

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

K Laser Inc.

Parent Company Only
Financial Statements with
Report of Independent
Accountants
for the years ended
December 31, 2021 and 2020

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Independent Auditors' Report

K Laser Technology Inc.

Opinion

We have audited the accompanying financial statements of December 31, 2021 and 2020 of K Laser Technology Inc., which comprise the balance sheets as of Jan 1 to December 31, 2021 and 2020, 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, 2021 and 2020 and its financial performance and cash flows for Jan 1 to December 31, 2021 and 2020 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 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. 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 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recognition of Sales Revenue

The business income of K Laser Technology Inc. mainly comes from the manufacture of laser holographic films, laser anti-counterfeiting labels, laser paper and optical instruments. The sales revenue of optical instruments in 2021 was significant, and the authenticity of the sales revenue of this product had a significant impact on the consolidated financial report. Therefore, the CPA listed the above sales revenue as the key audit items for this year.

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, tested and assessed the effectiveness of related internal controls.
2. We sampled the transaction details of major sales customers, and check consistency of the external shipping documents, export declarations and original transaction documents.
3. We confirmed the reasonability of the return and discount of major subsequent event.

Other Matters

The financial statements of some investee companies accounted for using the equity method for the years dated December 31, 2021 and 2020 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, 2021 and 2020, the aforementioned investments accounted for using the equity method were NT\$397,729 thousand and NT\$436,955 thousand, respectively, which accounted for 7.85% and 8.88% of the total assets, respectively. For the years ended December 31, 2021 and 2020, the amounts of investment gain recognized by the aforementioned investee companies and accounted for using the equity method were NT\$52,908 thousand and NT\$42,475 thousand, respectively, which accounted for (14.45)% and 28.24% of the profit before tax, respectively. Refer to Note 33 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, 2021 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 24, 2022

K Laser Technology Inc.
Balance Sheet
December 31, 2021 and 2020

Unit: In Thousands of New Taiwan Dollars

Code	Assets	December 31, 2021		December 31, 2020	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Notes 4 and 6)	\$ 272,616	5	\$ 360,226	7
1110	Financial assets at fair value through profit or loss – current (Notes 4 and 7)	3,134	-	5,265	-
1150	Notes receivable (Notes 4 and 8)	8,638	-	5,323	-
1170	Trade receivables (Notes 4 and 8)	73,231	1	37,451	1
1180	Trade receivables from related parties (Notes 4, 8 and 29)	201,719	4	108,218	2
1200	Other receivables (Note 29)	3,267	-	9,991	-
1220	Current tax assets (Notes 4 and 24)	208	-	208	-
130X	Inventories (Notes 4 and 9)	84,650	2	83,398	2
1460	Current assets held for sale (Notes 4 and 10)	27,960	1	15,100	-
1470	Other current assets (Note 6 and 17)	133,354	3	16,781	1
11XX	Total current assets	<u>808,777</u>	<u>16</u>	<u>641,961</u>	<u>13</u>
	Non-current assets				
1517	Financial assets at fair value through other comprehensive income – non-current (Notes 4 and 11)	28,733	1	34,984	1
1550	Investments accounted for using the equity method (Notes 4 and 12)	3,751,477	74	3,807,614	77
1600	Property, plant and equipment (Notes 4, 13 and 29)	165,712	3	159,057	3
1755	Right-of-use assets (Notes 4 and 14)	70,785	1	73,629	2
1760	Net investment property (Notes 4 and 15)	36,590	1	37,869	1
1780	Other intangible assets (Notes 4 and 16)	1,684	-	2,393	-
1840	Deferred tax assets (Notes 4 and 24)	9,400	-	11,800	-
1990	Other non-current assets (Notes 6 and 17)	194,212	4	151,243	3
15XX	Total non-current assets	<u>4,258,593</u>	<u>84</u>	<u>4,278,589</u>	<u>87</u>
1XXX	Total assets	<u>\$ 5,067,370</u>	<u>100</u>	<u>\$ 4,920,550</u>	<u>100</u>
	Liabilities and Equity				
	Current liabilities				
2100	Short-term borrowings (Note 18)	\$ 450,000	9	\$ 430,000	9
2110	Short-term notes and bills payable (Note 18)	159,948	3	299,917	6
2170	Trade payables	49,347	1	36,164	1
2180	Trade payables to related parties (Note 29)	189,979	4	75,293	1
2200	Other payables (Notes 20 and 29)	92,636	2	83,268	2
2280	Lease liabilities – current (Notes 4 and 14)	6,023	-	6,023	-
2320	Current portion of long-term liabilities (Note 18)	-	-	100,000	2
2399	Other current liabilities	3,978	-	10,307	-
21XX	Total current liabilities	<u>951,911</u>	<u>19</u>	<u>1,040,972</u>	<u>21</u>
	Non-current liabilities				
2500	Financial liabilities at fair value through income - Non-current (Notes 4 and 7)	855	-	-	-
2530	Corporation liabilities payable (Notes 4 and 19)	552,053	11	-	-
2540	Long-term borrowings (Note 18)	794,000	16	1,250,000	26
2635	Lease liabilities – non-current (Notes 4 and 14)	66,131	1	68,598	1
2640	Net defined benefit liabilities (Notes 4 and 21)	20,158	-	18,888	-
2670	Other liabilities – others	942	-	942	-
25XX	Total non-current liabilities	<u>1,434,139</u>	<u>28</u>	<u>1,338,428</u>	<u>27</u>
2XXX	Total liabilities	<u>2,386,050</u>	<u>47</u>	<u>2,379,400</u>	<u>48</u>
	Equity (Note 22)				
	Share capital				
3110	Ordinary shares	1,659,694	33	1,593,246	32
3200	Capital reserve	709,559	14	585,347	12
	Retained earnings				
3310	Legal reserve	249,257	5	213,042	4
3320	Special reserve	391,852	7	200,987	4
3350	Unappropriated earnings	294,763	6	384,752	8
	Other equity				
3410	Exchange differences on translation of foreign financial statements	(373,245)	(7)	(287,085)	(6)
3420	Unrealized gain on financial assets at fair value through other comprehensive income	(30,640)	(1)	(30,403)	-
3490	Recompense not earned by staff	(72,873)	(1)	-	-
3500	Treasury shares	(147,047)	(3)	(118,736)	(2)
3XXX	Total equity	<u>2,681,320</u>	<u>53</u>	<u>2,541,150</u>	<u>52</u>
	Total liabilities and equity	<u>\$ 5,067,370</u>	<u>100</u>	<u>\$ 4,920,550</u>	<u>100</u>

The accompanying notes are an integral part of the financial statements.
(Please refer to the Deloitte & Touche auditors' report dated March 24, 2022.)

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, 2021 and 2020

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

Code		2021		2020	
		Amount	%	Amount	%
4100	Operating revenue (Notes 4 and 29)	\$ 1,350,072	100	\$ 810,550	100
5110	Cost of goods sold (Notes 9 and 29)	<u>1,100,196</u>	<u>81</u>	<u>666,235</u>	<u>82</u>
5900	Gross profit	249,876	19	144,315	18
5910	Unrealized sales profit	(47,149)	(4)	(21,926)	(3)
5920	Unrealized sales profit	<u>21,926</u>	<u>2</u>	<u>13,622</u>	<u>2</u>
5950	Gross profit	<u>224,653</u>	<u>17</u>	<u>136,011</u>	<u>17</u>
	Operating expenses (Note 29)				
6100	Selling and marketing	57,654	4	40,467	5
6200	General and administrative	89,627	7	75,524	9
6300	Research and development	68,948	5	77,842	10
6450	Expected credit revolving benefit	(<u>61,138</u>)	(<u>4</u>)	(<u>694</u>)	<u>-</u>
6000	Total operating expenses	<u>155,091</u>	<u>12</u>	<u>193,139</u>	<u>24</u>
6900	Net profit (loss) from operation	<u>69,562</u>	<u>5</u>	(<u>57,128</u>)	(<u>7</u>)
	Non-operating income and expenses				
7060	Share of profit or loss of subsidiaries and associates accounted for using the equity method (Note 12)	223,009	17	202,008	25
7100	Interest income (Note 29)	377	-	1,291	-
7190	Other income-others (Note 29)	81,183	6	45,592	6
7210	Profit (loss) on disposal of property, plant and equipment	31	-	(19)	-
7230	Foreign currency exchange loss	(17,044)	(1)	(10,641)	(1)

(To be continued)

(Continued)

Code		2021		2020	
		Amount	%	Amount	%
7235	Gain (loss) on financial assets liabilities at fair value through profit or loss	\$ 4,594	-	(\$ 31)	-
7510	Interest expense	(23,658)	(2)	(25,562)	(3)
7590	Miscellaneous expense	(11,789)	(1)	(7,590)	(1)
7625	Gain on disposal of investment	<u>39,860</u>	<u>3</u>	<u>2,489</u>	<u>-</u>
7000	Total non-operating income and expenses	<u>296,563</u>	<u>22</u>	<u>207,537</u>	<u>26</u>
7900	Profit before tax	366,125	27	150,409	19
7950	Income tax expense (Notes 4 and 24)	(<u>2,400</u>)	<u>-</u>	(<u>6,000</u>)	(<u>1</u>)
8200	Profit for the year	<u>363,725</u>	<u>27</u>	<u>144,409</u>	<u>18</u>
	Other comprehensive income (loss) (Notes 21 and 22)				
8310	Items that will not be reclassified subsequently to profit or loss				
8311	Actuarial gain (loss) on defined benefit plan	(1,297)	-	236	-
8316	Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	(229)	-	1,632	-
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(<u>86,277</u>)	(<u>7</u>)	(<u>8,874</u>)	(<u>1</u>)
8300	Total other comprehensive income (loss)	(<u>87,803</u>)	(<u>7</u>)	(<u>7,006</u>)	(<u>1</u>)
8500	Total comprehensive income (loss) for the year	<u>\$ 275,922</u>	<u>20</u>	<u>\$ 137,403</u>	<u>17</u>

(To be continued)

(Continued)

Code		2021		2020	
		Amount	%	Amount	%
	Earnings per share (Note 25)				
	From continuing operations				
9710	Basic	<u>\$ 2.42</u>		<u>\$ 0.96</u>	
9810	Diluted	<u>\$ 2.14</u>		<u>\$ 0.95</u>	

The accompanying notes are an integral part of the financial statements.
(Please refer to the Deloitte & Touche auditors' report dated March 24, 2022.)

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, 2021 and 2020

Unit: In Thousands of New Taiwan Dollars

C o d e		Retained earnings					Other equity				
		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	Reward unpaid for employees	Transactions of Treasury shares	Total equity
A1	Balance at January 1, 2020	\$ 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) for the year ended December 31, 2020	-	-	-	-	236	(8,874)	1,632	-	-	(7,006)
L1	buy-back of treasury shares (Note 22)	-	-	-	-	-	-	-	-	(77,812)	(77,812)
L7	Acquisition of the parent company’s shares by subsidiaries as treasury shares	-	(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
	Appropriation and distribution of earnings (Note 22)										
B1	Legal reserve	-	-	36,215	-	(36,215)	-	-	-	-	-
B3	Special reserve	-	-	-	190,931	(190,931)	-	-	-	-	-
B5	Cash dividends to shareholders of the Company	-	-	-	-	(225,344)	-	-	-	-	(225,344)
	Other capital reserve changes:										
C5	Issue convertible corporate bonds to recognize equity components	-	20,280	-	-	-	-	-	-	-	20,280
D1	Net profit for the year ended December 31, 2021	-	-	-	-	363,725	-	-	-	-	363,725
D3	Other comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	(1,297)	(86,277)	(229)	-	-	(87,803)
L1	Buy-back of treasury shares (Note 22)	-	-	-	-	-	-	-	-	(28,311)	(28,311)
M5	Differences between equity purchase price and carrying amount arising from actual acquisition or disposal of subsidiaries	-	23,036	-	(66)	73	117	(8)	-	-	23,152
M7	Changes in percentage of ownership interests in subsidiaries	-	29,279	-	-	-	-	-	11,068	-	40,347
I1	Converting corporate bonds into common shares	16,448	12,704	-	-	-	-	-	-	-	29,152
N1	Issue stocks that restrict employees' rights and interests (Note 26)	50,000	38,913	-	-	-	-	-	(88,913)	-	-
N1	Limit the cost of employee rights stock compensation (Note 26)	-	-	-	-	-	-	-	4,972	-	4,972
Z1	Balance at December 31, 2021	\$ 1,659,694	\$ 709,559	\$ 249,257	\$ 391,852	\$ 294,763	(\$ 373,245)	(\$ 30,640)	(\$ 72,873)	(\$ 147,047)	\$ 2,681,320

The accompanying notes are an integral part of the financial statements.
(Please refer to the Deloitte & Touche auditors' report dated March 24, 2022.)

