Stock Code: 5498

KEY WARE ELECTRONICS CO., LTD.

2022
Annual Report

Taiwan Stock Exchange Market Observation Post System:
http://mops.twse.com.tw/mops/web/index
Company’s website: https://www.key-ware.com.tw

Printed on April 25, 2023

I. Spokesperson

Name: Chu, Tsung-Wei

Title: Special Assistant to President's Office

Tel: (03)366-0667

E-MAIL：eric-chu@key-ware.com.tw

Deputy Spokesperson

Name: Yu, Chang-Wei

Title: Assistant Manager, Finance Department

Tel: (03)366-0667

E-MAIL：changwei-yu@key-ware.com.tw

II. Headquarters, Branches and Plant

Unit:	Address	Telephone
Headquarters	No. 32, Xingbang Rd., Taoyuan Dist., Taoyuan City	(03)366-0667
Yangmei Plant	No. 100, Ln. 796, Sec. 1, Minfu Rd., Yangmei Dist., Taoyuan City	(03)485-4899

III. Stock Transfer Agent

Name: Stock Agency Unit, Horizon Securities Corp.

Address: 3F., No. 236, Sec. 4, Xinyi Rd., Da'an Dist., Taipei City

Tel: (02)2326-8818

Website: http://www.honsec.com.tw

IV. Auditors

Auditors: Li, Kuan-Hao, Lin, Wang-Sheng

Accounting Firm: Deloitte & Touche

Address: 20F, No. 100, Songren Road, Xinyi District, Taipei City 11016

Tel: (02)2725-9988

Website: http://www.deloitte.com.tw

V. The name of any exchanges where the company's securities are traded offshore, and the method by which to access information on said offshore securities: N/A.

VI. Company Website: http://www.key-ware.com.tw

Table of Contents

Chapter 1　Letter to Shareholders

Dear Shareholders,

Thank you very much for your attendance at the 2023 Annual Shareholders' Meeting. 2022 was a very difficult year due to the Zero-COVID policy on the COVID-19 in mainland China, which led to frequent lockdown and suspension of work, as well as inflation caused by rising price of raw materials, resulting in a negative global economic impact. The high inventory of consumer electronics products has also resulted in sluggish orders, which has caused significant sunk costs for the Company's new capital expenditures in the foundry division over the past two years; The operating results for 2022 and the operating plan for 2023 are reported as follows:

I. 2022 Operating Results

(I) Results of the business plan:

In 2022, the net operating income of the Company was NT$1,453,993 thousand, net operating loss was NT$97,875 thousand, net income after tax was NT$3,166 thousand, and earnings per share after tax was NT$0.01.

(II) Budget execution:

The Company did not prepare public financial estimates for 2022.

(III) Financial income and expenditure and profitability analysis:

1. Financial income and expenditure:

In 2022, the net cash inflow from consolidated operating activities was NT$50,207 thousand, the net cash outflow from investing activities was NT$200,169 thousand, the net cash inflow from financing activities was NT$64,043 thousand, and the effect of exchange rate changes on cash and cash equivalents was NT$5,417 thousand, resulting in a net cash outflow of NT$80,502 thousand for the period.

2. Profitability analysis:

Item		2022	2021
Profitability	Return on assets (%)	0.69%	1.45%
	Return on equity (%)	0.15%	1.87%
	Ratio of operating income to paid-in capital (%)	(5.15)%	1.49%
	Ratio of income before tax to paid-in capital (%)	1.04%	2.95%
	Net profit margin (%)	0.22%	2.39%
	Earnings per share	0.01	0.18

(IV) Research and development:

1. With high-frequency material and production technology, we continue to develop drilling and milling tool coating technology to increase tool chip removal and wear resistance, in order to improve tool efficiency, optimize drilling and cutting quality, strengthen product competitiveness and expand industrial applications.
2. The Company has a complete supply chain of PCB raw materials and dry process CNC foundry, and has assisted customers in solving various production technology and capacity bottleneck problems.
3. We continue to be a solution provider and provide good service to our customers.

II. Overview of Business Plan for 2023

(I) Management principles:

1. Consistently invest in the development of niche products, such as ABF carrier drill needles and automotive board coating drill needles.
2. Appropriately allocate the production product structure and production area according to the market demand.
3. Precise management of production costs to maintain a competitive cost advantage.
4. Promote and implement ESG-related requirements and regulations, comply with regulations and fulfill corporate social responsibility.

(II) Sales volume forecast and basis:

Driven by applications such as artificial intelligence (AI), Internet of Things (IoT), high performance computing (HPC) and DRAM for high-bandwidth mobile devices, demand for ABF carriers and servers has been on the high side. The sales volume of the Company's Drilling Needle Division's ABF-specific needles, HLC high aspect ratio needles, and back-drilling needles continue to grow. The production capacity of the foundry business unit has been expanded to meet the growing demand for high-end carrier boards and high-end HDI, and future revenue and profit growth is expected. The Board Division is focusing on the marketing strategy of high frequency and high speed boards for 5G products. It is optimistically estimated that the global sales of drilling tools will be over 120 million units in 2023, and the contribution from foundry services will grow by 5~15%, and the sales of various boards will be over 1 million units.

(III) Key production and sales policy:

Diversified operation, integration of upstream, midstream and downstream raw materials, consumables products and foundry services:

1. Optimize production and sales schedules to achieve full production and sales; shorten production cycles to meet customers' urgent needs.

2. Develop high-tech products and enhance product advantages.
3. Endeavor to explore, seek collaboration, and create opportunities.

III. Future company development strategy

In the past 2022, AI, HPC and electric vehicles are still the key drivers of economic growth. However, the lockdown and work stoppages due to the Zero-COVID policy in mainland China have dampened the economic growth; The inflationary impact of rising raw materials has also dampened consumers' spending power; all these are unfavorable factors that have a huge impact in 2022.

Looking ahead to 2023, with the lifting of the epidemic control in China, the global epidemic is expected to end, the economy will gradually recover, and the inventory of various consumer products will gradually be eliminated. It is expected that in the second half of 2023, the demand for orders from customers will be on track, which will lead to an increase in equipment crop rate and gradually improve profitability. In terms of end products, the main axes this year will continue to be AI, HPC, cloud servers and electric vehicles. Therefore, the Company will focus on future product demand and continue to invest in R&D to enhance product competitiveness.

IV. Effect of external competition, the legal environment, and the overall business environment

This year is expected to get rid of the impact of the COVID-19 epidemic, but the negative impact of inflationary effects and geopolitics still exists. Although the mainland China market is still the largest production base of the PCB industry, under the subjective and objective factors, the phenomenon of production bases moving out to Southeast Asian countries has occurred.

Therefore, the Company will continue to operate in Taiwan, Mainland China, and Southeast Asia markets, as well as to manage costs and enhance R&D capabilities to maintain product competitiveness. We will fulfill our social and environmental responsibilities, promote ESG-related actions to meet regulatory requirements, and create good operating results for our shareholders.

We appreciate the support and encouragement from our shareholders, and our management team will do our best to deliver good results to our shareholders.

Key Ware Electronics Co., Ltd.

Chairman: Chow, Pong-Chi

President: Hsu, Wei-Chieh

Accounting Manager: Lee, Yun-Ting

Chapter 2 Company Profile

I. Date of Incorporation: February 27, 1997

II. Company History

Year and Month	Milestones
February 1997	Incorporated in Taipei City, Taiwan under the name of Key Ware Electronics Co., Ltd., specializing in the production of drill bits for printed circuit boards, with a paid-in capital of NT$25 million.
November 1997	Relocated to Taoyuan City Successfully produced 0.35/0.3mm series drill bits, and successfully pilot drilled by customers. Capital increase of NT$60 million in cash and paid-in capital increased to NT$85 million.
December 1997	Product quality is recognized by customers and officially sold to the public.
December 1998	Capital increase of NT$21 million in cash and paid-in capital increased to NT$106 million.
February 1999	Successfully developed 0.2mm series drill bits.
March 1999	Expansion of production scale by establishing Taoyuan Plant II. Capital increase of NT$84 million in cash and paid-in capital increased to NT$190 million.
May 1999	Successful mass production of 0.2mm series drill bits.
June 1999	Approved for public offering by the Securities and Futures Commission.
January 2000	Obtained ISO9002 certification.
May 2000	Capital increase of NT$50 million in cash and capital increase of NT$31,245,140 from capital surplus, resulting in an increase in paid-in capital to NT$271,245,140. Monthly production capacity exceeds 1 million units.
August 2000	Expansion of operation scale by establishing Taoyuan Plant III.
November 2000	Monthly production capacity exceeds 1.8 million units.
December 2000	Obtained ISO14001 certification.
December 2000	Approved by Taipei Exchange for stock listing.
March 2001	Listed on Taipei Exchange on March 29.
May 2001	Reinvested in Key Ware International Limited, and indirectly established Kunshan Key Ware Electronics Co., Ltd.
July 2001	Expansion of production scale by establishing Taoyuan Plant IV.
August 2001	Capital increase of NT$80 million in cash and paid-in capital increased to NT$351,245,140.
September 2001	Capital increase of NT$62,260,350 from capital surplus and NT$27,124,510 from capital reserve, resulting in an increase in paid-in capital to NT$440,630,000.
September 2002	Capital increase of NT$48,819,000 from capital surplus, resulting in an increase in paid-in capital to NT$489,449,000.
August 2002	Capital increase of NT$24,472,450 from capital surplus, resulting in an increase of paid-in capital to NT$513,921,450.
December 2003	Convertible bonds amounting to NT$200 million were issued in August 2003, and the paid-in capital increased to NT$544,879,900 as of December 2003.

