

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

K Laser Technology Inc.

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

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## **Independent Auditors' Report**

The Board of Directors and Shareholders

K Laser Technology Inc.

### **Opinion**

We have audited the accompanying financial statements of K Laser Technology Inc. (the “Company”), which comprise the balance sheets as of December 31, 2022 and 2021, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements (including a summary of significant accounting policies).

In our opinion, based on our audits and the report of other auditors (as referred to in other matter paragraph), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021 and its financial performance and cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Company for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### **Recognition of Sales Revenue**

The Company's revenue mainly comes from the manufacture of laser holographic films, laser anti-counterfeiting labels, laser papers and optical instruments. In 2022, the revenue derived from sales of optical instruments was significant and the authenticity of sales revenue had a significant impact on the financial statements; therefore, the above sales revenue was identified as a key audit matter.

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

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

### **Other Matter**

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of

financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the audit committee, are responsible for overseeing the financial reporting process of the Company.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required

to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements (including the disclosures) and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine that those matters of most significance in the audit of the financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless any law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte & Touche

Huang Yi-Min, CPA

Hsu Wen-Ya, CPA

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

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

March 23, 2023

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

Unit: In Thousands of New Taiwan Dollars

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

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

Chairman: Kuo Wei-Wu

Manager: Kuo Wei-Wu

Accounting Manager: Hung Ya-Ching

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

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

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

(continued)

Code		2022		2021	
		Amount	%	Amount	%
7230	Gain (loss) on foreign exchange	62,983	4	( 17,044 )	( 1 )
7235	Gain (loss) on financial assets (liabilities) at fair value through profit or loss	( 3,988 )	-	4,594	-
7510	Interest expense	( 21,920 )	( 1 )	( 23,658 )	( 2 )
7590	Miscellaneous expense	( 11,958 )	( 1 )	( 11,789 )	( 1 )
7670	Impairment loss	( 5,150 )	-	-	-
7000	Total non-operating income and expenses	<u>\$ 224,838</u>	<u>13</u>	<u>\$ 296,563</u>	<u>22</u>
7900	Profit before tax	297,988	17	366,125	27
7950	Income tax expense (Notes 4 and 24)	( 20,709 )	( 1 )	( 2,400 )	-
8200	Profit for the year	<u>277,279</u>	<u>16</u>	<u>363,725</u>	<u>27</u>
	Other comprehensive income (loss) (Note 21)				
8310	Items that will not be reclassified subsequently to profit or loss				
8311	Remeasurement of defined benefit plans	5,343	-	( 1,297 )	-
8316	Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	3,462	-	( 229 )	-
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign financial statements	<u>100,842</u>	<u>6</u>	( 86,277 )	( 7 )
8300	Total other comprehensive income (loss)	<u>109,647</u>	<u>6</u>	( 87,803 )	( 7 )
8500	Total comprehensive income for the year	<u>\$ 386,926</u>	<u>22</u>	<u>\$ 275,922</u>	<u>20</u>
	Earnings per share (Note 25)				
	From continuing operations				
9710	Basic	<u>\$ 1.82</u>		<u>\$ 2.42</u>	
9810	Diluted	<u>\$ 1.50</u>		<u>\$ 2.14</u>	

(concluded)

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

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



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

**Unit: In Thousands of New Taiwan Dollars**

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

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

Chairman: Kuo Wei-Wu

Manager: Kuo Wei-Wu

Accounting Manager: Hung Ya-Ching

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

Unit: In Thousands of New Taiwan Dollars

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

(continued)

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

(continued)

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

(concluded)

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

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

Chairman: Kuo Wei-Wu

Manager: Kuo Wei-Wu

Accounting Manager: Hung Ya-Ching

# **K Laser Technology Inc.**

## **Notes to the Financial Statements**

**For the Years Ended December 31, 2022 and 2021**

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

### **1. General information**

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

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

### **2. Approval of financial statements**

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

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

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

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

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

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

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

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

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

Amendments to IAS 1 “Disclosure of Accounting Policies”

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

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

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

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

information in the financial statements;

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

#### Amendments to IAS 8 “Definition of Accounting Estimates”

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

#### **4. Summary of significant accounting policies**

##### **(1) Statement of compliance**

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

##### **(2) Basis of preparation**

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

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

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

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

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

Current assets include:

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

Current liabilities include:

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

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

(4) Foreign currency

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

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

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

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

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

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

(5) Inventories

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

(6) Investments accounted for using the equity method

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

1) Investments in subsidiaries

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

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

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

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

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

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

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

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

## 2) Investments in associates

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

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

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

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

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

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

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

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

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

(7) Property, plant and equipment

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

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

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

(8) Investment properties

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

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

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

(9) Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

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

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

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

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

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

(11) Non-current assets held for sale

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

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

## (12) Financial instruments

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

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

### 1. Financial assets

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

#### (1) Type of measurement categories

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

##### A. Financial assets at FVTPL

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

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

##### B. Financial assets at amortized cost



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

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

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

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

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

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

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

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

#### C. Investments in equity instruments at FVTOCI

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

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

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

#### (2) Impairment of financial assets

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

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

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

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

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

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

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

### (3) Derecognition of financial assets

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

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

## 2. Equity instruments

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

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

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

cancellation of the Company's own equity instruments.

### 3. Financial liabilities

#### (1) Subsequent measurement

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

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

#### (2) Derecognition of financial liabilities

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

### 4. Convertible bonds

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

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

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

### (13) Liability provisions

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

#### (14) Revenue recognition

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

##### Revenue from the sale of goods

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

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

#### (15) Leases

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

##### 1. The Company as lessor

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

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

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

##### 2. The Company as lessee

The Company recognizes right-of-use assets and lease liabilities

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

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

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

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

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

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

#### (16) Borrowing costs

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

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

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

(17) Employee benefits

1. Short-term employee benefits

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

2. Retirement benefits

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

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur or when the plan amendment or curtailment occurs. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

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

3. Other long-term employee benefits

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

(18) Share-based payment arrangements

The fair value at the grant date of the employee share options/restricted shares for employees is expensed on a straight-line basis over the

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

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

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

The restricted shares granted by the Company to employees of subsidiaries in the form of equity instruments are considered as a capital injection into the subsidiary, which are measured based on the fair value of the equity instruments on the grant date and recognized as an increase in the carrying amount of investments in subsidiaries during the vesting period, with corresponding adjustments to other equity (unearned employee benefits).

#### (19) Treasury shares

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

The Company's shares held by subsidiaries are treated as treasury shares.

#### (20) Taxation

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

##### 1. Current tax



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

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

## 2. Deferred tax

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

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

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

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

### 3. Current and deferred taxes

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

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

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

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

### 6. Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand and revolving funds	\$ 8,084	\$ 6,325
Bank checks and demand deposits	<u>269,039</u>	<u>266,291</u>
	<u>\$ 277,123</u>	<u>\$ 272,616</u>

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Demand deposits	0.001%-1.05%	0.001%-0.10%

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Other current assets (Note 17)		
Guarantee deposits for land lease of Hsinchu Science Park	\$ -	\$ 5,000
Bank's short-term loan guarantee	<u>95,527</u>	<u>112,934</u>
	<u>\$ 95,527</u>	<u>\$117,934</u>
Other non-current assets (Note 17)		
Guarantee deposits for land lease of Hsinchu Science Park	\$ 5,000	\$ 5,000
Issuance of guaranteed bonds	<u>189,368</u>	<u>173,277</u>
	<u>\$194,368</u>	<u>\$178,277</u>

**7. Financial instruments at fair value through profit or loss**

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Mandatorily measured at FVTPL</u>		
Derivatives (not under hedge accounting)		
Redemption right of convertible bonds (Note 19)	\$ 315	\$ 3,134
Hybrid financial assets		
Corporate bonds	<u>6,161</u>	<u>-</u>
Financial assets at FVTPL	<u>\$ 6,476</u>	<u>\$ 3,134</u>
Current	\$ 315	\$ 3,134
Non-current	<u>6,161</u>	<u>-</u>
	<u>\$ 6,476</u>	<u>\$ 3,134</u>
<u>Financial liabilities held for trading - non-current</u>		
Derivatives (not under hedge accounting)		
Convertible option of corporate bonds (Note 19)	<u>\$ 1,366</u>	<u>\$ 855</u>

**8. Financial assets at fair value through other comprehensive income**

Investments in equity instruments - non-current

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Domestic investments - unlisted shares		
CDIB Capital Healthcare Ventures Corporation	\$ 33,317	\$ 26,726
Mega Plastic Industry Co., Ltd.	-	2,007
Foreign investments - unlisted shares		
FOODFAB GROUP LIMITED	<u>5,615</u>	<u>-</u>
	<u>\$ 38,932</u>	<u>\$ 28,733</u>

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

#### **9. Notes receivable and trade receivables**

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Notes receivable</u>		
At amortized cost		
Gross carrying amount	<u>\$ 9,075</u>	<u>\$ 8,638</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 93,186	\$ 113,051
Less: loss allowance	( <u>4,746</u> )	( <u>39,820</u> )
	<u>\$ 88,440</u>	<u>\$ 73,231</u>
<u>Trade receivables from related parties (Note 29)</u>		
At amortized cost		
Gross carrying amount	\$ 159,078	\$ 201,719
Less: loss allowance	<u>-</u>	<u>-</u>
	<u>\$ 159,078</u>	<u>\$ 201,719</u>

##### **(1) Notes receivable**

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

##### **(2) Trade receivables**

The average credit period on sales of goods is 60 to 90 days after month closing. No interest was charged on accounts receivable. The Company continues to monitor its exposure and credit ratings of counterparties.

In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the year to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced.

As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's different customer base. The expected credit loss rates are estimated based on past due days of the accounts receivable.

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

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Not overdue	\$ 249,930	\$ 277,867
1 to 60 days	1,403	12,587
61 to 90 days	-	6,680
91 to 180 days	30	13,886
181 to 360 days	-	3,747
Over 361 days	<u>901</u>	<u>3</u>
Total	<u>\$ 252,264</u>	<u>\$ 314,770</u>

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

	<u>2022</u>	<u>2021</u>
Balance at January 1	\$ 39,820	\$111,103
Add: Expected credit loss (reversed)	238	( 61,138)
Less: Amounts written off	( <u>35,312</u> )	( <u>10,145</u> )
Balance at December 31	<u>\$ 4,746</u>	<u>\$ 39,820</u>

In January 2021, the Company exchanged trade receivables of Boxlight Corporation which had a carrying amount of US\$1,626 thousand (US\$1,983 thousand less provision for impairment loss of US\$357

thousand) for 793,000 shares of Boxlight Corporation and recorded it as non-current assets held for sale.