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, 2021 and 2020

Unit: In Thousands of New Taiwan Dollars

Code		2021	2020
	Cash flows from operating activities		
A10000	Profit (loss) before tax	\$ 366,125	\$ 150,409
A20010	Incomes, expenses and losses not influencing cash flows		
A20100	Depreciation expense	35,892	33,113
A20200	Amortization expense	709	764
A20300	Expected credit reversal gain	(61,138)	(694)
A20400	Net gain (loss) on financial assets/liabilities at fair value through profit or loss	(4,594)	31
A20900	Interest expense	23,658	25,562
A21200	Interest income	(377)	(1,291)
A21900	Share-based compensation expense	4,972	-
A22300	Share of (profit) loss of associates and joint-venture accounted for using the equity method	(223,009)	(202,008)
A22500	Loss (gain) on disposal and write-down of property, plant and equipment	(31)	19
A23100	Gain on disposal of investment	(39,860)	(2,489)
A23700	Impairment loss recognized on financial assets	-	-
A23800	Gain on inventory valuation and reversal	(9,680)	(561)
A23900	Unrealized sales profit (loss) among associates	47,149	21,926
A24000	Realized sales profit (loss) among associates	(21,926)	(13,622)
A30000	Net change in operating assets and liabilities		
A31130	Notes receivable	(3,315)	(2,032)
A31150	Trade receivables	(81,866)	29,152
A31160	Trade receivables from related parties	(32,451)	(25,181)
A31180	Other receivables	6,724	3,452
A31200	Inventories	8,428	16,500
A31240	Other current assets	1,361	(10,970)
A31990	Other non-current assets	(12,497)	1,172
A32130	Notes payable	-	(612)
A32150	Trade payables	13,183	(16,177)
A32160	Trade payables to related parties	114,686	15,744
A32180	Other receivables	9,866	(6,457)
A32230	Other current assets	(6,329)	5,897
A32240	Net defined benefit liabilities — current	(27)	(6,374)
A33000	Cash generated from operations	135,653	15,273
A33100	Interest received	377	1,291
A33300	Interest paid	(6,960)	(24,826)
A33500	Income tax paid	-	(71)
AAAA	Net cash generated from (used in) operating activities	<u>129,070</u>	<u>(8,333)</u>

(To be continued)

(Continued)

Code		2021	2020
	Cash flows from investing activities		
B00010	Acquisition of financial assets at fair value through other comprehensive income	\$ -	(\$ 3,000)
B00030	Capital reduction of financial assets measured at fair value through other comprehensive profit or loss and return of shares	9,000	-
B00100	Financial assets designated at fair value through profit or loss when original recognition is obtained.	(19,493)	(3,015)
B00200	Disposal of financial assets recognized initially at fair value through profit or loss	24,857	3,309
B01800	Acquisition of long-term equity investment accounted for using the	-	(5,200)
B02200	Cash outflows from acquisition of subsidiaries	(22,344)	(246,557)
B02300	Cash inflows from disposal of subsidiaries	43,332	44,925
B02400	Refunds of share payment due to decrease in capital of investee companies accounted for using the equity method	54,662	-
B02600	Proceeds from disposal of assets held for sale	72,809	2,513
B02700	Purchase of property, plant and equipment	(38,761)	(10,505)
B02800	Proceeds from disposal of property, plant and equipment	3,411	70
B03700	Decrease (increase) in refundable deposits	1,121	3,272
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	(162,766)	(128,445)
B07600	Dividends received from subsidiaries and associates	<u>152,568</u>	<u>263,622</u>
BBBB	Net cash generated from (used in) investing activities	<u>118,396</u>	(<u>42,696</u>)
	Cash flows from financing activities		
C00200	Increase (decrease) in Short-term borrowings	20,000	(48,234)
C00600	Increase (decrease) in short-term notes and bills payable	(140,000)	100,000
C01200	Issued corporate bonds	600,700	-
C01600	Long-term borrowings	650,000	250,000
C01700	Repayments of Long-term borrowings	(1,206,000)	(90,000)
C04200	Repayment of principal portion of lease liabilities	(6,121)	(6,310)
C04500	Dividends paid	(225,344)	-
C04900	Payments for buy-back of treasury shares	(<u>28,311</u>)	(<u>77,812</u>)
CCCC	Net cash generated (expensed to) from financing activities	(<u>335,076</u>)	<u>127,644</u>
EEEE	Increase (decrease) in cash and cash equivalents for the year	(87,610)	76,615
E00100	Cash and cash equivalents at the beginning of the year	<u>360,226</u>	<u>283,611</u>
E00200	Cash and cash equivalents at the end of the year	<u>\$ 272,616</u>	<u>\$ 360,226</u>

The accompanying notes are an integral part of the financial statements.
(Please refer to the Deloitte & Touche auditors' report dated March 24, 2022.)
Chairman: Kuo Wei-Wu Manager: Kuo Wei-Wu Accounting Manager: Hung Ya-Ching

K Laser Technology Inc.
Notes to the Financial Report
Jan 1 to December 31, 2021 and 2020
(In thousands of New Taiwan Dollars, except as otherwise indicated herein)

I. Corporate History

K Laser Technology Co., Ltd. (“K Laser” or the “Company”) was incorporated in Hsinchu Science Industrial Park in April 1988. Its main business items are research and development, production, manufacturing and sales of laser holographic packaging materials, products and optical instruments.

On December 9, 1999, the Company’s shares began trading on the Taipei Exchange (TPEX), and were subsequently listed on the Taiwan Stock Exchange (TWSE) on September 17, 2001.

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

II. Date and Procedure of Adoption of Financial Statements

The financial statements were adopted by the board of directors of the parent on March 24, 2022.

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.

Amendments to IFRS 16 “Rent concession in COVID-19 after June 30, 2021

The Company chooses to apply this amendment, extending the applicable conditions of practical manner to the payment due before June 30, 2022. Please refer to Note 4 for relevant accounting policies of practical manner.

(2) IFRSs recognized by the FSC, which were applied in 2022

<u>Standards Issued / Amended / Revised and Interpretations</u>	<u>Effectiveness Date Announced by IASB</u>
“Annual Improvement to Standards 2018-2022 Cycle”	Jan 1, 2022 (note 1)
Amendments to IFRS 3 “References to the Conceptual Framework”	Jan 1, 2022 (note 2)
Amendments to IAS 16 “Property, Plant and Equipment : Proceeds before Intended Use”	Jan 1, 2022 (note 3))
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	Jan 1, 2022 (note 4)

Note 1 : 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 2 : The amendments are applicable to a business combination, the acquisition date of which falls in an annual reporting period after January 1, 2022.

Note 3 : 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 4 : The amendments are applicable to a contract under which the obligations have not been fully performed as of January 1, 2022.

As of the date of the issuance of this individual financial report, the revision of other evaluation standards and explanations of the Company will not have a significant impact on the financial status and financial performance.

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

<u>Standards Issued / Amended / Revised and Interpretations</u>	<u>Effectiveness Date Announced by IASB (Note 1)</u>
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
Amendment to IFRS 17 “Initial Application of IFRS 17 and IFRS 9—Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (note 2)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (note 3)
Amendment to IAS 12 “Deferred income tax related to assets and liabilities arising from a single transaction”	January 1, 2023 (note 4))

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

Note 3: 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.

Note 4 : Except that deferred income tax is recognized on January 1, 2022 for the temporary difference between lease and decommissioning obligations, this amendment is applicable to transactions occurring after January 1, 2022.

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 fair value on the date of acquisition in excess of acquisition cost is recognized as current profits or losses.

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

When the Company's share of loss in an associate equals or exceeds its interest in the associate (including the book amount of

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

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

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

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

(7) Property, Plant and Equipment

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

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

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

(8) Investment Property

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

Investment property is originally measured at cost (inclusive of transaction cost) and is subsequently measured based on the amount of

cost less accumulated depreciation and accumulated impairment loss. The Company allocates depreciation on a straight-line basis.

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

(9) Intangible Assets

1. Individual Acquisition

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

2. Derecognition

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

(10) Impairment of Property, Plant and Equipment, Right-of-use Assets, Investment Property 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, investment property 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 28 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.

3. Financial Liabilities

(1) Subsequent Measurement

Except for the following circumstances, all financial liabilities are measured at amortized cost by effective interest method:

Financial liabilities measured at fair value through profit or loss include those held for trading and designated at fair value through profit or loss. The financial liabilities held for trading are measured at fair value, and the gains or losses arising from other remeasurements are recognized as other gains and losses.

(2) Derecognition of Financial Liabilities

Derecognizing financial liabilities, the difference between the book amount and the consideration paid (including any transferred non-cash assets or assumed liabilities) is recognized as profit or loss.

4. Convertible Corporate Bonds

The compound financial instruments (convertible corporate bonds) issued by the Company are classified as financial liabilities and equity respectively at the time of original recognition according to the essence of the contractual agreement and the definition of financial liabilities and equity instruments.

At the time of initial derecognition, the fair value of the components of the liability is estimated at the current market interest rate of similar non-convertible instruments, and measured at the amortized cost calculated by the effective interest method before the conversion or maturity date. The components of liabilities embedded in non-equity derivatives are measured at fair value.

The compound financial instruments (convertible corporate bonds) issued by the Company are classified as financial liabilities and equity respectively at the time of original recognition according to the essence of the contractual agreement and the definition of financial liabilities and equity instruments. If the conversion right of convertible corporate bonds has not been executed on the maturity date, the amount recognized in equity will be transferred to capital reserve-issue premium.

(13) Liability Reserve

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

(14) Revenue Recognition

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

Sales Revenue

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

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

(15) Lease

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

1. The Company is a lessor.

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

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

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

2. The Company is a lessee.

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

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

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

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

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

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

The Company negotiated with the lessor for the rents directly relevant to Covid 19 and adjusted the rents due before June 30, 2022 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) 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.

(18) Share-based Payment Arrangement

Shares with restricted employee rights are based on the fair value determined on the grant date and the best estimated quantity expected to be acquired. Expenses are recognized on a straight-line basis within the acquired period, and other rights and interests are adjusted at the same time (employees have not earned remuneration). If it is acquired immediately on the date of grant, the expenses shall be fully recognized on the date of grant.

When the Company issues shares with restricted employee rights, it recognizes other rights and interests (employees have not earned remuneration) on the date of grant, and adjusts the capital reserve-shares with restricted employee rights.

On each balance sheet date, the Company revised the estimated number of shares with restricted employee rights. If the original estimated quantity is revised, the affected quantity will be recognized as profit and loss, so that the accumulated expenses will reflect the revised estimated quantity, and the capital reserve-stock with restricted employee rights will be adjusted accordingly.

Shares with restricted employee rights delivered by the Company's equity instruments to the employees of subsidiaries are regarded as capital investment in subsidiaries, and measured by the fair value of the equity instruments on the given date. They are recognized as an increase in the book value of investment in subsidiaries during the vested period, and other rights and interests are correspondingly adjusted (employees are not paid).

(19) 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.

(20) 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 Company has taken the recent development of the COVID-19 epidemic in Taiwan and its possible impact on the economic environment into consideration of major accounting estimates related to cash flow estimation, growth rate, discount rate, profitability, etc. The management will continuously review the estimates and basic assumptions. If a revised estimate only influences the current year, the estimate will be recognized in the year when it is revised. If a revised accounting estimate influences the current and future years, the estimate will be recognized in the year when it is revised and in the future year.

VI. Cash and Cash Equivalents

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash on hand and Revolving funds	\$ 6,325	\$ 6,552
Bank checks and saving deposits of bank	266,291	319,498
Time deposits	-	34,176
	<u>\$ 272,616</u>	<u>\$ 360,226</u>

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Demand deposits	0.001%-0.10%	0.001%-0.10%
Time deposits	-	0.32%

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Other current assets (Note 17)		
Bank short-term loan guarantee	\$ 112,934	\$ -
Guarantee deposits for land leases with Hsinchu Science Park	5,000	-
	<u>\$ 117,934</u>	<u>\$ -</u>
Other current assets (Note 17)		
Guarantee deposits for land leases with Hsinchu Science Park	\$ 5,000	\$ 5,000
Guarantee deposits for issuance of debentures	173,277	128,445
	<u>\$ 178,277</u>	<u>\$ 133,445</u>

VII. Financial Instruments at FVTPL

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial assets — current</u>		
Measured at fair value through mandatory profit and loss.		
Derivatives (hedging not specified)		
Redemption right of convertible corporate bonds (Note 19)	\$ 3,134	\$ -
Non-derivative financial assets		
Beneficiary certificates of funds	<u>-</u> <u>\$ 3,134</u>	<u>5,265</u> <u>\$ 5,265</u>
<u>Financial assets — non-current</u>		
Derivative instruments held for trading (hedging not specified)		
The right to sell back convertible corporate bonds (Note 19)	<u>\$ 855</u>	<u>\$ -</u>

VIII. Notes Receivable and Trade Receivables

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Notes receivable</u>		
at amortized cost		
Total book amount	<u>\$ 8,638</u>	<u>\$ 5,323</u>
<u>Trade receivables</u>		
at amortized cost		
Total book amount	\$ 113,051	\$ 87,504
Less: Loss allowance	(<u>39,820</u>)	(<u>50,053</u>)
	<u>\$ 73,231</u>	<u>\$ 37,451</u>
<u>Trade receivables from related parties (Note 29)</u>		
at amortized cost		
Total book amount	\$ 201,719	\$ 169,268
Less: Loss allowance	-	(<u>61,050</u>)
	<u>\$ 201,719</u>	<u>\$ 108,218</u>

(1) Notes Receivable

The notes receivable of the Company as of December 31, 2021 and 2020 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:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Not overdue	\$ 277,867	\$ 171,740
1~60 days	12,587	15,682
61~90 days	6,680	8,241
91~180 days	13,886	34
181~360 days	3,747	1,582
Over 361 days	<u>3</u>	<u>59,493</u>
Total	<u>\$ 314,770</u>	<u>\$ 256,772</u>

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

	<u>2021</u>	<u>2020</u>
Beginning balance	\$ 111,103	\$ 22
Add: Acquisition from business combinations	-	111,777
Less: Reversal of expected credit impairment loss in the year	(61,138)	(694)
Less: Amounts written off actually for the year	(<u>10,145</u>)	(<u>2</u>)
Ending balance	<u>\$ 39,820</u>	<u>\$ 111,103</u>

In January, 2021, the Company converted the book amount of the accounts receivable of Boxlight Corporation to US\$ 1,626,000 (which is the accounts receivable of US\$ 1,983,000, less the provided

allowance loss of US\$ 357,000) into 793,000 shares of Boxlight Corporation, and recorded them under the current assets to be sold.

IX. Inventories

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Finished goods	\$ 19,994	\$ 11,519
Work in process	2,472	3,276
Raw materials and supplies	37,214	52,480
Merchandise	<u>24,970</u>	<u>16,123</u>
	<u>\$ 84,650</u>	<u>\$ 83,398</u>

Cost of goods sold relevant to inventories was NT\$1,100,196,000 and NT\$666,235,000 respectively in 2021 and 2020.

Gains on recovery of net realizable value of inventories deducted from the cost of goods sold were NT\$9,680,000 and NT\$561,000 respectively for the years ended on December 2021 and 2020. Recovery of net realizable value was resulted from digestion of the inventories for which depreciation loss was originally allocated.

X. Current Assets Classified as Held for Sale

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Boxlight Corporation	<u>\$ 27,960</u>	<u>\$ 15,100</u>

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. It is expected that the punishment procedure will be completed within 12 months, but the punishment progress has been actively carried out due to the restriction of local laws and regulations. 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.

As of December 31, 2021, the Company possessed equity in Boxlight Corporation with fair value of NT\$63,522,000.

XI. Financial Assets at FVTOCI

Investments in Equity Instruments – Non-current

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Domestic investments - non-listed (non-over-the-counter) stocks		
CM Visual Technology Corp. Chinese Development, Biomedicine and Venture Investment Co., Ltd.	\$ -	\$ 459
Mega Plastic Industry Co., Ltd.	26,726	32,457
	<u>2,007</u>	<u>2,068</u>
	<u>\$ 28,733</u>	<u>\$ 34,984</u>

To achieve objectives in its medium and long-term strategy, the Company has invested in common shares of the aforementioned companies and expected to acquire gains on the long-term investments.

