K Laser Technology Inc.

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

(Translatored)

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Independent Auditors' Report

K Laser Technology Inc.

Opinion

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

In our opinion, based on our audits and the report of other auditors (as referred to in the Other Matters section), the accompanying financial statements present fairly, in all material respects, the financial position of K Laser Technology Inc. as of December 31, 2020 and 2019 and its financial performance and cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit of the financial statements for the year ended December 31, 2020 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. We conducted our audit of the financial statements for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, the approval letter with Ref. No. 1090360805 issued by the Financial Supervisory Commission of the Republic of China on February 25, 2020 and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit section of the auditors' report. We are independent of K Laser Technology Inc. in accordance with the

Norm of Professional Ethics for Certified Public Accountant of the Republic of China and have fulfilled our other responsibilities in accordance with the Norm. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of K Laser Technology Inc. for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<u>Recognition of Sales Revenue</u>

The sales revenue of K Laser Technology Inc. is mainly generated from the manufacture of laser films, anti-counterfeit labels, laser paper, etc., which has been affected by increasingly saturated market and competition within the industry. In addition to developing new products in recent years, acquiring new customers is also a key operational strategy. To meet the demand for sales to customers in this year, inventories are stored in overseas shipping warehouse whereby warehouse custodian is responsible for the checking, acceptance and storage of inventories, as well as sending out shipment information to K Laser Technology Inc. for verification. K Laser Technology Inc. recognized sales revenue based on the shipment information provided by warehouse custodian. Therefore, the validity of sales revenue transactions recognized from overseas shipping warehouse and timing of recognition were identified as key audit matters for the year ended December 31, 2020. Refer to Note 4 to the financial statements for the details on accounting policies related to revenue recognition.

Our key audit procedure performed in respect of the aforementioned key audit matters comprised the following:

1. We understood the internal control procedures for the recognition of sales revenue from overseas shipping warehouse, tested and assessed the effectiveness of related internal controls.
2. We performed substantive tests of sales revenue transactions from overseas shipping warehouse.

3. We confirmed the ending inventories of overseas shipping warehouse by letter.

Other Matters

The financial statements of some investee companies accounted for using the equity method for the years dated December 31, 2020 and 2019 were audited by other auditors. Thus in our opinion expressed in the aforementioned financial report, the amounts within the financial statements for those investee companies were based solely on the reports of other auditors. As of December 31, 2020 and 2019, the aforementioned investments accounted for using the equity method were NT$436,955 thousand and NT$252,995 thousand, respectively, which accounted for 8.88% and 5.77% of the total assets, respectively. For the years ended December 31, 2020 and 2019, the amounts of investment gain recognized by the aforementioned investee companies and accounted for using the equity method were NT$42,475 thousand and NT$14,863 thousand, respectively, which accounted for (28.24)% and (12.62)% of the profit (loss) before tax, respectively. Refer to Note 35 to the financial statements for relevant information on the above investee companies which we have not audited but were audited by other auditors.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the ability of K Laser Technology Inc. to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going concern basis of accounting unless management either intends to liquidate K Laser Technology Inc. or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of K Laser Technology Inc.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of K Laser Technology Inc. to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause K Laser Technology Inc. to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements (including the disclosures) and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the segments within K Laser Technology Inc. to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the corporate audit, and also responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine that those matters of most significance in the audit of the financial statements for the year ended December 31, 2020 are the key audit matters. We describe these matters in our auditors' report unless any law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte & Touche

Huang Yi-Min, CPA

Hsu Wen-Ya, CPA

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

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

March 23, 2021

K Laser Technology Inc.

Balance Sheet

December 31, 2020 and 2019

Unit: In Thousands of New Taiwan Dollars

		December 31, 2020		December 31, 2019	
Code	Assets	Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Notes 4 and 6)	$ 360,226	7	$ 283,611	6
1110	Financial assets at fair value through profit or loss－current (Notes 4 and 7)	5,265	-	5,296	-
1150	Notes receivable (Notes 4 and 8)	5,323	-	3,233	-
1170	Trade receivables (Notes 4 and 8)	37,451	1	26,184	1
1180	Trade receivables from related parties (Notes 4, 8 and 28)	108,218	2	82,343	2
1200	Other receivables (Note 28)	9,991	-	13,444	-
1220	Current tax assets (Notes 4 and 23)	208	-	137	-
130X	Inventories (Notes 4 and 9)	83,398	2	36,711	1
1460	Current assets held for sale (Notes 4 and 10)	15,100	-	-	-
1470	Other current assets (Note 17)	16,781	1	4,647	-
11XX	Total current assets	641,961	13	455,606	10
	Non-current assets				
1517	Financial assets at fair value through other comprehensive income－non-current (Notes 4 and 11)	34,984	1	36,681	1
1550	Investments accounted for using the equity method (Notes 4 and 12)	3,807,614	77	3,559,130	81
1600	Property, plant and equipment (Notes 4, 13 and 28)	159,057	3	159,873	4
1755	Right-of-use assets (Notes 4 and 14)	73,629	2	79,680	2
1760	Net investment property (Notes 4 and 15)	37,869	1	49,908	1
1780	Other intangible assets (Notes 4 and 16)	2,393	-	3,009	-
1840	Deferred tax assets (Notes 4 and 23)	11,800	-	17,800	-
1990	Other non-current assets (Notes 6 and 17)	151,243	3	22,440	1
15XX	Total non-current assets	4,278,589	87	3,928,521	90
1XXX	Total assets	$ 4,920,550	100	$ 4,384,127	100
Code	Liabilities and Equity				
	Current liabilities				
2100	Short-term borrowings (Note 18)	$ 430,000	9	$ 234,000	5
2110	Short-term notes and bills payable (Note 18)	299,917	6	149,966	4
2170	Trade payables	36,164	1	21,049	1
2180	Trade payables to related parties (Note 28)	75,293	1	59,549	1
2200	Other payables (Notes 19 and 28)	83,268	2	52,905	1
2280	Lease liabilities－current (Notes 4 and 14)	6,023	-	6,227	-
2320	Current portion of long-term liabilities (Note 18)	100,000	2	-	-
2399	Other current liabilities	10,307	-	53,003	1
21XX	Total current liabilities	1,040,972	21	576,699	13
	Non-current liabilities				
2540	Long-term borrowings (Note 18)	1,250,000	26	1,120,000	25
2635	Lease liabilities－non-current (Notes 4 and 14)	68,598	1	73,993	2
2640	Net defined benefit liabilities (Notes 4 and 20)	18,888	-	25,498	1
2650	Credit balance for investments accounted for using the equity method (Notes 4 and 12)	-	-	185,906	4
2670	Other liabilities－others	942	-	942	-
25XX	Total non-current liabilities	1,338,428	27	1,406,339	32
2XXX	Total liabilities	2,379,400	48	1,983,038	45
	Equity (Note 21)				
	Share capital				
3110	Ordinary shares	1,593,246	32	1,593,246	36
3200	Capital reserve	585,347	12	551,531	13
	Retained earnings				
3310	Legal reserve	213,042	4	213,042	5
3320	Special reserve	200,987	4	201,090	4
3350	Unappropriated earnings	384,752	8	255,807	6
	Other equity				
3410	Exchange differences on translation of foreign financial statements	(287,085)	(6)	(278,472)	(6)
3420	Unrealized gain on financial assets at fair value through other comprehensive income	(30,403)	-	(33,033)	(1)
3500	Treasury shares	(118,736)	(2)	(102,122)	(2)
3XXX	Total equity	2,541,150	52	2,401,089	55
	Total liabilities and equity	$ 4,920,550	100	$ 4,384,127	100

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

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

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

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

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

		2020		2019	
Code		Amount	%	Amount	%
4100	Operating revenue (Notes 4 and 28)	$ 810,550	100	$ 650,286	100
5110	Cost of goods sold (Notes 9 and 28)	666,235	82	542,114	83
5900	Gross profit	144,315	18	108,172	17
5910	Unrealized sales profit	(13,202)	(2)	(13,622)	(2)
5920	Unrealized sales profit	4,898	1	13,202	2
5950	Gross profit	136,011	17	107,752	17
	Operating expenses (Note 28)				
6100	Selling and marketing	40,467	5	38,427	6
6200	General and administrative	75,524	9	79,938	12
6300	Research and development	77,842	10	62,515	10
6450	Expected credit impairment (gain on reversal) loss	(694)	-	-	-
6000	Total operating expenses	193,139	24	180,880	28
6900	Loss from operations	(57,128)	(7)	(73,128)	(11)
	Non-operating income and expenses				
7060	Share of profit or loss of subsidiaries and associates accounted for using the equity method (Note 12)	202,008	25	(105,154)	(16)
7100	Interest income (Note 28)	1,291	-	2,618	-
7190	Other income-others (Note 28)	45,592	6	53,245	8
7210	Loss on disposal of property, plant and equipment	(19)	-	(157)	-

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Code		2020 Amount	2020 %	2019 Amount	2019 %
7230	Loss on foreign exchange	($ 10,641)	(1)	($ 3,646)	-
7235	Gain on financial assets (liabilities) at fair value through profit or loss	(31)	-	301	-
7510	Interest expense	(25,562)	(3)	(21,406)	(3)
7590	Miscellaneous expense	(7,590)	(1)	(11,306)	(2)
7625	Gain on disposal of investment	2,489	-	45,383	7
7670	Impairment loss	-	-	(4,539)	(1)
7000	Total non-operating income and expenses	207,537	26	(44,661)	(7)
7900	Profit (loss) before tax	150,409	19	(117,789)	(18)
7950	Income tax expense (Notes 4 and 23)	(6,000)	(1)	(2,046)	-
8200	Profit (loss) for the year	144,409	18	(119,835)	(18)
	Other comprehensive income (loss) (Notes 20 and 21)				
8310	Items that will not be reclassified subsequently to profit or loss				
8311	Actuarial gain (loss) on defined benefit plan	236	-	(4,228)	(1)
8316	Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	1,632	-	(27,690)	(4)
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(8,874)	(1)	(82,979)	(13)
8300	Total other comprehensive income (loss)	(7,006)	(1)	(114,897)	(18)
8500	Total comprehensive income (loss) for the year	$ 137,403	17	($ 234,732)	(36)

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		2020		2019	
Code		Amount	%	Amount	%
	Earnings (loss) per share (Note 24)				
	From continuing operations				
9710	Basic	$ 0.96		($ 0.79)	
9810	Diluted	$ 0.95			