**10. Inventories**

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Finished goods	\$ 20,144	\$ 19,994
Work in process	1,832	2,472
Raw materials	53,329	37,214
Merchandise	<u>28,672</u>	<u>24,970</u>
	<u>\$ 103,977</u>	<u>\$ 84,650</u>

The cost of goods sold for the years ended December 31, 2022 and 2021 amounted to \$1,456,911 thousand and \$1,100,196 thousand, respectively.

The cost of goods sold after deducting reversal of net realizable value for the years ended December 31, 2022 and 2021 amounted to \$5,829 thousand and \$9,680 thousand, respectively. The increase in net realizable value of inventory was due to the reversal of inventory previously written down for impairment.

**11. Non-current assets held for sale**

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Boxlight Corporation	<u>\$ 6,735</u>	<u>\$ 27,960</u>

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

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

**12. Investments accounted for using the equity method**

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Investments in subsidiaries	\$ 3,696,585	\$ 3,613,532
Investments in associates	<u>153,302</u>	<u>137,945</u>
	<u>\$ 3,849,887</u>	<u>\$ 3,751,477</u>

(1) Investments in subsidiaries

The Company's subsidiaries are as follows:

Name of Subsidiary	Nature of Activities	Principal Place of Business	December 31, 2022		December 31, 2021	
			Carrying Amount	Proportion of Ownership (%)	Carrying Amount	Proportion of Ownership (%)
<u>Listed company</u>						
Optivision Technology Inc. (Note 1)	Manufacture and sales of optical instruments and electronic components, etc.	Hsinchu City	\$ 426,157	45	\$ 574,422	42
<u>Non-listed company</u>						
K Laser China Group Co., Ltd.	Reinvestment business	British Virgin Islands	2,317,263	100	743,919	100
K Laser International Co., Ltd.	Reinvestment business	British Virgin Islands	810,426	100	2,121,577	100
iWin Technology Co., Ltd.	Reinvestment business	British Virgin Islands	10,963	49	14,851	49
Insight Medical Solutions Inc.	R&D and sales of gastrointestinal endoscopy and other businesses	Hsinchu City	116,175	41	142,474	45
Guang Feng International Ltd.	Reinvestment company	Samoa	<u>15,601</u>	100	<u>16,289</u>	100
			<u>\$3,696,585</u>		<u>\$3,613,532</u>	

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

The market value information of the equity investments in listed company accounted for using the equity method as of the balance sheet date based on the closing price of shares is as follows:

Name of Company	December 31, 2022	December 31, 2021
Optivision Technology Inc.	<u>\$ 458,128</u>	<u>\$ 817,073</u>

- 1) K Laser International Co., Ltd. was established in October 2000 in the British Virgin Islands and is a wholly-owned subsidiary of the Company. In 2022, the Company increased its capital contribution to K Laser International Co., Ltd. by US\$800,000. As of December 31, 2022 and 2021, the Company's cumulative investment amount in K Laser International Co., Ltd. was US\$20,341 thousand. The business of K Laser International Co., Ltd. mainly involves investment and the Company indirectly invests in overseas regions such as America and Asia through K Laser International Co., Ltd., which mainly engaged in the production, sales, and investment of holographic products, fiber optic communication components, and related businesses.
- 2) K Laser China Group Co., Ltd. was established in October 2000 in the British Virgin Islands and is a wholly-owned subsidiary of the Company. As of December 31, 2022 and 2021, the Company's cumulative investment amount in K Laser China Group Co., Ltd. was US\$21,289 thousand, with a shareholding ratio of 100%. The business of K Laser China Group Co., Ltd. mainly involves investment and the Company indirectly invests in companies such as K Laser Technology (Wuxi) Co., Ltd., K Laser Technology (Dongguan) Co., Ltd., Hunan Herui Laser Technology Co., Ltd., and K Laser Technology (Hong Kong) Co., Ltd., which mainly

engaged in the production and sales of laser technology products. The aforementioned indirect investments in mainland China had been approved by the Investment Review Committee of the Ministry of Economic Affairs.

## (2) Investments in associates

The Company's associates are as follows:

Name of Subsidiary	Nature of Activities	Principal Place of Business	December 31, 2022		December 31, 2021	
			Carrying Amount	Proportion of Ownership (%)	Carrying Amount	Proportion of Ownership (%)
Vicome Corp.	Manufacture, processing and trading of fluorescent pigments and dyes	Yunlin County	<u>\$ 153,302</u>	30	<u>\$ 137,945</u>	30

Information on the Company's associates is as follows:

	December 31, 2022	December 31, 2021
Total assets	<u>\$ 645,625</u>	<u>\$ 628,889</u>
Total liabilities	<u>\$ 138,168</u>	<u>\$ 172,266</u>
	2022	2021
Operating revenue	<u>\$ 136,506</u>	<u>\$ 168,523</u>
Net profit	<u>\$ 56,219</u>	<u>\$ 66,897</u>
Other comprehensive income (loss)	<u>\$ 14,616</u>	<u>(\$ 7,720)</u>

The Company's share of profit or loss and other comprehensive income or loss accounted for using the equity method were recognized based on the audited financial statements of the associates for the same periods.

The investment gains and losses from long-term equity investments are recognized by using the equity method. We did not audit the financial statements of Vicome Corp., Amagic Technologies U.S.A. (Dubai) and K Laser Technology (H.K.) Co., Ltd. for the years ended December 31, 2022 and 2021, as well as the financial statements of Insight Medical Solutions Inc. for the year ended December 31, 2021, but such statements were audited by other auditors. As of December 31, 2022 and 2021, the amounts of equity-method investments were NT\$290,612 thousand and NT\$397,729 thousand, respectively. The share of profit (loss) of associates accounted by using the equity method for the years ended December 31, 2022 and 2021 amounted to NT\$20,138 thousand and NT\$(52,908) thousand, respectively.



### 13. Property, plant and equipment

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Buildings	\$ 92,779	\$ 97,342
Machinery equipment	13,847	18,343
Other equipment	60,098	49,526
Unfinished construction and equipment	<u>-</u>	<u>501</u>
	<u>\$ 166,724</u>	<u>\$ 165,712</u>

	<u>Buildings</u>	<u>Machinery Equipment</u>	<u>Other Equipment</u>	<u>Unfinished Construction and Equipment</u>	<u>Total</u>
<u>Cost</u>					
Balance at January 1, 2022	\$ 339,609	\$ 152,110	\$ 163,607	\$ 501	\$ 655,827
Additions	2,025	2,824	24,539	-	29,388
Disposals	-	-	( 10,041 )	-	( 10,041 )
Reclassification	<u>501</u>	<u>-</u>	<u>-</u>	<u>( 501 )</u>	<u>-</u>
Balance at December 31, 2022	<u>\$ 342,135</u>	<u>\$ 154,934</u>	<u>\$ 178,105</u>	<u>\$ -</u>	<u>\$ 675,174</u>
<u>Accumulated depreciation and impairment</u>					
Balance at January 1, 2022	\$ 242,267	\$ 133,767	\$ 114,081	\$ -	\$ 490,115
Depreciation expenses	7,089	7,320	13,967	-	28,376
Disposals	-	-	( 10,041 )	-	( 10,041 )
Reclassification	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2022	<u>\$ 249,356</u>	<u>\$ 141,087</u>	<u>\$ 118,007</u>	<u>\$ -</u>	<u>\$ 508,450</u>
111 年 12 月 31 日 淨額	<u>\$ 92,779</u>	<u>\$ 13,847</u>	<u>\$ 60,098</u>	<u>\$ -</u>	<u>\$ 166,724</u>
<u>Cost</u>					
Balance at January 1, 2021	\$ 339,149	\$ 151,133	\$ 125,069	\$ 5,849	\$ 621,200
Additions	718	3,282	33,897	501	38,398
Disposals	-	-	( 175 )	( 3,396 )	( 3,571 )
Reclassification	<u>( 258 )</u>	<u>( 2,305 )</u>	<u>4,816</u>	<u>( 2,453 )</u>	<u>( 200 )</u>
Balance at December 31, 2021	<u>\$ 339,609</u>	<u>\$ 152,110</u>	<u>\$ 163,607</u>	<u>\$ 501</u>	<u>\$ 655,827</u>
<u>Accumulated depreciation and impairment</u>					
Balance at January 1, 2021	\$ 235,362	\$ 128,044	\$ 98,737	\$ -	\$ 462,143
Depreciation expenses	6,916	8,166	13,032	-	28,114
Disposals	-	-	( 142 )	-	( 142 )
Reclassification	<u>( 11 )</u>	<u>( 2,443 )</u>	<u>2,454</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2021	<u>\$ 242,267</u>	<u>\$ 133,767</u>	<u>\$ 114,081</u>	<u>\$ -</u>	<u>\$ 490,115</u>
Carrying amount at December 31, 2021	<u>\$ 97,342</u>	<u>\$ 18,343</u>	<u>\$ 49,526</u>	<u>\$ 501</u>	<u>\$ 165,712</u>

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

Buildings	
Housing and construction	25 to 50 years
Ancillary equipment	2 to 10 years
Machinery equipment	2 to 10 years
Other equipment	3 to 11 years

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Housing and construction	\$ 92,779	\$ 97,342
Investment properties	<u>35,311</u>	<u>36,590</u>
	<u>\$ 128,090</u>	<u>\$ 133,932</u>

#### 14. Lease arrangements

##### (1) Right-of-use assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Carrying amount		
Land	\$ 60,632	\$ 65,148
Buildings	543	1,713
Transportation equipment	<u>2,483</u>	<u>3,924</u>
	<u>\$ 63,658</u>	<u>\$ 70,785</u>
	<u>2022</u>	<u>2021</u>
Additions to right-of-use assets	<u>\$ -</u>	<u>\$ 3,655</u>
Depreciation charge for right-of-use assets		
Land	\$ 4,042	\$ 4,072
Buildings	657	856
Transportation equipment	<u>1,441</u>	<u>1,571</u>
	<u>\$ 6,140</u>	<u>\$ 6,499</u>

##### (2) Lease liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Carrying amount		
Current	<u>\$ 5,651</u>	<u>\$ 6,023</u>
Non-current	<u>\$ 59,754</u>	<u>\$ 66,131</u>

Range of discount rate for lease liabilities was as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Land	1.55%	1.4%
Buildings	1.5%	1.5%
Transportation equipment	1.5%-1.83%	1.5%-1.83%

##### (3) Other lease information

	<u>2022</u>	<u>2021</u>
Expenses relating to low-value asset leases	<u>\$ 188</u>	<u>\$ 189</u>
Total cash outflow for leases	<u>\$ 7,011</u>	<u>\$ 7,324</u>

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

**15. Investment properties**

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Investment properties	<u>\$ 35,311</u>	<u>\$ 36,590</u>
	<u>2022</u>	<u>2021</u>
<u>Cost</u>		
Balance at January 1	<u>\$ 130,902</u>	<u>\$ 130,902</u>
Balance at December 31	<u>\$ 130,902</u>	<u>\$ 130,902</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Accumulated depreciation and impairment</u>		
Balance at January 1	\$ 94,312	\$ 93,033
Depreciation expenses	<u>1,279</u>	<u>1,279</u>
Balance at December 31	<u>\$ 95,591</u>	<u>\$ 94,312</u>

The abovementioned investment properties are depreciated on a straight-line basis over their estimated useful lives as follows:

Housing and construction	50 years
Ancillary equipment	10 years

The fair values of investment properties were \$92,130 thousand and \$95,386 thousand on December 31, 2022 and 2021, respectively, were based on the valuation of appraisal reports.