The management of the Company believes that such investments will be inconsistent with the aforementioned long-term investment planning if the short-term fluctuation in fair value of such investments is listed in profit or loss, so the management determines that such investments are measured at FVTOCI.

XII. Investments Accounted for Using the Equity Method

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Investments in subsidiaries	\$ 3,613,532	\$ 3,684,525
Investments in associates	<u>137,945</u>	<u>123,089</u>
	<u>\$ 3,751,477</u>	<u>\$ 3,807,614</u>

(1) Investments in Associates

Subsidiaries of the Company are listed as follows:

Name of investee c o m p a n y	Main business a c t i v i t i e s	P l a c e o f incorporation and business	December 31, 2021		December 31, 2020	
			Book amount	Sharehol ding %	Book amount	Sharehol ding %
<u>Listed (OTC) company</u>						
Optivision Technology Inc.	Production and sale of optical instruments and electronic parts and components	Hsinchu City	\$ 574,422	42	\$ 664,562	41
<u>Non-listed (OTC) company</u>						
K Laser International Co., Ltd.	Reinvestment	British Virgin Islands	743,919	100	671,315	100
K Laser China Group Co., Ltd.	Reinvestment	British Virgin Islands	2,121,577	100	2,065,995	100
iWin Technology Co., Ltd.	Reinvestment	British Virgin Islands	14,851	49	18,359	49
Insight Medical Solutions Inc.	Research, development and sale of endoscopes used in gastrointestinal tracts	Hsinchu City	142,474	45	224,334	45
Guang Feng International Ltd.	Reinvestee company	Samoa	<u>16,289</u>	100	<u>39,960</u>	-
			<u>\$3,613,532</u>		<u>\$3,684,525</u>	

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

<u>Company name</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Optivision Technology Inc.	<u>\$ 817,073</u>	<u>\$ 1,923,066</u>

1. K Laser International Co., Ltd., which was incorporated in British Virgin Islands in October 2000, is a subsidiary 100% owned by the Company. The Company increased its capital by USD 800,000 in 2021, and as of December 31, 2020 and 2021, the accumulated investment of the Company was USD 20,341,000 and USD 19,541,000 respectively. 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. As of December 31, 2020 and 2021, the accumulated investments made by the Company was about USD21,289,000 and the percentage of shareholding was 100%. The Company invests in Wuxi K Laser Technology Co., Ltd., Dongguan K Laser Technology Co., Ltd., Hunan Herui Laser Technology Co., Ltd. and K Laser Technology (Hong Kong) Co., Ltd. in China indirectly through K Laser China Group Co., Ltd. and mainly engages in production and sale of laser products. The aforementioned indirect investments in China were approved by Investment Commission, MOEA.
3. Everest Display Inc., which was incorporated on July 20, 2001, mainly engages in production and sale of optical instruments and wireless communication mechanical equipment. The Company conducted a short-form merger with Everest Display on May 12, 2020. The record date of merger was June 30, 2020. The Company is the surviving company after the merger. All rights, obligations, claims and liabilities of Everest Display Inc. are assumed by the Company and detailed as follows:

	<u>Amount</u>
Assets assumed:	
Cash and bank deposits	\$ 36,464
Notes receivable	57
Trade receivables	40,419
Inventories	62,625
Prepayments	386
Non-current assets held for sale	15,418
Other current assets	778
Investments accounted for using the equity method	25,034
Property, plant and equipment	2,356
Other non-current assets	<u>5,376</u>
	<u>188,913</u>
Liabilities assumed:	
Short-term borrowings	244,234
Short-term notes and bills payable	49,982
Notes payable	612
Trade payables	31,292
Other payables	4,966

(To be continued)

(continued)

	Amount
Other payables - related parties	\$ 30,823
Current liabilities	<u>70,647</u>
	<u>432,556</u>
Net assets	(<u>\$ 243,643</u>)

4. Guang Feng International 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.
5. On December 24, 109, the Company was approved by the board of directors to participate in the cash capital increase of Optivision Technology Incorporated, and on December 31 of the same year, it subscribed for 3,267,000 shares of ordinary shares of Optivision Technology Incorporated for USD 228,719,000, with a shareholding ratio of 41% after the capital increase.

(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, 2021		December 31, 2020	
			Book amount	Shareholding%	Book amount	Shareholding%
Vicome Corp.	Manufacturing, processing, purchase and sale of fluorescent pigments and dyes	Yunlin County	<u>\$ 137,945</u>	30	<u>\$ 123,089</u>	30

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

	December 31, 2021	December 31, 2020
Total assets	<u>\$ 628,889</u>	<u>\$ 622,149</u>
Total liabilities	<u>\$ 172,266</u>	<u>\$ 214,704</u>
	<u>2021</u>	<u>2020</u>
Operating revenue for the year	<u>\$ 168,523</u>	<u>\$ 132,317</u>
Net profit for the year	<u>\$ 66,897</u>	<u>\$ 40,276</u>
Other comprehensive income (loss) for the year	(<u>\$ 7,720</u>)	(<u>\$ 5,661</u>)

The Company's share of the profits (or losses) and other comprehensive incomes (or losses) of its associates recognized by the Company in 2021 and 2020 using the equity method were recognized based on the financial statements of the same years audited by CPAs of the associates.

Investment gains and losses recognized for long-term equity investment treated by the equity method, including the 2021 and 2020 financial statements of Vicome Corp., Insight Medical Solutions Inc., Amagic Technologies U.S.A. (Dubai), the reinvestment company of K Laser International Co., Ltd., and K Laser International Co., Ltd. (Hong Kong), the reinvestment company of K Laser China Group Holding Co., Ltd, and the 2020 financial statements of Amagic Holographics India Private Limited were not audited by the certified public accountant of the company, but by other accountants. On December 31, 2021 and 2020, the investment amount of the above equity method was NT \$397,729,000 and NT \$436,955,000 respectively; The amount of investment profit and loss recognized by the invested company adopting the equity method in 2021 and 2020 was NT \$52,908,000 for loss and NT \$42,475,000 for profit, respectively.

XIII. Property, Plant and Equipment

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
House and building	\$ 97,342	\$ 103,787
Machinery equipment	18,343	23,089
Other equipment	49,526	26,332
Unfinished construction and equipment pending acceptance	501	5,849
	<u>\$ 165,712</u>	<u>\$ 159,057</u>

	<u>Houses and buildings</u>	<u>Machinery and equipment</u>	<u>O t h e r equipment</u>	<u>Unfinished works and equipment to be inspected</u>	<u>T o t a l</u>
<u>Cost</u>					
Balance on January 1, 2021	\$ 339,149	\$ 151,133	\$ 125,069	\$ 5,849	\$ 621,200
Add	718	3,282	33,897	501	38,398
Disposal	-	-	(175)	(3,396)	(3,571)
Reclassification	(258)	(2,305)	4,816	(2,453)	(200)
Balance at December 31, 2021	<u>\$ 339,609</u>	<u>\$ 152,110</u>	<u>\$ 163,607</u>	<u>\$ 501</u>	<u>\$ 655,827</u>
<u>Accumulated depreciation and impairment</u>					
Balance on January 1, 2021	\$ 235,362	\$ 128,044	\$ 98,737	\$ -	\$ 462,143
Depreciation expense	6,916	8,166	13,032	-	28,114
Disposal	-	-	(142)	-	(142)
Reclassification	(11)	(2,443)	2,454	-	-
Balance at December 31, 2021	<u>\$ 242,267</u>	<u>\$ 133,767</u>	<u>\$ 114,081</u>	<u>\$ -</u>	<u>\$ 490,115</u>
Net amount at December 31, 2021	<u>\$ 97,342</u>	<u>\$ 18,343</u>	<u>\$ 49,526</u>	<u>\$ 501</u>	<u>\$ 165,712</u>

(Continued)

(Continued)

	House and building	Machinery equipment	O t h e r equipment	Unfinished construction a n d equipment p e n d i n g acceptance	T o t a l
<u>Cost</u>					
Balance at January 1, 2020	\$ 316,185	\$ 217,655	\$ 148,734	\$ 3,396	\$ 685,970
Addition	162	4,038	4,737	2,453	11,390
Disposition	(8,228)	(70,560)	(31,881)	-	(110,669)
Acquisition of business combinations	-	-	3,617	-	3,617
Reclassification	<u>31,030</u>	<u>-</u>	<u>(138)</u>	<u>-</u>	<u>30,892</u>
Balance at December 31, 2020	<u>\$ 339,149</u>	<u>\$ 151,133</u>	<u>\$ 125,069</u>	<u>\$ 5,849</u>	<u>\$ 621,200</u>
<u>Accumulated depreciation and impairment</u>					
Balance at January 1, 2020	\$ 216,304	\$ 189,228	\$ 120,565	\$ -	\$ 526,097
Depreciation expense	6,834	9,376	8,679	-	24,889
Disposition	(8,228)	(70,560)	(31,677)	-	(110,465)
Acquisition of business combinations	-	-	1,261	-	1,261
Reclassification	<u>20,452</u>	<u>-</u>	<u>(91)</u>	<u>-</u>	<u>20,361</u>
Balance at December 31, 2020	<u>\$ 235,362</u>	<u>\$ 128,044</u>	<u>\$ 98,737</u>	<u>\$ -</u>	<u>\$ 462,143</u>
Net at December 31, 2020	<u>\$ 103,787</u>	<u>\$ 23,089</u>	<u>\$ 26,332</u>	<u>\$ 5,849</u>	<u>\$ 159,057</u>

- (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, 2021 and 2020 are detailed as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
House and building	\$ 97,342	\$ 103,787
Investment property	36,590	37,869
	<u>\$ 133,932</u>	<u>\$ 141,656</u>

XIV. Lease Agreement

- (1) Right-of-use Assets

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Book amount of right-of-use assets		
Land	\$ 65,148	\$ 69,220
Building	1,713	2,569
Transportation equipment	<u>3,924</u>	<u>1,840</u>
	<u>\$ 70,785</u>	<u>\$ 73,629</u>

	<u>2021</u>	<u>2020</u>
Added right-of-use assets	<u>\$ 3,655</u>	<u>\$ 712</u>
Expense of depreciation of right-of-use assets		
Land	\$ 4,072	\$ 4,072
Building	856	856
Transportation equipment	<u>1,571</u>	<u>1,835</u>
	<u>\$ 6,499</u>	<u>\$ 6,763</u>

(2) Lease Liabilities

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Book amount of lease liabilities		
Current	<u>\$ 6,023</u>	<u>\$ 6,023</u>
Non-current	<u>\$ 66,131</u>	<u>\$ 68,598</u>

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Land	1.4%	1.4%
Building	1.5%	1.5%
Machinery equipment	1.5%~1.83%	1.5%

(3) Other Lease Information

	<u>2021</u>	<u>2020</u>
Low-value asset lease expenses	<u>\$ 189</u>	<u>\$ 178</u>
Total cash outflow from leases	<u>\$ 7,324</u>	<u>\$ 7,580</u>

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

XV. Investment Property

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Investment property	<u>\$ 36,590</u>	<u>\$ 37,869</u>

	<u>2021</u>	<u>2020</u>
<u>Cost</u>		
Balance at January 1	\$ 130,902	\$ 163,903
Disposition for the year	-	(1,971)
Reclassification	-	(31,030)
Balance at December 31	<u>\$ 130,902</u>	<u>\$ 130,902</u>
<u>Accumulated depreciation and impairment</u>		
Balance at January 1	\$ 93,033	\$ 113,995
Depreciation expense	1,279	1,461
Disposition for the year	-	(1,971)
Reclassification	-	(20,452)
Balance at December 31	<u>\$ 94,312</u>	<u>\$ 93,033</u>

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

House and building	50 years
House furnishings	10 years

The Company appraised investment property based on the evaluation report and the fair value of investment property as of December 31, 2021 and 2020 was NT\$95,386,000 and NT\$98,642,000 respectively.

XVI. Other Intangible Assets

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Book amount of each category</u>		
Computer software cost	<u>\$ 1,684</u>	<u>\$ 2,393</u>
	<u>2021</u>	<u>2020</u>
<u>Cost</u>		
Balance at January 1	\$ 4,809	\$ 5,980
Acquisition for the year	-	148
Disposition	(11)	(1,319)
Balance at December 31	<u>\$ 4,798</u>	<u>\$ 4,809</u>
<u>Accumulated amortization and impairment</u>		
Balance at January 1	\$ 2,416	\$ 2,971
Amortization expense	709	764
Disposition	(11)	(1,319)
Balance at December 31	<u>\$ 3,114</u>	<u>\$ 2,416</u>

Amortization expenses of the aforementioned intangible assets were allocated base on their respective service lives on a straight-line basis of 3~5 years.

XVII. Other Assets

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Refundable deposits	\$ 14,409	\$ 15,530
Prepaid expenses and prepayments	14,293	15,838
Restricted assets (Note 6)	296,211	133,445
Others	<u>2,653</u>	<u>3,211</u>
	<u>\$ 327,566</u>	<u>\$ 168,024</u>
Current	\$ 133,354	\$ 16,781
Non-current	<u>194,212</u>	<u>151,243</u>
	<u>\$ 327,566</u>	<u>\$ 168,024</u>

XVIII. Borrowings

(1) Short-term Borrowings

	<u>December 31, 2021</u>		<u>December 31, 2020</u>	
	<u>Interest rate</u>	<u>Amount</u>	<u>Interest rate</u>	<u>Amount</u>
Bank credit loan	0.85%~1%	\$ 350,000	0.85%~1.4%	\$ 430,000
Bank guaranteed loan (see note 30)	0.34%	<u>100,000</u>	-	<u>-</u>
		<u>\$ 450,000</u>		<u>\$ 430,000</u>

The bank credit loans of the company as of December 31, 2021 and 2020 were jointly guaranteed by the chairman of the company, Mr. Guo Weiwu, and the bank guaranteed loans were guaranteed by bank deposits. Please refer to note 30 for further details.

(2) Short-term Notes and Bills Payable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Commercial paper payable	\$ 160,000	\$ 300,000
Less: Discount on short-term notes and bills payable	(<u>52</u>)	(<u>83</u>)
	<u>\$ 159,948</u>	<u>\$ 299,917</u>

Short-term notes and bills payable not due yet are as follows:
December 31, 2021

<u>Guarantee / acceptance institution</u>	<u>Face amount</u>	<u>Discount amount</u>	<u>Carrying amount</u>	<u>Interest rate range</u>
<u>Commercial paper payable</u>				
International ticket	\$ 30,000	\$ 9	\$ 29,991	0.958%
China ticket	50,000	5	49,995	0.978%
Mega ticket	50,000	24	49,976	0.988%
Dah Chung tickets	<u>30,000</u>	<u>14</u>	<u>29,986</u>	0.950%
	<u>\$ 160,000</u>	<u>\$ 52</u>	<u>\$ 159,948</u>	

December 31, 2020

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

Mr. Kuo Wei-Wu, Chairman of the Company, was a joint guarantor for the short-term notes and bills payable of the Company as of December 31, 2021 and 2020.