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

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

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

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

Unit: In Thousands of New Taiwan Dollars

				Retained earnings			Other equity			
Code		Ordinary shares	Capital reserve	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translation of financial statements of foreign operations	Unrealized loss (gain) on financial assets at fair value through other comprehensive income	Transactions of Treasury shares	Total equity
A1	Balance at January 1, 2019	$ 1,593,246	$ 529,962	$ 206,459	$ 162,918	$ 488,494	($ 195,571)	($ 5,574)	($ 93,118)	$ 2,686,816
	Appropriation and distribution of 2018 earnings (Note 21)									
B1	Legal reserve	-	-	6,583	-	(6,583)	-	-	-	-
B3	Special reserve	-	-	-	38,226	(38,226)	-	-	-	-
B5	Cash dividends to shareholders of the Company	-	-	-	-	(62,043)	-	-	-	(62,043)
D1	Net profit for the year ended December 31, 2019	-	-	-	-	(119,835)	-	-	-	(119,835)
D3	Other comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	(4,228)	(82,979)	(27,690)	-	(114,897)
L1	Buy-back of treasury shares (Note 21)	-	-	-	-	-	-	-	(17,422)	(17,422)
L5	Acquisition of the parent company's shares by subsidiaries as treasury shares (Note 21)	-	-	-	-	-	-	-	(22,785)	(22,785)
N1	Share-based payment transactions (Note 25)	-	21,060	-	-	-	-	-	31,203	52,263
M5	Differences between equity purchase price and carrying amount arising from actual acquisition or disposal of subsidiaries	-	211	-	(54)	(177)	78	231	-	289
M7	Changes in percentage of ownership interests in subsidiaries	-	298	-	-	(1,595)	-	-	-	(1,297)
Z1	Balance at December 31, 2019	1,593,246	551,531	213,042	201,090	255,807	(278,472)	(33,033)	(102,122)	2,401,089
D1	Net profit for the year ended December 31, 2020	-	-	-	-	144,409	-	-	-	144,409
D3	Other comprehensive income (loss) after tax for the year ended December 31, 2020	-	-	-	-	236	(8,874)	1,632	-	(7,006)
L1	Buy-back of treasury shares (Note 21)	-	-	-	-	-	-	-	(77,812)	(77,812)
L7	Disposal of shares of the parent company by subsidiaries to be deemed as treasury share transactions	-	(3,668)	-	-	-	-	-	22,785	19,117
M5	Differences between equity purchase price and carrying amount arising from actual acquisition or disposal of subsidiaries	-	22,969	-	(103)	(11,200)	261	998	-	12,925
M7	Changes in percentage of ownership interests in subsidiaries	-	3,691	-	-	-	-	-	-	3,691
C7	Changes in associates accounted for using the equity method	-	-	-	-	(4,500)	-	-	-	(4,500)
N1	Share-based payment transactions	-	10,824	-	-	-	-	-	38,413	49,237
Z1	Balance at December 31, 2020	$ 1,593,246	$ 585,347	$ 213,042	$ 200,987	$ 384,752	($ 287,085)	($ 30,403)	($ 118,736)	$ 2,541,150

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

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

K Laser Technology Inc.
Statement of Cash Flows
For the years ended December 31, 2020 and 2019
Unit: In Thousands of New Taiwan Dollars

Code		2020	2019
	Cash flows from operating activities		
A10000	Profit (loss) before tax	$ 150,409	($ 117,789)
A20010	Incomes, expenses and losses not influencing cash flows		
A20100	Depreciation expense	33,113	34,107
A20200	Amortization expense	764	742
A20300	Expected credit (reversal) loss	(694)	-
A20400	Net (gain) on financial assets at fair value through profit or loss	31	(301)
A20900	Interest expense	25,562	21,406
A21200	Interest income	(1,291)	(2,618)
A21900	Share-based compensation expense	-	20,359
A22300	Share of (profit) loss of subsidiaries and associates accounted for using the equity method	(202,008)	105,154
A22500	Loss on disposal and write-down of property, plant and equipment	19	157
A23100	Gain on disposal of investment	(2,489)	(45,383)
A23700	Impairment loss recognized on financial assets	-	4,539
A23800	Gain on inventory valuation and reversal	(561)	(3,748)
A23900	Unrealized sales profit (loss) among associates	13,202	13,622
A24000	Realized sales profit (loss) among associates	(4,898)	(13,202)
A30000	Net change in operating assets and liabilities		
A31130	Notes receivable	(2,032)	(433)
A31150	Trade receivables	29,152	5,336
A31160	Trade receivables from related parties	(25,181)	6,244
A31180	Other receivables	3,452	(4,019)
A31200	Inventories	16,500	816
A31240	Other current assets	(10,970)	620
A31990	Other non-current assets	1,172	(1,554)
A32130	Notes payable	(612)	-
A32150	Trade payables	(16,177)	(3,745)
A32160	Trade payables to related parties	15,744	15,375
A32180	Other payables	(6,457)	2,467
A32230	Other current assets	5,897	2,078
A32240	Net defined benefit liabilities－current	(6,374)	(1,092)
A33000	Cash generated from operations	15,273	39,138
A33100	Interest received	1,291	2,618
A33300	Interest paid	(24,844)	(19,886)
A33500	Income tax paid	(71)	(5,563)
AAAA	Net cash generated from (used in) operating activities	(8,351)	16,307

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Code		2020	2019
	Cash flows from investing activities		
B00010	Acquisition of financial assets at fair value through other comprehensive income	($ 3,000)	$ -
B00100	Acquisition of financial assets recognized initially at fair value through profit or loss	(3,015)	-
B01800	Acquisition of long-term equity investment accounted for using the	(5,200)	(174,924)
B01900	Proceeds from disposal of long-term equity investment accounted for using the equity method	-	18,830
B00200	Disposal of financial assets recognized initially at fair value through profit or loss	3,309	-
B02200	Cash outflows from acquisition of subsidiaries	(246,557)	-
B02300	Cash inflows from disposal of subsidiaries	44,925	-
B02400	Refunds of share payment due to decrease in capital of investee companies accounted for using the equity method	-	138,054
B02600	Proceeds from disposal of assets held for sale	2,513	-
B02700	Purchase of property, plant and equipment	(10,505)	(8,620)
B02800	Proceeds from disposal of property, plant and equipment	70	13,479
B03700	Decrease (increase) in refundable deposits	3,272	(463)
B04500	Purchase of intangible assets	(149)	-
B05000	Cash and cash equivalents obtained the dissolved company due to business combination	36,464	-
B06600	Increase in other financial assets	(128,445)	-
B07600	Dividends received from subsidiaries and associates	263,622	81,935
BBBB	Net cash generated from (used in) investing activities	(42,696)	68,291
	Cash flows from financing activities		
C00200	Decrease in Short-term borrowings	(48,234)	(61,000)
C00600	Increase in short-term notes and bills payable	100,018	50,000
C01600	Long-term borrowings	250,000	870,000
C01700	Repayments of Long-term borrowings	(90,000)	(770,000)
C04200	Repayment of principal portion of lease liabilities	(6,310)	(6,189)
C04500	Dividends paid	-	(62,043)
C04900	Payments for buy-back of treasury shares	(77,812)	(17,422)
C05100	Purchase of treasury shares by employees	-	81,141
CCCC	Net cash generated from financing activities	127,662	84,487
EEEE	Increase in cash and cash equivalents for the year	76,615	169,085
E00100	Cash and cash equivalents at the beginning of the year	283,611	114,526
E00200	Cash and cash equivalents at the end of the year	$ 360,226	$ 283,611

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

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

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

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

I. Corporate History

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

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

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

II. Date and Procedure of Adoption of Financial Statements

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

III. Applicability of New and Amended Regulations and Interpretations

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

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

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

These amendments are applicable to all transactions made by the Company after January 1, 2020. The amendments require that a business shall at least include contribution and important processes, both of which must significantly contribute to its production capacity. Significance of the “process acquired” is determined based on different judgment elements depending on whether production occurs on the acquisition date. In addition, a business may at its discretion use the concentration test, a simplified method additionally added to evaluate whether the combination of activities and assets acquired meet the needs of the business.

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

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

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

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

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

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

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

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

Standards Issued / Amended / Revised and Interpretations	Effectiveness Date Announced by IASB (Note 1)
“Annual Improvement to Standards 2018-2020 Cycle”	January 1, 2022 (Note 2)
Amendments to IFRS 3 ”Amendments to References to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 ”Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	Not decided yet
Amendments to IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023

Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 6)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 7)
Amendments to IAS 16 "Property, Plant and Equipment：Proceeds before Intended Use"	January 1, 2022 (Note 4)
Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	January 1, 2022 (Note 5)

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

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

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

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

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

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

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

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

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

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

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

   The amendments explain that to determine whether a liability is classified to be non-current, the Company should be evaluated to see whether it has the right at the end of a reporting period to defer the repayment deadline to at least 12 months beyond the reporting period. If the Company has such right at the end of the reporting period, the liability will be classified to be non-current no matter whether the Company is expected to exercise such right. The amendments also explain that in case the Company needs to comply with some specific conditions before being granting the right to defer repayment of liabilities, the Company is required to be in compliance with the specific conditions by or at the end of the reporting period, even when the lender verifies thereafter whether the company complies with the conditions.

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

3. Amendments to IAS 1 “Disclosure of Accounting Policies”

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

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

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

(1) The Company changes accounting policies during a reporting period and the change results in material changes in the information in financial statements;

(2) The Company chooses, from the accounting policies permitted in the standards, the accounting policy applicable to the Company;

(3) The Company establishes accounting policies in compliance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” for a lack of specific standards;

(4) The Company discloses relevant accounting policies that it has to exercise material judgment or assumption to determine; or

(5) Complicated provisions for accounting treatment are involved and users of financial statements depend on such information to understand material transactions and material other matters or circumstances.

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

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

In addition to the aforementioned impacts, the impacts of other standards, interpretations on the financial status and financial performance of the Company were still evaluated consistently by the Company as of the date when the financial report was approved to be published. Relevant impacts will be disclosed after the completion of the evaluation.

IV. Explanations of Material Accounting Policies

(1) Declaration of Compliance

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

(2) Preparation Basis

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

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

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

When preparing the financial report, the Company treated its investee companies by using the equity method. For making the current profit (loss), other comprehensive income (loss) and equity stated in the financial report consistent with such current profit (loss), other comprehensive income (loss) and equity attributed to owners of the Company as stated in the consolidated financial report of the Company, the Company dealt with differences between separate basis and consolidated basis in accounting treatment by adjusting “investments accounted for using the equity method,” “share of subsidiaries accounted for using the equity method,” “share of other comprehensive income (loss) of subsidiaries accounted for using the equity method” and relevant equity items.

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

Current assets include:

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

Current liabilities include:

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

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

(4) Foreign Currency

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

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

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

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

In preparing the financial report, the Company converts the assets and liabilities of the overseas entities of the Company (including the subsidiaries and associates using, and the subsidiaries and associates operating in the countries using, any currency that differs from the currency used by the Company) to NT dollars at the exchange rate on the balance sheet date. Incomes and expenses are converted at the average exchange rate of the current year. Exchange differences generated are recognized as other comprehensive incomes or losses.

(5) Inventories

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

(6) Investments Accounted for Using the Equity Method

The Company uses the equity method to deal with its investments in subsidiaries and associates.

1. Investments in Subsidiaries

Subsidiaries refer to the entities over which the Company has control.

With the equity method, investments are originally recognized at cost and the book amount after the acquisition date increases or decreases by the amount of the profits or losses, share of other comprehensive income (loss) and profit distributions to be attributed to the Company. Changes in other equity of subsidiaries to be attributed by the Company are recognized at the percentage of its shareholding.

When changes in the Company's ownership interest in a subsidiary do not cause the Company to lose its control over the subsidiary, such changes are treated as equity transactions. The difference between the book amount of investment and the fair value of paid or received consideration is recognized as equity directly.

When the Company's share of loss in a subsidiary equals or exceeds its equity in the subsidiary (including the book amount of the subsidiary under the equity method and other long-term equity comprising the Company's net investment in the subsidiary), a loss is recognized continuously at the percentage of the Company's shareholding.

The portion of acquisition cost in excess of the Company's share of fair value of identifiable assets and liabilities of a subsidiary on the acquisition date is listed as goodwill. The goodwill is included in the book amount of the investment and shall not be amortized. The portion of the Company's share of fair value of identifiable assets and liabilities of a subsidiary on the acquisition date in excess of the acquisition cost is listed as current income.

When losing its control over a subsidiary, the Company measures its remaining investment in the former subsidiary at fair value on the date when it loses its control. The deference between the fair value of the remaining investment and any proceeds from the disposal and the book amount of the investment on the date when it loses its control is listed as current profit or loss. The basis of accounting treatment used for all subsidiary-related amounts recognized as other comprehensive income or loss shall be the same as that required to be complied with by the Company in disposing relevant assets or liabilities directly.

Unrealized profits or losses from downstream transactions between the Company and a subsidiary are written off in the financial report of the Company. Profits or losses generated from upstream, downstream and sidestream transactions between the

Company and a subsidiary are recognized in the financial report of the Company only to the extent that the equity of the subsidiary owned by the Company is not influenced accordingly.

