (1) Does the company set up a website to disclose financial business and corporate governance information? (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.)? (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?	✓		(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. (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. (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.	None
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.)?	✓		(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. (2) Implementation of risk management policies and risk measurement standards: details of other important risks and corresponding measures. (3) Implementation of policies to protect consumers or customers: The Company has a special person responsible for handling customer complaints or product control. (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	None

Evaluation Item	Operation Situation		Abstract Description	Differences and reasons between the code of practice on corporate governance of listed and OTC companies
	Yes	No		
			of the Company from November 5, 2022 to November 5, 2023, which was reported to the Board of Directors on November 8, 2022.	
<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> <ol style="list-style-type: none"> 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, 2020, 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. The Company has worked out the Rules of Performance Evaluation for Board of Directors and Functional Committee, and has finished the performance evaluation for board of directors and functional committees and reported the outcome to the board of directors on February 14, 2023. The board of directors assigned Teresa Huang, the CFO, as the corporate governance officer, in-charge of the relevant corporate governing matters, including arranging the board of director, audit committee, remuneration committee, and shareholders’ meeting; assisting directors to on-board and continuing education; providing data for directors to implement business; and assisting directors to comply with laws. 				

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

(1) Information on members of the remuneration Committee

Identification	Name	Condition	Professional qualifications and experience	Independence	Number of members of Remuneration Committees of other public companies
Independent Director	Ren Liu		0		
Independent Director	Bi-Xin Huang		0		

3. During the two years before being elected and during the term of office, meet any of the following situations:
- (1) Not an employee of the company or any of its affiliates;
 - (2) Not a director or supervisor of the company or any of its affiliates;
 - (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders;
 - (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the officer in the preceding (1) subparagraph, or of any of the above persons in the preceding subparagraphs (2) and (3);
 - (5) Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the company, ranks as of its top five shareholders, or has representative director(s) serving on the company's board based on Article 27 of the Company Law;
 - (6) Not a director, supervisor, or employee of a company of which the majority of board seats or voting shares is controlled by a company that also controls the same of the company;
 - (7) Not a director, supervisor, or employee of a company of which the chairman or CEO (or equivalent) themselves or their spouse also serve as the company's chairman or CEO (or equivalent);
 - (8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the company; and
 - (9) Other than serving as a compensation committee member of the company, not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof, and the service provided is an "audit service" or a "non-audit service which total compensation within the recent two years exceeds NT\$500,000".

- (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 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 3 times in 2022, 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	Gen-Sen Chang-Hsieh	2	0	100 %	-
Member of Committee	Bi-Xin Huang	2	0	100 %	-
Member of Committee	Ren Liu	1	1	80 %	-
Other recorded matters:					
<p>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.</p> <p>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.</p>					

3. The Remuneration Committee of the 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 Remuneration Committee
March 24, 2022	Review the remuneration distribution of employees and directors of the Company in 2021	All members of the Committee agreed	Submitted to the board of directors and approved by all the presented directors
	Review the remuneration policy of directors of the Company		
	Review the company's manager salary remuneration policy		
	Review the company's manager employee bonus distribution in 2021		
November 8, 2022	Review the remuneration policy of directors of the Company	All members of the Committee agreed	Submitted to the board of directors and approved by all the presented directors
	Review the company's manager salary remuneration policy		

Date	Content of motion	Resolution Result	The company's handling of the opinions of the Remuneration Committee
March 23, 2023	Review the remuneration distribution of employees and directors of the Company in 2022	All members of the Committee agreed	Submitted to the board of directors and approved by all the presented directors
	Review the 2022 performance evaluation of Managers		
	Review the company's Managers employee bonus distribution in 2022		

(5) Corporate governance officer

The board of directors assigned Teresa Huang, the CFO, as the corporate governance officer, in-charge of the relevant corporate governing matters, including arranging the board of director, audit committee, remuneration committee, and shareholders' meeting; assisting directors to on-board and continuing education; providing data for directors to implement business; and assisting directors to comply with laws.

(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 operation on the natural environment.	None

Evaluation Item	Operation Situation		Abstract Description	Differences and reasons between the code of practice on corporate social responsibility of listed and OTC companies
	Yes	No		
<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 implementation?</p>	<p>✓</p> <p>✓</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 provides customers with stable product quality through strict quality management system. At the same time, in order to ensure customer service quality</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	
			<p>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.
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	
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 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, 2023

According to the results of self-assessment, the internal control system of the Company in 2022 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, 2022 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, 2023. 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 13th meeting of the 12th session of the board of directors

Time: May 11, 2022

1. Approved 2022 Q1 Financial Statements.
2. Approved the distribution proposal for 2022 Q1.
3. Approved 2021 the ex-dividend record date of cash dividends.

- (2) The 14th meeting of the 12th session of the board of directors

Time: August 5, 2022

1. Approved 2022 Q2 Financial Statements.
2. Approved the distribution proposal for 2022 Q2.

- (3) The 15th meeting of the 12th session of the board of directors

Time: November 8, 2022

1. Approved the 2022 Directors' Responsibility Insurance Renewal Status Report.
2. Approved the 2022 performance evaluation of board of directors and functional committee
3. Approved the board of directors' and important managers' succession plan, intellectual property management plan, information security management policy, and report of communication with stakeholder.
4. Approved 2022 Q3 Financial Statements.
5. Approved the distribution proposal for 2022 Q3.
6. Approved the assessment of the independence of audit CPA.
7. Revision of "Rules of Procedure of the Board of Directors", "Internal Audit Implementation Rules", and "Procedures for Handling Material Inside Information".
8. Review the remuneration policy of directors of the Company
9. Review the remuneration policy of managers of the Company

- (4) The 16th meeting of the 12th session of the board of directors

Time: February 14, 2023

1. Approved the convening of 2022 Annual General Meeting.
2. Approved the investment agreement between the Company and Nanchang National High-tech Industrial Development Zone.
3. Approved the 2022 Performance Evaluation of Board of Directors and Functional Committee

(5) The 17th meeting of the 12th session of the board of directors

Time: March 23, 2023

1. Approved the assessment of the independence and qualification of attestation CPA.
2. Approved “Rule of advanced approving the attestation CPA for non-assurance service”.
3. Approved annual audit report and internal control system statement report of 2022
4. Approved the operation report and financial statement of 2022
5. Approved employees’ and directors’ remuneration distribution of 2022.
6. Approved the managers’ performance assessment in 2022 and the employees’ bonus distribution.
7. The surplus distribution in the fourth quarter of 2022
8. Approved the nomination list of candidates for director.
9. Approved to release the limitation on competitive business of newly elected directors.
10. The budget and operation plan of 2023
11. Approved the independent directors’ salary, audit committee members’ remuneration and remuneration committee members’ remuneration.
12. Approved the setting up of corporate governance officer

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

Time: The 2022 Annual General Meeting of Shareholders was held in Hsinchu on May 27, 2022. The resolutions adopted by shareholders attending the meeting and their implementation are as follows:

- (1) Acknowledgment of the 2021 annual business report and financial statements.
Implementation Situation: the business report and financial statements in 2021 were acknowledged, in which the consolidated revenue for the whole year was about NT\$ 6,146,290,000 and the net profit attributed to the owners of the Company was about NT\$ 363,725,000, with EPS NT\$ 2.42.
- (2) Acknowledge the case of profit and loss appropriation in 2021.
Implementation situation: the shareholders' meeting passed the resolution of cash dividends NT\$263,239,000, NT\$1.74 per share, which has been handled according to the resolution of the shareholders' meeting.
- (3) Approve the revision of the Corporation by-laws.
Implementation Situation: The change registration was approved by the authority on June 6, 2022 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 the Company’s website, and was handled according to the revised procedures.
 - B. “Procedures for Acquisition and Disposal of Assets”
Implementation Situation: It was announced on the Market Observation Post System and the Company’s website, 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

Amount Unit: NT\$ 1000

Name of CPA Firm	Name of Accountant		Accountant Audit Period	Audit fee	None-audit fee	Total	Note
Deloitte & Touche	Huang Yimin	Xu Wenya	2022	7,250	152	7,402	-

Note 1: The non-audit fees accounts business tax direct deduction fees and register revision fee.

- (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: None

6. Chairman, G.M and Financial Manager has held any position at the accounting firm or at an affiliated enterprise of such accounting firm in the most recent year: 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	2022		The current year ended on March 7, 2023	
		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	2,319,500	—	345,000	—
Director	Daniel Kuo		386,000	—	—
Director	Lisa Hsu	—	—	—	—
Director	C.L. Kuo	—	—	—	—
Independent Director	Bi-Xin Huang	—	—	—	—
Independent Director	Gen-Sen Chang- Hsieh	—	—	—	—
Independent Director	Ren Liu	—	—	—	—
CFO	Teresa Huang	(24,500)	—	—	—
CTO	Liugong Lin	—	—	—	—
Director of Marketing and Business	Jacky Chen	75,000	—	—	—
Director of Manufacturing	Sappho Chen	16,500	—	—	—
Audit Director	Yumei Tsai	10,000	—	—	—
Accounting Director	Serena Hung	(34,500)	—	—	—

(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 7, 2023

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	13,662,256	8.34%	1,099,194	0.67%	—	—	—	—
K Laser Technology Co. treasury stock account	6,000,000	3.66%	—	—	—	—	—	—
Shi Guitang	3,620,196	2.21%	—	—	—	—	—	—
Taishin International Commercial Bank Trust Account	3,300,000	2.02%	—	—	—	—	—	—
Wang Kunlong	3,212,000	1.96%	—	—	—	—	—	—
Mei Ling Ho	3,040,259	1.86%	—	—	—	—	—	—
Hefeng United Co., Ltd.	2,550,000	1.56%	—	—	—	—	—	—
Yuying Qiu	2,310,000	1.41%	—	—	—	—	—	—
The Capital Group (Stock) Trusteeship Lukfook Securities (Hong Kong)	1,650,000	1.01%	—	—	—	—	—	—
Chih Cheng Tseng	1,540,000	0.94%	—	—	—	—	—	—

9. Comprehensive shareholding ratio

Unit: Share/% March 31, 2023

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.	21,161,462	100%	—	—	21,161,462	100%
Optivision Technology Inc.	23,614,835	44.61%	417,023	0.71%	24,031,858	45.39%
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	10,602,443	44.18	2,151,953	8.97%	12,754,396	53.14%
Guang Feng International Ltd.	4,845,810	100%	—	—	4,845,810	100%

Note: The 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 7, 2023

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

Date	Issue price (NT)	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
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
2021.07	10	300,000	3,000,000	159,325	1,593,246	Increase authorized capital	0	-	ZSZ No.1100020084
2021.09	10	300,000	3,000,000	164,325	1,643,246	Restricted stock award	50,000	-	ZSZ No.1100026202
2022.03	10	300,000	3,000,000	161,374	1,613,744	Convert bond / write-off treasury stock	16,448 (45,950)	-	ZSZ No.1110006331
2022.06	10	300,000	3,000,000	163,806	1,638,061	Convert bond	24,317	-	ZSZ No.1110017360

Unit: shares / March 7, 2023

Types of stock shares	Authorized capital stock					Notes
	Outstanding capital stock			Unissued shares	total	
	Listed (note)	Restricted listing	total			
Common stock	163,806,105	-	163,806,105	136,193,895	300,000,000	

Note: 1. Including 6,000,000 shares of treasury stock for employees who have not yet transferred

2. Including 4,452,500 shares of employees' restricted stock award.

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

(2) Shareholder structure

March 7, 2023

Shareholder structure	Government organs	Financial institutions	Other legal entities	Foreign institutions and foreigners	Individuals	Total
Quantity						
Number of people	-	3	153	63	27,190	27,409
Number of shares held (shares)	-	4,213,647	12,533,156	8,429,369	138,629,933	163,806,105
Shareholding ratio	0.00%	2.57%	7.65%	5.15%	84.63%	100.00%

(3) Share dispersion (face value per share is NT\$10)

March 7, 2023

Shareholding classification	Number of shareholders	Number of shares held	Shareholding ratio %
1 to 999	17,649	526,648	0.32%
1,000 to 5,000	6,836	15,077,914	9.21%
5,001 to 10,000	1,330	10,790,052	6.59%
10,001 to 15,000	392	5,081,976	3.10%
15,001 to 20,000	315	5,947,373	3.63%
20,001 to 30,000	278	7,291,781	4.45%
30,001 to 40,000	146	5,291,710	3.23%
40,001 to 50,000	97	4,519,368	2.76%
50,001 to 100,000	164	12,074,369	7.37%
100,001 to 200,000	105	15,014,558	9.17%
200,001 to 400,000	51	15,150,184	9.25%
400,001 to 600,000	19	8,983,895	5.48%
600,001 to 800,000	4	2,839,107	1.73%
800,001 to 1,000,000	6	5,395,265	3.29%
More than 1,000,001 shares	17	49,821,905	30.42%
Total	27,409	163,806,105	100.00%

(4) List of major shareholders

March 7, 2023

Name of major shareholders	Number of shares held	Shareholding %
Alex Kuo	13,662,256	8.34%
K Laser Technology Co. treasury stock account	6,000,000	3.66%
Shi Guitang	3,620,196	2.21%
Taishin International Commercial Bank Trust Account	3,300,000	2.02%
Wang Kunlong	3,212,000	1.96%
Mei Ling Ho	3,040,259	1.86%
Hefeng United Co., Ltd.	2,550,000	1.56%
Yuying Qiu	2,310,000	1.41%
The Capital Group (Stock) Trusteeship Lukfook Securities (Hong Kong)	1,650,000	1.01%
Chih Cheng Tseng	1,540,000	0.94%

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

Unit: New Taiwan Dollars (NT\$)

Project		Year		For the year ended March 31, 2023	
		2021	2022		
Market price per share	Highest	26.50	26.35	22.95	
	Lowest	16.00	17.00	18.35	
	Average	21.01	20.32	19.93	
Net value per share	Before distribution	17.85	19.01	—	
	After distribution	16.09	17.20	—	
Earnings per share	Weighted average number of shares (1000 shares)	150,243	152,541	—	
	Earnings per share	2.42	1.82	—	
Dividend per share (Note 2)	Cash dividends		1.74	1.80	—
	Stock grants	Earnings rationed shares	—	—	—
		Capital surplus allotment	—	—	—
	Accumulated unpaid dividends		—	—	—
Return on investment analysis	Principal-to-Earnings Ratio(Note 3)		8.68	11.16	—
	Principal-to-Profit ratio(Note 4)		12.07	11.29	—
	Cash dividend yield rate(Note 5)		8.28%	8.86%	—

Note 1: Data from TWSE website

Note 2: The distribution of surplus in 2022 was resolved by the board of directors and has not been submitted to the shareholders' meeting.

Note 3: Equals to year average closing price per share / EPS

Note 4: Equals to year average closing price per share / cash dividend per share

Note 5: Equals to cash dividend per share / year average closing price per share

(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

In the 2nd quarter of 2022, the board of directors resolved that the cash dividends distributed to shareholders amounted to NT\$ 46,006 thousand, that is, NT\$ 0.3 per share, and have been distributed on October 7, 2022. In the 4th quarter, the board of directors resolved that the cash dividends distributed to shareholders amounted to NT\$ 230,030 thousand, that is, NT\$ 1.5 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 and directors

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 company annual performance, financial status, operating status and personal performance, along with 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 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.

- 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, 2023, the company passed the following:

Unit: NT\$1000

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		19,329	0	None	Not applicable
Directors' Compensation		4,832	0	None	

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

The employees' and directors' remuneration in 2021 are NT\$23,840 thousand and NT\$5,960 thousand, same as the actual distribution amount.

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

March 7, 2023

Number of Buyback	26th	27th	28th
Purpose of Buyback	Transfer of shares to employees	Transfer of shares to employees	Maintain corporate credit and shareholders' rights
Buyback Period	2018/11/12~2019/01/11	2020/03/16--2020/05/15	2021/11/11--2022/01/10
Buyback Interval Price	8.65~18.78yuan	9.10~24.31yuan	14.32~30.30yuan
Type and number of shares buyback	6,000 thousand shares of common stock	6,000 thousand shares of common stock	1,500 thousand shares of common stock
Amount of shares buyback	79,419thousand Yuan	77,891thousand Yuan	35,829thousand 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	-	1,500 thousand shares of common stock

Cumulative number of shares held by the Company	-	6,000 thousand shares of common stock	-
Ratio of the cumulative number of shares held to the total number of shares issued (%)	-	3.66%	-

2. Issuance of corporate bonds

(1) Issuance of corporate bonds

March 31, 2023

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 31, 2023

Type of corporate debt		The sixth domestic secured conversion of corporate bond	
Year		2022	For the year ended March 31, 2023
Project			
Market value of convertible bonds	Highest	143.00	133.00
	Lowest	110.00	113.20
	Average	127.85	120.85
Conversion price		16.9	16.9
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. Preferred Shares

(1) Preferred shares: None

(2) Preferred shares with warrants: None

4. Overseas Depository Certificate: None

5. Issuance of Employee Stock Option Plan: None

6. Issuance of Employee Restricted Stock:

(1) Status of Employee Restricted Stock

March 31, 2023

Type of Employee Restricted Stock	First Employee Restricted Stock Awards
Date of Effective Registration	July 28, 2021
Issue Date	September 1, 2021
Number of Employee Restricted Stock Issued	5,000,000 shares
Issued Price	None
Employee Restricted Stock as a Percentage of Shares Issued	3.05%
Vesting conditions of Employee Restricted Stock	<p>Awarded employees are deemed to have satisfied the vesting conditions after they have accomplished the business objectives established by the company and have been working for the company for a specified period (in which they have not violated the employment contract, code of conduct for employees, trust deed, corporate governance best practice principles, ethical corporate management principles, working rules or non-competition and non-disclosure principles provided by the company or any contract made with the company) after obtaining the restricted stock awards.</p> <p>Business Objectives: The year 2020 is taken as the baseline year, and each objective is calculated based on the operating revenue from holographic laser products of each of the entities included in the consolidated financial statements of the Group.</p> <p>(1) Operating revenue for the first year: Operating revenue increases by 110% or more compared with that for the baseline year. (2) Operating revenue for the second year: Operating revenue increases by 127% or more compared with that for the baseline year. (3) Operating revenue for the third year: Operating revenue increases by 147% or more compared with that for the baseline year. (4) Operating revenue for the fourth year: Operating revenue increases by 172% or more compared with that for the baseline year. (5) Operating revenue for the fifth year: Operating revenue increases by 200% or more compared with that for the baseline year.</p> <p>The required employment period after grant of awards and the percentage of vested awards for each year:</p> <p>(1) Employees accomplishing the business objective for the first year and having worked for the company for one year after being granted the awards: 15% to be vested. (2) Employees accomplishing the business objective for the second year and having worked for the company for two years after being granted the awards: 15% to be vested. (3) Employees accomplishing the business objective for the third year and having worked for the company for three years after being granted the awards: 20% to be vested. (4) Employees accomplishing the business objective for the fourth year and having worked for the company for four years after being granted the awards: 20% to be vested. (5) Employees accomplishing the business objective for the fifth year and having worked for the company for five years after being granted the awards: 30% to be vested or 100% to be vested accumulatively (Note).</p> <p>Note: If the vesting conditions are not satisfied during any time of period between the first year and the fourth year, the restricted stock awards for the concerned year(s) will not be taken back by the company and shall be held in a trust continuously. When employees accomplish the business objective for the fifth year and have worked for</p>

	five years after being granted the awards, the employees may receive the restricted stock awards for the first year up to the fourth year retrospectively.
Restricted Rights of Employee Restricted Stock	<p>(1) The employee shall not sell, pledge, transfer, give to others, set up, or divide the new shares that restrict the employee's rights in other ways, except for inheritance, before the vesting conditions are reached after being allocated with new shares.</p> <p>(2) The rights of attending, proposing, speaking, voting and election rights of the shareholders' meeting are the same as those of the issued common shares of the Company, and shall be implemented in accordance with the trust custody contract.</p> <p>(3) Before accomplishing the vesting conditions, the employees to whom the restricted stock awards have been granted do not have the right to obtain distributed earnings (including but not limited to dividends, dividends, legal reserve and the right to obtain allocated capital reserve) and the right to obtain stock options upon cash capital increase.</p> <p>(4) If capital is returned in cash due to capital reduction of the company before the employees to whom the restricted stock awards have been granted accomplish the vesting conditions, the capital reduction refund that has not been vested due to the allocation shall be delivered to the trust, and when the vesting conditions and deadlines are reached, it shall be delivered to the employees without interest together with the vested shares; however, when the expiry date fails to meet the acquired conditions, the Company will recover the cash.</p> <p>(5) The transfer stop date of the company's free share allotment, cash dividend, cash capital increase and subscription, the transfer stop period of shareholders' meeting as stipulated in Paragraph 3, Article 165 of the Company Law, or other legal transfer stop period occurring according to the facts until the base date of rights distribution. For employees who meet the vested conditions during this period, the time and procedures for lifting the restrictions on their vested shares shall be implemented in accordance with the trust custody contract or relevant laws and regulations.</p>
Custody Status of Employee Restricted Stock	<p>(1) After the issuance of new shares that restrict employees' rights, stock trust custody shall be handled. And before the vesting conditions are fulfilled, the employee shall not request the trustee to return the new shares that restrict the employee's rights for any reason or manner.</p> <p>(2) During the period when the new shares with restricted employees' rights are delivered to the trust custody, the Company or the person designated by the Company shall have full authority to negotiate, sign, revise, extend, dissolve and terminate the trust custody contract with the stock trust custody institution, and give instructions on the delivery, use and disposition of the trust custody property.</p>
Measures to be Taken Where Employees Fail to Meet the Vesting Conditions	<p>(1) If an employee fails to meet the personal performance evaluation index and the company's operation target after being allocated with new shares restricting employees' rights, if he/she is absent from work on a vested day, violates the circumstances listed in Paragraph 1, Item 3, Article 3, etc., he/she will return the new shares restricting employees' rights without compensation and cancel them.</p> <p>(2) During the vested period, if an employee voluntarily leaves his position, dismisses or is laid off, the Company will take back the shares he/she has not vested without compensation and cancel them.</p>
Number of Employee Restricted Stock Which Have Been Reclaimed	0 share
Number of Released Employee Restricted Stock	547,500 share
Number of Unreleased Employee Restricted Stock	4,452,500 share
Ratio of Unreleased Employee Restricted Stock to Total Issued Shares	2.72%
Impact on Shareholders' Interest	The potential dilution of the Company's EPS is minimal; therefore, there is no material impact on shareholders' interest.

(2) Employee Restricted Stock Granted to Management Team and to Top 10 Employees

March 31, 2023

	Title	Name	No. of Employee Restricted Stock Granted	Employee Restricted Stock as a Percentage of Shared Issued	Restrictions Released			Restrictions Unreleased				
					No. of Shares	Issued Price (NT\$)	Issued Amount (NT\$ thousands)	Released Shares as a Percentage of Shares Issued	No. of Shares	Issued Price (NT\$)	Issued Amount (NT\$ thousands)	Released Shares as a Percentage of Shares Issued
Management team	CEO and General Manager of Group	Alex Kuo	1,850,000	1.13%	240,000	0	0	0.15%	1,610,000	0	0	0.98%
	CFO	Teresa Huang										
	CTO	Liugong Lin										
	Audit Director	Yumei Tsai										
	Accounting Director	Serena Hung										
	Director of Marketing and Business	Jacky Chen										
	Director of Manufacturing	Sappho Chen										

	Title	Name	No. of Employee Restricted Stock Granted	Employee Restricted Stock as a Percentage of Shared Issued	Restrictions Released				Restrictions Unreleased			
					No. of Shares	Issued Price (NT\$)	Issued Amount (NT\$ thousands)	Released Shares as a Percentage of Shares Issued	No. of Shares	Issued Price (NT\$)	Issued Amount (NT\$ thousands)	Released Shares as a Percentage of Shares Issued
Employee	Vice President of K Laser Technology (Wuxi) Co., Ltd.	Jiunlung Lai	3,150,000	1.92%	307,500	0	0	0.19%	2,842,500	0	0	1.74%
	Vice President of K Laser Technology (Dongguan) Co., Ltd.	Jianting Ye										
	Factory Manager of K Laser Technology (Dongguan) Co., Ltd.	Guolung Liou										
	Vice President of Herui Laser Technology Co., Ltd.	Jiunde Wu										
	General Manager of K Laser Technology (Thailand) Co., Ltd.	Shitai Fu										
	General Manager of K Laser Technology (USA) Co., Ltd.	Jenshian Chen										
	General Manager of K Laser Technology Japan Co., Ltd.	Shiro Murata										
	General Manager of K Laser Technology (HK) Co., Ltd.	CHAN WING SHAN										
	Cold Foil Business Unit GM of K Laser Technology (USA) Co., Ltd.	J. Michael Rivera										
	General Manager of Amagic Technologies U.S.A. (Dubai)	Joseph Habchi										

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

8. Implementation of fund utilization: None

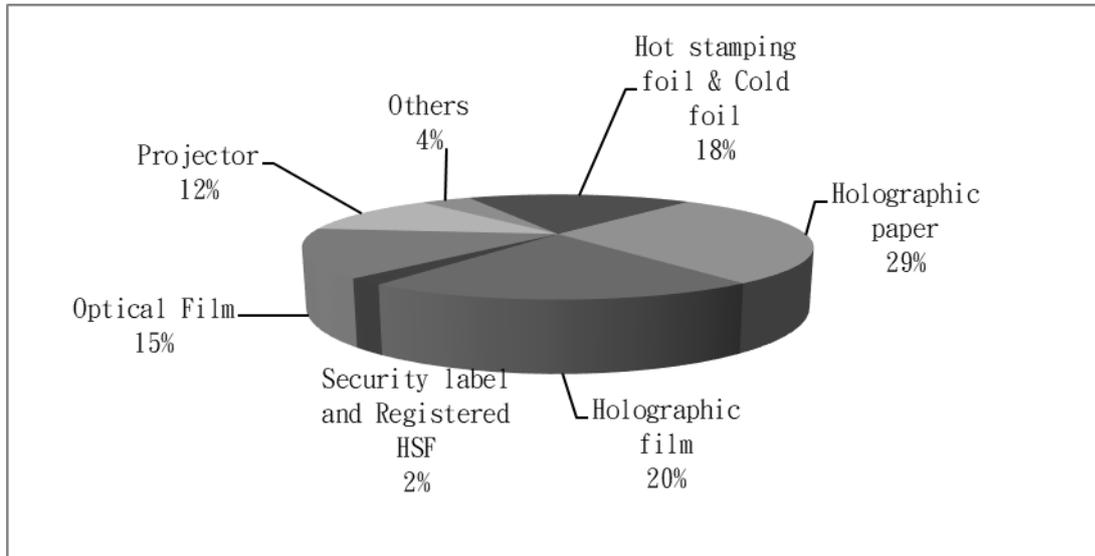
Operational Highlights

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

1.1-4 New products in plan :

- A. Decorative film for building
- B. New Cold Foil
- C. Holographic PET products made from recycled raw materials

1.2. Industry Overview

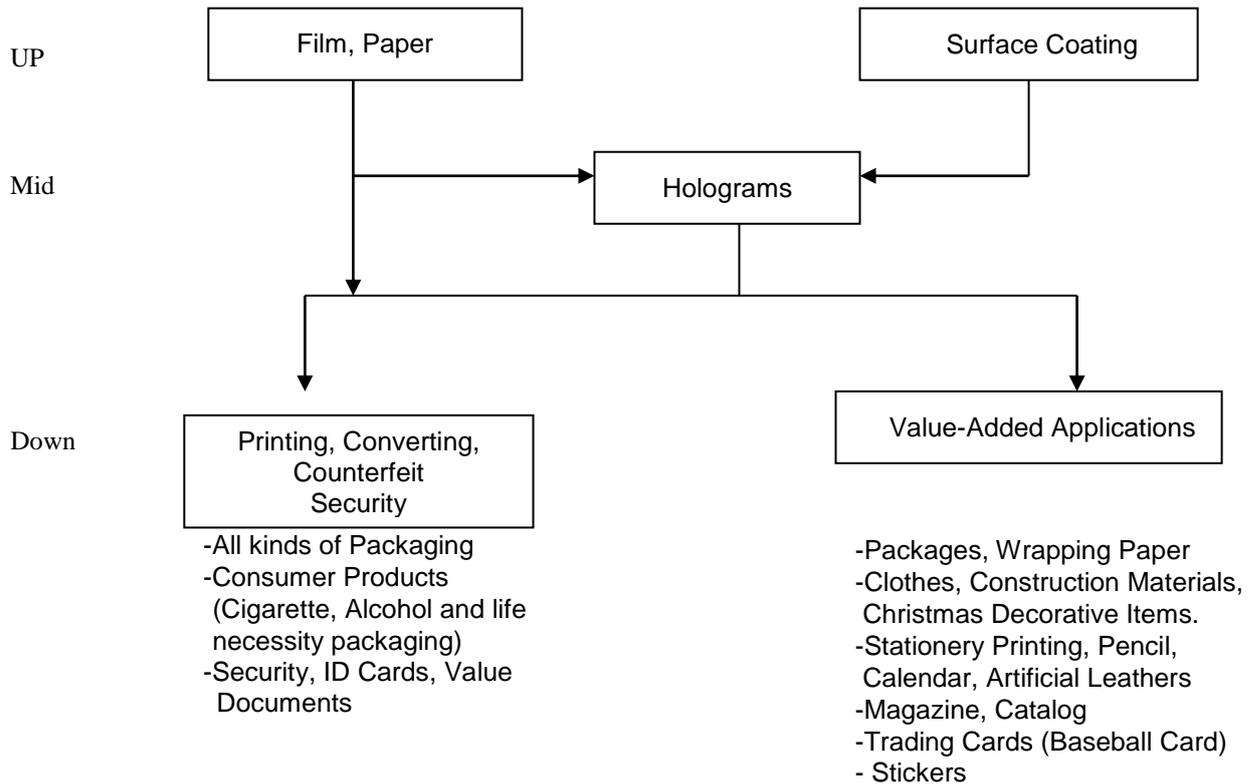
1.2-1 Present Industry Situation and Development Plan

Current Status: Cigarette packaging remains the world's largest market using holographic film, followed by game cards 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. The demand for these two products has increased significantly, because the EU policy to restrict plastic packaging.

Development: Because of environmental protection, Transfer film, transfer paper and Cold foil will be the focus development of the industry in the future. With the successful development of the wide format process, various products are in stable mass production and performance growth will be in the US and EU market. In addition, the new application is in the industrial printers market for advertising market and the building materials market will be developed.

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. Transfer film, Transfer paper and Cold foil will be the products that are mainly demanded by the market in the future
- B. 1,000mm and above holographic film will be the mainstream product for group sales revenue.

- C. Tru- seamless(TSL) rainbow film has been sold in the global market, and the sales in the United States, Europe and South Korea will continue to grow in the future
- D. Eco-friendly materials or materials that can be recycled will be the focus of new product development in the future.

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. Cold Foil products are in high demand in the market, there are competitors from Taiwan, Europe, America, and China, Holographic products and customized products are the advantages of K Laser.
- D. The competitors of Customized holographic and lens register printing products are from China, we need to continue to improve the ability to create new hologram effects.

1.3 Technology and R&D Highlights

1.3-1 R&D Expenditures of K Laser

Unit : NT\$ Thousands

Year	2021	2022
R&D Expenditures	261,625	332,296

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 development completed in this year:

- A. Origination Technology:
 - (a) 1 Meter seamless rainbow origination technology (b) real color relief technology (c) multi-layer white light dark mark technology
- B. New Product:
 - (a) True Seamless products (b) UV emboss related products (c) Taggant anti-counterfeit cold foil (d) Scratch resistant transfer film (e) Cold foil for offset printing press
- C. Equipment Development:
 - (a) 1 Meter drum electroforming machine (b) 1.5 Meters Film to Film Embossing machine

R&D Strategy:

- A. Combine suppliers' 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 wide-web 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.

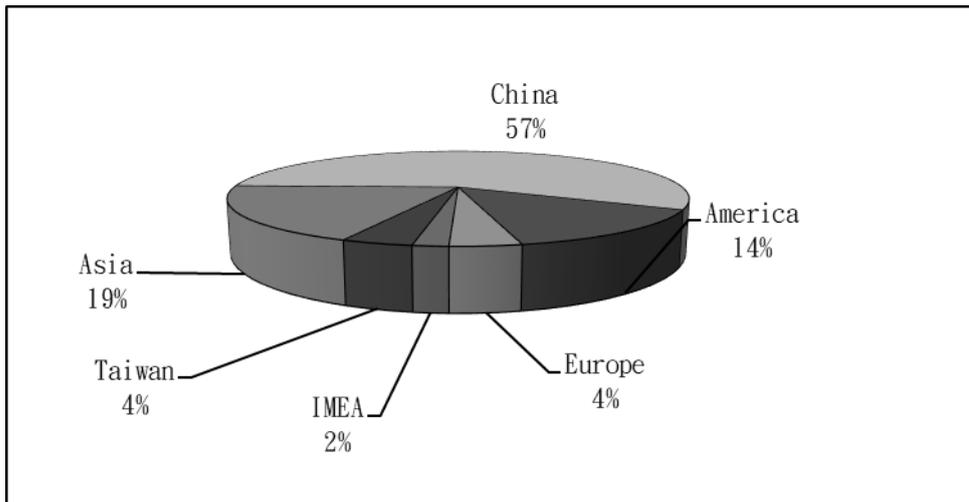
1.4-2 Short Term Business Plan

- A. Taiwan Market: Actively assist Taoyuan City and Tainan City in planning special labeling for garbage bags, develop brand customers.
- B. China Market: Maintain the competitiveness of the cigarette box printing market, develop the decorative building materials market and continue to develop cold foil market.
- C. Asia Market: Expand KLTH production capacity, set up a branch in Indonesia, and support Vietnamese distributor for local market.
- D. US Market: Develop offset print market and transfer film and Eoc-Paper market.
- E. Europe Market: Because of the European Union's restrictions on plastic packaging, transfer film and offset cold foil will be the focus of the sales.

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 K Laser's

holographic development and composition, actively develop the special register printing market.

2.1-3 Factors Relating to Future Development

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, 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. Uncertainty in Chinese Cigarette Packaging Bids
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.
- D. The economic situation is not optimistic, causing customers to reduce packaging costs in order to save costs
Response strategy: Optimize the process to reduce production costs and develop low-price alternative materials to provide customers with low-cost and high-quality products.

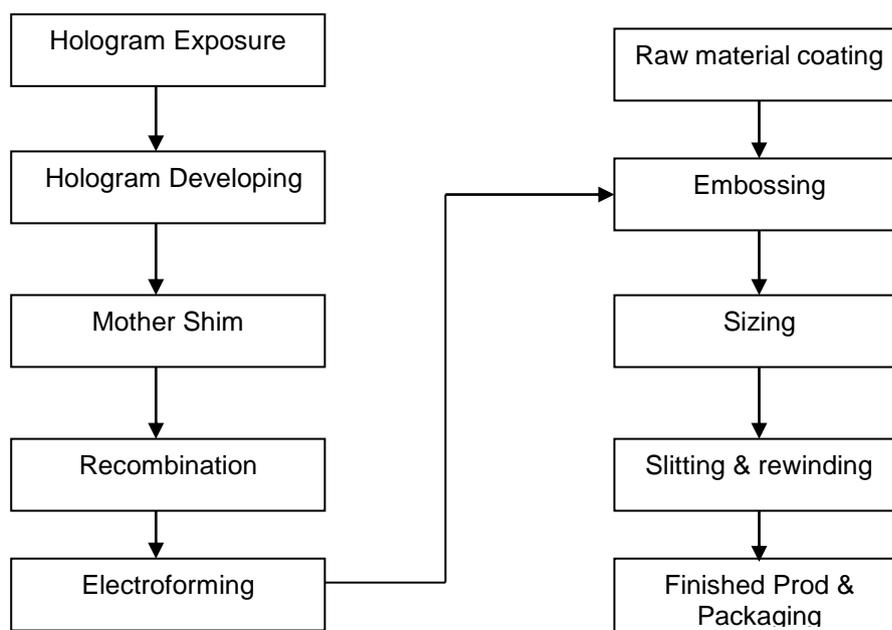
2.2 Major Applications of Products & Product Manufacturing Process

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, NAN YA Plastics (base film), and SEKISUI , Fanyi 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 : Made up exceeding 10%.

Unit : NT\$ Thousands

Supplier	2021		2022	
	Amount	%	Amount	%
EFUN Tech Limited	NA(Note)	-	600,770	11.41%

Note: Not exceeding 10%

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

Unit : NT\$ Thousands

Customer	2021		2022	
	Amount	%	Amount	%
Dongguan light chi photoelectric co., LTD	1,034,875	17%	NA(Note)	-

Note: Not exceeding 10%

2.5 Production Quantity / Value

Unit : NT\$ Thousands /KM²

Production Product	Year	2021			2022		
		Capacity	Quantity	Value	Capacity	Quantity	Value
Holographic Film(included Security label)		351,135	263,695	1,157,829	410,434	336,012	1,568,064
Holographic Paper		175,720	95,773	1,126,681	186,281	127,554	1,373,907
Optical Film		34,560	24,866	1,465,328	34,560	11,537	769,627
Others		-	-	28,620	-	35,103	324,958
Total		561,415	384,334	3,778,458	631,275	510,206	4,036,557

2.6 Sales Quantity / Value

Unit : NT\$ Thousands /KM²

Sales Product	Year	2021				2022			
		Domestic		Export		Domestic		Export	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Holographic Film		4,701	45,971	277,708	1,939,441	4,149	43,412	333,768	2,429,144
Holographic Paper		31	667	122,683	1,624,652	20	760	132,426	1,864,587
Optical Film		1,314	93,671	22,172	1,638,216	1,047	100,591	11,931	852,444
Security label		3,805	70,957	956	31,303	2,879	60,720	1,041	31,565
Projector/ Projector Accessories		-	42,406	-	427,162	-	43,497	-	719,119
Others		637	10,175	27,016	221,670	600	21,840	41,050	254,127
Total		10,487	263,846	450,353	5,882,444	8,696	270,820	520,217	6,150,986

3. Employee Analysis

Employee Analysis from 2021 to Mar. 31, 2023

Year		2021	2022	Mar. 31, 2023
Number of Employees	Administrators	158	159	157
	Sales	128	123	130
	Technicians	114	122	122
	Direct Engineers	629	598	615
	Indirect Engineers	285	270	277
	Total	1,314	1,271	1,300
Average Age		38.1	39.5	39.4
Average Years of Employment		7.7	8.6	8.4
Level of Education	Ph.D.	4	5	5
	Master Degree	84	75	74
	Bachelor/ Associate Degree	517	517	528
	Senior High School	365	393	402
	Under	344	281	291

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	Hua Nan Commercial Bank	2022.09~2024.09	The credit line is NT \$500,000(thousand)	Plant as collateral
Medium and long term loan contract	KGI Bank	2022.06~2024.06	The credit line is NT \$120,000(thousand)	None
Medium and long term loan contract	Taipei Fubon Bank	2022.05~2024.05	The credit line is NT \$100,000(thousand)	None
Medium and long term loan contract	China Trust Bank	2022.08~2024.08	The credit line is NT \$100,000(thousand)	None
Medium and long term loan contract	Risheng Bank	2022.12~2024.12	The credit line is NT \$100,000(thousand)	None
Medium and long term loan contract	Yuanta Bank	2021.03~2023.03	The credit line is NT \$100,000(thousand)	None
Medium and long term loan contract	Cathay United Bank	2022.10~2024.10	The credit line is NT \$150,000(thousand)	None
Medium and long term loan contract	Mega International Commercial Bank	2022.11~2024.11	The credit line is NT \$100,000(thousand)	None
Medium and long term loan contract	O-Bank	2022.11~2024.11	The credit line is NT \$100,000(thousand)	None
Lease contract	Dongguan Zhongtian Management Consulting Co., Ltd.	2022.12-2024.12	In 2022, the Company sold the Dongguang subsidiary's property, plant and equipment and right-of-use assets. The transaction was completed and leaseback from November 2022 to 2024 year end.	None

6. Financial Overview

1. Condensed financial statements for the last five years

(1) Condensed Balance Sheet and Income Statement Information

Condensed Balance Sheet - Consolidated

Unit: NT \$1000

Year		Financial information for the last five years (Note 1)				
		2018	2019	2020	2021	2022
Project						
Current Assets		4,326,249	4,404,924	5,494,650	5,519,536	5,060,287
Property, plant and equipment		1,246,743	1,189,677	1,131,375	1,389,369	1,684,155
Intangible Assets		6,917	48,465	44,672	42,307	38,190
Other Assets		1,030,248	1,143,398	1,288,793	1,263,962	1,330,213
Total Assets		6,610,157	6,786,464	7,959,490	8,215,174	8,112,845
Current liabilities	Before distribution	2,223,575	2,142,290	2,525,096	2,414,408	2,343,015
	After distribution (Note 2)	2,285,618	2,142,290	2,669,316	2,596,523	2,573,045
Non-current liabilities		998,362	1,400,653	1,468,470	1,529,910	1,540,760
Total liabilities	Before distribution	3,221,937	3,542,943	3,993,566	3,944,318	3,883,775
	After distribution (Note 2)	3,283,980	3,542,943	4,137,786	4,126,433	4,113,805
Equity attributable to owners of parent company		2,686,816	2,401,089	2,541,150	2,681,320	2,899,911
Share capital		1,593,246	1,593,246	1,593,246	1,659,694	1,638,061
Capital surplus		529,962	551,531	585,347	709,559	689,968
Retained earnings	Before distribution	857,871	669,939	798,781	935,872	989,379
	After distribution (Note 2)	795,828	669,939	654,561	753,757	759,349
Other interests		(201,145)	(311,505)	(317,488)	(476,758)	(339,685)
Treasury stock		(93,118)	(102,122)	(118,736)	(147,047)	(77,812)
Non-controlling interests		701,404	842,432	1,424,774	1,589,536	1,329,159
Total equity	Before distribution	3,388,220	3,243,521	3,965,924	4,270,856	4,229,070
	After distribution	3,326,177	3,243,521	3,821,704	4,088,741	3,999,040

* 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.

Condensed Balance Sheet - Consolidated

Unit: NT \$1000

Project \ Year	Financial information for the last five years (Note 1)				
	2018	2019	2020	2021	2022
Operating income	5,202,250	5,199,022	5,439,230	6,146,290	6,421,806
Gross operating profit	1,093,893	1,184,160	1,264,093	1,237,343	1,156,658
Operating profit and loss	172,849	31,018	228,722	216,438	(16,358)
Non-operating income and expenses	(85,850)	(146,410)	3,379	192,632	259,570
Net income before tax	86,999	(115,392)	232,101	409,070	243,212
Net profit for the current period from continuing operations	24,455	(158,709)	191,139	342,074	111,929
Loss from suspended units	-	-	-	-	-
Current net profit (loss)	24,455	(158,709)	191,139	342,074	111,929
Other comprehensive income (loss) for the current period (net of tax)	(78,242)	(117,997)	1,795	(104,489)	120,485
Total comprehensive income or loss for the current period	(53,787)	(276,706)	192,934	237,585	232,414
Net income attributable to owners of parent company	65,829	(119,835)	144,409	363,725	277,279
Net income attributable to non-controlling interests	(41,374)	(38,874)	46,730	(21,651)	(165,350)
Total comprehensive income or loss attributable to owners of the parent company	23,290	(234,732)	137,403	275,922	386,926
Total comprehensive income or loss attributable to non-controlling interests	(77,077)	(41,974)	55,531	(38,337)	(154,512)
Earnings per share (Note 2)	0.41	(0.79)	0.96	2.42	1.82

*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.