(3) Current Portion of Long-term Liabilities

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current portion of long-term loans	<u>\$ -</u>	<u>\$ 100,000</u>

(4) Long-term Borrowings

	<u>December 31, 2021</u>		<u>December 31, 2020</u>	
	Interest rate %	Amount	Interest rate %	Amount
<u>Guaranteed loans</u>				
Taipei Fubon Bank (Arranger of the syndicated loan)				
The period of mortgage loan is 2019 / 12 ~ 2022 / 12. The interest is paid quarterly and used in installments. It can be used circularly, but each use shall not exceed 6 months. It was fully paid off in advance in October 2021.	-	\$ -	0.66	\$ 400,000
Taipei Fubon Bank (Arranger of the syndicated loan)				
The period of mortgage loan is 2019 / 12 ~ 2022 / 12. The interest is paid monthly and used in installments. It can be used circularly, but each use shall not exceed 6 months. It was fully paid off in advance in September 2021.	-	-	1.79	400,000
Hua Nan Bank				
For mortgage loan, the interest shall be paid monthly during the period from 2021 / 11 to 2023 / 11, and the principal shall be repaid at one time when due.	1.08	350,000	-	-

(Continued)

(Continued)

	December 31, 2021		December 31, 2020	
	Interest rate %	Amount	Interest rate %	Amount
<u>Loans without collateral</u>				
JihSun Bank				
Credit loan, with a period of 2018 / 11 ~ 2020 / 11, the interest is paid monthly, and the principal is repaid once due. It has been extended since November 2020 and 2021, and the maturity date is November 2023. Part of the loan was repaid in March and November, 2021.	1.15	\$ 44,000	1.2	\$ 100,000
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. It was fully paid off in advance in December 2021.	-	-	0.99	80,000
Taipei Fubon Commercial Bank				
Credit loan, with a period of 2021 / 12 ~ 2023 / 5, the interest is paid monthly, and the principal is repaid once due.	1.04	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. It was fully paid off in advance in March 2021.	-	-	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. It was fully paid off in advance in March 2021.	-	-	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. It was fully paid off in advance in March 2021.	-	-	1.22	100,000
Yuanta bank				
Credit loan, with a period of 2021 / 7 ~ 2023 / 3, the interest is paid monthly, and the principal is repaid once due.	1.05	100,000	-	-
Yuanta Commercial Bank				
A credit loan for the period between March 2019 and March 2021, with interest to be paid every month, and principal to be repaid in full when due	-	-	0.95	100,000

(Continued)

(continued)

	December 31, 2021		December 31, 2020	
	Interest rate%	Amount	Interest rate%	Amount
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. It was fully paid off in advance in March 2021.	-	\$ -	1.23	\$ 50,000
Bank of Panshin				
A credit loan for the period between July 2020 and May 2022, with interest to be paid every month, and principal to be repaid averagely every season from the 13 th month . It was extended for 2 years from June 2019 and July 2020, and the maturity date was May 2022. It was fully paid off in advance in March 2021.	-	-	1.3	20,000
Cathay Pacific Bank				
Credit loan, period 2021 / 1 ~ 2022 / 10 , the interest is paid monthly and the principal is repaid in a lump sum when due. It is extended for 2 years from October 2021, and the maturity date is October 2023.	0.93	150,000	-	-
O-Bank				
Credit loan, period 2021 / 10 ~ 2023 / 10 , the interest is paid monthly and the principal is repaid in a lump sum when due.	1.19	50,000	-	-
Less: Current portion of long-term loans		<u>-</u>		<u>(100,000)</u>
		<u>\$ 794,000</u>		<u>\$ 1,250,000</u>

1. For enriching its working capital and repaying corporate bonds, the Company had Taipei Fubon Bank arrange a syndicated loan. The Company then entered into a syndicated loan contract with 9 financial institutions in November 2019. The total line of credit was NT\$800,000 thousand. As of December 31, 2020, the amount of drawdowns was NT\$800,000 thousand and the balance of borrowed money was NT\$800,000 thousand. The joint loan contract was fully repaid in advance in October 2021.

According to the provisions of the joint loan contract, the company shall maintain the following financial ratios in the company's annual consolidated financial statements before paying off all the debts of the contract:

- (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. The long-term loans listed above are the participating loans of Taipei Fubon Commercial Bank and Hua Nan Bank with the chairman of the company, Mr. Guo Weiwu, as the joint guarantor, and the real estate, plant and equipment and investment real estate as collateral.

XIX. Corporate bonds payable

December 31, 2021

Debt components of the sixth
domestic secured convertible
corporate bonds

\$ 552,053

On March 24, 2011, K Laser company issued 6000 new Taiwan dollar denominated secured convertible corporate bonds with a nominal amount of 101% and a nominal interest rate of 0%, with a total amount of 606 million.

- (I) The conditions for the sixth domestic issuance of secured convertible corporate bonds by K Laser are as follows:
 1. Issuance period: 5 years, from March 24, 2021 to March 24, 2026.
 2. Denomination: NT \$100 thousand
 3. Place of issue and transaction: Domestic
 4. Issue price: 101%
 5. Total issue amount: NT \$600 million
 6. Coupon rate: 0%; Effective interest rate: 0.75%
 7. Conversion right and subject matter: convert into ordinary shares of K Laser company according to the conversion price at the time of request.
 8. Collateral: Bank pledged deposits of NT\$ 173,277,000 and 10,000,000 ordinary shares of the subsidiary Optivision Technology.
 9. Redemption and resale of bonds:
 - (1) Redemption at maturity: after the issuance of this bond expires, the principal shall be repaid according to the face value.
 - (2) Early redemption:
K Laser company may, from the day following the issuance of the bonds for three months to 40 days before the expiration of the issuance period, if the closing price of K Laser company's common shares on the Taiwan Stock Exchange exceeds the current conversion price by more than 30% (inclusive) for 30 consecutive business days, or the outstanding balance of this conversion company's bonds is less than 10% of the original issuance amount, K Laser company may, at any time thereafter, recover all bonds in cash according to the face value of the bonds.
 - (3) Resale method:
The bondholders can ask the optical group laser company to pay off in advance with 101.51% at the expiration of 3 years after the issuance of the bonds.
 10. Conversion price and adjustment:

The conversion price of this convertible corporate bond is set on March 16, 2021 as the base date for setting the conversion price, and the conversion price is calculated as NT \$19.8 per share. After the issuance of the convertible corporate bonds, the conversion price shall be adjusted in accordance with the issuance and conversion measures of the convertible corporate bonds; On December 31, 2011, the conversion price was NT \$18.3.

- (2) The convertible corporate bonds include assets, liabilities and equity components, and the equity components are expressed in capital reserve stock option under equity; The constituent elements of assets are embedded derivative financial products, and the constituent elements of liabilities are listed as embedded derivative financial products and non-derivative financial liabilities respectively. The effective interest rate originally recognized for non-derivative financial liabilities is 0.75%.

Issue price (deduct transaction cost of NT \$ 5.3 million)	\$ 600,700
Equity component	(20,280)
Financial assets - redemption rights	960
Financial liabilities - resale option	(3,540)
Composition of liabilities on the issue date	577,840
Conversion of corporate bonds payable into ordinary shares	(29,152)
Interest at effective interest rate of 0.75%	3,365
Composition of liabilities as at December 31, 2021	<u>\$ 552,053</u>

The changes in financial assets / liabilities of principal contract debt instruments, redemption rights and call backs in the year 2021 are as follows:

	Master contract d e b t i n s t r u m e n t p a r t	Financial assets - redemption right	F i n a n c i a l l i a b i l i t i e s - R e s a l e r i g h t
Issue date	\$ 577,840	\$ 960	(\$ 3,540)
interest expense	3,365	-	-
Changes in fair value (profit or loss)	-	2,174	2,685
Conversion of corporate bonds payable into ordinary shares	(29,152)	-	-
Balance at December 31, 2021	<u>\$ 552,053</u>	<u>\$ 3,134</u>	<u>(\$ 855)</u>

The above balance of convertible corporate bonds is guaranteed by Taichung Commercial Bank Co., Ltd., and the consolidated company provides bank deposits as the guarantee of convertible corporate bonds. Mr. Guo Weiwu, chairman of K Laser, is the joint guarantor. Please refer to Notes 6, 29 and 30.

XX. Other payables

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
December 31, 2018	\$ 19,744	\$ 17,520
Interest payable	301	436
Remuneration payable to employees and directors and supervisors	29,800	16,712
Labor fee payable	1,752	3,566
Processing fee payable	2,548	3,595
Payable for equipment purchase	1,143	1,506
Other	<u>37,348</u>	<u>39,933</u>
	<u>\$ 92,636</u>	<u>\$ 83,268</u>

XXI. 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, 2021 and 2020 by the Company at the specific percent provided in the defined contribution plan have been recognized as expenses in the amount of NT\$5,115 thousand and NT\$4,665 thousand respectively in the statement of comprehensive income.

(2) Defined Benefit Plan

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

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Present value of a defined benefit obligation	\$ 46,013	\$ 44,619
Fair value of plan assets	(<u>25,855</u>)	(<u>25,731</u>)
Net defined benefit liabilities	<u>\$ 20,158</u>	<u>\$ 18,888</u>

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

	<u>Present value of a defined benefit obligation</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liabilities</u>
Balance at January 1, 2020	<u>\$ 49,662</u>	(<u>\$ 24,164</u>)	<u>\$ 25,498</u>
Service cost			
Current service cost	488	-	488
Interest expense (income)	<u>372</u>	(<u>184</u>)	<u>188</u>
Recognized in profit (loss)	<u>860</u>	(<u>184</u>)	<u>676</u>
Remeasurements			
Actuarial losses —			
Changes in demographic assumptions	-	(783)	(783)
Actuarial losses —			
Changes in financial assumptions	843	-	843
Actuarial losses —			
Experience adjustments	989	-	989
Actuarial losses —			
Changes in demographic assumptions	(<u>1,285</u>)	<u>-</u>	(<u>1,285</u>)
Recognized in other comprehensive income (loss)	<u>547</u>	(<u>783</u>)	(<u>236</u>)
Employer's contributions	-	(600)	(600)
Benefit payment	(<u>6,450</u>)	<u>-</u>	(<u>6,450</u>)
Balance at December 31, 2020	<u>44,619</u>	(<u>25,731</u>)	<u>18,888</u>
Service cost			
Current service cost	459	-	459
Interest expense (income)	<u>223</u>	(<u>130</u>)	<u>93</u>
Recognized in profit or loss	<u>682</u>	(<u>130</u>)	<u>552</u>
Re-measurement			
Return on planned assets	-	(323)	(323)
Actuarial losses - changes in demographic assumptions	1,443	-	1,443
Actuarial losses - changes in financial assumptions	(509)	-	(509)
Actuarial loss - Empirical adjustment	<u>686</u>	<u>-</u>	<u>686</u>
Recognized in other comprehensive profit or loss	<u>1,620</u>	(<u>323</u>)	<u>1,297</u>
Employer appropriation		(579)	579
Welfare payment	(<u>908</u>)	<u>908</u>	<u>-</u>
Balance at December 31, 2021	<u>\$ 46,013</u>	(<u>\$ 25,855</u>)	<u>\$ 20,158</u>

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

	<u>2021</u>	<u>2020</u>
By functions:		
Operating cost	\$ 210	\$ 256
Selling and marketing	82	97
General and administrative	200	253
R&D expense	<u>60</u>	<u>70</u>
	<u>\$ 552</u>	<u>\$ 676</u>

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

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

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Discount rate	0.625%	0.50%
Expected rate of wage increments	2.00%	2.00%

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Discount rate		
Increased by 0.25%	(\$ <u>1,025</u>)	(\$ <u>1,009</u>)
Decreased by 0.25%	<u>\$ 1,064</u>	<u>\$ 1,049</u>
Expected rate of wage increments		
Increased by 0.25%	<u>\$ 1,034</u>	<u>\$ 1,016</u>
Decreased by 0.25%	(<u>\$ 1,001</u>)	(<u>\$ 983</u>)

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Amount expected to be contributed in one year	\$ <u>556</u>	\$ <u>579</u>
Average expiration period of defined benefit obligations	11.0 年	11.5 年

XXII. Equity

(1) Capital Stock

Common Shares

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Authorized number of shares (Thousand shares)	<u>200,000</u>	<u>200,000</u>
Authorized capital stock	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>
Number of issued and paid-in shares (Thousand shares)	<u>165,969</u>	<u>159,325</u>
Capital stock issued	<u>\$ 1,659,694</u>	<u>\$ 1,593,246</u>

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

K Laser company issued 5 million new shares of RSA and 1.644 million ordinary shares converted from corporate bonds in 2021, with a par value of NT \$ 10 per share.

(2) Capital Reserve

The balance of each type of capital reserve as of December 31, 2021 and 2020 is as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Used to make good of loss, distribute cash or appropriate to be capital stock (1)</u>		
Additional paid-in capital in excess of par - common shares	\$ 467,997	\$ 454,275
Transactions of treasury shares	28,216	28,216
Differences between equity purchase price and carrying amount arising from actual acquisition or disposal of subsidiaries	93,210	69,189
<u>Used to make good of losses only (2)</u>		
Recognized changes in ownership interest in subsidiaries	61,961	33,667
<u>Not used for any purpose</u>		
Stock option	19,262	-
RSA	38,913	-
	<u>\$ 709,559</u>	<u>\$ 585,347</u>

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

In accordance with the earnings distribution policy of the articles of association of K Laser, 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. For the remuneration distribution policy of employees and directors, please refer to note 2 and 3.

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 an ordinary shareholders' meeting on May 28, 2020 and passed the resolution that due to the loss in 2019, there will be no distribution.

The board of directors of the company was held on March 23, 2011, and the resolution passed the 2020 annual surplus distribution plan as follows:

	Earning distribution	Dividend per share (NTD)
	<u>2020</u>	<u>2020</u>
Legal reserve	<u>\$ 12,894</u>	\$ -
Special reserve	<u>\$ 116,501</u>	-
Cash dividends	<u>\$ 144,220</u>	0.96

The above cash dividends were distributed by the resolution of the board of directors on March 23, 2021, and the remaining surplus distribution items were also approved by the resolution of the ordinary meeting of shareholders on July 2, 2021.