**16. Other intangible assets**

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Carrying amount</u>		
Computer software	<u>\$ 1,315</u>	<u>\$ 1,684</u>
	<u>2022</u>	<u>2021</u>
<u>Cost</u>		
Balance at January 1	\$ 4,798	\$ 4,809
Disposals	( <u>26</u> )	( <u>11</u> )
Balance at December 31	<u>\$ 4,772</u>	<u>\$ 4,798</u>
<u>Accumulated amortization and impairment</u>		
Balance at January 1	\$ 3,114	\$ 2,416
Amortization expenses	369	709
Disposals	( <u>26</u> )	( <u>11</u> )
Balance at December 31	<u>\$ 3,457</u>	<u>\$ 3,114</u>

The above intangible assets are amortized on a straight-line basis over their estimated useful lives of 3 to 5 years.

## 17. Other assets

	December 31, 2022	December 31, 2021
Residual income tax	\$ 2,091	\$ -
Prepaid expenses	12,357	14,293
Prepayments for equipment	5,321	200
Refundable deposits	8,656	14,409
Restricted assets (Note 6)	289,895	296,211
Others	<u>1,942</u>	<u>2,453</u>
	<u>\$ 320,262</u>	<u>\$ 327,566</u>
Current	\$ 109,975	\$ 133,354
Non-current	<u>210,287</u>	<u>194,212</u>
	<u>\$ 320,262</u>	<u>\$ 327,566</u>

## 18. Borrowings

### (1) Short-term borrowings

	December 31, 2022		December 31, 2021	
	Interest Rate	Amount	Interest Rate	Amount
Line of credit borrowings	1.41%-1.82%	\$ 320,000	0.85%-1%	\$ 350,000
Secured loans (Note 30)	1.67%	<u>70,000</u>	0.34%	<u>100,000</u>
		<u>\$ 390,000</u>		<u>\$ 450,000</u>

On December 31, 2022 and 2021, line of credit borrowings from banks were jointly guaranteed by Mr. Kuo Wei-Wu, who is the chairman of the Company, and the loans from banks were secured by bank deposits; refer to Note 30.

### (2) Short-term bills payable

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

Outstanding short-term bills payable were as follows:

December 31, 2022

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

December 31, 2021

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

On December 31, 2022 and 2021, the short-term bills payable were jointly guaranteed by Mr. Kuo Wei-Wu, who is the chairman of the Company.

(3) Long-term borrowings

	<u>December 31, 2022</u>		<u>December 31, 2021</u>	
	<u>Interest Rate (%)</u>	<u>Amount</u>	<u>Interest Rate (%)</u>	<u>Amount</u>
<u>Secured loans</u>				
Hua Nan Commercial Bank				
Mortgage loan, interest is paid monthly from August 2021 to September 2023 and principal is paid upon maturity, 2 years extension of repayment period from September 2022, expiration date is September 2024.	1.53	\$ 494,000	1.08	\$ 350,000
O-Bank				
Mortgage loan, interest is paid monthly from December 2022 to November 2024 and principal is paid upon maturity.	1.85	50,000	-	-

(continued)

		December 31, 2022		December 31, 2021	
		Interest Rate (%)	Amount	Interest Rate (%)	Amount
<u>Unsecured loans</u>					
JihSun Bank					
Credit loan, interest is paid monthly from November 2018 to November 2020 and principal is paid upon maturity, extension of repayment period from November 2020 and November 2021, expiration date is November 2023. It was fully repaid in March 2022.		-	\$ -	1.15	\$ 44,000
JihSun Bank					
Credit loan, interest is paid monthly from June 2022 to November 2023 and principal is paid upon maturity, extension of repayment period from December 2022, expiration date is December 2024.		1.78	50,000	-	-
Taipei Fubon Bank					
Credit loan, interest is paid monthly from December 2021 to May 2023 and principal is paid upon maturity, it was fully repaid in June 2022.		-	-	1.04	100,000
Yuanta Commercial Bank					
Credit loan, interest is paid monthly from March 2021 to March 2023 and principal is paid upon maturity, it was fully repaid in March 2022.		-	-	1.05	100,000
Cathay United Bank					
Credit loan, interest is paid monthly from January 2021 to October 2022 and principal is paid upon maturity, extension of repayment period from October 2021 and November 2022, expiration date is November 2024.		1.77	150,000	0.93	150,000
O-Bank					
Credit loan, interest is paid monthly from October 2021 to October 2023 and principal is paid upon maturity, 2 years extension of repayment period from November 2022, expiration date is November 2024.		1.81	50,000	1.19	50,000
CTBC Bank					
Credit loan, interest is paid monthly from June 2022 to August 2023 and principal is paid upon maturity, 2 years extension of repayment period from August 2022, expiration date is August 2024.		1.77	50,000	-	-
			<u>\$ 844,000</u>		<u>\$ 794,000</u>

(concluded)

The abovementioned long-term loans were jointly guaranteed by Mr. Kuo Wei-Wu, the chairman of the Company. The loans from Hua Nan Commercial Bank were secured by property, plant and equipment, and investment properties. The loans from O-Bank were secured by bank deposits from the Company's wholly-owned reinvestment company.

## 19. **Bonds payable**

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

On March 24, 2022, the Company issued 6,000 units of NTD-denominated secured convertible bonds with 101% of face value and 0% coupon rate. The total issuance amount was \$606,000 thousand.

(23) The conditions of the Company's 6<sup>th</sup> domestic convertible bonds are as follows:

1. Issue period: 5 years, from March 24, 2022 to March 24, 2026.
2. Face value: NT\$100 thousand.
3. Place of issuance and trading: Domestic
4. Issue price: 101%
5. Total issuance amount: NT\$600,000 thousand
6. Coupon rate: 0%; effective rate: 0.75%
7. Conversion rights and targets: Convert into ordinary shares of the Company according to conversion price at the time of request
8. Collateral: \$189,368 thousand of pledged bank deposits and 10,000 thousand shares of Optivision Technology Inc.
9. Bonds redemption and buy-back procedures:
  - (1) Redemption at maturity: the principal will be repaid according to face value.
  - (2) Early redemption:  
The Company may, from the day after three months since the bond issuance until 40 days before the end of the issuance period, redeem all bonds at face value in cash if either the closing price of the Company's ordinary shares on the Taiwan Stock Exchange has exceeded the conversion price by 30% or more for thirty consecutive business days or if the outstanding balance of the convertible bonds in circulation is less than 10% of the original total issuance amount.

(23) Buy-back method:

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

10. Conversion price and adjustment:

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

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

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

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

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



The aforementioned convertible bonds are guaranteed by Taichung Commercial Bank Co., Ltd. and secured by bank deposits provided by the Company. Mr. Kuo Wei-Wu, the chairman of the Company, is the joint guarantor; refer to Notes 6, 29, and 30 for more details.

## 20. Other payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Payables for salaries	\$ 18,843	\$ 19,744
Payables for interests	701	301
Payables for employees' compensation and directors' remuneration	24,161	29,800
Payables for labor fee	2,219	1,752
Payables for purchase of equipment	890	1,143
Payables for processing fee	2,990	2,548
Others	<u>31,699</u>	<u>37,348</u>
	<u>\$ 81,503</u>	<u>\$ 92,636</u>

## 21. Retirement benefit plans

### (1) Defined contribution plan

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

As of December 31, 2022 and 2021, the Company recognized total expenses of \$5,308 thousand and \$5,115 thousand, respectively, in the statements of comprehensive income based on specified proportion of the defined contribution plan.

### (2) Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Act is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds,

Ministry of Labor (the “Bureau”); the Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company’s defined benefit plans are as follows:

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

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

	<u>Present Value of Defined Benefit Obligation</u>	<u>Fair Value of Plan Assets</u>	<u>Net Defined Benefit Liabilities (Assets)</u>
Balance at January 1, 2021	<u>\$ 44,619</u>	<u>( \$ 25,731 )</u>	<u>\$ 18,888</u>
Service cost			
Current service cost	459	-	459
Interest expense (income)	<u>223</u>	<u>( 130 )</u>	<u>93</u>
Recognized in profit or loss	<u>682</u>	<u>( 130 )</u>	<u>552</u>
Remeasurement			
Return on plan assets	-	( 323 )	( 323 )
Actuarial loss – change in demographic assumptions	1,443	-	1,443
Actuarial loss – change in financial assumptions	( 509 )	-	( 509 )
Actuarial loss – experience adjustments	<u>686</u>	<u>-</u>	<u>686</u>
Recognized in other comprehensive income	<u>1,620</u>	<u>( 323 )</u>	<u>1,297</u>
Contributions from employer		( 579 )	579
Benefits paid	( 908 )	<u>908</u>	<u>-</u>
Balance at December 31, 2021	<u>46,013</u>	<u>( 25,855 )</u>	<u>20,158</u>
Service cost			
Current service cost	471	-	471
Interest expense (income)	<u>288</u>	<u>( 163 )</u>	<u>125</u>
Recognized in profit or loss	<u>759</u>	<u>( 163 )</u>	<u>596</u>
Remeasurement			
Return on plan assets	-	( 2,049 )	( 2,049 )
Actuarial loss – change in demographic assumptions	206	-	206

(continued)

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Liabilities (Assets)
Actuarial loss – change in financial assumptions	(\$ 2,863)	-	(\$ 2,863)
Actuarial loss – experience adjustments	( 637)	-	( 637)
Recognized in other comprehensive income	( 3,294)	( 2,049)	( 5,343)
Contributions from employer	-	( 599)	( 599)
Balance at December 31, 2022	<u>\$ 43,478</u>	<u>(\$ 28,666)</u>	<u>\$ 14,812</u>

(concluded)

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

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

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

23) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets shall not be below the interest rate for a 2-year time deposit with local banks.