Condensed balance sheet - individual

Unit: NT \$1000

Project		Financial information for the last five years (Note 1)				
		2018	2019	2020	2021	2022
Current Assets		290,977	455,606	641,961	808,777	795,334
Property, plant and equipment		199,166	159,873	159,057	165,712	166,724
Intangible Assets		3,751	3,009	2,393	1,684	1,315
Other Assets		3,761,144	3,765,639	4,117,139	4,091,197	4,219,805
Total Assets		4,255,038	4,384,127	4,920,550	5,067,370	5,183,178
Current liabilities	Before distribution	578,918	576,699	1,040,972	951,911	849,602
	After distribution (Note 2)	640,961	576,699	1,185,192	1,134,026	1,079,632
Non-current liabilities		989,304	1,406,339	1,338,428	1,434,139	1,433,665
Total liabilities	Before distribution	1,568,222	1,983,038	2,379,400	2,386,050	2,283,267
	After distribution (Note 2)	1,630,265	1,983,038	2,523,620	2,568,165	2,513,297
Equity attributable to owners of parent company		2,686,816	2,401,089	2,541,150	2,681,320	2,899,911
Share capital		1,593,246	1,593,246	1,593,246	1,659,694	1,638,061
Capital surplus		529,962	551,531	585,347	709,559	689,968
Retained earnings	Before distribution	857,871	669,939	798,781	935,872	989,379
	After distribution (Note 2)	795,828	669,939	654,561	753,757	759,349
Other interests		(201,145)	(311,505)	(317,488)	(476,758)	(339,685)
Treasury stock		(93,118)	(102,122)	(118,736)	(147,047)	(77,812)
Total equity	Before distribution	2,686,816	2,401,089	2,541,150	2,681,320	2,899,911
	After distribution	2,624,773	2,401,089	2,396,930	2,499,205	2,669,881

* 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.

Condensed balance sheet - individual

Unit: NT \$1000

Year Project	Financial information for the last five years (Note 1)				
	2018	2019	2020	2021	2022
Operating income	617,703	650,286	810,550	1,350,072	1,757,582
Gross operating profit	114,920	107,752	136,011	224,653	293,676
Operating profit and loss	(30,793)	(73,128)	(57,128)	69,562	73,150
Non-operating income and expenses	104,588	(44,661)	207,537	296,563	224,838
Net income before tax	73,795	(117,789)	150,409	366,125	297,988
Net profit for the current period from continuing operations	65,829	(119,835)	144,409	363,725	277,279
Loss from suspended units	-	-	-	-	-
Net profit (loss) for the current period	65,829	(119,835)	144,409	363,725	277,279
Other comprehensive income (loss) for the current period (net of tax)	(42,539)	(114,897)	(7,006)	(87,803)	109,647
Total comprehensive income or loss for the current period	23,290	(234,732)	137,403	275,922	386,926
Earnings per share (Note 2)	0.41	(0.79)	0.96	2.42	1.82

*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
2018	Huang Yimin, Hong Guotian	Unqualified opinion
2019	Hsu Wenya, Huang Yimin	Unqualified opinion
2020	Huang Yimin, Hsu Wenya	Unqualified opinion
2021	Huang Yimin, Hsu Wenya	Unqualified opinion
2022	Huang Yimin, Hsu Wenya	Unqualified opinion

2、 Financial analysis of the last five years

(1) Financial analysis

Financial analysis - Consolidation

Analysis items (Note 2)		Year (Note 1)				
		Financial analysis of the last five years				
		2018	2019	2020	2021	2022
Financial Structure	Debt to assets ratio (%)	48.74	52.21	50.17	48.01	47.87
	Proportion of long term funds in real estate, plant and equipment (%)	351.84	390.37	480.34	417.51	342.59
Solvency	Current ratio (%)	194.56	205.62	217.60	228.61	215.97
	Quick ratio (%)	146.89	159.80	175.63	166.92	148.14
	Interest coverage ratio	3.60	-1.84	7.02	13.91	7.86
Operating Capacity	Receivables turnover ratio (times)	3.05	3.22	3.57	3.90	4.32
	Average cash collection days	119.67	113.35	102.24	93.59	84.49
	Inventory turnover ratio (times)	4.45	4.24	4.38	4.09	3.65
	Turnover rate of accounts payable (times)	5.73	5.71	5.73	5.71	5.41
	Average days of sales	82.02	86.08	83.33	89.24	100.00
	Property, plant and equipment turnover rate (times)	4.10	4.27	4.69	4.88	4.18
	Total assets turnover rate (times)	0.77	0.78	0.74	0.76	0.79
Profitability	Return on assets (%)	3.60	-1.88	3.01	4.54	1.72
	Return rate of owner's equity attributable to parent company (%)	2.35	-4.71	5.84	13.93	2.63
	Ratio of net income before tax to paid-in capital (%)	5.46	-7.24	14.57	24.65	14.85
	Net income ratio (%)	0.47	-3.05	3.51	5.57	1.74
	Earnings per share (NT\$)	0.41	-0.79	0.96	2.42	1.82
Cash Flow	Fund flow ratio (%)	12.60	21.95	14.15	11.80	20.00
	Fund Flow Adequacy Ratio (%)	140.97	186.19	162.50	100.62	70.92
	Cash reinvestment ratio (%)	2.74	6.01	4.58	0.70	2.81
Leverage	Operating leverage ratio	2.17	8.69	2.06	2.12	-
	Financial leverage ratio	1.24	-	1.20	1.17	0.32
<p>The changes in financial ratios of 20% or more in the last two years are described as follows.</p> <ol style="list-style-type: none"> 1. Due to the increased material cost and optical subsidiary impacted by the economic depression, the overall net income decreased resulting the profitability ratios, fund flow adequacy ratio, leverage ratio and interest coverage ratio to go down. 2. The operating cash flow increased due to the change in current assets and current liabilities, resulting the fund flow ratio and the cash reinvestment ratio to go up. 						

* 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 × (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

Analysis items (Note 2)		Financial analysis of the last five years				
		2018	2019	2020	2021	2022
Financial Structure	Debt to assets ratio (%)	36.86	45.23	48.36	47.09	44.05
	Proportion of long term funds in real estate, plant and equipment (%)	1845.76	2381.53	2439.11	2483.50	2599.25
Solvency	Current ratio (%)	50.26	79.00	61.67	84.96	93.61
	Quick ratio (%)	43.64	72.01	52.14	75.27	80.25
	Interest coverage ratio	4.69	-4.50	6.88	16.48	14.59
Operating Capacity	Receivables turnover ratio (times)	6.01	5.54	6.17	6.21	6.51
	Average cash collection days	60.73	65.88	59.16	58.78	56.07
	Inventory turnover ratio (times)	15.62	15.38	11.09	13.09	15.45
	Turnover rate of accounts payable (times)	8.29	7.25	6.94	6.27	6.06
	Average days of sales	23.37	23.73	32.91	27.88	23.62
	Property, plant and equipment turnover rate (times)	3.13	3.62	5.08	8.31	10.57
	Total assets turnover rate (times)	0.14	0.15	0.17	0.27	0.34
Profitability	Return on assets (%)	1.87	-2.38	3.54	7.66	5.75
	Return on equity (%)	2.35	-4.71	5.84	13.93	9.94
	Ratio of net income before tax to paid-in capital (%)	4.63	-7.39	9.44	22.06	18.19
	Net income ratio (%)	10.66	-18.43	17.82	26.94	15.78
	Earnings per share (NT\$)	0.41	-0.79	0.96	2.42	1.82
Cash Flow	Fund flow ratio (%)	-	2.83	-	13.56	24.82
	Fund Flow Adequacy Ratio (%)	-	3.32	3.67	24.31	-
	Cash reinvestment ratio (%)	-	-	-	-	-
Leverage	Operating leverage ratio	-	-	-	1.87	1.58
	Financial leverage ratio	-	-	-	1.52	1.43
<p>The changes in financial ratios of 20% or more in the last two years are described as follows: Benefit from increased sales, the property, plant and equipment turnover rate and total assets turnover rate went up. However, due to the increased material cost and optical subsidiary impacted by the economic depression, the overall net income decreased resulting the profitability ratios, cash flow ratio, leverage ratio and interest coverage ratio to go down.</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 × (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. The Audit Committee's Review Report of the Latest 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, 2022, 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 Inc.

Convenor of Audit Committee: Huang Bixin

March 23, 2023

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

K Laser Technology Inc. and
Subsidiaries

Consolidated Financial Statements
and
Independent Auditors' Report
for the Years Ended
December 31, 2022 and 2021

Address: No.1, Lishin 6th Road, Hsinchu, Taiwan

Tel: (03)577-0316

Declaration of Consolidation of Financial Statements of Affiliates

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2022 are all the same as the companies required to be included in the consolidated financial statements of the parent company and its subsidiaries under International Financial Reporting Standard 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of the parent company and its subsidiaries. Hence, we did not prepare a separate set of consolidated financial statements of affiliates.

Company Name: K Laser Technology Inc.

Chairman: Kuo Wei-Wu

March 23, 2023

Independent Auditors' Report

The Board of Directors and Shareholders

K Laser Technology Inc.

Opinion

We have audited the accompanying consolidated financial statements of K Laser Technology Inc. and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, 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 other matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021 and its 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 audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 the Group for the year ended December 31, 2022. 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 Group's revenue mainly comes from the manufacture of laser holographic films, laser anti-counterfeiting labels, laser papers, precision optical components and optical instruments. In 2022, the revenue derived from sales of optical instruments was significant and the authenticity of sales revenue had a significant impact on the consolidated financial statements; therefore, the above sales revenue was identified as a key audit matter. Refer to Note 4 to the consolidated financial statements for the accounting policies on revenue recognition.

Our main audit procedures performed in respect of the aforementioned key audit matter were as follows:

1. We obtained an understanding and tested the internal control procedures over the recognition of sales revenue and evaluated the effectiveness of such controls.
2. We selected samples from the transaction details of major sales customers to verify whether they were consistent with external freight documents, export declarations and original transaction documents.
3. We confirmed the reasonableness of significant sales returns and allowances.

Other Matter

We did not audit the financial statements of some subsidiaries included in the consolidated financial statements of the Group, but such statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for these subsidiaries, is based solely on the reports of other auditors. As of December 31, 2022 and 2021, the total assets of the aforementioned subsidiaries amounted to NT\$248,563 thousand and NT\$391,788 thousand, respectively, which accounted for 3.06% and 4.77% of the consolidated total assets, respectively. For the years ended December 31, 2022 and 2021, the net operating revenue of these subsidiaries amounted to NT\$237,024 thousand and NT\$272,765 thousand, respectively, which accounted for 3.69% and 4.44% 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, 2022 and 2021, investments accounted for using the equity method amounted to NT\$153,302 thousand and NT\$137,945 thousand, respectively, which accounted for 1.89% and 1.68% of the consolidated total assets, respectively. For the years ended December 31, 2022 and 2021, the share of profit from equity-method investments amounted to NT\$16,984 thousand

and NT\$20,210 thousand, respectively, which accounted for 6.98% and 4.94% of the consolidated net profit before tax, respectively. Refer to Note 36 to the consolidated financial statements for relevant information on the abovementioned 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, 2022 and 2021 on which we have issued an unqualified opinion with other matter paragraph.

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 the Group 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 the Group 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 the Group.

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 Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not

detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Group.
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 the Group 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 the Group 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 or business activities 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. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings (including any significant deficiencies in internal control that we identify during our audit).

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence (and where applicable, related safeguards).

From the matters communicated with those charged with governance, we determine that those matters of most significance in the audit of the consolidated financial statements for the year ended December 31, 2022 and are therefore 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, 2023

K Laser Technology Inc. and Subsidiaries
Consolidated Balance Sheets
December 31, 2022 and 2021

Unit: In Thousands of New Taiwan Dollars

Code	Assets	December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Notes 4 and 6)	\$ 1,720,354	21	\$ 2,128,842	26
1110	Financial assets at fair value through profit or loss - current (Notes 4 and 7)	315	-	3,134	-
1150	Notes receivable (Notes 4 and 9)	136,977	2	101,895	1
1170	Trade receivables (Notes 4 and 9)	1,252,302	16	1,295,840	16
1180	Trade receivables from related parties (Notes 4, 9 and 32)	-	-	189,050	2
1200	Other receivables (Note 32)	30,700	-	25,710	-
1220	Current tax assets (Notes 4 and 26)	20,706	-	12,413	-
130X	Inventories (Notes 4 and 10)	1,473,174	18	1,408,054	17
1460	Non-current assets held for sale (Notes 4 and 11)	6,735	-	29,865	1
1470	Other current assets (Notes 6, 18 and 33)	419,024	5	324,733	4
11XX	Total current assets	<u>5,060,287</u>	<u>62</u>	<u>5,519,536</u>	<u>67</u>
	Non-current assets				
1510	Financial assets at fair value through other profit or loss - non-current (Notes 4 and 7)	6,161	-	-	-
1517	Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 11)	91,861	1	96,045	1
1550	Investments accounted for using the equity method (Notes 4 and 13)	452,191	6	441,409	5
1600	Property, plant and equipment (Notes 4 and 14)	1,684,155	21	1,389,369	17
1755	Right-of-use assets (Notes 4 and 15)	293,025	4	313,064	4
1805	Goodwill (Notes 4, 16 and 29)	42,724	1	42,724	1
1821	Other intangible assets (Notes 4 and 17)	38,190	-	42,307	1
1840	Deferred tax assets (Notes 4 and 26)	29,401	-	20,000	-
1990	Other non-current assets (Notes 6, 18 and 33)	414,850	5	350,720	4
15XX	Total non-current assets	<u>3,052,558</u>	<u>38</u>	<u>2,695,638</u>	<u>33</u>
1XXX	Total assets	<u>\$ 8,112,845</u>	<u>100</u>	<u>\$ 8,215,174</u>	<u>100</u>
	Liabilities and Equity				
	Current liabilities				
2100	Short-term borrowings (Note 19)	\$ 513,937	6	\$ 747,545	9
2110	Short-term notes and bills payable (Note 19)	99,979	1	159,948	2
2150	Notes payable	327,776	4	268,422	3
2170	Trade payables	709,072	9	639,088	8
2180	Trade payables to related parties (Note 32)	14	-	3,709	-
2200	Other payables (Note 21)	553,342	7	516,737	6
2220	Other payables to related parties (Note 32)	143	-	117	-
2230	Current tax liabilities (Notes 4 and 26)	83,388	1	15,768	-
2280	Lease liabilities - current (Notes 4 and 15)	39,733	1	51,701	1
2399	Other current liabilities	15,631	-	11,373	-
21XX	Total current liabilities	<u>2,343,015</u>	<u>29</u>	<u>2,414,408</u>	<u>29</u>
	Non-current liabilities				
2500	Financial liabilities measured at fair value through profit or loss - non-current (Notes 4 and 7)	1,366	-	855	-
2530	Corporate bonds payable (Note 20)	512,791	6	552,053	7
2540	Long-term borrowings (Note 19)	858,560	11	794,000	10
2580	Lease liabilities - non-current (Notes 4 and 15)	153,231	2	162,844	2
2640	Net defined benefit liabilities - non-current (Notes 4 and 22)	14,812	-	20,158	-
25XX	Total non-current liabilities	<u>1,540,760</u>	<u>19</u>	<u>1,529,910</u>	<u>19</u>
2XXX	Total liabilities	<u>3,883,775</u>	<u>48</u>	<u>3,944,318</u>	<u>48</u>
	Equity (Note 23)				
	Share capital				
3110	Ordinary shares	1,638,061	20	1,659,694	20
3200	Capital reserve	689,968	9	709,559	9
	Retained earnings				
3310	Legal reserve	277,305	3	249,257	3
3320	Special reserve	332,865	4	391,852	5
3350	Unappropriated earnings	379,209	5	294,763	4
	Other equity				
3410	Exchange differences on translation of foreign financial statements	(272,403)	(3)	(373,245)	(5)
3420	Unrealized gain (loss) on financial assets at fair value through other comprehensive income	(26,184)	-	(30,640)	-
3490	Unearned employee benefits	(41,098)	(1)	(72,873)	(1)
3500	Treasury shares	(77,812)	(1)	(147,047)	(2)
31XX	Total equity attributable to the Company	2,899,911	36	2,681,320	33
36XX	Non-controlling interests (Note 23)	1,329,159	16	1,589,536	19
3XXX	Total equity	<u>4,229,070</u>	<u>52</u>	<u>4,270,856</u>	<u>52</u>
	Total liabilities and equity	<u>\$ 8,112,845</u>	<u>100</u>	<u>\$ 8,215,174</u>	<u>100</u>

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche auditors' report dated March 23, 2023)

Chairman: Kuo Wei-Wu

Manager: Kuo Wei-Wu

Accounting Manager: Hung Ya-Ching

K Laser Technology Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income
For the Years Ended December 31, 2022 and 2021

Unit: In Thousands of New Taiwan Dollars, Except Earnings Per Share

Code		2022		2021	
		Amount	%	Amount	%
4000	Operating revenue (Notes 4 and 32)	\$ 6,421,806	100	\$ 6,146,290	100
5110	Cost of goods sold (Notes 10 and 32)	<u>5,265,148</u>	<u>82</u>	<u>4,908,947</u>	<u>80</u>
5950	Gross profit	<u>1,156,658</u>	<u>18</u>	<u>1,237,343</u>	<u>20</u>
	Operating expenses (Notes 9 and 32)				
6100	Selling and marketing	377,400	6	375,660	6
6200	General and administrative	460,977	7	448,339	7
6300	Research and development	332,296	5	261,625	4
6450	Reversal of expected credit loss	<u>2,343</u>	<u>-</u>	<u>(64,719)</u>	<u>(1)</u>
6000	Total operating expenses	<u>1,173,016</u>	<u>18</u>	<u>1,020,905</u>	<u>16</u>
6900	Profit (loss) from operations	<u>(16,358)</u>	<u>-</u>	<u>216,438</u>	<u>4</u>
	Non-operating income and expenses				
7060	Share of profit or loss of associates accounted for using the equity method (Note 13)	5,562	-	25,137	-
7100	Interest income (Note 32)	18,649	-	19,724	-
7130	Dividend income	-	-	1,031	-
7190	Other income (Note 32)	57,014	1	46,908	1
7225	Gain on disposal of investments	8,807	-	209,269	3
7226	Gain from sale and leaseback transactions (Notes 14 and 15)	281,814	4	-	-
7230	Gain (loss) on foreign exchange	159,201	3	<u>(2,599)</u>	-
7235	Gain (loss) on financial assets (liabilities) at fair value through profit or loss	<u>(3,988)</u>	<u>-</u>	<u>4,594</u>	<u>-</u>
7510	Interest expense	<u>(35,459)</u>	<u>(1)</u>	<u>(31,678)</u>	<u>-</u>
7590	Miscellaneous expense	<u>(131,350)</u>	<u>(2)</u>	<u>(32,572)</u>	<u>-</u>
7610	Disposal of property, plant and equipment	<u>(7,298)</u>	<u>-</u>	<u>(4,154)</u>	<u>-</u>

(continued)

Code		2022		2021	
		Amount	%	Amount	%
7670	Impairment loss	(\$ 93,382)	(1)	(\$ 43,028)	(1)
7000	Total non-operating income and expenses	259,570	4	192,632	3
7900	Profit before tax	243,212	4	409,070	7
7950	Income tax expense (Notes 4 and 26)	(131,283)	(2)	(66,996)	(1)
8200	Profit for the year	111,929	2	342,074	6
	Other comprehensive income (loss) (Note 23)				
8310	Items that will not be reclassified subsequently to profit or loss				
8311	Remeasurement of defined benefit plans	5,343	-	(1,297)	-
8316	Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	(4,793)	-	(4,487)	-
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign financial statements	115,520	2	(96,373)	(2)
8370	Share of other comprehensive income (loss) of associates accounted for using the equity method	4,415	-	(2,332)	-
8300	Total other comprehensive income (loss)	120,485	2	(104,489)	(2)
8500	Total comprehensive income for the year	\$ 232,414	4	\$ 237,585	4
	Net profit (loss) attributed to				
8610	Owners of the Company	\$ 277,279	4	\$ 363,725	6
8620	Non-controlling interests	(165,350)	(2)	(21,651)	-
8600		\$ 111,929	2	\$ 342,074	6
	Total comprehensive income (loss) attributed to				
8710	Owners of the Company	\$ 386,926	6	\$ 275,922	5
8720	Non-controlling interests	(154,512)	(2)	(38,337)	(1)
8700		\$ 232,414	4	\$ 237,585	4
	Earnings per share (Note 27)				
	From continuing operations				
9710	Basic	\$ 1.82		\$ 2.42	
9810	Diluted	\$ 1.50		\$ 2.14	

(concluded)

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche auditors' report dated March 23, 2023)

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

K Laser Technology Inc. and Subsidiaries
Consolidated Statements of Changes in Equity
For the Years Ended December 31, 2022 and 2021

Unit: In Thousands of New Taiwan Dollars

Code		Equity Attributable to Shareholders of the Company					Other Equity					Total Equity
		Ordinary Shares	Capital Reserve	Retained Earnings			Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Unearned Employee Benefits	Treasury Shares	Non-controlling Interests	
				Legal Reserve	Special Reserve	Unappropriated Earnings						
A1	Balance at January 1, 2021	\$ 1,593,246	\$ 585,347	\$ 213,042	\$ 200,987	\$ 384,752	(\$ 287,085)	(\$ 30,403)	\$ -	(\$ 118,736)	\$ 1,424,774	\$ 3,965,924
	Appropriation and distribution of 2020 earnings (Note 23)											
B1	Legal reserve	-	-	36,215	-	(36,215)	-	-	-	-	-	-
B3	Special reserve	-	-	-	190,931	(190,931)	-	-	-	-	-	-
B5	Cash dividends distributed by the Company	-	-	-	-	(225,344)	-	-	-	-	-	(225,344)
C5	Equity component of convertible bonds issued by the Company	-	20,280	-	-	-	-	-	-	-	-	20,280
D1	Net profit (loss) for the year ended December 31, 2021	-	-	-	-	363,725	-	-	-	-	(21,651)	342,074
D3	Other comprehensive loss for the year ended December 31, 2021, net of income tax	-	-	-	-	(1,297)	(86,277)	(229)	-	-	(16,686)	(104,489)
I1	Conversion of corporate bonds into ordinary shares	16,448	12,704	-	-	-	-	-	-	-	-	29,152
L1	Buy-back of treasury shares (Note 23)	-	-	-	-	-	-	-	-	(28,311)	-	(28,311)
M5	Difference between consideration received or paid and carrying amount of subsidiaries' net assets during actual acquisition or disposal	-	23,036	-	(66)	73	117	(8)	-	-	17,728	40,880
M7	Changes in percentage of ownership interests in subsidiaries	-	29,279	-	-	-	-	-	-	-	-	29,979
N1	Issuance of restricted shares for employees (Note 28)	50,000	38,913	-	-	-	-	-	(88,913)	-	-	-
N1	Compensation cost of restricted shares for employees (Note 28)	-	-	-	-	-	-	-	16,040	-	-	16,040
O1	Non-controlling interests	-	-	-	-	-	-	-	-	-	185,371	185,371
Z1	Balance at December 31, 2021	1,659,694	709,559	249,257	391,852	294,763	(373,245)	(30,640)	(72,873)	(147,047)	1,589,536	4,270,856
	Appropriation and distribution of 2021 earnings (Note 23)											
B1	Legal reserve	-	-	28,048	-	(28,048)	-	-	-	-	-	-
B3	Reversal of special reserve	-	-	-	(58,987)	58,987	-	-	-	-	-	-
B5	Cash dividends to shareholders of the Company	-	-	-	-	(228,121)	-	-	-	-	-	(228,121)
D1	Net profit (loss) for the year ended December 31, 2022	-	-	-	-	277,279	-	-	-	-	(165,350)	111,929
D3	Other comprehensive income for the year ended December 31, 2022, net of income tax	-	-	-	-	5,343	100,842	3,462	-	-	10,838	120,485
I1	Conversion of corporate bonds into ordinary shares	24,317	18,853	-	-	-	-	-	-	-	-	43,170
L1	Buy-back of treasury shares (Note 23)	-	-	-	-	-	-	-	-	(7,482)	-	(7,482)
L3	Cancellation of treasury shares (Note 23)	(45,950)	(30,767)	-	-	-	-	-	-	76,717	-	-
M5	Difference between consideration received or paid and carrying amount of subsidiaries' net assets during actual acquisition or disposal	-	-	-	-	-	-	-	-	-	-	-
M7	Changes in percentage of ownership interests in subsidiaries	-	(7,677)	-	-	-	-	-	-	-	-	(7,677)
N1	Compensation cost of restricted shares for employees (Note 28)	-	-	-	-	-	-	-	31,775	-	-	31,775
O1	Non-controlling interests	-	-	-	-	-	-	-	-	-	(105,865)	(105,865)
Q1	Disposal of investments in equity instruments designated as at fair value through other comprehensive income (Note 23)	-	-	-	-	(994)	-	994	-	-	-	-
Z1	Balance at December 31, 2022	\$ 1,638,061	\$ 689,968	\$ 277,305	\$ 332,865	\$ 379,209	(\$ 272,403)	(\$ 26,184)	(\$ 41,098)	(\$ 77,812)	\$ 1,329,159	\$ 4,229,070

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche auditors' report dated March 23, 2023)

Chairman: Kuo Wei-Wu

Manager: Kuo Wei-Wu

Accounting Manager: Hung Ya-Ching

K Laser Technology Inc. and Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

Unit: In Thousands of New Taiwan Dollars

<u>Code</u>		<u>2022</u>	<u>2021</u>
	Cash flows from operating activities		
A10000	Profit before tax	\$ 243,212	\$ 409,070
A20010	Adjustments for:		
A20100	Depreciation expense	257,715	223,916
A20200	Amortization expense	5,740	5,963
A20300	Expected credit loss (reversed)	2,343	(64,719)
A20400	Net loss (gain) on fair value changes of financial assets at fair value through profit or loss	3,988	(4,594)
A20900	Interest expense	35,459	31,678
A21200	Interest income	(18,649)	(19,724)
A21300	Dividend income	-	(1,031)
A21900	Compensation cost of share-based payments	31,931	16,575
A22300	Share of (profit) loss of associates and joint ventures accounted for using the equity method	(5,562)	(25,137)
A22500	Loss on disposal and write-down of property, plant and equipment	7,298	4,154
A23100	Gain on disposal of investments	(8,807)	(209,269)
A23500	Impairment loss recognized on financial assets	5,150	-
A23700	Impairment loss recognized on non-financial assets	88,232	43,028
A23800	Loss on inventory valuation and obsolescence	32,150	21,138
A29900	Gain on lease modification	(54)	-
A29900	Gain from sale and leaseback transactions	(281,814)	-
A30000	Net change in operating assets and liabilities		
A31130	Notes receivable	(35,082)	(5,102)
A31150	Trade receivables	34,037	(242,003)
A31160	Trade receivables from related parties	195,300	486,099
A31180	Other receivables	(1,567)	25,165
A31200	Inventories	(97,270)	(344,953)
A31240	Other current assets	(94,292)	(75,843)
A31990	Other non-current assets	5,696	1,465
A32130	Notes payable	59,354	11,396
A32150	Trade payables	69,984	63,432
A32160	Trade payables to related parties	(3,695)	(39,827)
A32180	Other payables	27,437	70,758

(continued)

<u>Code</u>		<u>2022</u>	<u>2021</u>
A32190	Other payables to related parties	\$ 26	(\$ 1,636)
A32230	Other current liabilities	4,259	(13,371)
A32240	Net defined benefit liabilities - non-current	(3)	(27)
A33000	Cash generated from operations	562,516	366,601
A33100	Interest received	18,649	19,724
A33300	Interest paid	(31,246)	(28,572)
A33500	Income tax paid	(81,358)	(72,779)
AAAA	Net cash generated from operating activities	<u>468,561</u>	<u>284,974</u>
Cash flows from investing activities			
B00010	Acquisition of financial assets at fair value through other comprehensive income	(5,615)	-
B00030	Refund from capital reduction of financial assets at fair value through other comprehensive income	3,000	9,000
B00100	Acquisition of financial assets at fair value through profit or loss	(6,818)	(19,493)
B00200	Disposal of financial assets at fair value through profit or loss	-	47,688
B00200	Disposal of financial assets at fair value through other comprehensive income	2,006	8,688
B01800	Acquisition of long-term investments accounted for using the equity method	-	(3,924)
B02200	Acquisition of subsidiaries (after deducting cash received)	-	(135,253)
B02600	Proceeds from disposal of assets	27,705	237,238
B02700	Purchase of property, plant and equipment	(600,253)	(352,182)
B02800	Proceeds from disposal of property, plant and equipment, and right-of-use assets	342,110	14,371
B03700	Decrease (increase) in refundable deposits	1,510	(1,590)
B04100	Decrease in other receivables	6,950	7,660
B04500	Purchase of intangible assets	(1,624)	(3,598)
B06600	Increase in other financial assets	(74,440)	(44,832)
B07100	Increase in prepayments for equipment	(45,669)	-
B07600	Dividends received	6,043	8,275
BBBB	Net cash used in investing activities	<u>(345,095)</u>	<u>(227,952)</u>
Cash flows from financing activities			
C00200	Decrease in short-term borrowings	(233,608)	(157,329)
C00500	Decrease in short-term bills payable	(60,000)	(140,000)
C01200	Issuance of corporate bonds	-	600,700
C01600	Proceeds from long-term borrowings	461,960	650,000
C01700	Repayments of long-term borrowings	(397,400)	(1,206,000)

(continued)

<u>Code</u>		<u>2022</u>	<u>2021</u>
C04500	Issuance of cash dividends	(\$ 228,121)	(\$ 225,344)
C04800	Exercise of employee share options	20,700	833
C04900	Payments for buy-back of treasury shares	(7,482)	(28,311)
C05400	Acquisition of additional interests in subsidiaries	-	(1,074)
C05500	Proceeds from sale of investment in subsidiaries	-	43,332
C05800	Change in non-controlling interests	(115,119)	21,868
C04020	Repayment of the principal portion of lease liabilities	(<u>54,187</u>)	(<u>59,643</u>)
CCCC	Net cash used in financing activities	(<u>613,257</u>)	(<u>500,968</u>)
DDDD	Effects of exchange rate changes on the balance of cash and cash equivalents	<u>81,303</u>	(<u>57,023</u>)
EEEE	Net decrease in cash and cash equivalents in the current period	(408,488)	(500,969)
E00100	Cash and cash equivalents at the beginning of the year	<u>2,128,842</u>	<u>2,629,811</u>
E00200	Cash and cash equivalents at the end of the year	<u>\$ 1,720,354</u>	<u>\$ 2,128,842</u>

(concluded)

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche auditors' report dated March 23, 2023)

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

K Laser Technology Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. General information

K Laser Technology Inc. (“K Laser” or the “Company”) was incorporated in Hsinchu Science Park in April 1988. Its main business activities include research and development, production, manufacturing, and sales of laser holographic packaging materials as well as import and export trade of optical instruments. The Company’s shares were listed on the Taipei Exchange (TPEX) on December 9, 1999, and have subsequently been traded on the Taiwan Stock Exchange (TWSE) since September 17, 2001.

The consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) are presented in the Company’s functional currency, the New Taiwan dollar.

2. Approval of financial statements

The consolidated financial statements were approved by the board of directors on March 23, 2023.

3. Application of new, amended and revised standards and interpretations

- (1) Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies.

(2) The IFRSs endorsed by the FSC for application starting from 2023

<u>New IFRSs</u>	<u>Effective Date Announced by IASB</u>
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 3)

Note 1: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 2: The amendments will be applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 3: Except for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments are applied prospectively to transactions that occur on or after January 1, 2022.

Amendments to IAS 1 “Disclosure of Accounting Policies”

The amendments specify that the Group should refer to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that:

- Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;
- The Group may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and
- Not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

- a) The Group changed its accounting policy during the reporting period and this change resulted in a material change to the information in

the financial statements;

- b) The Group chose the accounting policy from options permitted by the standards;
- c) The accounting policy was developed in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in the absence of an IFRS that specifically applies;
- d) The accounting policy relates to an area for which the Group is required to make significant judgements or assumptions in applying an accounting policy, and the Group discloses those judgements or assumptions; or
- e) The accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

Amendments to IAS 8 “Definition of Accounting Estimates”

The amendments define that accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. In applying accounting policies, the Group may be required to measure items at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the Group uses measurement techniques and inputs to develop accounting estimates to achieve the objective. The effects on an accounting estimate of a change in a measurement technique or a change in an input are changes in accounting estimates unless they result from the correction of prior period errors.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group has assessed that the application of other standards and interpretations will not have a material impact on the Group’s financial position and financial performance.

- (3) New IFRSs in issue but not yet endorsed and issued into effect by the FSC

<u>New IFRSs</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 - Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024

Note 1: Unless stated otherwise, the above New IFRSs are effective for

annual reporting periods beginning on or after their respective effective dates.

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

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

The amendments stipulate that, when the Group sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when the Group loses control of a subsidiary that contains a business but retains significant influence or joint control (under the definition of IFRS 3 Business Combinations), the gain or loss resulting from the transaction is recognized in full.

Conversely, when the Group sells or contributes assets that do not constitute a business to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Group’s interest as an unrelated investor in the associate or joint venture, i.e., the Group’s share of the gain or loss is eliminated. Also, when the Group loses control of a subsidiary that does not contain a business but retains significant influence or joint control over an associate or a joint venture (not under the definition of IFRS 3 Business Combinations), the gain or loss resulting from the transaction is recognized only to the extent of the Group’s interest as an unrelated investor in the associate or joint venture, i.e., the Group’s share of the gain or loss is eliminated.

Amendments to IAS 1 “Classification of Liabilities as Current or Non-current” (referred to as the “2020 amendments”) and “Non-current Liabilities with Covenants” (referred to as the “2022 amendments”)

The 2020 amendments clarify that for a liability to be classified as non-current, the Group shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether the Group will exercise that right.

The 2020 amendments also stipulate that, if the right to defer settlement is subject to compliance with specified conditions, the Group must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date. The 2022 amendments further clarify that only covenants with which an entity is required to comply on or before the reporting date should affect the classification of a liability as current or non-current. Although the covenants to be complied with within twelve months after the reporting period do not affect the classification of a liability, the Group shall

disclose information that enables users of financial statements to understand the risk of the Group that may have difficulty complying with the covenants and repay its liabilities within twelve months after the reporting period.

The 2020 amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Group's own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the Group's own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32 "Financial Instruments: Presentation", the aforementioned terms would not affect the classification of the liability.

Amendments to IFRS 16 "Lease Liability in a Sale and Leaseback"

The amendments clarify that the liability that arises from a sale and leaseback transaction - that satisfies the requirements in IFRS 15 to be accounted for as a sale - is a lease liability to which IFRS 16 applies. However, if the lease in a leaseback that includes variable lease payments that do not depend on an index or rate, the seller-lessee shall measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. Seller-lessee subsequently recognizes in profit or loss the difference between the payments made for the lease and the lease payments that reduce the carrying amount of the lease liability.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. Summary of significant accounting policies

(1) Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

(2) Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its

entirety, which are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

(3) Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within twelve months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being used for an exchange or used to settle a liability for more than twelve months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities expected to be settled within twelve months after the reporting period; and
- 3) Liabilities without an unconditional right to defer settlement for at least twelve months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

(4) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries). When necessary, adjustments are made to the financial statements of subsidiaries to align their accounting policies with those of the Group. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

See Note 12 and Tables 7 and 8 for detailed information on subsidiaries (including percentages of ownership and main businesses).

(5) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are expensed and generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interests in

the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. Other types of non-controlling interests are measured at fair value.

(6) Foreign currency

In preparing the Group's consolidated financial statements, transactions in currencies other than the Company's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the date when the fair value is determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary item denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency on the date of transaction.

For the purpose of presenting consolidated financial statements, the financial statements of the Company and its foreign operations including subsidiaries and associates in other countries that are prepared using functional currencies which are different from the currency of the Company are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e., a disposal of the Company's

entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to the non-controlling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

(7) Inventories

Inventories consist of merchandise, raw materials, finished goods and work in progress and are stated at the lower of cost or net realizable value. The comparison between cost and net realizable value is based on individual item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

(8) Investments in associates

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor an interest in a joint venture.

The Group uses the equity method to account for its investments in associates. Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of the equity of associates.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Company subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records

such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates and joint ventures accounted for using the equity method. If the Group's ownership interest is reduced due to its additional subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further loss, if any. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required had that associate directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

When the Group transacts with its associate, the profit and loss resulting from upstream and downstream transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

(9) Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

The depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If the lease term is shorter than the expected useful life, it should account for depreciation during the lease term. The Group reviews the estimated useful lives, residual values and depreciation methods at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

(10) Goodwill

Goodwill arising from the acquisition of a business is measured at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that are expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the Group disposes of an operation within that unit, the goodwill associated with the operation which is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal.

(11) Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

(12) Impairment of property, plant and equipment, right-of-use assets, investment properties and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, investment properties and intangible assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the assets may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit or assets related to contract costs is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset, cash-generating unit or assets related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

(13) Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. To meet the criteria for the sale being highly probable, the appropriate level of management must be committed to the sale, and the sale should be expected to qualify for recognition as a completed sale within 1 year from the date of classification.

(14) Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

(1) Type of measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at FVTOCI.

A. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value and any remeasurement gains and losses on such financial assets (including dividends and interests) are

recognized in other gains and losses. Fair value is determined in the manner described in Note 31.

B. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i) The financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents and trade receivables at amortized cost are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i) Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- ii) Financial asset that is not credit impaired on purchase or origination but has subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or

iv) The disappearance of an active market for that financial asset because of financial difficulties.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition or between 3 to 12 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

C. Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

(2) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

The Group always recognizes lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Group considers the following situations as indication that a financial asset is in default (without taking into account any collateral held by the Group):

- i. Internal or external information shows that the debtor is unlikely to pay its creditors.
- ii. Financial asset is more than 90 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

(3) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2. Equity instruments

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Group's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Group's own equity instruments.

3. Financial liabilities

(1) Subsequent measurement

Except the following situations, all financial liabilities are measured at amortized cost using the effective interest method:

Financial liabilities are classified as at FVTPL when such financial liabilities are either held for trading or are designated as at FVTPL. Financial liabilities held for trading are stated at fair value, and any remeasurement gains or losses on such financial liabilities are recognized in other gains or losses.

(2) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4. Convertible bonds

The component parts of compound instruments (i.e., convertible bonds) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or upon the instrument's maturity date. Any embedded derivative liability is measured at fair value.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised; in which case, the balance recognized in equity will be transferred to capital surplus - share premiums. When the conversion option remains unexercised at maturity, the balance

recognized in equity will be transferred to capital surplus - share premiums.

(15) Liability provisions

The amount is measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. The provision for liabilities is based on the discounted value of estimated cash flows for settlement obligations.

(16) Revenue recognition

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

Revenue from the sale of goods

Revenue from the sale of goods comes from sales of holography and optoelectronic products. Sales of goods are recognized as revenue when the goods are shipped or delivered to the place designated by the customers, because it is the time when the customer has control over the goods and the performance obligation is satisfied.

The Group does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

(17) Leases

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

1. The Group as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

When the Group subleases a right-of-use asset, the sublease is classified by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. However, if the head lease is a short-term lease that the Group, as a lessee, has accounted for applying recognition exemption, the sublease is classified as an operating lease.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

2. The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for by applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate will be used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in future lease payments resulting from a change in lease term, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

(18) Borrowing costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than those stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(19) Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants related to income are recognized in other income on a systematic basis over the periods in which the Group recognizes as expenses the related costs that the grants intend to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they are received.

(20) Employee benefits

1. Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2. Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and rereasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur or when the plan amendment or curtailment occurs. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding

interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

3. Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plans except that remeasurement is recognized in profit or loss.

(21) Share-based payment arrangements

The fair value at the grant date of the employee share options/restricted shares for employees is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options/other equity - unearned employee benefits. The expense is recognized in full at the grant date if the grants are vested immediately.

When restricted shares for employees are issued, other equity - unearned employee benefits is recognized on the grant date, with a corresponding increase in capital surplus - restricted shares for employees.

At the end of each reporting period, the Group revises its estimate of the number of employee share options that are expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to capital surplus - employee share options/other equity - unearned employee benefits.

(22) Treasury shares

When the Group buys back its shares as treasury shares, the cost of payment is debited to the treasury shares and recognized as a reduction in shareholders' equity. The transfer of treasury shares to employees is in accordance with IFRS 2 Share-based Payment. When canceling treasury shares, credit treasury shares and debit capital surplus - share premium and share capital according to the proportion of ownership. If the carrying amount of the treasury shares is higher than the sum of the face value and share premium, the difference is offset against the capital surplus generated by the same type of treasury shares. If there is not enough, it will be debited from retained earnings. Conversely, the

difference is credited to the capital surplus generated by the same type of treasury share transactions. The carrying amount of treasury shares is calculated using the weighted-average method.

(23) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1. Current tax

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforwards to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and such temporary differences are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

3. Current and deferred taxes

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

5. **Critical accounting judgments and key sources of estimation uncertainty**

In the application of the Group's accounting policies, management is required to make judgments, estimations, and assumptions on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Group considers the possible impact of the recent development of the COVID-19 and its economic environment implications when making its critical accounting estimates on cash flows, growth rates, discount rates, profitabilities, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Key sources of estimation uncertainty – impairment of property, plant and equipment

Impairment of equipment in relation to the production is evaluated based on the recoverable amount of the assets, which is the higher of its fair value less costs of disposal and its value in use. Any changes in the market prices will affect the recoverable amount of the assets and may lead to the recognition of additional impairment losses or the reversal of impairment losses.