The company's 2021 year quarterly earnings distribution plan and cash dividend per share have been respectively resolved by the board of directors as follows:

	<u>Quarter 4, 2021</u>	<u>Quarter 2 of 2021</u>
Resolution date of the board of directors	March 24, 2022	August 10, 2021
Legal reserve	<u>\$ 12,929</u>	<u>\$ 23,321</u>
Special reserve	<u>(\$ 62,397)</u>	<u>\$ 74,430</u>
Cash dividends	<u>\$ 182,115</u>	<u>\$ 81,124</u>
Cash dividend per share (NT \$)	<u>1.20</u>	<u>0.54</u>

The proposal of earning distribution for the year 2021 will be resolved at the shareholders' meeting to be held on May 27, 2022.

(4) Other Equity

1. Exchange differences on translation of foreign financial statements:

	<u>2021</u>	<u>2020</u>
Beginning balance	<u>(\$ 287,085)</u>	<u>(\$ 278,472)</u>
Exchange differences arising on translating net assets of foreign operations	(86,277)	(8,874)
Disposal of partial equity in subsidiaries	<u>117</u>	<u>261</u>
Ending balance	<u>(\$ 373,245)</u>	<u>(\$ 287,085)</u>

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

reclassified as profit or loss upon disposal of the foreign operations.

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

	2021	2020
Beginning balance	(\$ 30,403)	(\$ 33,033)
Unrealized appraisal profit (loss) of equity instrument investment measured at fair value through other comprehensive profits and losses	2,749	(4,697)
Share of other comprehensive income (loss) of associates accounted for using the equity method	(2,978)	6,329
Partial interests of subsidiaries	(8)	998
Ending balance	(\$ 30,640)	(\$ 30,403)

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).

3. Unpaid employees award

The shareholders' meeting of the company decided to issue new shares with restricted employee rights on July 2, 2021. Please refer to note 26.

	Year 2021	Year 2020
Opening balance	\$ -	\$ -
Current issue	(88,913)	-
Changes in ownership interests of recognized subsidiaries	11,068	-
Basic payment expenses of recognized shares	4,972	-
Ending balance	(\$ 72,873)	\$ -

(5) Treasury Shares

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

Unit: Share

	Year 2021			
Reasons for shareholding	Number of shares at the beginning of the period	Increase in current period	Decrease in current period	Number of shares at the end of the period
Transfer of shares to employees	9,095,000	-	-	9,095,000
Protect the company's credit and shareholders' rights and interests	-	1,181,000	-	1,181,000
	<u>9,095,000</u>	<u>1,181,000</u>	<u>-</u>	<u>10,276,000</u>

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

2. 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.

3. 309,5000 shares transferred to employees were cancelled on February 14, 2022.

XXIII. Net Profit of Continuing Operations

Employee Benefit Expense and Depreciation and Amortization Expenses

	Year 2021			
	Operating costs	Operating expenses	Non-operating expenses and losses	Total
Short-term employee benefits	\$ 41,834	\$ 109,313	\$ -	\$ 151,147
Post-employment benefits	\$ 2,109	\$ 3,558	\$ -	\$ 5,667
Other employee benefits	\$ 1,035	\$ 1,037	\$ -	\$ 2,072
Depreciation expense				
Depreciation of property, plant and equipment	\$ 13,155	\$ 14,959	\$ -	\$ 28,114
Depreciation of right of use assets	1,601	3,351	1,547	6,499
Depreciation of investment real estate	-	-	1,279	1,279
	\$ 14,756	\$ 18,310	\$ 2,826	\$ 35,892
Amortization expense	\$ -	\$ 709	\$ -	\$ 709

	2020			
	Operating costs	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

(Continued)

(Continued)

	Year 2020			T o t a l
	Operating costs	Operating expenses	Non-operating expenses and losses	
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
	<u>\$ 15,147</u>	<u>\$ 14,790</u>	<u>\$ 3,176</u>	<u>\$ 33,113</u>
Amortization expense	<u>\$ -</u>	<u>\$ 764</u>	<u>\$ -</u>	<u>\$ 764</u>

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 staff remuneration and directors' remuneration assessed in 2021 and 2020 were resolved by the board of directors on March 24, 2022 and March 23, 2021 respectively as follows:

Estimated Percentage

	2021	2020
Employees' remuneration	6%	8%
Directors' remuneration	1.5%	2%

Amounts

	2021		2020	
	Cash	Stock	Cash	Stock
Employees' remuneration	\$ 23,840	\$ -	\$ 13,370	\$ -
Directors' remuneration	5,960	-	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.

The board of directors of the company held on March 30, 2020 and passed a resolution that the remuneration of employees and directors will not be distributed due to losses in 2019.

There is no difference between the actual distribution amount of employee remuneration and director remuneration in 2020 and the amount recognized in the individual financial report in 2020.

For information on the remuneration of employees and directors decided by the board of directors of the company, please go to the "public information observatory" of the TWSE.

XXIV. Income Tax of Continuing Operations

(1) Income Tax Recognized in Profit or Loss

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

	<u>2021</u>	<u>2020</u>
Deferred income tax		
Incurred for the current		
year	\$ <u>2,400</u>	\$ <u>6,000</u>
Income tax expense recognized		
in profit or loss	\$ <u>2,400</u>	\$ <u>6,000</u>

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

	<u>2021</u>	<u>2020</u>
Profit (loss) before tax of continuing operations	\$ <u>366,125</u>	\$ <u>150,409</u>
Income tax expense of net profit before tax calculated at legal tax rate	\$ 73,000	\$ 30,100
Investment interests recognized by equity method	(44,700)	(40,400)
Reduction of investee companies' capital to cover losses	-	(25,500)
Dividend income from foreign investments	22,400	52,100
Gains on disposals of domestic equity investments	-	(500)
Disposal of foreign equity investment	(23,900)	-
Deduction of losses not recognized in the previous period and used in the current period	(5,900)	-
Other	(8,600)	8,100
Withholding tax on foreign dividend income	(<u>9,900</u>)	(<u>17,900</u>)
Income tax expense recognized in profit (loss)	\$ <u>2,400</u>	\$ <u>6,000</u>

(2) Current Tax Assets

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current tax assets		
Tax refund receivable	\$ <u>208</u>	\$ <u>208</u>

(3) Deferred Tax Assets

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Temporary difference	\$ 9,400	\$ 5,800
Loss carryforwards	-	6,000
Deferred tax assets	\$ <u>9,400</u>	\$ <u>11,800</u>

- (4) Information relevant to the loss carryforwards not recognized as of December 31, 2021 is as follows:

	<u>December 31, 2021</u>
<u>Loss carryforwards</u>	
Due in 2022	\$ 30,006
Due in 2023	4,634
Due in 2026	<u>2,620</u>
	<u>\$ 37,260</u>

(5) Income Tax Assessment

The profit-seeking enterprise annual income tax returns filed by the Company as of 2019 (inclusive) have been assessed by the tax authority.

XXV. Earnings Per Share

The basic and diluted earnings per share of the company in 2021 and 2020 are calculated as follows:

	<u>2021</u>			<u>2020</u>		
	Amount (Numerator)	Number of shares (Thousand Shares) (Denominator)	Earnings per share (NTD) After tax	Amount (Numerator) After tax	Number of shares (Thousand Shares) (Denominator)	Loss per share (NTD)) After tax
Basic earnings per share						
Current net profit attributed to shareholders of common shares	\$ 363,725	150,243	<u>\$ 2.42</u>	\$ 144,409	150,947	<u>\$ 0.96</u>
Impact of potential common shares with dilutive effect						
Convertible corporate bonds	2,692	18,825		-	-	
Employees' remuneration	-	1,086		-	686	
RSA	<u>-</u>	<u>737</u>		<u>-</u>	<u>-</u>	
Diluted earnings per share						
Current net profit attributed to shareholders of common shares	<u>\$ 366,417</u>	<u>170,891</u>	<u>\$ 2.14</u>	<u>\$ 144,409</u>	<u>151,633</u>	<u>\$ 0.95</u>

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

XXVI. Share-based Payment Arrangement

RSA

On July 2, 2021, the shareholders' meeting of K Laser company decided to issue RSA, with a total amount of NT\$ 50,000,000 and a total of 5,000,000 shares. After being reported and effective by the FSC on July 28, 2021, it will adopt one-time reporting and issuance.

- (1) The rights of employees who have not met the acquired conditions after being allocated new shares are as follows:
 1. Except for inheritance, the RSA shall not be sold, pledged, transferred, given to others, encumbered, or disposed of in other ways.
 2. The rights to attend, propose, speak, put to vote and vote at the shareholders' meeting shall be the same as the ordinary shares issued by the company, and shall be implemented in accordance with the trust custody contract.
 3. There is no right of surplus distribution (including but not limited to: stock dividend, dividend, statutory reserve and capital reserve distribution right) and stock option for cash capital increase.
 4. If the cash is returned due to the cash reduction handled by the company, the capital reduction refund not obtained due to the allocation shall be delivered to the trust, and shall be delivered to the employees without interest together with the acquired shares when the acquired conditions and time limit are reached; However, if the acquired conditions are not met within the expiration period, the company will recover the cash.
- (2) For the RSA issued by K Laser, the employees who are assigned to remain in office for 1 to 5 years from the giving date (i.e. August 10, 2021) and achieve the operating objectives set by the company can obtain 15%, 15%, 20%, 20% and 30% respectively. If the acquired conditions are not met during the period, the RSA in that year will not recover and continue to deliver it to the trust for custody. After reaching the operating objectives set by the company in the fifth year, it can still be acquired in full.
- (3) The basic payment of equity settlement shares to employees is measured by the fair value of equity instruments on the day of giving.
- (4) In case of failure to meet the acquired conditions, voluntary resignation, dismissal, dismissal or violation of the issuance rules, the company will recover the unacquired shares free of charge and cancel them.

As of December 31, 2021, the relevant information of RSA is as follows:

	<u>December 31, 2021</u>
	<u>Number of shares</u>
	<u>(t h o u s a n d)</u>
Outstanding at the beginning of the period	-
Current grant	<u>5,000</u>
Outstanding at the end of the period	<u><u>5,000</u></u>

The remuneration cost recognized for the year 2021 was NT\$4,972 thousand.

XXVII. 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.

XXVIII. 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, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets measured at fair value through profit or loss				
Derivative instruments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,134</u>	<u>\$ 3,134</u>
Financial assets measured at fair value through other comprehensive profit or loss				
Equity instrument investment				
- domestic unlisted (counter) ordinary shares	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,733</u>	<u>\$ 28,733</u>
Financial liabilities at fair value through profit or loss				
Derivative instruments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 855</u>	<u>\$ 855</u>

December 31, 2020

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

2. There was no transfer between level 1 and level 2 fair value measurements in 2021 and 2020.
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

<u>Category of financial instrument</u>	<u>Valuation technique and input value</u>
Domestic and foreign investments in non-listed(non-OTC) equity	Market approach: Make adjustments based on the price-to-earning ratio and market price/net worth of the investee company at fair value of a observable, comparable company at the end of the year.
Derivative instruments	Binary tree convertible bond evaluation model: to measure the duration of corporate bonds, the stock price and fluctuation of the underlying stock of convertible bonds, conversion price, risk-free interest rate, risk discount rate and liquidity risk of convertible bonds.

(3) Type of Financial Instrument

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial assets</u>		
At amortized cost		
Cash and cash equivalents	\$ 272,616	\$ 360,226
Notes receivable and trade receivables (including those from related parties)	283,588	150,992
Other receivables (including related parties)	3,267	9,991
Refundable deposits	14,409	15,530
Restricted assets	296,211	133,445
Financial assets at fair value through profit or loss-current	3,134	5,265
Financial assets at fair value through other comprehensive income – non-current	28,733	34,984
<u>Financial liabilities</u>		
At amortized cost		
Short-term borrowings	450,000	430,000
Short-term notes and bills payable	159,948	299,917
Notes payable and trade payables (including those to related parties)	239,326	111,457
Other payable (including related parties)	92,636	83,268
Long-term borrowings (including current portion thereof)	794,000	1,350,000
Corporate bonds payable	552,053	-
Guarantee deposits received (listed as non-current liabilities-Others)	942	942
Financial liabilities at fair value through profit or loss - non-current	855	-

(4) Purpose and Policy of Financial Risk Management

The company's main financial instruments include equity and debt investments, accounts receivable, accounts payable, other receivables, other payables, loans and corporate bonds payable. 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 31 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	
	2021	2020
Effect on profit and loss	\$ 2,930	\$ 5,399

(2) Interest Rate Risk

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

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
With cash flow interest rate risk		
Financial assets	\$ 117,934	\$ -
Financial liabilities	794,000	1,350,000

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\$6,761 thousand and by NT\$13,500 thousand respectively for the years ended December 31, 2021 and 2020.