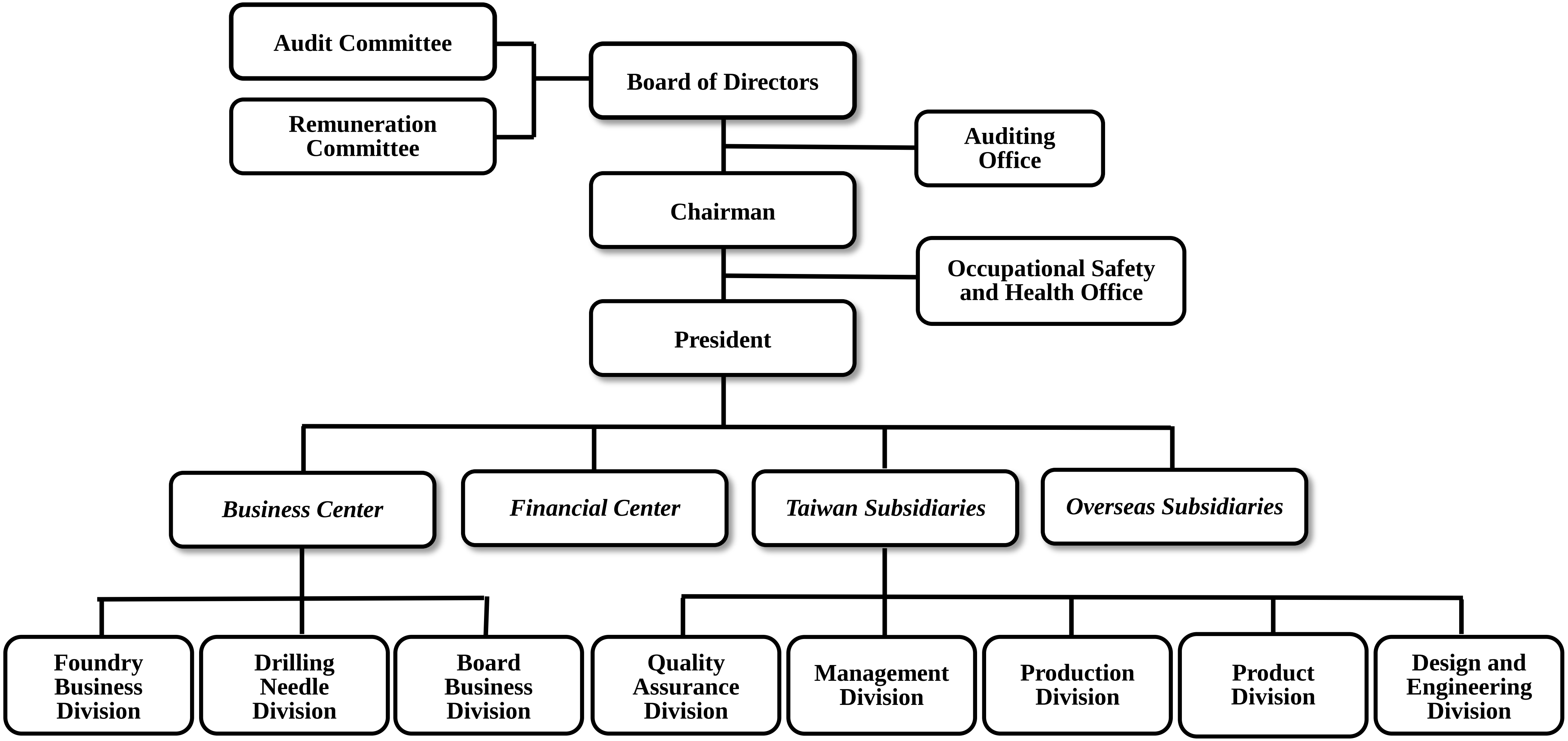
Year and Month	Milestones
January 2004	Reinvested in Key Ware International Limited, and indirectly established Kunshan Key Ware Electronics Co., Ltd. and officially entered the LCD module business.
March 2004	Convertible bonds amounting to NT$200 million were issued in August 2003, and the paid-in capital increased to NT$579,856,740 as of March 2004.
June 2004	Convertible bonds amounting to NT$200 million were issued in August 2003, and the paid-in capital increased to NT$583,144,390 as of June 2004.
August 2004	Capital increase of NT$49,490,400 from capital surplus and NT$16,306,400 from capital reserve, resulting in an increase in paid-in capital to NT$648,981,190.
September 2004	Convertible bonds amounting to NT$200 million were issued in August 2003, and the paid-in capital increased to NT$656,124,040 as of September 2004.
February 2005	Capital increase of NT$220 million in cash, and paid-in capital increased to NT$876,328,120 as of February 2005.
February 2005	Invested 71,500 thousand shares in Hotek Technology Co., Ltd. and acquired 88% of the shares, and indirectly holds its investment in Hung Shun Electronic (HK) Co., Ltd. to actively develop the field of consumer electronics products.
March 2005	Convertible bonds amounting to NT$200 million were issued in August 2003, and the paid-in capital increased to NT$880,715,850 as of March 2005.
April 2005	Reinvested in Key Ware International Limited, and indirectly established Kunshan Hua Wai Electronic Technology Co., Ltd.
July 2005	Convertible bonds amounting to NT$200 million were issued in August 2003, and the paid-in capital increased to NT$990,749,700 as of July 2005.
September 2005	Capital increase of NT$40,607,200 from capital surplus and NT$19,465,600 from capital reserve, resulting in an increase in paid-in capital to NT$1,050,482,500.
October 2005	Convertible bonds amounting to NT$200 million were issued in August 2003, and the paid-in capital increased to NT$1,055,584,540 as of October 2005.
January 2006	Convertible bonds amounting to NT$200 million were issued in August 2003, and the paid-in capital increased to NT$1,055,801,930 as of January 2006.
July 2006	Capital increase of NT$200 million in cash, and paid-in capital increased to NT$1,255,801,930 as of July 2006.
September 2006	Capital increase of NT$104,406,140 from capital surplus, resulting in an increase of paid-in capital to NT$1,360,208,070.
April 2007	Relocated to Guishan Industrial Park, Xingbang Rd., Taoyuan City.
May 2007	Reinvested in Key Ware International Limited, and indirectly established Kunshan Hao Zhen Electronics Co.. Ltd.
July 2007	Capital increase of NT$72,66,410 from capital surplus, resulting in an increase of paid-in capital to NT$1,432,868,480.
August 2008	Liquidation of Kunshan Hua Wai Electronic Technology Co., Ltd. in China, which was reinvested by Key Ware International Limited, is completed.
May 2009	Disposal of the reinvestment of Hongshun Haozhong Technology Co., Ltd. - Hongshun Electronics (HK) Co., Ltd.
August 2009	Private placement of additional capital of Nt$157,900,000, resulting in an increase of paid-in capital to NT$1,597,608,480.

Year and Month	Milestones
November 2009	On October 28, 2009, Hongshun Haozhong Technology Co., Ltd. was resolved to be dissolved, with November 17 as the base date for liquidation, and the liquidation process was completed in 2010.
March 2010	Kunshan Weixing Electronics Co., Ltd. merged with Kunshan Haozhen Electronics Co., Ltd., and Kunshan Weixing Electronics Co., Ltd. is the surviving company after the merger.
December 2012	Convertible bonds amounting to NT$350 million were issued in October 2011, and the paid-in capital increased to NT$1,618,958,800 as of December 2012.
December 2014	Invested NT$999,990 in Hui Peng Technology Co., Ltd. and acquired 99% of the shares to develop the field of laser drilling foundry in Taiwan.
June 2015	Established Laserware Laser Technology Co., Ltd to enter the field of laser drilling foundry.
May 2016	Successfully expanded into the sales market in Thailand.
December 2016	Established office in Thailand as a sales expansion and product service base in Thailand.
June 2017	Invested 612,000 shares in Key De Precise Industris Co., Ltd. to acquire 51% of the shares, and expanded the business into the distribution and processing of copper foil substrates.
November 2017	Kunshan Key Ware Electronics Co., Ltd. invested and established King Ware(Chongqing) Electronics Co., Ltd
March 2018	Kunshan Key Ware Electronics Co., Ltd. invested and established Wuhan Laserware Laser Technology Co., Ltd. to enter the field of mechanical drilling foundry in mainland China.
September 2018	Capital increase of NT$26,227,120 from capital surplus and NT$1,841,750 from employees' remuneration, resulting in an increase of paid-in capital to NT$1,647,027,670.
May 2019	Invested NT$7,500,000 in Jia Chi Co., Ltd and acquired 60% of the shares to expand the laser drilling foundry service in Taiwan.
July 2009	Capital increase of NT$1,211,450 from employee's remuneration., resulting in an increase of paid-in capital to NT$1,648,239,120.
March 2020	Invested NT$42 million in Jia Chi Co., Ltd. and increased shareholdings to 83.63%.
September 2020	Capital increase of NT$44,502,450 from capital surplus and NT$655,990 from employees' remuneration, resulting in an increase of paid-in capital to NT$1,693,397,560.
November 2020	Kunshan Key Ware Electronics Co., Ltd. invested and established Shenzhen Laserware Laser Technology Co., Ltd. to expand the field of laser drilling and mechanical drilling foundry in South China.
January 2021	Completed the construction of a new plant in Yangmei, Taoyuan to expand the field of Taiwan mechanical drilling foundry services.
May 2021	Issued convertible bonds of NT$200 million.
October 2021	Capital increase of NT$67,735,900 from capital surplus, resulting in an increase of paid-in capital to NT$1,761,133,460. Capital increase of NT$201,480,000 in cash, and paid-in capital increased to NT$1,899,133,460.
November 2021	Kunshan Key Ware Electronics Co., Ltd. completed the construction of the new plant and completed the relocation in November 2021.