6. **Cash and cash equivalents**

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand and revolving funds	\$ 30,142	\$ 25,451
Bank checks and demand deposits	1,362,052	1,379,197
Cash equivalents		
Time deposits	<u>328,160</u>	<u>724,194</u>
	<u>\$ 1,720,354</u>	<u>\$ 2,128,842</u>

- (1) The market rate intervals of bank deposits on the balance sheet date were as follows (the interest rate for checking deposits was 0%):

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Demand deposits	0.001%-1.05%	0.001%-0.3%
Time deposits	0.002%-4.65%	0.02%-2.85%

- (2) Other bank deposits of the Group were reclassified as other current assets and other non-current assets as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Other current assets (Note 18)		
Guarantee deposits for bank acceptances	\$ 158,987	\$ 86,380
Guarantee deposits for land lease of Hsinchu Science Park	-	5,000
Bank's short-term loan guarantee	<u>95,527</u>	<u>112,934</u>
	<u>\$ 254,514</u>	<u>\$ 204,314</u>
Other non-current assets (Note 18)		
Guarantee deposits for land lease of Hsinchu Science Park	\$ 5,000	\$ 5,000
Bank's long-term loan guarantee	58,349	-
Customs bonds	2,646	2,606
Issuance of guaranteed bonds	<u>189,368</u>	<u>173,277</u>
	<u>\$ 255,363</u>	<u>\$ 180,883</u>

7. Financial instruments at fair value through profit or loss

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Mandatorily measured at FVTPL</u>		
Derivatives (not under hedge accounting)		

(continued)

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Redemption right of convertible bonds (Note 20)	\$ 315	\$ 3,134
Hybrid financial assets		
Corporate bonds	<u>6,161</u>	<u>-</u>
Financial assets at FVTPL	<u>\$ 6,476</u>	<u>\$ 3,134</u>
Current	315	3,134
Non-current	<u>6,161</u>	<u>-</u>
	<u>\$ 6,476</u>	<u>\$ 3,134</u>
 <u>Financial liabilities held for trading - non-current</u>		
Derivatives (not under hedge accounting)		
Convertible option of corporate bonds (Note 20)	<u>\$ 1,366</u>	<u>\$ 855</u>

(concluded)

8. Financial assets at fair value through other comprehensive income

Investments in equity instruments

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Non-current</u>		
Domestic investments - unlisted shares		
CDIB Capital Healthcare Ventures Corporation	\$ 33,317	\$ 26,726
Mega Plastic Industry Co., Ltd.	-	2,007
Aether Precision Technology Inc.	1,673	1,249
Foreign investments - unlisted shares		
Dongguan City Guang Zhi Optoelectronic Co., Ltd.	51,256	66,063
Foodfab Group Limited	<u>5,615</u>	<u>-</u>
	<u>\$ 91,861</u>	<u>\$ 96,045</u>

These investments in equity instruments are held for medium- to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

9. Notes receivable and trade receivables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Notes receivable</u>		
At amortized cost		
Gross carrying amount	\$ <u>136,977</u>	\$ <u>101,895</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 1,325,028	\$ 1,396,178
Less: loss allowance	(<u>72,726</u>)	(<u>100,338</u>)
	<u>\$ 1,252,302</u>	<u>\$ 1,295,840</u>
<u>Trade receivables from related parties (Note 32)</u>		
At amortized cost		
Gross carrying amount	\$ -	\$ 195,300
Less: loss allowance	<u>-</u>	(<u>6,250</u>)
	<u>\$ -</u>	<u>\$ 189,050</u>
<u>Overdue receivables</u>		
Overdue receivables	\$ 7,705	\$ 7,705
Less: loss allowance	(<u>7,705</u>)	(<u>7,705</u>)
	<u>\$ -</u>	<u>\$ -</u>

(1) Notes receivable

As of December 31, 2022 and 2021, the Group's notes receivable were not overdue.

(2) Trade receivables

The average credit period on sales of goods is 90 to 150 days after month closing. No interest was charged on accounts receivable. The Group continues to monitor its exposure and credit ratings of counterparties. In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the year to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base. The

expected credit loss rates are estimated based on past due days of the accounts receivable.

The Group writes off a trade receivable when there is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. When recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Group's provision matrix.

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Not overdue	\$ 1,036,875	\$ 1,319,128
1 to 60 days	175,547	158,617
61 to 90 days	35,043	32,096
91 to 180 days	36,787	34,555
181 to 360 days	5,334	12,046
Over 361 days	<u>35,442</u>	<u>35,036</u>
Total	<u>\$ 1,325,028</u>	<u>\$ 1,591,478</u>

The movements of the loss allowance of trade receivables were as follows:

	<u>2022</u>	<u>2021</u>
Balance at January 1	\$ 106,588	\$ 142,710
Add: From business combination	-	39,500
Add: Expected credit loss (reversed)	2,343	(64,719)
Less: Amounts written off	(37,114)	(10,923)
Foreign exchange gains and losses	<u>909</u>	<u>20</u>
Balance at December 31	<u>\$ 72,726</u>	<u>\$ 106,588</u>

As of December 31, 2021, the overdue receivables which the counterparties have been under liquidation or experiencing financial difficulties amounted to \$7,705 thousand. The Group has gone through legal procedures to collect the overdue receivables and set aside an allowance for bad debts.

In January 2021, the Group exchanged trade receivables of Boxlight Corporation which had a carrying amount of US\$1,626 thousand (US\$1,983 thousand less provision for impairment loss of US\$357 thousand) for 793,000 shares of Boxlight Corporation and recorded it as non-current assets held for sale.

10. Inventories

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Finished goods	\$ 833,859	\$ 851,493
Work in process	50,996	62,669
Raw materials	441,770	377,117
Merchandise	<u>146,549</u>	<u>116,775</u>
	<u>\$ 1,473,174</u>	<u>\$ 1,408,054</u>

The cost of goods sold for the years ended December 31, 2022 and 2021 amounted to \$5,267,465 thousand and \$4,908,947 thousand, respectively.

The cost of goods sold for the years ended December 31, 2022 and 2021 included loss on inventory write-down in the amounts of \$32,150 thousand and \$21,138 thousand, respectively.

11. Non-current assets held for sale

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Foreign investment - Boxlight Corporation	<u>\$ 6,735</u>	<u>\$ 29,865</u>

The Group disposed of the investment after the resolution was passed by the board of directors and conducted an impairment assessment in accordance with relevant accounting policies. As the carrying amount was less than the fair value, it was reclassified based on the carrying amount as non-current assets held for sale and presented separately in the consolidated balance sheets.

The Group has performed an impairment test on the abovementioned equity investment in accordance with relevant accounting policies and recognized a loss of \$5,150 thousand which was presented under impairment loss. As of December 31, 2022, the fair value of equity held by the Group was \$6,747 thousand.

12. Subsidiaries

(1) Subsidiaries included in the consolidated financial statements

The subsidiaries included in the consolidated financial statements are as follows:

Investor	Investee	Nature of Activities	Proportion of Ownership	
			December 31, 2022	December 31, 2021
The Company	K Laser International Co., Ltd.	Reinvestment business	100%	100%
The Company	K Laser China Group Co., Ltd.	Reinvestment business	100%	100%
The Company	Optivision Technology Inc. (Note 1)	R&D and manufacturing of precision optical components	45%	42%
The Company	Insight Medical Solutions Inc.	R&D and sales of gastrointestinal endoscopy and other businesses	41%	45%
The Company	Guang Feng International Ltd.	Reinvestment business	100%	100%
The Company and China Group Holding International	iWin Technology Co., Ltd.	Reinvestment business	100%	100%
	K Laser Technology (Korea) Co., Ltd.	Manufacture and sales of holographic products	100%	100%
International	K Laser Technology (Thailand) Co., Ltd.	Manufacture and sales of holographic products	83%	83%
International	K Laser Technology (USA) Co., Ltd.	Sales of holographic products	80%	80%
International	Amagic Technologies U.S.A. (Dubai)	Sales agent for holographic products	100%	100%
International	K Laser Technology Japan Co., Ltd.	Manufacture and sales of holographic products	70%	70%
International	Amagic Holographics India Private Limited	Manufacture and sales of holographic products	100%	100%
Treasure	Jiangsu Sunderray Laser Packing Material Co., Ltd. (Note 2)	Manufacture and sales of holographic products	65%	65%
China Group	K Laser China Group Holding Co., Limited	Reinvestment business	93.78%	93.78%
China Group Holding	K Laser Technology (H.K.) Co., Ltd.	Sales agent for holographic products	100%	100%
China Group Holding	Holomagic Co., Ltd.	Reinvestment business	100%	100%
China Group Holding	Top Band Investment Ltd	Reinvestment business	100%	100%
Holomagic	Treasure Access Limited	Reinvestment business	100%	100%
Top Band	Union Bloom Limited	Reinvestment business	100%	100%
Optivision Technology Inc.	Bright Triumph Limited	Reinvestment business	100%	100%
Bright Triumph Limited	Ningbo Optivision Technology Co., Ltd.	Optical film processing	100%	100%
Treasure	K Laser Technology (Wuxi) Co., Ltd.	Manufacture and sales of holographic products	100%	100%
Treasure	Herui Laser Technology Co., Ltd.	Manufacture and sales of holographic products	49%	49%
Jiangsu Sunderray Laser Packing Material Co., Ltd.	Jiangyin Teruida Packing Technology Co., Ltd. (Note 2)	Manufacture and sales of holographic products	100%	100%

(continued)

Investor	Investee	Nature of Activities	Proportion of Ownership	
			December 31, 2022	December 31, 2021
Union	K Laser Technology (Dongguan) Co., Ltd.	Manufacture and sales of holographic products	100%	100%
iWin	Finity Laboratories	Manufacture and sales of holographic products	100%	100%
Insight Medical Solutions Inc.	Insight Medical Solutions Holdings Inc.	Reinvestment business	(Liquidated)	100%
IMS Holding	Glory Group Medical (Wuxi) Co., Ltd.	R&D and sales of gastrointestinal endoscopy and other businesses	(Note 3)	(Note 3)
Insight Medical Solutions Inc.	Glory Group Medical (Wuxi) Co., Ltd.	R&D and sales of gastrointestinal endoscopy and other businesses	100%	100%
K Laser Technology (Thailand) Co., Ltd.	K Laser Technology (Indonesia) Co., Ltd.	Manufacture and sales of holographic products	70%	70%

(concluded)

Note 1: The equity held in Optivision Technology Inc. already considered the impact of buy-back of treasury shares.

Note 2: Jiangyin Teruida Packing Technology Co., Ltd. was established on September 3, 2003. It is mainly engaged in the research, development of aluminized papers, laser transfer papers, composite papers and other high-grade papers. Its parent company, Jiangsu Sunderray Laser Packing Material Co., Ltd., was established on August 3, 2001. Jiangsu Sunderray Laser Packing Material Co., Ltd. is mainly engaged in the research, development, production and sales of special film coatings, decorative films and composite papers. The Group acquired 31.75% equity at a consideration of RMB40,000 thousand from non-related party in October 2021, which increased the Group's shareholding to 65% and gained control of the company. Therefore, it had been accounted for as a subsidiary in the consolidated financial statements.

Note 3: In order to adjust the Group's investment structure, IMS Holding's business was transferred to Insight Medical Solutions Inc. Among the subsidiaries included in the consolidated financial statements, we did not audit the financial statements of K Laser China Group Co., Ltd., K Laser Technology (H.K.) Co., Ltd., K Laser International Co., Ltd. and Amagic Technologies U.S.A (Dubai) for the years ended December 31, 2022 and 2021, as well as the financial statements of Insight Medical Solutions Inc. for the year ended December 31, 2021; they were audited by other auditors whose reports have been furnished to us. As of December 31, 2022 and 2021, the total assets of these subsidiaries amounted to NT\$248,563 thousand and NT\$391,788 thousand, respectively; for the years ended December 31, 2022 and 2021, the net operating revenue of these

subsidiaries amounted to NT\$237,024 thousand and NT\$272,765 thousand, respectively.

(2) Details of subsidiaries that have material non-controlling interests

Name of Subsidiary	Principal Place of Business	Proportion of Ownership and Voting Rights (Note)	
		December 31, 2022	December 31, 2021
Optivision Technology Inc.	Hsinchu City	55%	58%

Note: Already considered the impact of buy-back of treasury shares.

Name of Subsidiary	Profit (Loss) Allocated to Non-controlling Interests		Accumulated Non-controlling Interests	
	2022	2021	December 31, 2022	December 31, 2021
Optivision Technology Inc.	(\$ 169,178)	(\$ 19,414)	\$ 529,258	\$ 794,462

The summarized financial information below represents amounts before intragroup eliminations.

Optivision Technology Inc. and subsidiaries

	December 31, 2022	December 31, 2021
Current assets	\$ 596,656	\$ 1,606,649
Non-current assets	542,701	385,418
Current liabilities	(182,224)	(593,505)
Non-current liabilities	(1,829)	(29,732)
Equity	\$ 955,304	\$ 1,368,830
	2022	2021
Revenue	\$ 953,035	\$ 1,726,892
Net loss from continuing operations	(\$ 304,706)	(\$ 32,168)
Loss for the year	(304,706)	(32,168)
Other comprehensive loss for the year	(12,716)	(7,687)
Total comprehensive loss for the year	(\$ 317,422)	(\$ 39,855)
Cash inflow (outflow) from		
Operating activities	\$ 162,897	\$ 316,434
Investing activities	(348,221)	(114,395)
Financing activities	(302,501)	(405,178)
Foreign exchange differences	1,931	(623)
Net cash outflow	(\$ 485,894)	(\$ 203,762)

13. Investments accounted for using the equity method

(1) Investments in associates

Name of Associate	Nature of Activities	Principal Place of Business	December 31, 2022		December 31, 2021	
			Carrying Amount	Proportion of Owners hip (%)	Carrying Amount	Proportion of Owners hip (%)
<u>Immaterial associates</u>						
Vicome Corp.	Manufacture, processing and trading of fluorescent pigments and dyes	Yunlin County	\$ 153,302	30	\$ 137,945	30
Guang Feng (Wuxi) Co., Ltd.	Manufacture and sale of optical instruments	Mainland China	31,812	45	41,993	45
Foshan Donglin Packaging Material Co., Ltd.	Production of cigarette packaging materials and extended products	Mainland China	23,756	25	22,513	25
Hunan Hexin Packaging Material Co., Ltd.	Production, processing and sales of film and cigarette packs, and the segmentation of cigarette papers	Mainland China	227,479	49	223,980	49
CIO Tech Ltd.	Investment holding	Cayman Islands	15,842	22	14,978	22
			<u>\$ 452,191</u>		<u>\$ 441,409</u>	

(2) Aggregate information of associates that are not individually material

	<u>2022</u>	<u>2021</u>
The Group's share of:		
Profit from continuing operations	\$ 5,562	\$ 25,137
Other comprehensive income (loss)	<u>4,415</u>	<u>(2,332)</u>
Total comprehensive income for the year	<u>\$ 9,977</u>	<u>\$ 22,805</u>

The Group's share of profit or loss and other comprehensive income or loss accounted for using the equity method were recognized based on the audited financial statements of the associates for the same periods. We did not audit the financial statements of certain associates, but such statements were audited by other auditors. As of December 31, 2022 and 2021, the amounts of investments in equity-method associates were NT\$153,302 thousand and NT\$137,945 thousand, respectively; for the years ended December 31, 2022 and 2021, the share of profit of equity-method associates amounted to NT\$16,984 thousand and NT\$20,210 thousand, respectively.

14. Property, plant and equipment

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Land	\$ 388,415	\$ 89,964
Buildings	397,688	482,609
Machinery equipment	501,385	502,638
Other equipment	324,948	215,823
Unfinished construction and equipment	<u>71,719</u>	<u>98,335</u>
	<u>\$ 1,684,155</u>	<u>\$ 1,389,369</u>

	<u>Land</u>	<u>Buildings</u>	<u>Machinery Equipment</u>	<u>Other Equipment</u>	<u>Unfinished Construction and Equipment</u>	<u>Total</u>
<u>Cost</u>						
Balance at January 1, 2022	\$ 92,515	\$ 1,236,136	\$ 1,983,501	\$ 769,036	\$ 98,335	\$ 4,179,523
Additions	263,049	16,992	155,647	94,765	58,937	589,390
Disposals	-	(221,326)	(86,363)	(58,166)	-	(365,855)
Reclassification	29,000	1,467	6,189	95,720	(86,057)	46,319
Net foreign exchange differences	<u>6,397</u>	<u>18,184</u>	<u>25,549</u>	<u>8,974</u>	<u>504</u>	<u>59,608</u>
Balance at December 31, 2022	<u>\$ 390,961</u>	<u>\$ 1,051,453</u>	<u>\$ 2,084,523</u>	<u>\$ 910,329</u>	<u>\$ 71,719</u>	<u>\$ 4,508,985</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2022	\$ 2,551	\$ 753,527	\$ 1,480,863	\$ 553,213	\$ -	\$ 2,790,154
Depreciation expenses	-	41,773	90,193	67,674	-	199,640
Impairment losses	-	-	85,671	2,561	-	88,232
Disposals	-	(150,217)	(76,906)	(56,560)	-	(283,683)
Reclassification	-	-	(15,259)	12,763	-	(2,496)
Net foreign exchange differences	<u>(5)</u>	<u>8,682</u>	<u>18,576</u>	<u>5,730</u>	<u>-</u>	<u>32,983</u>
Balance at December 31, 2022	<u>\$ 2,546</u>	<u>\$ 653,765</u>	<u>\$ 1,583,138</u>	<u>\$ 585,381</u>	<u>\$ -</u>	<u>\$ 2,824,830</u>
Carrying amount at December 31, 2022	<u>\$ 388,415</u>	<u>\$ 397,688</u>	<u>\$ 501,385</u>	<u>\$ 324,948</u>	<u>\$ 71,719</u>	<u>\$ 1,684,155</u>

<u>Cost</u>						
Balance at January 1, 2021	\$ 105,670	\$ 1,013,820	\$ 1,744,952	\$ 619,580	\$ 105,828	\$ 3,589,850
Acquisitions through business combinations	-	221,081	149,287	86,658	34,841	491,867
Additions	-	36,133	145,293	74,438	102,684	358,548
Disposals	-	(154)	(47,404)	(19,955)	(3,396)	(70,909)
Reclassification	-	(13,253)	29,998	12,726	(140,991)	(111,520)
Net foreign exchange differences	<u>(13,155)</u>	<u>(21,491)</u>	<u>(38,625)</u>	<u>(4,411)</u>	<u>(631)</u>	<u>(78,313)</u>
Balance at December 31, 2021	<u>\$ 92,515</u>	<u>\$ 1,236,136</u>	<u>\$ 1,983,501</u>	<u>\$ 769,036</u>	<u>\$ 98,335</u>	<u>\$ 4,179,523</u>

(continued)

	Land	Buildings	Machinery Equipment	Other Equipment	Unfinished Construction and Equipment	Total
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2021	\$ 2,676	\$ 639,217	\$ 1,339,545	\$ 477,037	\$ -	\$ 2,458,475
Acquisitions through business combinations	-	98,137	121,860	46,092	-	266,089
Depreciation expenses	-	35,214	87,233	49,986	-	172,433
Disposals	-	(132)	(33,683)	(18,569)	-	(52,384)
Reclassification	-	(8,473)	(2,525)	2,536	-	(8,462)
Net foreign exchange differences	(125)	(10,436)	(31,567)	(3,869)	-	(45,997)
Balance at December 31, 2021	<u>\$ 2,551</u>	<u>\$ 753,527</u>	<u>\$ 1,480,863</u>	<u>\$ 553,213</u>	<u>\$ -</u>	<u>\$ 2,790,154</u>
Carrying amount at December 31, 2021	<u>\$ 89,964</u>	<u>\$ 482,609</u>	<u>\$ 502,638</u>	<u>\$ 215,823</u>	<u>\$ 98,335</u>	<u>\$ 1,389,369</u>

(concluded)

- (1) The Group's property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	
Housing and construction	25 to 50 years
Ancillary equipment	2 to 10 years
Machinery equipment	2 to 10 years
Other equipment	2 to 11 years

- (2) On December 31, 2022 and 2021, the following property, plant, and equipment of the Group were pledged to banks as guarantee for loans:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Land	\$ 63,955	\$ 33,747
Housing and construction	171,117	288,900
	<u>\$ 235,072</u>	<u>\$ 322,647</u>

- (3) The board of directors of Optivision Technology Inc. approved the purchase of land on November 9, 2021; the total transaction price amounted to \$290,000 thousand. As of December 31, 2021, \$29,000 thousand had been repaid which was classified as non-current assets. The abovementioned land was repaid in full and transferred in June 2022, and reclassified as property, plant and equipment.
- (4) In January 2022, the board of directors resolved to dispose of property, plant and equipment, and right-of-use assets of K Laser Technology (Dongguan) Co., Ltd.; the sales price was RMB100,000 thousand (tax inclusive). The abovementioned property, plant and equipment, and right-of-use assets were transferred in November 2022 and leased back for immediate use. Refer to Note 15 for more detailed information on lease agreements.

- (5) The Group assessed that the future economic benefits of some machinery and other equipment had decreased, resulting in the recoverable amount to be less than the carrying amount. The review led to the recognition of impairment loss of \$88,232 thousand in 2022, of which the impairment loss of Optivision Technology Inc. amounted to \$78,335 thousand. The recoverable amount of the aforementioned equipment was determined based on asset's fair value less costs of disposal. The fair value is determined using market approach and cost approach. The main assumptions include estimated sales price, economic depreciation, functional and physical depreciation, as well as Level 2 and 3 of fair value measurements.

15. Lease arrangements

(1) Right-of-use assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Carrying amount</u>		
Land	\$ 227,315	\$ 229,861
Buildings	55,739	67,731
Machinery equipment	5,351	7,516
Transportation equipment	<u>4,620</u>	<u>7,956</u>
	<u>\$ 293,025</u>	<u>\$ 313,064</u>
	<u>2022</u>	<u>2021</u>
Additions to right-of-use assets	<u>\$ 46,930</u>	<u>\$ 31,782</u>
Depreciation charge for right-of-use assets		
Land	\$ 15,125	\$ 11,041
Buildings	37,135	34,140
Machinery equipment	1,870	2,100
Transportation equipment	<u>3,945</u>	<u>4,202</u>
	<u>\$ 58,075</u>	<u>\$ 51,483</u>

Except for the above additions and depreciation charge, there was no significant sublease or impairment of the Group's right-of-use assets for the years ended December 31, 2022 and 2021.

(2) Lease liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Carrying amount</u>		
Current	<u>\$ 39,733</u>	<u>\$ 51,701</u>
Non-current	<u>\$ 153,231</u>	<u>\$ 162,844</u>

Range of discount rate for lease liabilities was as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Land	1.5%-3.63%	1.4%-3.63%
Buildings	1.45%-5.5%	1.5%-5.5%
Machinery equipment	1.5%	1.5%
Transportation equipment	1.5%-1.85%	1.5%-2.36%

(3) Material leasing activities and terms

In order to revitalize assets and strengthen the financial structure of the Group, the right-of-use assets (land use rights), houses and buildings of K Laser Technology (Dongguan) Co., Ltd. located in Dalingshan town, Dongguan City were sold to non-related parties in November 2022 for RMB100,000 thousand (tax inclusive); they will be leased back for 2 years. The annual lease payment of RMB9,600 thousand was included the sales price. The Group calculated the rights transferred to non-related parties according to the leaseback ratio, and recognized \$15,154 thousand (RMB3,441 thousand) of right-of-use assets, \$281,814 thousand (RMB63,995 thousand) of gain on leaseback transactions, \$50,293 thousand (RMB11,421 thousand) of land value-added tax and 15% corporate income tax.

(4) Other lease information

	<u>2022</u>	<u>2021</u>
Expenses relating to short-term leases	<u>\$ 24,664</u>	<u>\$ 26,980</u>
Expenses relating to low-value asset leases	<u>\$ 295</u>	<u>\$ 1,448</u>
Total cash outflow for leases	<u>(\$ 84,539)</u>	<u>(\$ 92,742)</u>

The Group has elected to apply the recognition exemption for short-term leases and thus, did not recognize right-of-use assets and lease liabilities for these leases.

On December 31, 2022 and 2021, the following right-of-assets of the Group had been pledged in banks as collateral for the issuance of bank acceptances:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Land	<u>\$ 4,806</u>	<u>\$ 79,604</u>

16. Goodwill

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Cost</u>		
Balance at January 1	\$ 85,752	\$ 85,752
Balance at December 31	<u>\$ 85,752</u>	<u>\$ 85,752</u>
<u>Accumulated impairment losses</u>		
Balance at January 1	\$ 43,028	\$ -
Impairment loss recognized	<u>-</u>	<u>43,028</u>
Balance at December 31	<u>\$ 43,028</u>	<u>\$ 43,028</u>
Carrying amount at December 31	<u>\$ 42,724</u>	<u>\$ 42,724</u>

On December 23, 2019, the Group acquired control of Insight Medical Solutions Inc. and recognized goodwill amounting to \$85,752 thousand, which was mainly due to the expected growth of capsule endoscopy products in Taiwan. In 2021, the Group assessed that recoverable amount of the abovementioned company was less than its carrying amount, and recognized a loss on goodwill of \$43,028 thousand.

The recoverable amount of Insight Medical Solutions Inc. was determined based on a value in use calculation that used the cash flow projections in the financial budgets approved by management covering a 5-year period; the discount rate was 14.7%. The cash flows beyond that 5-year period have been extrapolated using a 2% per annum growth rate. Other key assumptions included budgeted revenue and budgeted gross margin. Such assumptions were based on the past performance of the cash-generating unit and management's expectations of market development.

17. Other intangible assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Carrying amount</u>		
Computer software	\$ 2,692	\$ 3,850
Professional expertise	<u>35,498</u>	<u>38,457</u>
	<u>\$ 38,190</u>	<u>\$ 42,307</u>
	<u>2022</u>	<u>2021</u>
<u>Cost</u>		
Balance at January 1	\$ 69,799	\$ 66,212
Additions	1,624	3,598
Disposals	(26)	(11)
Net foreign exchange differences	<u>1</u>	<u>-</u>
Balance at December 31	<u>\$ 71,398</u>	<u>\$ 69,799</u>

(continued)

	<u>2022</u>	<u>2021</u>
<u>Accumulated amortization and impairment</u>		
Balance at January 1	\$ 27,492	\$ 21,540
Amortization expenses	5,740	5,963
Disposals	(26)	(11)
Net foreign exchange differences	<u>2</u>	<u>-</u>
Balance at December 31	<u>\$ 33,208</u>	<u>\$ 27,492</u>

(concluded)

Other intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Computer software	2 to 5 years
Professional expertise	15 years

18. Other assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Residual income tax	\$ 33,634	\$ 25,828
Prepayments	194,674	162,922
Refundable deposits	33,110	34,620
Restricted assets (Note 6)	509,877	385,197
Others	<u>62,579</u>	<u>66,886</u>
	<u>\$ 833,874</u>	<u>\$ 675,453</u>
Current	\$ 419,024	\$ 324,733
Non-current	<u>414,850</u>	<u>350,720</u>
	<u>\$ 833,874</u>	<u>\$ 675,453</u>

19. Borrowings

(1) Short-term borrowings

	<u>December 31, 2022</u>		<u>December 31, 2021</u>	
	<u>Interest Rate</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amount</u>
Bank loans	1.41%~3.95%	\$ 387,304	0.85%~4.35%	\$ 398,440
Line of credit borrowings	0.72%~6.09%	23,573	0.68%~1.21%	196,977
Secured loans	1.67%~3.60%	<u>103,060</u>	0.34%~5.10%	<u>152,128</u>
		<u>\$ 513,937</u>		<u>\$ 747,545</u>

On December 31, 2022 and 2021, a portion of the Group's bank loans was guaranteed by the Company, and some of them were jointly guaranteed by Mr. Kuo Wei-Wu and Mr. Kuo Wei-Pin, who are the chairman and director of the Company, respectively.

On December 31, 2022 and 2021, the Group's loans from banks were secured by deposits, land and buildings; refer to Note 33.

(2) Short-term bills payable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Commercial paper	\$ 100,000	\$ 160,000
Less: Unamortized discounts on bills payable	(<u>21</u>)	(<u>52</u>)
	<u>\$ 99,979</u>	<u>\$ 159,948</u>

Outstanding short-term bills payable were as follows:

December 31, 2022

<u>Promissory Institution</u>	<u>Nominal Amount</u>	<u>Discount Amount</u>	<u>Carrying Amount</u>	<u>Interest Rate</u>
<u>Commercial paper</u>				
<u>International Bills</u>				
Finance Corporation	\$ 50,000	\$ 10	\$ 49,990	1.738%
Dah Chung Bills				
Finance Corporation	<u>50,000</u>	<u>11</u>	<u>49,989</u>	1.860%
	<u>\$ 100,000</u>	<u>\$ 21</u>	<u>\$ 99,979</u>	

December 31, 2021

<u>Promissory Institution</u>	<u>Nominal Amount</u>	<u>Discount Amount</u>	<u>Carrying Amount</u>	<u>Interest Rate</u>
<u>Commercial paper</u>				
<u>China Bills Finance</u>				
Corporation	\$ 50,000	\$ 5	\$ 49,995	0.978%
Mega Bills Finance				
Co., Ltd.	50,000	24	49,976	0.988%
<u>International Bills</u>				
Finance Corporation	30,000	9	29,991	0.958%
Dah Chung Bills				
Finance Corporation	<u>30,000</u>	<u>14</u>	<u>29,986</u>	0.950%
	<u>\$ 160,000</u>	<u>\$ 52</u>	<u>\$ 159,948</u>	

(3) Long-term borrowings

	<u>December 31, 2022</u>		<u>December 31, 2021</u>	
	<u>Interest Rate (%)</u>	<u>Amount</u>	<u>Interest Rate (%)</u>	<u>Amount</u>
<u>Secured loans</u>				
Hua Nan Commercial Bank				
Mortgage loan, interest is paid monthly from November 2021 to November 2023 and principal is paid upon maturity, 2 years extension of repayment period from September 2022, expiration date is September 2024.				
	1.53	\$ 494,000	1.08	\$ 350,000

(continued)

	December 31, 2022		December 31, 2021	
	Interest Rate (%)	Amount	Interest Rate (%)	Amount
O-Bank				
Mortgage loan, interest is paid monthly from December 2022 to November 2024 and principal is paid upon maturity.	1.85	\$ 50,000	-	\$ -
MEGA ICBC				
Mortgage loan, interest is paid monthly from November 2022 to November 2027 and principal is paid upon maturity.	3.23	11,548	-	-
MEGA ICBC				
Mortgage loan, interest is paid monthly from December 2022 to November 2027 and principal is paid upon maturity.	3.35	3,012	-	-
<u>Unsecured loans</u>				
JihSun Bank				
Credit loan, interest is paid monthly from November 2018 to November 2020 and principal is paid upon maturity, extension of repayment period from November 2020 and November 2021, expiration date is November 2023. It was fully repaid in March 2022.	-	-	1.15	44,000
JihSun Bank				
Credit loan, interest is paid monthly from June 2022 to November 2023 and principal is paid upon maturity, 2 years extension of repayment period from December 2022, expiration date is December 2024.	1.78	50,000	-	-
Taipei Fubon Bank				
Credit loan, interest is paid monthly from December 2021 to May 2023 and principal is paid upon maturity, it was fully repaid in June 2022.	-	-	1.04	100,000
CTBC Bank				
Credit loan, interest is paid monthly from June 2022 to August 2023 and principal is paid upon maturity, 2 years extension of repayment period from August 2022, expiration date is August 2024.	1.77	50,000	-	-
Yuanta Commercial Bank				
Credit loan, interest is paid monthly from July 2021 to March 2023 and principal is paid upon maturity, it was fully repaid in March 2022.	-	-	1.05	100,000

(continued)

	<u>December 31, 2022</u>		<u>December 31, 2021</u>	
	<u>Interest Rate (%)</u>	<u>Amount</u>	<u>Interest Rate (%)</u>	<u>Amount</u>
Cathay United Bank				
Credit loan, interest is paid monthly from January 2021 to October 2022 and principal is paid upon maturity, extension of repayment period from October 2021 and November 2022, expiration date is November 2024.	1.77	\$ 150,000	0.93	\$ 150,000
O-Bank				
Credit loan, interest is paid monthly from October 2021 to October 2023 and principal is paid upon maturity, 2 years extension of repayment period from November 2022, expiration date is November 2024.	1.81	<u>50,000</u> <u>\$ 858,560</u>	1.19	<u>50,000</u> <u>\$ 794,000</u>

(concluded)

The abovementioned long-term loans were jointly guaranteed by Mr. Kuo Wei-Wu and Mr. Kuo Wei-Pin, the chairman and director of the Company, respectively. The loans from Hua Nan Commercial Bank, O-Bank and Mega ICBC were secured by deposits, land and buildings; refer to Note 33.

20. Bonds payable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Liability component of the 6 th domestic convertible bonds	<u>\$ 512,791</u>	<u>\$ 552,053</u>

On March 24, 2021, the Company issued 6,000 units of NTD-denominated secured convertible bonds with 101% of face value and 0% coupon rate. The total issuance amount was \$606,000 thousand.

(1) The conditions of the Company's 6th domestic convertible bonds are as follows:

1. Issue period: 5 years, from March 24, 2021 to March 24, 2026.
2. Face value: NT\$100 thousand.
3. Place of issuance and trading: Domestic
4. Issue price: 101%
5. Total issuance amount: NT\$600,000 thousand
6. Coupon rate: 0%; effective rate: 0.75%
7. Conversion rights and targets: Convert into ordinary shares of the Company according to conversion price at the time of request

8. Collateral: \$189,368 thousand of pledged bank deposits and 10,000 thousand shares of Optivision Technology Inc.

9. Bonds redemption and buy-back procedures:

(1) Redemption at maturity: the principal will be repaid according to face value.

(2) Early redemption:

The Company may, from the day after three months since the bond issuance until 40 days before the end of the issuance period, redeem all bonds at face value in cash if either the closing price of the Company's ordinary shares on the Taiwan Stock Exchange has exceeded the conversion price by 30% or more for thirty consecutive business days or if the outstanding balance of the convertible bonds in circulation is less than 10% of the original total issuance amount.

(3) Buy-back method:

Upon the full three-year maturity of bond issuance, bondholders may request an early redemption from the Company at 101.51% of the face value.

10. Conversion price and adjustment:

The base date for the price of convertible bonds was March 16, 2021, with a conversion price of NT\$19.8 per share. After the issuance of the convertible bonds, the conversion price shall be adjusted in accordance with the terms of issuance and conversion. As of December 31, 2022, the conversion price was NT\$16.9 per share.

(2) The convertible bonds include assets, liabilities, and equity components. The equity component is recognized as capital surplus - share subscription rights. The asset component is embedded derivative financial instruments, and the liability component consists of embedded derivative financial instruments and non-derivative financial liabilities. The effective interest rate of the non-derivative financial liabilities at initial recognition was 0.75%.

Proceeds from issuance (less transaction costs of \$5,300 thousand)	\$ 600,700
Equity component	(20,280)
Financial assets - redemption rights	960
Financial liabilities - put options	(3,540)
Liability component at the date of issue	577,840
Convertible bonds converted into ordinary shares	(72,322)
Interest charged at an effective rate of 0.75%	<u>7,273</u>
Liability component at December 31, 2022	<u>\$ 512,791</u>

The changes in the host liability instruments, redemption rights and put options of the financial assets/liabilities were as follows:

	Host Liability Instruments	Financial Assets - Redemption Rights	Financial Liabilities - Put Options
Balance at January 1, 2021	\$ -	\$ -	\$-
Issue date	577,840	960	(3,540)
Interest expense	3,365	-	-
Change in fair value (gain or loss)	-	2,174	2,685
Convertible bonds converted into ordinary shares	(29,152)	-	-
Balance at December 31, 2021	<u>552,053</u>	<u>3,134</u>	<u>855</u>
Interest expense	3,908	-	-
Change in fair value (gain or loss)	-	(2,819)	(511)
Convertible bonds converted into ordinary shares	(43,170)	-	-
Balance at December 31, 2022	<u>\$ 512,791</u>	<u>\$ 315</u>	<u>(\$ 1,366)</u>

The aforementioned convertible bonds are guaranteed by Taichung Commercial Bank Co., Ltd. and secured by bank deposits provided by the Company. Mr. Kuo Wei-Wu, the chairman of the Company, is the joint guarantor; refer to Notes 6, 32, and 33 for more details.

21. Other payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Payables for salaries	\$ 130,421	\$ 137,552
Payables for interests	749	476
Payables for pension	42,725	37,448
Payables for employees' compensation and directors' remuneration	24,161	29,800
Payables for labor fee	2,349	2,014
Payables for purchase of equipment	7,249	18,112
Payables for dividends	19,757	-
Payables for taxes	39,783	45,242
Payables for expenses	239,660	203,300
Others	46,488	42,793
	<u>\$ 553,342</u>	<u>\$ 516,737</u>

22. Retirement benefit plans

(1) Defined contribution plan

The Company, Optivision Technology Inc. and Insight Medical Solutions Inc. adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, they make monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. As of December 31, 2022 and 2021, the Group recognized total expenses of \$13,059 thousand and \$13,283 thousand, respectively, in the consolidated statements of comprehensive income based on specified proportion of the defined contribution plan.

(2) Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Act is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligation	\$ 43,478	\$ 46,013
Fair value of plan assets	(28,666)	(25,855)
Net defined benefit liabilities	<u>\$ 14,812</u>	<u>\$ 20,158</u>

Movements in net defined benefit liabilities (assets) were as follows:

	<u>Present Value of Defined Benefit Obligation</u>	<u>Fair Value of Plan Assets</u>	<u>Net Defined Benefit Liabilities (Assets)</u>
Balance at January 1, 2021	\$ 44,619	(\$ 25,731)	\$ 18,888
Service cost			
Current service cost	459	-	459
Interest expense (income)	<u>223</u>	<u>(130)</u>	<u>93</u>
Recognized in profit or loss	<u>682</u>	<u>(130)</u>	<u>552</u>

(continued)

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Liabilities (Assets)
Remeasurement			
Return on plan assets	\$ -	(\$ 323)	(\$ 323)
Actuarial loss - change in demographic assumptions	1,443	-	1,443
Actuarial gain - change in financial assumptions	(509)	-	(509)
Actuarial loss - experience adjustments	<u>686</u>	<u>-</u>	<u>686</u>
Recognized in other comprehensive income	<u>1,620</u>	<u>(323)</u>	<u>(1,297)</u>
Contributions from employer	-	(579)	(579)
Benefits paid	<u>(908)</u>	<u>908</u>	<u>-</u>
Balance at December 31, 2021	<u>46,013</u>	<u>(25,855)</u>	<u>20,158</u>
Service cost			
Current service cost	471	-	471
Interest expense (income)	<u>288</u>	<u>(163)</u>	<u>125</u>
Recognized in profit or loss	<u>759</u>	<u>(163)</u>	<u>596</u>
Remeasurement			
Return on plan assets	-	(2,049)	(2,049)
Actuarial loss - change in demographic assumptions	206	-	206
Actuarial loss - change in financial assumptions	(2,863)	-	(2,863)
Actuarial loss - experience adjustments	<u>637</u>	<u>-</u>	<u>637</u>
Recognized in other comprehensive income	<u>3,294</u>	<u>(2,049)</u>	<u>(5,343)</u>
Contributions from employer	<u>-</u>	<u>(599)</u>	<u>(599)</u>
Balance at December 31, 2022	<u>\$ 43,478</u>	<u>(\$ 28,666)</u>	<u>\$ 14,812</u>

(concluded)

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	<u>2022</u>	<u>2021</u>
<u>Summary by function</u>		
Operating costs	\$ 219	\$ 210
Selling and marketing expenses	93	82
General and administrative expenses	203	200
Research and development expenses	<u>81</u>	<u>60</u>
	<u>\$ 596</u>	<u>\$ 552</u>

Through the defined benefit plans under the Labor Standards Act, the Group is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets shall not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate	1.375%	0.625%
Expected rate of salary increase	2%	2%

If possible reasonable changes in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate		
0.25% increase	(\$ 888)	(\$ 1,025)
0.25% decrease	\$ 920	\$ 1,064
Expected rate of salary increase		
0.25% increase	\$ 900	\$ 1,034
0.25% decrease	(\$ 873)	(\$ 1,001)

The above sensitivity analysis may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions will occur in isolation of one another as some of the assumptions may be correlated.

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Expected contributions to the plans for the next year	\$ 554	\$ 556
Average duration of the defined benefit obligation	10.1 years	11.03 years

23. Equity

(1) Share capital

Ordinary shares

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Shares authorized (in thousands of shares)	<u>300,000</u>	<u>300,000</u>
Amount of authorized shares	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>
Shares issued and fully paid (in thousands of shares)	<u>163,806</u>	<u>165,969</u>
Amount of issued shares	<u>\$ 1,638,061</u>	<u>\$ 1,659,694</u>

The issued ordinary shares with a par value of \$10 entitle the holders with the right to vote and receive dividends.

Changes in the Company's outstanding ordinary shares were as follows:

	<u>Number of Shares (In Thousands)</u>	<u>Share Capital</u>
Balance at January 1, 2022	165,969	\$ 1,659,694
Conversion of bonds	2,432	24,317
Cancellation of treasury shares	(4,595)	(45,950)
Balance at December 31, 2022	<u>163,806</u>	<u>\$ 1,638,061</u>
Balance at January 1, 2021	159,325	\$ 1,593,246
Issuance of new restricted shares	5,000	50,000
Conversion of bonds	<u>1,644</u>	<u>16,448</u>
Balance at December 31, 2021	<u>165,969</u>	<u>\$ 1,659,694</u>

(2) Capital surplus

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Share premium	\$ 481,679	\$ 467,997
Treasury share transactions	10,420	28,216
The difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	93,210	93,210

(continued)

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
May only be used to offset a deficit (2)		
<u>Changes in percentage of ownership interests in subsidiaries</u>	\$ 54,283	\$ 61,961
May not be used for any purpose		
<u>Share options</u>	17,759	19,262
<u>Employee restricted shares</u>	<u>32,617</u>	<u>38,913</u>
	<u>\$ 689,968</u>	<u>\$ 709,559</u>

(concluded)

- 1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus).
 - 2) Such capital surplus arises from the effects of changes in ownership interests in subsidiaries resulting from equity transactions other than actual disposals or acquisitions or from changes in capital surplus of subsidiaries accounted for using the equity method.
- (3) Retained earnings and dividends policy

Under the dividends policy as set forth in the Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit if the amount of accumulated legal reserve has not yet reached the amount of the total capital of the Company, setting aside or reversing a special reserve in accordance with the laws and regulations and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. The distribution plan will be made through the issuance of new shares, if the plan is to be distributed in cash, the board of directors shall be authorized to approve it with the attendance of more than two-thirds of the directors and the consent of the majority of the directors present, and shall be reported in the shareholders' meeting. For the policies on the distribution of compensation of employees and remuneration of directors, refer to Note 25.

The Company shall appropriate a special reserve in accordance with the provisions of the Financial Supervisory Commission's letter No. 1010012865, No. 1010047490, and No. 1030006415, as well as the "Questions and Answers on the Application of Setting Up a Special

Reserve after Adopting International Financial Reporting Standards (IFRSs)”. If there is a subsequent reversal of other deductions from shareholders’ equity, the surplus may be distributed based on the reversed portion.

An appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Company’s paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company’s paid-in capital, the excess shall be distributed in cash.

The appropriations of earnings and cash dividends per share for 2021 and 2020 were resolved by the Company’s board of directors, as follows:

	<u>2021Q4</u>	<u>2021Q2</u>	<u>2020</u>
Date of resolution	March 24, 2022	August 10, 2021	March 23, 2021
Legal reserve	<u>\$ 12,929</u>	<u>\$ 23,321</u>	<u>\$ 12,894</u>
Special reserve	<u>(\$ 62,397)</u>	<u>\$ 74,430</u>	<u>\$ 116,501</u>
Cash dividends	<u>\$ 182,115</u>	<u>\$ 81,124</u>	<u>\$ 144,220</u>
Cash dividends per share	<u>1.20</u>	<u>0.54</u>	<u>0.96</u>

The above appropriations of earnings for 2021 and 2020 were resolved by the Company’s shareholders in their meetings on May 27, 2022 and July 2, 2021, respectively.