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 Attachment are due and repayable as follows:

	<u>December 31, 2021</u>			
	<u>Less than 1</u>		<u>More than 3</u>	
	<u>y e a r</u>	<u>2 ~ 3 years</u>	<u>y e a r s</u>	<u>T o t a l</u>
<u>Non-derivative</u>				
<u>financial liabilities</u>				
Non-interest bearing liabilities	\$ 331,962	\$ -	\$ -	\$ 331,962
Lease liabilities	7,009	12,722	60,316	80,047
Floating rate liabilities	-	794,000	-	794,000
Fixed rate liabilities	<u>609,948</u>	<u>-</u>	<u>552,053</u>	<u>1,162,001</u>
	<u>\$ 948,919</u>	<u>\$ 806,722</u>	<u>\$ 612,369</u>	<u>\$2,368,010</u>

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

(2) Financing limit

	December 31, 2021	December 31, 2020
Unsecured bank loan commitment		
-Used in the credit line	\$ 954,000	\$ 1,280,000
-Unused in the credit line	<u>1,211,360</u>	<u>585,960</u>
	<u>\$ 2,165,360</u>	<u>\$ 1,565,960</u>
Secured bank loan commitment		
-Used in the credit line	\$ 450,000	\$ 800,000
- Unused in the credit line	<u>610,000</u>	<u>-</u>
	<u>\$ 1,060,000</u>	<u>\$ 800,000</u>
Amount of secured corporate bonds		
- amount used	\$ 600,000	\$ -
- unspent amount	<u>20,000</u>	<u>-</u>
	<u>\$ 620,000</u>	<u>\$ -</u>

XXIV. 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
Optivision Technology Inc. ("Optivision Technology")	A subsidiary
Everest Display Inc. ("Everest Display")	Subsidiary (merged with the Company on June 30, 2020)
K Laser Technology (Korea) Co., Ltd. ("K Laser Korea")	A subsidiary
K Laser Technology (Thailand) Co., Ltd. ("K Laser Thailand")	A subsidiary

(Continued)

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<u>N a m e o f r e l a t e d p a r t y</u>	<u>Relationship with the c o m p a n y</u>
K Laser Technology (USA) Co., Ltd. (“K Laser USA”)	A subsidiary
Amagic Technologies U.S.A. (Dubai) (“ Amagic Dubai”)	A subsidiary
K Laser Technology Japan Co., Ltd. (“K Laser Japan”)	A subsidiary
K Laser Technology (Hong Kong) Co., Ltd. (“K Laser Hong Kong”)	A subsidiary
Holomagic Co., Ltd. (“Holomagic”)	A subsidiary
Treasure Access Limited (“Treasure”)	A subsidiary
Top Band Investment Limited (“Top Band”)	A subsidiary
K Laser Technology (Wuxi) Co., Ltd. (“K Laser (Wuxi)”)	A subsidiary
Herui Laser Technology Co., Ltd. (“Herui Laser”)	A subsidiary
K Laser Technology (Dongguan) Co., Ltd. (K Laser (Dongguan)”)	A subsidiary
Amagic Holographics India Private Limited (“ Amagic India”)	A subsidiary
Insight Medical Solutions Inc. (“IMS”)	A subsidiary
Xinguang Laser Co., Ltd. (“Xinguang Laser”)	It had been an associate evaluated by using the equity method, and became a subsidiary in December 2011.
Guangfeng Optoelectronics (Wuxi) Co., Ltd. (“Guangfeng Optoelectronics (Wuxi)”)	An associate evaluated by using the equity method

(2) Operating Transactions

	<u>2021</u>	<u>2020</u>
<u>Sale</u>		
Subsidiaries		
K Laser USA	\$ 494,303	\$ 363,030
K Laser Japan	105,956	65,186
Others	<u>26,704</u>	<u>36,992</u>
	<u>\$ 626,963</u>	<u>\$ 465,208</u>
<u>Purchase</u>		
Subsidiaries		
K Laser (Dongguan)	\$ 393,771	\$ 323,921
K Laser (Wuxi)	46,111	21,898
Treasure	71,798	13,038
Top Band	-	9,947
Others	1,538	7,982

(Continued)

	<u>2021</u>	<u>2020</u>
Affiliated Enterprises		
Guangfeng		
Optoelectronics (Wuxi)	\$ 11,379	\$ -
	<u>\$ 524,597</u>	<u>\$ 376,786</u>
<u>Operating expenses</u>		
Subsidiaries	<u>\$ 2,109</u>	<u>\$ 12,900</u>
<u>Other income</u>		
Subsidiaries		
Optivision Technology	\$ 13,222	\$ 13,579
IMS	5,853	5,270
Everest Display	-	2,186
K Laser (Dongguan)	44,636	21,288
K Laser (Wuxi)	6,678	1,416
Others	92	19
	<u>\$ 70,481</u>	<u>\$ 43,758</u>

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

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Trade receivables from related parties</u>		
Subsidiaries		
K Laser USA	\$ 163,269	\$ 80,078
K Laser Japan	31,614	23,342
Others	6,836	4,798
	<u>\$ 201,719</u>	<u>\$ 108,218</u>
<u>Trade payables to related parties</u>		
Subsidiaries		
K Laser (Dongguan)	\$ 134,914	\$ 55,467
Treasure	31,154	10,971
K Laser (Wuxi)	20,608	7,237
Others	3,303	1,618
	<u>\$ 189,979</u>	<u>\$ 75,293</u>

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(Continued)

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Other receivables</u>		
Subsidiaries		
Optivision Technology	\$ 1,985	\$ 2,006
K Laser (Wuxi)	-	1,437
IMS	1,002	1,008
Amagic India	-	618
Others	126	132
	<u>\$ 3,113</u>	<u>\$ 5,201</u>
<u>Other payables</u>		
Subsidiaries	<u>\$ 159</u>	<u>\$ 343</u>

(4) Real estate, plant and equipment acquired

	<u>L o a n o b t a i n e d</u>	
<u>Related party category / name</u>	<u>2021</u>	<u>2020</u>
Subsidiaries	<u>\$ -</u>	<u>\$ 178</u>

(V) Endorsement and Guarantee

As at December 31, 2021 and 2020, the balance of borrowings owed by Mr. Guo Weiwu, Chairman of the Board of directors of the Company as guarantor was NT \$ 1,244,000 and NT \$ 1,780,000 respectively (see note XVIII).

(6) Rewards and remuneration for major management levels

	<u>Year 2021</u>	<u>Year 2020</u>
Short-term employee benefits	<u>\$ 26,341</u>	<u>\$ 19,370</u>
Post-employment benefits	<u>\$ 718</u>	<u>\$ 6,450</u>

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

XXX. Pledged assets

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Bank deposits (Note 6)	\$ 296,211	\$ 133,445
Property, plant and equipment (Note 13)	97,342	103,787
Investment property (Note 13)	<u>36,590</u>	<u>37,869</u>
	<u>\$ 430,143</u>	<u>\$ 275,101</u>

XXXI. Exchange rate information of foreign currency financial assets and liabilities

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

	<u>December 31, 2021</u>			<u>December 31, 2020</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>
<u>Financial assets</u>						
<u>Monetary item</u>						
USD	\$ 18,561	27.68	\$ 513,768	\$ 22,200	28.48	\$ 632,248
CNY	886	4.344	3,849	394	4.377	13,807
<u>Long-term equity investments</u>						
<u>accounted for using the equity method</u>						
USD	27,412	27.68	758,764	24,358	28.48	693,707
CNY	488,392	4.344	2,121,575	473,314	4.377	2,071,695
<u>Financial liabilities</u>						
<u>Monetary item</u>						
USD	7,976	27.68	220,776	3,242	28.48	92,326

XXXII. 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.

XXXIII. Disclosure of notes

(1) Material Transactions and Reinvestment-related Information:

<u>No.</u>	<u>Item</u>	<u>Explanation</u>
1	Funds lent to others	Attachment 1
2	Enforcement and guarantee for others	None
3	Negotiable securities held at the end of the year (not including investments in subsidiaries, associates and joint ventures)	Attachment 2

(to be continued)

(continued)

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	Attachment 3
8	Receivables from related parties up to NT\$100 million or 20% of the paid-in capital	Attachment IV
9	Transactions of derivatives	None
10	Information of reinvestee companies	Attachment V

(二) 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	Attachment VI
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	Attachment VI

(3) Information of Main Shareholders:

Name of Shareholder Holding Over 5% of Equity, Number of Shares Held and Ratio of Shareholding (Attachment 7)

K Laser Technology Inc.
Funds of the Company and Reinvestee Companies to Other Entities
From January 1 to December 31, 2021

Attachment 1

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

No. (Note 1)	C o m p a n y lending funds	C o m p a n y receiving the l o a n	A c c o u n t	Is it a related party?	Maximum balance of t h e y e a r	Ending balance	D r a w d o w n	Interest rate range	Nature of lending (Note 2)	A m o u n t o f b u s i n e s s	Reason of short-term financing	A l l o c a t e d a m o u n t o f allowance for b a d d e b t s	Security		Limit of funds lent to an individual entity (Note 3)	Total limit of lending (Note 3)	Remark
													N a m e	V a l u e			
1	K Laser Technology (Dongguan) Co., Ltd.	Hunan Hexin Packaging Materials Co., Ltd.	Other receivables	Yes	\$ 35,072 (RMB 8,000)	\$ 26,064 (RMB 6,000)	\$ 20,634 (RMB 4,750)	3.85%	2	\$ -	Capital turnover	\$ -	No	No	\$ 457,514 (RMB105,321)	\$ 457,514 (RMB105,321)	

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).

K Laser Technology Inc.
Endorsement and Guarantee for Other Entities
From January 1 to December 31, 2021

Attachment 2

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

Holding company	Type and name of marketable securities	Relation with the issuer of marketable securities	Items on books	End of the year				Remark
				Number of shares	Book amount	Ratio of shareholding	Fair value	
K Laser Technology Inc.	<u>Stocks</u>							
	Minton Optic Industry Co., Ltd.	None	Financial assets at fair value through profit or loss—Non-current	857,900	\$ -	1	\$ -	
	CM Visual Technology Corp.	None	Financial assets at fair value through profit or loss—Non-current	138,240	-	-	-	
	China Development Biotechnology Co., Ltd.	None	Financial assets at fair value through profit or loss—Non-current	2,100,000	26,726	2	26,726	
	Mega Plastic Industry Co., Ltd.	None	Financial assets at fair value through profit or loss—Non-current	150,000	2,007	15	2,007	
	Boxlight Corporation	None	Current assets held for sale	1,662,940	27,960	3	63,522	
Guang Feng International Ltd.	Boxlight Corporation	None	Current assets held for sale	272,957	1,905	-	10,427	
Insight Medical Solutions Inc.	Aether Precision Technology Inc.	None	Financial assets at fair value through profit or loss—Non-current	240,000	1,249	10	1,249	
Bright Triumph Limited	Dongguan Guangzhi Photoelectric Co., Ltd.	None	Financial assets at fair value through profit or loss—Non-current	5,385,628	66,063	9	66,063	

Note 1: For information of investments in subsidiaries and associates, please refer to Attachment 5 and Attachment 6.

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, 2021

Attachment 3

Unit: NT \$1000

Selling (purchasing) company	Counterparty	Relation	Transaction				Transaction terms different from those for general transactions, and reasons		Notes receivable (payable) and trade receivables		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 %	
Optivision Technology Inc.	Dongguan Guangzhi photoelectric Co., Ltd	One of other related parties	Sale	\$ 825,154	51	90 days after monthly settlement; cash to be received	N/A	N/A	\$ 182,959	30	
"	Ningpo Optivision Technology Co., Ltd.	A subsidiary	Sale	281,393	17	120 days after monthly settlement; cash to be received	N/A	N/A	146,153	24	
K Laser Technology Inc.	K Laser Technology (Dongguan) Co., Ltd.	A sub-subsidiary of which 100% of shares are held by the Company	Purchase	(393,771)	39	90 days after monthly settlement; cash to be received	N/A	N/A	(134,914)	56	
"	K Laser Technology (USA) Co., Ltd.	A sub-subsidiary of which 75.75% of shares are held by the Company	Sale	494,303	37	90 days after monthly settlement; cash to be received	N/A	N/A	163,269	50	
"	K Laser Technology Japan Co., Ltd.	Subsidiary that the company indirectly holds 70% of the share	Sale	105,956	8	90 days after monthly settlement; cash to be received	N/A	N/A	31,614	10	
Wuxi K Laser Co., Ltd	Xinguang Laser Co., Ltd.	The original affiliated enterprise that has become a brother company since October 2021	Purchase	(RMB 46,064)	45	60 days after monthly settlement; cash to be received	N/A	N/A	(RMB 13,540)	48	
"	K Laser Technology (H.K.) Co., Ltd.	A sister company	Sale	RMB 34,083	24	60 days after monthly settlement; cash to be received	N/A	N/A	RMB 6,410	16	

K Laser Technology Inc.
Receivables from Related Parties Amounting to Over NT\$100 Million or 20% of Paid-in Capital
December 31, 2021

Attachment 4

Unit: NT \$1000

Company recognizing the account as receivables	Counterparty to the transaction	R e l a t i o n	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 Guangzhi photoelectric Co., Ltd	One of other related parties	\$ 182,959	1.93	\$ -	-	\$ 85,104	\$ 6,250
"	Ningpo Optivision Technology Co., Ltd.	A subsidiary	146,153	2.13	-	-	54,889	-
K Laser Technology Co., Ltd	K Laser Technology (USA) Co., Ltd.	Grandson company with 79.95% of its shares indirectly held by the company	163,269	4.05	-	-	40,921	-

K Laser Technology Inc.
Information of Reinvestee Companies, their Locations, etc.
From January 1 to December 31, 2021

Attachment 5

Unit: New Taiwan Dollar (thousand) / foreign currency (thousand)

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	\$ 2,121,577	\$ 208,450	\$ 169,972	
"	K Laser International Co., Ltd.	British Virgin Islands	Reinvestment in companies	726,200	703,856	21,161,462	100	743,919	99,315	99,315	
"	Optivision Technology Inc.	Hsinchu City	Production and sale of optical instruments and electronic parts and components	499,497	514,219	23,614,835	42	574,422	(32,168)	(12,692)	(note1)
"	iWin Technology Co., Ltd.	British Virgin Islands	Reinvestment in companies	97,372	97,372	157,545	49	14,851	(6,190)	(3,033)	
"	Vicome Corp.	Yunlin County	Manufacturing, processing, purchase and sale of fluorescent pigments and dyes	35,494	35,494	3,021,420	30	137,945	66,897	20,209	
"	Insight Medical Solutions Inc.	Hsinchu City	R & D and sales of gastrointestinal endoscopy and other businesses	269,813	269,813	8,995,264	45	142,474	(76,734)	(81,270)	
K Laser International Co., Ltd.	Guang Feng International Ltd.	Samoa	Reinvestment company	162,463	217,125	4,845,810	100	16,289	30,506	30,506	
	K Laser Technology (USA) Co., Ltd.	American Society for Testing Material	Holography product sales	USD 6,500	USD 6,500	6,500,000	80	USD 8,611	USD 3,193	USD 2,547	
	K Laser Technology (Thailand) Co., Ltd.	Thailand	Manufacture and sales of holography products	USD 1,839	USD 1,801	9,337,984	83	USD 8,085	USD 366	USD 303	
	K Laser Technology (Korea) Co., Ltd.	Korea	Manufacture and sales of holography products	USD 2,946	USD 2,946	677,040	100	USD 1,886	USD 165	USD 165	
	K Laser IMEA Co., Ltd.	Mauritius	Reinvestment company	-	USD 2,600	-	-	-	(USD 12)	(USD 12)	(note2)
	Amagic Technologies U.S.A. (Dubai) Ltd.	Dubai	Sales and agency of holography products	USD 2,297	USD 1,094	-	100	USD 3,507	USD 169	USD 169	
	K Laser Technology Japan Co., Ltd.	Japan	Manufacture and sales of holography products	USD 830	USD 830	1,344	70	USD 3,063	USD 618	USD 432	
	CIO Tech Ltd.	Cayman Islands	Reinvestment company	USD 750	USD 750	11,000,000	22	USD 541	(USD 300)	(USD 66)	
	Amagic Holographics India Private Limited	India	Manufacture and sales of holography products	USD 2,508	USD -	10,915,594	100	USD 420	(USD 33)	(USD 45)	(note 3)
K Laser Technology (Thailand) Co., Ltd.	K Laser Technology (Indonesia) Co., Ltd.	Indonesia	Manufacture and sales of holography products	THB 21,168	THB 21,168	266,000	70	THB 23,332	THB -	THB -	
K Laser China Group Co., Ltd.	K Laser China Group Holding Co., Limited	Cayman Islands	Reinvestment company	RMB 180,503	RMB 180,503	89,096,401	94	RMB 515,622	RMB 49,005	RMB 48,001	
"	Holoprint Co., Ltd.	British Virgin Islands	Reinvestment company	RMB 1	RMB 1	1	100	RMB -	RMB -	RMB -	
K Laser China Group Holding Co., Limited	K Laser Technology (H.K.) Co., Ltd.	Hong Kong	Sales and agency of holography products	RMB 1,092	RMB 1,092	1,283,500	100	RMB 4,659	RMB 787	RMB 787	
"	Holomagic Co., Ltd.	British Virgin Islands	Reinvestment company	RMB 112,440	RMB 72,440	30,000	100	RMB 280,233	RMB 13,019	RMB 12,989	
"	Top Band Investment., Ltd.	British Virgin Islands	Reinvestment company	RMB 130,106	RMB 130,106	50,000	100	RMB 261,044	RMB 34,879	RMB 34,930	
"	iWin Technology Co., Ltd.	British Virgin Islands	Reinvestment in companies	RMB 20,825	RMB 20,825	163,975	51	RMB 3,558	(RMB 1,426)	(RMB 727)	
Holomagic Co., Ltd.	Treasure Access Limited	Hong Kong	Reinvestment in companies	RMB 69,243	RMB 29,243	10,000	100	RMB 277,889	RMB 13,058	RMB 13,058	
Top Band Investment Ltd.	Union Bloom Co., Ltd.	Hong Kong	Reinvestment in companies	RMB 113,329	RMB 113,329	10,000	100	RMB 257,018	RMB 34,913	RMB 34,913	
K Laser IMEA Co., Ltd.	Amagic Holographics India Private Limited	India	Manufacture and sales of holography products	-	USD 2,508	-	-	USD -	USD 12	USD 12	(note 3)