Chapter 3 Corporate Governance Report

I. Organizational System:

(I) Organizational Chart:



(II) Functions of Major Divisions

Division	Major Functions
Auditing Office	1. Risk assessment and planning of the internal control and audit system of the Company and each subsidiary. 2. Supervise and assist all units and subsidiaries of the Company in developing internal control systems. 3. Draft and implement the audit plan. 4. Prepare audit reports and track deficiencies. 5. Review of self-examination and implementation by each unit and subsidiary of the Company. 6. Implementation of project-based audits. 7. Other matters required to be implemented in accordance with the relevant laws and regulations.
Occupational Safety and Health Office	1. Labor safety contractor hazard notification. 2. Engineering labor safety regulations notification. 3. Employee occupational accident notification, statistics and analysis. 4. Civil defense, labor safety, firefighting, and emergency response education training and drills. 5. Emergency disaster response revision. 6. Work safety code amendment. 7. Management and declaration of waste. 8. Employee health screening. 9. Other duties related to labor safety, environmental protection, and fire prevention.
Business Center	1. Annual budget operational planning. 2. Management and implementation of pricing policies. 3. Business talent cultivation. 4. Business resource integration. 5. Product sales and competitor information collection. 6. Implementation of marketing plans and strategies. 7. Review orders for shipment. 8. Collection of accounts receivable. 9. Customer service and handling of customer complaints. 10. Channel conflict management and strategic planning. 11. Channel development zoning management. 12. Determine channel pricing strategy. 13. Track and manage the performance of long term customers. 14. Strategic partner development and establishment.
Financial Center	1. Planning and implementation of the Company's financial management and capital deployment operations. 2. Planning and implementation of the Company's shareholding and shareholders' equity related business. 3. Implementation of customer credit and credit control related business. 4. Planning and implementation of capital market funding. 5. Implementation of corporate governance, compliance with laws and regulations, and filing of various announcements and disclosures. 6. Coordinate the Company's accounting process and implement the collection and analysis of cost information. 7. Preparation of financial statements and analysis and interpretation of management financial information. 8. Review monthly operating results and provide management accounting information. 9. Preparation of the Group's consolidated financial statements, transfer pricing reports and review of affiliates' accounts and financial reports. 10. Manage the planning and implementation of corporate taxation and compliance with various tax laws and regulations. 11. Budget compilation and control of monthly budget implementation status and variance analysis. 12. Public offerings, compliance with the listing regulations, and enforcement of corporate governance regulations.

Divisions	Functions
Management Division	1. Setting and completing departmental overall planning and KPI indicators. 2. Mastering and rationalizing the human resources. 3. Relevant operations of personnel salary calculation and employee benefits. 4. Establish and implement comprehensive education and training programs. 5. Relevant operation of employee performance appraisal. 6. General administrative operations. 7. Procurement and supplier management operations. 8. Planning and implementation of product outsourcing and foundry. 9. Raw material planning and procurement, inventory management and control. 10. Production scheduling and sales coordination. 11. Inbound and outbound shipment of products. 12. Coordinate and communicate with various departments to achieve balanced production and sales. 13. Control the cost of external failure and achieve objectives. 14. Responsible for the design and maintenance of the Company's computer operating system, maintenance of hardware equipment and file data processing.
Product Division	1. Responsible for the new design and development of the Company's tools. 2. Responsible for the evaluation of the direction of the Company's tool development technology. 3. Responsible for the establishment and maintenance of the development system. 4. Assist in the establishment, implementation and maintenance of the Company's related systems. 5. Follow the Company's policy to develop new and relevant concept technologies. 6. Responsible for the development and specification of new products for the Company's cutting tools. 7. Specification revision and inspection maintenance of existing products. 8. Testing and selection of tool materials. 9. Implementation and maintenance of engineering change system. 10. Maintenance of material management system for tool specification. 11. Responsible for the technical advice and troubleshooting of abnormal problems on the client side.
Production Division	1. Setting and completing departmental overall planning and KPI indicators. 2. Perform drill production management to enhance personnel efficiency, quality improvement and cost reduction. 3. Production process quality control. 4. Product dispatch quality control. 5. Process technology analysis and improvement. 6. Production cost management and improvement. 7. Standardization of equipment parameters. 8. Supervise the workplace labor safety, environmental safety and industrial safety.
Quality Assurance Division	QC: 1. IQC (Incoming Quality Control): Quality control for suppliers' input and raw materials. 2. IPQC (In-Process Quality Control): Focuses on the quality control in the manufacturing process. 3. OQC (Out-going Quality Control): Quality control for the finished products outbound. 4. Collaborative vendor auditing and maintenance. 5. Calibration and maintenance of production inspection equipment. QA: 1. Abnormal analysis and cross-departmental coordination. 2. Formulation and response of improvement measures. 3. Statistical analysis of customer complaints and tracking of countermeasures. 4. Provide all quality report data on the client side. 5. Client exception override and exception 8D Report response. 6. Revision of ISO related data for quality assurance.
Design and Engineering Division	1. Setting and completing departmental overall planning and KPI indicators. 2. Responsible for the maintenance of production machines and peripheral equipment and facilities. 3. Performance improvement of existing equipment.

II. Information on the Directors, President, Vice Presidents, Assistant Vice Presidents, and Supervisors of Divisions and Branch Units：

(I) Information of directors: 1. Information of directors (I)

Title	Nationality/ Place of Registration	Name	Gender and Age	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Major Experience (Education)	Other Position Concurrently Held at the Company and Other Companies	Executives, Directors or Supervisors who Are Spouses or within the Second Degree of Kinship			Remark (Note)
							Number of Shares	Shareholding (%)	Number of Shares	Shareholding (%)	Number of Shares	Shareholding (%)	Number of Shares	Shareholding (%)			Title	Name	Relation-ship	
Chairman	R.O.C.	Jia Ju Investment Co., Ltd.	-	2022.07.20	3 years	2000.03.30	9, 991, 401	5. 26	11, 042, 440	5. 81	－	－	-	-	-	Director, Savior Lifetec Corporation	-	-	-	None
Chairman	R.O.C.	Jia Ju Investment Co., Ltd. Representative: Chow, Pong-Chi	Male 71-80	2022.07.20	3 years	2000.03.30	－	－	4, 551, 404	2. 40	863, 154	0. 45	-	-	M.B.A., School of Business, Columbia University Chairman, Concord Venture Capital Group	Chairman (Legal Representative), Key Ware Electronics Co., Ltd. Chairman (Legal Representative), Concord Venture Capital Group Chairman (Legal Representative), Silicon Motion Technology Corp. Chairman (Legal Representative), Qbic Technology Co., Ltd. Director, Ruize Biotechnology Co., Ltd.	Corporate Director Representative	Chow, Chia-Chu	Father and Son	None
Director	R.O.C.	Jia Ju Investment Co., Ltd. Representative: Chow, Chia-Chu	Male 31-40	2022.07.20	3 years	2017.06.16	－	－	－	－	－	－	-	-	M.B.A., College of Management, National Taiwan University, B.S., College of Business, New York University	Vice President, Investment Department, Concord Venture Capital Group Director (Legal Representative), Key De Precise Industries Co., Ltd. Assistant Manager, Savior Lifetec Corporation Director (Legal Representative), Qbic Technology Co., Ltd. Director, Ruize Biotechnology Co., Ltd.	Corporate Director Representative	Chow, Pong-Chi	Father and Son	None
Director	R.O.C.	Concord Venture Capital Group	-	2022.07.20	3 years	2012.06.13	5, 677, 684	2. 99	6, 274, 944	3. 30	－	－	-	-	-	-	-	-	-	None
Director	R.O.C.	Concord Venture Capital Group Representative: Chao, Yuan-Chi	Male 71-80	2022.07.20	3 years	2006.05.16	－	－	1, 568, 034	0. 83	3, 612, 548	1. 90	-	-	M.B.A. in Finance, New York University President, First Financial Holding Co., Ltd. Independent Director, Taipei Fubon Commercial Bank Co., Ltd.	Chairman, Concord Asia Finance Ltd.	None	None	None	None
Director	R.O.C.	Concord Venture Capital Group Representative: Li, Hsiang-Yun	Female 51-60	2022.07.20	3 years	2006.05.16	－	－	－	－	－	－	-	-	M.S. in Accounting, University of Houston Auditor, Deloitte Taiwan Vice President, Concord Venture Capital Group	Vice President, Concord Venture Capital Group Director, Walkgame Corporation Director (Legal Representative), Qbic Technology Co., Ltd. Chairman (Legal Representative), Rong Pei Technology Corp. Representative of Chairman (Legal Representative), Savior Lifetec Corporation Chairman (Legal Representative), Sjeng Dany Enterprise Co., Ltd. Director (Legal Representative), Concord Venture Capital Group Chairman, Ruize Biotechnology Co., Ltd. Supervisor (Legal Representative), SLC BioPharm Co., Ltd.	None	None	None	None
Director	R.O.C.	Concord Financial Management Consultant Ltd.	-	2022.07.20	3 years	2006.05.16	6, 918, 456	3. 64	7, 646, 238	4. 03		－	-	-	-	Chairman, Savior Lifetec Corporation Director, Qbic Technology Co., Ltd. Director, Hanyu Venture Capital Ltd. Director, Rong Pei Technology Corp.	-	-	-	None