23) Interest risk: A decrease in interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.

23) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

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

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

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

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

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Expected contributions to the plans for the next year	\$ 554	\$ 556
Average duration of the defined benefit obligation	10.10 years	11.03 years

## 22. Equity

### (1) Share capital

#### Ordinary shares

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

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

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

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

## (2) Capital surplus

The balance of capital surplus for the years ended December 31, 2022 and 2021 was as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Share premium	\$ 481,679	\$ 467,997
Treasury share transactions	10,420	28,216
The difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	93,210	93,210
May only be used to offset a deficit (2)		
Changes in percentage of ownership interests in subsidiaries	54,283	61,961
May not be used for any purpose		
Share options	17,759	19,262
Employee restricted shares	<u>32,617</u>	<u>38,913</u>
	<u>\$ 689,968</u>	<u>\$ 709,559</u>

23)Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus).

23)Such capital surplus arises from the effects of changes in ownership interests in subsidiaries resulting from equity transactions other than actual disposals or acquisitions or from changes in capital surplus of subsidiaries accounted for using the equity method.

### (3) Retained earnings and dividends policy

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

The Company shall appropriate a special reserve in accordance with the provisions of the Financial Supervisory Commission's letter No. 1010012865, No. 1010047490, and No. 1030006415, as well as the "Questions and Answers on the Application of Setting Up a Special Reserve after Adopting International Financial Reporting Standards (IFRSs)". If there is a subsequent reversal of other deductions from shareholders' equity, the surplus may be distributed based on the reversed portion.

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

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

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

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

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

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

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

#### (4) Other equity items

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

	2022	2021
Balance at January 1	( \$ 373,245 )	( \$ 287,085 )
Exchange differences on the translation of the net assets of foreign operations	100,842	( 86,277 )
Disposal of partial interests in subsidiaries	-	117
Balance at December 31	( \$ 272,403 )	( \$ 373,245 )

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

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

	2022	2021
Balance at January 1	(\$ 30,640)	(\$ 30,403)
Unrealized valuation gains on equity investments measured at fair value through other comprehensive income	9,591	2,749
Share of other comprehensive income and loss of equity- method associates	( 6,129)	( 2,978)
Disposal of partial interests in subsidiaries	-	( 8)
Transfer of accumulated gain and loss from disposal of equity investments to retained earnings	<u>994</u>	<u>-</u>
Balance at December 31	(\$ <u>26,184</u> )	(\$ <u>30,640</u> )

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

### 3) Unearned employee benefits

In the meeting on July 2, 2021, the Company's shareholders approved a restricted share plan for employees (see Note 26).

	2022	2021
Balance at January 1	(\$ 72,873)	\$ -
Issuance of shares	-	( 88,913)
Change in ownership interest of subsidiaries	21,925	11,068
Share-based payment expenses recognized	<u>9,850</u>	<u>4,972</u>
Balance at December 31	(\$ <u>41,098</u> )	(\$ <u>72,873</u> )

### (5) Treasury shares

#### 1) The changes in treasury shares are as follows:



Unit: In New Taiwan Dollars

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

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

### 23. Net profit (loss) from continuing operations

#### Employee benefits expense, depreciation and amortization expenses

2022				
	Operating Costs	Operating Expenses	Non-operating Expenses and Losses	Total
Short-term benefits	\$ 42,091	\$ 109,533	\$ -	\$ 151,624
Post-employment benefits	\$ 2,132	\$ 3,772	\$ -	\$ 5,904
Termination benefits	\$ 111	\$ 19	\$ -	\$ 130
Other employee benefits	\$ 1,013	\$ 1,191	\$ -	\$ 2,204
Depreciation expenses				
Property, plant and equipment	\$ 11,809	\$ 16,567	\$ -	\$ 28,376
Right-of-use assets	1,591	3,210	1,339	6,140
Investment properties	-	-	1,279	1,279
	<u>\$ 13,400</u>	<u>\$ 19,777</u>	<u>\$ 2,618</u>	<u>\$ 35,795</u>
Amortization expenses	\$ -	\$ 369	\$ -	\$ 369

(continued)

2021				
	Operating Costs	Operating Expenses	Non-operating Expenses and Losses	Total
Short-term benefits	\$ 41,834	\$ 109,313	\$ -	\$ 151,147
Post-employment benefits	\$ 2,109	\$ 3,558	\$ -	\$ 5,667
Termination benefits	\$ 199	\$ 59	\$ -	\$ 258
Other employee benefits	\$ 836	\$ 978	\$ -	\$ 1,814
Depreciation expenses				
Property, plant and equipment	\$ 13,155	\$ 14,959	\$ -	\$ 28,114
Right-of-use assets	1,601	3,351	1,547	6,499
Investment properties	-	-	1,279	1,279
	\$ 14,756	\$ 18,310	\$ 2,826	\$ 35,892
Amortization expenses	\$ -	\$ 709	\$ -	\$ 709
				(concluded)

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

Estimated rate

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

Amount

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

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

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

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

## 24. Income taxes relating to continuing operations

### (1) Income tax recognized in profit or loss

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

	<u>2022</u>	<u>2021</u>
Current tax		
In respect of the current year	\$ 25,750	\$ 2,400
Income tax on unappropriated earnings	1,055	-
Adjustments for prior year	73	-
Deferred tax		-
In respect of the current year	( 6,169 )	-
Income tax expense (benefit) recognized in profit or loss	<u>\$ 20,709</u>	<u>\$ 2,400</u>

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

	<u>2022</u>	<u>2021</u>
Profit before tax from continuing operations	<u>\$ 297,988</u>	<u>\$ 366,125</u>
Income tax expense calculated at the statutory rate	\$ 59,500	\$ 73,000
Investment interests recognized using the equity method	( 18,700 )	( 44,700 )
Dividends from foreign investments	19,900	22,400
Withholding tax on foreign dividends	( 7,700 )	( 9,900 )
Disposal of interests in foreign investments	( 11,800 )	( 23,900 )
Unrecognized loss carryforwards	( 9,000 )	( 5,900 )
Unappropriated earnings	1,055	-
Others	<u>( 12,546 )</u>	<u>( 8,600 )</u>
Income tax expense recognized in profit or loss	<u>\$ 20,709</u>	<u>\$ 2,400</u>

### (2) Current tax assets and liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current tax assets		
Tax refund receivable	<u>\$ 47</u>	<u>\$ 208</u>
Current tax liabilities		
Income tax payable	<u>\$ 26,615</u>	<u>\$ -</u>

(3) Deferred tax assets and liabilities

	December 31, 2022	December 31, 2021
Temporary differences	<u>\$ 15,569</u>	<u>\$ 9,400</u>
Deferred tax assets	<u>\$ 15,569</u>	<u>\$ 9,400</u>

(4) Income tax assessments

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

**25. Earnings per share**

The calculation of basic and diluted earnings per share for the years ended December 31, 2022 and 2021 is disclosed as follows:

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

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

**26. Share-based payment arrangements**

Restricted shares for employees

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

- 1) Employees who receive new shares but have not yet met the vested conditions are subject to the following restrictions:

- a) The restricted shares cannot be sold, pledged, transferred, gifted, or disposed of in any other way, except by inheritance.
  - b) The attendance, proposal, speech, voting, and election rights of the shareholders' meeting are the same as those of the ordinary shares issued by the Company and are implemented in accordance with the trust custody agreement.
  - c) They do not have the rights to receive any profits (including but not limited to dividends, legal reserves, and capital reserve distribution rights) or subscription rights for cash capital increase.
  - d) If the cash is refunded due to the Company's capital reduction, the refund that has not been vested due to the allotment shall be delivered to the trust. When the vested conditions and deadlines are met, the vested shares will be delivered to the employees without interests. However, if the vested conditions are not met within the deadlines, the Company will reclaim the cash.
- 2) The restricted shares issued by the Company are subject to the following conditions: Employees who are allocated shares on the grant date (i.e., August 10, 2022) will receive vested rights of 15%, 15%, 20%, 20%, and 30% if they are still employed and achieve the operational goals set by the Company after 1 to 5 years, respectively. If the vested conditions are not met during the period, the Company will not reclaim the restricted shares for that year and will continue to deliver them to the trust for safekeeping. If the operational goals set by the Company are achieved in the fifth year, all the restricted shares can be fully vested.
  - 3) Equity-settled share-based payments to employees are measured based on the fair value of equity instruments on the grant date.
  - 4) When the vested conditions are not met, or in the event of voluntary resignation, dismissal, termination, or violation of the issuance regulations, the Company will retrieve the shares that have not been vested at no cost and cancel them.

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

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

Compensation costs recognized were \$9,850 thousand and \$4,972 thousand for the years ended December 31, 2022 and 2021, respectively.