2. Investments in Associates

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

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

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

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

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

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

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

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

(7) Property, Plant and Equipment

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

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

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

(8) Investment Property

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

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

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

(9) Intangible Assets

1. Individual Acquisition

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

2. Derecongition

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

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

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

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

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

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

(11) Non-current Assets Held for Sale

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

(12) Financial Instruments

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

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

1. Financial Assets

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

(1) Type of Measurement

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

A. Financial Assets at FVTPL

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

Financial assets at FVTPL are measured at fair value. Refer to Note 27 for the method used to determine fair value.

B. Financial Assets at Amortized Cost

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

a. The financial assets are possessed in a specific business model, and the model is used to acquire contractual cash flows by possessing financial assets; and

b. Cash flows generated on the specific date as provided in contractual terms are completely used for payment of principals and the interest on the outstanding principals.

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

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

a. For the credit-impaired financial assets purchased or established, interest income is computed at the effective interest rate, after credit adjustment, multiplied by the amortized cost of the financial assets.

b. If the financial assets without credit impairment upon purchase or establishment become credit-impaired subsequently, then interest income is computed at the effective interest rate multiplied by the amortized cost of the financial assets from the reporting period following the reporting period in which credit impairment occurs.

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

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

C. Investments in Equity Instruments at FVTOCI

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

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

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

(2) Impairment of Financial Assets

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

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

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

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

A. Internal or external information indicates that it is impossible for the debtor to repay debts.

B. Financial assets have expired unless any reasonable and supporting information indicates that the postponed violation basis is more appropriate.

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

(3) Derecognition of Financial Assets

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

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

2. Equity Instruments

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

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

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

(13) Liability Reserve

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

(14) Revenue Recognition

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

Sales Revenue

Sales revenue comes from sale of holographic products. The Company recognizes revenue and trade receivables on the point of time when all construal obligations for the sale of products are fulfilled or the customer has obtained the right to control and use the products and assumed the risk of product obsolescence.

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

(15) Lease

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

1. The Company is a lessor.

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

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

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

2. The Company is a lessee.

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

Right-of-use assets are originally measured at cost (including the amount of originally measured lease liabilities, lease payments made before the date of lease commencement less the received lease incentives, the original direct cost and the estimated cost of restored subject assets). They are subsequently measured based on the cost less accumulated depreciation and accumulated impairment loss, and the remeasured amount of lease liabilities is adjusted accordingly. Right-of-use assets are expressed separately in the balance sheet.

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

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

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

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

The Company negotiated with the lessor for the rents directly relevant to Covid 19 and adjusted the rents due before June 30, 2020 so that the adjusted rents were almost equal to the rents before the negotiation. The negotiation has not caused any change in other terms of the lease. The Company chose to deal with the negotiation expediently for the rents in the lease contract satisfying the aforementioned conditions. The Company did not evaluate whether the negotiation was conducted to amend the lease, but intended to recognize the decrease in rent payments as profits upon occurrence of such decrease and reduce lease liabilities accordingly.

(16) Borrowing Cost

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

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

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

(17) Government Subsidy

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

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

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

(18) Employee Benefits

1. Short-term Employee Benefits

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

2. Post-employment Benefits

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

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

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

3. Other long-term Employee Benefits

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

(19) Share-based Payment Arrangement

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

Employee stock options are recognized as expenses on a straight-line basis for the given period based on the fair value determined on the grant date and the best estimate of the expected obtained employee stock options, and the “capital reserve－employee stock option” is also adjusted simultaneously.

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

(20) Treasury Shares

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

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

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

(21) Income Tax

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

1. Current Income Tax

The income tax on unappropriated earnings computed in accordance with the Income Tax Act of the Republic of China is recognized for the year when the resolution is adopted at the shareholders' meeting.

Adjustment made for the previous year's income tax payable is listed in current income tax.

2. Deferred Income Tax

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

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

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

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

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

3. Current and Deferred Income Taxes

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

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

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

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

VI. Cash and Cash Equivalents

	December 31, 2020	December 31, 2019
Cash on hand and Revolving funds	$ 6,552	$ 6,663
Bank checks and saving deposits of bank	319,498	218,487
Time deposits	34,176	58,461
	$ 360,226	$ 283,611

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

	December 31, 2020	December 31, 2019
Demand deposits	0.001%-0.10%	0.001%-0.33%
Time deposits	0.32%	1.86%-2.25%

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

	December 31, 2020	December 31, 2019
Other current assets (Note 17)		
Guarantee deposits for land leases with Hsinchu Science Park	$ 5,000	$ 5,000
Guarantee deposits for issuance of debentures	128,445	-
	$ 133,445	$ 5,000

VII. Financial Instruments at FVTPL

	December 31, 2020	December 31, 2019
Non-derivative financial assets		
Beneficiary certificates of funds	$ 5,265	$ 5,296
Financial assets at fair value through profit or loss－current	$ 5,265	$ 5,296

VIII. Notes Receivable and Trade Receivables

	December 31, 2020	December 31, 2019
Notes receivable		
at amortized cost		
Total book amount	$ 5,323	$ 3,233

Trade receivables

	December 31, 2020	December 31, 2019
at amortized cost		
Total book amount	$ 87,504	$ 26,206
Less: Loss allowance	(50,053)	(22)
	$ 37,451	$ 26,184
Trade receivables from related parties (Note 28)		
at amortized cost		
Total book amount	$ 169,268	$ 82,343
Less: Loss allowance	(61,050)	-
	$ 108,218	$ 82,343

(1) Notes Receivable

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

(2) Trade Receivables

As for the payments of products sold by the Company, the average credit period is between 60 and 90 days after the date of monthly settlement. No interest accrues for trade receivables. To reduce credit risk, the management of the Company designates a team to be responsible for a decision of credit line, credit approval and other monitoring procedures to ensure that proper measures are taken to recover overdue receivables. In addition, the Company reviews recoverable amounts of receivables on a case-by-case basis on the balance sheet date to ensure that a proper amount of impairment loss is allocated for unrecoverable receivables. Accordingly, the management of the Company believes that the Company’s credit risk has significantly reduced.

As shown in the history of credit loss incurred by the Company, the Company uses different standards to evaluate the expected loss, and credit loss to customers in different fields of industry also varies. Thus different expected credit loss rates are determined in the provision matrix for customers in different areas and different fields of industry and for trade receivables overdue/with different payment periods.

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

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

	December 31, 2020	December 31, 2019
Not overdue	$ 171,740	$ 106,094
1～60 days	15,682	2,336
61～90 days	8,241	81
91～180 days	34	22
181～360 days	1,582	12
Over 361 days	59,493	4
Total	$ 256,772	$ 108,549

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

	2020	2019
Beginning balance	$ 22	$ 22
Add: Acquisition from business combinations	111,777	-
Less: Expected gain on reversal of credit impairment	(694)	-
Less: Amounts written off actually for the year	(2)	-
Ending balance	$ 111,103	$ 22

IX. Inventories

	December 31, 2020	December 31, 2019
Finished goods	$ 11,519	$ 12,685
Work in process	3,276	1,577
Raw materials and supplies	52,480	10,555
Merchandise	16,123	11,894
	$ 83,398	$ 36,711

Cost of goods sold relevant to inventories was NT$666,235 thousand and NT$542,114 thousand respectively in 2020 and 2019.

Gains on recovery of net realizable value of inventories deducted from the cost of goods sold were NT$561 thousand and NT$3,748 thousand respectively for the years ended on December 2020 and 2019. Recovery of net realizable value was resulted from digestion of the inventories for which depreciation loss was originally allocated.

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

The board of the Company approved a plan on March 30, 2020 to dispose all of its equity in Boxlight Corporation, an investee company measured by using the equity method. The plan is ongoing and the disposal procedure is expected to be completed within 12 months. The Company conducted impairment evaluation on the date of the board meeting where the plan was approved, and its book value was less than the fair value on the date. Thus it was reclassified to current assets held for sale based on its book value and was expressed separately in the balance sheet.

	December 31, 2020	December 31, 2019
Boxlight Corporation	$ 15,100	$ -

As of December 31, 2020, the Company possessed equity in Boxlight Corporation with fair value of NT$124,225 thousand.

XI. Financial Assets at FVTOCI

Investments in Equity Instruments — Non-current

	December 31, 2020	December 31, 2019
Domestic investments — non-listed (non-over-the-counter) stocks		
CM Visual Technology Corp.	$ 459	$ 8,520
Chinese Development, Biomedicine and Venture Investment Co., Ltd.	32,457	28,161
Mega Plastic Industry Co., Ltd.	2,068	-
	$ 34,984	$ 36,681

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

XII. Investments Accounted for Using the Equity Method

	December 31, 2020	December 31, 2019
Investments in subsidiaries	$ 3,684,525	$ 3,448,795
Investments in associates	123,089	110,335
	$ 3,807,614	$ 3,559,130

(1) Investments in Associates

Subsidiaries of the Company are listed as follows:

Name of investee company	Main business activities	Place of incorporation and business	December 31, 2020 Book amount	December 31, 2020 Shareholding%	December 31, 2019 Book amount	December 31, 2019 Shareholding%
Listed (OTC) company						
Optivision Technology Inc.	Production and sale of optical instruments and electronic parts and components	Hsinchu City	$ 664,562	41	$ 338,096	46
Non-listed (OTC) company						
K Laser International Co., Ltd.	Reinvestment	British Virgin Islands	671,315	100	729,085	100
K Laser China Group Co., Ltd.	Reinvestment	British Virgin Islands	2,065,995	100	2,121,930	100
iWin Technology Co., Ltd.	Reinvestment	British Virgin Islands	18,359	49	17,856	49
Insight Medical Solutions Inc.	Research, development and sale of endoscopes used in gastrointestinal tracts	Hsinchu City	224,334	45	241,828	44
Everest Display Inc.	Production and sale of optical instruments and wireless communication mechanical equipment	Hsinchu City	-	-	(185,906)	80
Everest International Co., Ltd.	Reinvestee company	Samoa	39,960	100	-	-
Add: Credit balance of investments accounted for using the equity method to be transferred as non-current liabilities			-		185,906	
			$3,684,525		$3,448,795	

Information of the market price of equity investments in OTC companies accounted for using the equity method that was calculated at the closing price on the balance sheet date is as follows:

Company name	December 31, 2020	December 31, 2019
Optivision Technology Inc.	$ 1,923,066	$ 409,376

1. K Laser International Co., Ltd., which was incorporated in British Virgin Islands in October 2000, is a subsidiary 100% owned by the Company. As of December 31, 2020, the accumulated investments made by the Company was USD19,541 thousand. The subsidiary mainly engages in investment business. The Company invests in entities in America, Asia and other foreign countries through K Laser International Co., Ltd. and mainly engages in production and sale of holographic products and fiber-optic communication related components and investment-related business.
2. K Laser China Group Co., Ltd., which was incorporated in British Virgin Islands in October 2000, is a subsidiary 100% owned by the

Company. The subsidiary decreased its capital in 2019 and gave a refund of shares amounting to USD4,482 thousand. As of December 31, 202 and 2019, the accumulated investments made by the Company was about USD21,289 and the percentage of shareholding was 100%. The subsidiary engages in investment business. The Company invests in Wuxi K Laser Technology Co., Ltd., Dongguan K Laser Technology Co., Ltd., Hunan Herui Laser Technology Co., Ltd. and K Laser Technology (Hong Kong) Co., Ltd. in China indirectly through K Laser China Group Co., Ltd. and mainly engages in production and sale of laser products. The aforementioned indirect investments in China were approved by Investment Commission, MOEA.