Director	R.O.C.	Concord Financial Management Consultant Ltd. Representative: Cheng, Chung	Male 61-70	2022.07.20	3 years	2012.06.13	-	-	-	-	-	-	-	-	M.S. in Computer Science and Electrical Engineering, University of California, USA Master of Business Administration, Santa Clara University, USA B.S., Department of Electron Physics, National Chiao Tung University	Chairman, China Real Estate Management Co., Ltd. Chairman, China Development Asset Management Corporation President, Kang Ning Life Corporation Director, Chien Kuo Construction Co., Ltd. Chairman, Kang Ning Industrial Co., Ltd. Director, Vivasolis Biotechnology Co., Ltd.	None	None	None	None
Director	R.O.C.	Concord Financial Management Consultant Ltd. Representative: Hsu, Wei-Chieh	Male 51-60	2022.11.10	3 years	2022.11.10	-	-	637	0	-	-	-	-	Department of Chemical Engineering, Tatung Institute of Technology Plant Manager, HannStar Board Corporation	President, Key Ware Electronics Co., Ltd. President, Kunshan Laserware Laser Technology Co., Ltd. President, Wuhan Laserware Laser Technology Co., Ltd. President, Shenzhen Laserware Laser Technology Co., Ltd.	-	-	-	None
Independent Director	R.O.C.	Lin, Tsung-Tan	Male 61-70	2022.07.20	3 years	2015.06.17	-	-	-	-	-	-	-	-	Master of Business Administration, Santa Clara University, USA Master of Science in Electrical Engineering, University of Florida, USA Vice Chairman, Concord Venture Capital Group	Executive Director, PineBridge International Asset Management Co., Ltd.	None	None	None	None
Independent Director	R.O.C.	Hsieh, Han-Ping	Male 61-70	2022.07.20	3 years	2018.06.13	-	-	-	-	-	-	-	-	Doctor of Electrical and Computer Engineering, Carnegie Mellon University, USA Vice President, National Yang Ming Chiao Tung University Dean, School of Electrical Engineering Lifetime Chair Professor, National Yang Ming Chiao Tung University	Director (Legal Representative), FocalTech Systems Co., Ltd. Exterma; Director, Silicon Motion Technology Corp. Independent Director, Dynapack International Technology Corporation Director, Ta Liang Technology Co., Ltd. Director, Coretronic Corporation	-	-	-	None
Independent Director	R.O.C.	Cheng, Wen-Chung	Male 61-70	2022.07.20	3 years	2018.06.13	-	-	-	-	-	-	-	-	Doctor of Electrical Computing, Carnegie Mellon University, USA Professor, Department of Electrical Engineering, National Yang Ming Chiao Tung University	Professor, Department of Information Engineering, Asia University Independent Director, Promise Technology, Inc.	-	-	-	None

Note: Where the chairperson of the board of directors and the general manager or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto.

2. Major Shareholders of Corporate Shareholders

April 18, 2023

Name of corporate shareholder	Major shareholders of the corporate shareholder
Jia Ju Investment Co., Ltd.	D.J. AMC Inc. Shareholding ratio: 95.24%
Concord Financial Management Consultant Ltd.	Norwich Finance Corp. Shareholding ratio: 100%
Concord Venture Capital Group	BVI Shang Hua You Financial Management Co. Shareholding ratio: 99.99%

3. Major Shareholders of the Company's Major Corporate Shareholders

April 18, 2023

Name of Institutional Shareholder	Major Shareholder
D.J. AMC Inc.	Shareholding held by Blissmore Holdings Limited: 100%
Norwich Finance Corp.	Shareholding held by Walpac Inc.: 30% Shareholding held by Chow, Pong-Chi: 30% Shareholding held by Liu, Lien-Chun: 10% Shareholding held by First Trophy International Limited: 10% Shareholding held by Lee, Shu-Juan: 8% Shareholding held by Chiao, Tzu-Yi: 7% Shareholding held by Lee, Hsiang-Yun: 5%
BVI Shang Hua You Financial Management Co.	Shareholding ratio held by D.J. AMC Inc.: 41% Shareholding held by Lee, Shu-Juan: 19% Shareholding held by Liu, Fen-Jo: 19% Shareholding held by Yu, Hui-Yi: 3% Shareholding held by Kathmund Limited: 10% Shareholding held by First Trophy International Limited: 8%

4. Information on Directors (II)

(1) Disclosure of Information Regarding the Professional Qualifications and Experience of Directors and the Independence of Independent Directors:

Qualifications / Name	Professional qualifications and experience	Independence analysis	No. of other public companies at which the person concurrently serves as an independent director
Chairman/ Jia Ju Investment Co., Ltd. Representative: Chow, Pong-Chi	Having work experience in commerce and finance. He served as the Chairman of the Company, Chairman of Concord Venture Capital Group, Chairman of Silicon Motion Technology Corporation Not under any of the categories stated in Article 30 of the Company Act.	-	0
Director/ Jia Ju Investment Co., Ltd. Representative: Chow, Chia-Chu	Having work experience in commerce and finance. He served as a director of the the Company, Vice President of Investment Department of Concord Venture Capital Group., Assistant Manager of Savior Lifetec Corporation. Not under any of the categories stated in Article 30 of the Company Act.	-	0
Director/ Concord Venture Capital Group Representative: Chao, Yuan-Chi	Having work experience in commerce, finance and banking. He served as a director of the Company, President of First Financial Holdings Co., Ltd., and Independent Director of Taipei Fubon Commercial Bank, Co., Ltd. Not under any of the categories stated in Article 30 of the Company Act.	-	0
Director/ Concord Venture Capital Group Representative: Li, Hsiang-Yun	Having work experience in commerce and finance. She served as a director of the Company, Vice President of Concord Venture Capital Group, Chairman of Savior Lifetec Corporation. Not under any of the categories stated in Article 30 of the Company Act.	-	0
Director/ Concord Financial Management Consultant Ltd. Representative: Cheng, Chung	Having work experience in commerce. He served as a director of the Company, the Chairman of the Board of Directors of China Real Estate Management Co., Ltd., and Chairman of the China Development Asset Management Co., Ltd. Not under any of the categories stated in Article 30 of the Company Act.	-	0
Director/ Concord Financial Management Consultant Ltd. Representative: Hsu, Wei-Chieh	Having work experience in commerce and corporate business. He served as a director of the Company, President of Key Ware Electronics Co., Ltd., and President of Kunshan Laserware Laser Technology Co., Ltd. Not under any of the categories stated in Article 30 of the Company Act.	-	0

Independent Director/ Lin, Tsung-Tan	Having work experience in commerce and finance He served as an Independent Director of the Company, Executive Director of PineBridge International Asset Management Co., Ltd., and Vice Chairman of Concord Venture Capital Group. Not under any of the categories stated in Article 30 of the Company Act	Is an independent director, in compliance with the criteria for independence: not a director, supervisor, or employee of the Company or its affiliates; including but not limited to the person himself/herself, spouses or second-degree relatives: not holding shares of the Company; not a director, supervisor, or employee of the Company's affiliates; not having received any remuneration for commercial, legal, financial and accounting services provided by the Company or its affiliates in the past two years.	0
Independent Director/ Hsieh, Han-Ping	Having work experience as a professor in national university related to the corporate business He served as an independent director of the Company, Dean of the School of Electrical Engineering, Vice President of National Yang Ming Chiao Tung University, and Lifetime Chair Professor of National Yang Ming Chiao Tung University. Not under any of the categories stated in Article 30 of the Company Act	Is an independent director, in compliance with the criteria for independence: not a director, supervisor, or employee of the Company or its affiliates; including but not limited to the person himself/herself, spouses or second-degree relatives: not holding shares of the Company; not a director, supervisor, or employee of the Company's affiliates; not having received any remuneration for commercial, legal, financial and accounting services provided by the Company or its affiliates in the past two years.	1
Independent Director/ Cheng, Wen-Chung	Having work experience as a professor in national and private university related to the corporate business He served as an Independent Director of the Company, Professor of the Department of Electrical Engineering of National Yang Ming Chiao Tung University, and Head of Department of Information Engineering of Asia University. Not under any of the categories stated in Article 30 of the Company Act	Is an independent director, in compliance with the criteria for independence: not a director, supervisor, or employee of the Company or its affiliates; including but not limited to the person himself/herself, spouses or second-degree relatives: not holding shares of the Company; not a director, supervisor, or employee of the Company's affiliates; not having received any remuneration for commercial, legal, financial and accounting services provided by the Company or its affiliates in the past two years.	1

(2) Diversity and Independence of the Board of Directors

A. Diversity of the Board of Directors:

To achieve sustainable and balanced development and increasing diversity at the Board level, the Company considers diversity of Board members in setting the composition of the Board from various aspects, including not limited to gender, age, culture, educational background, race, professional experience, skills, knowledge and term of service. All appointments to the Board of Directors are made on the basis of merit, and the importance of diversity of the Board of Directors is fully taken into account in considering candidates on objective terms.