## 27. Capital management

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

## 28. Financial instruments

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

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

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

#### 1) Fair value hierarchy

#### December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivatives	\$ -	\$ -	\$ 315	\$ 315
Corporate bonds	<u>6,161</u>	<u>-</u>	<u>-</u>	<u>6,161</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 315</u>	<u>\$ 6,476</u>
Financial assets at FVTOCI				
Investments in equity instruments				
- Foreign unlisted shares	\$ -	\$ -	\$ 5,615	\$ 5,615
- Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>33,317</u>	<u>33,317</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,932</u>	<u>\$ 38,932</u>
Financial liabilities at FVTPL				
Derivatives	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,366</u>	<u>\$ 1,366</u>

#### December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivatives	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,134</u>	<u>\$ 3,134</u>

(continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at FVTOCI				
Investments in equity instruments				
- Domestic unlisted shares	\$ <u>-</u>	\$ <u>-</u>	\$ <u>28,733</u>	\$ <u>28,733</u>
Financial liabilities at FVTPL				
Derivatives	\$ <u>-</u>	\$ <u>-</u>	\$ <u>855</u>	\$ <u>855</u>

(concluded)

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

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

(3) Categories of financial instruments

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
At amortized cost		
Cash and cash equivalents	\$ 277,123	\$ 272,616
Notes and accounts receivable (related parties)	256,593	283,588
Other receivables	40,569	3,267
Refundable deposits	8,656	14,409
Restricted assets	289,895	296,211

(continued)

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Financial assets at FVTPL		
- current	\$ 315	\$ 3,134
Financial assets at FVTPL		
- non-current	6,161	-
Financial assets at		
FVTOCI – non-current	38,932	28,733
<u>Financial liabilities</u>		
At amortized cost		
Short-term borrowings	390,000	450,000
Short-term notes payable	99,979	159,948
Notes and accounts		
payable (related parties)	241,409	239,326
Other payables (related		
parties)	81,503	92,636
Long-term borrowings		
(including due within 1		
year)	844,000	794,000
Bonds payable	512,791	552,053
Guarantee deposits		
(classified as other non-		
current liabilities –		
others)	942	942
Financial liabilities at		
FVTPL – non-current	1,366	855
		(concluded)

#### (4) Financial risk management objectives and policies

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

##### 1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. There has been no change to the Company's exposure to market risks or the manner in which these risks are managed and measured.

##### a) Foreign currency risk



The management of foreign exchange rate risk arising from foreign currency transactions of the Company is conducted within the scope permitted by the regulations of the process for handling derivative financial instrument transactions, by using forward foreign exchange contracts to manage risk. For non-functional currency-denominated monetary assets and monetary liabilities of the Company on the balance sheet date, refer to Note 31. The sensitivity analysis of the Company only includes foreign currency monetary items in circulation and adjusts their year-end conversion by increasing the pre-tax profit and loss when the exchange rate of each foreign currency appreciates by 1% relative to the New Taiwan Dollar; when it depreciates by 1%, the impact on the pre-tax profit and loss will be a negative amount of the same value.

	USD Impact	
	2022	2021
Profit or loss	\$ 2,251	\$ 2,930

b) Interest rate risk

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash flow interest rate risk		
Financial assets	\$ 95,527	\$ 117,934
Financial liabilities	844,000	794,000

The sensitivity analysis regarding interest rate risk is based on the fair value changes of financial assets and liabilities with floating interest rates as of the end of the reporting period. If interest rates were to increase by one percentage point, the cash outflows of the Company for the years ended December 31, 2022 and 2021 would increase by \$7,485 thousand and \$6,761 thousand, respectively.

2) Credit risk

Credit risk refers to the risk of financial loss incurred by the Company due to the counterparty's failure to fulfill contractual obligations. The Company requires collateral or other forms of security for significant trading counterparties, which effectively reduces the credit risk. The management of the Company assigns a dedicated team to make decisions on credit limits, credit approvals, and other monitoring procedures to ensure appropriate action is taken to recover overdue receivables. In addition, the Company will

review the recoverable amount of trade receivables one by one on the balance sheet date to ensure that there is an appropriate provision for uncollectible trade receivables. Therefore, the management believes that the credit risk of the Company has significantly decreased.

### 3) Liquidity risk

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

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

December 31, 2022				
	Less than 1 Year	2 to 3 Years	3+ Years	Total
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 322,912	\$ -	\$ -	\$ 322,912
Lease liabilities	6,629	10,469	55,922	73,020
Variable interest rate liabilities	-	844,000	-	844,000
Fixed interest rate liabilities	<u>489,979</u>	<u>-</u>	<u>512,791</u>	<u>1,002,770</u>
	<u>\$ 819,520</u>	<u>\$ 854,469</u>	<u>\$ 568,713</u>	<u>\$2,242,702</u>
December 31, 2021				
	Less than 1 Year	2 to 3 Years	3+ Years	Total
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 331,962	\$ -	\$ -	\$ 331,962
Lease liabilities	7,009	12,722	60,316	80,047
Variable interest rate liabilities	-	794,000	-	794,000
Fixed interest rate liabilities	<u>609,948</u>	<u>-</u>	<u>552,053</u>	<u>1,162,001</u>
	<u>\$ 948,919</u>	<u>\$ 806,722</u>	<u>\$ 612,369</u>	<u>\$2,368,010</u>

b) Financing facilities

	December 31, 2022	December 31, 2021
Unsecured bank overdraft facilities:		
Amount used	\$ 720,000	\$ 954,000
Amount unused	<u>1,381,420</u>	<u>1,211,360</u>
	<u>\$ 2,101,420</u>	<u>\$ 2,165,360</u>

(continued)

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Secured bank overdraft facilities:		
Amount used	\$ 614,000	\$ 450,000
Amount unused	<u>546,000</u>	<u>610,000</u>
	<u>\$ 1,160,000</u>	<u>\$ 1,060,000</u>
Guaranteed bonds:		
Amount used	\$ 600,000	\$ 600,000
Amount unused	<u>20,000</u>	<u>20,000</u>
	<u>\$ 620,000</u>	<u>\$ 620,000</u>
		(concluded)

## 29. Transactions with related parties

The transactions between the Company and other related parties are as follows:

### (1) Related party name and category

<u>關 係 人 名 稱</u>	<u>與 本 公 司 之 關 係</u>
Optivision Technology Inc.	Subsidiary
K Laser Technology (Korea) Co., Ltd.	Subsidiary
K Laser Technology (Thailand) Co., Ltd.	Subsidiary
K Laser Technology (USA) Co., Ltd.	Subsidiary
Amagic Technologies U.S.A. (Dubai)	Subsidiary
K Laser China Group Co., Ltd.	Subsidiary
K Laser Technology Japan Co., Ltd.	Subsidiary
K Laser Technology (H.K.) Co., Ltd.	Subsidiary
Treasure Access Limited	Subsidiary
Top Band Investment Limited	Subsidiary
K Laser Technology (Wuxi) Co., Ltd.	Subsidiary
K Laser Technology (Dongguan) Co., Ltd.	Subsidiary
Finity Laboratories	Subsidiary
Insight Medical Solutions Inc.	Subsidiary
Jiangsu Sunderray Laser Packing Material Co., Ltd.	Became a subsidiary since October 2021
Guang Feng (Wuxi) Co., Ltd.	Associate accounted for using the equity method

### (2) Operating transactions

	<u>2022</u>	<u>2021</u>
<u>Sales</u>		
Subsidiaries		
K Laser Technology (USA) Co., Ltd.	\$ 477,758	\$ 494,303
		(continued)

	<u>2022</u>	<u>2021</u>
K Laser Technology Japan Co., Ltd.	\$ 144,117	\$ 105,956
Others	<u>21,111</u>	<u>26,704</u>
	<u>\$ 642,986</u>	<u>\$ 626,963</u>
<u>Purchases</u>		
<u>Subsidiaries</u>		
K Laser Technology (Dongguan) Co., Ltd.	\$ 279,084	\$ 393,771
K Laser Technology (Wuxi) Co., Ltd.	108,194	46,111
Treasure Jiangsu Sunderray Laser Packing Material Co., Ltd.	157,873	71,798
Others	79,163	657
Associates	658	881
Guang Feng (Wuxi) Co., Ltd.	<u>19,570</u>	<u>11,379</u>
	<u>\$ 644,542</u>	<u>\$ 524,597</u>
<u>Operating expenses</u>		
Subsidiaries	<u>\$ 1,604</u>	<u>\$ 2,109</u>
<u>Other income</u>		
<u>Subsidiaries</u>		
Optivision Technology Inc.	\$ 13,264	\$ 13,222
Insight Medical Solutions Inc.	4,602	5,853
K Laser Technology (Dongguan) Co., Ltd.	44,312	44,636
K Laser Technology (Wuxi) Co., Ltd.	5,534	6,678
Others	<u>14</u>	<u>92</u>
	<u>\$ 67,726</u>	<u>\$ 70,481</u>
		(concluded)

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

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Receivables from related parties</u>		
<u>Subsidiaries</u>		
K Laser Technology (USA) Co., Ltd.	\$ 106,328	\$ 163,269
		(continued)

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
K Laser Technology Japan Co., Ltd.	\$ 47,744	\$ 31,614
Others	<u>5,006</u>	<u>6,836</u>
	<u>\$ 159,078</u>	<u>\$ 201,719</u>
<u>Payables to related parties</u>		
<u>Subsidiaries</u>		
K Laser Technology (Dongguan) Co., Ltd.	\$ 80,137	\$ 134,914
K Laser Technology (Wuxi) Co., Ltd.	30,664	20,608
Treasure Jiangsu Sunderray Laser Packing Material Co., Ltd.	22,007	31,154
Others	<u>26,891</u>	-
	<u>611</u>	<u>3,303</u>
	<u>\$ 160,310</u>	<u>\$ 189,979</u>
<u>Other receivables</u>		
<u>Subsidiaries</u>		
K Laser Technology (USA) Co., Ltd.	\$ 36,715	\$ -
Optivision Technology Inc.	2,092	1,985
Insight Medical Solutions Inc.	471	1,002
Others	<u>228</u>	<u>126</u>
	<u>\$ 39,506</u>	<u>\$ 3,113</u>
<u>Other payables</u>		
Subsidiaries	<u>\$ 14</u>	<u>\$ 159</u>
		(concluded)

(4) Acquisition of property, plant and equipment

<u>Related Party Category/Name</u>	<u>Purchase Price</u>	
	<u>2022</u>	<u>2021</u>
Subsidiaries	<u>\$ 184</u>	<u>\$ -</u>

(5) Endorsements and guarantees

As of December 31, 2022 and 2021, the amounts of loans guaranteed by Mr. Kuo Wei-Wu, the chairman of the Company, were \$1,334,000 thousand and \$1,404,000 thousand, respectively.

(6) Remuneration of key management personnel

	2022	2021
Short-term employee benefits	\$ 30,105	\$ 26,341
Post-employment benefits	\$ 653	\$ 718

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

#### (7) Transactions with other related parties

As of December 31, 2022, the amount of bank deposits provided by K Laser China Group Co., Ltd. as collateral was \$50,000 thousand; refer to Note 18.