The appropriations of the quarterly earnings and cash dividends per share for 2022, which were resolved by the Company’s board of directors, were as follows:

	<u>2022Q4</u>	<u>2022Q2</u>
Date of resolution	March 23, 2023	August 5, 2022
Legal reserve	<u>\$ 13,044</u>	<u>\$ 15,119</u>
Special reserve	<u>(\$ 34,278)</u>	<u>\$ 3,410</u>
Cash dividends	<u>\$ 230,030</u>	<u>\$ 46,006</u>
Cash dividends per share	<u>1.5</u>	<u>0.3</u>

The appropriation of earnings for 2022 will be resolved by the shareholders in their meeting to be held on May 5, 2023.

(4) Other equity items

1) Exchange differences on the translation of the financial statements of foreign operations

	<u>2022</u>	<u>2021</u>
Balance at January 1	(\$ 373,245)	(\$ 287,085)
Exchange differences on the translation of the net assets of foreign operations	96,427	(83,945)

(continued)

	<u>2022</u>	<u>2021</u>
Share of other comprehensive income of associates accounted for using the equity method	\$ 4,415	(\$ 2,332)
Disposal of partial interests in subsidiaries	<u>-</u>	<u>117</u>
Balance at December 31	(<u>\$ 272,403</u>)	(<u>\$ 373,245</u>)

(concluded)

The exchange differences arising from the translation of the net assets of foreign operations from their functional currency to the reporting currency of the Group (i.e., New Taiwan Dollars) are directly recognized as other comprehensive income and accumulated in the foreign currency translation reserve in the financial statements of the foreign operations. The previously accumulated exchange differences in the financial statements of the foreign operations are reclassified to profit or loss upon disposal of the foreign operations.

2) Unrealized gains and losses on financial assets at fair value through other comprehensive income

	<u>2022</u>	<u>2021</u>
Balance at January 1	(\$ 30,640)	(\$ 30,403)
Unrealized valuation gains and losses on equity investments measured at fair value through other comprehensive income	3,462	(229)
Disposal of equity investments measured at fair value through other comprehensive income	994	-
Disposal of partial interests in subsidiaries	<u>-</u>	<u>(8)</u>
Balance at December 31	(<u>\$ 26,184</u>)	(<u>\$ 30,640</u>)

Investments in equity instruments measured at fair value through other comprehensive income are measured at fair value with subsequent fair value changes reported in other comprehensive income and accumulated in other equity. When the investment is disposed of, the accumulated gains and losses are directly recognized in retained earnings and not reclassified as income.

3) Unearned employee benefits

In the meeting on July 2, 2021, the Company's shareholders approved a restricted share plan for employees (see Note 28).

	<u>2022</u>	<u>2021</u>
Balance at January 1	(\$ 72,873)	\$ -
Issuance of shares	-	(88,913)
Share-based payment expenses recognized	<u>31,775</u>	<u>16,040</u>
Balance at December 31	<u>(\$ 41,098)</u>	<u>(\$ 72,873)</u>

(5) Non-controlling interests

	<u>2022</u>	<u>2021</u>
Balance at January 1	\$ 1,589,536	\$ 1,424,774
Share attributable to non-controlling interests		
Net loss for the period	(165,350)	(21,651)
Exchange differences on translating the financial statements of foreign entities	19,093	(12,428)
Unrealized gain (loss) on financial assets at FVTOCI	(8,255)	(4,258)
Additions	-	134,584
Acquired through business combinations	-	189,827
Disposal of partial interests in subsidiaries	-	19,212
Acquisition of non-controlling interests in subsidiaries	-	(1,484)
Dividends paid by subsidiaries	(37,935)	(72,945)
Buy-back of treasury shares by subsidiaries	(89,175)	(69,230)
Exercise of share options by employees of subsidiaries	17,220	483
Others	<u>4,025</u>	<u>2,625</u>
Balance at December 31	<u>\$ 1,329,159</u>	<u>\$ 1,589,536</u>

(6) Treasury shares

1) The changes in treasury shares are as follows:

2)

Unit: In New Taiwan Dollars

Reason	Number of shares on January 1	2022		Number of shares on December 31
		Increase	Decrease	
Transfer of shares to employees	9,095,000	-	(4,595,000)	4,500,000

(continued)

2022				
Reason	Number of shares on January 1	Increase	Decrease	Number of shares on December 31
Maintain the Company's credibility and shareholders' rights	<u>1,181,000</u>	<u>319,000</u>	<u>-</u>	<u>1,500,000</u>
	<u>10,276,000</u>	<u>319,000</u>	<u>(4,595,000)</u>	<u>6,000,000</u>
2021				
Reason	Number of shares on January 1	Increase	Decrease	Number of shares on December 31
Transfer of shares to employees	9,095,000	-	-	9,095,000
Maintain the Company's credibility and shareholders' rights	<u>-</u>	<u>1,181,000</u>	<u>-</u>	<u>1,181,000</u>
	<u>9,095,000</u>	<u>1,181,000</u>	<u>-</u>	<u>10,276,000</u>

(concluded)

- 3) According to Article 28-2 of the Securities and Exchange Act, a company's repurchase of outstanding shares shall not exceed ten percent of the total issued shares, and the total amount spent on repurchasing shares shall not exceed the sum of retained earnings, share premium, and realized capital surplus. The Company shall not pledge treasury shares and not be entitled to dividends or voting rights, as stipulated by the Securities and Exchange Act.

24. Operating revenue

	2022	2021
Holographic	\$ 4,688,653	\$ 3,939,891
Optoelectronics	953,035	1,731,887
Optical instruments	762,615	469,568
Others	<u>17,503</u>	<u>4,944</u>
	<u>\$ 6,421,806</u>	<u>\$ 6,146,290</u>

25. Net profit (loss) from continuing operations

Employee benefits expense, depreciation and amortization expenses

2022				
	Operating Costs	Operating Expenses	Non-operating Expenses and Losses	Total
Short-term benefits	\$ 470,273	\$ 457,953	\$ -	\$ 928,226
Post-employment benefits	\$ 6,330	\$ 7,325	\$ -	\$ 13,655
Termination benefits	\$ 1,247	\$ 697	\$ -	\$ 1,944
Other employee benefits	\$ 16,616	\$ 14,747	\$ -	\$ 31,363
Depreciation expenses				
Property, plant and equipment	\$ 109,573	\$ 87,568	\$ 2,499	\$ 199,640
Right-of-use assets	30,776	27,185	114	58,075
	\$ 140,349	\$ 114,753	\$ 2,613	\$ 257,715
Amortization expenses	\$ 223	\$ 5,517	\$ -	\$ 5,740

2021				
	Operating Costs	Operating Expenses	Non-operating Expenses and Losses	Total
Short-term benefits	\$ 429,532	\$ 417,371	\$ -	\$ 846,903
Post-employment benefits	\$ 6,625	\$ 7,210	\$ -	\$ 13,835
Termination benefits	\$ 199	\$ 59	\$ -	\$ 258
Other employee benefits	\$ 12,217	\$ 13,189	\$ -	\$ 25,406
Depreciation expenses				
Property, plant and equipment	\$ 105,886	\$ 65,268	\$ 1,279	\$ 172,433
Right-of-use assets	31,398	19,772	313	51,483
	\$ 137,284	\$ 85,040	\$ 1,592	\$ 223,916
Amortization expenses	\$ 203	\$ 5,760	\$ -	\$ 5,963

According to the Company's Articles, the Company sets aside 4% to 8% of net profit before income tax before deducting the compensation of employees and remuneration of directors, and accrues no higher than 2% for compensation of employees and remuneration of directors. The compensation of employees and remuneration of directors for the years ended December 31, 2022 and 2021 were approved by the board of directors on March 23, 2023 and March 24, 2022, respectively, as follows:

Estimated rate

	2022	2021
Compensation of employees	6%	6%
Remuneration of directors	1.5%	1.5%

Amount

	2022		2021	
	Cash	Shares	Cash	Shares
Compensation of employees	\$ 19,329	\$ -	\$ 23,840	\$ -
Remuneration of directors	4,832	-	5,960	-

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There is no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2021 and 2020.

Information on the compensation of employees and remuneration of directors resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

26. Income taxes relating to continuing operations

(1) Income tax recognized in profit or loss

Major components of income tax expense (benefit) are as follows:

	<u>2022</u>	<u>2021</u>
Current tax		
In respect of the current year	\$ 88,541	\$ 70,826
Income tax on unappropriated earnings	1,055	-
Land appreciation tax	50,293	-
Adjustments for prior year	(4,932)	(7,113)
Deferred tax		
In respect of the current year	(<u>3,674</u>)	<u>3,283</u>
Income tax expense (benefit) recognized in profit or loss	<u>\$ 131,283</u>	<u>\$ 66,996</u>

A reconciliation of accounting profit and income tax expense is as follows:

	<u>2022</u>	<u>2021</u>
Profit before tax from continuing operations	<u>\$ 243,212</u>	<u>\$ 409,070</u>
Income tax expense calculated at the statutory rate	\$ 62,598	\$ 137,104
Investment interests recognized using the equity method	(18,399)	(45,429)
Dividends from foreign investments	19,900	22,400
Disposal of interests in foreign investments	(11,800)	(23,900)
Less: Withholding tax on foreign dividends	(7,700)	(9,900)
		(continued)

	<u>2022</u>	<u>2021</u>
Unrecognized deductible temporary differences	\$ 12,573	\$ 633
Unrecognized write-off of losses	31,407	(7,971)
Unappropriated earnings	1,055	-
Land appreciation tax	50,293	-
Adjustments for prior years' tax	(4,932)	(7,113)
Others	(3,712)	<u>1,172</u>
Income tax expense recognized in profit or loss	<u>\$ 131,283</u>	<u>\$ 66,996</u>

(concluded)

The individual income tax rate applicable to the Group under the Income Tax Act of the Republic of China is 20%. The tax rate applicable to subsidiaries in the mainland China is 25%; the tax amount in other jurisdictions is calculated based on the tax rate applicable in each relevant jurisdiction.

(2) Current tax assets and liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current tax assets		
Tax refund receivable	<u>\$ 20,706</u>	<u>\$ 12,413</u>
Current tax liabilities		
Income tax payable	<u>\$ 83,388</u>	<u>\$ 15,768</u>

(3) Deferred tax assets and liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Deferred tax assets</u>		
Temporary differences	<u>\$ 29,401</u>	<u>\$ 20,000</u>
Deferred tax assets	<u>\$ 29,401</u>	<u>\$ 20,000</u>

(4) As of December 31, 2022, the information on imputation credit of unrecognized losses was as follows:

<u>Amount to be Deducted</u>	<u>Final Year of Deduction</u>
\$ 82,213	2030
73,135	2031
<u>257,631</u>	2032
<u>\$ 412,979</u>	

(5) Income tax assessments

The income tax returns of the Company through 2020 have been assessed by the tax authorities.

27. Earnings per share

The calculation of earnings per share is disclosed as follows:

	2022			2021		
	Amount Shareholders of the Company (After Tax)	Number of Shares (In Thousands)	Earnings Per Share Shareholders of the Company (After Tax)	Amount Shareholders of the Company (After Tax)	Number of Shares (In Thousands)	Earnings Per Share Shareholders of the Company (After Tax)
Basic earnings per share						
Net profit for the current period attributable to shareholders	\$ 277,279	152,541	\$ <u>1.82</u>	\$ 363,725	150,243	\$ <u>2.42</u>
Effect of potentially dilutive ordinary shares						
Convertible bonds	3,127	30,248		2,692	18,825	
Compensation of employees	-	1,268			1,086	
Restricted shares for employees	-	<u>2,648</u>		-	<u>737</u>	
Diluted earnings per share						
Net profit for the current period attributable to shareholders	\$ <u>280,406</u>	<u>186,705</u>	\$ <u>1.50</u>	\$ <u>366,417</u>	<u>170,891</u>	\$ <u>2.14</u>

The Group may settle the compensation of employees in cash or shares; therefore, the Group assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

28. Share-based payment arrangements

(1) New restricted shares for employees

On July 2, 2021, the Company's shareholders in their meeting resolved to issue 5,000 thousand restricted shares for a total amount of \$50,000 thousand. This one-time issuance of restricted shares was approved by the FSC on July 28, 2021.

- 1) Employees who receive new shares but have not yet met the vested conditions are subject to the following restrictions:
 - a) The restricted shares cannot be sold, pledged, transferred, gifted, or disposed of in any other way, except by inheritance.
 - b) The attendance, proposal, speech, voting, and election rights of the shareholders' meeting are the same as those of the ordinary shares issued by the Company and are implemented in accordance with the trust custody agreement.

- c) They do not have the rights to receive any profits (including but not limited to dividends, legal reserves, and capital reserve distribution rights) or subscription rights for cash capital increase.
 - d) If the cash is refunded due to the Company's capital reduction, the refund that has not been vested due to the allotment shall be delivered to the trust. When the vested conditions and deadlines are met, the vested shares will be delivered to the employees without interests. However, if the vested conditions are not met within the deadlines, the Company will reclaim the cash.
- 2) The restricted shares issued by the Company are subject to the following conditions: Employees who are allocated shares on the grant date (i.e., August 10, 2021) will receive vested rights of 15%, 15%, 20%, 20%, and 30% if they are still employed and achieve the operational goals set by the Company after 1 to 5 years, respectively. If the vested conditions are not met during the period, the Company will not reclaim the restricted shares for that year and will continue to deliver them to the trust for safekeeping. If the operational goals set by the Company are achieved in the fifth year, all the restricted shares can be fully vested.
 - 3) Equity-settled share-based payments to employees are measured based on the fair value of equity instruments on the grant date.
 - 4) When the vested conditions are not met, or in the event of voluntary resignation, dismissal, termination, or violation of the issuance regulations, the Company will retrieve the shares that have not been vested at no cost and cancel them.

As of December 31, 2022, information on restricted shares was as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
	Number of Shares	Number of Shares
	(In Thousands)	(In Thousands)
Balance at January 1	5,000	-
Granted	-	5,000
Vested	(548)	-
Balance at December 31	<u>4,452</u>	<u>5,000</u>

Compensation costs recognized were \$31,775 thousand and \$16,040 thousand for the years ended December 31, 2022 and 2021, respectively.

(2) Employee share option plan of Optivision Technology Inc.

On November 3, 2017, the board of directors of Optivision Technology Inc. resolved to issue employee share options in accordance with Article 167 of the Company Act. The total issuance was 1,000 units, with each unit entitled to subscribe for one ordinary share at a subscription price of NT\$22 per share. Optivision Technology Inc. will make payment to

the employees through the issuance of new shares. Employees may exercise their share options after two years from the date of issuance of the share option certificates and limited to 50% of the number of certificates granted. After three years from the grant date, employees may exercise their share options up to 75% of the number of certificates granted. After four years from the grant date, employees may exercise their share options for all granted certificates. The exercise period for the share options is six years, and any unexercised stock options after the expiration date will be waived. Optivision Technology Inc. had fully issued all the share options on May 10, 2018. If there are any ex-rights or ex-dividend adjustments or cash increase (decrease), the subscription price of the share options will be adjusted accordingly based on the formula. As of December 31, 2022, there were 298,000 outstanding employee share options available for subscription at a subscription price of \$19.3.

Optivision Technology Inc. did not issue new employee share options in 2022 and 2021, the information on employee share options was as follows:

Employee Share Options	2022		2021	
	Number of Options (In Thousands of Units)	Weighted-average Exercise Price (\$)	Number of Options (In Thousands of Units)	Weighted-average Exercise Price (\$)
Balance at January 1	339	\$19.3	412	\$20.2
Options exercised	(36)	19.3	(43)	19.3~20.2
Options expired	(5)	19.3	(30)	19.3~20.2
Balance at December 31	<u>298</u>	19.3	<u>339</u>	19.3
Options exercisable, end of the year	<u>298</u>	19.3	<u>166</u>	19.3

As of December 31, 2022 and 2021, information on outstanding options was as follows:

	Outstanding Share Options as of the Balance Sheet Date			Options Exercisable	
	Number of Options (In Thousands of Units)	Weighted-average Expected Remaining Life (In Years)	Weighted-average Exercise Price (\$)	Number of Exercisable Options (In Thousands of Units)	Weighted-average Exercise Price (\$)
2022	<u>298</u>	<u>1.35</u>	<u>\$ 19.3</u>	<u>298</u>	<u>\$ 19.3</u>
2021	<u>339</u>	<u>2.35</u>	<u>\$ 19.3</u>	<u>166</u>	<u>\$ 19.3</u>

Options granted on May 10, 2018 were priced using the Black-Scholes pricing model. The inputs to the model are as follows:

Grant-date share price	\$22
Exercise price	\$22
Expected volatility	49.56%
Expected life (in years)	4-5 years
Expected dividend yield	0 %
Risk-free interest rate	0.68-0.73%

Compensation costs recognized by Optivision Technology Inc. were \$136 thousand and \$535 thousand for the years ended December 31, 2022 and 2021, respectively.

(3) Employee share option plan of Insight Medical Solutions Inc.

In 2022, the board of directors of Insight Medical Solutions Inc. resolved to issue employee share options in accordance with Article 167 of the Company Act, with a total issuance of 2,000 units. Each unit is entitled to subscribe for one ordinary share at a subscription price of NT\$10 per share, which is immediately acquired. Insight Medical Solutions Inc. will make payment to the employees through the issuance of new shares.

Options granted on October 24, 2022 were priced using the Black-Scholes pricing model and the compensation cost recognized by Insight Medical Solutions Inc. was \$20 thousand. The inputs to the model are as follows:

Grant-date share price	\$6.78
Exercise price	\$10
Expected volatility	57.86%
Expected life (in years)	36 days
Expected dividend yield	0 %
Risk-free interest rate	1.07%

29. Business combinations

(1) The Group through its subsidiary, Treasure Access Limited, purchased 31.75% equity interest in Jiangsu Sunderray Laser Packing Material Co., Ltd., an affiliated enterprise accounted for by using the equity method, from Shin Kong Investment Holding Co., Ltd. for RMB40,000 thousand in October 2021. After the acquisition, the Group's shareholding ratio increased to 65% and gained control, and Jiangsu Sunderray Laser Packing Material Co., Ltd. was included in the consolidated entity starting from October 2021.

Consideration transferred

	<u>Amount</u>
Cash	\$ 172,200
Fair value of shares held	<u>180,335</u>
	<u>\$ 352,535</u>

(2) Assets acquired and liabilities assumed at the date of acquisition

	Jiangsu Sunderray Laser Packing Material Co., Ltd.
	<hr/>
Current assets	
Cash	\$ 36,947
Notes and trade receivables	245,435
Other receivables	644
Inventories	90,798
Other current assets	31,047
Non-current assets	
Fixed assets	\$ 225,777
Right-of-use assets	79,370
Other non-current assets	15,984
Current liabilities	
Short-term borrowings	(94,710)
Notes and trade payables	(68,165)
Other payables	(16,305)
Other current liabilities	(4,460)
Balance at December 31	<u>\$ 542,362</u>

(3) Non-controlling interests

The non-controlling interests in Jiangsu Sunderray Laser Packing Material Co., Ltd. was measured at fair value using the net identifiable assets method at the acquisition date, which amounted to \$189,827 thousand.

(4) Goodwill recognized on acquisitions

	Jiangsu Sunderray Laser Packing Material Co., Ltd.
	<hr/>
Consideration transferred	\$ 352,535
Plus: Non-controlling interests	189,827
Less: Fair value of identifiable net assets acquired	(<u>542,362</u>)
Goodwill recognized on acquisitions	<u>\$ -</u>

(5) Net cash outflow on the acquisition of subsidiaries

Jiangsu
Sunderray Laser
Packing
Material Co.,
Ltd.

Consideration paid in cash	\$ 172,200
Less: Cash and cash equivalent balances acquired	(36,947)
	\$ 135,253

30. Capital management

The capital risk management of the Group is to ensure that it has the necessary financial resources and operational plans to support the needs of operating capital, capital expenditures, research and development expenses, debt repayments, and dividend payments over the next 12 months.

31. Financial instruments

(1) Fair value of financial instruments not measured at fair value

The management of the Group believes that the carrying amounts of financial assets and financial liabilities not measured at fair value approximate their fair values.

(2) Fair value of financial instruments measured at fair value

1) Fair value hierarchy

December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivatives	\$ -	\$ -	\$ 315	\$ 315
Corporate bonds	6,161	-	-	6,161
	\$ 6,161	\$ -	\$ 315	\$ 6,476
Financial assets at FVTOCI				
Investments in equity instruments				
- Foreign unlisted shares	\$ -	\$ -	\$ 56,871	\$ 56,871
- Domestic unlisted shares	-	-	34,990	34,990
	\$ -	\$ -	\$ 91,861	\$ 91,861

(continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial liabilities at FVTPL				
Derivatives	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,366</u>	<u>\$ 1,366</u>
<u>December 31, 2021</u>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at FVTPL				
Derivatives	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,134</u>	<u>\$ 3,134</u>
Financial assets at FVTOCI				
Investments in equity instruments				
- Foreign unlisted shares	\$ -	\$ -	\$ 66,063	\$ 66,063
- Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>29,982</u>	<u>29,982</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 96,045</u>	<u>\$ 96,045</u>
Financial liabilities at FVTPL				
Derivatives	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 855</u>	<u>\$ 855</u>

(concluded)

- 2) There was no transfer between Level 1 and Level 2 fair value measurements in 2022 and 2021.
- 3) For financial assets measured at Level 3 fair value, there were no other adjustment items except for the fair value changes recognized in other comprehensive income.
- 4) Valuation techniques and inputs applied for Level 3 fair value measurements

<u>Financial Instrument</u>	<u>Valuation Technique and Inputs</u>
Domestic and foreign unlisted equity investments	Market approach: The fair value is determined based on the market fair value of observable comparable companies at the end of the period and adjusted by price-to-earnings ratio and price-to-book ratio of the investee company.
Derivatives	Binomial convertible bond pricing model: Considers factors such as the tenure of the corporate bonds, the share price and volatility of the underlying convertible bonds, conversion price, risk-free rate, discount rate, and liquidity risk of the convertible bonds.

(3) Categories of financial instruments

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
At amortized cost		
Cash and cash equivalents	\$ 1,720,354	\$ 2,128,842
Notes and accounts receivable (related parties)	1,389,279	1,586,785
Other receivables	\$ 30,700	\$ 25,710
Refundable deposits	33,110	34,620
Restricted assets (current and non-current)	509,877	385,197
Financial assets at FVTPL - current	315	3,134
Financial assets at FVTPL - non-current	6,161	-
Financial assets at FVTOCI - non-current	91,861	96,045
<u>Financial liabilities</u>		
At amortized cost		
Short-term borrowings	513,937	747,545
Short-term notes payable	99,979	159,948
Notes and accounts payable (related parties)	1,036,862	911,219
Other payables (related parties)	553,485	516,854
Long-term borrowings (including due within 1 year)	858,560	794,000
Bonds payable	512,791	552,053
Financial liabilities at FVTPL - non-current	1,366	855

(4) Financial risk management objectives and policies

The Group's major financial instruments include equity and debt investments, trade receivables, trade payables, other receivables, other payables, bonds payable, and loans. The Group's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the Group through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk, credit risk and liquidity risk.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. There

has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

a) Foreign currency risk

The management of foreign exchange rate risk arising from foreign currency transactions of the Group is conducted within the scope permitted by the regulations of the process for handling derivative financial instrument transactions, by using forward foreign exchange contracts to manage risk. For non-functional currency-denominated monetary assets and monetary liabilities of the Group on the balance sheet date, refer to Note 35. The sensitivity analysis of the Group only includes foreign currency monetary items in circulation and adjusts their year-end conversion by increasing the pre-tax profit and loss when the exchange rate of each foreign currency appreciates by 1% relative to the New Taiwan Dollar; when it depreciates by 1%, the impact on the pre-tax profit and loss will be a negative amount of the same value.

	USD Impact		JPY Impact		RMB Impact	
	2022	2021	2022	2021	2022	2021
Profit or loss	\$ 6,496	\$ 9,964	(\$ 228)	(\$ 1,125)	\$ 814	\$ 7,909

b) Interest rate risk

The interest rate risk of the Group mainly comes from floating rate time deposits and borrowings. The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the year were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash flow interest rate risk		
Financial assets	\$ 254,514	\$ 204,314
Financial liabilities	880,230	863,612

The sensitivity analysis regarding interest rate risk is based on the fair value changes of financial assets and liabilities with floating interest rates as of the end of the reporting period. If interest rates were to increase by one percentage point, the cash outflows of the Group for the years ended December 31, 2022 and 2021 would increase by \$6,257 thousand and \$6,593 thousand, respectively.

2) Credit risk

Credit risk refers to the risk of financial loss incurred by the Group due to the counterparty's failure to fulfill contractual obligations. The Group requires collateral or other forms of security for significant trading counterparties, which effectively reduces the credit risk. The management of the Group assigns a dedicated team to make decisions

on credit limits, credit approvals, and other monitoring procedures to ensure appropriate action is taken to recover overdue receivables. In addition, the Group will review the recoverable amount of trade receivables one by one on the balance sheet date to ensure that there is an appropriate provision for uncollectible trade receivables. Therefore, the management believes that the credit risk of the Group has significantly decreased.

3) Liquidity risk

The operating capital of the Group is sufficient to support its operations; therefore, there is no liquidity risk arising from the inability to raise funds to fulfill contractual obligations.

a) The scheduled maturities of non-derivative financial liabilities of the Group are as follows:

	December 31, 2022			
	Less than 1 Year	2 to 3 Years	3+ Years	Total
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$1,590,346	\$ -	\$ -	\$1,590,346
Lease liabilities	42,768	27,116	145,949	215,833
Variable interest rate liabilities	21,670	844,000	14,560	880,230
Fixed interest rate liabilities	<u>592,246</u>	<u>-</u>	<u>512,791</u>	<u>1,105,037</u>
	<u>\$2,247,031</u>	<u>\$ 871,116</u>	<u>\$ 675,008</u>	<u>\$3,793,155</u>
	Less than 3 Years	3 to 5 Years	5 to 10 Years	10+ Years
Lease liabilities	<u>\$ 69,884</u>	<u>\$ 49,101</u>	<u>\$ 53,795</u>	<u>\$ 43,053</u>
	December 31, 2021			
	Less than 1 Year	2 to 3 Years	3+ Years	T o t a l
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 1,428,073	\$ -	\$ -	\$ 1,428,073
Lease liabilities	44,974	37,730	133,375	216,079
Variable interest rate liabilities	69,612	794,000	-	863,612
Fixed interest rate liabilities	<u>837,881</u>	<u>-</u>	<u>552,053</u>	<u>1,389,934</u>
	<u>\$ 2,380,540</u>	<u>\$ 831,730</u>	<u>\$ 685,428</u>	<u>\$ 3,897,698</u>
	Less than 3 Years	3 to 5 Years	5 to 10 Years	10+ Years
Lease liabilities	<u>\$ 82,704</u>	<u>\$ 46,611</u>	<u>\$ 58,926</u>	<u>\$ 27,838</u>

b) Financing facilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Unsecured bank overdraft facilities:		
Amount used	\$ 810,877	\$ 1,199,417
Amount unused	<u>2,202,963</u>	<u>1,875,463</u>
	<u>\$ 3,013,840</u>	<u>\$ 3,074,880</u>
Secured bank overdraft facilities:		
Amount used	\$ 661,620	\$ 502,128
Amount unused	<u>679,278</u>	<u>707,740</u>
	<u>\$ 1,340,898</u>	<u>\$ 1,209,868</u>
Guaranteed bonds:		
Amount used	\$ 600,000	\$ 600,000
Amount unused	<u>20,000</u>	<u>20,000</u>
	<u>\$ 620,000</u>	<u>\$ 620,000</u>

32. Transactions with related parties

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed as follows.

(1) Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
Dongguan City Guang Zhi Optoelectronic Co., Ltd.	Other related party, not a related party since November 2021 (because the chairman of Optivision Technology Inc. was a director of the parent company)
Guang Feng (Wuxi) Co., Ltd.	Associate accounted for using the equity method
Jiangsu Sunderray Laser Packing Material Co., Ltd.	Associate accounted for using the equity method (became a subsidiary since October 1, 2021)
Hunan Hexin Packaging Material Co., Ltd.	Associate accounted for using the equity method
Boxlight Corporation	Associate accounted for using the equity method (non-current assets were listed for sale)
Kuo Wei-Wu	Chairman of the Company
Kuo Wei-Pin	Director of the Company

(2) Operating transactions

	<u>2022</u>	<u>2021</u>
<u>Sales</u>		
Other related parties		
Dongguan City Guang Zhi Optoelectronic Co., Ltd.	\$ -	\$ 830,821
Associates	<u>-</u>	<u>1,181</u>
	<u>\$ -</u>	<u>\$ 832,002</u>
 <u>Purchases</u>		
Other related parties	\$ -	\$ 429
Associates	<u>19,571</u>	<u>263,677</u>
	<u>\$ 19,571</u>	<u>\$ 264,106</u>
 <u>Manufacturing expenses</u>		
Associates	<u>\$ 10,997</u>	<u>\$ 10,716</u>
 <u>Operating expenses</u>		
Associates	<u>\$ 3,637</u>	<u>\$ 3,821</u>
 <u>Interest income</u>		
Associates		
Hunan Hexin Packaging Material Co., Ltd.	<u>\$ 527</u>	<u>\$ 728</u>
 <u>Other income</u>		
Associates	<u>\$ 1,643</u>	<u>\$ 1,716</u>

There is no significant difference between the transaction conditions of related parties and general customers.

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Receivables from related parties</u>		
Other related parties		
Dongguan City Guang Zhi Optoelectronic Co., Ltd.	\$ -	\$ 195,300
Less: Allowance for loss	<u>-</u>	<u>(6,250)</u>
	<u>\$ -</u>	<u>\$ 189,050</u>
 <u>Payables to related parties</u>		
Associates		
Others	<u>\$ 14</u>	<u>\$ 3,709</u>

(continued)

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Other receivables (excluding capital loans)</u>		
Associates		
Guang Feng (Wuxi) Co., Ltd.	\$ <u>685</u>	\$ <u>669</u>
<u>Other payables</u>		
Associates		
Hunan Hexin Packaging Material Co., Ltd.	\$ 132	\$ 117
Others	<u>11</u>	<u>-</u>
	<u>\$ 143</u>	<u>\$ 117</u>
		(concluded)

There is no significant difference between the transaction conditions of related parties and general customers.

(4) Acquisition of property, plant and equipment

<u>Related Party Category/Name</u>	<u>Purchase Price</u>	
	<u>2022</u>	<u>2021</u>
Other related parties	<u>\$ -</u>	<u>\$ 4,900</u>

(5) Accommodation of funds

The capital loans and related parties of the Group in 2022 and 2021 were as follows:

<u>Related Party Name</u>	<u>2022</u>		<u>2021</u>	
	<u>Maximum Balance</u>	<u>Balance at the End of Period</u>	<u>Maximum Balance</u>	<u>Balance at the End of Period</u>
Associate - Hunan Hexin Packaging Material Co., Ltd.	<u>\$ 124,292</u>	<u>\$ 13,885</u>	<u>\$ 35,072</u>	<u>\$ 20,634</u>

(6) Endorsements and guarantees

The related parties of the Group are the joint guarantor of the loans, and the circumstances of the joint guarantee are as follows:

<u>Related Party Name</u>	<u>Nature of Endorsements</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Key management personnel	Short-term borrowings	\$ 513,937	\$ 747,545
	Commercial paper payable	99,979	159,948
	Bonds payable	512,791	552,053
	Long-term borrowings	<u>858,560</u>	<u>794,000</u>
		<u>\$ 1,985,267</u>	<u>\$ 2,253,546</u>

(7) Remuneration of key management personnel

For the years ended December 31, 2022 and 2021, the remuneration of directors and key management personnel of the Group was as follows:

	<u>2022</u>	<u>2021</u>
Short-term employee benefits	<u>\$ 37,137</u>	<u>\$ 35,760</u>
Post-employment benefits	<u>\$ 653</u>	<u>\$ 718</u>

The remuneration of directors and key executives, as determined by the remuneration committee, is based on the performance of individuals and market trends.

33. Assets pledged as collateral

The following assets of loan contracts and operational needs were provided as collateral for bank borrowings and tariff guarantee for imported raw materials:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Bank deposits	\$ 509,877	\$ 385,197
Property, plant and equipment	235,072	322,647
Right-of-use assets	<u>4,806</u>	<u>79,604</u>
	<u>\$ 749,755</u>	<u>\$ 787,448</u>

In addition, the Company pledged 10,000 ordinary shares of its subsidiary, Optivision Technology Inc., as collateral for the issuance of convertible bonds; refer to Note 20 for more details.

34. Significant events after the reporting period

In February 2022, the board of directors resolved to sign an investment agreement with Nanchang National High-Tech Industrial Development Zone to establish a wholly-owned subsidiary in the zone. The purpose of this subsidiary is to enhance the production efficiency and reduce production costs of China's K Laser Group, and serve as the Company's laser holographic anti-counterfeiting material production base in mainland China.

35. Significant assets and liabilities denominated in foreign currencies

The Group's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies of the entities in the Group and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

Unit: In Thousands of Foreign Currencies/New Taiwan Dollars

	December 31, 2022			December 31, 2021		
	Foreign Currency	Exchange Rate	New Taiwan Dollars	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Financial Assets</u>						
<u>Monetary items</u>						
USD	\$ 32,899	30.71	\$ 1,010,328	\$ 56,510	27.68	\$ 1,564,197
JPY	3,185	0.2324	740	388	0.2405	93
RMB	24,408	4.408	107,590	189,820	4.344	824,578
<u>Long-term equity investments accounted for using the equity method</u>						
USD	1,552	30.71	47,654	2,058	27.68	56,971
<u>Financial Liabilities</u>						
<u>Monetary items</u>						
USD	11,747	30.71	360,750	20,512	27.68	567,772
JPY	101,180	0.2324	23,514	468,250	0.2405	112,614
RMB	5,944	4.408	26,201	7,754	4.344	33,683

36. Separately disclosed items

(1) Information on significant transactions and reinvestments:

No	Items	Remark
1	Financing provided to others	Table 1
2	Endorsements/guarantees provided	None
3	Marketable securities held (excluding investments in subsidiaries, associates and joint ventures)	Table 2
4	Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital	None
5	Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital	Table 3
6	Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital	Table 4
7	Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital	Table 5
8	Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital	Table 6
9	Trading in derivative instruments	None
10	Intercompany relationships and significant intercompany transactions	Table 9
11	Information on investees	Table 7

(2) Information on investments in mainland China

No	Items	Remark
1	Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area	Table 8
2	Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year (2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year (3) The amount of property transactions and the amount of the resultant gains or losses (4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes (5) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds (6) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services	Table 8

(3) Information of major shareholders: list all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 10)

37. Segment information

The Group produces and sells holography products in a single industry, and provides information to chief operating decision maker for resource allocation and departmental performance evaluation. Emphasis is placed on the region of each product delivery or offering. The Group's reportable segments were as follows:

- Mainland China – K Laser Technology (Wuxi) Co., Ltd.
- K Laser Technology (Dongguan) Co., Ltd.
- K Laser Technology (Hongkong) Co., Ltd.
- Hunan Herui Laser Technology Co., Ltd.

- Ningbo Optivision Technology Co., Ltd.
- Glory Group Medical (Wuxi) Co., Ltd.
- Jiangsu Sunderray Laser Packing Material Co., Ltd.
- Jiangyin Teruida Packing Technology Co., Ltd.
- Asia regions – 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 regions – Amagic Technologies U.S.A. (Dubai)
- K Laser Technology (USA) Co., Ltd.
- Finity Laboratories

(1) Segment revenue and results

The following was an analysis of the Group's revenue and results from continuing operations by reportable segments:

	2022				Total
	Mainland China	Asia Regions	Others	Adjustments and Write- offs	
Operating revenue	\$4,128,822	\$3,151,458	\$ 986,387	(\$1,844,861)	\$6,421,806
Operating costs	<u>3,420,469</u>	<u>2,898,372</u>	<u>850,621</u>	(1,904,314)	<u>5,265,148</u>
Gross profit	708,353	253,086	135,766	59,453	1,156,658
Operating expense	<u>721,259</u>	<u>500,548</u>	<u>147,109</u>	(9,798)	<u>1,173,016</u>
Operating income	173,196	(247,462)	(11,343)	69,251	(16,358)
Interest income	9,503	8,577	569	-	18,649
Interest expense	5,285	28,230	2,601	(657)	35,459
Other income (loss)	<u>222,749</u>	<u>213,852</u>	<u>486,202</u>	(644,106)	<u>276,380</u>
Net loss before tax	<u>\$ 397,846</u>	<u>(\$ 53,263)</u>	<u>\$ 472,827</u>	<u>(\$ 574,198)</u>	<u>\$ 243,212</u>

(continued)

	2021				Total
	Mainland China	Asia Regions	Others	Adjustments and Write- offs	
Operating revenue	\$3,642,528	\$3,480,232	\$ 750,759	(\$1,727,229)	\$6,146,290
Operating costs	<u>2,992,168</u>	<u>3,030,389</u>	<u>627,873</u>	(<u>1,741,483</u>)	<u>4,908,947</u>
Gross profit	650,360	449,843	122,886	14,254	1,237,343
Operating expense	<u>435,701</u>	<u>481,134</u>	<u>114,997</u>	(<u>10,927</u>)	<u>1,020,905</u>
Operating income	214,659	(31,291)	7,889	25,181	216,438
Interest income	9,925	9,587	212	-	19,724
Interest expense	1,534	28,976	1,363	(195)	31,678
Other income (loss)	<u>20,669</u>	<u>376,376</u>	<u>640,798</u>	(<u>833,257</u>)	<u>204,586</u>
Net loss before tax	<u>\$ 243,719</u>	<u>\$ 325,696</u>	<u>\$ 647,536</u>	<u>(\$ 807,881)</u>	<u>\$ 409,070</u>

(concluded)

For the years ended December 31, 2022 and 2021, intragroup transactions had been eliminated on consolidation.

(2) Segment assets

	December 31, 2022				Total
	Mainland China	Asia Regions	Others	Adjustments and Write- offs	
Cash and cash equivalents	\$ 821,927	\$ 643,649	\$ 254,778	\$ -	\$1,720,354
Notes and accounts receivable	1,294,483	528,004	96,560	(529,768)	1,389,279
Inventories	856,334	345,426	401,862	(130,448)	1,473,174
Other current assets	<u>276,516</u>	<u>221,987</u>	<u>22,637</u>	(<u>43,660</u>)	<u>477,480</u>
Total current assets	<u>3,249,260</u>	<u>1,739,066</u>	<u>775,837</u>	(<u>703,876</u>)	<u>5,060,287</u>
Funds and investments	302,491	4,046,928	5,396,488	(9,195,694)	550,213
Property, plant and equipment	645,407	933,545	69,892	35,311	1,684,155
Right-of-use assets	101,132	159,787	49,255	(17,149)	293,025
Intangible assets	-	2,691	-	78,223	80,914
Other assets	<u>85,407</u>	<u>319,416</u>	<u>87,377</u>	(<u>47,949</u>)	<u>444,251</u>
Total assets	<u>\$4,383,697</u>	<u>\$7,201,433</u>	<u>\$6,378,849</u>	<u>(\$9,851,134)</u>	<u>\$8,112,845</u>

	December 31, 2021				Total
	Mainland China	Asia Regions	Others	Adjustments and Write- offs	
Cash and cash equivalents	\$ 784,603	\$1,249,938	\$ 94,301	\$ -	\$2,128,842
Notes and accounts receivable	1,190,495	982,610	86,828	(673,148)	1,586,785
Inventories	779,153	366,531	391,632	(129,262)	1,408,054
Other current assets	<u>176,969</u>	<u>218,187</u>	<u>24,812</u>	(<u>24,113</u>)	<u>395,855</u>
Total current assets	<u>2,931,220</u>	<u>2,817,266</u>	<u>597,573</u>	(<u>826,523</u>)	<u>5,519,536</u>
Funds and investments	312,556	3,952,222	5,370,365	(9,097,689)	537,454
Property, plant and equipment	663,253	639,812	49,713	36,591	1,389,369
Right-of-use assets	100,636	209,962	27,050	(24,584)	313,064
Intangible assets	-	3,850	-	81,181	85,031
Other assets	<u>91,265</u>	<u>297,690</u>	<u>28,781</u>	(<u>47,016</u>)	<u>370,720</u>
Total assets	<u>\$4,098,930</u>	<u>\$7,920,802</u>	<u>\$6,073,482</u>	<u>(\$9,878,040)</u>	<u>\$8,215,174</u>

(3) Information on major customers

Single customers contributing 10% or more to the Group's revenue were as follows:

<u>Name of Customer</u>	<u>2022</u>		<u>2021</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Dongguan City Guang Zhi Optoelectronic Co., Ltd.	<u>\$ NA (Note)</u>	<u> </u>	<u>\$ 1,034,875</u>	<u>17</u>

Note: The amount of revenue does not reach 10% of the Group's total revenue.

K Laser Technology Inc. and Subsidiaries
 Financing Provided to Others
 For the Year Ended December 31, 2022

Table 1

Unit: In Thousands of New Taiwan Dollars/Foreign Currencies

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Amount Borrowed	Interest Rate (%)	Nature of Financing (Note 2)	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 3)	Aggregate Financing Limit (Note 3)	Note
													Item	Value			
1	K Laser Technology (Dongguan) Co., Ltd.	Hunan Hexin Packaging Material Co., Ltd.	Other receivables	Yes	\$ 124,292 (RMB 28,000)	\$ 17,412 (RMB 3,950)	\$ 13,885 (RMB 3,550)	2~3%	2	\$ -	Operating turnover	\$ -	None	None	\$ 457,418 (RMB103,770)	\$ 457,418 (RMB103,770)	

Note 1: The information on funds lent by the Group to others should be divided into two tables and marked with a number in the corresponding column. The method for filling in the number is as follows:

- (1) For the Company, fill in "0".
- (2) For the subsidiaries, start with the Arabic number "1" in sequential order according to their company types.

Note 2: The information on funds lent by the Company and its subsidiaries to others should be divided into two tables and marked with a number in the corresponding column. The method for filling in the number is as follows:

- (1) If there is a business relationship, fill in "1".
- (2) If there is a need for short-term funding, fill in "2".

Note 3: The types of limits for funds lent by the Group to others are as follows:

- (1) According to the operating procedures for funds lent by the Company to others, the total amount of funds lent by the Company should not exceed 25% of the current net worth, and the amount lent to any individual should not exceed 10% of the current net worth.
- (2) According to the operating procedures for funds lent by the subsidiaries and endorsements and guarantees provided by the Company, the total amount of loans and financing provided by the Company and its subsidiaries should not exceed 40% of their net worth, and the total amount of funds lent to others for short-term funding purposes should not exceed 40% of their net worth.