Diversification Field of Directors:

Title	Name	Basic Composition									Diversification Field		
		Nationality	Gender	A Concurrent Employee of the Company	Age			Seniority of Independent Director			Profession	Finance	Academics
					30 - 50 years old	50 - 70 years old	Over 70 years old	Less than 3 years	3 - 9 years	Over 9 years			
Director	Chow, Pong-Chi	R.O.C.	Male				V				V	V	
	Chow, Chia-Chu		Male		V						V	V	
	Chao, Yuan-Chi		Male				V				V	V	
	Li, Hsiang-Yun		Female			V					V	V	
	Cheng, Chung		Male			V					V	V	
	Hsu, Wei-Chieh		Male	V		V					V	V	
Independent Director	Lin, Tsung-Tan		Male			V			V		V	V	
	Hsieh, Han-Ping		Male			V			V		V		V
	Cheng, Wen-Chung		Male			V			V		V		V

B. Independence of the Board of Directors:

There are 6 directors and 3 independent directors in the 9th session of the Board of Directors, with 33.33% independent directors; 1 director who is an employee of the Company (11.11%); 1 female director (11.11%); and 2 directors who are related to each other within the second degree of kinship, and there are no matters specified in Items 3 and 4 of Article 26-3 of the Securities and Exchange Act.

(II) Information on the President, Vice Presidents, Assistant Vice Presidents, and Supervisors of Divisions and Branch Units：

April 18, 2023; Unit: Share

Title	Nationality	Name	Gender	Date Elected	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Major Experience (Education)	Other Position Concurrently Held at the Company and Other Companies	Managerial Officer who Are Spouses or within the Second Degree of Kinship			Remark
					Number of Shares	Shareholding (%)	Number of Shares	Shareholding (%)	Number of Shares	Shareholding (%)			Title	Name	Relationship	
President	R.O.C.	Hsu, Wei-Chieh	Male	2022.11	637	0	-	-	-	-	Department of Chemical Engineering, Tatung Institute of Technology Plant Manager, HannStar Board Corporation	President, Key Ware Electronics Co., Ltd. President, Kunshan Laserware Laser Technology Co., Ltd. President, Wuhan Laserware Laser Technology Co., Ltd. President, Shenzhen Laserware Laser Technology Co., Ltd.	None	None	None	None
Special Assistant to President's Office	R.O.C.	Chen, Po-Ying	Male	2016.01	98,637	0.05	-	-	-	-	Institute of Electrical and Mechanical Research, National Sun Yat-sen University Sales Director, Wellink Technology Co., Ltd.	President, Kunshan Key Ware Electronics Co., Ltd. Chairman and President, Key De Precise Industries Co., Ltd.	None	None	None	None
Vice President of Sales	R.O.C.	Kang, Po-Yao	Male	2022.11	4,000	0	-	-	-	-	Department of Marine Engineering, Taipei University of Marine Technology Director of Sales and Marketing, Greater China, Taiwan Union Tool Corp. Special Assistant to President, Topoint Technology Co. Ltd.	Kunshan Key Ware Electronics Co., Ltd. Vice President of Sales	None	None	None	None

Title	Nationality	Name	Gender	Date Elected	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Major Experience (Education)	Other Position Concurrently Held at the Company and Other Companies	Managerial Officer who Are Spouses or within the Second Degree of Kinship			Remark
					Number of Shares	Shareholding (%)	Number of Shares	Shareholding (%)	Number of Shares	Shareholding (%)			Title	Name	Relationship	
Chief Financial Officer	R.O.C.	Li, Yung-Ting	Female	2022.11	4,147	0	-	-	-	-	Department of Accounting, Chung Yuan Christian University Associate, PricewaterhouseCoopers Taiwan	None	None	None	None	None
Assistant Manager	R.O.C.	Lo, Hung-Fu	Male	2015.03	39,560	0.02	-	-	-	-	Ming Hsin Engineering College Plant Manager, Picvue Electronics Co., Ltd.	None	None	None	None	None
Assistant Manager	R.O.C.	Chien, Ju-Hung	Male	2016.01	20,902	0.01	-	-	-	-	Department of Industrial Management, Vanung University Manager, Key Ware Electronics Co., Ltd.	None	None	None	None	None
Assistant Manager	R.O.C.	Yu, Chang-Wei	Male	2013.11	961	0	-	-	-	-	Department of Accounting, Chung Yuan Christian University Associate Manager, Multiplas Enginery Co., Ltd.	None	None	None	None	None
Assistant Manager	R.O.C.	Chen, Liang-Chi	Male	2022.11	-	-	-	-	-	-	Department of Mechanical Engineering, Taipei Institute of Technology Vice President, Shin Feng Li Enterprise Co., Ltd.	None	None	None	None	None

(III) Remuneration to Directors, President, and Vice Presidents for the Most Recent Year

1. Remuneration to Directors (Including Independent Directors)

(1) Remuneration to Ordinary Directors and Independent Directors

Unit: NT$ thousand/ %

Title	Name	Remuneration to directors: Base compensation (A)		Remuneration to directors: Retirement pay and pension (B)		Remuneration to directors: Director compensation (C)		Remuneration to directors: Expenses and perquisites (D)		Sum of A+B+C+D and ratio to net income		Remuneration received by directors for concurrent service as an employee: Salary, rewards, and special disbursements (E)		Retirement pay and pension (F)		Employee compensation (G)				Sum of A+B+C+D+E+F+G and ratio to net income		Remuneration received from investee enterprises other than subsidiaries or from the parent company
		The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company: Amount in cash	The Company: Amount in stock	All Companies in Consolidated Financial Statements: Amount in cash	All Companies in Consolidated Financial Statements: Amount in stock	The Company	All Companies in Consolidated Financial Statements	
Chairman	Jia Ju Investment Co., Ltd. Representative: Chow, Pong-Chi	-	-	-	-	-	-	1,126	1,126	1,126 42.52	1,126 42.52	-	-	-	-	-	-	-	-	1,126 42.52	1,126 42.52	-
Director	Jia Ju Investment Co., Ltd. Representative: Chow, Chia-Chu	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Director	Concord Venture Capital Group Representative: Chao, Yuan-Chi	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Director	Concord Venture Capital Group Representative: Li, Hsiang-Yun	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Director	Concord Financial Management Consultant Ltd./Representative: Cheng, Chung	240	240	-	-	-	-	-	-	240 9.07	240 9.07	-	-	-	-	-	-	-	-	240 9.07	240 9.07	-
Director	Concord Financial Management Consultant Ltd./Representative: Hsu, Wei-Chieh	-	-	-	-	-	-	-	-	-	-	2,400	5,549	60	60	-	-	-	-	2,460 92.90	5,608 211.85	-

Title	Name	Remuneration to directors								Sum of A+B+C+D and ratio to net income		Remuneration received by directors for concurrent service as an employee								Sum of A+B+C+D+E+F+G and ratio to net income		Remuneration received from investee enterprises other than subsidiaries or from the parent company
		Base compensation (A)		Retirement pay and pension (B)		Director compensation (C)		Expenses and perquisites (D)				Salary, rewards, and special disbursements (E)		Retirement pay and pension (F)		Employee compensation (G)						
		The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company		All Companies in Consolidated Financial Statements		The Company	All Companies in Consolidated Financial Statements	
																Amount in cash	Amount in stock	Amount in cash	Amount in stock			
Independent Director	Lin, Tsung-Tan	240	240	-	-	-	-	-	-	240 9.07	240 9.07	-	-	-	-	-	-	-	-	240 9.07	240 9.07	-
Independent Director	Hsieh, Han-Ping	240	240	-	-	-	-	-	-	240 9.07	240 9.07	-	-	-	-	-	-	-	-	240 9.07	240 9.07	-
Independent Director	Cheng, Wen-Chung	240	240	-	-	-	-	-	-	240 9.07	240 9.07	-	-	-	-	-	-	-	-	240 9.07	240 9.07	-

1. Please describe the policy, system, standards and structure in place for paying remuneration to directors and describe the relationship of factors such as the duties and risks undertaken and time invested by the directors to the amount of remuneration paid: The remuneration to the Company's Directors is fixed at regular intervals and there is no correlation between changes in remuneration and profit or loss after tax.
2. In addition to what is disclosed in the above table, please specify the amount of remuneration received by directors in the most recent fiscal year for providing services (e.g., for serving as a non-employee consultant to the parent company /any consolidated entities /invested enterprises): None.

Note: The proposed distribution of earnings for 2022 was resolved at the Board of Directors on February 24, 2023, and the proposed distribution of NT$10,504 for employees' compensation and NT$0 for directors' remuneration, both in cash, has not yet been resolved at the 2023 Annual Shareholders Meeting.

Remuneration Range Table

Ranges of remuneration paid to each of the Company's directors	Names of Directors			
	Sum of A+B+C+D		Sum of A+B+C+D+E+F+G	
	The Company	All consolidated entities H	The Company	All consolidated entities I
Less than NT$1,000,000	Cheng, Chung, Lin, Tsung-Tan, Hsieh, Han-Ping, Cheng, Wen-Chung	Cheng, Chung, Lin, Tsung-Tan, Hsieh, Han-Ping, Cheng, Wen-Chung	Cheng, Chung, Lin, Tsung-Tan, Hsieh, Han-Ping, Cheng, Wen-Chung	Cheng, Chung, Lin, Tsung-Tan, Hsieh, Han-Ping, Cheng, Wen-Chung
NT$1,000,000 (incl.)～NT$2,000,000 (excl.)	Chow, Pong-Chi	Chow, Pong-Chi	Chow, Pong-Chi	Chow, Pong-Chi
NT$2,000,000 (incl.)～NT$3,500,000 (excl.)	-	-	Hsu, Wei-Chieh	-
NT$3,500,000 (incl.)～NT$5,000,000 (excl.)	-	-	-	-
NT$5,000,000 (incl.)～NT$10,000,000 (excl.)	-	-	-	Hsu, Wei-Chieh
NT$10,000,000 (incl.)～NT$15,000,000 (excl.)	-	-	-	-
NT$15,000,000 (incl.)～NT$30,000,000 (excl.)	-	-	-	-
NT$30,000,000 (incl.)～NT$50,000,000 (excl.)	-	-	-	-
NT$50,000,000 (incl.)～NT$100,000,000 (excl.)	-	-	-	-
NT$100,000,000 or above	-	-	-	-
Total	5	5	6	6

(2) Remuneration to Supervisors

Not applicable (The Company has established the Audit Committee).