(to be continued)

(continued)

Name of investing c o m p a n y	Name of investee company	L o c a t i o n	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			
iWin Technology Co., Ltd.	Finity Laboratories	USA	Research and development of holography	USD 700	USD 700	700,000	100	USD 951	(USD 219)	(USD 219)	
Optivision Technology Inc.	Bright Triumph Limited	Mauritius	Reinvestment in companies	242,173	242,173	7,913,767	100	149,461	3,645	3,645	
Insight Medical Solutions Inc.	Insight Medical Solutions Holdings Inc.	Cayman Island	Reinvestment in companies	USD 2,500	USD 2,500	2,500,000	100	63,029	(6,620)	(6,620)	

Note 1: 10,000,000 ordinary shares of Optivision Technology have been pledged as collateral for the issuance of convertible corporate bonds by K Laser company.

Note 2: K Laser IMEA Co., Ltd. entered the liquidation procedure in May 2021.

Note 3: for the adjustment of the group's investment structure, it is transferred from K Laser IMEA Co., Ltd. to K Laser International Co., Ltd.

K Laser Technology Inc.
Information of Investment in Mainland China
From January 1 to December 31, 2021

Attachment 6

Unit: foreign currency (thousand dollars) / New Taiwan dollar (thousand NT \$)

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						
K Laser Technology (Wuxi) Co., Ltd.	Research, development, production of laser holographic products, electro-optics apparatus and optoelectronic materials	\$ 548,817 (RMB 126,339)	Reinvestment in the company in Mainland China through reinvestments in an existing company in a third region	\$ 185,179 (USD 6,690)	\$ -	\$ -	\$ 185,179 (USD 6,690)	100	\$ 21,520 (RMB 4,954)	\$ 21,520 (RMB 4,954)	\$ 665,992 (RMB 153,313)	\$ 211,957 (RMB 48,793)
K Laser Technology (Dongguan) Co., Ltd.	Production and sale of other polyethylene and rigid polyvinyl chloride films and foils	(RMB 719,458 165,621)	Reinvestment in the company in Mainland China through reinvestments in an existing company in a third region	(USD 56,993 2,059)	-	-	(USD 56,993 2,059)	100	(RMB 165,572 38,115)	(RMB 165,572 38,115)	(RMB 1,143,788 263,303)	(RMB 708,676 163,139)
Dongguan Zhimpei Laser Printing Co., Ltd. (Note 5)	Production and sale of printed paper packaging boxes and laser printed paper	(RMB 110,068 25,338)	Investment in the company in Mainland China through remittance from a third region	(USD 59,512 2,150)	-	-	(USD 59,512 2,150)	-	-	-	-	-
Herui Laser Technology Co., Ltd.	Research, development and production of laser paper, anodized aluminum and other new environmentally-friendly packaging materials and anti-counterfeit products	(RMB 225,019 51,800) (note 1)	Reinvestment in the company in Mainland China through reinvestments in an existing company in a third region	-	-	-	-	49	(RMB 14,118 3,250)	(RMB 6,916 1,592)	(RMB 170,411 39,229)	(RMB 16,520 3,803)
Foshan Donglin packaging material Co., Ltd	Production of tobacco series packaging materials and extension products	(RMB 115,060 26,487) (note 3)	Reinvest in Chinese companies through reinvestment in existing companies in the third region	-	-	-	-	25	(RMB 37,358 - 8,600)	(RMB 9,340 - 2,150)	(RMB 22,513 5,183)	-
Hunan Hexin packaging material Co., Ltd	Mainly engaged in the production, processing and sales of films and cigarette bags, and the segmentation of cigarette paper	(RMB 80,798 18,600) (note 4)	Reinvest in Chinese companies through reinvestment in existing companies in the third region	-	-	-	-	49	(RMB 18,136 4,175)	(RMB 7,155 1,647)	(RMB 223,981 51,561)	-
JXinguan Laser Co., Ltd.	Production of special film coating, decorative film and environmental protection transfer paper	(RMB 347,520 80,000) (note2)	Reinvest in Chinese companies through reinvestment in existing companies in the third region	-	-	-	-	65	(RMB 34,769 8,004)	(RMB 3,675 846)	(RMB 359,840 82,836)	(RMB 37,645 8,666)
Guangfeng Optoelectronics (Wuxi) Co., Ltd.	Research, development and production of large LCDs, and optical engines and projection tubes for LCDs	(RMB 188,221 43,329)	Reinvestment in the company in Mainland China through reinvestments in an existing company in a third region	(USD 97,351 3,517)	(USD 3,848 139)	-	(USD 101,198 3,656)	45	USD -	USD -	(USD 41,993 1,517)	-
Insight Medical Solutions(Wuxi) Inc.	Research, development and sale of endoscopes used in gastrointestinal tracts	(USD 69,200 2,500)	Reinvestment in the company in Mainland China through reinvestments in an existing company in a third region	(USD 69,200 2,500)	-	-	(USD 69,200 2,500)	100	(4,589)	(4,589)	63,054	-
Ningbo Optivision Technology Co., Ltd	Manufacturing, processing and production of brightening film, prism, diffusion film and optical film	(RMB 145,905 33,607)	Reinvest in Chinese companies through reinvestment in existing companies in the third region	(USD 145,541 5,258)	-	-	(USD 145,541 5,258)	100	(USD 6,245 222)	(USD 6,245 222)	(USD 79,580 2,875)	-
Dongguan Guangzhi photoelectric Co., Ltd	R & D and manufacturing of precision components	(RMB 271,344 62,500)	Reinvest in Chinese companies through reinvestment in existing companies in the third region	(USD 62,003 2,240)	-	-	(USD 62,003 2,240)	9	-	-	(USD 66,063 2,387)	-

2. Limit of Investments in Mainland China

Company name	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 (note 7)
K Laser	\$347,135 (USD 12,541)	\$1,694,348 (USD 61,212) (note 6)	\$1,608,792
Optivision Technology	\$207,545 (USD 7,948)	\$236,830 (USD 8,556)	\$821,298
IMS	\$69,200 (USD 2,500)	\$69,200 (USD 2,500)	\$80,000

Note 1: including the cash investment of USD 2,512,000 through the third region.

Note 2: including the cash investment of USD 3,705,000 through the third region.

Note 3: including 8,253,000 RMB of cash investment from enterprises in the third region.

Note 4: including 48,100,000 RMB of cash investment from enterprises in the third region.

Note 5: the investment equity has been disposed of, but the approved amount has not been cancelled at the investment examination committee. With the approval of the operation headquarters in accordance with the regulations, the investment amount is not limited to 60% of the net value or NT \$80 million.

Note 6: amount of surplus transferred to investment is 11,748,000 USD.

Note 7: With the approval of the operation headquarters in accordance with the regulations, the investment amount is not limited to 60% of the net value or NT \$80 million for K Laser. Other companies are limited to 60% of their net worth or NT \$80 million, whichever is higher.

3. Major transactions with mainland investment companies directly or indirectly through third region enterprises:

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 (%)	
K Laser Technology (Dongguan) Co., Ltd.	A sub-subsidiary of which 99.60% of shares are held indirectly by the Company	Sale	\$ 9,701 (USD 347)	Price negotiation	90 days after monthly settlement	Similar	\$ 3,742 (USD 135)	1	(\$ 398)
K Laser Technology (Dongguan) Co., Ltd.	A sub-subsidiary of which 99.60% of shares are held indirectly by the Company	Purchase	465,569 (USD 16,620)	Price negotiation	60 days after monthly settlement	Similar	166,068 (USD 6,000)	69	-
K Laser Technology (Wuxi) Co., Ltd.	A sub-subsidiary of which 99.60% of shares are held indirectly by the Company	Sale	2,473 (USD 88)	Price negotiation	60 days after monthly settlement	Similar	91 (USD 3)	-	-
K Laser Technology (Wuxi) Co., Ltd.	A sub-subsidiary of which 99.60% of shares are held indirectly by the Company	Purchase	46,111 (USD 1,647)	Price negotiation	60 days after monthly settlement	Similar	20,608 (USD 745)	9	-

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: Attachment 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, 2021

Attachment 7

Name of key shareholder	Shares	
	Number of shares held	Ratio of shareholding
Kuo Wei-Wu	10,997,756	6.6%
K Laser Technology Inc.	10,156,000	6.1%

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.

Note 3: another 120,000 shares were settled in January 2022.

§ LIST OF IMPORTANT ACCOUNTING ITEMS §

<u>ITEMS</u>	<u>NO.</u>
Detailed statement of assets, liabilities and equity items	
Detailed statement of cash and equivalent cash	Detailed statement I
Financial assets measured at fair value through profit or loss - current statement	Note 7
Bill receivable detailed statement	Detailed statement II
Detailed statement of accounts receivable	Detailed statement III
Accounts receivable - details of related parties	Note 29
Details of other receivables	Detailed statement IV
Inventory detailed statement	Detailed statement V
Detailed statement of current assets to be sold	Note 10
Details of other current assets	Detailed statement VI
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K Laser Technology Inc.
Detailed statement of cash and equivalent cash
December 31, 2021

Detailed statement I

Unit: NT \$1000; Foreign currency

<u>I t e m s</u>	<u>A b s t r a c t</u>	<u>A m o u n t</u>
Cash on hand and spent cash		\$ 6,325
Bank deposit	Demand deposit - New Taiwan dollar	26,886
	Check deposit - New Taiwan dollars	194
	Demand deposit - foreign currency USD 7,767,852	215,014
	Demand deposit - foreign currency EUR 766,081	23,994
	Demand deposit - foreign currency RMB 45,450	197
	Demand deposit - foreign currency HKD1,395	5
	Demand deposit - foreign currency AUD71	<u>1</u>
		<u>\$ 272,616</u>

Note: the exchange rate is as follows:

US \$1 to NT \$27.68

1 EURO to NT \$31.32

1 RMB to NT \$4.3440

HK \$1 to NT \$3.5490

1 AUD to NT \$ 20.0800

K Laser Technology Inc.
 Bill receivable Detailed statement
 December 31, 2021

Detailed statement II

Unit: NT \$1000

<u>Customer name</u>	<u>Abstract</u>	<u>Amount</u>
NEOWAY	Goods payment	\$ 3,936
Ho long Glitters	"	1,273
Shirley Chemistry	"	1,185
Gem-year	"	458
Others (note)	"	<u>1,786</u>
		<u>\$ 8,638</u>

Note: if the balance of each account does not exceed 5% of the balance of this account, it shall be reported in a consolidated manner.

K Laser Technology Inc.
Detailed statement of accounts receivable
December 31, 2021

Detailed statement III

Unit: NT \$1000

<u>C u s t o m e r n a m e</u>	<u>A b s t r a c t</u>	<u>A m o u n t</u>
EIKI INDUSTRIAL	Goods payment	\$ 35,411
EIKI INTERNATIONAL	"	24,541
M&G ENT	"	17,456
COMMBAX SDN BHD	"	6,264
Others (note)	"	29,379
Less: allowance for bad debts		(<u>39,820</u>)
		<u>\$ 73,231</u>

Note: if the balance of each account does not exceed 5% of the balance of this account, it shall be reported in a consolidated manner.

K Laser Technology Inc.
Details of other receivables
December 31, 2021

Detailed statement IV

Unit: NT \$1000

<u>I t e m s</u>	<u>A b s t r a c t</u>	<u>A m o u n t</u>
Other receivables	Stakeholders	\$ 3,113
	Others (note)	<u>154</u>
		<u>\$ 3,267</u>

Note: if the balance of each account does not exceed 5% of the amount of this account, it shall be reported in a consolidated manner.

K Laser Technology Inc.
Inventory detailed statement
December 31, 2021

Detailed statement V

Unit: NT \$1000

<u>I t e m s</u>	<u>C o s t</u>	<u>Market price</u>
Raw materials	\$ 57,597	\$ 37,214
Work in process	2,472	2,472
Finished products	22,870	19,994
Commercial products	25,786	24,970
Less: allowance for inventory falling price and dead loss	(<u>24,075</u>)	<u>-</u>
	<u>\$ 84,650</u>	<u>\$ 84,650</u>

K Laser Technology Inc.
Details of other current assets
December 31, 2021

Detailed statement VI

Unit: NT \$1000

<u>Items</u>	<u>Abstract</u>	<u>Amount</u>
Advance payment	Prepayment and insurance premium, etc.	\$ 14,293
Restricted assets	Short-term bank borrowings and land lease guarantees	117,934
Tax allowance		<u>1,127</u>
		<u>\$ 133,354</u>

K Laser Technology Inc.