K Laser Technology Inc. and Subsidiaries
 Marketable Securities Held
 December 31, 2022

Table 2

Unit: In Thousands of New Taiwan Dollars, Unless Stated Otherwise

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2022				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
The Company	<u>Shares</u> Minton Optic Industry Co., Ltd.	None	Financial assets at FVTPL - non-current	857,900	\$ -	1	\$ -	
	CM Visual Technology Corporation	None	Financial assets at FVTOCI - non-current	138,240	-	-	-	
	CDIB Capital Healthcare Ventures Corporation	None	Financial assets at FVTOCI - non-current	1,800,000	33,317	2	33,317	
	Food fab Group Limited	None	Financial assets at FVTOCI - non-current	1,805,247	5,615	4	5,615	
	Boxlight Corporation	None	Current assets for sale	706,854	6,735	1	6,747	
	<u>Corporate bonds</u> HSBC USD Financial Bonds	None	Financial assets at FVTPL - non-current	-	6,161	-	6,161	
Insight Medical Solutions Inc.	Aether Precision Technology Inc.	None	Financial assets at FVTOCI - non-current	240,000	1,673	10	1,673	
Bright Triumph Limited	Dongguan City Guang Zhi Optoelectronic Co., Ltd.	None	Financial assets at FVTOCI - non-current	5,385,682	51,256	7	51,256	

Note 1: For information related to investments in subsidiaries and associates, refer to Tables 7 and 8.

K Laser Technology Inc. and Subsidiaries

Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital

For the Year Ended December 31, 2022

Table 3

Unit: In Thousands of New Taiwan Dollars

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is a Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
Optivision Technology Inc.	Land No. 668, Datong Section, Zhunan Township, Miaoli County	Board's resolution date: November 9, 2021 Ownership transfer date: June 2022	\$ 290,049 (Note)	Paid in accordance with the sales contract	Heng Fu Industrial Co., Ltd.	None	-	-	-	\$ -	According to the appraisal report of the real estate appraiser firm	For business use	None

Note: The amount includes a transaction price of \$290,000 thousand under the purchase and sale agreement (of which \$29,000 thousand had been paid in November 2021) and necessary costs of \$2,049 thousand paid before the availability for use.

K Laser Technology Inc. and Subsidiaries

Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital

For the Year Ended December 31, 2022

Table 4

Unit: In Thousands of New Taiwan Dollars/Foreign Currencies

Seller	Property	Event Date	Original Acquisition Date	Carrying Amount	Transaction Amount	Collection	Gain (Loss) on Disposal	Counterparty	Relationship	Purpose of Disposal	Price Reference	Other Terms
K Laser Technology (Dongguan) Co., Ltd.	Right-of-use assets of Dashuihu lot in Dadianmei Village, Dalingshan Town, Dongguan City - land and factory buildings	Board's resolution date: January 19, 2022 Ownership transfer date: November 2022	November 4, 2004	RMB 18,588	RMB 100,000 (Tax inclusive)	Received in full in November 2022	\$ 281,814 (RMB 63,995) (Note 4)	Dongguan Zhongtian Management Consulting Co., Ltd.	None	Group's strategy adjustment and future business development needs	According to the appraisal report of the real estate appraiser firm	Note 3

Note 1: If the disposed assets need to be appraised according to regulations, the appraisal results should be noted in the "Price Reference" column.

Note 2: The paid-in capital refers to the paid-in capital of the parent company. For issuers whose shares have no face value or per-share face value is not NT\$10, the transaction amount for 20% of the paid-in capital is calculated based on 10% of the equity belonging to the parent company on the balance sheet.

Note 3: K Laser Technology (Dongguan) Co., Ltd. is allowed to use the subject assets in Dongguan for free within two years from the delivery date agreed in the contract without paying any rent. After the free use period expires, it may continue to lease the assets by paying a monthly rent of RMB800,000.

Note 4: The amount does not include a land appreciation tax of \$50,293 thousand (RMB11,421 thousand) and a 15% corporate income tax.

K Laser Technology Inc. and Subsidiaries
Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital
For the Year Ended December 31, 2022

Table 5

Unit: In Thousands of New Taiwan Dollars/Foreign Currencies

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
The Company	K Laser Technology (Dongguan) Co., Ltd.	Second-tier subsidiary that indirectly holds 93.78% of the shares	Purchase	(\$ 279,084)	20	Cash payment within 90 days	NA	NA	(\$ 80,137)	33	
"	K Laser Technology (USA) Co., Ltd.	Second-tier subsidiary that indirectly holds 79.75% of the shares	Sales	477,758	27	Cash payment within 90 days	NA	NA	106,328	41	
"	K Laser Technology Japan Co., Ltd.	Second-tier subsidiary that indirectly holds 70% of the shares	Sales	144,117	8	Cash payment within 90 days	NA	NA	47,744	18	
"	K Laser Technology (Wuxi) Co., Ltd.	Second-tier subsidiary that indirectly holds 93.78% of the shares	Purchase	(108,194)	8	Cash payment within 90 days	NA	NA	(30,664)	13	
"	Treasure Access Limited	Second-tier subsidiary that indirectly holds 93.78% of the shares	Purchase	(157,873)	11	Cash payment within 90 days	NA	NA	(22,007)	9	
K Laser Technology (Wuxi) Co., Ltd.	Jiangsu Sunderray Laser Packing Material Co., Ltd.	Sister company	Purchase	(RMB 44,848)	44	Cash payment within 60 days	NA	NA	(RMB 17,918)	60	
Jiangsu Sunderray Laser Packing Material Co., Ltd.	K Laser Technology (Dongguan) Co., Ltd.	Sister company	Sales	RMB 23,927	16	Cash payment within 60 days	NA	NA	RMB 5,598	10	
Optivision Technology Inc.	Ningbo Optivision Technology Co., Ltd.	Subsidiary	Sales	176,063	21	Cash payment within 120 days	NA	NA	92,930	56	

K Laser Technology Inc. and Subsidiaries

Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital

December 31, 2022

Table 6

Unit: In Thousands of New Taiwan Dollars

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
The Company	K Laser Technology (USA) Co., Ltd.	Indirectly held 79.95% of second-tier subsidiary	\$ 106,328	3.54	\$ -	-	\$ 77,737	\$ -

K Laser Technology Inc. and Subsidiaries
Information on investees
For the Year Ended December 31, 2022

Table 7

Unit: In Thousands of New Taiwan Dollars/Foreign Currencies

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2022			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2022	December 31, 2021	Number of Shares	%	Carrying Amount			
The Company	K Laser China Group Co., Ltd.	British Virgin Islands	Reinvestment company	\$ 722,454	\$ 722,454	21,289,005	100	\$ 2,317,263	\$ 235,829	\$ 247,175	
"	K Laser International Co., Ltd.	British Virgin Islands	Reinvestment company	726,200	726,200	21,161,462	100	810,426	1,945	1,945	
"	K Laser Technology Inc.	Hsinchu City	Manufacture and sales of optical instruments and electronic components, etc.	499,497	499,497	23,614,835	45	426,157	(304,706)	(135,471)	(Note 1)
"	iWin Technology Co., Ltd.	British Virgin Islands	Reinvestment company	97,372	97,372	157,545	49	10,963	(11,057)	(5,418)	
"	Vicome Corp.	Yunlin County	Manufacture, processing and trading of fluorescent pigments and dyes	35,494	35,494	3,021,420	30	153,302	56,219	16,984	
"	Insight Medical Solutions Inc.	Hsinchu City	R&D and sales of gastrointestinal endoscopy and other businesses	269,813	269,813	8,995,264	41	116,175	(65,180)	(30,471)	
	Guang Feng International Ltd.	Samoa	Reinvestment company	162,463	162,463	4,845,810	100	15,601	(728)	(728)	
K Laser International Co., Ltd.	K Laser Technology (USA) Co., Ltd.	USA	Holographic product sales	USD 6,500	USD 6,500	6,500,000	80	USD 8,489	(USD 294)	(USD 234)	
"	K Laser Technology (Thailand) Co., Ltd.	Thailand	Manufacture and sales of holographic products	USD 1,839	USD 1,839	9,337,984	83	USD 8,011	USD 237	USD 198	
"	K Laser Technology (Korea) Co., Ltd.	Korea	Manufacture and sales of holographic products	USD 2,946	USD 2,946	677,040	100	USD 2,002	USD 188	USD 188	
"	Amagic Technologies U.S.A. (Dubai) Ltd.	Dubai	Sales and agency of holographic products	USD 2,297	USD 2,297	-	100	USD 3,653	USD 50	USD 50	
"	K Laser Technology Japan Co., Ltd.	Japan	Manufacture and sales of holographic products	USD 830	USD 830	1,344	70	USD 2,825	USD 189	USD 132	
"	CIO Tech Ltd.	Cayman Islands	Reinvestment company	USD 750	USD 750	11,000,000	22	USD 516	(USD 115)	(USD 25)	
"	Amagic Holographics India Private Limited	India	Manufacture and sales of holographic products	USD 2,508	USD 2,508	10,915,594	100	USD 324	(USD 54)	(USD 54)	

K Laser Technology (Thailand) Co., Ltd.	K Laser Technology (Indonesia) Co., Ltd.	Indonesia	Manufacture and sales of holographic products	THB 21,168	THB 21,168	266,000	70	THB 22,327	THB 802	THB 561	
K Laser China Group Co., Ltd.	K Laser China Group Holding Co., Limited	Cayman Islands	Reinvestment company	RMB 180,503	RMB 180,503	89,096,401	94	RMB 503,709	RMB 57,716	RMB 54,124	
K Laser China Group Holding Co., Limited	K Laser Technology (H.K.) Co., Ltd.	Hongkong	Sales agent for holographic products	RMB 1,092	RMB 1,092	1,283,500	100	RMB 5,701	RMB 376	RMB 376	
"	Holomagic Co., Ltd.	British Virgin Islands	Reinvestment company	RMB 112,440	RMB 112,440	30,000	100	RMB 273,257	RMB 8,466	RMB 8,326	
"	Top Band Investment., Ltd.	British Virgin Islands	Reinvestment company	RMB 130,106	RMB 130,106	50,000	100	RMB 255,282	RMB 50,466	RMB 50,329	
"	iWin Technology Co., Ltd.	British Virgin Islands	Reinvestment company	RMB 20,825	RMB 20,825	163,975	51	RMB 2,589	(RMB 2,503)	(RMB 1,277)	
Holomagic Co., Ltd.	Treasure Access Limited	Hongkong	Reinvestment company	RMB 69,243	RMB 69,243	10,000	100	RMB 270,924	RMB 8,337	RMB 8,337	
Top Band Investment Ltd.	Union Bloom Limited.	Hongkong	Reinvestment company	RMB 113,329	RMB 113,329	10,000	100	RMB 252,641	RMB 50,329	RMB 50,329	
iWin Technology Co., Ltd.	Finity Laboratories	USA	Research and development of holographic technology	USD 700	USD 700	700,000	100	USD 586	(USD 365)	(USD 365)	
Optivision Technology Inc.	Bright Triumph Limited	Mauritius	Reinvestment company	242,173	242,173	7,913,767	100	135,324	(1,506)	(1,506)	
Insight Medical Solutions Inc.	Insight Medical Solutions Holdings Inc.	Cayman Islands	Reinvestment company	-	USD 2,500	-	100	-	-	-	(Note 2)

Note 1: 10,000,000 ordinary shares of Optivision Technology Inc. have been pledged as collateral for the issuance of convertible bonds by the Company.

Note 2: Insight Medical Solutions Holdings Inc. had been liquidated in April 2022.

K Laser Technology Inc. and Subsidiaries
Information on investments in mainland China
For the Year Ended December 31, 2022

Table 8

Unit: In Thousands of New Taiwan Dollars/Foreign Currencies

1. Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income:

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount	Accumulated Repatriation of Investment Income
					Outward	Inward						
K Laser Technology (Wuxi) Co., Ltd.	Research and development, production of laser holography products, optoelectronic equipment and optoelectronic materials	\$ 556,902 (RMB126,339)	By reinvesting in existing companies in third regions	\$ 205,450 (USD 6,690)	\$ -	\$ -	\$ 205,450 (USD 6,690)	94	(\$ 2,759) (RMB 626)	(\$ 2,587) (RMB 587)	\$ 589,887 (RMB133,822)	\$ 233,360 (RMB 52,940)
K Laser Technology (Dongguan) Co., Ltd.	Engaged in the production and sales of other polyethylene and rigid polyvinyl chloride films and foils	730,057 (RMB165,621)	By reinvesting in existing companies in third regions	63,232 (USD 2,059)	-	-	63,232 (USD 2,059)	94	251,287 (RMB 57,007)	235,647 (RMB 53,459)	1,072,378 (RMB243,280)	756,320 (RMB171,579)
Herui Laser Technology Co., Ltd.	R&D, production and operation of laser paper, anodized aluminum and other new environmentally friendly packaging materials and anti-counterfeiting products, etc.	228,334 (RMB 51,800) (Note 1)	By reinvesting in existing companies in third regions	-	-	-	-	46	43,392 (RMB 9,844)	19,942 (RMB 4,524)	167,094 (RMB 37,907)	31,059 (RMB 7,046)
Foshan Donglin Packaging Material Co., Ltd.	Production of cigarette packaging materials and extended products	116,755 (RMB 26,487) (Note 3)	By reinvesting in existing companies in third regions	-	-	-	-	23	3,641 (RMB 826)	855 (RMB 194)	22,278 (RMB 5,054)	
Hunan Hexin Packaging Material Co., Ltd.	Mainly engaged in the production, processing and sales of film and cigarette packs, and the segmentation of cigarette paper	81,989 (RMB 18,600) (Note 4)	By reinvesting in existing companies in third regions	-	-	-	-	46	8,053 (RMB 1,827)	(256) (RMB -58)	213,321 (RMB 48,394)	
Jiangsu Sunderray Laser Packing Material Co., Ltd.	Production of special film coating, decorative film and environmentally friendly transfer paper, etc.	484,880 (RMB110,000) (Note 2)	By reinvesting in existing companies in third regions	-	-	-	-	61	25,011 (RMB 5,674)	12,818 (RMB 2,908)	356,590 (RMB 80,896)	38,200 (RMB 8,666)

Jiangyin Teruida Packing Technology Co., Ltd.	Production of special film coating, decorative film and environmentally friendly transfer paper, etc.	43,785 (RMB 9,933) (Note 2)	By reinvesting in existing companies in third regions	-	-	-	-	61	4,086 (RMB 927)	2,491 (RMB 565)	38,094 (RMB 8,642)	
Guang Feng (Wuxi) Co., Ltd.	R & D and production of large liquid crystal projection displays and optical engines for displays, projection tubes, etc.	190,994 (RMB 43,329)	By reinvesting in existing companies in third regions	112,276 (USD 3,656)	-	-	112,276 (USD 3,656)	45	(26,718) (USD -870)	(12,008) (USD -391)	31,816 (USD 1,036)	-
Glory Group Medical (Wuxi) Co., Ltd.	R&D and sales of gastrointestinal endoscopy and other businesses	76,775 (USD 2,500)	Directly to the mainland China for investment	76,775 (USD 2,500)	-	-	76,775 (USD 2,500)	41	(7,833)	(3,202)	22,893	
Ningbo Optivision Technology Co., Ltd.	Manufacture, processing and production of brightness enhancement film, film, diffusion film, optical film	148,187 (RMB 33,607)	By reinvesting in existing companies in third regions	161,473 (USD 5,258)			161,473 (USD 5,258)	45	(798) (USD -26)	(356) (USD -12)	35,702 (USD 1163)	
Dongguan City Guang Zhi Optoelectronic Co., Ltd.	R&D and manufacturing of precision components	328,500 (RMB 74,500)	By reinvesting in existing companies in third regions	68,790 (USD 2,240)			68,790 (USD 2,240)	3	-	-	22,866 (USD 745)	

2. Limit on the amount of investment in the mainland China area

Company Name	Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2022	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA (Note 6)
K Laser Technology Inc.	\$380,958 (USD 12,405)	\$2,128,418 (USD 69,307) (Note 5)	\$1,739,946
Optivision Technology Inc.	\$230,263 (USD 7,498)	\$262,755 (USD 8,556)	\$573,182
Insight Medical Solutions Inc.	\$76,775 (USD 2,500)	\$76,775 (USD 2,500)	\$84,175

Note 1: Including cash investments of US\$2,512 thousand made through third-party business.

Note 2: Including cash investments of US\$3,705 thousand made through third-party business.

Note 3: Including cash investments of RMB8,253 thousand made through third-party business.

Note 4: Including cash investments of RMB48,100 thousand made through third-party business.

Note 5: Retained earnings from investments amounted to US\$11,748 thousand.

Note 6: The Company is approved by the competent authority as an operational headquarter and thus is not subject to the limitation of 60% of net worth or NT\$80 million.

Other companies are subject to the higher of 60% of net worth or NT\$80 million.

- Major transactions occurred directly or indirectly through third-party businesses with mainland China companies, refer to Tables 4 and 8.
- Amounts of property transactions and their resulting gains or losses: None.
- Situations involving endorsement, guarantee, or collateral provided by mainland China companies directly or indirectly through third-party businesses: None.
- Situations involving funding provided directly or indirectly through third-party businesses by mainland China companies: None.
- Other significant transaction matters affecting the current income or financial status: None.

K Laser Technology Inc. and Subsidiaries
Intercompany relationships and significant intercompany transactions
For the Year Ended December 31, 2022

Table 9

Unit: In Thousands of New Taiwan Dollars/Foreign Currencies

For the year ended December 31, 2022

No	Company Name	Counterparty	Relationship	Transaction Status			
				Items	Amount	Transaction Terms	As a Percentage of Consolidated Total Revenue or Total Assets (%)
0	K Laser Technology Inc.	K Laser Technology (USA) Co., Ltd.	Parent company to subsidiary	Trade receivable	\$ 106,328	—	1
0	K Laser Technology Inc.	K Laser Technology Japan Co., Ltd.	Parent company to subsidiary	Trade receivable	47,744	—	1
0	K Laser Technology Inc.	K Laser Technology (Dongguan) Co., Ltd.	Parent company to subsidiary	Trade payable	80,137	—	1
0	K Laser Technology Inc.	K Laser Technology (Wuxi) Co., Ltd.	Parent company to subsidiary	Trade payable	30,664	—	-
0	K Laser Technology Inc.	Treasure Access Limited	Parent company to subsidiary	Trade payable	22,007	—	-
0	K Laser Technology Inc.	Jiangsu Sunderray Laser Packing Material Co., Ltd.	Parent company to subsidiary	Trade payable	26,891	—	-
0	K Laser Technology Inc.	K Laser Technology (Dongguan) Co., Ltd.	Parent company to subsidiary	Purchase	279,084	—	4
0	K Laser Technology Inc.	K Laser Technology (Wuxi) Co., Ltd.	Parent company to subsidiary	Purchase	108,194	—	2
0	K Laser Technology Inc.	Treasure	Parent company to subsidiary	Purchase	157,873	—	2
0	K Laser Technology Inc.	Jiangsu Sunderray Laser Packing Material Co., Ltd.	Parent company to subsidiary	Purchase	79,163	—	1
0	K Laser Technology Inc.	K Laser Technology (USA) Co., Ltd.	Parent company to subsidiary	Sales	477,758	—	7
0	K Laser Technology Inc.	K Laser Technology Japan Co., Ltd.	Parent company to subsidiary	Sales	144,117	—	2

1	Top Band Investment Ltd.	K Laser Technology (Dongguan) Co., Ltd.	Subsidiary to subsidiary	Other receivable	RMB 2,891	—	-
2	K Laser Technology (Dongguan) Co., Ltd.	Amagic Technologies U.S.A. (Dubai) Ltd.	Subsidiary to subsidiary	Trade receivable	RMB 6,738	—	-
2	K Laser Technology (Dongguan) Co., Ltd.	Amagic Technologies U.S.A. (Dubai) Ltd.	Subsidiary to subsidiary	Sales	RMB 7,055	—	-
2	K Laser Technology (Dongguan) Co., Ltd.	K Laser Technology (Wuxi) Co., Ltd.	Subsidiary to subsidiary	Sales	RMB 5,639	—	-
2	K Laser Technology (Dongguan) Co., Ltd.	Hunan Herui Laser Technology Co., Ltd.	Subsidiary to subsidiary	Sales	RMB 2,955	—	-
2	K Laser Technology (Dongguan) Co., Ltd.	K Laser Technology (Korea) Co., Ltd.	Subsidiary to subsidiary	Sales	RMB 4,735	—	-
2	K Laser Technology (Dongguan) Co., Ltd.	K Laser Technology (Wuxi) Co., Ltd.	Subsidiary to subsidiary	Purchase	RMB 4,606	—	-
2	K Laser Technology (Dongguan) Co., Ltd.	Jiangsu Sunderray Laser Packing Material Co., Ltd.	Subsidiary to subsidiary	Purchase	RMB 21,646	—	1
2	K Laser Technology (Dongguan) Co., Ltd.	Jiangsu Sunderray Laser Packing Material Co., Ltd.	Subsidiary to subsidiary	Trade payable	RMB 5,598	—	-
3	K Laser Technology (Wuxi) Co., Ltd.	Jiangsu Sunderray Laser Packing Material Co., Ltd.	Subsidiary to subsidiary	Trade payable	RMB 17,918	—	1
3	K Laser Technology (Wuxi) Co., Ltd.	Jiangsu Sunderray Laser Packing Material Co., Ltd.	Subsidiary to subsidiary	Purchase	RMB 44,848	—	3
3	K Laser Technology (Wuxi) Co., Ltd.	K Laser Technology (Hongkong) Co., Ltd.	Subsidiary to subsidiary	Trade receivable	RMB 4,370	—	-
3	K Laser Technology (Wuxi) Co., Ltd.	K Laser Technology (Hongkong) Co., Ltd.	Subsidiary to subsidiary	Sales	RMB 22,292	—	2
4	Optivision Technology Inc.	Ningbo Optivision Technology Co., Ltd.	Subsidiary to subsidiary	Trade payable	\$ 92,930	—	1
4	Optivision Technology Inc.	Ningbo Optivision Technology Co., Ltd.	Subsidiary to subsidiary	Sales	176,063	—	3
5	Treasure	K Laser Technology (Dongguan) Co., Ltd.	Subsidiary to subsidiary	Trade payable	RMB 4,606	—	-
5	Treasure	K Laser Technology (Dongguan) Co., Ltd.	Subsidiary to subsidiary	Purchase	RMB 22,456	—	2
6	Jiangsu Sunderray Laser Packing Material Co., Ltd.	Herui Laser Technology Co., Ltd.	Subsidiary to subsidiary	Sales	RMB 2,509	—	-

Note 1: Information on transactions between the parent company and its subsidiaries should be indicated in the "Number" column, and the numbering method should be as follows:

1. The parent company should fill in "0".
2. Subsidiaries should be numbered sequentially starting from 1 in Arabic numerals according to their company type.

Note 2: There are three types of relationships with the counterparty, and the type should be marked:

1. Parent company to subsidiary
2. Subsidiary to parent company.
3. Subsidiary to subsidiary.

Note 3: For calculating the ratio of transaction amount to the consolidated total revenue or total assets, if the transaction belongs to the asset and liability account, it should be calculated based on the year-end balance as a percentage of the consolidated total assets. If the transaction belongs to the income and expense account, it should be calculated based on the accumulated amount in the interim period as a percentage of the consolidated total revenue.

Note 4: The significant transaction information on this table may be disclosed based on the principle of materiality at the discretion of the company.

K Laser Technology Inc. and Subsidiaries
Information on major shareholders
December 31, 2022

Table 10

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Kuo Wei-Wu (Note 3)	13,303,256	8.12%

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.

Note 3: Acquired additional 14,000 shares in January 2023.

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

K Laser Technology Inc.

Financial Statements and
Independent Auditors' Report
for the Years Ended
December 31, 2022 and 2021

Address: No.1, Lishin 6th Road, Hsinchu, Taiwan
Tel: (03)577-0316

Independent Auditors' Report

The Board of Directors and Shareholders

K Laser Technology Inc.

Opinion

We have audited the accompanying financial statements of K Laser Technology Inc. (the “Company”), which comprise the balance sheets as of December 31, 2022 and 2021, 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 other matter paragraph), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021 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 audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 the Company for the year ended December 31, 2022. 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 Company's revenue mainly comes from the manufacture of laser holographic films, laser anti-counterfeiting labels, laser papers and optical instruments. In 2022, the revenue derived from sales of optical instruments was significant and the authenticity of sales revenue had a significant impact on the financial statements; therefore, the above sales revenue was identified as a key audit matter.

Our main audit procedures performed in respect of the aforementioned key audit matter were as follows:

1. We obtained an understanding and tested the internal control procedures over the recognition of sales revenue and evaluated the effectiveness of such controls.
2. We selected samples from the transaction details of major sales customers to verify whether they were consistent with external freight documents, export declarations and original transaction documents.
3. We confirmed the reasonableness of significant sales returns and allowances.

Other Matter

We did not audit the financial statements of certain investee companies included in the accompanying financial statements which were accounted for using the equity method, but such financial statements were audited by other auditors whose reports have been furnished to us. Our opinion, insofar as it relates to the amounts included for such investments, is based solely on the reports of other auditors. As of December 31, 2022 and 2021, the aforementioned equity-method investments amounted to NT\$290,612 thousand and NT\$397,729 thousand, respectively, which accounted for 5.61% and 7.85% of the total assets, respectively. For the years ended December 31, 2022 and 2021, the share of profit (loss) from equity-method investments amounted to NT\$20,138 thousand and NT\$(52,908) thousand, respectively, which accounted for 6.76% and (14.45)% of the net profit before tax, respectively. Refer to Note 33 to the financial statements for relevant information on the abovementioned 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 the Company 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 the Company 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 the Company.

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 Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the 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 the Company.
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 the Company 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 the Company 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 entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings (including any significant deficiencies in internal control that we identify during our audit).

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence (and where applicable, related safeguards).

From the matters communicated with those charged with governance, we determine that those matters of most significance in the audit of the financial statements for the year ended December 31, 2022 and are therefore 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, 2023

K Laser Technology Inc.
Balance Sheets
December 31, 2022 and 2021

Unit: In Thousands of New Taiwan Dollars

Code	Assets	December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Notes 4 and 6)	\$ 277,123	5	\$ 272,616	5
1110	Financial assets at fair value through profit or loss - current (Notes 4 and 7)	315	-	3,134	-
1150	Notes receivable (Notes 4 and 9)	9,075	-	8,638	-
1170	Trade receivables (Notes 4 and 9)	88,440	2	73,231	1
1180	Trade receivables from related parties (Notes 4, 9 and 29)	159,078	3	201,719	4
1200	Other receivables (Note 29)	40,569	1	3,267	-
1220	Current tax assets (Notes 4 and 24)	47	-	208	-
130X	Inventories (Notes 4 and 10)	103,977	2	84,650	2
1460	Non-current assets held for sale (Notes 4 and 11)	6,735	-	27,960	1
1470	Other current assets (Notes 6 and 17)	<u>109,975</u>	<u>2</u>	<u>133,354</u>	<u>3</u>
11XX	Total current assets	<u>795,334</u>	<u>15</u>	<u>808,777</u>	<u>16</u>
	Non-current assets				
1510	Financial assets at fair value through other profit or loss - non-current (Notes 4 and 7)	6,161	-	-	-
1517	Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	38,932	1	28,733	1
1550	Investments accounted for using the equity method (Notes 4 and 12)	3,849,887	74	3,751,477	74
1600	Property, plant and equipment (Notes 4, 13 and 29)	166,724	3	165,712	3
1755	Right-of-use assets (Notes 4 and 14)	63,658	1	70,785	1
1760	Investment properties, net (Notes 4 and 15)	35,311	1	36,590	1
1780	Other intangible assets (Notes 4 and 16)	1,315	-	1,684	-
1840	Deferred tax assets (Notes 4 and 24)	15,569	1	9,400	-
1990	Other non-current assets (Notes 6 and 17)	<u>210,287</u>	<u>4</u>	<u>194,212</u>	<u>4</u>
15XX	Total non-current assets	<u>4,387,844</u>	<u>85</u>	<u>4,258,593</u>	<u>84</u>
1XXX	Total assets	<u>\$ 5,183,178</u>	<u>100</u>	<u>\$ 5,067,370</u>	<u>100</u>
	Liabilities and Equity				
	Current liabilities				
2100	Short-term borrowings (Note 18)	\$ 390,000	7	\$ 450,000	9
2110	Short-term notes and bills payable (Note 18)	99,979	2	159,948	3
2170	Trade payables	81,099	2	49,347	1
2180	Trade payables to related parties (Note 29)	160,310	3	189,979	4
2200	Other payables (Notes 20 and 29)	81,503	2	92,636	2
2230	Current tax liabilities (Notes 4 and 24)	26,615	-	-	-
2280	Lease liabilities - current (Notes 4 and 14)	5,651	-	6,023	-
2399	Other current liabilities	<u>4,445</u>	<u>-</u>	<u>3,978</u>	<u>-</u>
21XX	Total current liabilities	<u>849,602</u>	<u>16</u>	<u>951,911</u>	<u>19</u>
	Non-current liabilities				
2500	Financial liabilities measured at fair value through profit or loss - non-current (Notes 4 and 7)	1,366	-	855	-
2530	Corporate bonds payable (Notes 4 and 19)	512,791	10	552,053	11
2540	Long-term borrowings (Note 18)	844,000	16	794,000	16
2580	Lease liabilities - non-current (Notes 4 and 14)	59,754	1	66,131	1
2640	Net defined benefit liabilities (Notes 4 and 21)	14,812	1	20,158	-
2670	Other liabilities	<u>942</u>	<u>-</u>	<u>942</u>	<u>-</u>
25XX	Total non-current liabilities	<u>1,433,665</u>	<u>28</u>	<u>1,434,139</u>	<u>28</u>
2XXX	Total liabilities	<u>2,283,267</u>	<u>44</u>	<u>2,386,050</u>	<u>47</u>
	Equity (Note 22)				
	Share capital				
3110	Ordinary shares	1,638,061	32	1,659,694	33
3200	Capital reserve	689,968	13	709,559	14
	Retained earnings				
3310	Legal reserve	277,305	5	249,257	5
3320	Special reserve	332,865	7	391,852	7
3350	Unappropriated earnings	379,209	7	294,763	6
	Other equity				
3410	Exchange differences on translation of foreign financial statements	(272,403)	(5)	(373,245)	(7)
3420	Unrealized gain (loss) on financial assets at fair value through other comprehensive income	(26,184)	(1)	(30,640)	(1)
3490	Unearned employee benefits	(41,098)	(1)	(72,873)	(1)
3500	Treasury shares	(77,812)	(1)	(147,047)	(3)
3XXX	Total equity	<u>2,899,911</u>	<u>56</u>	<u>2,681,320</u>	<u>53</u>
	Total liabilities and equity	<u>\$ 5,183,178</u>	<u>100</u>	<u>\$ 5,067,370</u>	<u>100</u>

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche auditors' report dated March 23, 2023)

Chairman: Kuo Wei-Wu

Manager: Kuo Wei-Wu

Accounting Manager: Hung Ya-Ching

K Laser Technology Inc.
Statements of Comprehensive Income
For the Years Ended December 31, 2022 and 2021

Unit: In Thousands of New Taiwan Dollars, Except Earnings Per Share

Code		2022		2021	
		Amount	%	Amount	%
4000	Operating revenue (Notes 4 and 29)	\$ 1,757,582	100	\$ 1,350,072	100
5110	Cost of goods sold (Notes 10 and 29)	<u>1,456,911</u>	<u>83</u>	<u>1,100,196</u>	<u>81</u>
5900	Gross profit	300,671	17	249,876	19
5910	Unrealized loss on sales transactions	(54,144)	(<u>3</u>)	(47,149)	(<u>4</u>)
5920	Realized gain on sales transactions	<u>47,149</u>	<u>3</u>	<u>21,926</u>	<u>2</u>
5950	Net gross profit	<u>293,676</u>	<u>17</u>	<u>224,653</u>	<u>17</u>
	Operating expenses (Notes 9 and 29)				
6100	Selling and marketing	63,767	4	57,654	4
6200	General and administrative	75,813	4	89,627	7
6300	Research and development	80,708	5	68,948	5
6450	Expected credit loss (reversed)	<u>238</u>	<u>-</u>	(<u>61,138</u>)	(<u>4</u>)
6000	Total operating expenses	<u>220,526</u>	<u>13</u>	<u>155,091</u>	<u>12</u>
6900	Profit from operations	<u>73,150</u>	<u>4</u>	<u>69,562</u>	<u>5</u>
	Non-operating income and expenses				
7060	Share of profit or loss of subsidiaries and associates accounted for using the equity method (Note 13)	94,016	5	223,009	17
7100	Interest income (Note 29)	2,879	-	377	-
7190	Other income (Note 29)	86,532	5	81,183	6
7210	Gain on disposal of property, plant and equipment	805	-	31	-
7225	Gain on disposal of investments	20,639	1	39,860	3

(continued)

<u>Code</u>		<u>2022</u>		<u>2021</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
7230	Gain (loss) on foreign exchange	62,983	4	(17,044)	(1)
7235	Gain (loss) on financial assets (liabilities) at fair value through profit or loss	(3,988)	-	4,594	-
7510	Interest expense	(21,920)	(1)	(23,658)	(2)
7590	Miscellaneous expense	(11,958)	(1)	(11,789)	(1)
7670	Impairment loss	(5,150)	-	-	-
7000	Total non-operating income and expenses	<u>\$ 224,838</u>	<u>13</u>	<u>\$ 296,563</u>	<u>22</u>
7900	Profit before tax	297,988	17	366,125	27
7950	Income tax expense (Notes 4 and 24)	(20,709)	(1)	(2,400)	-
8200	Profit for the year	<u>277,279</u>	<u>16</u>	<u>363,725</u>	<u>27</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	5,343	-	(1,297)	-
8316	Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	3,462	-	(229)	-
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign financial statements	<u>100,842</u>	<u>6</u>	(86,277)	(7)
8300	Total other comprehensive income (loss)	<u>109,647</u>	<u>6</u>	(87,803)	(7)
8500	Total comprehensive income for the year	<u>\$ 386,926</u>	<u>22</u>	<u>\$ 275,922</u>	<u>20</u>
	Earnings per share (Note 25)				
	From continuing operations				
9710	Basic	<u>\$ 1.82</u>		<u>\$ 2.42</u>	
9810	Diluted	<u>\$ 1.50</u>		<u>\$ 2.14</u>	

(concluded)

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche auditors' report dated March 23, 2023)

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

K Laser Technology Inc.
Statements of Changes in Equity
For the Years Ended December 31, 2022 and 2021

Unit: In Thousands of New Taiwan Dollars

Code	Description	Retained Earnings					Other Equity				Total Equity
		Ordinary Shares	Capital Reserve	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Unearned Employee Benefits	Treasury Shares	
A1	Balance at January 1, 2021	\$ 1,593,246	\$ 585,347	\$ 213,042	\$ 200,987	\$ 384,752	(\$ 287,085)	(\$ 30,403)	\$ -	(\$ 118,736)	\$ 2,541,150
	Appropriation and distribution of 2020 earnings (Note 22)										
B1	Legal reserve	-	-	36,215	-	(36,215)	-	-	-	-	-
B3	Special reserve	-	-	-	190,931	(190,931)	-	-	-	-	-
B5	Cash dividends distributed by the Company	-	-	-	-	(225,344)	-	-	-	-	(225,344)
C5	Equity component of convertible bonds issued by the Company	-	20,280	-	-	-	-	-	-	-	20,280
D1	Net profit for the year ended December 31, 2021	-	-	-	-	363,725	-	-	-	-	363,725
D3	Other comprehensive loss for the year ended December 31, 2021, net of income tax	-	-	-	-	(1,297)	(86,277)	(229)	-	-	(87,803)
I1	Conversion of corporate bonds into ordinary shares	16,448	12,704	-	-	-	-	-	-	-	29,152
L1	Buy-back of treasury shares (Note 22)	-	-	-	-	-	-	-	-	(28,311)	(28,311)
M5	Difference between consideration received or paid and carrying amount of subsidiaries' net assets during actual acquisition or disposal	-	23,036	-	(66)	73	117	(8)	-	-	23,152
M7	Changes in percentage of ownership interests in subsidiaries	-	29,279	-	-	-	-	-	11,068	-	40,347
N1	Issuance of restricted shares for employees (Note 26)	50,000	38,913	-	-	-	-	-	(88,913)	-	-
N1	Compensation cost of restricted shares for employees (Note 26)	-	-	-	-	-	-	-	4,972	-	4,972
Z1	Balance at December 31, 2021	1,659,694	709,559	249,257	391,852	294,763	(373,245)	(30,640)	(72,873)	(147,047)	2,681,320
	Appropriation and distribution of 2021 earnings (Note 22)										
B1	Legal reserve	-	-	28,048	-	(28,048)	-	-	-	-	-
B3	Special reserve	-	-	-	(58,987)	58,987	-	-	-	-	-
B5	Cash dividends distributed by the Company (\$1.5 per share)	-	-	-	-	(228,121)	-	-	-	-	(228,121)
D1	Net profit for the year ended December 31, 2022	-	-	-	-	277,279	-	-	-	-	277,279
D3	Other comprehensive income for the year ended December 31, 2022, net of income tax	-	-	-	-	5,343	100,842	3,462	-	-	109,647
I1	Conversion of corporate bonds into ordinary shares	24,317	18,853	-	-	-	-	-	-	-	43,170
L1	Buy-back of treasury shares (Note 22)	-	-	-	-	-	-	-	-	(7,482)	(7,482)
L3	Cancellation of treasury shares (Note 22)	(45,950)	(30,767)	-	-	-	-	-	-	76,717	-
M7	Changes in percentage of ownership interests in subsidiaries	-	(7,677)	-	-	-	-	-	21,925	-	14,248
N1	Compensation cost of restricted shares for employees (Note 26)	-	-	-	-	-	-	-	9,850	-	9,850
Q1	Disposal of investments in equity instruments designated as at fair value through other comprehensive income (Note 22)	-	-	-	-	(994)	-	994	-	-	-
Z1	Balance at December 31, 2022	\$ 1,638,061	\$ 689,968	\$ 277,305	\$ 332,865	\$ 379,209	(\$ 272,403)	(\$ 26,184)	(\$ 41,098)	(\$ 77,812)	\$ 2,899,911

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche auditors' report dated March 23, 2023)

Chairman: Kuo Wei-Wu

Manager: Kuo Wei-Wu

Accounting Manager: Hung Ya-Ching

K Laser Technology Inc.
Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

Unit: In Thousands of New Taiwan Dollars

<u>Code</u>		<u>2022</u>	<u>2021</u>
	Cash flows from operating activities		
A10000	Profit before tax	\$ 297,988	\$ 366,125
A20010	Adjustments for:		
A20100	Depreciation expense	35,795	35,892
A20200	Amortization expense	369	709
A20300	Expected credit loss (reversed)	238	(61,138)
A20400	Net loss (gain) on fair value changes of financial assets at fair value through profit or loss	3,988	(4,594)
A20900	Interest expense	21,920	23,658
A21200	Interest income	(2,879)	(377)
A21900	Compensation cost of share-based payments	9,850	4,972
A22300	Share of (profit) loss of long-term investments accounted for using the equity method	(94,016)	(223,009)
A22500	Loss on disposal and write-down of property, plant and equipment	(805)	(31)
A23100	Gain on disposal of investments	(20,639)	(39,860)
A23800	Reversal of write-down of inventories	(5,829)	(9,680)
A23900	Unrealized loss on transactions with associates	54,144	47,149
A24000	Realized gain on transactions with associates	(47,149)	(21,926)
A23500	Impairment loss on financial assets	5,150	-
A29900	Gain on lease modification	(13)	-
A30000	Net change in operating assets and liabilities		
A31130	Notes receivable	(437)	(3,315)
A31150	Trade receivables	(15,447)	(81,866)
A31160	Trade receivables from related parties	42,641	(32,451)
A31180	Other receivables	(37,301)	6,724
A31200	Inventories	(13,498)	8,428
A31240	Other current assets	972	1,361
A31990	Other non-current assets	(10,797)	(12,497)
A32150	Trade payables	31,752	13,183
A32160	Trade payables to related parties	(29,669)	114,686
A32180	Other payables	(11,281)	9,866
A32230	Other current liabilities	467	(6,329)
A32240	Net defined benefit liabilities - current	(3)	(27)

(continued)

<u>Code</u>		<u>2022</u>	<u>2021</u>
A33000	Cash generated from operations	\$ 215,511	\$ 135,653
A33100	Interest received	2,879	377
A33300	Interest paid	(7,398)	(6,960)
A33500	Income tax paid	(103)	-
AAAA	Net cash generated from operating activities	<u>210,889</u>	<u>129,070</u>
	Cash flows from investing activities		
B00010	Acquisition of financial assets at fair value through other comprehensive income	(5,615)	-
B00020	Disposal of financial assets at fair value through other comprehensive income	2,006	-
B00030	Proceeds from capital reduction of financial assets at fair value through other comprehensive income	3,000	9,000
B00100	Acquisition of financial assets at fair value through profit or loss	(6,818)	(19,493)
B00200	Disposal of financial assets at fair value through profit or loss	-	24,857
B02200	Net cash outflow on acquisition of subsidiaries	-	(22,344)
B02300	Net cash inflow on acquisition of subsidiaries	-	43,332
B02400	Proceeds from capital reduction of investments under equity method	-	54,662
B02600	Proceeds from disposal of assets	36,714	72,809
B02700	Purchase of property, plant and equipment	(34,762)	(38,761)
B02800	Proceeds from disposal of property, plant and equipment	805	3,411
B03800	Decrease in refundable deposits	5,753	1,121
B06600	Decrease (increase) in other financial assets	6,316	(162,766)
B07600	Dividends received from subsidiaries and associates	<u>97,573</u>	<u>152,568</u>
BBBB	Net cash generated from investing activities	<u>104,972</u>	<u>118,396</u>
	Cash flows from financing activities		
C00200	Increase (decrease) in short-term borrowings	(60,000)	20,000
C00600	Decrease in short-term bills payable	(60,000)	(140,000)
C01200	Issuance of corporate bonds	-	600,700
C01600	Proceeds from long-term borrowings	250,000	650,000
C01700	Repayments of long-term borrowings	(200,000)	(1,206,000)
C04200	Repayment of the principal portion of lease liabilities	(5,751)	(6,121)

(continued)

<u>Code</u>		<u>2022</u>	<u>2021</u>
C04500	Issuance of cash dividends	(\$ 228,121)	(\$ 225,344)
C04900	Payments for buy-back of treasury shares	(7,482)	(28,311)
CCCC	Net cash used in financing activities	(311,354)	(335,076)
EEEE	Net increase (decrease) in cash and cash equivalents in the current period	4,507	(87,610)
E00100	Cash and cash equivalents at the beginning of the year	<u>272,616</u>	<u>360,226</u>
E00200	Cash and cash equivalents at the end of the year	<u>\$ 277,123</u>	<u>\$ 272,616</u>

(concluded)

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

(With Deloitte & Touche auditors' report dated March 23, 2023)

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

K Laser Technology Inc.

Notes to the Financial Statements

For the Years Ended December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. General information

K Laser Technology Inc. (“K Laser” or the “Company”) was incorporated in Hsinchu Science Park in April 1988. Its main business activities include research and development, production, manufacturing, and sales of laser holographic packaging materials as well as import and export trade of optical instruments. The Company’s shares were listed on the Taipei Exchange (TPEX) on December 9, 1999, and have subsequently been traded on the Taiwan Stock Exchange (TWSE) since September 17, 2001.

The financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

2. Approval of financial statements

The financial statements were approved by the board of directors on March 23, 2023.