2. Remuneration President(s) and Vice President(s)

(1) Remuneration to President, and Vice Presidents

Unit: NT$ thousand/ %

Title	Name	Salary (A)		Severance Pay and Pension (B)		Bonus and Allowance (C)		Employee Compensation (D)				Sum of A+B+C+D and ratio to net income (%)		Remuneration received from investee enterprises other than subsidiaries
		The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company		All Companies in Consolidated Financial Statements		The Company	All Companies in Consolidated Financial Statements	
								Amount in cash	Amount in stock	Amount in cash	Amount in stock			
President	Hsu, Wei-Chieh	2,400	4,313	168	168	1,820	3,056	0	0	0	0	4,388 165.74	7,536 284.68	None
Vice President of Sales	Kang, Po-Yao													

Note 1: The proposed distribution of earnings for 2022 was resolved at the Board of Directors on February 24, 2023, and the proposed distribution of NT$10,504 for employees' compensation and NT$0 for directors' remuneration, both in cash, has not yet been resolved at the 2023 Annual Shareholders Meeting.

Note 2: The actual amount of pension benefits paid in 2022 was NT$0 and provision and appropriation of pension expense was NT$168 thousand.

Range of Remuneration

Range of Remuneration Paid to the President and Vice Presidents	Name of President and Vice President	
	The Company	All consolidated entities E
Less than NT$1,000,000	-	-
NT$1,000,000 (incl.)～NT$2,000,000 (excl.)	Kang, Po-Yao	Kang, Po-Yao
NT$2,000,000 (incl.)～NT$3,500,000 (excl.)	Hsu, Wei-Chieh	-
NT$3,500,000 (incl.)～NT$5,000,000 (excl.)	-	-
NT$5,000,000 (incl.)～NT$10,000,000 (excl.)	-	Hsu, Wei-Chieh
NT$10,000,000 (incl.)～NT$15,000,000 (excl.)	-	-
NT$15,000,000 (incl.)～NT$30,000,000 (excl.)	-	-
NT$30,000,000 (incl.)～NT$50,000,000 (excl.)	-	-
NT$50,000,000 (incl.)～NT$100,000,000 (excl.)	-	-
Over NT$100,000,000	-	-
Total	2	2

(2) Remuneration to the Five Highest Remunerated Management Personnel Unit: NT$ thousand; %

Title	Name	Salary (A)		Severance Pay and Pension (B)		Bonus and Allowance (C)		Employee Compensation (D)				Sum of A+B+C+D and ratio to net income (%)		Remuneration received from investee enterprises other than subsidiaries
		The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company		All Companies in Consolidated Financial Statements		The Company	All Companies in Consolidated Financial Statements	
								Amount in cash	Amount in stock	Amount in cash	Amount in stock			
President	Hsu, Wei-Chieh	600	2,513	60	60	1,800	3,036	-	-	-	-	2,460 92.90	5,608 211.85	None
Special Assistant to President's Office	Chen, Po-Ying	1,800	2,278	108	108	380	380	-	-	-	-	2,288 86.43	2,766 104.49	None
Special Assistant to President's Office	Chu, Tsung-Wei	1,574	2,042	108	108	274	352	-	-	-	-	1,957 73.91	2,502 94.52	None
Vice President of Sales	Kang, Po-Yao	1,800	1,800	108	108	20	20	-	-	-	-	1,928 72.83	1,928 72.83	None
Assistant Manager	Lo, Hung-Fu	1,188	1,560	73	73	149	281	-	-	-	-	1,409 53.23	1,914 72.30	None

Note: The proposed distribution of earnings for 2022 was resolved at the Board of Directors on February 24, 2023, and the proposed distribution of NT$10,504 for employees' compensation and NT$0 for directors' remuneration, both in cash, has not yet been resolved at the 2023 Annual Shareholders Meeting.

(3) Names and Distributions of Employee Profit-Sharing Compensation to Managerial Officers

December 31, 2022; Unit: NT$ thousand

Item	Title	Name	Amount in stock	Amount in cash (Note)	Total	As a % of net profit
Employee Remuneration	Assistant Manager	Chien, Ju-Hung	-	11	11	0

Note: It refers to the amount of employees' compensation to be resolved by the Annual Shareholders Meeting in 2023, after the approval of the Board of Directors on February 24, 2023.

(IV) Analysis of Total Remuneration, as a Percentage of Net Income Stated in the Parent Company Only Financial Statements, Paid by the Company and All Companies in Consolidated Financial Statements during the Past 2 Fiscal Years to the Directors, President, and Vice Presidents, Along with Description of Remuneration Policies, Standards, and Packages, Procedure for Determining Remuneration, and Linkage Thereof to Operating Performance and Future Risk Exposure

Unit: NT$ thousands

Year	Total remuneration to the Directors, President, and Vice Presidents	Ratio of parent company only or consolidated net income (loss)	Remuneration policies, standards, and packages, procedure for determining remuneration, and linkage thereof to operating performance and future risk exposure
2021	12,615	40.14%	The remuneration to Directors, President and Vice Presidents of the Company is paid by the Company Group, including honoraria and remuneration to Directors from the distribution of earnings. With respect to the appropriation of earnings, the remuneration of directors is subject to the provisions of Article 31 of the Company's Articles of Incorporation. The Company shall first settle the taxes and make up for any deficit in the annual accounts and then set aside 10% of the remaining balance as legal reserve, except that the legal reserve may be waived when the legal reserve has reached the Company's capital, and after setting aside a special reserve or reversing a special reserve in accordance with the law. For the remaining surplus, the Board of Directors shall prepare a proposal for appropriation of earnings, including the undistributed earnings at the beginning of the period, and submit it to the shareholders meeting for resolution. If the Company makes a profit in a year, the Company shall contribute 1% to 10% as compensation to employees and up to 1% as remuneration to directors, which shall be distributed in shares or cash by resolution of the Board of Directors; the distribution of compensation to employees and remuneration to directors shall be reported to the shareholders meeting. However, when the Company still has accumulated losses, it shall reserve the amount of compensation in advance, and then allocate employee compensation and directors' remuneration in proportion to the preceding paragraph. The remuneration of directors resolved in the shareholders' meeting is then distributed equally according to the number of seats held and the number of years the directors have served. The compensation to President and Vice Presidents, including salaries, bonuses, and employee compensation, is calculated based on the positions held and positions assumed, with reference to the industry standards for similar positions.
2022	9,622	363.46%	

III. Implementation of Corporate Governance:

(I) Operation of the Board of Directors

1. A total of 6 (A) board meetings were held in the most recent year. The attendance of the directors is as follows：

Title	Name	No. of meetings attended in person (B)	No. of meetings attended by proxy	In-person attendance rate (%) [B/A]	Remarks
Chairman	Jia Ju Investment Co., Ltd. Representative: Chow, Pong-Chi	6	0	100%	Re-elected on July 20, 2022
Director	Jia Ju Investment Co., Ltd. Representative: Chow, Chia-Chu	6	0	100%	Re-elected on July 20, 2022
Director	Concord Venture Capital Group Representative: Chao, Yuan-Chi	4	0	66.67%	Re-elected on July 20, 2022
Director	Concord Venture Capital Group Representative: Li, Hsiang-Yun	6	0	100%	Re-elected on July 20, 2022
Director	Concord Financial Management Consultant Ltd. Representative: Cheng, Chung	6	0	100%	Re-elected on July 20, 2022
Director	Concord Financial Management Consultant Ltd. Representative: Hsu, Wei-Chieh	5	0	83.33%	Newly elected on November 10, 2022
Independent Director	Lin, Tsung-Tan	5	0	83.33%	Re-elected on July 20, 2022
Independent Director	Hsieh, Han-Ping	6	0	100%	Re-elected on July 20, 2022
Independent Director	Cheng, Wen-Chung	6	0	100%	Re-elected on July 20, 2022

Other information required to be disclosed:

I. If any of the following circumstances exists, specify the board meeting date, meeting session number, content of the motion(s), the opinions of all the independent directors, and the measures taken by the Company based on the opinions of the independent directors: None. (Please refer to pages 42-44: Major Resolutions of the Board of Directors)
   (I) Any matter under Article 14-3 of the Securities and Exchange Act.
   (II) In addition to the matters referred to above, any dissenting or qualified opinion of an independent directory that is on record or stated in writing with respect to any board resolution.

II. The status of implementation of recusals of directors with respect to any motions with which they may have a conflict of interest: specify the director's name, the content of the motion, the cause for recusal, and whether and how the director voted: None.

III. Information including the evaluation cycle and period(s) of the board of directors' self-evaluations (or peer evaluations) and the evaluation method and content. Additionally, complete the table of Implementation of Evaluations of the Board of Directors.