### 30. Assets pledged as collateral

The following assets of loan contracts and operational needs were provided as collateral for bank borrowings and land leases:

	December 31, 2022	December 31, 2021
Bank deposits (Note 6)	\$ 289,985	\$ 296,211
Property, plant and equipment (Note 13)	92,779	97,342
Investment properties (Note 13)	35,311	36,590
	<u>\$ 418,075</u>	<u>\$ 430,143</u>

### 31. Significant assets and liabilities denominated in foreign currencies

The Company's significant assets and liabilities denominated in foreign currencies were as follows:

Unit: In Thousands of Foreign Currencies/New Taiwan Dollars						
	December 31, 2022			December 31, 2021		
	Foreign Currency	Exchange Rate	New Taiwan Dollars	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Financial Assets</u>						
<u>Monetary items</u>						
USD	\$ 14,618	30.71	\$ 448,919	\$ 18,561	27.68	\$ 513,768
RMB	3,064	4.408	13,506	886	4.344	3,849
<u>Long-term equity investments accounted for using the equity method</u>						
USD	26,747	30.71	821,400	27,412	27.68	758,764
RMB	525,695	4.408	2,317,264	488,392	4.344	2,121,575
<u>Financial Liabilities</u>						
<u>Monetary items</u>						
USD	7,257	30.71	222,862	7,976	27.68	220,776

### 32. Segment information

The Company has disclosed segment information in the consolidated

financial statements, and does not disclose relevant information in the parent company only financial statements.

### 33. **Separately disclosed items**

(1) Information on significant transactions and reinvestments:

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

(2) Information on investments in mainland China

No	Items	Remark
1	Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area	Table 8
2	Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year (2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year (3) The amount of property transactions and the amount of the resultant gains or losses (4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes	Table 8

No	Items	Remark
	(5) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds	
	(6) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services	

- (3) Information of major shareholders: list all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 9)



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

Table 1

Unit: In Thousands of New Taiwan Dollars/Foreign Currencies

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

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

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

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

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

Note 3: The types of limits for funds lent by the Company and its subsidiaries to others are as follows:

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

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

Table 2

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

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

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

K Laser Technology Inc.

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

For the Year Ended December 31, 2022

Table 3

Unit: In Thousands of New Taiwan Dollars

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

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

K Laser Technology Inc.

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

For the Year Ended December 31, 2022

Table 4

Unit: In Thousands of New Taiwan Dollars/Foreign Currencies

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

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

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

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

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

K Laser Technology Inc.

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

Table 5

Unit: In Thousands of New Taiwan Dollars

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

K Laser Technology Inc.

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

December 31, 2022

Table 6

Unit: In Thousands of New Taiwan Dollars

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

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

Table 7

Unit: In Thousands of New Taiwan Dollars/Foreign Currencies

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2022			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2022	December 31, 2021	Number of Shares	%	Carrying Amount			
The Company	K Laser China Group Co., Ltd.	British Virgin Islands	Reinvestment company	\$ 722,454	\$ 722,454	21,289,005	100	\$ 2,317,263	\$ 235,829	\$ 247,175	
"	K Laser International Co., Ltd.	British Virgin Islands	Reinvestment company	726,200	726,200	21,161,462	100	810,426	1,945	1,945	
"	K Laser Technology Inc.	Hsinchu City	Manufacture and sales of optical instruments and electronic components, etc.	499,497	499,497	23,614,835	45	426,157	( 304,706 )	( 135,471 )	( Note 1 )
"	iWin Technology Co., Ltd.	British Virgin Islands	Reinvestment company	97,372	97,372	157,545	49	10,963	( 11,057 )	( 5,418 )	
"	Vicome Corp.	Yunlin County	Manufacture, processing and trading of fluorescent pigments and dyes	35,494	35,494	3,021,420	30	153,302	56,219	16,984	
"	Insight Medical Solutions Inc.	Hsinchu City	R&D and sales of gastrointestinal endoscopy and other businesses	269,813	269,813	8,995,264	41	116,175	( 65,180 )	( 30,471 )	
K Laser International Co., Ltd.	Guang Feng International Ltd.	Samoa	Reinvestment company	162,463	162,463	4,845,810	100	15,601	( 728 )	( 728 )	
	K Laser Technology (USA) Co., Ltd.	USA	Holographic product sales	USD 6,500	USD 6,500	6,500,000	80	USD 8,489	( USD 294 )	( USD 234 )	
	K Laser Technology (Thailand) Co., Ltd.	Thailand	Manufacture and sales of holographic products	USD 1,839	USD 1,839	9,337,984	83	USD 8,011	USD 237	USD 198	
	K Laser Technology (Korea) Co., Ltd.	Korea	Manufacture and sales of holographic products	USD 2,946	USD 2,946	677,040	100	USD 2,002	USD 188	USD 188	
	Amagic Technologies U.S.A. (Dubai) Ltd.	Dubai	Sales and agency of holographic products	USD 2,297	USD 2,297	-	100	USD 3,653	USD 50	USD 50	
	K Laser Technology Japan Co., Ltd.	Japan	Manufacture and sales of holographic products	USD 830	USD 830	1,344	70	USD 2,825	USD 189	USD 132	
	CIO Tech Ltd.	Cayman Islands	Reinvestment company	USD 750	USD 750	11,000,000	22	USD 516	( USD 115 )	( USD 25 )	
	Amagic Holographics India Private Limited	India	Manufacture and sales of holographic products	USD 2,508	USD 2,508	10,915,594	100	USD 324	( USD 54 )	( USD 54 )	
	K Laser Technology (Indonesia) Co., Ltd.	Indonesia	Manufacture and sales of holographic products	THB 21,168	THB 21,168	266,000	70	THB 22,327	THB 802	THB 561	
K Laser Technology (Thailand) Co., Ltd.	K Laser China Group Holding Co., Limited	Cayman Islands	Reinvestment company	RMB 180,503	RMB 180,503	89,096,401	94	RMB 503,709	RMB 57,716	RMB 54,124	
K Laser China Group Holding Co., Limited	K Laser Technology (H.K.) Co., Ltd.	Hongkong	Sales agent for holographic products	RMB 1,092	RMB 1,092	1,283,500	100	RMB 5,701	RMB 376	RMB 376	
"	Holomagic Co., Ltd.	British Virgin Islands	Reinvestment company	RMB 112,440	RMB 112,440	30,000	100	RMB 273,257	RMB 8,466	RMB 8,326	
"	Top Band Investment., Ltd.	British Virgin Islands	Reinvestment company	RMB 130,106	RMB 130,106	50,000	100	RMB 255,282	RMB 50,466	RMB 50,329	
"	iWin Technology Co., Ltd.	British Virgin Islands	Reinvestment company	RMB 20,825	RMB 20,825	163,975	51	RMB 2,589	( RMB 2,503 )	( RMB 1,277 )	

Holomagic Co., Ltd. Top Band Investment Ltd. iWin Technology Co., Ltd.	Treasure Access Limited Union Bloom Co., Ltd. Finity Laboratories	Hongkong Hongkong USA	Reinvestment company Reinvestment company Research and development of holographic technology	RMB 69,243 RMB 113,329 USD 700	RMB 69,243 RMB 113,329 USD 700	10,000 10,000 700,000	100 100 100	RMB 270,924 RMB 252,641 USD 586	RMB 8,337 RMB 50,329 ( USD 365 )	RMB 8,337 RMB 50,329 ( USD 365 )	
Optivision Technology Inc. Insight Medical Solutions Inc.	Bright Triumph Limited Insight Medical Solutions Holdings Inc.	Mauritius Cayman Islands	Reinvestment company Reinvestment company	242,173 -	242,173 USD 2,500	7,913,767 -	100 100	135,324 -	( 1,506 ) -	( 1,506 ) -	( Note 2 )

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

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



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

Table 8

Unit: In Thousands of New Taiwan Dollars/Foreign Currencies

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

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount	Accumulated Repatriation of Investment Income
					Outward	Inward						
K Laser Technology (Wuxi) Co., Ltd.	Research and development, production of laser holography products, optoelectronic equipment and optoelectronic materials	\$ 556,902 (RMB 126,339)	By reinvesting in existing companies in third regions	\$ 205,450 (USD 6,690)	\$ -	\$ -	\$ 205,450 (USD 6,690)	94	(\$ 2,759) (RMB 626)	(\$ 2,587) (RMB 587)	\$ 589,887 (RMB 133,822)	\$ 233,360 (RMB 52,940)
K Laser Technology (Dongguan) Co., Ltd.	Engaged in the production and sales of other polyethylene and rigid polyvinyl chloride films and foils	730,057 (RMB 165,621)	By reinvesting in existing companies in third regions	63,232 (USD 2,059)	-	-	63,232 (USD 2,059)	94	251,287 (RMB 57,007)	235,647 (RMB 53,459)	1,072,378 (RMB 243,280)	756,320 (RMB 171,579)
Herui Laser Technology Co., Ltd.	R&D, production and operation of laser paper, anodized aluminum and other new environmentally friendly packaging materials and anti-counterfeiting products, etc.	228,334 (RMB 51,800) (Note 1)	By reinvesting in existing companies in third regions	-	-	-	-	46	43,392 (RMB 9,844)	19,942 (RMB 4,524)	167,094 (RMB 37,907)	31,059 (RMB 7,046)
Foshan Donglin Packaging Material Co., Ltd.	Production of cigarette packaging materials and extended products	116,755 (RMB 26,487) (Note 3)	By reinvesting in existing companies in third regions	-	-	-	-	23	3,641 (RMB 826)	855 (RMB 194)	22,278 (RMB 5,054)	
Hunan Hexin Packaging Material Co., Ltd.	Mainly engaged in the production, processing and sales of film and cigarette packs, and the segmentation of cigarette paper	81,989 (RMB 18,600) (Note 4)	By reinvesting in existing companies in third regions	-	-	-	-	46	8,053 (RMB 1,827)	( 256) (RMB -58)	213,321 (RMB 48,394)	
Jiangsu Sunderray Laser Packing Material Co., Ltd.	Production of special film coating, decorative film and environmentally friendly transfer paper, etc.	484,880 (RMB 110,000) (Note 2)	By reinvesting in existing companies in third regions	-	-	-	-	61	25,011 (RMB 5,674)	12,818 (RMB 2,908)	356,590 (RMB 80,896)	38,200 (RMB 8,666)