3. Application of new, amended and revised standards and interpretations

- (1) Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Company’s accounting policies.

(2) The IFRSs endorsed by the FSC for application starting from 2023

<u>New IFRSs</u>	<u>Effective Date Announced by IASB</u>
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 3)

Note 1: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 2: The amendments will be applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 3: Except for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments are applied prospectively to transactions that occur on or after January 1, 2022.

Amendments to IAS 1 “Disclosure of Accounting Policies”

The amendments specify that the Company should refer to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that:

- Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;
- The Company may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and
- Not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

- a) The Company changed its accounting policy during the reporting period and this change resulted in a material change to the

information in the financial statements;

- b) The Company chose the accounting policy from options permitted by the standards;
- c) The accounting policy was developed in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in the absence of an IFRS that specifically applies;
- d) The accounting policy relates to an area for which the Company is required to make significant judgements or assumptions in applying an accounting policy, and the Company discloses those judgements or assumptions; or
- e) The accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

Amendments to IAS 8 “Definition of Accounting Estimates”

The amendments define that accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. In applying accounting policies, the Company may be required to measure items at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the Company uses measurement techniques and inputs to develop accounting estimates to achieve the objective. The effects on an accounting estimate of a change in a measurement technique or a change in an input are changes in accounting estimates unless they result from the correction of prior period errors.

Except for the above impact, as of the date the financial statements were authorized for issue, the Company has assessed that the application of other standards and interpretations will not have a material impact on the Company’s financial position and financial performance.

(3) New IFRSs in issue but not yet endorsed and issued into effect by the FSC

<u>New IFRSs</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 - Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

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

The amendments stipulate that, when the Company sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when the Company loses control of a subsidiary that contains a business but retains significant influence or joint control (under the definition of IFRS 3 Business Combinations), the gain or loss resulting from the transaction is recognized in full.

Conversely, when the Company sells or contributes assets that do not constitute a business to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Company’s interest as an unrelated investor in the associate or joint venture, i.e., the Company’s share of the gain or loss is eliminated. Also, when the Company loses control of a subsidiary that does not contain a business but retains significant influence or joint control over an associate or a joint venture (not under the definition of IFRS 3 Business Combinations), the gain or loss resulting from the transaction is recognized only to the extent of the Company’s interest as an unrelated investor in the associate or joint venture, i.e., the Company’s share of the gain or loss is eliminated.

Amendments to IAS 1 “Classification of Liabilities as Current or Non-current” (referred to as the “2020 amendments”) and “Non-current Liabilities with Covenants” (referred to as the “2022 amendments”)

The 2020 amendments clarify that for a liability to be classified as non-current, the Company shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether the Company will exercise that right.

The 2020 amendments also stipulate that, if the right to defer settlement is subject to compliance with specified conditions, the Company must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date. The 2022 amendments further clarify that only covenants with which an entity is required to comply on or before the reporting date should affect the

classification of a liability as current or non-current. Although the covenants to be complied with within twelve months after the reporting period do not affect the classification of a liability, the Company shall disclose information that enables users of financial statements to understand the risk of the Company that may have difficulty complying with the covenants and repay its liabilities within twelve months after the reporting period.

The 2020 amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Company's own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the Company's own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32 "Financial Instruments: Presentation", the aforementioned terms would not affect the classification of the liability.

Except for the above impact, as of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. Summary of significant accounting policies

(1) Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(2) Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

When preparing the financial statements, the Company adopts the equity method to account for investments in subsidiaries. In order to ensure that the profit or loss, other comprehensive income, and equity for the current year in the financial statements are the same as those attributable to the owners of the Company in the consolidated financial statements, differences in certain accounting treatments between the parent company only basis and the consolidated basis are adjusted for investments accounted for using the equity method, share of equity in subsidiaries accounted for using the equity method, share of other comprehensive income in subsidiaries accounted for using the equity method, and related equity items.

(3) Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within twelve months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being used for an exchange or used to settle a liability for more than twelve months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities expected to be settled within twelve months after the reporting period; and
- 3) Liabilities without an unconditional right to defer settlement for at least twelve months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

(4) Foreign currency

In preparing the financial statements, transactions in currencies other than the Company's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the date when the fair value is determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the

retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary item denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency on the date of transaction.

For the purpose of presenting financial statements, the financial statements of the Company and its foreign operations including subsidiaries and associates in other countries that are prepared using functional currencies which are different from the currency of the Company are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

(5) Inventories

Inventories consist of merchandise, raw materials, finished goods and work in progress and are stated at the lower of cost or net realizable value. The comparison between cost and net realizable value is based on individual item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

(6) Investments accounted for using the equity method

The Company adopts the equity method to account for its investments in subsidiaries and associates.

1) Investments in subsidiaries

A subsidiary is an entity (including a structured entity) that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries.

When changes in ownership interests of a subsidiary do not result in a loss of control, the transaction is accounted for as an equity transaction. The difference between the carrying amount of the

investment and the consideration paid or received is recognized directly in equity.

When the Company's share of loss of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests), the Company continues recognizing its share of further loss, if any.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business over the cost of acquisition is recognized immediately in profit or loss.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Company directly disposed of the related assets or liabilities.

Profit or loss resulting from downstream transactions is eliminated in full only in the parent company only financial statements. Profit and loss resulting from upstream transactions and transactions between subsidiaries is recognized only in the parent company only financial statements and only to the extent of interests in the subsidiaries that are not related to the Company.

2) Investments in associates

An associate is an entity over which the Company has significant influence and which is neither a subsidiary nor an interest in a joint venture.

The Company uses the equity method to account for its investments in associates. Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. The Company also recognizes the changes in the share of the equity of associates.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Company subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates and joint ventures accounted for using the equity method. If the Company's ownership interest is reduced due to its additional subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Company's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognizing its share of further loss, if any. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Company discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value

is included in the determination of the gain or loss on disposal of the associate. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required had that associate directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Company continues to apply the equity method and does not remeasure the retained interest.

When the Company transacts with its associate, the profit and loss resulting from upstream and downstream transactions with the associate are recognized in the Company's financial statements only to the extent of interests in the associate that are not related to the Company.

(7) Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

The depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The Company reviews the estimated useful lives, residual values and depreciation methods at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

(8) Investment properties

Investment properties are properties held to earn rental and/or for capital appreciation.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

(9) Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

(10) Impairment of property, plant and equipment, right-of-use assets, investment properties and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment, right-of-use assets, investment properties and intangible assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the assets may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit or assets related to contract costs is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset, cash-generating unit or assets related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

(11) Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying

amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. To meet the criteria for the sale being highly probable, the appropriate level of management must be committed to the sale, and the sale should be expected to qualify for recognition as a completed sale within 1 year from the date of classification.

(12) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

(1) Type of measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at FVTOCI.

A. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value. Fair value is determined in the manner described in Note 28.

B. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i) The financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents and trade receivables at amortized cost are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i) Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- ii) Financial asset that is not credit impaired on purchase or origination but has subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition or between 3 to 12 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

C. Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

(2) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

The Company always recognizes lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses

that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Company considers the following situations as indication that a financial asset is in default:

- i. Internal or external information shows that the debtor is unlikely to pay its creditors.
- ii. Financial asset is past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

(3) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2. Equity instruments

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or

cancellation of the Company's own equity instruments.

3. Financial liabilities

(1) Subsequent measurement

Except the following situations, all financial liabilities are measured at amortized cost using the effective interest method:

Financial liabilities are classified as at FVTPL when such financial liabilities are either held for trading or are designated as at FVTPL. Financial liabilities held for trading are stated at fair value, and any remeasurement gains or losses on such financial liabilities are recognized in other gains or losses.

(2) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4. Convertible bonds

The component parts of compound instruments (i.e., convertible bonds) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or upon the instrument's maturity date. Any embedded derivative liability is measured at fair value.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised; in which case, the balance recognized in equity will be transferred to capital surplus - share premiums. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - share premiums.

(13) Liability provisions

The amount is measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. The provision for liabilities is based on the discounted value of estimated cash flows for settlement obligations.

(14) Revenue recognition

The Company identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

Revenue from the sale of goods

Revenue from the sale of goods comes from sales of holography and optoelectronic products. Sales of goods are recognized as revenue when the goods are shipped or delivered to the place designated by the customers, because it is the time when the customer has control over the goods and the performance obligation is satisfied.

The Company does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

(15) Leases

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

1. The Company as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

When the Company subleases a right-of-use asset, the sublease is classified by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. However, if the head lease is a short-term lease that the Company, as a lessee, has accounted for applying recognition exemption, the sublease is classified as an operating lease.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

2. The Company as lessee

The Company recognizes right-of-use assets and lease liabilities

for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for by applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are presented on a separate line in the balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate will be used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in future lease payments resulting from a change in lease term, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

(16) Borrowing costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than those stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(17) Employee benefits

1. Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2. Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur or when the plan amendment or curtailment occurs. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

3. Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plans except that remeasurement is recognized in profit or loss.

(18) Share-based payment arrangements

The fair value at the grant date of the employee share options/restricted shares for employees is expensed on a straight-line basis over the

vesting period, based on the Company's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options/other equity - unearned employee benefits. The expense is recognized in full at the grant date if the grants are vested immediately.

When restricted shares for employees are issued, other equity - unearned employee benefits is recognized on the grant date, with a corresponding increase in capital surplus - restricted shares for employees.

At the end of each reporting period, the Company revises its estimate of the number of employee share options that are expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to capital surplus - employee share options/other equity - unearned employee benefits.

The restricted shares granted by the Company to employees of subsidiaries in the form of equity instruments are considered as a capital injection into the subsidiary, which are measured based on the fair value of the equity instruments on the grant date and recognized as an increase in the carrying amount of investments in subsidiaries during the vesting period, with corresponding adjustments to other equity (unearned employee benefits).

(19) Treasury shares

When the Company buys back its shares as treasury shares, the cost of payment is debited to the treasury shares and recognized as a reduction in shareholders' equity. The transfer of treasury shares to employees is in accordance with IFRS 2 Share-based Payment. When canceling treasury shares, credit treasury shares and debit capital surplus - share premium and share capital according to the proportion of ownership. If the carrying amount of the treasury shares is higher than the sum of the face value and share premium, the difference is offset against the capital surplus generated by the same type of treasury shares. If there is not enough, it will be debited from retained earnings. Conversely, the difference is credited to the capital surplus generated by the same type of treasury share transactions. The carrying amount of treasury shares is calculated using the weighted-average method.

The Company's shares held by subsidiaries are treated as treasury shares.

(20) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1. Current tax

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforwards to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and such temporary differences are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

3. Current and deferred taxes

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

5. **Critical accounting judgments and key sources of estimation uncertainty**

In the application of the Company's accounting policies, management is required to make judgments, estimations, and assumptions on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Company considers the possible impact of the recent development of the COVID-19 and its economic environment implications when making its critical accounting estimates on cash flows, growth rates, discount rates, profitabilities, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

6. **Cash and cash equivalents**

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand and revolving funds	\$ 8,084	\$ 6,325
Bank checks and demand deposits	<u>269,039</u>	<u>266,291</u>
	<u>\$ 277,123</u>	<u>\$ 272,616</u>

- (1) The market rate intervals of bank deposits on the balance sheet date were as follows (the interest rate for checking deposits was 0%):

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Demand deposits	0.001%-1.05%	0.001%-0.10%

- (2) Other bank deposits of the Company were reclassified as other current assets and other non-current assets as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Other current assets (Note 17)		
Guarantee deposits for land lease of Hsinchu Science Park	\$ -	\$ 5,000
Bank's short-term loan guarantee	<u>95,527</u>	<u>112,934</u>
	<u>\$ 95,527</u>	<u>\$117,934</u>
Other non-current assets (Note 17)		
Guarantee deposits for land lease of Hsinchu Science Park	\$ 5,000	\$ 5,000
Issuance of guaranteed bonds	<u>189,368</u>	<u>173,277</u>
	<u>\$194,368</u>	<u>\$178,277</u>

7. Financial instruments at fair value through profit or loss

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Mandatorily measured at FVTPL</u>		
Derivatives (not under hedge accounting)		
Redemption right of convertible bonds (Note 19)	\$ 315	\$ 3,134
Hybrid financial assets		
Corporate bonds	<u>6,161</u>	<u>-</u>
Financial assets at FVTPL	<u>\$ 6,476</u>	<u>\$ 3,134</u>
Current	\$ 315	\$ 3,134
Non-current	<u>6,161</u>	<u>-</u>
	<u>\$ 6,476</u>	<u>\$ 3,134</u>
<u>Financial liabilities held for trading - non-current</u>		
Derivatives (not under hedge accounting)		
Convertible option of corporate bonds (Note 19)	<u>\$ 1,366</u>	<u>\$ 855</u>

8. Financial assets at fair value through other comprehensive income

Investments in equity instruments - non-current

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Domestic investments - unlisted shares		
CDIB Capital Healthcare Ventures Corporation	\$ 33,317	\$ 26,726
Mega Plastic Industry Co., Ltd.	-	2,007
Foreign investments - unlisted shares		
FOODFAB GROUP LIMITED	<u>5,615</u>	<u>-</u>
	<u>\$ 38,932</u>	<u>\$ 28,733</u>

These investments in equity instruments are held for medium- to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes.

9. Notes receivable and trade receivables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Notes receivable</u>		
At amortized cost		
Gross carrying amount	<u>\$ 9,075</u>	<u>\$ 8,638</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 93,186	\$ 113,051
Less: loss allowance	(4,746)	(39,820)
	<u>\$ 88,440</u>	<u>\$ 73,231</u>
<u>Trade receivables from related parties (Note 29)</u>		
At amortized cost		
Gross carrying amount	\$ 159,078	\$ 201,719
Less: loss allowance	<u>-</u>	<u>-</u>
	<u>\$ 159,078</u>	<u>\$ 201,719</u>

(1) Notes receivable

As of December 31, 2022 and 2021, the Company's notes receivable were not overdue.

(2) Trade receivables

The average credit period on sales of goods is 60 to 90 days after month closing. No interest was charged on accounts receivable. The Company continues to monitor its exposure and credit ratings of counterparties.

In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the year to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced.

As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's different customer base. The expected credit loss rates are estimated based on past due days of the accounts receivable.

The Company writes off a trade receivable when there is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. When recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the provision matrix.

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Not overdue	\$ 249,930	\$ 277,867
1 to 60 days	1,403	12,587
61 to 90 days	-	6,680
91 to 180 days	30	13,886
181 to 360 days	-	3,747
Over 361 days	<u>901</u>	<u>3</u>
Total	<u>\$ 252,264</u>	<u>\$ 314,770</u>

The movements of the loss allowance of trade receivables were as follows:

	<u>2022</u>	<u>2021</u>
Balance at January 1	\$ 39,820	\$ 111,103
Add: Expected credit loss (reversed)	238	(61,138)
Less: Amounts written off	<u>(35,312)</u>	<u>(10,145)</u>
Balance at December 31	<u>\$ 4,746</u>	<u>\$ 39,820</u>

In January 2021, the Company exchanged trade receivables of Boxlight Corporation which had a carrying amount of US\$1,626 thousand (US\$1,983 thousand less provision for impairment loss of US\$357

thousand) for 793,000 shares of Boxlight Corporation and recorded it as non-current assets held for sale.

10. Inventories

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Finished goods	\$ 20,144	\$ 19,994
Work in process	1,832	2,472
Raw materials	53,329	37,214
Merchandise	<u>28,672</u>	<u>24,970</u>
	<u>\$ 103,977</u>	<u>\$ 84,650</u>

The cost of goods sold for the years ended December 31, 2022 and 2021 amounted to \$1,456,911 thousand and \$1,100,196 thousand, respectively.

The cost of goods sold after deducting reversal of net realizable value for the years ended December 31, 2022 and 2021 amounted to \$5,829 thousand and \$9,680 thousand, respectively. The increase in net realizable value of inventory was due to the reversal of inventory previously written down for impairment.

11. Non-current assets held for sale

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Boxlight Corporation	<u>\$ 6,735</u>	<u>\$ 27,960</u>

The Company disposed of the investment after the resolution was passed by the board of directors and conducted an impairment assessment in accordance with relevant accounting policies. As the carrying amount was less than the fair value, it was reclassified based on the carrying amount as non-current assets held for sale and presented separately in the balance sheets.

The Company has performed an impairment test on the abovementioned equity investment in accordance with relevant accounting policies and recognized a loss of \$5,150 thousand which was presented under impairment loss. As of December 31, 2022, the fair value of equity held by the Company was \$6,747 thousand.

12. Investments accounted for using the equity method

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Investments in subsidiaries	\$ 3,696,585	\$ 3,613,532
Investments in associates	<u>153,302</u>	<u>137,945</u>
	<u>\$ 3,849,887</u>	<u>\$ 3,751,477</u>

(1) Investments in subsidiaries

The Company's subsidiaries are as follows:

Name of Subsidiary	Nature of Activities	Principal Place of Business	December 31, 2022		December 31, 2021	
			Carrying Amount	Proportion of Ownership (%)	Carrying Amount	Proportion of Ownership (%)
<u>Listed company</u>						
Optivision Technology Inc. (Note 1)	Manufacture and sales of optical instruments and electronic components, etc.	Hsinchu City	\$ 426,157	45	\$ 574,422	42
<u>Non-listed company</u>						
K Laser China Group Co., Ltd.	Reinvestment business	British Virgin Islands	2,317,263	100	743,919	100
K Laser International Co., Ltd.	Reinvestment business	British Virgin Islands	810,426	100	2,121,577	100
iWin Technology Co., Ltd.	Reinvestment business	British Virgin Islands	10,963	49	14,851	49
Insight Medical Solutions Inc.	R&D and sales of gastrointestinal endoscopy and other businesses	Hsinchu City	116,175	41	142,474	45
Guang Feng International Ltd.	Reinvestment company	Samoa	<u>15,601</u>	100	<u>16,289</u>	100
			<u>\$3,696,585</u>		<u>\$3,613,532</u>	

Note 1: The equity held in Optivision Technology Inc. already considered the impact of buy-back of treasury shares.

The market value information of the equity investments in listed company accounted for using the equity method as of the balance sheet date based on the closing price of shares is as follows:

Name of Company	December 31, 2022	December 31, 2021
Optivision Technology Inc.	<u>\$ 458,128</u>	<u>\$ 817,073</u>

- 1) K Laser International Co., Ltd. was established in October 2000 in the British Virgin Islands and is a wholly-owned subsidiary of the Company. In 2022, the Company increased its capital contribution to K Laser International Co., Ltd. by US\$800,000. As of December 31, 2022 and 2021, the Company's cumulative investment amount in K Laser International Co., Ltd. was US\$20,341 thousand. The business of K Laser International Co., Ltd. mainly involves investment and the Company indirectly invests in overseas regions such as America and Asia through K Laser International Co., Ltd., which mainly engaged in the production, sales, and investment of holographic products, fiber optic communication components, and related businesses.
- 2) K Laser China Group Co., Ltd. was established in October 2000 in the British Virgin Islands and is a wholly-owned subsidiary of the Company. As of December 31, 2022 and 2021, the Company's cumulative investment amount in K Laser China Group Co., Ltd. was US\$21,289 thousand, with a shareholding ratio of 100%. The business of K Laser China Group Co., Ltd. mainly involves investment and the Company indirectly invests in companies such as K Laser Technology (Wuxi) Co., Ltd., K Laser Technology (Dongguan) Co., Ltd., Hunan Herui Laser Technology Co., Ltd., and K Laser Technology (Hong Kong) Co., Ltd., which mainly

engaged in the production and sales of laser technology products. The aforementioned indirect investments in mainland China had been approved by the Investment Review Committee of the Ministry of Economic Affairs.

(2) Investments in associates

The Company's associates are as follows:

Name of Subsidiary	Nature of Activities	Principal Place of Business	December 31, 2022		December 31, 2021	
			Carrying Amount	Proportion of Ownership (%)	Carrying Amount	Proportion of Ownership (%)
Vicome Corp.	Manufacture, processing and trading of fluorescent pigments and dyes	Yunlin County	<u>\$153,302</u>	30	<u>\$137,945</u>	30

Information on the Company's associates is as follows:

	December 31, 2022	December 31, 2021
Total assets	<u>\$ 645,625</u>	<u>\$ 628,889</u>
Total liabilities	<u>\$ 138,168</u>	<u>\$ 172,266</u>
	2022	2021
Operating revenue	<u>\$ 136,506</u>	<u>\$ 168,523</u>
Net profit	<u>\$ 56,219</u>	<u>\$ 66,897</u>
Other comprehensive income (loss)	<u>\$ 14,616</u>	<u>(\$ 7,720)</u>

The Company's share of profit or loss and other comprehensive income or loss accounted for using the equity method were recognized based on the audited financial statements of the associates for the same periods.

The investment gains and losses from long-term equity investments are recognized by using the equity method. We did not audit the financial statements of Vicome Corp., Amagic Technologies U.S.A. (Dubai) and K Laser Technology (H.K.) Co., Ltd. for the years ended December 31, 2022 and 2021, as well as the financial statements of Insight Medical Solutions Inc. for the year ended December 31, 2021, but such statements were audited by other auditors. As of December 31, 2022 and 2021, the amounts of equity-method investments were NT\$290,612 thousand and NT\$397,729 thousand, respectively. The share of profit (loss) of associates accounted by using the equity method for the years ended December 31, 2022 and 2021 amounted to NT\$20,138 thousand and NT\$(52,908) thousand, respectively.

13. Property, plant and equipment

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Buildings	\$ 92,779	\$ 97,342
Machinery equipment	13,847	18,343
Other equipment	60,098	49,526
Unfinished construction and equipment	<u>-</u>	<u>501</u>
	<u>\$ 166,724</u>	<u>\$ 165,712</u>

	<u>Buildings</u>	<u>Machinery Equipment</u>	<u>Other Equipment</u>	<u>Unfinished Construction and Equipment</u>	<u>Total</u>
<u>Cost</u>					
Balance at January 1, 2022	\$ 339,609	\$ 152,110	\$ 163,607	\$ 501	\$ 655,827
Additions	2,025	2,824	24,539	-	29,388
Disposals	-	-	(10,041)	-	(10,041)
Reclassification	<u>501</u>	<u>-</u>	<u>-</u>	<u>(501)</u>	<u>-</u>
Balance at December 31, 2022	<u>\$ 342,135</u>	<u>\$ 154,934</u>	<u>\$ 178,105</u>	<u>\$ -</u>	<u>\$ 675,174</u>
<u>Accumulated depreciation and impairment</u>					
Balance at January 1, 2022	\$ 242,267	\$ 133,767	\$ 114,081	\$ -	\$ 490,115
Depreciation expenses	7,089	7,320	13,967	-	28,376
Disposals	-	-	(10,041)	-	(10,041)
Reclassification	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2022	<u>\$ 249,356</u>	<u>\$ 141,087</u>	<u>\$ 118,007</u>	<u>\$ -</u>	<u>\$ 508,450</u>
111 年 12 月 31 日 淨額	<u>\$ 92,779</u>	<u>\$ 13,847</u>	<u>\$ 60,098</u>	<u>\$ -</u>	<u>\$ 166,724</u>
<u>Cost</u>					
Balance at January 1, 2021	\$ 339,149	\$ 151,133	\$ 125,069	\$ 5,849	\$ 621,200
Additions	718	3,282	33,897	501	38,398
Disposals	-	-	(175)	(3,396)	(3,571)
Reclassification	<u>(258)</u>	<u>(2,305)</u>	<u>4,816</u>	<u>(2,453)</u>	<u>(200)</u>
Balance at December 31, 2021	<u>\$ 339,609</u>	<u>\$ 152,110</u>	<u>\$ 163,607</u>	<u>\$ 501</u>	<u>\$ 655,827</u>
<u>Accumulated depreciation and impairment</u>					
Balance at January 1, 2021	\$ 235,362	\$ 128,044	\$ 98,737	\$ -	\$ 462,143
Depreciation expenses	6,916	8,166	13,032	-	28,114
Disposals	-	-	(142)	-	(142)
Reclassification	<u>(11)</u>	<u>(2,443)</u>	<u>2,454</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2021	<u>\$ 242,267</u>	<u>\$ 133,767</u>	<u>\$ 114,081</u>	<u>\$ -</u>	<u>\$ 490,115</u>
Carrying amount at December 31, 2021	<u>\$ 97,342</u>	<u>\$ 18,343</u>	<u>\$ 49,526</u>	<u>\$ 501</u>	<u>\$ 165,712</u>

(1) The property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	
Housing and construction	25 to 50 years
Ancillary equipment	2 to 10 years
Machinery equipment	2 to 10 years
Other equipment	3 to 11 years

(2) On December 31, 2022 and 2021, the following property, plant, and equipment were pledged to banks as guarantee for loans:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Housing and construction	\$ 92,779	\$ 97,342
Investment properties	<u>35,311</u>	<u>36,590</u>
	<u>\$ 128,090</u>	<u>\$ 133,932</u>

14. Lease arrangements

(1) Right-of-use assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Carrying amount		
Land	\$ 60,632	\$ 65,148
Buildings	543	1,713
Transportation equipment	<u>2,483</u>	<u>3,924</u>
	<u>\$ 63,658</u>	<u>\$ 70,785</u>
	<u>2022</u>	<u>2021</u>
Additions to right-of-use assets	<u>\$ -</u>	<u>\$ 3,655</u>
Depreciation charge for right-of-use assets		
Land	\$ 4,042	\$ 4,072
Buildings	657	856
Transportation equipment	<u>1,441</u>	<u>1,571</u>
	<u>\$ 6,140</u>	<u>\$ 6,499</u>

(2) Lease liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Carrying amount		
Current	<u>\$ 5,651</u>	<u>\$ 6,023</u>
Non-current	<u>\$ 59,754</u>	<u>\$ 66,131</u>

Range of discount rate for lease liabilities was as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Land	1.55%	1.4%
Buildings	1.5%	1.5%
Transportation equipment	1.5%-1.83%	1.5%-1.83%

(3) Other lease information

	<u>2022</u>	<u>2021</u>
Expenses relating to low-value asset leases	<u>\$ 188</u>	<u>\$ 189</u>
Total cash outflow for leases	<u>\$ 7,011</u>	<u>\$ 7,324</u>

The Company has elected to apply the recognition exemption for short-term leases and thus, did not recognize right-of-use assets and lease liabilities for these leases.

15. Investment properties

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Investment properties	<u>\$ 35,311</u>	<u>\$ 36,590</u>
	<u>2022</u>	<u>2021</u>
<u>Cost</u>		
Balance at January 1	<u>\$ 130,902</u>	<u>\$ 130,902</u>
Balance at December 31	<u>\$ 130,902</u>	<u>\$ 130,902</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Accumulated depreciation and impairment</u>		
Balance at January 1	\$ 94,312	\$ 93,033
Depreciation expenses	<u>1,279</u>	<u>1,279</u>
Balance at December 31	<u>\$ 95,591</u>	<u>\$ 94,312</u>

The abovementioned investment properties are depreciated on a straight-line basis over their estimated useful lives as follows:

Housing and construction	50 years
Ancillary equipment	10 years

The fair values of investment properties were \$92,130 thousand and \$95,386 thousand on December 31, 2022 and 2021, respectively, were based on the valuation of appraisal reports.

16. Other intangible assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Carrying amount</u>		
Computer software	<u>\$ 1,315</u>	<u>\$ 1,684</u>
	<u>2022</u>	<u>2021</u>
<u>Cost</u>		
Balance at January 1	\$ 4,798	\$ 4,809
Disposals	(<u>26</u>)	(<u>11</u>)
Balance at December 31	<u>\$ 4,772</u>	<u>\$ 4,798</u>
<u>Accumulated amortization and impairment</u>		
Balance at January 1	\$ 3,114	\$ 2,416
Amortization expenses	369	709
Disposals	(<u>26</u>)	(<u>11</u>)
Balance at December 31	<u>\$ 3,457</u>	<u>\$ 3,114</u>

The above intangible assets are amortized on a straight-line basis over their estimated useful lives of 3 to 5 years.

17. Other assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Residual income tax	\$ 2,091	\$ -
Prepaid expenses	12,357	14,293
Prepayments for equipment	5,321	200
Refundable deposits	8,656	14,409
Restricted assets (Note 6)	289,895	296,211
Others	<u>1,942</u>	<u>2,453</u>
	<u>\$ 320,262</u>	<u>\$ 327,566</u>
Current	\$ 109,975	\$ 133,354
Non-current	<u>210,287</u>	<u>194,212</u>
	<u>\$ 320,262</u>	<u>\$ 327,566</u>

18. Borrowings

(1) Short-term borrowings

	<u>December 31, 2022</u>		<u>December 31, 2021</u>	
	<u>Interest Rate</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amount</u>
Line of credit borrowings	1.41%-1.82%	\$ 320,000	0.85%-1%	\$ 350,000
Secured loans (Note 30)	1.67%	<u>70,000</u>	0.34%	<u>100,000</u>
		<u>\$ 390,000</u>		<u>\$ 450,000</u>

On December 31, 2022 and 2021, line of credit borrowings from banks were jointly guaranteed by Mr. Kuo Wei-Wu, who is the chairman of the Company, and the loans from banks were secured by bank deposits; refer to Note 30.

(2) Short-term bills payable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Commercial paper	\$ 100,000	\$ 160,000
Less: Unamortized discounts on bills payable	(<u>21</u>)	(<u>52</u>)
	<u>\$ 99,979</u>	<u>\$ 159,948</u>

Outstanding short-term bills payable were as follows:

December 31, 2022

<u>Promissory Institution</u>	<u>Nominal Amount</u>	<u>Discount Amount</u>	<u>Carrying Amount</u>	<u>Interest Rate</u>
<u>Commercial paper</u>				
International Bills				
Finance Corporation	\$ 50,000	\$ 10	\$ 49,990	1.738%
Dah Chung Bills				
Finance Corporation	<u>50,000</u>	<u>11</u>	<u>49,989</u>	1.860%
	<u>\$ 100,000</u>	<u>\$ 21</u>	<u>\$ 99,979</u>	

December 31, 2021

<u>Promissory Institution</u>	<u>Nominal Amount</u>	<u>Discount Amount</u>	<u>Carrying Amount</u>	<u>Interest Rate</u>
<u>Commercial paper</u>				
International Bills				
Finance Corporation	\$ 30,000	\$ 9	\$ 29,991	0.958%
China Bills Finance Corporation	50,000	5	49,995	0.978%
Mega Bills Finance Co., Ltd.	50,000	24	49,976	0.988%
Dah Chung Bills Finance Corporation	<u>30,000</u>	<u>14</u>	<u>29,986</u>	0.950%
	<u>\$ 160,000</u>	<u>\$ 52</u>	<u>\$ 159,948</u>	

On December 31, 2022 and 2021, the short-term bills payable were jointly guaranteed by Mr. Kuo Wei-Wu, who is the chairman of the Company.

(3) Long-term borrowings

	<u>December 31, 2022</u>		<u>December 31, 2021</u>	
	<u>Interest Rate (%)</u>	<u>Amount</u>	<u>Interest Rate (%)</u>	<u>Amount</u>
<u>Secured loans</u>				
Hua Nan Commercial Bank				
Mortgage loan, interest is paid monthly from August 2021 to September 2023 and principal is paid upon maturity, 2 years extension of repayment period from September 2022, expiration date is September 2024.	1.53	\$ 494,000	1.08	\$ 350,000
O-Bank				
Mortgage loan, interest is paid monthly from December 2022 to November 2024 and principal is paid upon maturity.	1.85	50,000	-	-

(continued)

	December 31, 2022		December 31, 2021	
	Interest Rate (%)	Amount	Interest Rate (%)	Amount
<u>Unsecured loans</u>				
JihSun Bank				
Credit loan, interest is paid monthly from November 2018 to November 2020 and principal is paid upon maturity, extension of repayment period from November 2020 and November 2021, expiration date is November 2023. It was fully repaid in March 2022.				
	-	\$ -	1.15	\$ 44,000
JihSun Bank				
Credit loan, interest is paid monthly from June 2022 to November 2023 and principal is paid upon maturity, extension of repayment period from December 2022, expiration date is December 2024.				
	1.78	50,000	-	-
Taipei Fubon Bank				
Credit loan, interest is paid monthly from December 2021 to May 2023 and principal is paid upon maturity, it was fully repaid in June 2022.				
	-	-	1.04	100,000
Yuanta Commercial Bank				
Credit loan, interest is paid monthly from March 2021 to March 2023 and principal is paid upon maturity, it was fully repaid in March 2022.				
	-	-	1.05	100,000
Cathay United Bank				
Credit loan, interest is paid monthly from January 2021 to October 2022 and principal is paid upon maturity, extension of repayment period from October 2021 and November 2022, expiration date is November 2024.				
	1.77	150,000	0.93	150,000
O-Bank				
Credit loan, interest is paid monthly from October 2021 to October 2023 and principal is paid upon maturity, 2 years extension of repayment period from November 2022, expiration date is November 2024.				
	1.81	50,000	1.19	50,000
CTBC Bank				
Credit loan, interest is paid monthly from June 2022 to August 2023 and principal is paid upon maturity, 2 years extension of repayment period from August 2022, expiration date is August 2024.				
	1.77	50,000	-	-
		<u>\$ 844,000</u>		<u>\$ 794,000</u>

(concluded)

The abovementioned long-term loans were jointly guaranteed by Mr. Kuo Wei-Wu, the chairman of the Company. The loans from Hua Nan Commercial Bank were secured by property, plant and equipment, and investment properties. The loans from O-Bank were secured by bank deposits from the Company's wholly-owned reinvestment company.

19. Bonds payable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Liability component of the 6 th domestic convertible bonds	<u>\$ 512,791</u>	<u>\$ 552,053</u>

On March 24, 2022, the Company issued 6,000 units of NTD-denominated secured convertible bonds with 101% of face value and 0% coupon rate. The total issuance amount was \$606,000 thousand.

(23) The conditions of the Company's 6th domestic convertible bonds are as follows:

1. Issue period: 5 years, from March 24, 2022 to March 24, 2026.
2. Face value: NT\$100 thousand.
3. Place of issuance and trading: Domestic
4. Issue price: 101%
5. Total issuance amount: NT\$600,000 thousand
6. Coupon rate: 0%; effective rate: 0.75%
7. Conversion rights and targets: Convert into ordinary shares of the Company according to conversion price at the time of request
8. Collateral: \$189,368 thousand of pledged bank deposits and 10,000 thousand shares of Optivision Technology Inc.
9. Bonds redemption and buy-back procedures:
 - (1) Redemption at maturity: the principal will be repaid according to face value.
 - (2) Early redemption:
The Company may, from the day after three months since the bond issuance until 40 days before the end of the issuance period, redeem all bonds at face value in cash if either the closing price of the Company's ordinary shares on the Taiwan Stock Exchange has exceeded the conversion price by 30% or more for thirty consecutive business days or if the outstanding balance of the convertible bonds in circulation is less than 10% of the original total issuance amount.

(23) Buy-back method:

Upon the full three-year maturity of bond issuance, bondholders may request an early redemption from the Company at 101.51% of the face value.

10. Conversion price and adjustment:

The base date for the price of convertible bonds was March 16, 2021, with a conversion price of NT\$19.8 per share. After the issuance of the convertible bonds, the conversion price shall be adjusted in accordance with the terms of issuance and conversion. As of December 31, 2022, the conversion price was NT\$16.9 per share.

- (2) The convertible bonds include assets, liabilities, and equity components. The equity component is recognized as capital surplus – share subscription rights. The asset component is embedded derivative financial instruments, and the liability component consists of embedded derivative financial instruments and non-derivative financial liabilities. The effective interest rate of the non-derivative financial liabilities at initial recognition was 0.75%.

Proceeds from issuance (less transaction costs of \$5,300 thousand)	\$ 600,700
Equity component	(20,280)
Financial assets – redemption rights	960
Financial liabilities – put options	(3,540)
Liability component at the date of issue	577,840
Interest charged at an effective rate of 0.75%	7,273
Convertible bonds converted into ordinary shares	(72,322)
Liability component at December 31, 2022	<u>\$ 512,791</u>

The changes in the host liability instruments, redemption rights and put options of the financial assets/liabilities were as follows:

	Host Liability Instruments	Financial Assets – Redemption Rights	Financial Liabilities – Put Options
Balance at January 1, 2021	\$ -	\$ -	\$ -
Issue date	577,840	960	(3,540)
Interest expense	3,365	-	-
Change in fair value (gain or loss)	-	2,174	2,685
Convertible bonds converted into ordinary shares	(29,152)	-	-
Balance at December 31, 2021	<u>552,053</u>	<u>3,134</u>	<u>855</u>
Interest expense	3,908	-	-
Change in fair value (gain or loss)	-	(2,819)	(511)
Convertible bonds converted into ordinary shares	(43,170)	-	-
Balance at December 31, 2022	<u>\$ 512,791</u>	<u>\$ 315</u>	<u>(\$ 1,366)</u>

The aforementioned convertible bonds are guaranteed by Taichung Commercial Bank Co., Ltd. and secured by bank deposits provided by the Company. Mr. Kuo Wei-Wu, the chairman of the Company, is the joint guarantor; refer to Notes 6, 29, and 30 for more details.

20. Other payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Payables for salaries	\$ 18,843	\$ 19,744
Payables for interests	701	301
Payables for employees' compensation and directors' remuneration	24,161	29,800
Payables for labor fee	2,219	1,752
Payables for purchase of equipment	890	1,143
Payables for processing fee	2,990	2,548
Others	<u>31,699</u>	<u>37,348</u>
	<u>\$ 81,503</u>	<u>\$ 92,636</u>

21. Retirement benefit plans

(1) Defined contribution plan

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

As of December 31, 2022 and 2021, the Company recognized total expenses of \$5,308 thousand and \$5,115 thousand, respectively, in the statements of comprehensive income based on specified proportion of the defined contribution plan.

(2) Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Act is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds,

Ministry of Labor (the “Bureau”); the Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company’s defined benefit plans are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligation	\$ 43,478	\$ 46,013
Fair value of plan assets	(<u>28,666</u>)	(<u>25,855</u>)
Net defined benefit liabilities	<u>\$ 14,812</u>	<u>\$ 20,158</u>

Movements in net defined benefit liabilities (assets) were as follows:

	<u>Present Value of Defined Benefit Obligation</u>	<u>Fair Value of Plan Assets</u>	<u>Net Defined Benefit Liabilities (Assets)</u>
Balance at January 1, 2021	<u>\$ 44,619</u>	(<u>\$ 25,731</u>)	<u>\$ 18,888</u>
Service cost			
Current service cost	459	-	459
Interest expense (income)	<u>223</u>	(<u>130</u>)	<u>93</u>
Recognized in profit or loss	<u>682</u>	(<u>130</u>)	<u>552</u>
Remeasurement			
Return on plan assets	-	(323)	(323)
Actuarial loss – change in demographic assumptions	1,443	-	1,443
Actuarial loss – change in financial assumptions	(509)	-	(509)
Actuarial loss – experience adjustments	<u>686</u>	<u>-</u>	<u>686</u>
Recognized in other comprehensive income	<u>1,620</u>	(<u>323</u>)	<u>1,297</u>
Contributions from employer		(579)	579
Benefits paid	(<u>908</u>)	<u>908</u>	<u>-</u>
Balance at December 31, 2021	<u>46,013</u>	(<u>25,855</u>)	<u>20,158</u>
Service cost			
Current service cost	471	-	471
Interest expense (income)	<u>288</u>	(<u>163</u>)	<u>125</u>
Recognized in profit or loss	<u>759</u>	(<u>163</u>)	<u>596</u>
Remeasurement			
Return on plan assets	-	(2,049)	(2,049)
Actuarial loss – change in demographic assumptions	206	-	206

(continued)

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Liabilities (Assets)
Actuarial loss – change in financial assumptions	(\$ 2,863)	-	(\$ 2,863)
Actuarial loss – experience adjustments	(637)	-	(637)
Recognized in other comprehensive income	(3,294)	(2,049)	(5,343)
Contributions from employer	-	(599)	(599)
Balance at December 31, 2022	<u>\$ 43,478</u>	<u>(\$ 28,666)</u>	<u>\$ 14,812</u>

(concluded)

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

<u>Summary by function</u>	<u>2022</u>	<u>2021</u>
Operating costs	\$ 219	\$ 210
Selling and marketing expenses	93	82
General and administrative expenses	203	200
Research and development expenses	<u>81</u>	<u>60</u>
	<u>\$ 596</u>	<u>\$ 552</u>

Through the defined benefit plans under the Labor Standards Act, the Company is exposed to the following risks:

23) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets shall not be below the interest rate for a 2-year time deposit with local banks.

23) Interest risk: A decrease in interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.

23) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate	1.375%	0.625%
Expected rate of salary increase	2%	2%

If possible reasonable changes in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate		
0.25% increase	(\$ 888)	(\$ 1,025)
0.25% decrease	\$ 920	\$ 1,064
Expected rate of salary increase		
0.25% increase	\$ 900	\$ 1,034
0.25% decrease	(\$ 873)	(\$ 1,001)

The above sensitivity analysis may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions will occur in isolation of one another as some of the assumptions may be correlated.

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Expected contributions to the plans for the next year	\$ 554	\$ 556
Average duration of the defined benefit obligation	10.10 years	11.03 years

22. Equity

(1) Share capital

Ordinary shares

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Shares authorized (in thousands of shares)	<u>300,000</u>	<u>300,000</u>
Amount of authorized shares	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>
Shares issued and fully paid (in thousands of shares)	<u>163,806</u>	<u>165,969</u>
Amount of issued shares	<u>\$ 1,638,061</u>	<u>\$ 1,659,694</u>

The issued ordinary shares with a par value of \$10 entitle the holders with the right to vote and receive dividends.

Changes in the Company's outstanding ordinary shares were as follows:

	Number of Shares (In Thousands)	Share Capital
Balance at January 1, 2022	165,969	\$ 1,659,694
Conversion of bonds	2,432	24,317
Cancellation of treasury shares	(4,595)	(45,950)
Balance at December 31, 2022	<u>163,806</u>	<u>\$ 1,638,061</u>
Balance at January 1, 2021	159,325	\$ 1,593,246
Issuance of new restricted shares	5,000	50,000
Conversion of bonds	<u>1,644</u>	<u>16,448</u>
Balance at December 31, 2021	<u>165,969</u>	<u>\$ 1,659,694</u>

(2) Capital surplus

The balance of capital surplus for the years ended December 31, 2022 and 2021 was as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Share premium	\$ 481,679	\$ 467,997
Treasury share transactions	10,420	28,216
The difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	93,210	93,210
May only be used to offset a deficit (2)		
Changes in percentage of ownership interests in subsidiaries	54,283	61,961
May not be used for any purpose		
Share options	17,759	19,262
Employee restricted shares	<u>32,617</u>	<u>38,913</u>
	<u>\$ 689,968</u>	<u>\$ 709,559</u>

23)Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus).

23)Such capital surplus arises from the effects of changes in ownership interests in subsidiaries resulting from equity transactions other than actual disposals or acquisitions or from changes in capital surplus of subsidiaries accounted for using the equity method.