Evaluation cycle	Once a year
Evaluation period	2022.01.01~2022.12.31
Scope of evaluation	Performance evaluation of the entire Board of Directors, individual Board members and functional committees (including Audit Committee and Remuneration Committee)
Method	Self-evaluation of the entire Board of Directors, individual Board members and functional committees (including Audit Committee and Remuneration Committee)
Content	Evaluation of the performance of the board: Participation in the Company's operations, enhancement of the quality of board decisions, board composition and structure, selection and continuing education of directors, and internal control. Evaluation of the performance of Board member: Alignment of the goals and missions of the company, awareness of the duties of a director, participation in the operation of the company, management of internal relationship and communication, the director's professionalism and continuing education, and internal control. Evaluation of the performance of functional committee: Participation in the operation of the company, awareness of the duties of the functional committee, the quality of decisions made by the functional committee, makeup of the functional committee and election of its members, and internal control.

Evaluation result	The overall performance of the Board of Directors and functional committees was evaluated as good. The item with lower score in this evaluation is "I. Participation in the Company's operation" of the Board of Directors' performance evaluation, and there is one item in total. The "Participation in the Company's Operations" score of directors in 2022 has improved compared to 2021. The attendance rate of directors at board meetings or shareholders' meetings continues to be improved by coordinating meeting dates and the availability of video attendance at meetings.
Date of submission to the Board of Directors	2023.02.24

IV. Evaluation of the current and most recent year's objectives for strengthening the Board of Directors' functions (e.g., establishing the Audit Committee, enhancing information transparency, etc.) and their implementation:

(I) The Company established the Remuneration Committee in December 2011 and the Audit Committee in June 2018.

(II) In addition to setting up three Independent Directors, the Company has adopted the "Rules of Procedure for Board of Directors Meetings" and the "Code of Ethical Conduct for Directors and Managerial Personnel" as the basis for the implementation of the Board of Directors Meeting to enhance the operational efficiency and decision-making ability of the Board of Directors. In addition, all directors actively attend the board meetings to discuss and provide opinions on major decisions of the Company, and report the attendance of directors at board meetings and major resolutions of the board meetings on the Market Observation Post System.

(III) To enhance the transparency of information, the Company has set up a corporate website to facilitate shareholders' access to various corporate information.

(II) Operation of the Audit Committee or Supervisors' Participation in the Board of Directors:

1. Operation of the Audit Committee:

A total of 4 (A) meetings of the Audit Committee were held in the most recent year. The attendance of independent directors is as follows:

Title	Name	No. of meetings attended in person (B)	No. of meetings attended by proxy	In-person attendance rate (%) (B/A) (Note)	Remark
Convener	Lin, Tsung-Tan	4	0	100%	Re-elected on July 20, 2022
Committee Member	Hsieh, Han-Ping	4	0	100%	Re-elected on July 20, 2022
Committee Member	Cheng, Wen-Chung	4	0	100%	Re-elected on July 20, 2022

Other information required to be disclosed:

I. If any of the following circumstances exists, specify the audit committee meeting date, meeting session number, content of the motion(s), the content of any dissenting or qualified opinion or significant recommendation of the independent directors, the outcomes of audit committee resolutions, and the measures taken by the Company based on the opinions of the audit committee:

(I) Any matter under Article 14-5 of the Securities and Exchange Act.: (Please refer to pages 42-44: Major Resolutions of the Board of Directors)

(II) In addition to the matters referred to above, any matter that was not approved by the audit committee but was approved by a two-thirds or greater majority resolution of the board of directors: None.

II. Implementation of recusals of independent directors with respect to any motions with which they may have a conflict of interest: None.

III. Communication between the independent directors and the chief internal audit officer and the CPAs that serve as external auditor (including any significant matters communicated about with respect to the state of the company’s finances and business and the method(s) and outcomes of the communication.):

(I) The Chief Internal Auditor of the Company regularly participates in the quarterly audit committee meetings to report and discuss the audit matters with the independent directors, and the current communication status is good.

(II) The Company's independent directors and CPAs conduct critical audit reports at least once a year, and the communication status is good.

2. The major matters considered by the Audit Committee include:
   (1) Formulate or amend internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
   (2) Assess the validity of internal control system.
   (3) Establish or amend the process for acquisition or disposal of assets, the trading of derivatives, lending of loans to others, provision of guarantee/endorsement to others, and other material financial business activities in accordance to Article 36-1 regulations.
   (4) Responsible for items relating to interests of directors.
   (5) Responsible for items related to trading of assets or derivative products.
   (6) Responsible for material loaning of funds, and provision of endorsements/guarantees.
   (7) Responsible for fundraising or issuing or private placement of equity-based securities.
   (8) Responsible for appointment, dismissal, and compensation of CPAs.
   (9) Responsible for appointment or dismissal of a finance officer, accounting officer, or chief internal auditor.
   (10) Annual financial statements and semi-annual financial statements.
   (11) Other material information stipulated by the Company or competent authorities

3. Major Resolutions of the Audit Committee for the most recent year and up to the date of publication of the Annual Report:

Date of major resolutions	Proposal content and subsequent response	Resolution result	The Company's Response
2022.02.25/2-3	1. Proposal of the replacement of the Company's CPA due to the internal rotation of the CPA firm. 2. Proposal of 2021 Financial Statements. 3. In the fourth quarter of 2021, the Company proposed not to consider the accounts receivable beyond the normal credit period of three months and the amount is significant as a loan of funds. 4. Proposal of 2021 Earnings Distribution. 5. Proposal of allocating employees' compensation and directors' remuneration for 2021. 6. Conversion of employee stock option into new shares and setting the capital increase base date. 7. Proposal of 2021 Statement of Internal Control System. 8. Proposal of amendments to some provisions of the Company's Articles of Incorporation.	Approved by all members present at the meeting	Submitted to the Board of Directors and approved by all Directors present
2022.05.06/2-4	1. Proposal of the Consolidated Financial Statement for 2022 Q1. 2. In the first quarter of 2022, the Company proposed not to consider the accounts receivable beyond the normal credit period of three months and the amount is significant as a loan of funds. 3. Proposal of regular evaluation of the independence of CPAs.	Approved by all members present at the meeting	Submitted to the Board of Directors and approved by all Directors present
2022.08.03/2-5	1. Proposal of the Consolidated Financial Statement for 2022 Q2. 2. In the second quarter of 2022, the Company proposed not to consider the accounts receivable beyond the normal credit period of three months and the amount is significant as a loan of funds.	Approved by all members present at the meeting	Submitted to the Board of Directors and approved by all Directors present
2022.11.09/2-6	1. Proposal of the Consolidated Financial Statement for 2022 Q3. 2. In the third quarter of 2022, the Company proposed not to consider the accounts receivable beyond the normal credit period of three months and the amount is significant as a loan of funds. 3. Proposal of the formulation of the Company's "Corporate Governance Best Practice Principles", "Sustainable Development Best Practice Principles", "Ethical Corporate Management Best Practice Principles", "Code of Ethical Conduct for Directors and Managers" and "Operating Procedures for Handling Internal Material Information and Preventing Insider Trading".	Approved by all members present at the meeting	Submitted to the Board of Directors and approved by all Directors present

Date of major resolutions	Proposal content and subsequent response	Resolution result	The Company's Response
2023.02.24/2-7	1. Proposal of 2022 Financial Statements. 2. In the fourth quarter of 2022, the Company proposed not to consider the accounts receivable beyond the normal credit period of three months and the amount is significant as a loan of funds. 3. Proposal of regular evaluation of the independence and appropriateness of CPAs. 4. Proposal of 2022 Earnings Distribution. 5. Proposal of capitalization of the earnings to issue new shares. 6. Proposal of allocating employees' compensation and directors' remuneration for 2022. 7. Proposal of 2022 Statement of Internal Control System. 8. Establishment of an additional "Pre-Approved Audit Method for Non-Confirmation Services Provided by Certified Public Accountants" by the Company. 9. Provision of Non-Confirmation Services by Deloitte Taiwan CPAs in 2023 10. Proposal of amendments to certain provisions of the "Rules of Procedure for Shareholders Meetings" and "Regulations Governing Procedure for Board of Directors Meetings" of the Company.	Approved by all members present at the meeting	Submitted to the Board of Directors and approved by all Directors present

4. Attendance by the Supervisors at Board of Directors Meetings:
   Not applicable (The Company has established the Audit Committee).