3. Everest Display Inc., which was incorporated on July 20, 2001, mainly engages in production and sale of optical instruments and wireless communication mechanical equipment. The Company conducted a short-form merger with Everest Display on May 12, 2020. The record date of merger was June 30, 2020. The Company is the surviving company after the merger. All rights, obligations, claims and liabilities of Everest Display Inc. are assumed by the Company and detailed as follows:

	Amount
Assets assumed:	
Cash and bank deposits	$ 36,464
Notes receivable	57
Trade receivables	40,419
Inventories	62,625
Prepayments	386
Non-current assets held for sale	15,418
Other current assets	778
Investments accounted for using the equity method	25,034
Property, plant and equipment	2,356
Other non-current assets	5,376
	188,913
Liabilities assumed:	
Short-term borrowings	244,234
Short-term notes and bills payable	49,982
Notes payable	612
Trade payables	31,292
Other payables	4,966
Other payables - related parties	30,823
Current liabilities	70,647
	432,556
Net assets	($ 243,643)

4. Insight Medical Solutions Inc. was an associate accounted for by the Company using the equity method. The Company participated in the seasoned equity offering of Insight Medical in December 2019. After the seasoned equity offering, the percentage of the Company's shareholding increased to 44% and the Company had control over Insight Medical. Thus Insight Medical has been listed as a subsidiary since December 2019.
5. Everest International Co., Ltd. had been a subsidiary 100% owned by Everest Display Inc. As the Company conducted a short-form

merger with Everest Display Inc., Everest International became a subsidiary directly owned by the Company.

(2) Investments in Associates

Associates of the Company are listed as follows:

Name of investee company	Main business activities	Place of incorporation and business	December 31, 2020 Book amount	December 31, 2020 Shareholding%	December 31, 2019 Book amount	December 31, 2019 Shareholding%
Vicome Corp.	Manufacturing, processing, purchase and sale of fluorescent pigments and dyes	Yunlin County	$ 123,089	30	$ 110,335	33

The financial information of the Company's associates is compiled as follows:

	December 31, 2020	December 31, 2019
Total assets	$ 622,149	$ 540,161
Total liabilities	$ 214,704	$ 206,421

	2020	2019
Operating revenue for the year	$ 132,317	$ 136,640
Net profit for the year	$ 40,276	$ 28,617
Other comprehensive income (loss) for the year	($ 5,661)	($ 3,649)

The Company's share of the profits (or losses) and other comprehensive incomes (or losses) of its associates recognized by the Company in 2020 and 2019 using the equity method were recognized based on the financial statements of the same years audited by CPAs of the associates.

With respect to the gains or losses on long-term equity investments recognized and accounted for using the equity method, the financial statements dated for the years ended on December 31, 2020 and 2019 of Vicome Corp., Amagic Technologies U.S.A. (Dubai), an investee company of K Laser China Group Co., Ltd., Amagic Holographics India Private Limited, and K Laser Technology (Hong Kong) Co., Ltd., an investee company of K Laser China Group Holding Co., Ltd., are audited by other CPAs rather than CPAs of the Company. As of December 31, 2020 and 2019, the aforementioned investments accounted for using the equity method were NT$436,955 thousand and

NT$252,995 thousand, respectively, which accounted for 8.88% and 5.77% of the total assets, respectively. For the years ended December 31, 2020 and 2019, the amounts of investment gain recognized by the aforementioned investee companies and accounted for using the equity method were NT$42,475 thousand and NT$14,863 thousand, respectively.

XIII. Property, Plant and Equipment

	December 31, 2020	December 31, 2019
House and building	$ 103,787	$ 99,881
Machinery equipment	23,089	28,427
Other equipment	26,332	28,169
Unfinished construction and equipment pending acceptance	5,849	3,396
	$ 159,057	$ 159,873

	House and building	Machinery equipment	Other equipment	Unfinished construction and equipment pending acceptance	Total
Cost					
Balance at January 1, 2020	$ 316,185	$ 217,655	$ 148,734	$ 3,396	$ 685,970
Addition	162	4,038	4,737	2,453	11,390
Disposition	(8,228)	(70,560)	(31,881)	-	(110,669)
Acquisition of business combinations	-	-	3,617	-	3,617
Reclassification	31,030	-	(138)	-	30,892
Balance at December 31, 2020	$ 339,149	$ 151,133	$ 125,069	$ 5,849	$ 621,200
Accumulated depreciation and impairment					
Balance at January 1, 2020	$ 216,304	$ 189,228	$ 120,565	$ -	$ 526,097
Depreciation expense	6,834	9,376	8,679	-	24,889
Disposition	(8,228)	(70,560)	(31,677)	-	(110,465)
Acquisition of business combinations	-	-	1,261	-	1,261
Reclassification	20,452	-	(91)	-	20,361
Balance at December 31, 2020	$ 235,362	$ 128,044	$ 98,737	$ -	$ 462,143
Net at December 31, 2020	$ 103,787	$ 23,089	$ 26,332	$ 5,849	$ 159,057
Cost					
Balance at January 1, 2019	$ 316,156	$ 220,604	$ 149,777	$ 17,088	$ 703,625
Addition	629	1,926	2,196	-	4,751
Disposition	(600)	(5,467)	(2,871)	(13,468)	(22,406)
Reclassification	-	592	(368)	(224)	-
Balance at December 31, 2019	$ 316,185	$ 217,655	$ 148,734	$ 3,396	$ 685,970
Accumulated depreciation and impairment					
Balance at January 1, 2019	$ 210,169	$ 184,901	$ 109,389	$ -	$ 504,459
Depreciation expense	6,735	9,786	9,214	-	25,735
Impairment loss	-	995	3,544	-	4,539
Disposition	(600)	(5,207)	(2,829)	-	(8,636)
Reclassification	-	(1,247)	1,247	-	-
Balance at December 31, 2019	$ 216,304	$ 189,228	$ 120,565	$ -	$ 526,097
Net at December 31, 2019	$ 99,881	$ 28,427	$ 28,169	$ 3,396	$ 159,873

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

Building	
House and building	25 ~50 years
House furnishings	2~10 years
Machinery equipment	2~15 years
Other equipment	3~11 years

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

	December 31, 2020	December 31, 2019
House and building	$ 103,787	$ 99,881
Investment property	37,869	49,908
	$ 141,656	$ 149,789

XIV. Lease Agreement

(1) Right-of-use Assets

	December 31, 2020	December 31, 2019
Book amount of right-of-use assets		
Land	$ 69,220	$ 73,292
Building	2,569	3,381
Transportation equipment	1,840	3,007
	$ 73,629	$ 79,680

	2020	2019
Added right-of-use assets	$ 712	$ 266
Expense of depreciation of right-of-use assets		
Land	$ 4,072	$ 4,072
Building	856	821
Transportation equipment	1,835	1,835
	$ 6,763	$ 6,728

(2) Lease Liabilities

	December 31, 2020	December 31, 2019
Book amount of lease liabilities		
Current	$ 6,023	$ 6,227
Non-current	$ 68,598	$ 73,993

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

	December 31, 2020	December 31, 2019
Land	1.4%	1.4%
Building	1.5%	1.5%
Machinery equipment	1.5%	1.5%

(3) Other Lease Information

	2020	2019
Low-value asset lease expenses	$ 178	$ 167
Total cash outflow from leases	$ 7,580	$ 7,532

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

XV. Investment Property

	December 31, 2020	December 31, 2019
Investment property	$ 37,869	$ 49,908

	2020	2019
Cost		
Balance at January 1	$ 163,903	$ 163,903
Disposition for the year	(1,971)	-
Reclassification	(31,030)	-
Balance at December 31	$ 130,902	$ 163,903
Accumulated depreciation and impairment		
Balance at January 1	$ 113,995	$ 112,351
Depreciation expense	1,461	1,644
Disposition for the year	(1,971)	-
Reclassification	(20,452)	-
Balance at December 31	$ 93,033	$ 113,995

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

House and building	50 years
House furnishings	10 years

The Company appraised investment property based on the evaluation report and the fair value of investment property as of December 31, 2020 and 2019 was NT$98,642 thousand and NT$129,593 thousand respectively.

XVI. Other Intangible Assets

	December 31, 2020	December 31, 2019
Book amount of each category		
Computer software cost	$ 2,393	$ 3,009

	2020	2019
Cost		
Balance at January 1	$ 5,980	$ 6,128
Acquisition for the year	148	-
Disposition	(1,319)	(148)
Balance at December 31	$ 4,809	$ 5,980
Accumulated amortization and impairment		
Balance at January 1	$ 2,971	$ 2,377
Amortization expense	764	742
Disposition	1,319	(148)
Balance at December 31	$ 2,416	$ 2,971

Amortization expenses of the aforementioned intangible assets were allocated base on their respective service lives on a straight-line basis.

XVII. Other Assets

	December 31, 2020	December 31, 2019
Refundable deposits	$ 15,530	$ 15,769
Prepaid expenses and prepayments	15,838	3,605
Restricted assets (Note 6)	133,445	5,000
Others	3,211	2,713
	$ 168,024	$ 27,087
Current	$ 16,781	$ 4,647
Non-current	151,243	22,440
	$ 168,024	$ 27,087

XVIII. Borrowings

(1) Short-term Borrowings

	December 31, 2020		December 31, 2019	
	Interest rate	Amount	Interest rate	Amount
Credit loan	0.85%～1.4%	$ 430,000	0.95%～1%	$ 234,000

Mr. Kuo Wei-Wu, Chairman of the Company, was a joint guarantor for the credit loans of the Company as of December 31, 2020 and 2019.

(2) Short-term Notes and Bills Payable

	December 31, 2020	December 31, 2019
Commercial paper payable	$ 300,000	$ 150,000
Less: Discount on short-term notes and bills payable	(83)	(34)
	$ 299,917	$ 149,966

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

December 31, 2020

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

December 31, 2019

Guarantee/acceptance institution	Face value	Discount	Book amount	Interest rate range
Commercial paper payable				
Taiwan Finance Corp.	$ 50,000	$ 12	$ 49,988	0.988%
China Bills Finance Corp.	50,000	6	49,994	0.978%
Dah Chung Bills Finance Corp.	50,000	16	49,984	0.978%
	$ 150,000	$ 34	$ 149,966	

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

(3) Current Portion of Long-term Liabilities

	December 31, 2020	December 31, 2019
Current portion of long-term loans	$ 100,000	$ -

(4) Long-term Borrowings

	December 31, 2020		December 31, 2019	
	Interest rate%	Amount	Interest rate%	Amount
<u>Guaranteed loans</u>				
Taipei Fubon Bank (Arranger of the syndicated loan)				
A mortgage loan for the period between December 2019 and December 2022, with interest to be paid every month, as a revolving loan allowing separate drawdowns, each of which shall not be more than 6 months after the previous drawdown	1.79	$ 400,000	1.79	$ 360,000
Taipei Fubon Bank (Arranger of the syndicated loan)				
A mortgage loan for the period between December 2019 and December 2022, with interest to be paid every season, as a revolving loan allowing separate drawdowns, each of which shall not be more than 6 months after the previous drawdown	0.66	400,000	0.79	360,000
<u>Loans without collateral</u>				
JihSun Bank				
A credit loan for the period between November 2018 and November 2020, with interest to be paid every month, and principal to be repaid in full when due, which was extended for additional 2 years from November 2020 with the maturity date in November 2022	1.2	100,000	1.35	50,000
KGI Bank				
A credit loan for the period between November 2019 and November 2021, with interest to be paid every month, and principal to be repaid in full when due, which was extended for additional 2 years from December 2020 with the maturity date in December 2022	0.99	80,000	1.15	100,000
Taipei Fubon Bank				
A credit loan for the period between July 2018 and May 2020, with interest to be paid every month, and principal to be repaid in full when due, which was extended for additional 2 years from May 2019 with the maturity date in May 2021, and part of which was repaid early in January 2020	-	-	1.24	100,000
Taipei Fubon Bank				