Jiangyin Teruida Packing Technology Co., Ltd.	Production of special film coating, decorative film and environmentally friendly transfer paper, etc.	43,785 (RMB 9,933) (Note 2)	By reinvesting in existing companies in third regions	-	-	-	-	61	4,086 (RMB 927)	2,491 (RMB 565)	38,094 (RMB 8,642)	-
Guang Feng (Wuxi) Co., Ltd.	R & D and production of large liquid crystal projection displays and optical engines for displays, projection tubes, etc.	190,994 (RMB 43,329)	By reinvesting in existing companies in third regions	112,276 (USD 3,656)	-	-	112,276 (USD 3,656)	45	(26,718) (USD -870)	(12,008) (USD -391)	31,816 (USD 1,036)	-
Glory Group Medical (Wuxi) Co., Ltd.	R&D and sales of gastrointestinal endoscopy and other businesses	76,775 (USD 2,500)	Directly to the mainland China for investment	76,775 (USD 2,500)	-	-	76,775 (USD 2,500)	41	(7,833)	(3,202)	22,893	-
Ningbo Optivision Technology Co., Ltd.	Manufacture, processing and production of brightness enhancement film, film, diffusion film, optical film	148,187 (RMB 33,607)	By reinvesting in existing companies in third regions	161,473 (USD 5,258)	-	-	161,473 (USD 5,258)	45	(798) (USD -26)	(356) (USD -12)	35,702 (USD 1,163)	-
Dongguan City Guang Zhi Optoelectronic Co., Ltd.	R&D and manufacturing of precision components	328,500 (RMB 74,500)	By reinvesting in existing companies in third regions	68,790 (USD 2,240)	-	-	68,790 (USD 2,240)	3	-	-	22,866 (USD 745)	-

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

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

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

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

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

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

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

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

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

3. Major transactions occurred directly or indirectly through third-party businesses with mainland China companies, refer to Tables 4 and 8.

4. Amounts of property transactions and their resulting gains or losses: None.

5. Situations involving endorsement, guarantee, or collateral provided by mainland China companies directly or indirectly through third-party businesses: None.

6. Situations involving funding provided directly or indirectly through third-party businesses by mainland China companies: None.

7. Other significant transaction matters affecting the current income or financial status: None.

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

Table 9

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

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

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

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

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K Laser Technology Inc.  
Statement of Cash and Cash Equivalents  
December 31, 2022

Statement 1

Unit: In Thousands of NTD,  
In Foreign Currencies

Item	Summary	Amount
Cash on hand and petty cash		\$ 8,084
Bank deposits	Demand deposit - NTD	27,569
	Checking deposit - NTD	128
	Demand deposit - USD6,469,250	198,671
	Demand deposit - EUR895,072	29,287
	Demand deposit - RMB2,936,491	12,944
	Demand deposit - JPY1,866,962	434
	Demand deposit - HKD1,396	5
	Demand deposit - AUD71	<u>1</u>
		<u>\$ 277,123</u>

Note: The exchange rates are as follows:

US\$1:NT\$30.71

EUR1:NT\$32.72

RMB1:NT\$4.4080

JPY1:NT\$0.2324

HK\$1:NT\$3.9380

AU\$1:NT\$20.8300

K Laser Technology Inc.  
Statement of Notes Receivable  
December 31, 2022

Statement 2

Unit: In Thousands of NTD

Name of Client	Summary	Amount
Neoway	Payment	\$ 4,241
Foremost Eimage Corporation	"	1,344
Zing Yew Co., Ltd.	"	833
Cyunwei Trading Co., Ltd.	"	508
Others (Note)	"	<u>2,149</u>
		<u>\$ 9,075</u>

Note: The amount of individual client in others does not exceed 5% of the account balance and should be consolidated.

K Laser Technology Inc.  
Statement of Accounts Receivable  
December 31, 2022

Statement 3

Unit: In Thousands of NTD

Name of Client	Summary	Amount
COMMBAX SDN BHD	Payment	\$ 41,904
M&G ENT. CO., LTD.	"	23,300
Others (Note)	"	27,982
Less: Allowance for bad debts		( <u>4,746</u> )
		<u>\$ 88,440</u>

Note: The amount of individual client in others does not exceed 5% of the account balance and should be consolidated.



K Laser Technology Inc.  
Statement of Other Receivables  
December 31, 2022

Statement 4

Unit: In Thousands of NTD

<u>Item</u>	<u>Summary</u>	<u>Amount</u>
Other receivables	Related parties	\$ 39,506
	Others (Note)	<u>1,063</u>
		<u>\$ 40,569</u>

Note: The amount of individual client in others does not exceed 5% of the account balance and should be consolidated.

K Laser Technology Inc.

Statement of Inventory

December 31, 2022

Statement 5

Unit: In Thousands of NTD

Item	Cost	Net Realizable Value
Raw materials	\$ 67,883	\$ 53,329
Work in process	1,832	1,832
Finished goods	23,020	20,144
Merchandise	29,488	28,672
Less: Provision for inventory write-off and obsolescence	( 18,246)	-
	<u>\$ 103,977</u>	<u>\$ 103,977</u>

K Laser Technology Inc.  
Statement of Other Current Assets  
December 31, 2022

Statement 6

Unit: In Thousands of NTD

<u>Item</u>	<u>Summary</u>	<u>Amount</u>
Prepayments	Advance payment and insurance premium, etc.	\$ 12,357
Restricted assets	Short-term loan guarantee from banks	95,527
Residual income tax		<u>2,091</u>
		<u>\$ 109,975</u>

K Laser Technology Inc.  
Statement of Changes in Financial Assets at Fair Value Through Other Comprehensive Income - Non-current  
For the Year Ended December 31, 2022

Statement 7

Unit: In Thousands of NTD/Shares

Name of Financial Assets	Beginning Balance		Increase		Decrease		Ending Balance			Collaterals/ Guarantees
	Number of Shares	Fair Value	Number of Shares	Amount (Note 1)	Number of Shares	Amount (Note 2)	Number of Shares	Shareholding Ratio	Fair Value	
CM Visual Technology Corporation	138,240	\$ -	-	\$ -	-	\$ -	138,240	-	\$ -	None
CDIB Capital Healthcare Ventures Corporation	2,100,000	26,726	-	9,591	300,000	3,000	1,800,000	2	33,317	None
Mega Plastic Industry Co., Ltd.	150,000	2,007	-	( 1 )	150,000	2,006	-	-	-	None
FOODFAB GROUP LIMITED	-	-	444,444	5,615	-	-	444,444	2	5,615	None
		<u>\$ 28,733</u>		<u>\$ 15,205</u>		<u>\$ 5,006</u>			<u>\$ 38,932</u>	

Note 1: It refers to the adjustment of valuation allowance amount and new investment based on fair value at the end of the year.

Note 2: It refers to the return on capital reduction and disposal of investment in the current year.

K Laser Technology Inc.  
Statement of Changes in Investments Accounted for Using the Equity Method  
For the Year Ended December 31, 2022

Statement 8

Unit: In Thousands of NTD/Shares

Name of Company	Beginning Balance		Increase		Decrease		Ending Balance			Net Worth/Market Price	Collaterals/Guarantees
	Number of Shares	Fair Value	Number of Shares	Amount (Note 1)	Number of Shares	Amount (Note 2)	Number of Shares	Shareholding Ratio	Amount		
K Laser China Group Co., Ltd.	21,289,005	\$2,121,577	-	\$ 287,216	-	\$ 91,530	21,289,005	100%	\$2,317,263	\$2,430,713	None
K Laser International Co., Ltd.	21,161,462	743,919	-	66,507	-	-	21,161,462	100%	810,426	817,147	None
i Win Technology Co., Ltd.	157,545	14,851	-	( 3,888 )	-	-	157,545	49%	10,963	10,963	None
Optivision Technology Inc.	23,614,835	574,422	-	( 148,265 )	-	-	23,614,835	45%	426,157	458,128	Yes (Note 3)
Vicome Corp.	3,021,420	137,945	-	21,400	-	6,043	3,021,420	30%	153,302	153,302	None
Guang Feng International Ltd.	4,845,810	16,289	-	( 688 )	-	-	4,845,810	100%	15,601	15,601	None
Insight Medical Solutions Inc.	8,995,264	<u>142,474</u>	-	( <u>26,299</u> )	-	<u>-</u>	8,995,264	41%	<u>116,175</u>	<u>116,175</u>	None
		<u>\$3,751,477</u>		<u>\$ 195,983</u>		<u>\$ 97,573</u>			<u>\$3,849,887</u>	<u>\$4,002,029</u>	

Note 1: It includes the increase in investment costs in the current period, the investment benefits recognized under the equity method, the increase or decrease of exchange differences arising from the translation of foreign financial statements, and the adjustment of net value changes.

Note 2: Cash dividends

Note 3: 10,000,000 shares of Optivision Technology Inc. have been pledged as collateral for the issuance of the Company's convertible bonds.

K Laser Technology Inc.  
Statement of Changes in Right-of-Use Assets  
For the Year Ended December 31, 2022

Statement 9

Unit: In Thousands of NTD

Item	Beginning Balance	Increase	Decrease	Ending Balance
Cost				
Land	\$ 77,364	\$ -	\$ 474	\$ 76,890
Buildings	4,246	-	1,538	2,708
Transportation equipment	<u>4,322</u>	<u>-</u>	<u>-</u>	<u>4,322</u>
	<u>\$ 85,932</u>	<u>\$ -</u>	<u>\$ 2,012</u>	<u>\$ 83,920</u>
Accumulated depreciation				
Land	\$ 12,216	\$ 4,042	\$ -	\$ 16,258
Buildings	2,533	657	1,025	2,165
Transportation equipment	<u>398</u>	<u>1,441</u>	<u>-</u>	<u>1,839</u>
	<u>\$ 15,147</u>	<u>\$ 6,140</u>	<u>\$ 1,025</u>	<u>\$ 20,262</u>

K Laser Technology Inc.  
Statement of Other Non-current Assets  
December 31, 2022

Statement 10

Unit: In Thousands of NTD,  
Unless Stated Otherwise

<u>Item</u>	<u>Summary</u>	<u>Amount</u>
Refundable deposits		\$ 8,656
Restricted assets	Issuance of corporate bonds and land lease guarantee	194,368
Prepayments for equipment		5,321
Others		<u>1,942</u>
		<u>\$210,287</u>

K Laser Technology Inc.  
Statement of Short-term Loans  
December 31, 2022

Statement 11

Unit: In Thousands of NTD,  
Unless Stated Otherwise

Item	Summary	Amount of Loan	Contract Period	Limit	Interest Rate (%)	Collaterals/Guarantees
Short-term loans						
Yuanta Commercial Bank	Mortgage loan	\$ 70,000	111.12.26~112.01.19	\$ 100,000	1.67%	Bank's pledged deposit
CTBC Bank	Credit loan	50,000	111.11.02~112.01.03	100,000	1.66%	None
Taiwan Business Bank	Credit loan	50,000	111.12.12~112.06.12	50,000	1.82%	None
First Commercial Bank	Credit loan	30,000	111.12.09~112.01.06	130,000	1.73%	None
First Commercial Bank	Credit loan	40,000	111.12.16~112.01.13	130,000	1.78%	None
Agricultural Bank of Taiwan	Credit loan	<u>150,000</u>	111.10.06~112.03.31	<u>150,000</u>	1.41%	None
		<u>\$ 390,000</u>		<u>\$ 660,000</u>		



K Laser Technology Inc.  
Statement of Accounts Payable  
December 31, 2022

Statement 12

Unit: In Thousands of NTD

<u>Name of Client</u>	<u>Summary</u>	<u>Amount</u>
EFUN Tech Limited	Payment	\$ 60,850
Jiu Li Mei Enterprise Corp.	Payment	8,563
Others (Note)	Payment	<u>11,686</u>
		<u>\$ 81,099</u>

Note: The amount of individual client in others does not exceed 5% of the account balance and should be consolidated.