(3) Retained earnings and dividends policy

Under the dividends policy as set forth in the Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit if the amount of accumulated legal reserve has not yet reached the amount of the total capital of the Company, setting aside or reversing a special reserve in accordance with the laws and regulations and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. The distribution plan will be made through the issuance of new shares, if the plan is to be distributed in cash, the board of directors shall be authorized to approve it with the attendance of more than two-thirds of the directors and the consent of the majority of the directors present, and shall be reported in the shareholders' meeting. For the policies on the distribution of compensation of employees and remuneration of directors, refer to Note 25.

The Company shall appropriate a special reserve in accordance with the provisions of the Financial Supervisory Commission's letter No. 1010012865, No. 1010047490, and No. 1030006415, as well as the "Questions and Answers on the Application of Setting Up a Special Reserve after Adopting International Financial Reporting Standards (IFRSs)". If there is a subsequent reversal of other deductions from shareholders' equity, the surplus may be distributed based on the reversed portion.

An appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess shall be distributed in cash.

The appropriations of earnings and cash dividends per share for 2021 and 2020 were resolved by the Company's board of directors, as follows:

	<u>2021Q4</u>	<u>2021Q2</u>	<u>2020</u>
Date of resolution	March 24, 2022	August 10, 2021	March 23, 2021
Legal reserve	<u>\$ 12,929</u>	<u>\$ 23,321</u>	<u>\$ 12,894</u>
Special reserve	<u>(\$ 62,397)</u>	<u>\$ 74,430</u>	<u>\$ 116,501</u>
Cash dividends	<u>\$ 182,115</u>	<u>\$ 81,124</u>	<u>\$ 144,220</u>
Cash dividends per share	<u>1.20</u>	<u>0.54</u>	<u>0.96</u>

The above appropriations of earnings for 2021 and 2020 were resolved by the Company's shareholders in their meetings on May 27, 2022 and July 2, 2021, respectively.

The appropriations of quarterly earnings and cash dividends per share for 2022 were resolved by the Company's board of directors, as follows:

	<u>2022Q4</u>	<u>2022Q2</u>
Date of resolution	March 23, 2023	August 5, 2022
Legal reserve	<u>\$ 13,044</u>	<u>\$ 15,119</u>
Special reserve	<u>(\$ 34,278)</u>	<u>\$ 3,410</u>
Cash dividends	<u>\$ 230,030</u>	<u>\$ 46,006</u>
Cash dividends per share	<u>1.5</u>	<u>0.3</u>

The appropriation of earnings for 2022 will be resolved by the shareholders in their meeting to be held on May 5, 2023.

(4) Other equity items

1) Exchange differences on the translation of the financial statements of foreign operations

	<u>2022</u>	<u>2021</u>
Balance at January 1	(\$ 373,245)	(\$ 287,085)
Exchange differences on the translation of the net assets of foreign operations	100,842	(86,277)
Disposal of partial interests in subsidiaries	-	117
Balance at December 31	<u>(\$ 272,403)</u>	<u>(\$ 373,245)</u>

The exchange differences arising from the translation of the net assets of foreign operations from their functional currency to the reporting currency of the Company (i.e., New Taiwan Dollars) are directly recognized as other comprehensive income and accumulated in the foreign currency translation reserve in the financial statements of the foreign operations. The previously accumulated exchange differences in the financial statements of the foreign operations are reclassified to profit or loss upon disposal of the foreign operations.

2) Unrealized gains and losses on financial assets at fair value through other comprehensive income

	<u>2022</u>	<u>2021</u>
Balance at January 1	(\$ 30,640)	(\$ 30,403)
Unrealized valuation gains on equity investments measured at fair value through other comprehensive income	9,591	2,749
Share of other comprehensive income and loss of equity- method associates	(6,129)	(2,978)
Disposal of partial interests in subsidiaries	-	(8)
Transfer of accumulated gain and loss from disposal of equity investments to retained earnings	<u>994</u>	<u>-</u>
Balance at December 31	<u>(\$ 26,184)</u>	<u>(\$ 30,640)</u>

Investments in equity instruments measured at fair value through other comprehensive income are measured at fair value with subsequent fair value changes reported in other comprehensive income and accumulated in other equity. When the investment is disposed of, the accumulated gains and losses are directly recognized in retained earnings and not reclassified as income.

3) Unearned employee benefits

In the meeting on July 2, 2021, the Company's shareholders approved a restricted share plan for employees (see Note 26).

	<u>2022</u>	<u>2021</u>
Balance at January 1	(\$ 72,873)	\$ -
Issuance of shares	-	(88,913)
Change in ownership interest of subsidiaries	21,925	11,068
Share-based payment expenses recognized	<u>9,850</u>	<u>4,972</u>
Balance at December 31	<u>(\$ 41,098)</u>	<u>(\$ 72,873)</u>

(5) Treasury shares

1) The changes in treasury shares are as follows:

Unit: In New Taiwan Dollars

2022				
Reason	Number of shares on January 1	Increase	Decrease	Number of shares on December 31
Transfer of shares to employees	9,095,000	-	(4,595,000)	4,500,000
Maintain the Company's credibility and shareholders' rights	<u>1,181,000</u>	<u>319,000</u>	<u>-</u>	<u>1,500,000</u>
	<u>10,276,000</u>	<u>319,000</u>	<u>(4,595,000)</u>	<u>6,000,000</u>
2021				
Reason	Number of shares on January 1	Increase	Decrease	Number of shares on December 31
Transfer of shares to employees	9,095,000	-	-	9,095,000
Maintain the Company's credibility and shareholders' rights	<u>-</u>	<u>1,181,000</u>	<u>-</u>	<u>1,181,000</u>
	<u>9,095,000</u>	<u>1,181,000</u>	<u>-</u>	<u>10,276,000</u>

- 2) According to Article 28-2 of the Securities and Exchange Act, a company's repurchase of outstanding shares shall not exceed ten percent of the total issued shares, and the total amount spent on repurchasing shares shall not exceed the sum of retained earnings, share premium, and realized capital surplus. The Company shall not pledge treasury shares and not be entitled to dividends or voting rights, as stipulated by the Securities and Exchange Act.

23. Net profit (loss) from continuing operations

Employee benefits expense, depreciation and amortization expenses

2022				
	Operating Costs	Operating Expenses	Non-operating Expenses and Losses	Total
Short-term benefits	\$ 42,091	\$ 109,533	\$ -	\$ 151,624
Post-employment benefits	\$ 2,132	\$ 3,772	\$ -	\$ 5,904
Termination benefits	\$ 111	\$ 19	\$ -	\$ 130
Other employee benefits	\$ 1,013	\$ 1,191	\$ -	\$ 2,204
Depreciation expenses				
Property, plant and equipment	\$ 11,809	\$ 16,567	\$ -	\$ 28,376
Right-of-use assets	1,591	3,210	1,339	6,140
Investment properties	-	-	1,279	1,279
	<u>\$ 13,400</u>	<u>\$ 19,777</u>	<u>\$ 2,618</u>	<u>\$ 35,795</u>
Amortization expenses	\$ -	\$ 369	\$ -	\$ 369

(continued)

	2021			
	Operating Costs	Operating Expenses	Non-operating Expenses and Losses	Total
Short-term benefits	\$ 41,834	\$ 109,313	\$ -	\$ 151,147
Post-employment benefits	\$ 2,109	\$ 3,558	\$ -	\$ 5,667
Termination benefits	\$ 199	\$ 59	\$ -	\$ 258
Other employee benefits	\$ 836	\$ 978	\$ -	\$ 1,814
Depreciation expenses				
Property, plant and equipment	\$ 13,155	\$ 14,959	\$ -	\$ 28,114
Right-of-use assets	1,601	3,351	1,547	6,499
Investment properties	-	-	1,279	1,279
	<u>\$ 14,756</u>	<u>\$ 18,310</u>	<u>\$ 2,826</u>	<u>\$ 35,892</u>
Amortization expenses	<u>\$ -</u>	<u>\$ 709</u>	<u>\$ -</u>	<u>\$ 709</u>

(concluded)

According to the Company's Articles, the Company sets aside 4% to 8% of net profit before income tax before deducting the compensation of employees and remuneration of directors, and accrues no higher than 2% for compensation of employees and remuneration of directors. The compensation of employees and remuneration of directors for the years ended December 31, 2022 and 2021 were approved by the board of directors on March 23, 2023 and March 24, 2022, respectively, as follows:

Estimated rate

	2022	2021
Compensation of employees	6%	6%
Remuneration of directors	1.5%	1.5%

Amount

	2022		2021	
	Cash	Shares	Cash	Shares
Compensation of employees	\$ 19,329	\$ -	\$ 23,840	\$ -
Remuneration of directors	4,832	-	5,960	-

If there is a change in the amounts after the annual financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There is no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the financial statements for the years ended December 31, 2021 and 2020.

Information on the compensation of employees and remuneration of directors resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

24. Income taxes relating to continuing operations

(1) Income tax recognized in profit or loss

Major components of income tax expense (benefit) are as follows:

	<u>2022</u>	<u>2021</u>
Current tax		
In respect of the current year	\$ 25,750	\$ 2,400
Income tax on unappropriated earnings	1,055	-
Adjustments for prior year	73	-
Deferred tax		
In respect of the current year	(6,169)	-
Income tax expense (benefit) recognized in profit or loss	<u>\$ 20,709</u>	<u>\$ 2,400</u>

A reconciliation of accounting profit and income tax expense is as follows:

	<u>2022</u>	<u>2021</u>
Profit before tax from continuing operations	<u>\$ 297,988</u>	<u>\$ 366,125</u>
Income tax expense calculated at the statutory rate	\$ 59,500	\$ 73,000
Investment interests recognized using the equity method	(18,700)	(44,700)
Dividends from foreign investments	19,900	22,400
Withholding tax on foreign dividends	(7,700)	(9,900)
Disposal of interests in foreign investments	(11,800)	(23,900)
Unrecognized loss carryforwards	(9,000)	(5,900)
Unappropriated earnings	1,055	-
Others	(12,546)	(8,600)
Income tax expense recognized in profit or loss	<u>\$ 20,709</u>	<u>\$ 2,400</u>

(2) Current tax assets and liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current tax assets		
Tax refund receivable	<u>\$ 47</u>	<u>\$ 208</u>
Current tax liabilities		
Income tax payable	<u>\$ 26,615</u>	<u>\$ -</u>

(3) Deferred tax assets and liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Temporary differences	<u>\$ 15,569</u>	<u>\$ 9,400</u>
Deferred tax assets	<u>\$ 15,569</u>	<u>\$ 9,400</u>

(4) Income tax assessments

The income tax returns of the Company through 2020 have been assessed by the tax authorities.

25. Earnings per share

The calculation of basic and diluted earnings per share for the years ended December 31, 2022 and 2021 is disclosed as follows:

	<u>2022</u>			<u>2021</u>		
	<u>Amount</u> <u>After Tax</u>	<u>Number of</u> <u>Shares (In</u> <u>Thousands)</u>	<u>Earnings</u> <u>Per Share</u> <u>After Tax</u>	<u>Amount</u> <u>After Tax</u>	<u>Number of</u> <u>Shares (In</u> <u>Thousands)</u>	<u>Earnings</u> <u>Per Share</u> <u>After Tax</u>
Basic earnings per share						
Net profit for the current period attributable to shareholders	\$ 277,279	152,541	<u>\$ 1.82</u>	\$ 363,725	150,243	<u>\$ 2.42</u>
Effect of potentially dilutive ordinary shares						
Convertible bonds	3,127	30,248		2,692	18,825	
Compensation of employees	-	1,268		-	1,086	
Restricted shares for employees	<u>-</u>	<u>2,648</u>		<u>-</u>	<u>737</u>	
Diluted earnings per share						
Net profit for the current period attributable to shareholders	<u>\$ 280,406</u>	<u>186,705</u>	<u>\$ 1.50</u>	<u>\$ 366,417</u>	<u>170,891</u>	<u>\$ 2.14</u>

The Company may settle the compensation of employees in cash or shares; therefore, the Company assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

26. Share-based payment arrangements

Restricted shares for employees

On July 2, 2021, the Company's shareholders in their meeting resolved to issue 5,000 thousand restricted shares for a total amount of \$50,000 thousand. This one-time issuance of restricted shares was approved by the FSC on July 28, 2021.

- 1) Employees who receive new shares but have not yet met the vested conditions are subject to the following restrictions:

- a) The restricted shares cannot be sold, pledged, transferred, gifted, or disposed of in any other way, except by inheritance.
 - b) The attendance, proposal, speech, voting, and election rights of the shareholders' meeting are the same as those of the ordinary shares issued by the Company and are implemented in accordance with the trust custody agreement.
 - c) They do not have the rights to receive any profits (including but not limited to dividends, legal reserves, and capital reserve distribution rights) or subscription rights for cash capital increase.
 - d) If the cash is refunded due to the Company's capital reduction, the refund that has not been vested due to the allotment shall be delivered to the trust. When the vested conditions and deadlines are met, the vested shares will be delivered to the employees without interests. However, if the vested conditions are not met within the deadlines, the Company will reclaim the cash.
- 2) The restricted shares issued by the Company are subject to the following conditions: Employees who are allocated shares on the grant date (i.e., August 10, 2022) will receive vested rights of 15%, 15%, 20%, 20%, and 30% if they are still employed and achieve the operational goals set by the Company after 1 to 5 years, respectively. If the vested conditions are not met during the period, the Company will not reclaim the restricted shares for that year and will continue to deliver them to the trust for safekeeping. If the operational goals set by the Company are achieved in the fifth year, all the restricted shares can be fully vested.
 - 3) Equity-settled share-based payments to employees are measured based on the fair value of equity instruments on the grant date.
 - 4) When the vested conditions are not met, or in the event of voluntary resignation, dismissal, termination, or violation of the issuance regulations, the Company will retrieve the shares that have not been vested at no cost and cancel them.

As of December 31, 2022, information on restricted shares was as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
	Number of Shares	Number of Shares
	(In Thousands)	(In Thousands)
Balance at January 1	5,000	-
Granted	-	5,000
Vested	(548)	-
Balance at December 31	<u>4,452</u>	<u>5,000</u>

Compensation costs recognized were \$9,850 thousand and \$4,972 thousand for the years ended December 31, 2022 and 2021, respectively.

27. Capital management

The capital risk management of the Company is to ensure that it has the necessary financial resources and operational plans to support the needs of operating capital, capital expenditures, research and development expenses, debt repayments, and dividend payments over the next 12 months.

28. Financial instruments

(1) Fair value of financial instruments not measured at fair value

The management of the Company believes that the carrying amounts of financial assets and financial liabilities not measured at fair value approximate their fair values.

(2) Fair value of financial instruments measured at fair value

1) Fair value hierarchy

December 31, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at FVTPL				
Derivatives	\$ -	\$ -	\$ 315	\$ 315
Corporate bonds	<u>6,161</u>	<u>-</u>	<u>-</u>	<u>6,161</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 315</u>	<u>\$ 6,476</u>
Financial assets at FVTOCI				
Investments in equity instruments				
- Foreign unlisted shares	\$ -	\$ -	\$ 5,615	\$ 5,615
- Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>33,317</u>	<u>33,317</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,932</u>	<u>\$ 38,932</u>
Financial liabilities at FVTPL				
Derivatives	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,366</u>	<u>\$ 1,366</u>

December 31, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at FVTPL				
Derivatives	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,134</u>	<u>\$ 3,134</u>

(continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at FVTOCI				
Investments in equity instruments				
- Domestic unlisted shares	\$ -	\$ -	\$ 28,733	\$ 28,733
Financial liabilities at FVTPL				
Derivatives	\$ -	\$ -	\$ 855	\$ 855

(concluded)

- 2) There was no transfer between Level 1 and Level 2 fair value measurements in 2022 and 2021.
- 3) For financial assets measured at Level 3 fair value, there were no other adjustment items except for the fair value changes recognized in other comprehensive income.
- 4) Valuation techniques and inputs applied for Level 3 fair value measurements

<u>Financial Instrument</u>	<u>Valuation Technique and Inputs</u>
Domestic and foreign unlisted equity investments	Market approach: The fair value is determined based on the market fair value of observable comparable companies at the end of the period and adjusted by price-to-earnings ratio and price-to-book ratio of the investee company.
Derivatives	Binomial convertible bond pricing model: Considers factors such as the tenure of the corporate bonds, the share price and volatility of the underlying convertible bonds, conversion price, risk-free rate, discount rate, and liquidity risk of the convertible bonds.

(3) Categories of financial instruments

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
At amortized cost		
Cash and cash equivalents	\$ 277,123	\$ 272,616
Notes and accounts receivable (related parties)	256,593	283,588
Other receivables	40,569	3,267
Refundable deposits	8,656	14,409
Restricted assets	289,895	296,211

(continued)

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Financial assets at FVTPL - current	\$ 315	\$ 3,134
Financial assets at FVTPL - non-current	6,161	-
Financial assets at FVTOCI – non-current	38,932	28,733
<u>Financial liabilities</u>		
At amortized cost		
Short-term borrowings	390,000	450,000
Short-term notes payable	99,979	159,948
Notes and accounts payable (related parties)	241,409	239,326
Other payables (related parties)	81,503	92,636
Long-term borrowings (including due within 1 year)	844,000	794,000
Bonds payable	512,791	552,053
Guarantee deposits (classified as other non- current liabilities – others)	942	942
Financial liabilities at FVTPL – non-current	1,366	855
		(concluded)

(4) Financial risk management objectives and policies

The Company's major financial instruments include equity and debt investments, trade receivables, trade payables, other receivables, other payables, bonds payable, and loans. The Company's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the Company through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk, credit risk and liquidity risk.

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. There has been no change to the Company's exposure to market risks or the manner in which these risks are managed and measured.

a) Foreign currency risk

The management of foreign exchange rate risk arising from foreign currency transactions of the Company is conducted within the scope permitted by the regulations of the process for handling derivative financial instrument transactions, by using forward foreign exchange contracts to manage risk. For non-functional currency-denominated monetary assets and monetary liabilities of the Company on the balance sheet date, refer to Note 31. The sensitivity analysis of the Company only includes foreign currency monetary items in circulation and adjusts their year-end conversion by increasing the pre-tax profit and loss when the exchange rate of each foreign currency appreciates by 1% relative to the New Taiwan Dollar; when it depreciates by 1%, the impact on the pre-tax profit and loss will be a negative amount of the same value.

	USD Impact	
	2022	2021
Profit or loss	\$ 2,251	\$ 2,930

b) Interest rate risk

The interest rate risk of the Company mainly comes from floating rate time deposits and borrowings. The carrying amounts of the financial assets and financial liabilities with exposure to interest rates at the end of the year were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash flow interest rate risk		
Financial assets	\$ 95,527	\$ 117,934
Financial liabilities	844,000	794,000

The sensitivity analysis regarding interest rate risk is based on the fair value changes of financial assets and liabilities with floating interest rates as of the end of the reporting period. If interest rates were to increase by one percentage point, the cash outflows of the Company for the years ended December 31, 2022 and 2021 would increase by \$7,485 thousand and \$6,761 thousand, respectively.

2) Credit risk

Credit risk refers to the risk of financial loss incurred by the Company due to the counterparty's failure to fulfill contractual obligations. The Company requires collateral or other forms of security for significant trading counterparties, which effectively reduces the credit risk. The management of the Company assigns a dedicated team to make decisions on credit limits, credit approvals, and other monitoring procedures to ensure appropriate action is taken to recover overdue receivables. In addition, the Company will

review the recoverable amount of trade receivables one by one on the balance sheet date to ensure that there is an appropriate provision for uncollectible trade receivables. Therefore, the management believes that the credit risk of the Company has significantly decreased.

3) Liquidity risk

The operating capital of the Company is sufficient to support its operations; therefore, there is no liquidity risk arising from the inability to raise funds to fulfill contractual obligations.

a) The scheduled maturities of non-derivative financial liabilities of the Company are as follows:

	December 31, 2022			
	Less than			
	1 Year	2 to 3 Years	3+ Years	Total
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 322,912	\$ -	\$ -	\$ 322,912
Lease liabilities	6,629	10,469	55,922	73,020
Variable interest rate liabilities	-	844,000	-	844,000
Fixed interest rate liabilities	<u>489,979</u>	<u>-</u>	<u>512,791</u>	<u>1,002,770</u>
	<u>\$ 819,520</u>	<u>\$ 854,469</u>	<u>\$ 568,713</u>	<u>\$2,242,702</u>

	December 31, 2021			
	Less than			
	1 Year	2 to 3 Years	3+ Years	Total
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 331,962	\$ -	\$ -	\$ 331,962
Lease liabilities	7,009	12,722	60,316	80,047
Variable interest rate liabilities	-	794,000	-	794,000
Fixed interest rate liabilities	<u>609,948</u>	<u>-</u>	<u>552,053</u>	<u>1,162,001</u>
	<u>\$ 948,919</u>	<u>\$ 806,722</u>	<u>\$ 612,369</u>	<u>\$2,368,010</u>

b) Financing facilities

	December 31, 2022	December 31, 2021
Unsecured bank overdraft facilities:		
Amount used	\$ 720,000	\$ 954,000
Amount unused	<u>1,381,420</u>	<u>1,211,360</u>
	<u>\$ 2,101,420</u>	<u>\$ 2,165,360</u>

(continued)

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Secured bank overdraft facilities:		
Amount used	\$ 614,000	\$ 450,000
Amount unused	<u>546,000</u>	<u>610,000</u>
	<u>\$ 1,160,000</u>	<u>\$ 1,060,000</u>
Guaranteed bonds:		
Amount used	\$ 600,000	\$ 600,000
Amount unused	<u>20,000</u>	<u>20,000</u>
	<u>\$ 620,000</u>	<u>\$ 620,000</u>
		(concluded)

29. Transactions with related parties

The transactions between the Company and other related parties are as follows:

(1) Related party name and category

<u>關 係 人 名 稱</u>	<u>與本公司之關係</u>
Optivision Technology Inc.	Subsidiary
K Laser Technology (Korea) Co., Ltd.	Subsidiary
K Laser Technology (Thailand) Co., Ltd.	Subsidiary
K Laser Technology (USA) Co., Ltd.	Subsidiary
Amagic Technologies U.S.A. (Dubai)	Subsidiary
K Laser China Group Co., Ltd.	Subsidiary
K Laser Technology Japan Co., Ltd.	Subsidiary
K Laser Technology (H.K.) Co., Ltd.	Subsidiary
Treasure Access Limited	Subsidiary
Top Band Investment Limited	Subsidiary
K Laser Technology (Wuxi) Co., Ltd.	Subsidiary
K Laser Technology (Dongguan) Co., Ltd.	Subsidiary
Finity Laboratories	Subsidiary
Insight Medical Solutions Inc.	Subsidiary
Jiangsu Sunderray Laser Packing Material Co., Ltd.	Became a subsidiary since October 2021
Guang Feng (Wuxi) Co., Ltd.	Associate accounted for using the equity method

(2) Operating transactions

	<u>2022</u>	<u>2021</u>
<u>Sales</u>		
Subsidiaries		
K Laser Technology (USA) Co., Ltd.	\$ 477,758	\$ 494,303
		(continued)

	<u>2022</u>	<u>2021</u>
K Laser Technology Japan Co., Ltd.	\$ 144,117	\$ 105,956
Others	<u>21,111</u>	<u>26,704</u>
	<u>\$ 642,986</u>	<u>\$ 626,963</u>
<u>Purchases</u>		
<u>Subsidiaries</u>		
K Laser Technology (Dongguan) Co., Ltd.	\$ 279,084	\$ 393,771
K Laser Technology (Wuxi) Co., Ltd.	108,194	46,111
Treasure Jiangsu Sunderray Laser Packing Material Co., Ltd.	157,873	71,798
Others	79,163	657
Associates	658	881
Guang Feng (Wuxi) Co., Ltd.	<u>19,570</u>	<u>11,379</u>
	<u>\$ 644,542</u>	<u>\$ 524,597</u>
<u>Operating expenses</u>		
Subsidiaries	<u>\$ 1,604</u>	<u>\$ 2,109</u>
<u>Other income</u>		
<u>Subsidiaries</u>		
Optivision Technology Inc.	\$ 13,264	\$ 13,222
Insight Medical Solutions Inc.	4,602	5,853
K Laser Technology (Dongguan) Co., Ltd.	44,312	44,636
K Laser Technology (Wuxi) Co., Ltd.	5,534	6,678
Others	<u>14</u>	<u>92</u>
	<u>\$ 67,726</u>	<u>\$ 70,481</u>
		(concluded)

There is no significant difference between the transaction conditions of related parties and general customers.

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Receivables from related parties</u>		
<u>Subsidiaries</u>		
K Laser Technology (USA) Co., Ltd.	\$ 106,328	\$ 163,269
		(continued)

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
K Laser Technology Japan Co., Ltd.	\$ 47,744	\$ 31,614
Others	<u>5,006</u>	<u>6,836</u>
	<u>\$ 159,078</u>	<u>\$ 201,719</u>
<u>Payables to related parties</u>		
<u>Subsidiaries</u>		
K Laser Technology (Dongguan) Co., Ltd.	\$ 80,137	\$ 134,914
K Laser Technology (Wuxi) Co., Ltd.	30,664	20,608
Treasure Jiangsu Sunderray Laser Packing Material Co., Ltd.	22,007	31,154
Others	<u>26,891</u>	-
	<u>611</u>	<u>3,303</u>
	<u>\$ 160,310</u>	<u>\$ 189,979</u>
<u>Other receivables</u>		
<u>Subsidiaries</u>		
K Laser Technology (USA) Co., Ltd.	\$ 36,715	\$ -
Optivision Technology Inc.	2,092	1,985
Insight Medical Solutions Inc.	471	1,002
Others	<u>228</u>	<u>126</u>
	<u>\$ 39,506</u>	<u>\$ 3,113</u>
<u>Other payables</u>		
Subsidiaries	<u>\$ 14</u>	<u>\$ 159</u> (concluded)

(4) Acquisition of property, plant and equipment

<u>Related Party Category/Name</u>	<u>Purchase Price</u>	
	<u>2022</u>	<u>2021</u>
<u>Subsidiaries</u>	<u>\$ 184</u>	<u>\$ -</u>

(5) Endorsements and guarantees

As of December 31, 2022 and 2021, the amounts of loans guaranteed by Mr. Kuo Wei-Wu, the chairman of the Company, were \$1,334,000 thousand and \$1,404,000 thousand, respectively.

(6) Remuneration of key management personnel

	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 30,105	\$ 26,341
Post-employment benefits	\$ 653	\$ 718

The remuneration of directors and key executives, as determined by the remuneration committee, is based on the performance of individuals and market trends.

(7) Transactions with other related parties

As of December 31, 2022, the amount of bank deposits provided by K Laser China Group Co., Ltd. as collateral was \$50,000 thousand; refer to Note 18.

30. Assets pledged as collateral

The following assets of loan contracts and operational needs were provided as collateral for bank borrowings and land leases:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Bank deposits (Note 6)	\$ 289,985	\$ 296,211
Property, plant and equipment (Note 13)	92,779	97,342
Investment properties (Note 13)	<u>35,311</u>	<u>36,590</u>
	<u>\$ 418,075</u>	<u>\$ 430,143</u>

31. Significant assets and liabilities denominated in foreign currencies

The Company's significant assets and liabilities denominated in foreign currencies were as follows:

Unit: In Thousands of Foreign Currencies/New Taiwan Dollars

	<u>December 31, 2022</u>			<u>December 31, 2021</u>		
	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>New Taiwan Dollars</u>	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>New Taiwan Dollars</u>
<u>Financial Assets</u>						
<u>Monetary items</u>						
USD	\$ 14,618	30.71	\$ 448,919	\$ 18,561	27.68	\$ 513,768
RMB	3,064	4.408	13,506	886	4.344	3,849
<u>Long-term equity investments accounted for using the equity method</u>						
USD	26,747	30.71	821,400	27,412	27.68	758,764
RMB	525,695	4.408	2,317,264	488,392	4.344	2,121,575
<u>Financial Liabilities</u>						
<u>Monetary items</u>						
USD	7,257	30.71	222,862	7,976	27.68	220,776

32. Segment information

The Company has disclosed segment information in the consolidated

financial statements, and does not disclose relevant information in the parent company only financial statements.

33. Separately disclosed items

(1) Information on significant transactions and reinvestments:

No	Items	Remark
1	Financing provided to others	Table 1
2	Endorsements/guarantees provided	None
3	Marketable securities held (excluding investments in subsidiaries and associates)	Table 2
4.	Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital	None
5	Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital	Table 3
6	Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital	Table 4
7	Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital	Table 5
8	Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital	Table 6
9	Trading in derivative instruments	None
10	Information on investees	Table 7

(2) Information on investments in mainland China

No	Items	Remark
1	Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area	Table 8
2	Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year (2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year (3) The amount of property transactions and the amount of the resultant gains or losses (4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes	Table 8

No	Items	Remark
	(5) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds (6) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services	

- (3) Information of major shareholders: list all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 9)

K Laser Technology Inc.
Financing Provided to Others
For the Year Ended December 31, 2022

Table 1

Unit: In Thousands of New Taiwan Dollars/Foreign Currencies

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Amount Borrowed	Interest Rate (%)	Nature of Financing (Note 2)	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 3)	Aggregate Financing Limit (Note 3)	Note
													Item	Value			
1	K Laser Technology (Dongguan) Co., Ltd.	Hunan Hexin Packaging Material Co., Ltd.	Other receivables	Yes	\$ 124,292 (RMB 28,000)	\$ 17,412 (RMB 3,950)	\$ 13,885 (RMB 3,550)	2~3%	2	\$ -	Operating turnover	\$ -	None	None	\$ 457,418 (RMB103,770)	\$ 457,418 (RMB103,770)	

Note 1: The information on funds lent by the Company and its subsidiaries to others should be divided into two tables and marked with a number in the corresponding column. The method for filling in the number is as follows:

- (1) For the Company, fill in "0".
- (2) For the subsidiaries, start with the Arabic number "1" in sequential order according to their company types.

Note 2: The information on funds lent by the Company and its subsidiaries to others should be divided into two tables and marked with a number in the corresponding column. The method for filling in the number is as follows:

- (1) If there is a business relationship, fill in "1".
- (2) If there is a need for short-term funding, fill in "2".

Note 3: The types of limits for funds lent by the Company and its subsidiaries to others are as follows:

- (1) According to the operating procedures for funds lent by the Company to others, the total amount of funds lent by the Company should not exceed 25% of the current net worth, and the amount lent to any individual should not exceed 10% of the current net worth.
- (2) According to the operating procedures for funds lent by the subsidiaries and endorsements and guarantees provided by the Company, the total amount of loans and financing provided by the Company and its subsidiaries should not exceed 40% of their net worth, and the total amount of funds lent to others for short-term funding purposes should not exceed 40% of their net worth.

K Laser Technology Inc.
Marketable Securities Held
December 31, 2022

Table 2

Unit: In Thousands of New Taiwan Dollars, Unless Stated Otherwise

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2022				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
The Company	<u>Shares</u> Minton Optic Industry Co., Ltd.	None	Financial assets at FVTPL - non-current	857,900	\$ -	1	\$ -	
	CM Visual Technology Corporation	None	Financial assets at FVTOCI - non-current	138,240	-	-	-	
	CDIB Capital Healthcare Ventures Corporation	None	Financial assets at FVTOCI - non-current	1,800,000	33,317	2	33,317	
	Food fab Group Limited	None	Financial assets at FVTOCI - non-current	1,805,247	5,615	4	5,615	
	Boxlight Corporation	None	Current assets for sale	706,854	6,735	1	6,747	
	<u>Corporate bonds</u> HSBC USD Financial Bonds	None	Financial assets at FVTPL - non-current	-	6,161	-	6,161	
Insight Medical Solutions Inc.	Aether Precision Technology Inc.	None	Financial assets at FVTOCI - non-current	240,000	1,673	10	1,673	
Bright Triumph Limited	Dongguan City Guang Zhi Optoelectronic Co., Ltd.	None	Financial assets at FVTOCI - non-current	5,385,682	51,256	7	51,256	

Note 1: For information related to investments in subsidiaries and associates, refer to Tables 7 and 8.

K Laser Technology Inc.

Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital

For the Year Ended December 31, 2022

Table 3

Unit: In Thousands of New Taiwan Dollars

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is a Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
Optivision Technology Inc.	Land No. 668, Datong Section, Zhunan Township, Miaoli County	Board's resolution date: November 9, 2021 Ownership transfer date: June 2022	\$ 290,049 (Note)	Paid in accordance with the sales contract	Heng Fu Industrial Co., Ltd.	None	-	-	-	\$ -	According to the appraisal report of the real estate appraiser firm	For business use	None

Note: The amount includes a transaction price of \$290,000 thousand under the purchase and sale agreement (of which \$29,000 thousand had been paid in November 2021) and necessary costs of \$2,049 thousand paid before the availability for use.

K Laser Technology Inc.

Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital

For the Year Ended December 31, 2022

Table 4

Unit: In Thousands of New Taiwan Dollars/Foreign Currencies

Seller	Property	Event Date	Original Acquisition Date	Carrying Amount	Transaction Amount	Collection	Gain (Loss) on Disposal	Counterparty	Relationship	Purpose of Disposal	Price Reference	Other Terms
K Laser Technology (Dongguan) Co., Ltd.	Right-of-use assets of Dashuihu lot in Dadianmei Village, Dalingshan Town, Dongguan City - land and factory buildings	Board's resolution date: January 19, 2022 Ownership transfer date: November 2022	November 4, 2004	RMB 18,588	RMB 100,000 (Tax inclusive)	Received in full in November 2022	\$ 281,814 (RMB 63,995) (Note 4)	Dongguan Zhongtian Management Consulting Co., Ltd.	None	Group's strategy adjustment and future business development needs	According to the appraisal report of the real estate appraiser firm	Note 3

Note 1: If the disposed assets need to be appraised according to regulations, the appraisal results should be noted in the "Price Reference" column.

Note 2: The paid-in capital refers to the paid-in capital of the parent company. For issuers whose shares have no face value or per-share face value is not NT\$10, the transaction amount for 20% of the paid-in capital is calculated based on 10% of the equity belonging to the parent company on the balance sheet.

Note 3: K Laser Technology (Dongguan) Co., Ltd. is allowed to use the subject assets in Dongguan for free within two years from the delivery date agreed in the contract without paying any rent. After the free use period expires, it may continue to lease the assets by paying a monthly rent of RMB800,000.

Note 4: The amount does not include a land appreciation tax of \$50,293 thousand (RMB11,421 thousand) and a 15% corporate income tax.

K Laser Technology Inc.

Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital
For the Year Ended December 31, 2022

Table 5

Unit: In Thousands of New Taiwan Dollars

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
The Company	K Laser Technology (Dongguan) Co., Ltd.	Second-tier subsidiary that indirectly holds 93.78% of the shares	Purchase	(\$ 279,084)	20	Cash payment within 90 days	NA	NA	(\$ 80,137)	33	
"	K Laser Technology (USA) Co., Ltd.	Second-tier subsidiary that indirectly holds 79.75% of the shares	Sales	477,758	27	Cash payment within 90 days	NA	NA	106,328	41	
"	K Laser Technology Japan Co., Ltd.	Second-tier subsidiary that indirectly holds 70% of the shares	Sales	144,117	8	Cash payment within 90 days	NA	NA	47,744	18	
"	K Laser Technology (Wuxi) Co., Ltd.	Second-tier subsidiary that indirectly holds 93.78% of the shares	Purchase	(108,194)	8	Cash payment within 90 days	NA	NA	(30,664)	13	
"	Treasure Access Limited	Second-tier subsidiary that indirectly holds 93.78% of the shares	Purchase	(157,873)	11	Cash payment within 90 days	NA	NA	(22,007)	9	
K Laser Technology (Wuxi) Co., Ltd.	Jiangsu Sunderray Laser Packing Material Co., Ltd.	Sister company	Purchase	(RMB 44,848)	44	Cash payment within 60 days	NA	NA	(RMB 17,918)	60	
Jiangsu Sunderray Laser Packing Material Co., Ltd.	K Laser Technology (Dongguan) Co., Ltd.	Sister company	Sales	RMB 23,927	16	Cash payment within 60 days	NA	NA	RMB 5,598	10	
Optivision Technology Inc.	Ningbo Optivision Technology Co., Ltd.	Subsidiary	Sales	176,063	21	Cash payment within 120 days	NA	NA	92,930	56	

K Laser Technology Inc.

Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital

December 31, 2022

Table 6

Unit: In Thousands of New Taiwan Dollars

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
The Company	K Laser Technology (USA) Co., Ltd.	Indirectly held 79.95% of second-tier subsidiary	\$ 106,328	3.54	\$ -	-	\$ 77,737	\$ -

K Laser Technology Inc.
Information on investees
For the Year Ended December 31, 2022

Table 7

Unit: In Thousands of New Taiwan Dollars/Foreign Currencies

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2022			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note	
				December 31, 2022	December 31, 2021	Number of Shares	%	Carrying Amount				
The Company	K Laser China Group Co., Ltd.	British Virgin Islands	Reinvestment company	\$ 722,454	\$ 722,454	21,289,005	100	\$ 2,317,263	\$ 235,829	\$ 247,175		
"	K Laser International Co., Ltd.	British Virgin Islands	Reinvestment company	726,200	726,200	21,161,462	100	810,426	1,945	1,945		
"	K Laser Technology Inc.	Hsinchu City	Manufacture and sales of optical instruments and electronic components, etc.	499,497	499,497	23,614,835	45	426,157	(304,706)	(135,471)	(Note 1)	
"	iWin Technology Co., Ltd.	British Virgin Islands	Reinvestment company	97,372	97,372	157,545	49	10,963	(11,057)	(5,418)		
"	Vicome Corp.	Yunlin County	Manufacture, processing and trading of fluorescent pigments and dyes	35,494	35,494	3,021,420	30	153,302	56,219	16,984		
"	Insight Medical Solutions Inc.	Hsinchu City	R&D and sales of gastrointestinal endoscopy and other businesses	269,813	269,813	8,995,264	41	116,175	(65,180)	(30,471)		
K Laser International Co., Ltd.	Guang Feng International Ltd.	Samoa	Reinvestment company	162,463	162,463	4,845,810	100	15,601	(728)	(728)		
	K Laser Technology (USA) Co., Ltd.	USA	Holographic product sales	USD 6,500	USD 6,500	6,500,000	80	USD 8,489	(USD 294)	(USD 234)		
	"	K Laser Technology (Thailand) Co., Ltd.	Thailand	Manufacture and sales of holographic products	USD 1,839	USD 1,839	9,337,984	83	USD 8,011	USD 237	USD 198	
	"	K Laser Technology (Korea) Co., Ltd.	Korea	Manufacture and sales of holographic products	USD 2,946	USD 2,946	677,040	100	USD 2,002	USD 188	USD 188	
	"	Amagic Technologies U.S.A. (Dubai) Ltd.	Dubai	Sales and agency of holographic products	USD 2,297	USD 2,297	-	100	USD 3,653	USD 50	USD 50	
	"	K Laser Technology Japan Co., Ltd.	Japan	Manufacture and sales of holographic products	USD 830	USD 830	1,344	70	USD 2,825	USD 189	USD 132	
	"	CIO Tech Ltd.	Cayman Islands	Reinvestment company	USD 750	USD 750	11,000,000	22	USD 516	(USD 115)	(USD 25)	
	"	Amagic Holographics India Private Limited	India	Manufacture and sales of holographic products	USD 2,508	USD 2,508	10,915,594	100	USD 324	(USD 54)	(USD 54)	
K Laser Technology (Thailand) Co., Ltd.	K Laser Technology (Indonesia) Co., Ltd.	Indonesia	Manufacture and sales of holographic products	THB 21,168	THB 21,168	266,000	70	THB 22,327	THB 802	THB 561		
K Laser China Group Co., Ltd.	K Laser China Group Holding Co., Limited	Cayman Islands	Reinvestment company	RMB 180,503	RMB 180,503	89,096,401	94	RMB 503,709	RMB 57,716	RMB 54,124		
K Laser China Group Holding Co., Limited	K Laser Technology (H.K.) Co., Ltd.	Hongkong	Sales agent for holographic products	RMB 1,092	RMB 1,092	1,283,500	100	RMB 5,701	RMB 376	RMB 376		
"	Holomagic Co., Ltd.	British Virgin Islands	Reinvestment company	RMB 112,440	RMB 112,440	30,000	100	RMB 273,257	RMB 8,466	RMB 8,326		
"	Top Band Investment., Ltd.	British Virgin Islands	Reinvestment company	RMB 130,106	RMB 130,106	50,000	100	RMB 255,282	RMB 50,466	RMB 50,329		
"	iWin Technology Co., Ltd.	British Virgin Islands	Reinvestment company	RMB 20,825	RMB 20,825	163,975	51	RMB 2,589	(RMB 2,503)	(RMB 1,277)		

Holomagic Co., Ltd. Top Band Investment Ltd.	Treasure Access Limited Union Bloom Co., Ltd.	Hongkong Hongkong	Reinvestment company Reinvestment company	RMB 69,243 RMB 113,329	RMB 69,243 RMB 113,329	10,000 10,000	100 100	RMB 270,924 RMB 252,641	RMB 8,337 RMB 50,329	RMB 8,337 RMB 50,329	
iWin Technology Co., Ltd.	Finity Laboratories	USA	Research and development of holographic technology	USD 700	USD 700	700,000	100	USD 586	(USD 365)	(USD 365)	
Optivision Technology Inc.	Bright Triumph Limited	Mauritius	Reinvestment company	242,173	242,173	7,913,767	100	135,324	(1,506)	(1,506)	
Insight Medical Solutions Inc.	Insight Medical Solutions Holdings Inc.	Cayman Islands	Reinvestment company	-	USD 2,500	-	100	-	-	-	(Note 2)

Note 1: 10,000,000 ordinary shares of Optivision Technology Inc. have been pledged as collateral for the issuance of convertible bonds by the Company.

Note 2: Insight Medical Solutions Holdings Inc. had been liquidated in April 2022.