	December 31, 2020		December 31, 2019	
	Interest rate%	Amount	Interest rate%	Amount
A credit loan for the period between June 2020 and May 2022, with interest to be paid every month, and principal to be repaid in full when due	1.47	50,000	-	-
Taipei Fubon Bank				
A credit loan for the period between June 2020 and May 2022, with interest to be paid every month, and principal to be repaid in full when due	1.55	50,000	-	-
Chinatrust Commercial Bank				
A credit loan for the period between February 2019 and October 2020, with interest to be paid every month, and principal to be repaid in full when due, which was extended for additional 2 years from August 2020 with the maturity date in August 2022	1.22	100,000	1.35	$ 50,000

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	December 31, 2020		December 31, 2019	
	Interest rate%	Amount	Interest rate%	Amount
Yuanta Commercial Bank				
A credit loan for the period between March 2019 and March 2021, with interest to be paid every month, and principal to be repaid in full when due	0.95	$ 100,000	1.3	$ 100,000
E. Sun Bank				
A credit loan for the period between March 2020 and September 2021, with interest to be paid every month, and principal to be repaid in full when due, which was extended for additional 2 years from October 2020 with the maturity date in October 2022	1.23	50,000	-	-
Bank of Panshin				
A credit loan for the period between July 2020 and May 2022, with interest to be paid every month, and principal to be repaid averagely every season from the 13th month	1.3	20,000	-	-
Less: Current portion of long-term loans		(100,000)		-
		$ 1,250,000		$ 1,120,000

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

   As stipulated in the syndicated loan agreement, the Company shall have the following financial ratios maintained and shown in the annual consolidated financial statements before the Company repays all debts under the agreement:

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

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

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

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

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

XIX. Other Payables

	December 31, 2020	December 31, 2019
Other payables		
Salaries payable	$ 17,520	$ 14,566
Directors' and directors' remunerations payable	16,712	-
Processing costs payable	3,595	2,719
Payables on equipment	1,506	668
Interest payable	436	242
Others	43,499	34,710
	$ 83,268	$ 52,905

XX. Post-employment Benefit Plan

(1) Defined Contribution Plan

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

The amounts allocated for the years ended December 31, 2020 and 2019 by the Company at the specific percent provided in the defined contribution plan have been recognized as expenses in the amount of NT$4,665 thousand and NT$4,839 thousand respectively in the statement of comprehensive income..

(2) Defined Benefit Plan

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

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

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

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

	Present value of a defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
Balance at January 1, 2019	$ 44,878	($ 22,516)	$ 22,362
Service cost			
Current service cost	344	-	344
Interest expense (income)	444	(224)	220
Recognized in profit (loss)	788	(224)	564
Remeasurements			
Return on plan assets	-	(788)	(788)

	Present value of a defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
Actuarial losses－Changes in demographic assumptions	729	-	729
Actuarial losses－Changes in financial assumptions	949	-	949
Actuarial losses－Experience adjustments	3,338	-	3,338
Recognized in other comprehensive income (loss)	5,016	(788)	4,228
Employer's contributions	-	(636)	(636)
Benefit payment	(1,020)	-	(1,020)
Balance at December 31, 2019	49,662	(24,164)	25,498
Service cost			
Current service cost	488	-	488
Interest expense (income)	372	(184)	188
Recognized in profit (loss)	860	(184)	676
Remeasurements			
Return on plan assets	-	(783)	(783)
Actuarial losses－Changes in demographic assumptions	843	-	843
Actuarial losses－Changes in financial assumptions	989	-	989
Actuarial losses－Experience adjustments	(1,285)	-	(1,285)
Recognized in other comprehensive income (loss)	547	(783)	(236)
Employer's contributions	-	(600)	(600)
Benefit payment	(6,450)	-	(6,450)
Balance at December 31, 2020	$ 44,619	($ 25,731)	$ 18,888

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

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

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

1. Investment Risk: Bureau of Labor Funds, Ministry of Labor invests the labor pension fund by itself or though an agent in domestic (foreign) domestic equity securities and debt securities, bank deposits and other subject matters. However, the distributable amount of the Company's plan assets is the income calculated at an interest rate not inferior to that announced by the local bank for 2-year time deposits.
2. Interest Rate Risk: Interest rates for government bonds are reduced so that the present value of defined benefit obligations increases. However, the return on debt investments with respect to plan assets increases accordingly. Both offset the impact on the net defined benefit liabilities partially.
3. Wage Risk: The present value of defined benefit obligations is calculated by taking future wages of plan members into account. Thus the increase in wages of plan members will result in an increase in the present value of defined benefit obligations.

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

	December 31, 2020	December 31, 2019
Discount rate	0.50%	0.75%
Expected rate of wage increments	2.00%	2.00%

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

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

The aforementioned sensitivity analysis may probably not reflect actual changes in the present value of defined benefit obligations as actuarial assumptions may correlate mutually and changes in only one assumption are not quite possible.

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

XXI. Equity

(1) Capital Stock

Common Shares

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

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

(2) Capital Reserve

The balance of each type of capital reserve as of December 31, 2020 and 2019 is as follows:

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

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

(3) Retained Earnings and Dividend Policies

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

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

According to the earning distribution policy before K Laser amends its articles of incorporation, the earnings, if any, at the final settlement of each year, shall be first used to pay income tax and make good of accumulated loss. Then the 10% of the rest of the earnings is allocated as legal reserve. Special reserve is allocated under current earnings in accordance with regulations or relevant requirements and then is reversed before being listed in the earnings to be allocated. Then the board of directors prepares and submits the proposal of distribution to the shareholders' meeting for resolution. For allocation of employees' and directors' remunerations in accordance with the amended articles of incorporation, refer to Note 22.

The Company allocated special reserve based on the approval letters with Ref. No. 1010012865, Ref. No. 1010047490 and Ref. No. 1030006415 issued by the Financial Supervisory Commission and pursuant to the rules provided in the Questions and Answers Applicable to Special Reserve Allocated After Implementation of International Financial Reporting Standards (IFRSs). When the balance of the subtrahend under other shareholders’ equity is reserved, earnings may be distributed for the reserved part.

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

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

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

The Company had a loss for the year ended December 31, 2019, so it resolved in a general meeting of shareholders on May 28, 2020 that no distribution was granted because of the loss.

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

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

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

(4) Other Equity

1. Exchange differences on translation of foreign financial statements：

	2020	2019
Beginning balance	($ 278,472)	($ 195,571)
Exchange differences arising on translating net assets of foreign operations	(8,874)	(82,979)

	2020	2019
Disposal of partial equity in subsidiaries	261	78
Ending balance	($ 287,085)	($ 278,472)

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

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

	2020	2019
Beginning balance	($ 33,033)	($ 5,574)
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	(4,697)	(30,347)
Share of other comprehensive income (loss) of associates accounted for using the equity method	6,329	2,657
Disposal of partial equity of associates accounted for using the equity method	998	231
Ending balance	($ 30,403)	($ 33,033)

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

(5) Treasury Shares

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

Unit: Share

2020

Reason of possessing shares	Number of shares at the beginning of the year	Increase in the year	Decrease in the year	Number of shares at the end of the year
Shares transferred to employees	6,000,000	6,000,000	(2,905,000)	9,095,000
Shares of the parent company possessed by subsidiaries	2,750,000	-	(2,750,000)	-
	8,750,000	6,000,000	(5,655,000)	9,095,000

2019

Reason of possessing shares	Number of shares at the beginning of the year	Increase in the year	Decrease in the year	Number of shares at the end of the year
Shares transferred to employees	6,714,000	1,286,000	(2,000,000)	6,000,000
Shares of the parent company possessed by subsidiaries	-	2,750,000	-	2,750,000
	6,714,000	4,036,000	(2,000,000)	8,750,000

2. The Company had control over Insight Medical Solutions Inc., on December 23, 2019 and acquired the Company's shares held by Insight Medical Solutions Inc. Relevant information is as follows:

December 31, 2019

Name of subsidiary	Number of shares (Share)	Amount transferred as treasury shares	Market price per share on December 31, 2019 (NTD)
Insight Medical Solutions Inc.	2,750,000	$ 22,785	$ 19.1

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

3. According to Article 28-2 of the Securities and Exchange Act, The number of shares bought back by a company shall not exceed 10% of the total number of issued and outstanding shares of the company. The total amount of the shares bought back shall not exceed the sum of retained earnings, premium on capital stock and realized capital reserve. The treasury shares held by the Company in accordance with Securities and Exchange Act shall not be pledged and shall not be attached with any right to distributed

dividends or voting. The K Laser shares possessed by its subsidiaries are deemed as treasury shares, the rights attached to which are the same as those attached to general shares, except that treasury shares do not entitle their holders to participate in any seasoned equity offering conducted by K Laser or have the voting right.

XXII. Net Profit of Continuing Operations

Employee Benefit Expense and Depreciation and Amortization Expenses

	2020			
	Operating cost	Operating expenses	Non-operating expenses and losses	Total
Short-term employee benefits	$ 35,561	$ 88,656	$ -	$ 124,217
Post-employment benefits	$ 1,979	$ 3,362	$ -	$ 5,431
Other employee benefits	$ 597	$ 698	$ -	$ 1,295
Depreciation expense				
Depreciation of property, plant and equipment	$ 13,661	$ 11,228	$ -	$ 24,889
Depreciation of right-of-use assets	1,486	3,562	1,715	6,763
Depreciation of investment property	-	-	1,461	1,461
	$ 15,147	$ 14,790	$ 3,176	$ 33,113
Amortization expense	$ -	$ 764	$ -	$ 764

	2019			
	Operating cost	Operating expenses	Non-operating expenses and losses	Total
Short-term employee benefits	$ 34,536	$ 76,090	$ -	$ 110,625
Post-employment benefits	$ 1,811	$ 3,592	$ -	$ 5,403
Other employee benefits	$ 494	$ 509	$ -	$ 1,003
Depreciation expense				
Depreciation of property, plant and equipment	$ 12,940	$ 11,392	$ 1,403	$ 25,735
Depreciation of right-of-use assets	1,423	3,451	1,854	6,728
Depreciation of investment property	-	-	1,644	1,644
	$ 14,362	$ 14,843	$ 4,901	$ 34,107
Amortization expense	$ -	$ 742	$ -	$ 742

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

Estimated Percentage

	2020
Employees' remuneration	8%
Directors' remuneration	2%

Amounts

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

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

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

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

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

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

XXIII. Income Tax of Continuing Operations

(1) Income Tax Recognized in Profit or Loss

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

	2020	2019
Current income tax		
Adjustment of the previous year	$ -	$ 546
Deferred income tax		
Incurred for the current year	6,000	1,500
Income tax expense recognized in profit or loss	$ 6,000	$ 2,046

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

	2020	2019
Profit (loss) before tax of continuing operations	$ 150,409	($ 117,789)
Tax (income) expense computed based on the net profit before tax at the legal tax rate	$ 30,100	($ 24,400)
Investment (gain) loss recognized by using the equity method	(40,400)	21,000
Reduction of investee companies' capital to cover losses	(25,500)	-
Dividend income from foreign investments	52,100	15,800
Gains on disposals of domestic equity investments	(500)	(9,100)
Loss carryforwards not recognized for the previous year and used for the year	-	(2,700)
Others	8,100	900
Adjustments for the previous year	-	546
Less withholding tax on dividend income	(17,900)	-
Income tax expense recognized in profit (loss)	$ 6,000	$ 2,046

(2) Current Tax Assets

	December 31, 2020	December 31, 2019
Current tax assets		
Tax refund receivable	$ 208	$ 137

(3) Deferred Tax Assets

	December 31, 2020	December 31, 2019
Temporary difference		
Unrealized gross profit	$ 4,400	$ 2,700
Allowance for inventory valuation losses	300	400
Others	1,100	400
Loss carryforwards	6,000	14,300
Deferred tax assets	$ 11,800	$ 17,800