K Laser Technology Inc.  
Statement of Other Current Liabilities  
December 31, 2022

Statement 13

Unit: In Thousands of NTD

Item	Amount
Advance payment	\$ 4,008
Temporary payment	238
Withholding payment	<u>199</u>
	<u>\$ 4,445</u>

K Laser Technology Inc.  
Statement of Other Non-current Liabilities  
December 31, 2022

Statement 14

Unit: In Thousands of NTD

<u>Item</u>	<u>Summary</u>	<u>Amount</u>
Guarantee deposits	Lease deposits	<u>\$ 942</u>

K Laser Technology Inc.  
Statement of Lease Liabilities  
December 31, 2022

Statement 15

Unit: In Thousands of NTD

Item	Lease Period	Discount Rate (%)	Amount
Land	October 16, 2018 - December 31, 2037	1.55	\$ 62,336
Buildings	January 1, 2019 - December 31, 2023	1.5	560
Transportation equipment	September 20, 2020 - November 30, 2024	1.5-1.83	<u>2,509</u>
			65,405
Less: Current portion due within 1 year			( <u>5,651</u> )
			<u>\$ 59,754</u>

K Laser Technology Inc.  
Statement of Operating Revenue  
December 31, 2022

Statement 16

Unit: In Thousands of NTD,  
Unless Stated Otherwise

Item	Amount
Laser papers	\$ 27,202
Anti-counterfeiting labels	46,609
Laser films	876,817
Optical instruments	762,615
Others	<u>44,339</u>
	<u>\$ 1,757,582</u>

K Laser Technology Inc.  
Statement of Operating Costs  
For the Year Ended December 31, 2022

Statement 17

Unit: In Thousands of NTD

Item	Amount
Direct raw materials	
Add: Raw materials, beginning of year	\$ 57,597
Purchased	718,272
Transferred from merchandise	250
Less: Transferred to manufacturing expense and operating expense	( 8,569 )
Transferred to merchandise	( 212 )
Transferred to finished goods	-
Sales of raw materials	( 594,729 )
Raw materials, end of year	( 67,883 )
Write-off of raw materials	( 1,378 )
Direct consumption of raw materials	103,348
Direct labor	20,743
Manufacturing expense	<u>82,552</u>
Manufacturing cost	206,643
Add: Work in process, beginning of year	2,472
Less: Transferred to manufacturing expense and operating expense	( 11,250 )
Work in process, end of year	( <u>1,832</u> )
Cost of finished goods	196,033
Add: Finished goods, beginning of year	22,870
Transferred from R&D	3,035
Less: Transferred to manufacturing expense and operating expense	( 803 )
Finished goods, end of year	( <u>23,020</u> )
Cost of finished goods sold	<u>198,115</u>
Cost of merchandise sold	
Add: Merchandise, beginning of year	25,787
Purchase	672,328
Transferred from raw materials	212
Others	141
Less: Transferred to manufacturing expense and operating expense	( 212 )
Transferred to raw materials	( 250 )
Merchandise, end of year	( <u>29,488</u> )
Cost of merchandise sold	668,518
Sales of raw materials	594,729
Write-off of raw materials	1,378
Reversal of inventory loss	( <u>5,829</u> )
Total operating costs	<u>\$ 1,456,911</u>

K Laser Technology Inc.  
Statement of Selling and Marketing Expenses  
For the Year Ended December 31, 2022

Statement 18

Unit: In Thousands of NTD

Item	Amount
Salary and bonus	\$ 29,633
Transportation fee	11,719
Commission expense	7,381
Others (Note)	<u>15,034</u>
	<u>\$ 63,767</u>

Note: The amount of individual item in others does not exceed 5% of the account balance and should be consolidated.

K Laser Technology Inc.  
Statement of General and Administrative Expenses  
For the Year Ended December 31, 2022

Statement 19

Unit: In Thousands of NTD

Item	Amount
Salary and bonus	\$ 52,680
Labor fee	6,281
Depreciation	5,508
Others (Note)	<u>11,344</u>
	<u>\$ 75,813</u>

Note: The amount of individual item in others does not exceed 5% of the account balance and should be consolidated.



K Laser Technology Inc.  
Statement of Research and Development Expenses  
For the Year Ended December 31, 2022

Statement 20

Unit: In Thousands of NTD

Item	Amount
Salary and bonus	\$ 27,220
Research fee	26,696
Depreciation	13,760
Others (Note)	<u>13,032</u>
	<u>\$ 80,708</u>

Note: The amount of individual item in others does not exceed 5% of the account balance and should be consolidated.

K Laser Technology Inc.  
Summary of Employee Benefits, Depreciation and Amortization Expenses by Function  
For the Years Ended December 31, 2022 and 2021

Statement 21

Unit: In Thousands of NTD

	2022				2021			
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non- operating Expenses and Losses	Total	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non- operating Expenses and Losses	Total
Short-term employee benefits								
Salary expense	\$ 37,790	\$ 96,654	\$ -	\$ 134,444	\$ 37,618	\$ 95,985	\$ -	\$ 133,603
Labor health insurance	\$ 4,301	\$ 6,853	\$ -	\$ 11,154	\$ 4,216	\$ 6,396	\$ -	\$ 10,612
Post-employment benefits	\$ 2,132	\$ 3,772	\$ -	\$ 5,904	\$ 2,109	\$ 3,558	\$ -	\$ 5,667
Remuneration of directors	\$ -	\$ 6,026	\$ -	\$ 6,026	\$ -	\$ 6,932	\$ -	\$ 6,932
Termination benefits	\$ 111	\$ 19	\$ -	\$ 130	\$ 199	\$ 59	\$ -	\$ 258
Other employee benefits	\$ 1,013	\$ 1,191	\$ -	\$ 2,204	\$ 836	\$ 978	\$ -	\$ 1,814
Depreciation expenses								
Property, plant and equipment	\$ 11,809	\$ 16,567	\$ -	\$ 28,376	\$ 13,155	\$ 14,959	\$ -	\$ 28,114
Right-of-use assets	1,591	3,210	1,339	6,140	1,601	3,351	1,547	6,499
Investment properties	-	-	1,279	1,279	-	-	1,279	1,279
	\$ 13,400	\$ 19,777	\$ 2,618	\$ 35,795	\$ 14,756	\$ 18,310	\$ 2,826	\$ 35,892
Amortization expenses	\$ -	\$ 369	\$ -	\$ 369	\$ -	\$ 709	\$ -	\$ 709

Note:

- As of December 31, 2022 and 2021, the average number of employees was 153 and 154, respectively, including 6 directors who did not serve concurrently as employees in both years.
- The average employee benefits expense for 2022 was \$1,046 thousand and the average employee benefits expense for 2021 was \$1,025 thousand; the average employee payroll expense for 2022 was \$915 thousand and the average employee payroll expense for 2021 was \$903 thousand. The average employee payroll expense increased by 1.3%.
- The Company's compensation policy (including directors, supervisors, and employees):
  - The independent directors of the Company receive a fixed remuneration, while the other directors, in addition to receiving attendance allowances for each board meeting, shall be entitled to a directors' remuneration not exceeding 1.5% of the pre-tax profit after deducting the amounts allocated for distribution to employees and directors, as stipulated in the Company's Articles No. 32, if the Company generates profits in the fiscal year.

In accordance with the Company's Articles No. 32, if the Company generates profits in the fiscal year, the Company shall allocate 4% to 8% of the pre-tax profit after deducting the amounts allocated for distribution to employees and directors as employees' compensation. The managers' remuneration includes salary and bonus, with

salary being determined based on industry standards, job titles, job levels, education and experience, professional skills, and responsibilities. Bonuses are based on the manager's performance evaluation, including financial indicators such as the Company's revenue and pre-tax net profit's achievement rate, as well as non-financial indicators such as job performance, work quality, work attitude, leadership, communication and coordination, team cooperation, and significant deficiencies in compliance with laws and operational risks. The remuneration will be distributed based on the recommendation of the compensation committee and will be approved by the chairman based on the performance evaluation results.

The remuneration of directors and managers shall be allocated by the board of directors and reported to the shareholders' meeting. However, if the Company still has accumulated losses, an amount shall be reserved in advance for offsetting such losses, and then employees' compensation and directors' remuneration shall be allocated based on the aforementioned ratio. The recipients of employees' compensation may include employees of subsidiaries who meet certain conditions, and such remuneration may be paid in shares or cash.

- (2) Accounting treatment in case of differences between the estimated amount of employees' compensation and directors' remuneration for the current period, the calculation basis for employees' compensation distributed in shares, and the actual amount of distribution:

Based on the provisions of the Company's Articles and by reference to the actual remuneration paid in the past, the Company estimates the possible amounts of employees' compensation and directors' remuneration to be paid. If there is a difference between the actual payment and the estimated amount, it should be treated as a change in accounting estimate and be included in the profit and loss statement of the following year.

- (3) The Company established an audit committee on November 5, 2013 and abolished the system of supervisors, which did not apply in these circumstances.