K Laser Technology Inc.
Information on investments in mainland China
For the Year Ended December 31, 2022

Table 8

Unit: In Thousands of New Taiwan Dollars/Foreign Currencies

1. Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income:

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount	Accumulated Repatriation of Investment Income
					Outward	Inward						
K Laser Technology (Wuxi) Co., Ltd.	Research and development, production of laser holography products, optoelectronic equipment and optoelectronic materials	\$ 556,902 (RMB 126,339)	By reinvesting in existing companies in third regions	\$ 205,450 (USD 6,690)	\$ -	\$ -	\$ 205,450 (USD 6,690)	94	(\$ 2,759) (RMB 626)	(\$ 2,587) (RMB 587)	\$ 589,887 (RMB 133,822)	\$ 233,360 (RMB 52,940)
K Laser Technology (Dongguan) Co., Ltd.	Engaged in the production and sales of other polyethylene and rigid polyvinyl chloride films and foils	730,057 (RMB 165,621)	By reinvesting in existing companies in third regions	63,232 (USD 2,059)	-	-	63,232 (USD 2,059)	94	251,287 (RMB 57,007)	235,647 (RMB 53,459)	1,072,378 (RMB 243,280)	756,320 (RMB 171,579)
Herui Laser Technology Co., Ltd.	R&D, production and operation of laser paper, anodized aluminum and other new environmentally friendly packaging materials and anti-counterfeiting products, etc.	228,334 (RMB 51,800) (Note 1)	By reinvesting in existing companies in third regions	-	-	-	-	46	43,392 (RMB 9,844)	19,942 (RMB 4,524)	167,094 (RMB 37,907)	31,059 (RMB 7,046)
Foshan Donglin Packaging Material Co., Ltd.	Production of cigarette packaging materials and extended products	116,755 (RMB 26,487) (Note 3)	By reinvesting in existing companies in third regions	-	-	-	-	23	3,641 (RMB 826)	855 (RMB 194)	22,278 (RMB 5,054)	
Hunan Hexin Packaging Material Co., Ltd.	Mainly engaged in the production, processing and sales of film and cigarette packs, and the segmentation of cigarette paper	81,989 (RMB 18,600) (Note 4)	By reinvesting in existing companies in third regions	-	-	-	-	46	8,053 (RMB 1,827)	(256) (RMB -58)	213,321 (RMB 48,394)	
Jiangsu Sunderray Laser Packing Material Co., Ltd.	Production of special film coating, decorative film and environmentally friendly transfer paper, etc.	484,880 (RMB 110,000) (Note 2)	By reinvesting in existing companies in third regions	-	-	-	-	61	25,011 (RMB 5,674)	12,818 (RMB 2,908)	356,590 (RMB 80,896)	38,200 (RMB 8,666)

Jiangyin Teruida Packing Technology Co., Ltd.	Production of special film coating, decorative film and environmentally friendly transfer paper, etc.	43,785 (RMB 9,933) (Note 2)	By reinvesting in existing companies in third regions	-	-	-	-	61	4,086 (RMB 927)	2,491 (RMB 565)	38,094 (RMB 8,642)	
Guang Feng (Wuxi) Co., Ltd.	R & D and production of large liquid crystal projection displays and optical engines for displays, projection tubes, etc.	190,994 (RMB 43,329)	By reinvesting in existing companies in third regions	112,276 (USD 3,656)	-	-	112,276 (USD 3,656)	45	(26,718) (USD -870)	(12,008) (USD -391)	31,816 (USD 1,036)	-
Glory Group Medical (Wuxi) Co., Ltd.	R&D and sales of gastrointestinal endoscopy and other businesses	76,775 (USD 2,500)	Directly to the mainland China for investment	76,775 (USD 2,500)	-	-	76,775 (USD 2,500)	41	(7,833)	(3,202)	22,893	
Ningbo Optivision Technology Co., Ltd.	Manufacture, processing and production of brightness enhancement film, film, diffusion film, optical film	148,187 (RMB 33,607)	By reinvesting in existing companies in third regions	161,473 (USD 5,258)			161,473 (USD 5,258)	45	(798) (USD -26)	(356) (USD -12)	35,702 (USD 1163)	
Dongguan City Guang Zhi Optoelectronic Co., Ltd.	R&D and manufacturing of precision components	328,500 (RMB 74,500)	By reinvesting in existing companies in third regions	68,790 (USD 2,240)			68,790 (USD 2,240)	3	-	-	22,866 (USD 745)	

2. Limit on the amount of investment in the mainland China area

Company Name	Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2022	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA (Note 6)
K Laser Technology Inc.	\$380,958 (USD 12,405)	\$2,128,418 (USD 69,307) (Note 5)	\$1,739,946
Optivision Technology Inc.	\$230,263 (USD 7,498)	\$262,755 (USD 8,556)	\$573,182
Insight Medical Solutions Inc.	\$76,775 (USD 2,500)	\$76,775 (USD 2,500)	\$84,175

Note 1: Including cash investments of US\$2,512 thousand made through third-party business.

Note 2: Including cash investments of US\$3,705 thousand made through third-party business.

Note 3: Including cash investments of RMB8,253 thousand made through third-party business.

Note 4: Including cash investments of RMB48,100 thousand made through third-party business.

Note 5: Retained earnings from investments amounted to US\$11,748 thousand.

Note 6: The Company is approved by the competent authority as an operational headquarter and thus is not subject to the limitation of 60% of net worth or NT\$80 million.

Other companies are subject to the higher of 60% of net worth or NT\$80 million.

- Major transactions occurred directly or indirectly through third-party businesses with mainland China companies, refer to Tables 4 and 8.
- Amounts of property transactions and their resulting gains or losses: None.
- Situations involving endorsement, guarantee, or collateral provided by mainland China companies directly or indirectly through third-party businesses: None.
- Situations involving funding provided directly or indirectly through third-party businesses by mainland China companies: None.
- Other significant transaction matters affecting the current income or financial status: None.

K Laser Technology Inc.
Information on major shareholders
December 31, 2022

Table 9

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Kuo Wei-Wu (Note 3)	13,303,256	8.12%

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.

Note 3: Acquired additional 14,000 shares in January 2023.

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K Laser Technology Inc.
Statement of Cash and Cash Equivalents
December 31, 2022

Statement 1

Unit: In Thousands of NTD,
In Foreign Currencies

Item	Summary	Amount
Cash on hand and petty cash		\$ 8,084
Bank deposits	Demand deposit - NTD	27,569
	Checking deposit - NTD	128
	Demand deposit - USD6,469,250	198,671
	Demand deposit - EUR895,072	29,287
	Demand deposit - RMB2,936,491	12,944
	Demand deposit - JPY1,866,962	434
	Demand deposit - HKD1,396	5
	Demand deposit - AUD71	1
		<u>\$ 277,123</u>

Note: The exchange rates are as follows:

US\$1:NT\$30.71

EUR1:NT\$32.72

RMB1:NT\$4.4080

JPY1:NT\$0.2324

HK\$1:NT\$3.9380

AU\$1:NT\$20.8300

K Laser Technology Inc.
Statement of Notes Receivable
December 31, 2022

Statement 2

Unit: In Thousands of NTD

Name of Client	Summary	Amount
Neoway	Payment	\$ 4,241
Foremost Eimage Corporation	"	1,344
Zing Yew Co., Ltd.	"	833
Cyunwei Trading Co., Ltd.	"	508
Others (Note)	"	<u>2,149</u>
		<u>\$ 9,075</u>

Note: The amount of individual client in others does not exceed 5% of the account balance and should be consolidated.

K Laser Technology Inc.
Statement of Accounts Receivable
December 31, 2022

Statement 3

Unit: In Thousands of NTD

Name of Client	Summary	Amount
COMMBAX SDN BHD	Payment	\$ 41,904
M&G ENT. CO., LTD.	"	23,300
Others (Note)	"	27,982
Less: Allowance for bad debts		(<u>4,746</u>)
		<u>\$ 88,440</u>

Note: The amount of individual client in others does not exceed 5% of the account balance and should be consolidated.

K Laser Technology Inc.
Statement of Other Receivables
December 31, 2022

Statement 4

Unit: In Thousands of NTD

Item	Summary	Amount
Other receivables	Related parties	\$ 39,506
	Others (Note)	<u>1,063</u>
		<u>\$ 40,569</u>

Note: The amount of individual client in others does not exceed 5% of the account balance and should be consolidated.

K Laser Technology Inc.
Statement of Inventory
December 31, 2022

Statement 5

Unit: In Thousands of NTD

Item	Cost	Net Realizable Value
Raw materials	\$ 67,883	\$ 53,329
Work in process	1,832	1,832
Finished goods	23,020	20,144
Merchandise	29,488	28,672
Less: Provision for inventory write-off and obsolescence	(<u>18,246</u>)	<u>-</u>
	<u>\$ 103,977</u>	<u>\$ 103,977</u>

K Laser Technology Inc.
Statement of Other Current Assets
December 31, 2022

Statement 6

Unit: In Thousands of NTD

Item	Summary	Amount
Prepayments	Advance payment and insurance premium, etc.	\$ 12,357
Restricted assets	Short-term loan guarantee from banks	95,527
Residual income tax		<u>2,091</u>
		<u>\$ 109,975</u>

K Laser Technology Inc.
Statement of Changes in Financial Assets at Fair Value Through Other Comprehensive Income - Non-current
For the Year Ended December 31, 2022

Statement 7

Unit: In Thousands of NTD/Shares

Name of Financial Assets	Beginning Balance		Increase		Decrease		Ending Balance			Collaterals/ Guarantees
	Number of Shares	Fair Value	Number of Shares	Amount (Note 1)	Number of Shares	Amount (Note 2)	Number of Shares	Shareholding Ratio	Fair Value	
CM Visual Technology Corporation	138,240	\$ -	-	\$ -	-	\$ -	138,240	-	\$ -	None
CDIB Capital Healthcare Ventures Corporation	2,100,000	26,726	-	9,591	300,000	3,000	1,800,000	2	33,317	None
Mega Plastic Industry Co., Ltd.	150,000	2,007	-	(1)	150,000	2,006	-	-	-	None
FOODFAB GROUP LIMITED	-	-	444,444	<u>5,615</u>	-	-	444,444	2	<u>5,615</u>	None
		<u>\$ 28,733</u>		<u>\$ 15,205</u>		<u>\$ 5,006</u>			<u>\$ 38,932</u>	

Note 1: It refers to the adjustment of valuation allowance amount and new investment based on fair value at the end of the year.

Note 2: It refers to the return on capital reduction and disposal of investment in the current year.

K Laser Technology Inc.
Statement of Changes in Investments Accounted for Using the Equity Method
For the Year Ended December 31, 2022

Statement 8

Unit: In Thousands of NTD/Shares

Name of Company	Beginning Balance		Increase		Decrease		Ending Balance			Net Worth/Market Price	Collaterals/ Guarantees
	Number of Shares	Fair Value	Number of Shares	Amount (Note 1)	Number of Shares	Amount (Note 2)	Number of Shares	Shareholding Ratio	Amount		
K Laser China Group Co., Ltd.	21,289,005	\$2,121,577	-	\$ 287,216	-	\$ 91,530	21,289,005	100%	\$2,317,263	\$2,430,713	None
K Laser International Co., Ltd.	21,161,462	743,919	-	66,507	-	-	21,161,462	100%	810,426	817,147	None
i Win Technology Co., Ltd.	157,545	14,851	-	(3,888)	-	-	157,545	49%	10,963	10,963	None
Optivision Technology Inc.	23,614,835	574,422	-	(148,265)	-	-	23,614,835	45%	426,157	458,128	Yes (Note 3)
Vicome Corp.	3,021,420	137,945	-	21,400	-	6,043	3,021,420	30%	153,302	153,302	None
Guang Feng International Ltd.	4,845,810	16,289	-	(688)	-	-	4,845,810	100%	15,601	15,601	None
Insight Medical Solutions Inc.	8,995,264	<u>142,474</u>	-	(<u>26,299</u>)	-	<u>-</u>	8,995,264	41%	<u>116,175</u>	<u>116,175</u>	None
		<u>\$3,751,477</u>		<u>\$ 195,983</u>		<u>\$ 97,573</u>			<u>\$3,849,887</u>	<u>\$4,002,029</u>	

Note 1: It includes the increase in investment costs in the current period, the investment benefits recognized under the equity method, the increase or decrease of exchange differences arising from the translation of foreign financial statements, and the adjustment of net value changes.

Note 2: Cash dividends

Note 3: 10,000,000 shares of Optivision Technology Inc. have been pledged as collateral for the issuance of the Company's convertible bonds.

K Laser Technology Inc.
Statement of Changes in Right-of-Use Assets
For the Year Ended December 31, 2022

Statement 9

Unit: In Thousands of NTD

Item	Beginning Balance	Increase	Decrease	Ending Balance
Cost				
Land	\$ 77,364	\$ -	\$ 474	\$ 76,890
Buildings	4,246	-	1,538	2,708
Transportation equipment	<u>4,322</u>	<u>-</u>	<u>-</u>	<u>4,322</u>
	<u>\$ 85,932</u>	<u>\$ -</u>	<u>\$ 2,012</u>	<u>\$ 83,920</u>
Accumulated depreciation				
Land	\$ 12,216	\$ 4,042	\$ -	\$ 16,258
Buildings	2,533	657	1,025	2,165
Transportation equipment	<u>398</u>	<u>1,441</u>	<u>-</u>	<u>1,839</u>
	<u>\$ 15,147</u>	<u>\$ 6,140</u>	<u>\$ 1,025</u>	<u>\$ 20,262</u>

K Laser Technology Inc.
Statement of Other Non-current Assets
December 31, 2022

Statement 10

Unit: In Thousands of NTD,
Unless Stated Otherwise

Item	Summary	Amount
Refundable deposits		\$ 8,656
Restricted assets	Issuance of corporate bonds and land lease guarantee	194,368
Prepayments for equipment		5,321
Others		1,942
		\$210,287

K Laser Technology Inc.
Statement of Short-term Loans
December 31, 2022

Statement 11

Unit: In Thousands of NTD,
Unless Stated Otherwise

Item	Summary	Amount of Loan	Contract Period	Limit	Interest Rate (%)	Collaterals/Guarantees
Short-term loans						
Yuanta Commercial Bank	Mortgage loan	\$ 70,000	111.12.26~112.01.19	\$ 100,000	1.67%	Bank's pledged deposit
CTBC Bank	Credit loan	50,000	111.11.02~112.01.03	100,000	1.66%	None
Taiwan Business Bank	Credit loan	50,000	111.12.12~112.06.12	50,000	1.82%	None
First Commercial Bank	Credit loan	30,000	111.12.09~112.01.06	130,000	1.73%	None
First Commercial Bank	Credit loan	40,000	111.12.16~112.01.13	130,000	1.78%	None
Agricultural Bank of Taiwan	Credit loan	<u>150,000</u>	111.10.06~112.03.31	<u>150,000</u>	1.41%	None
		<u>\$ 390,000</u>		<u>\$ 660,000</u>		

K Laser Technology Inc.
Statement of Accounts Payable
December 31, 2022

Statement 12

Unit: In Thousands of NTD

<u>Name of Client</u>	<u>Summary</u>	<u>Amount</u>
EFUN Tech Limited	Payment	\$ 60,850
Jiu Li Mei Enterprise Corp.	Payment	8,563
Others (Note)	Payment	<u>11,686</u>
		<u>\$ 81,099</u>

Note: The amount of individual client in others does not exceed 5% of the account balance and should be consolidated.

K Laser Technology Inc.
Statement of Other Current Liabilities
December 31, 2022

Statement 13

Unit: In Thousands of NTD

<u>Item</u>	<u>Amount</u>
Advance payment	\$ 4,008
Temporary payment	238
Withholding payment	<u>199</u>
	<u>\$ 4,445</u>

K Laser Technology Inc.
Statement of Other Non-current Liabilities
December 31, 2022

Statement 14

Unit: In Thousands of NTD

<u>Item</u>	<u>Summary</u>	<u>Amount</u>
Guarantee deposits	Lease deposits	<u>\$ 942</u>

K Laser Technology Inc.
Statement of Lease Liabilities
December 31, 2022

Statement 15

Unit: In Thousands of NTD

Item	Lease Period	Discount Rate (%)	Amount
Land	October 16, 2018 - December 31, 2037	1.55	\$ 62,336
Buildings	January 1, 2019 - December 31, 2023	1.5	560
Transportation equipment	September 20, 2020 - November 30, 2024	1.5-1.83	<u>2,509</u>
			65,405
Less: Current portion due within 1 year			(<u>5,651</u>)
			<u>\$ 59,754</u>

K Laser Technology Inc.
Statement of Operating Revenue
December 31, 2022

Statement 16

Unit: In Thousands of NTD,
Unless Stated Otherwise

<u>Item</u>	<u>Amount</u>
Laser papers	\$ 27,202
Anti-counterfeiting labels	46,609
Laser films	876,817
Optical instruments	762,615
Others	<u>44,339</u>
	<u>\$ 1,757,582</u>

K Laser Technology Inc.
Statement of Operating Costs
For the Year Ended December 31, 2022

Statement 17

Unit: In Thousands of NTD

Item	Amount
Direct raw materials	
Add: Raw materials, beginning of year	\$ 57,597
Purchased	718,272
Transferred from merchandise	250
Less: Transferred to manufacturing	(8,569)
expense and operating expense	
Transferred to merchandise	(212)
Transferred to finished goods	-
Sales of raw materials	(594,729)
Raw materials, end of year	(67,883)
Write-off of raw materials	(1,378)
Direct consumption of raw materials	103,348
Direct labor	20,743
Manufacturing expense	<u>82,552</u>
Manufacturing cost	206,643
Add: Work in process, beginning of year	2,472
Less: Transferred to manufacturing expense and	(11,250)
operating expense	
Work in process, end of year	(<u>1,832</u>)
Cost of finished goods	196,033
Add: Finished goods, beginning of year	22,870
Transferred from R&D	3,035
Less: Transferred to manufacturing expense and	(803)
operating expense	
Finished goods, end of year	(<u>23,020</u>)
Cost of finished goods sold	<u>198,115</u>
Cost of merchandise sold	
Add: Merchandise, beginning of year	25,787
Purchase	672,328
Transferred from raw materials	212
Others	141
Less: Transferred to manufacturing	(212)
expense and operating expense	
Transferred to raw materials	(250)
Merchandise, end of year	(<u>29,488</u>)
Cost of merchandise sold	668,518
Sales of raw materials	594,729
Write-off of raw materials	1,378
Reversal of inventory loss	(<u>5,829</u>)
Total operating costs	<u>\$ 1,456,911</u>

K Laser Technology Inc.
Statement of Selling and Marketing Expenses
For the Year Ended December 31, 2022

Statement 18

Unit: In Thousands of NTD

<u>Item</u>	<u>Amount</u>
Salary and bonus	\$ 29,633
Transportation fee	11,719
Commission expense	7,381
Others (Note)	<u>15,034</u>
	<u>\$ 63,767</u>

Note: The amount of individual item in others does not exceed 5% of the account balance and should be consolidated.

K Laser Technology Inc.
Statement of General and Administrative Expenses
For the Year Ended December 31, 2022

Statement 19

Unit: In Thousands of NTD

<u>Item</u>	<u>Amount</u>
Salary and bonus	\$ 52,680
Labor fee	6,281
Depreciation	5,508
Others (Note)	<u>11,344</u>
	<u>\$ 75,813</u>

Note: The amount of individual item in others does not exceed 5% of the account balance and should be consolidated.

K Laser Technology Inc.
Statement of Research and Development Expenses
For the Year Ended December 31, 2022

Statement 20

Unit: In Thousands of NTD

<u>Item</u>	<u>Amount</u>
Salary and bonus	\$ 27,220
Research fee	26,696
Depreciation	13,760
Others (Note)	<u>13,032</u>
	<u>\$ 80,708</u>

Note: The amount of individual item in others does not exceed 5% of the account balance and should be consolidated.

K Laser Technology Inc.
Summary of Employee Benefits, Depreciation and Amortization Expenses by Function
For the Years Ended December 31, 2022 and 2021

Statement 21

Unit: In Thousands of NTD

	2022				2021			
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non- operating Expenses and Losses	Total	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non- operating Expenses and Losses	Total
Short-term employee benefits								
Salary expense	\$ 37,790	\$ 96,654	\$ -	\$ 134,444	\$ 37,618	\$ 95,985	\$ -	\$ 133,603
Labor health insurance	\$ 4,301	\$ 6,853	\$ -	\$ 11,154	\$ 4,216	\$ 6,396	\$ -	\$ 10,612
Post-employment benefits	\$ 2,132	\$ 3,772	\$ -	\$ 5,904	\$ 2,109	\$ 3,558	\$ -	\$ 5,667
Remuneration of directors	\$ -	\$ 6,026	\$ -	\$ 6,026	\$ -	\$ 6,932	\$ -	\$ 6,932
Termination benefits	\$ 111	\$ 19	\$ -	\$ 130	\$ 199	\$ 59	\$ -	\$ 258
Other employee benefits	\$ 1,013	\$ 1,191	\$ -	\$ 2,204	\$ 836	\$ 978	\$ -	\$ 1,814
Depreciation expenses								
Property, plant and equipment	\$ 11,809	\$ 16,567	\$ -	\$ 28,376	\$ 13,155	\$ 14,959	\$ -	\$ 28,114
Right-of-use assets	1,591	3,210	1,339	6,140	1,601	3,351	1,547	6,499
Investment properties	-	-	1,279	1,279	-	-	1,279	1,279
	<u>\$ 13,400</u>	<u>\$ 19,777</u>	<u>\$ 2,618</u>	<u>\$ 35,795</u>	<u>\$ 14,756</u>	<u>\$ 18,310</u>	<u>\$ 2,826</u>	<u>\$ 35,892</u>
Amortization expenses	\$ -	\$ 369	\$ -	\$ 369	\$ -	\$ 709	\$ -	\$ 709

Note:

1. As of December 31, 2022 and 2021, the average number of employees was 153 and 154, respectively, including 6 directors who did not serve concurrently as employees in both years.
2. The average employee benefits expense for 2022 was \$1,046 thousand and the average employee benefits expense for 2021 was \$1,025 thousand; the average employee payroll expense for 2022 was \$915 thousand and the average employee payroll expense for 2021 was \$903 thousand. The average employee payroll expense increased by 1.3%.
3. The Company's compensation policy (including directors, supervisors, and employees):
 - (1) The independent directors of the Company receive a fixed remuneration, while the other directors, in addition to receiving attendance allowances for each board meeting, shall be entitled to a directors' remuneration not exceeding 1.5% of the pre-tax profit after deducting the amounts allocated for distribution to employees and directors, as stipulated in the Company's Articles No. 32, if the Company generates profits in the fiscal year.
In accordance with the Company's Articles No. 32, if the Company generates profits in the fiscal year, the Company shall allocate 4% to 8% of the pre-tax profit after deducting the amounts allocated for distribution to employees and directors as employees' compensation. The managers' remuneration includes salary and bonus, with

salary being determined based on industry standards, job titles, job levels, education and experience, professional skills, and responsibilities. Bonuses are based on the manager's performance evaluation, including financial indicators such as the Company's revenue and pre-tax net profit's achievement rate, as well as non-financial indicators such as job performance, work quality, work attitude, leadership, communication and coordination, team cooperation, and significant deficiencies in compliance with laws and operational risks. The remuneration will be distributed based on the recommendation of the compensation committee and will be approved by the chairman based on the performance evaluation results.

The remuneration of directors and managers shall be allocated by the board of directors and reported to the shareholders' meeting. However, if the Company still has accumulated losses, an amount shall be reserved in advance for offsetting such losses, and then employees' compensation and directors' remuneration shall be allocated based on the aforementioned ratio. The recipients of employees' compensation may include employees of subsidiaries who meet certain conditions, and such remuneration may be paid in shares or cash.

(2) Accounting treatment in case of differences between the estimated amount of employees' compensation and directors' remuneration for the current period, the calculation basis for employees' compensation distributed in shares, and the actual amount of distribution:

Based on the provisions of the Company's Articles and by reference to the actual remuneration paid in the past, the Company estimates the possible amounts of employees' compensation and directors' remuneration to be paid. If there is a difference between the actual payment and the estimated amount, it should be treated as a change in accounting estimate and be included in the profit and loss statement of the following year.

(3) The Company established an audit committee on November 5, 2013 and abolished the system of supervisors, which did not apply in these circumstances.

6. Financial Distress in Company and Subsidiaries: None

7. Analysis of Financial Status, Financial Performance and Risk Management

1. Analysis of financial status

Unit: NT \$1000

Project \ Year	2022	2021	Difference		Notes
			Amount of money	%	
Current Assets	5,060,287	5,519,536	-459,249	-8.32%	
Non-current assets	3,052,558	2,695,638	356,920	13.24%	Description
Total assets	8,112,845	8,215,174	-102,329	-1.25%	
Current liabilities	2,343,015	2,414,408	-71,393	-2.96%	
Long-term liabilities	1,540,760	1,529,910	10,850	0.71%	
Total liabilities	3,883,775	3,944,318	-60,543	-1.53%	
Share capital	1,638,061	1,659,694	-21,633	-1.30%	
Capital surplus	689,968	709,559	-19,591	-2.76%	
Retained earnings	989,379	935,872	53,507	5.72%	
Total shareholders' equity	4,229,070	4,270,856	-41,786	-0.98%	
The analysis of the change in the proportion of increase and decrease shows:					
NA					

2. Analysis of financial performance

Unit: NT \$1000

Project \ Year	2022	2021	Difference		Notes
			Amount of money	%	
Net operating income	6,421,806	6,146,290	275,516	4.48%	
Operating costs	5,265,148	4,908,947	356,201	7.26%	
Gross operating profit	1,156,658	1,237,343	-80,685	-6.52%	
Operating expenses	1,173,016	1,020,905	152,111	14.90%	
Operating income	-16,358	216,438	-232,796	-107.56%	Description
Non-operating income and expenses	259,570	192,632	66,938	34.75%	Description
Net income from continuing operations before taxes	243,212	409,070	-165,858	-40.55%	Description
Income tax expense	-131,283	-66,996	-64,287	95.96%	Description
Cumulative effect of changes in accounting principles	0	0	0	0.00%	
Net profit after tax from continuing operations	111,929	342,074	-230,145	-67.28%	Description

The analysis of the change in the proportion of increase and decrease shows that:

In 2022, the gross margin of photoelectric products decreased, affecting the operating income, net income from continuing operations before taxes, net profit after tax from continuing operations to go down.

Non-operating income and expenses increased due to gain from sale and leaseback transactions and gain on foreign exchange increase.

Income tax expense increased due to the land value increment tax accompanying the sale and leaseback transactions.

3、 Analysis of cash flow

(1) Review and analysis sheet of changes in cash flow

Unit: NT \$1000

2022.01.01 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	Impact of exchange rate changes	Cash balance (2022.12.31)	Remedial measures for cash deficiency	
					Investment plan	Financial management plan
2,128,842	468,561	(958,352)	81,303	1,720,354	—	—

Analysis of annual cash flow changes:

1. The cash inflow from operating activities is NT\$ 468,561,000, mainly from operating income.
2. The cash outflow from investment activities is NT\$ 345,095,000, mainly due to the normal purchase of assets.
3. The cash outflow from financing activities is NT\$ 613,257,000, mainly caused by repaying borrowings, and distributing cash dividends.

(2) Remedial measures and liquidity analysis of expected cash shortage: not applicable.

(3) Analysis of cash flow in the next year

Unit: NT \$1000

2023.01.01 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) (2023.12.31)	Remedial measures for estimated cash deficiency	
				Investment plan	Financial management plan
1,720,354	401,734	(358,610)	1,763,478	—	—

The estimated cash inflows of 2023 are mainly from operating income; investment and financing outflows includes investment in additional equipment, as well as cash dividends, which are sufficient to cover cash inflows from operating activities.

4、 Impact of major capital expenditure in recent year

(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				
				2022	2021	2020	2019	2018
Wide format holographic seamless plate making equipment and production process	Equity funds	2023.12.31	79,110	76	17,583	27,975	592	1,700
Holographic seamless electroforming equipment and production process	Equity funds	2023.12.31	28,061	683	98	350	300	606

New wide-format holographic seamless plate making equipment and production process	Equity funds	2023.12.31	13,422	872	5,781	5,821	948	-
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(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. Reinvestment policy in recent year, 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 core 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 2022, the Company recognized an operating profit of NT\$5,562,000 from the reinvestment company, an decrease of NT\$19,575,000 from the profit of NT\$25,137,000 recognized last year, mainly due to the reinvest China company Jiangsu Sunderray Laser Packing Material Co., Ltd. became a subsidiary since October 2021.
- (3) Estimated investment plan in 2023: To improve the production performance and reduce production costs of K Laser China Group, the Company has registered a new company in Nanchang, China. The investment funds USD 30,000,000 will be paid in five years. From the bottom half of 2023 to 2025, the new company plan to establish the production plant and related supporting facilities required for the production of holographic materials, and build 8 production lines, with an annual output of about 7,500 tons.

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 2022, the Company and its subsidiaries incurred interest expenses of NT\$35,459,000 and exchange gains of NT\$159,201,000. 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: The Company has in place a complete and thorough policy and internal control scheme governing lending. For the last fiscal year and year to date, the Company's lending is in accordance with relevant provisions.

- (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	76	December, 2023
2	Holographic seamless electroforming equipment and production process	683	December, 2023
3	New wide-format holographic seamless plate making equipment and production process	872	December, 2023

- (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.

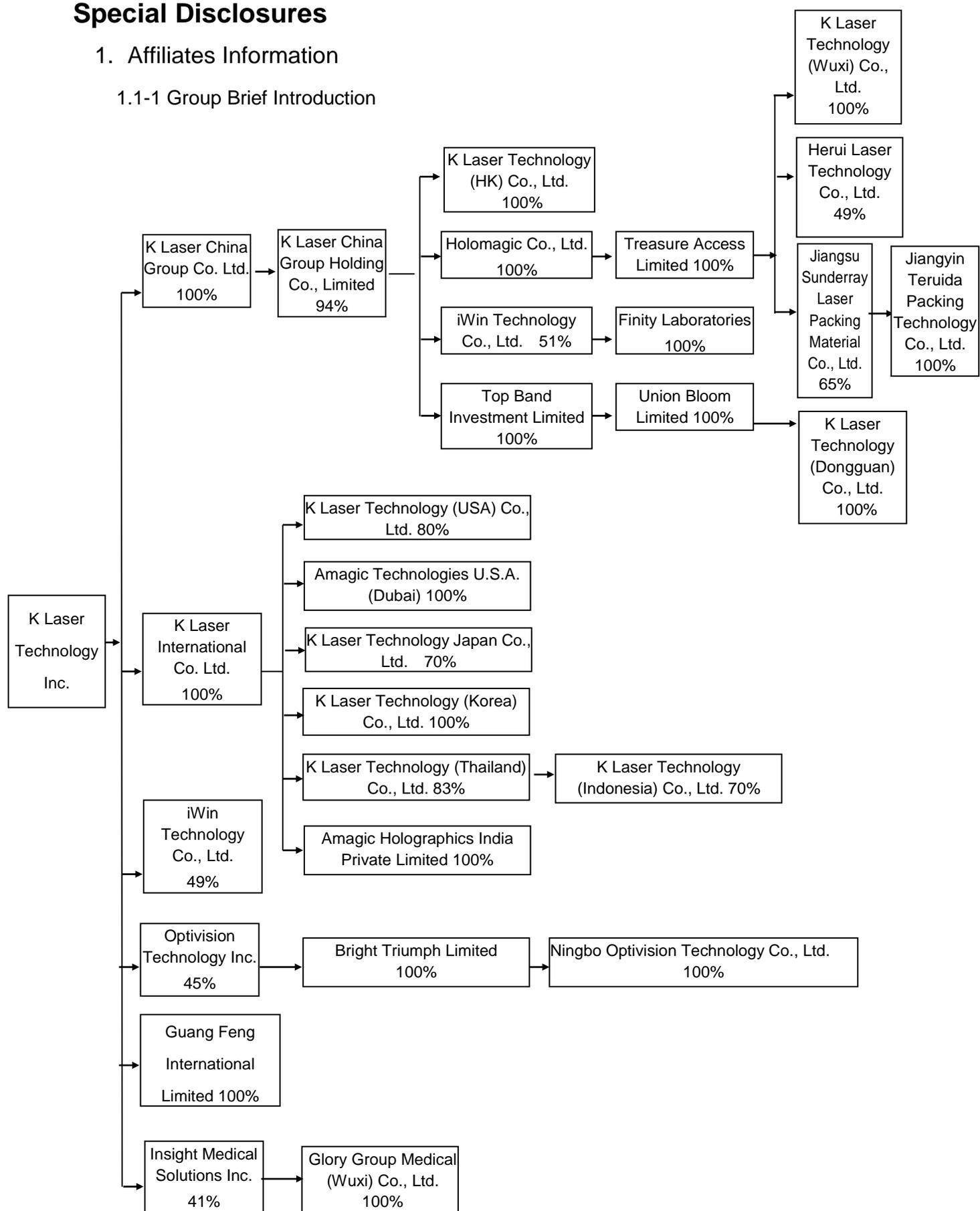
- (8) Expected benefits, possible risks, and countermeasures for plant expansion: None.
- (9) Risks of concentration of purchase or sales of goods and countermeasures: The Company has no concerns about concentration risks with major suppliers and customers.
- (10) The impact, risk and countermeasures 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 2022/12/31

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
K Laser China Group Holding Co., Limited	2008/01/03	190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands.	RMB\$ 226,117	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
Hologagic Co., Ltd.	2000/09/29	Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands	RMB\$ 112,440	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\$ 65,024	Investment Business
K Laser Technology (Wuxi) Co., Ltd.	2000/12/29	#60Segmen, Changjiang road Wuxi New District Zone, Wuxi Jiangsu, China.	RMB\$ 126,339	Production and Sales of Holographic Products
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
Jiangsu Sunderray Laser Packing Material Co., Ltd.	2001/08/03	No. 285, Xicheng Road, Jiangyin City, China	RMB\$ 110,000	Production and Sales of Holographic Products
Jiangyin Teruida Packing Technology Co., Ltd.	2003/9/3	No. 285, Xicheng Road, Jiangyin City, China	RMB\$ 9,933	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
K Laser Technology (Dongguan) 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\$ 21,161	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\$ 5,326	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
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 Technology Inc.	2004/07/14	3F,No. 1, Li Hsin Rd. VI, Science-Based Industrial Park, Hsinchu, Taiwan30078, R.O.C.	NT\$ 586,899	Production and R&D of Optical Prism Film
Bright Triumph Limited	2008/03/26	Level 3, Alexander House, 35 Cybercity, Ebene, Mauritius	NT \$ 242,173	Investment Business
Ningbo 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 International Limited	2005/3/31	Portcullis TrustNet Chambers P.O.Box 1225 Apia, SAMOA	US\$ 4,846	Investment Business
Guang Feng (Wuxi) Co., Ltd.	2005/12/08	No. 23, Changjiang Rd., Xinwu District, Wuxi, Wuxi, Jiangsu, China	RMB\$ 43,329	R & D and production of large LC projection displays and optical engines for displays, projection tubes, etc.
Insight Medical Solutions Inc.	2015/4/23	4F,No. 1, Li Hsin Rd. VI, Science-Based Industrial Park, Hsinchu, Taiwan30078, R.O.C.	NT\$ 220,000	R & D and sales of gastrointestinal endoscopy
Glory Group Medical (Wuxi) Co., Ltd.	2019/8/23	No. 35-107, Changjiang South Road, Xinwu District, Wuxi, China	USD\$ 2,500	R & D and sales of gastrointestinal endoscopy

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

2022/12/31

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%
K Laser China Group Holding Co., Limited (KLCG)	Director (KLCN)	Alex Kuo	89,096,401	94%
	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%
K Laser Technology (HK) Co., Ltd.	Director (KLCG)	Alex Kuo	1,283,500	100%
	Director (KLCG)	Daniel Kuo		
Holomagic Co., Ltd.	Director (KLCG)	Alex Kuo	30,000	100%
Treasure Access Limited	Director (Holomagic)	Alex Kuo	10,000	100%
K Laser Technology (Wuxi) Co., Ltd.	Chairman (Treasure)	Daniel Kuo	-	100%
	Director (Treasure)	Alex Kuo		
	Director (Treasure)	C. L. Kuo		
Herui Laser Technology Co., Ltd.	Chairman (Hosin Packaging)	Zhi Wei Yi	-	51%
	Director (Hosin Packaging)	HaiBo LI		
	Director (Hosin Packaging)	C. L. Kuo		
	Director and Vice Chairman (Treasure)	Alex Kuo	-	49%
	Director (Treasure)	Daniel Kuo	-	-
Supervisor (Hosin Packaging)	Wen Jie Huang	-	-	
Top Band Investment Ltd.	Director (KLCG)	Alex Kuo	50,000	100%
Union Bloom Limited	Director (TOP)	Alex Kuo	10,000	100%
K Laser Technology (Dongguan) Co., Ltd.	Chairman (Union)	Daniel Kuo	-	100%
	Director (Union)	James Kuo		
	Director (Union)	C. L. Kuo		
	Supervisor	Mark Chen	-	-
K Laser International Co., Ltd.	Director (K Laser)	Alex Kuo	21,161,462	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%
	General Manager	Sammy Chen	-	-
Amagic Technologies U.S.A (Dubai)	Chairman (International)	Alex Kuo	-	100%
	Director & GM	Joseph Habchi	-	-
Amagic Holographics India Private Limited	Director (International)	Alex Kuo	10,915,954	100%
	Director (International)	Daniel Kuo		
	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	Jun Murata	576	30%
	Director & GM	Shiro Murata		
	Supervisor	Yuusaku Soejima		
K Laser Technology (Korea) Co., Ltd.	Chairman (International)	Daniel Kuo	677,040	100%
	Director (International)	Alex Kuo		

Entity	Title	Name of the Representation	Shareholding	
			Shares	Holding (%)
	Director (International)	Teresa Huang		
	Supervisor (International)	Vincent Tsai		
	GM (International)	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	114,000	30%
Optivision Technology Inc.	Chairman	Daniel Kuo	417,023	0.79%
	Director (K Laser)	Teresa Huang	23,614,835	44.61%
	Director (K Laser)	Changhsien Chao		
	Director	Edward Kuo	51,372	0.10%
	Independent Director	Hao Kai Chen	-	-
	Independent Director	Chih Sheng Tseng	-	-
	Independent Director	Ta Kang Huang	-	-
	GM	Ken Yuan	82,253	0.16%
Bright Triumph Limited	Director (Optivision)	Daniel Kuo	7,913,767	100%
Ningbo Optivision Technology Co., Ltd.	Director (BTL)	Daniel Kuo	-	100%
	GM	Chi-Di Hung	-	-
Guang Feng Internation Limited	Director (K Laser)	Alex Kuo	4,845,810	100%
Insight Medical Solutions Inc	Chairman & GM	Alex Kuo	1,595,000	6.65%
	Director (K Laser)	Daniel Kuo	8,995,264	37.48%
	Director (K Laser)	Teresa Huang		
	Director	British Virgin Islands Shangderun Medical Biotechnology Holdings Limited	3,200,000	13.33%
	Director	Chia Yun Chen	423,000	1.76%
	Director	Chi Shih Lien	100,000	0.42%
	Supervisor	Vincent Tsai	131,000	0.55%
	Supervisor	C. L. Kuo	30,000	0.13%
Glory Group Medical (Wuxi) Co., Ltd.	Director (IMS)	Alex Kuo	-	-
Jiangsu Sunderray Laser Packing Material Co., Ltd.	Chairman & GM	Xuebin Zhang	13,000	0.02%
	Director (Treasure)	Alex Kuo	52,000,000	65%
	Director (Treasure)	Daniel Kuo		
	Director (Treasure)	C.L. Kuo		
	Director	Tan Tan Shen	-	-
	Supervisor	Chun Lung Lai	-	-
	Supervisor	Coger Yeh	-	-
Jiangyin Teruida Packing Technology Co., Ltd.	Director	Xuebin Zhang	-	-
	Supervisor	Na Shih	-	-

1.1-5 Operating Highlights of the Affiliated Companies

Financial Status and Operating Results

Unit : NT\$ Thousands 2022/12/31

Entity		Capital	Total Assets	Total Liabilities	Net Worth	Sales	Operating Income	Net Income (After Tax)	EPS (NT\$) (After Tax)
Optivision Technology Inc.(Note)		586,899	1,139,357	184,053	955,304	953,035	(276,494)	(304,706)	(5.61)
Optivision's subsidiary	Bright Triumph Limited	243,032	139,016	-	139,016	-	-	(1,462)	(0.55)
	Ningbo Optivision Technology Co., Ltd.	148,140	190,599	110,581	80,018	304,808	(2,681)	(788)	NA
Insight Medical Solutions Inc.(Note)		220,000	158,765	17,694	141,071	17,503	(71,181)	(65,180)	(3.21)
IMS's subsidiary	Glory Group Medical (Wuxi) Co., Ltd.	74,596	57,067	1,067	56,000	-	(9,725)	(7,833)	NA
Guang Feng International Ltd.		148,815	15,601	-	15,601	-	(50)	(831)	(0.17)
iWin Technology Co.,Ltd		197,477	22,374	-	22,374	-	(40)	(10,920)	(33.97)
Finity Laboratories		21,497	8,202	-	8,202	535	(14,059)	(10,891)	(15.56)
K Laser International Co., Ltd.		649,869	817,147	-	817,147	-	(64)	2,726	0.13
K Laser Technology (USA) Co., Ltd.		231,152	521,152	183,780	337,372	867,607	770	(8,748)	(1.07)
K Laser Technology Japan Co., Ltd.		22,310	258,169	134,239	123,929	301,637	12,474	5,165	2,690.17
K Laser Technology (Korea) Co., Ltd.		83,276	74,949	13,467	61,482	84,324	5,097	5,530	8.17
K Laser Technology (Thailand) Co., Ltd.		99,465	353,855	60,765	293,089	754,567	28,677	32,325	2.88
K Laser Technology (Indonesia) Co., Ltd.		27,613	28,518	-	28,518	-	(65)	696	1.83
Amagic Technologies U.S.A. (Dubai)		44,541	200,007	87,825	112,182	122,614	3,047	1,493	NA
Amagic Holographics India Private Limited		40,508	10,884	927	9,957	-	-	(1,695)	(0.16)
K Laser China Group Co., Ltd.		1,646,201	2,430,713	-	2,430,713	-	(83)	236,043	11.09
K Laser China Group Holding Co., Ltd.		996,723	2,387,454	19,757	2,367,697	-	(188)	255,207	2.69
K Laser Technology (H.K.) Co., Ltd.		5,054	48,553	23,426	25,127	114,331	174	1,618	1.26
Top Band Investment Ltd.		573,506	1,126,481	-	1,126,481	-	(38)	223,151	4,463.03
Union Bloom Limited		783,996	1,143,743	30,103	1,113,640	-	(136)	222,544	22,254.39
K Laser Technology (Dongguan) Co., Ltd.		730,057	1,595,552	452,007	1,143,545	1,284,602	115,996	252,072	NA
Holomagic Co., Ltd.		495,635	1,205,520	-	1,205,520	-	(49)	37,437	1,247.88
Treasure Access Limited		286,624	1,221,718	27,486	1,194,233	107,095	4,766	36,865	3,686.48
K Laser Technology (Wuxi) Co., Ltd.		556,901	783,152	154,117	629,036	582,737	(4,881)	(2,769)	NA
Herui Laser Technology Co., Ltd.		228,334	940,155	576,519	363,636	1,236,039	37,221	43,530	NA
Jiangsu Sunderray Laser Packing Material Co., Ltd. (Note)		484,880	739,295	234,449	470,922	710,744	26,926	25,088	NA
Jiangsu Sunderray's subsidiary	Jiangyin Teruida Packing Technology Co., Ltd.	43,785	91,566	37,670	53,896	32,229	476	4,101	NA

Note: The figure of Optivision Technology Inc., Insight Medical Solutions Inc., and Jiangsu Sunderray Laser Packing Material Co., Ltd. regarding assets, liabilities and profit/loss include their subsidiaries' assets, liabilities and profit/loss

Exchange Rate :

\$ 1 USD=\$ 30.7100 NT

\$ 1 IDR=\$ 0.0020 NT

\$ 1 JPY=\$ 0.2324 NT

\$ 1 HKD=\$ 3.9380 NT

\$ 1 RMB=\$ 4.4080 NT

\$ 1 AED=\$ 8.3623 NT

\$ 1 THB=\$ 0.8941 NT

\$ 1 KRW=\$ 0.0246 NT

\$ 1 INR = \$ 0.3711 NT

1.2 Consolidated Financial Statements: Please refer to the 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

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



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