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

	December 31, 2020
Loss carryforwards	
Due in 2022	$ 61,006
Due in 2023	4,634
Due in 2026	2,620
	$ 68,260

(5) Income Tax Assessment

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

XXIV. Earnings (Loss) Per Share

Basic and diluted earnings (loss) per share of the Company for the years 2020 and 2019 are calculated as follows:

	2020			2019		
	Amount (Numerator) After tax	Number of shares (Thousand Shares) (Denominator)	Earnings per share (NTD) After tax	Amount (Numerator) After tax	Number of shares (Thousand Shares) (Denominator)	Loss per share (NTD)) After tax
Basic earnings (loss) per share						
Current net profit (loss) attributed to shareholders of common shares	$ 144,409	150,947	$ 0.96	($ 119,835)	152,102	($ 0.79)
Impact of potential common shares with dilutive effect						
Employees' remuneration	-	686				
Diluted earnings per share						
Current net profit attributed to shareholders of common shares	$ 144,409	151,633	$ 0.95			

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

XXV. Share-based Payment Arrangement

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

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

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

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

XXVI. Capital Risk Management

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

XXVII. Financial Instruments

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

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

(2) Information of Fair Value －Financial instruments measured at fair value on a recurring basis

1. Hierarchy of Fair Value

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	$ 5,265	$ -	$ -	$ 5,265
Financial assets at fair value through other comprehensive income Investments in equity instruments				
－Domestic common shares not listed (OTC)	$ -	$ -	$ 34,984	$ 34,984

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	$ 5,296	$ -	$ -	$ 5,296
Financial assets at fair value through other comprehensive income Investments in equity instruments				
－Domestic common shares not listed (OTC)	$ -	$ -	$ 36,681	$ 36,681

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

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

(3) Type of Financial Instrument

	December 31, 2020	December 31, 2019
Financial assets		
At amortized cost		
Cash and cash equivalents	$ 360,226	$ 283,611
Notes receivable and trade receivables (including those from related parties)	150,992	111,760
Other receivables	9,991	13,444
Refundable deposits	15,530	15,769
Restricted assets	133,445	5,000
Financial assets at fair value through profit or loss-current	5,265	5,296
Financial assets at fair value through other comprehensive income－non-current	34,984	36,681

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	December 31, 2020	December 31, 2019
Financial liabilities		
At amortized cost		
Short-term borrowings	$ 430,000	$ 234,000
Short-term notes and bills payable	299,917	149,966
Notes payable and trade payables (including those to related parties)	111,457	80,598
Other payables	83,268	52,905
Long-term borrowings (including current portion thereof)	1,350,000	1,120,000
Guarantee deposits received (listed as non-current liabilities-Others)	942	942

(4) Purpose and Policy of Financial Risk Management

Main financial instruments of the Company include equity investments, trade receivables, other receivables, refundable deposits, trade payables, short-term notes and bills payable, other payables and loans. Financial management departments of the Company provide service for each business, master and coordinate operations in domestic and international financial markets, and supervise and manage the financial risks relevant to business operation based on the level and extent of each risk and the internal risk report that analyzes risk exposure. Such risks include market risk, credit risk and liquidity risk.

1. Market Risk

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

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

(1) Currency Risk

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

Refer to Note 33 for book amounts of monetary assets and monetary liabilities of the Company in non-functional currencies on the balance sheet date.

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

	Effect of USD	
	2020	2019
Effect on profit and loss	$ 5,399	$ 1,533

(2) Interest Rate Risk

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

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

	December 31, 2020	December 31, 2019
With cash flow interest rate risk		
Financial assets	$ -	$ -
Financial liabilities	1,350,000	1,120,000

The sensitivity analysis for interest rate risk is based on changes in fair value of floating-rate financial assets and liabilities at the end of the financial reporting period. If the interest rate rises by a percentage point, then the cash outflow of the Company would increase by NT$13,500 thousand and by NT$11,200 thousand respectively for the years ended December 31, 2020 and 2019.

2. Credit Risk

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

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

3. Liquidity Risk

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

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

	December 31, 2020			
	Less than 1 year	2～3 years	Over 3 years	Total
Non-derivative financial liabilities				
Liabilities without interest	$ 194,725	$ -	$ -	$ 194,725
Lease liabilities	7,031	11,437	64,954	83,422
Floating rate liabilities	100,000	1,250,000	-	1,350,000
Fixed rate liabilities	729,917	-	-	729,917
	$1,031,673	$1,261,437	$ 64,954	$2,358,064

	December 31, 2019			
	Less than 1 year	2～3 years	Over 3 years	Total
Non-derivative financial liabilities				
Liabilities without interest	$ 133,503	$ -	$ -	$ 133,503
Lease liabilities	7,315	6,792	75,990	90,097
Floating rate liabilities	-	1,120,000	-	1,120,000
Fixed rate liabilities	383,966	-	-	383,966

	December 31, 2019			
	Less than 1 year	2～3 years	Over 3 years	Total
	$ 524,784	$1,126,792	$ -	$1,727,566

(2) Line of Credit

	December 31, 2020	December 31, 2019
Unsecured bank loan commitment		
-Used in the credit line	$ 1,280,000	$ 784,000
-Unused in the credit line	585,960	714,960
	$ 1,565,960	$ 1,348,960
Secured bank loan commitment		
-Used in the credit line	$ 800,000	$ 720,000
- Unused in the credit line	-	80,000
	$ 800,000	$ 800,000

XXVIII. Transactions with Related Parties

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

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

Name of related party	Relationship with the Company
K Laser International Co., Ltd. (hereinafter referred to as International）	A subsidiary
K Laser China Group Co., Ltd. (hereinafter referred to as China Group）	A subsidiary
Optivision Technology Inc. (hereinafter referred to as Optivision Technology)	A subsidiary
Everest Display Inc. (hereinafter referred to as Everest Display)	Subsidiary (merged with the Company on June 30, 2020)
iWin Technology Co., Ltd (hereinafter referred to as iWin)	A subsidiary
K Laser Technology (Korea) Co., Ltd. (hereinafter referred to as K Laser Korea)	A subsidiary
K Laser Technology (Thailand） Co., Ltd. (hereinafter referred to as K Laser Thailand)	A subsidiary
K Laser Technology (USA） Co., Ltd. (hereinafter referred to as K Laser USA)	A subsidiary
K Laser IMEA Co., Ltd. (hereinafter referred to as IMEA）	A subsidiary

Name of related party	Relationship with the Company
Amagic Technologies U.S.A. (Dubai)(hereinafter referred to as Amagic Dubai)	A subsidiary
K Laser Technology Japan Co., Ltd. (hereinafter referred to as K Laser Japan）	A subsidiary
K Laser Technology (Hong Kong) Co., Ltd. (hereinafter referred to as K Laser Hong Kong)	A subsidiary
Holomagic Co., Ltd. (hereinafter referred to as Holomagic）	A subsidiary
Top Band Investment Limited (hereinafter referred to as Top Band)	A subsidiary
Wuxi K Laser Technology Co., Ltd. (hereinafter referred to as Wuxi K Laser)	A subsidiary
Hunan Herui Laser Technology Co., Ltd. (hereinafter referred to as Hunan Herui Laser)	A subsidiary
Dongguan K Laser Technology Co., Ltd. (hereinafter referred to as Dongguan K Laser）	A subsidiary
Amagic Holographics India Private Limited (hereinafter referred to as Amagic India）	A subsidiary
Finity Laboratories(hereinafter referred to as Finity）	A subsidiary
Insight Medical Solutions Inc. (hereinafter referred to as Insight Medical）	It had been an associate evaluated by using the equity method, and became a subsidiary in December 2019.
Jiangsu Sunderray Laser Packing Material Co., Ltd.	An associate evaluated by using the equity method
Treasure Access Limited(hereinafter referred to as Treasure）	A subsidiary

(2) Operating Transactions

	2020	2019
Sale		
Subsidiaries		
K Laser USA	$ 363,030	$ 145,918
K Laser Japan	65,186	73,137
International	-	210,482
Others	36,992	29,226
	$ 465,208	$ 458,763
Purchase		
Subsidiaries		
Dongguan K Laser	$ 323,921	$ -
Wuxi K Laser	21,898	-
Treasure	13,038	-

	2020	2019
Top Band	9,947	355,168
Others	7,982	26,825
	$ 376,786	$ 381,993

Operating expenses		
Subsidiaries	$ 12,900	$ 2,743

Other income		
Subsidiaries		
Optivision Technology	$ 13,579	$ 13,908
Insight Medical	5,270	-
Everest Display	2,186	4,398
Top Band	-	27,675
Others	49	1,781
Associates	-	4,418
	$ 21,084	$ 52,180

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

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

	December 31, 2020	December 31, 2019
Trade receivables from related parties (from which loss allowance has been deducted)		
Subsidiaries		
K Laser USA	$ 80,078	$ 47,579
K Laser Japan	23,342	15,640
International	-	13,650
Others	4,798	5,474
	$ 108,218	$ 82,343

Trade payables to related parties		
Subsidiaries		
Dongguan K Laser	$ 55,467	$ -
Treasure	10,971	-
Wuxi K Laser	7,237	-
Top Band	-	58,161
Others	1,618	1,388
	$ 75,293	$ 59,549

Other receivables		
Subsidiaries		
Optivision Technology	$ 2,006	$ 2,033
Wuxi K Laser	1,416	-

	December 31, 2020	December 31, 2019
Insight Medical	1,008	-
Amagic India	618	-
Top Band	-	5,884
Everest Display	-	574
Others	153	4,306
	$ 5,201	$ 12,797

Other payables		
Subsidiaries	$ 343	$ 629

(4) Property Transactions

Fixed assets acquired from related parties are detailed as follows:

	2020		2019	
	Property	Acquisition cost	Property	Acquisition cost
Subsidiaries	Other equipment	$ 178	Other equipment	$ 197

(5) Financing

The Company loaned funds to related parties as follows:

	2019			
Name of related party	Maximum balance	Ending balance of drawdown	Maximum balance	Ending balance of drawdown
Subsidiaries	$ 60,000	$ -	$ -	3%

(6) Endorsement and Guarantee

The balance of loans for which Mr. Kuo Wei-Wu, Chairman of the Company, acted as a guarantor was NT$1,780,000 thousand and NT$1,354,000 thousand respectively as of December 31, 2020, 2019. (Refer to Note 18.)

(7) Benefits and Remunerations to Main Managements

	2020	2019
Short-term employee benefits	$ 18,434	$ 19,787
Post-employment benefits	$ 6,450	$ -

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

XXIX. Pledged Assets

The following assets of the Company were provided as guarantees for loans under loan contracts or land leases and for the need of business operation.

	December 31, 2020	December 31, 2019
Bank deposits (Note 6)	$ 133,445	$ 5,000
Property, plant and equipment (Note 13)	103,787	99,881
Investment property (Note 13)	37,869	49,908
	$ 275,101	$ 154,789

XXX. Material Commitments and Contingent Liabilities

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

Unit: In Thousands of New Taiwan Dollars

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

XXXI. Other Matters

The Company’s ability to continue as a going concern and the risks of asset impairment and financing were not significantly impacted by the Covid-19 pandemic. However, the influence of the pandemic is still uncertain, and the Company will pay attention to the development of the pandemic continuously.

XXXII. Material Subsequent Events

The Company issued 6,000 units of 5-year guaranteed ordinary corporate bonds in NTD on March 24, 2021, with the coupon rate 0% and par value NT$100 thousand. The total principal was NT$600,000 thousand.