Financial assets measured at fair value through other comprehensive profit or loss - detailed statement of non-current changes

Year 2021

Detailed statement VII

Unit: NT \$ thousand / share

I t e m s	O p e n i n g a m o u n t		Increase in current period		Decrease in current period		E n d i n g b a l a n c e			P r o v i d e guarantee or P l e d g e s i t u a t i o n
	Number of s h a r e s	Fair value	Number of s h a r e s	Amount (Note 1)	Number of s h a r e s	Amount (Note 2)	Number of s h a r e s	Shareholdin g r a t i o	Fair value	
CMVT Co., Ltd	138,000	\$ 459	240	(\$ 459)	-	\$ -	138,240	-	\$ -	None
China Development biomedical Venture Capital Co., Ltd	3,000,000	32,457	-	3,269	900,000	(9,000)	2,100,000	2	26,726	"
Daguan Industrial Co., Ltd	150,000	<u>2,068</u>	-	(<u>61</u>)	-	<u>-</u>	150,000	15	<u>2,007</u>	"
		<u>\$ 34,984</u>		<u>\$ 2,749</u>		<u>(\$ 9,000)</u>			<u>\$ 28,733</u>	

Note 1: it refers to the evaluation amount of allowance adjusted according to fair value at the end of this year.

Note 2: it refers to the capital reduction to make up for losses and return of shares in this year.

K Laser Technology Inc.
Detailed statement of investment changes using equity method
Year 2021

Detailed statement VIII

Unit: NT \$ thousand / share

I n v e s t m e n t	O p e n i n g	a m o u n t	Increase in current period		Decrease in current period		E n d i n g b a l a n c e			Net worth / market price	P r o v i d e guarantee or p l e d g e s i t u a t i o n
	Number of s h a r e s	A m o u n t	Number of s h a r e s	Amount (Note 1)	Number of s h a r e s	Amount (Note 2)	Number of s h a r e s	Shareholding r a t i o	A m o u n t		
K Laser China Group Co., Ltd.	21,289,005	\$ 2,065,995	-	\$ 157,789	-	\$ 102,207	21,289,005	100	\$ 2,121,577	\$ 2,239,877	無
K Laser International Co., Ltd.	20,361,462	671,315	800,000	72,604	-	-	21,161,462	100	743,919	750,140	〃
iWIN Technology Co., Ltd.	157,545	18,359	-	(3,508)	-	-	157,545	49	14,851	14,851	〃
Optivision Technology Inc.	24,311,835	664,562	-	(70,928)	697,000	19,212	23,614,835	42	574,422	817,073	Yes (Note 3)
Vicome Corp.	3,021,420	123,089	-	17,877	-	3,021	3,021,420	30	137,945	137,945	〃
Guang Feng International Ltd.	6,820,810	39,960	-	30,991	1,975,000	54,662	4,845,810	100	16,289	-	〃
Insight Medical Solutions Inc.	8,995,264	<u>224,334</u>	-	(<u>81,860</u>)	-	<u>-</u>	8,995,264	45	<u>142,474</u>	<u>142,474</u>	〃
		<u>\$ 3,807,614</u>		<u>\$ 122,965</u>		<u>\$ 179,102</u>			<u>\$ 3,751,477</u>	<u>\$ 4,102,360</u>	

Note 1: it includes the increased investment cost in the current period, the investment interest recognized according to the equity method, the increase or decrease of exchange difference and the adjustment of net value change arising from the conversion of foreign currency financial statements.

Note 2: it includes current disposal, cash dividend and return of capital reduction.

Note 3: 10,000,000 ordinary shares of Optivision Technology have been pledged as collateral for the issuance of convertible corporate bonds by K Laser company.

K Laser Technology Inc.
Detailed statement of changes in use right assets
Year 2021

Detailed statement IX

Unit: NT \$1000

Items	Opening balance	Increase in current period	Decrease in current period	Ending balance
Cost				
Land	\$ 77,364	\$ -	\$ -	\$ 77,364
Building	4,246	-	-	4,246
Transportation equipment	<u>5,136</u>	<u>3,655</u>	<u>4,469</u>	<u>4,322</u>
	<u>\$ 86,746</u>	<u>\$ 3,655</u>	<u>\$ 4,469</u>	<u>\$ 85,932</u>
Accumulated depreciation				
Land	\$ 8,144	\$ 4,072	\$ -	\$ 12,216
Building	1,677	856	-	2,533
Transportation equipment	<u>3,296</u>	<u>1,571</u>	<u>4,469</u>	<u>398</u>
	<u>\$ 13,117</u>	<u>\$ 6,499</u>	<u>\$ 4,469</u>	<u>\$ 15,147</u>

K Laser Technology Inc.
Details of other non-current assets
December 31, 2021

Detailed statement X

Unit: unless otherwise indicated
, it is NT \$1000

<u>Name</u>	<u>Abstract</u>	<u>Amount</u>
Refundable deposit		\$ 14,409
Restricted assets	Issuance of corporate bonds and land lease guarantee	178,277
Others		<u>1,526</u>
		<u>\$194,212</u>

K Laser Technology Inc.
Detailed statement of short-term borrowings
December 31, 2021

Detailed statement XI

Unit: unless otherwise indicated
,it is NT \$1000

Items	Abstract	Loan amount	Contract term	quota	Interest rate (%)	Pledge mortgage
Short-term borrowings						
King's Town Bank	Mortgage loan	\$ 100,000	2021.11.12~2022.02.18	\$ 150,000	0.34	Bank pledged deposits
Esun Bank	Credit loan	50,000	2021.12.24~2022.03.24	50,000	0.90	None
Bank One	"	50,000	2021.12.17~2022.01.14	130,000	1.00	"
Taishin Bank	"	50,000	2021.12.24~2021.01.24	100,000	1.00	"
Agricultural Bank of Taiwan	"	150,000	2021.10.08~2022.01.08	150,000	0.85	"
Taiwan Business Bank	"	<u>50,000</u>	2021.11.26~2022.05.26	<u>50,000</u>	1.00	"
		<u>\$ 450,000</u>		<u>\$ 630,000</u>		

K Laser Technology Inc.
Detailed Statement of Trade Payables
December 31, 2021

Detailed statement XII

Unit: NT \$1000

<u>Company name</u>	<u>Abstract</u>	<u>Amount</u>
Efun Tech	Goods payment	\$ 27,963
Agricultural service in Taiwan	"	9,143
Others (note)	"	<u>12,241</u>
		<u>\$ 49,347</u>

Note: if the balance of each account does not exceed 5% of the balance of this account, it shall be reported in a consolidated manner.

K Laser Technology Inc.
Detailed statement of other current liabilities
December 31, 2021

Detailed statement XIII

Unit: NT \$1000

Items	A m o u n t
Advance payment	\$ 3,493
Provisional collection	218
Withholding tax	<u>267</u>
	<u>\$ 3,978</u>

K Laser Technology Inc.
Detailed statement of other non-current liabilities
December 31, 2021

Detailed statement XIV

Unit: NT \$1000

<u>Items</u>	<u>Abstract</u>	<u>Amount</u>
Deposits received	Lease deposit	<u>\$ 942</u>

K Laser Technology Inc.
Detailed statement of lease liabilities
December 31, 2021

Detailed statement XV

Unit: NT \$1000

Name	Lease term	Discount rate%	Amount
land	107.10.16~126.12.31	1.4	\$ 66,473
Building	108.01.01~112.12.31	1.5	1,751
Transportation equipment	107.06.01~113.11.30	1.5~1.83	<u>3,930</u>
			72,154
Less: Part listed as due within one year			(<u>6,023</u>)
			<u>\$ 66,131</u>

K Laser Technology Inc.
Detailed statement of operating income
December 31, 2021

Detailed statement XVI

Unit: NT \$1000, except as otherwise
indicated herein

Name	Amount
Laser paper	\$ 28,948
Anti-counterfeiting trademark	60,049
Holographic film	749,998
Optical instrument	469,568
Others	<u>41,509</u>
	<u>\$ 1,350,072</u>

K Laser Technology Inc.
Detailed statement of operating costs
Year 2021

Detailed statement XVII

Unit: NT \$1000

Items	Amount
Direct raw material	
Add: opening stock	\$ 84,930
Current feed	445,396
Transferred in goods	128
Less: re-manufacturing expenses and operating expenses	(6,710)
re-manufacturing products	(68)
re-manufacturing finished products	(21)
Sale of raw materials	(352,503)
Ending stock	(57,597)
Direct raw material consumption	113,555
Direct labor	20,884
Manufacturing expenses	87,516
Manufacturing cost	221,955
Add: opening WIP	3,276
Less: re-manufacturing expenses and operating expenses	(9,743)
Work in progress at the end of the period	(2,472)
Cost of finished products	213,016
Add: finished products at the beginning of the period	12,384
R & D transfer-in	3,351
Transfer in of raw materials	21
Less: re-manufacturing expenses and operating expenses	(1,458)
Finished products at the end of the period	(22,870)
Self-made cost of goods sold	204,444
Cost of goods sold	
Add: opening goods	16,564
Current purchase	562,036
Transfer in of raw materials	68
Other	266
Less: re-manufacturing expenses and operating expenses	(90)
re-manufacturing raw material	(128)
Ending goods	(25,787)
Cost of buying and selling goods	552,929
Sale of raw materials	352,503
Inventory decline returns profit	(9,680)
Total operating costs	<u>\$ 1,100,196</u>

K Laser Technology Inc.
Detailed statement of marketing expenses
Year 2021

Detailed statement XVIII

Unit: NT \$1000

Items	Amount
Salary and bonus	\$ 26,794
Freight	9,596
Commission expenses	5,803
Labor cost	4,459
Others (note)	<u>11,002</u>
	<u>\$ 57,654</u>

Note: if the balance of each account does not exceed 5% of the amount of this account, it shall be reported in a consolidated manner.

K Laser Technology Inc.
Detailed statement of management expenses
Year 2021

Detailed statement XIX

Unit: NT \$1000

Items	Amount
Salary and bonus	\$ 52,602
Labor cost	18,325
Depreciation	5,391
Others (note)	<u>13,309</u>
	<u>\$ 89,627</u>

Note: if the balance of each account does not exceed 5% of the amount of this account, it shall be reported in a consolidated manner.

K Laser Technology Inc.
Detailed statement of research and development expenses
Year 2021

Detailed statement XX

Unit: NT \$1000

Items	Amount
Salary and bonus	\$ 25,171
Research and test fee	17,159
Depreciation	12,315
Repair cost	4,276
Others (note)	<u>10,027</u>
	<u>\$ 68,948</u>

Note: if the balance of each account does not exceed 5% of the amount of this account, it shall be reported in a consolidated manner.

K Laser Technology Inc.

Detailed statement of employee welfare, depreciation and amortization expenses
incurred in the current period

Year 2021 and 2020

Detailed statement XX

Unit: New Taiwan Dollar

	Year 2021				Year 2020			
	Operating c o s t s	Operating e x p e n s e s	Non-operatin g e x p e n s e s and losses	T o t a l	Operating c o s t s	Operating e x p e n s e s	Non-operatin g e x p e n s e s and losses	T o t a l
Short-term employee benefits								
Salary expe n s e s	\$	\$	\$	\$	\$	\$	\$	\$
Labor healt h insur ance expe n s e s	\$	\$	\$	\$	\$	\$	\$	\$
Post-employe nt benefits	\$	\$	\$	\$	\$	\$	\$	\$
Director's remuneratio n	\$	\$	\$	\$	\$	\$	\$	\$
Other employee benefits	\$	\$	\$	\$	\$	\$	\$	\$
Depreciation expense								
Deprecia tion of prop erty, plant and equi pme nt	\$	\$	\$	\$	\$	\$	\$	\$
Deprecia tion of right of use asset s								

Depreciation of investment real estate	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	\$	\$	\$	\$	\$	\$	\$	\$
Amortization expense	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	\$	\$	\$	\$	\$	\$	\$	\$

Note:

1. The number of employees in this year and the previous year is 154 and 139 respectively, of which the number of directors who are not concurrently employees is 6 and 5 respectively.
2. The average employee welfare cost in 2021 was NT\$ 1,025,000, and the average employee welfare cost in 2020 was NT\$ 945,000; The average employee salary expense in 2021 was NT\$ 903,000, and the average employee salary expense in 2020 was NT\$ 831,000. The average employee salary expense increased by 8.7%.
3. Remuneration of employees, directors and supervisors

(1) The independent directors of the company receive fixed remuneration. In addition to the attendance fees for each board meeting, in accordance with Article 32 of the articles of association, if the company makes profits in the year, it shall allocate not more than 1.5% of the pre-tax profit before deducting the remuneration of employees and directors as the remuneration of directors.

According to Article 32 of the articles of association, if the company makes profits in the year, it shall allocate 4% ~ 8% of the pre-tax profit before deducting the remuneration of employees and directors as the remuneration of employees. The remuneration of managers includes salary and bonus, in which the salary refers to the level of peers and the items such as professional title, rank, academic experience, professional ability and responsibility. The bonus is considered in the performance evaluation of managers, It includes financial indicators (such as the company's revenue and the achievement rate of net profit before tax) and non-financial indicators (such as work performance, work quality, work attitude, leadership, communication and coordination, team cooperation, major deficiencies in compliance with laws and regulations and operational risk matters of the departments under its jurisdiction), which shall be approved by the chairman of the board according to the performance evaluation results according to the distribution principle recommended by the salary and remuneration committee.

The remuneration of the directors and managers of the company shall be decided by the board of directors and submitted to the report of the shareholders' meeting. However, if the company still has accumulated losses, it shall reserve the compensation amount in advance, and then allocate the remuneration of employees and directors in accordance with the preceding paragraph. The employees'

remuneration referred to in the preceding paragraph may include employees of subordinate companies who meet certain conditions.

- (2) The basis for the valuation of the amount of remuneration of employees and directors, the basis for the calculation of the number of shares of employee remuneration distributed by shares, and the accounting treatment in case of any difference between the actual distribution amount and the valuation amount in the current period:

If there is any difference between the estimated remuneration and the actual remuneration paid by the company in the past years, it shall be treated as the basis for reference when the estimated remuneration and the actual remuneration paid by the company are listed in the articles of association.

- (3) The company established an audit committee on November 5, 2013 and abolished the supervisor system, which is not applicable