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

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

Unit: Per thousand in foreign currency / NT dollars

	December 31, 2020			December 31, 2019		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Financial assets						
Monetary item						
USD	$ 22,200	28.48	$ 632,248	$ 7,159	29.980	$ 214,616
CNY	394	4.377	13,807	383	4.3050	1,647
Long-term equity investments accounted for using the equity method						
USD	24,358	28.48	693,707	24,915	29.980	746,941
CNY	473,314	4.377	2,071,695	492,899	4.3050	2,121,930
Financial liabilities						
Monetary item						
USD	3,242	28.48	92,326	2,045	29.980	61,314

XXXIV. Information of Segments

As the Company has disclosed information of segments in the consolidated financial report, such information is not disclosed separately in the financial report.

XXXV. Disclosures in the Notes

(1) Material Transactions and Reinvestment-related Information:

No.	Item	Explanation
1	Funds lent to others: Schedule 1	Schedule 1
2	Enforcement and guarantee for others	Schedule 2
3	Negotiable securities held at the end of the year (not including investments in subsidiaries, associates and joint ventures)	Schedule 3

(Continued on next page)

(Brought forward from previous page)

No.	Item	Explanation
4.	Accumulated purchases or sales of negotiable securities up to NT$300 million or 20% of the paid-in capital	None
5	Acquisition cost of real estate up to NT$300 million or 20% of the paid-in capital	None
6	Proceeds up to NT$300 million or 20% of the paid-in capital from disposal of real estate	None
7	Purchases from or sales to related parties up to NT$300 million or 20% of the paid-in capital	Schedule 4
8	Receivables from related parties up to NT$100 million or 20% of the paid-in capital	Schedule 5
9	Transactions of derivatives	None
10	Information of reinvestee companies	Schedule 6

(2) Information of investments in Mainland China:

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

(3) Information of Main Shareholders:

Name of Shareholder Holding Over 5% of Equity, Number of Shares Held and Ratio of Shareholding (Schedule 8)

K Laser Technology Inc.

Funds of the Company and Reinvestee Companies to Other Entities

From January 1 to December 31, 2020

Schedule 1

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

No. (Note 1)	Company lending funds	Company receiving the loan	Account	Is it a related party?	Maximum balance of the year	Ending balance	Drawdown	Interest rate range	Nature of lending (Note 2)	Amount of business	Reason of short-term financing	Allocated amount of allowance for bad debts	Security		Limit of funds lent to an individual entity (Note 3)	Total limit of lending (Note 3)	Remark
													Name	Value			
0	K Laser Technology Inc.	Everest Display Inc.	Other receivables	Yes	$ 60,000	$ -	$ -	-	2	$ -	Capital turnover	$ -	No	No	$ -	$ -	(Note 4)
1	Dongguan K Laser Technology Co., Ltd.	Hunan Hexin Packaging Materials Co., Ltd.	Other receivables	Yes	41,078 (RMB 9,500)	35,016 (RMB 8,000)	28,451 (RMB 6,500)	3.85%	2	-	Capital turnover	-	No	No	393,516 (RMB 89,905)	393,516 (RMB 89,905)	

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

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

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

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

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

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

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

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

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

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

K Laser Technology Inc.

Endorsement and Guarantee for Other Entities

From January 1 to December 31, 2020

Schedule 2

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

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

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

(1) For the Company, please indicate "0."

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

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

(1) An entity that has business with the Company

(2) A subsidiary when the Company holds more than 50% of its common shares directly

(3) A investee company when the parent company and its subsidiaries hold more than 50% of its common shares

(4) A parent company that holds more than 50% of common shares of the company directly or through its subsidiaries

(5) Companies provided guarantees for each other in accordance with a contract for the need of contracting for work

(6) A company for which shareholders, for the purpose of mutual investment, provide endorsement and guarantee at the rate of their respective shareholdings

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

(1) As provided in the Company's regulations of endorsement and guarantee, the maximum limit of endorsement and guarantee shall be limited to 40% of the Company's net worth indicated in its latest financial statements, and the limit of endorsement and guarantee provided for a single enterprise shall not exceed 20% of the Company's net worth indicated in its latest financial statements.

(2) As provided in the Company's procedure for a subsidiary to loan funds to other entities and provide endorsement and guarantee, the total liabilities assumed by a Group company (subsidiary) for endorsement and guarantee shall not exceed 40% of the net worth of the Group company (subsidiary) indicated in its latest financial statements, and the endorsement and guarantee provided for a single enterprise shall not exceed 20% of the net worth of the Group company (subsidiary) indicated in its latest financial statements.

(3) The funds loaned to a company or firm that has business with a Group company shall be limited to the amount of business between both parties. The so-called business refers to purchase from or sale to each other, whichever is higher.

Note 4: For the amount actually appropriated, please refer to Note 30.

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

K Laser Technology Inc.

Marketable Securities Held at the End of the Year

December 31, 2020

Schedule 3

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

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

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

K Laser Technology Inc.

Purchase from or Sale to Related Parties Amounting to Over NT$100 Million or 20% of Paid-in Capital

From January 1 to December 31, 2020

Schedule 4

Unit: In Thousands of New Taiwan Dollars

Selling (purchasing) company	Counterparty	Relation	Transaction				Transaction terms different from those for general transactions, and reasons		Notes receivable (payable) and trade receivables (payables)		Remark
			Sale (purchase)	Amount	Ratio to total sale (purchase) %	Credit period	Unit price	Credit period	Balance	Ratio to total notes receivable (payable) and trade receivables (payables)%	
Optivision Technology Inc.	Dongguan Zhiguang Photoelectric Co., Ltd.	One of other related parties	Sale	$ 1,185,685	68	120 days after monthly settlement; cash to be received in the next month	N/A	N/A	$ 670,247	73	
Optivision Technology Inc.	Ningpo Optivision Optical Technology Co., Ltd.	A subsidiary	Sale	233,531	13	120 days after monthly settlement; cash to be received in the next month	N/A	N/A	117,915	13	
K Laser Technology Inc.	Dongguan K Laser Technology Co., Ltd.	A sub-subsidiary of which 100% of shares are held by the Company	Purchase	(323,921)	56	60 days after monthly settlement; cash to be received	N/A	N/A	(55,467)	50	
K Laser Technology Inc.	K Laser Technology (USA) Co., Ltd.	A sub-subsidiary of which 75% of shares are held by the Company	Sale	363,030	45	90 days after monthly settlement; cash to be received	N/A	N/A	80,078	31	
Wuxi K Laser Technology Co., Ltd.	K Laser Technology (Hong Kong) Co., Ltd.	A sister company	Sale	RMB 33,289	28	60 days after monthly settlement; cash to be received	N/A	N/A	RMB5,732	16	

K Laser Technology Inc.

Receivables from Related Parties Amounting to Over NT$100 Million or 20% of Paid-in Capital

December 31, 2020

Schedule 5

Unit: In Thousands of New Taiwan Dollars

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

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

Schedule 6

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

Name of investing company	Name of investee company	Location	Main business activities	Amount of original investment		Shares held at the end of the year			Profit (loss) of the investee company	Investment gain (loss) recognized for the year	Remark
				End of the year	End of last year	Number of shares	Ratio%	Book amount			
K Laser Technology Inc.	K Laser China Group Co., Ltd.	British Virgin Islands	Reinvestment in companies	$ 722,454	$ 722,454	21,289,005	100	$ 2,065,995	$ 166,207	$ 140,939	
〃	K Laser International Co., Ltd.	British Virgin Islands	Reinvestment in companies	703,856	703,856	20,361,462	100	671,315	21,845	21,845	
〃	Optivision Technology Inc.	Hsinchu City	Production and sale of optical instruments and electronic parts and components	514,219	300,229	24,311,835	41	664,562	130,960	58,437	
〃	iWin Technology Co., Ltd.	British Virgin Islands	Reinvestment in companies	97,372	97,372	157,545	49	18,359	2,204	1,456	
〃	Vicome Corp.	Yunlin County	Manufacturing, processing, purchase and sale of fluorescent pigments and dyes	35,494	26,489	3,021,420	30	123,089	40,276	13,315	
〃	Everest Display Inc.	Hsinchu City	Production and sale of optical instruments and wireless communication mechanical equipment	-	406,056	-	-	-	-	-	Note 1
〃	Insight Medical Solutions Inc.	Hsinchu City	Research, development and sale of endoscopes used in gastrointestinal tracts	269,813	264,613	8,995,264	45	224,334	(97,699)	(38,741)	
〃	Everest International Co., Ltd.	Samoa	Reinvestment in companies	217,125	-	6,820,810	100	39,960	13,966	14,883	Note 1
K Laser International Co., Ltd.	K Laser Technology (USA) Co., Ltd.	USA	Sale of holographic products	USD 6,500	USD 6,500	6,500,000	80	USD 6,005	USD 1,210	USD 965	
〃	K Laser Technology (Thailand) Co., Ltd.	Thailand	Manufacturing and sale of holographic products	USD 1,801	USD 1,801	9,277,984	83	USD 8,983	USD 626	USD 518	
〃	K Laser Technology (Korea) Co., Ltd.	Korea	Manufacturing and sale of holographic products	USD 2,946	USD 2,946	677,040	100	USD 1,867	(USD 282)	(USD 282)	
〃	K Laser IMEA Co., Ltd.	Mauritius	Reinvestment in companies	USD 2,600	USD 2,600	2,600,390	100	USD 516	(USD 966)	(USD 966)	
〃	Amagic Technologies U.S.A. (Dubai) Ltd.	Dubai	As an agent and sale of holographic products	USD 1,094	USD 1,094	-	100	USD 2,085	USD 258	USD 258	
〃	K Laser Technology Japan Co., Ltd.	Japan	Manufacturing and sale of holographic products	USD 830	USD 830	1,344	70	USD 2,940	USD 105	USD 73	
〃	Apportonics (Wuxi) Co., Ltd.	China	Production and sale of optical instruments	USD 1,503	USD 1,503	7,142,857	17	USD 647	USD 215	USD 37	
〃	Boxlight Corporation	USA	Production and sale of optical instruments	-	USD 2,005	-	-	USD -	USD -	USD -	
〃	CIO Tech Ltd.	Cayman Islands	Reinvestment in companies	USD 750	USD 750	11,000,000	24	USD 607	(USD 471)	(USD 104)	
K Laser Technology (Thailand) Co., Ltd.	K Laser Technology (Indonesia) Co., Ltd.	Indonesia	Manufacturing and sale of holographic products	THB 21,168	THB 21,168	266,000	70	THB 20,380	THB 274	THB 192	
K Laser China Group Co., Ltd.	K Laser China Group Holding Co., Limited	Cayman Islands	Reinvestment in companies	RMB 180,503	RMB 180,503	89,096,401	100	RMB 483,465	RMB 39,163	RMB 39,008	
〃	Holoprint Co., Ltd.	British Virgin Islands	Reinvestment in companies	RMB 1	RMB 1	1	100	RMB -	RMB -	RMB -	
K Laser China Group Holding Co., Limited	K Laser Technology (Hong Kong) Co., Ltd.	Hong Kong	As an agent to sell holographic products	RMB 1,092	RMB 1,092	1,283,500	100	RMB 3,876	RMB 578	RMB 578	
〃	Holomagic Co., Ltd.	British Virgin Islands	Reinvestment in companies	RMB 72,440	RMB 72,440	30,000	100	RMB 232,865	RMB 7,812	RMB 7,852	
〃	Top Band Investment., Ltd.	British Virgin Islands	Reinvestment in companies	RMB 130,106	RMB 130,106	50,000	100	RMB 225,689	RMB 31,414	RMB 31,289	
〃	iWin Technology Co., Ltd.	British Virgin Islands	Reinvestment in companies	RMB 20,825	RMB 20,825	163,975	51	RMB 4,366	RMB 516	RMB 263	
Holomagic Co., Ltd.	Treasure Access Limited	Hong Kong	Reinvestment in companies	RMB 29,243	RMB 29,243	10,000	100	RMB 230,451	RMB 8,085	RMB 8,085	

(Continued on next page)

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Name of investing company	Name of investee company	Location	Main business activities	Amount of original investment		Shares held at the end of the year			Profit (loss) of the investee company	Investment gain (loss) recognized for the year	Remark
				End of the year	End of last year	Number of shares	Ratio %	Book amount			
Top Band Investment Ltd.	Union Bloom Co., Ltd.	Hong Kong	Reinvestment in companies	RMB 113,329	RMB 113,329	10,000	100	RMB 221,681	RMB 31,077	RMB 31,077	
K Laser IMEA Co., Ltd.	Amagic Holographics India Private Limited	India	Manufacturing and sale of holographic products	USD 2,508	USD 2,508	10,915,594	100	USD 463	(USD 963)	(USD 963)	
iWin Technology Co., Ltd.	Finity Laboratories	USA	Research and development of holography	USD 700	USD 700	700,000	100	USD 1,170	USD 76	USD 76	
Treasure Access Limited	Wuxi K Laser Technology Co., Ltd.	China	Manufacturing and sale of holographic products	RMB 44,156	RMB 44,156	-	100	RMB 148,100	RMB 5,317	RMB 5,317	
〃	Hunan Herui Laser Technology Co., Ltd.	China	Research, development and production of new environmentally-friendly packaging materials and anti-counterfeit products	RMB 21,952	RMB 21,952	-	49	RMB 37,528	RMB 9,664	RMB 4,735	
〃	Jiangsu Sunderray Laser Packing Material Co., Ltd.	China	Production of specific film coating, decorative films, and environmentally friendly transfer paper	RMB 26,600	RMB 26,600	26,600,000	33	RMB 36,207	RMB 5,032	RMB 1,654	
Union Bloom Co., Ltd.	Dongguan K Laser Technology Co., Ltd.	China	Manufacturing and sale of holographic products	RMB 165,621	RMB 165,621	-	100	RMB 224,764	RMB 35,172	RMB 35,172	
Wuxi K Laser Technology Co., Ltd.	Foshan Donglin Packaging Materials Co., Ltd.	China	Production of packaging materials for tobacco and extended products	RMB 8,253	RMB 8,253	-	25	RMB 8,304	RMB 1,954	RMB 516	
Dongguan K Laser Technology Co., Ltd.	Hunan Hexin Packaging Materials Co., Ltd.	China	Mainly engaging in producing, processing and selling films and cigarette packs, and division of rolling paper	RMB 48,100	RMB 48,100	-	49	RMB 49,859	RMB 4,324	RMB 2,119	
Optivision Technology Inc.	Bright Triumph Limited	Mauritius	Reinvestment in companies	242,173	242,173	7,913,767	100	146,531	125	125	
Bright Triumph Limited	Ningpo Optivision Optical Technology Co., Ltd.	China	Manufacturing, processing and production of bright enhancement layers, prism sheets, diffusion films and optical films	USD 5,258	USD 5,258	-	100	USD 2,589	(USD 94)	(USD 94)	
Everest Display Inc.	Everest International Co., Ltd.	Samoa	Reinvestment in companies	-	217,125	-	-	-	12,139	(917)	Note 1
〃	Boxlight Corporation	USA	Production and sale of optical instruments	-	140,258	-	-	-	-	-	
Everest International Co., Ltd.	Apportonics (Wuxi) Co., Ltd.	China	Production and sale of optical instruments	USD 2,014	USD 2,014	11,456,748	28	USD 705	USD 215	USD 60	
〃	Boxlight Corporation	USA	Production and sale of optical instruments	-	-	-	-	USD -	USD -	USD -	
Insight Medical Solutions Inc.	Insight Medical Solutions Holdings Inc.	Cayman Islands	Reinvestment in companies	USD 2,500	USD 750	2,500,000	100	68,456	(4,792)	(4,792)	
〃	ICMD Co., Ltd.	Hsinchu County	Sale of endoscopes used in gastrointestinal tracts	-	20,000	-	-	-	(9,521)	(7,616)	
Insight Medical Solutions Holdings Inc.	Glory Group Medical (Wuxi) Co., Ltd	China	Research, development and sale of endoscopes used in gastrointestinal tracts	USD 2,500	USD 750	2,500	100	USD 68,537	(USD 4,705)	(USD 4,705)	

Note 1: The Company conducted a short-form merger with Everest Display on June 30, 2020.

K Laser Technology Inc.
Information of Investment in Mainland China
From January 1 to December 31, 2020

Schedule 7

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

1. Name of investee company, main business activities, paid-in capital, investment method, capital remittance, shareholdings, profit or loss of the year, investment gain (loss) recognized, ending book value of investment, investment gain remitted back, and limit of investment in Mainland China:

Name of invested company in Mainland China	Min business activities	Paid-in capital	Investment method	Accumulated investment amount remitted from Taiwan as of the beginning of the year	Investment amount remitted or recovered in the year		Accumulated investment amount remitted from Taiwan as of the end of the year	Ratio of shares held by the Company through direct or indirect investment%	Investee company's profit (loss) of the year	Investment gain (loss) recognized for the year	Ending book value of investment	Investment gain remitted back to Taiwan as of the end of the year
					Remitted	Recovered						
Wuxi K Laser Technology Co., Ltd.	Research, development, production of laser holographic products, electro-optics apparatus and optoelectronic materials	$ 552,986 (RMB 126,339	Reinvestment in the company in Mainland China through reinvestments in an existing company in a third region	$ 190,531 (USD 6,690)	$ -	$ -	$ 190,531 (USD 6,690)	100	$ 23,273 (RMB 5,317)	$ 23,273 (RMB 5,317)	$ 648,234 (RMB 148,100)	$ 187,060 (RMB 42,737)
Dongguan K Laser Technology Co., Ltd.	Production and sale of other polyethylene and rigid polyvinyl chloride films and foils	724,923 (RMB 165,621	Reinvestment in the company in Mainland China through reinvestments in an existing company in a third region	58,640 (USD 2,059)	-	-	58,640 (USD 2,059)	100	153,948 (RMB 35,172)	153,948 (RMB 35,172)	983,792 (RMB 224,764)	649,949 (RMB 148,492)
Dongguan Zhimmei Laser Printing Co., Ltd. (Note 5)	Production and sale of printed paper packaging boxes and laser printed paper	110,904 (RMB 25,338	Investment in the company in Mainland China through remittance from a third region	61,232 (USD 2,150)	-	-	61,232 (USD 2,150)	-	-	-	-	-
Hunan Herui Laser Technology Co., Ltd.	Research, development and production of laser paper, anodized aluminum and other newenvironmentally-friendly packaging materials and anti-counterfeit products	226,729 (RMB 51,800 (Note 2	Reinvestment in the company in Mainland China through reinvestments in an existing company in a third region	-	-	-		49	42,299 (RMB 9,664)	20,725 (RMB 4,735)	164,260 (RMB 37,528)	16,646 (RMB 3,803)
Jiangsu Sunderray Laser Packing Material Co., Ltd.	Production of specific film coating, decorative films and environmentally friendly transfer paper	350,160 (RMB 80,000 (Note 3	Reinvestment in the company in Mainland China through reinvestments in an existing company in a third region	-	-	-		33	22,025 (RMB 5,032)	7,240 (RMB 1,654)	158,478 (RMB 36,207)	37,931 (RMB 8,666)
Apportonics (Wuxi) Co., Ltd.	Research, development and production of large LCDs, and optical engines and projection tubes for LCDs	180,910 (RMB 41,332	Reinvestment in the company in Mainland China through reinvestments in an existing company in a third region	42,805 (USD 1,503)	-	-	42,805 (USD 1,503)	17	6,123 (USD 215)	1,054 (USD 37)	18,427 (USD 647)	-
Glory Group Medical (Wuxi) Co., Ltd	Research, development and sale of endoscopes used in gastrointestinal tracts	71,200 (USD 2,500	Reinvestment in the company in Mainland China through reinvestments in an existing company in a third region	21,360 (USD 750)	49,840 (USD 1,750)	-	71,200 (USD 2,500)	100	(4,705)	(4,705)	68,537	-

2. Limit of Investments in Mainland China

Accumulated investment amount remitted from Taiwan to Mainland China as of the end of the year	Investment amount approved by Investment Commission, Ministry of Economic Affairs	Limit of investment provided by Investment Commission, Ministry of Economic Affairs
$ 353,209 (USD12,402)	$ 1,719,736 (Note 4) (USD60,384)	$ 1,524,690 (Note 1)

Note 1: With the approval obtained from the headquarters, the amount of investments is not restricted or limited to 60% of the net worth or NT$80 million.

Note 2: It contains the investment in cash USD2,512 thousand through a third region.

Note 3: It contains the investment in cash USD3,705 thousand through a third region.

Note 4: It contains the investment from earnings USD11,748 thousand.

Note 5: The invested equity has been disposed, but an application for cancellation of the amount has not been filed to Investment Commission, MOEA.

3. Material Transactions directly or indirectly with Investee Companies in Mainland China through Entities in a Third Region:

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

Name of related party	Relation between the Company and the related party	Type of transaction	Amount	Transaction conditions			Notes receivable (payable) and trade receivables (payables)		Unrealized gain (loss)
				Price	Payment terms	Compared with general transactions	Balance	Percentage (%)	
Dongguan K Laser Technology Co., Ltd.	A sub-subsidiary of which 99.60% of shares are held indirectly by the Company	Sale	$ 9,823 (USD 333)	Price negotiation	90 days after monthly settlement	Similar	$ 2,053 (USD 72)	1	($ 441)
Dongguan K Laser Technology Co., Ltd.	A sub-subsidiary of which 99.60% of shares are held indirectly by the Company	Purchase	323,921 (USD 10,921)	Price negotiation	60 days after monthly settlement	Similar	55,467 (USD 1,948)	51	-
Wuxi K Laser Technology Co., Ltd.	A sub-subsidiary of which 99.60% of shares are held indirectly by the Company	Sale	943 (USD 32)	Price negotiation	60 days after monthly settlement	Similar	- (USD -)	-	-
Wuxi K Laser Technology Co., Ltd.	A sub-subsidiary of which 99.60% of shares are held indirectly by the Company	Purchase	21,898 (USD 741)	Price negotiation	60 days after monthly settlement	Similar	7,237 (USD 254)	6	-

4. Property transaction, and gain or loss on such transactions: None
5. Endorsement, guarantee or collateral provided directly or indirectly for investee companies in Mainland China through entities in a third region: Schedule 2
6. Funds directly or indirectly provided for investee companies in Mainland China through a third region: None
7. Other transactions that have a material impact on the current profit or loss or financial status: None

K Laser Technology Inc.

Information of Main Shareholders

December 31, 2020

Schedule 8

Name of key shareholder	Shares	
	Number of shares held	Ratio of shareholding
Kuo Wei-Wu	10,997,756	6.9%
K Laser Technology Inc.	9,095,000	5.7%

Note 1: Information of main shareholders contained in the form is the data calculated by Taiwan Depository & Clearing Corporation based on the common shares and preferred shares (including treasury shares) that have been recorded and delivered, without physical substance, by the Company and held by shareholders on the last business day at the end of the current season so as to indicate the shareholders holding over 5% of such shares. The capital stock recorded in the financial report of the Company may differ from the number of the aforementioned shares recorded and delivered without physical substance because different bases of preparation and calculation are used.

Note 2: If the above information contains any shareholder holding shares through a trust, then trust settlors will be disclosed in their respective accounts under the trust account opened by the trustee. As for a shareholder declaring equity based on the shares more than 10% possessed by the shareholder as an insider in accordance with the Securities and Exchange Act, the shares possessed by the shareholder should contain the shares possessed and the shares in trust and the shares that entitle the shareholder to exercise rights to determine how to use trust property. For information of equity declarations made by insiders, please visit the Market Observation Post System.