(III) Implementation Status and Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the Reasons

Evaluation item	Implementation status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons
	Yes	No	Description	
I. Has the Company established and disclosed its Corporate Governance Best-Practice Principles based on the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies?	V		The Company has established a "Corporate Governance Best-practice Principles" in 2022, which is disclosed on the Market Observation Post System and the Company's website.	No deviation.
II. Shareholding Structure and Shareholders' Rights (I) Does the Company have Internal Operation Procedures for handling shareholders' suggestions, concerns, disputes and litigation matters. If yes, have these procedures been implemented accordingly? (II) Does the Company know the identity of its major shareholders and the parties with ultimate control of the major shareholders? (III) Has the Company built and implemented a risk management system and a firewall between the Company and its affiliates? (IV) Has the Company established internal rules prohibiting insider trading of securities based on undisclosed information?	 V V V V		(I) The Company has established "Operating Procedures for Handling Internal Material Information and Preventing Insider Trading" to regulate the relevant handling procedures, and has a spokesperson, an acting spokesperson and a dedicated person to handle related matters. (II) The relevant matters are handled by a professional stock affairs agency with professional stock affairs specialist who have good relations with the major shareholders, are in contact with them and are in control at all times. (III) The Company has established "Operating Procedures for Handling Internal Material Information and Preventing Insider Trading" and implements risk control and firewall mechanisms with its affiliates in accordance with the regulations. (IV) The Company has established the "Code of Ethical Conduct for Directors and Managers", "Ethical Corporate Management Best Practice Principles" and "Operating Procedures for Handling Internal Material Information and Preventing Insider Trading" to strictly prohibit relevant personnel from engaging in insider trading by using undisclosed information known to them and from disclosing such information to others to prevent others from using such information to engage in insider trading.	No deviation.
III. Composition and responsibilities of the board of directors (I) Have a diversity policy and specific management objectives been adopted for the board and have they been fully implemented?	 V		 (I) The Company has established the " Diversity Policy of the Board of Directors" and is composed of nine directors with outstanding backgrounds and experience in the professional, financial, and academic fields, and the	 (I) No deviation.

Evaluation item	Implementation status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons
	Yes	No	Description	
			Board of Directors is responsible for overseeing the overall operations and affairs of the Company.	
(II) Has the Company voluntarily established other functional committees in addition to the remuneration committee and the audit committee?		V	(II) The Company is in the process of research.	(II) In the future, we will follow the development needs of the Company and the laws and regulations.
(III) Has the Company established rules and methodology for evaluating the performance of its Board of Directors, implemented the performance evaluations on an annual basis, and submitted the results of performance evaluations to the board of directors and used them as reference in determining salary/compensation for individual directors and their nomination and additional office terms?	V		(III) The Company has established the " Performance Evaluation Method of the Board of Directors" in 2020, and the scope of evaluation is as follows: 1. Performance evaluation of the board of directors as a whole, 2. Performance evaluation of individual board members, and 3. Performance evaluation of functional committees. Performance evaluation is conducted annually and periodically. The results of the 2022 evaluation, which were reported to the Board of Directors on February 24, 2023, are good for the overall performance of the Board of Directors and will be used as reference for individual director's remuneration and nomination for reappointment.	(III) No deviation.
(IV) Does the Company regularly evaluate its external auditors' independence?	V		(IV) The Company obtains the " CPAs' Independence Statement" issued by the certifying CPA firm on an annual basis and confirms that the certifying CPA does not hold any shares of the Company and does not hold any position as a disinterested party of the Company. We have no other financial interests or business relationships. We also evaluate the independence and appropriateness of the certified public accountants with reference to the Audit Quality Indicators (AQI), and then submit the evaluation results to the Audit Committee and the Board of Directors for discussion. Up to date, no breach of independence has been identified.	(IV) No deviation.

Evaluation item	Implementation status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons
	Yes	No	Description	
IV. Does the TWSE/TPEx listed company have in place an adequate number of qualified corporate governance officers and has it appointed a chief corporate governance officer with responsibility corporate governance practices (including but not limited to providing information necessary for directors and supervisors to perform their duties, aiding directors and supervisors in complying with laws and regulations, organizing board meetings and annual general meetings of shareholders as required by law, and compiling minutes of board meetings and annual general meetings)?	V		The President's Office and the personnel of the Stock Affairs Division are responsible for matters related to corporate governance of the Company.	The Company will appoint a Chief of Corporate Governance in 2023 as required by law.
V. Has the Company established channels for communicating with its stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) and created a stakeholders section on its company website? Does the Company appropriately respond to stakeholders' questions and concerns on important corporate social responsibility issues?	V		The Company has established a spokesperson system to handle related matters, and a message section has been set up on the Company's website to provide a channel for communication with interested parties.	No deviation.
VI. Has the Company appointed a professional shareholder services agent to handle matters related to its shareholder meetings?	V		The relevant matters are handled by a professional shareholder services agent: The Company has appointed "Stock Agency Unit of Horizon Securities Co., Ltd.", and the relevant matters are handled by professional stock affairs personnel.	No deviation.
VII. Information Disclosure (I) Has the Company established a corporate website to disclose information regarding its financials, business, and corporate governance status? (II) Does the Company use other information disclosure channels (e.g., maintaining an English-language website, designating staff to	 V V		 (I) The Company's website is www.key-ware.com.tw, where financial operations and corporate governance information are disclosed, and the link to the Market Observation Post System is available. (II) The Company has appointed dedicated personnel to collect and disclose corporate information, and has established a spokesperson system to ensure that information that may affect shareholders' and stakeholders' decisions is	 (I) No deviation. (II) No deviation.

Evaluation item	Implementation status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons
	Yes	No	Description	
handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)? (III) Does the company publish and report its annual financial report within two months after the end of the fiscal year, and publish and report its financial reports for the first, second, and third quarters as well as its operating statements for each month before the specified deadlines?		V	disclosed promptly and appropriately. (III) The Company's financial statements and operating reports for each month are reported before the deadline.	(III) The Company will comply with the provisions of the Law in the future.
VIII. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' continuing education, the implementation of risk management policies and risk evaluation standards, the implementation of customer relations policies, and purchasing liability insurance for directors and supervisors)?	V		The Company has disclosed its corporate governance information on its website, which can also be accessed by linking to the Market Observation Post System. (I) The Company has established an employee welfare committee to implement a pension system, plan employee group insurance and arrange regular health examinations. (II) The Company discloses information about the Company in an honest manner in accordance with the law, and has set up an investor relations section on the Company's website to protect the basic rights of investors and fulfill its responsibilities to shareholders. (III) From time to time, the directors of the Company attend continuing education courses to obtain the latest information on corporate governance. (IV) The Company's communication with customers is seamless and well implemented. (V) The Company has obtained directors' liability insurance from 2019 and renew the insurance annually.	No deviation.
IX. Please describe improvements that have already been made based on the Corporate Governance Evaluation results released for the most recent fiscal year by the Corporate Governance Center, Taiwan Stock Exchange, and specify the priority enhancement objectives and measures planned for any matters still awaiting improvement. Improvements: The Company has established the "Corporate Governance Best-practice Principles" in 2022. Priority enhancements and measures: The Company will continue to evaluate the feasibility of future improvements for those parts that have not yet been scored.				

(IV) Composition, duties and operation of the Remuneration Committee:

1. The Company's Remuneration Committee was established by a resolution of the Board of Directors on December 28, 2021, and the "Remuneration Committee Charter" has been established in accordance with the law, which stipulates that the members of this Committee shall be appointed by a resolution of the Board of Directors.

   Terms of Reference of the Remuneration Committee:

   (1) Establish and regularly review the policies, systems, standards and structures for performance evaluation and remuneration to directors and managers.

   (2) Evaluate and review the remuneration to directors and managers on a regular basis.

2. Information on Remuneration Committee Members

Capacity \ Qualifications \ Name		Professional qualifications and experience	Independence analysis	Number of other public companies at which the person concurrently serves as remuneration committee member
Independent Director (Convener)	Lin, Tsung-Tan	Please refer to "Disclosure of Professional Qualifications of Directors and Independence of Independent Directors" on pages 14-15.		0
Independent Director	Hsieh, Han-Ping			1
Independent Director	Cheng, Wen-Chung			1

3. Operation of the Remuneration Committee

   (1) The Company's Remuneration Committee has a total of 3 members.

   (2) The term of the current members is from July 20, 2021 to July 19, 2024. The number of remuneration committee meetings held in the most recent fiscal years was 2 (A). The attendance by the members was as follows:

Title	Name	No. of meetings attended in person (B)	No. of meetings attended by proxy	In-person attendance rate (%) (B/A)	Remark
Convener	Lin, Tsung-Tan	2	0	100%	Re-elected on July 20, 2022
Committee Member	Hsieh, Han-Ping	2	0	100%	Re-elected on July 20, 2022
Committee Member	Cheng, Wen-Chung	2	0	100%	Re-elected on July 20, 2022
Other information required to be disclosed: I. If the board of directors does not accept, or amends, any recommendation of the remuneration committee, specify the board meeting date, meeting session number, content of the recommendation(s), the outcome of the resolution(s) of the board of directors, and the measures taken by the Company with respect to the opinions given by of the remuneration committee (e.g., if the salary/compensation approved by the board is higher than the recommendation of the remuneration committee, specify the difference(s) and the reasons): None. II. With respect to any matter for resolution by the remuneration committee, if there is any dissenting or qualified opinion of a committee member that is on record or stated in writing, specify the remuneration committee meeting date, meeting session number, content of the motion, the opinions of all members, and the measures taken by the Company with respect to the members' opinion: None.					

4. Major Resolutions of the Remuneration Committee for the most recent year and up to the date of publication of the Annual Report:

Remuneration Committee	Content of Motion and Follow-up	Resolution result	The Company's Response
2022.02.25 /5-1	1. Proposal of reviewing the policies, systems, standards and structures for performance evaluation and remuneration to directors and managers. 2. Proposal of salary structure and payment amount for directors and managers of the Company. 3. Proposal of allocating employees' compensation and directors' remuneration for 2021.	Approved by all members present at the meeting	Submitted to the Board of Directors and approved by all Directors present
2022.05.06 /5-2	1. Proposal of allocating employees' compensation and directors' remuneration for 2021.	Approved by all members present at the meeting	Submitted to the Board of Directors and approved by all Directors present
2023.02.24 /5-3	1. Proposal of reviewing the policies, systems, standards and structures for performance evaluation and remuneration to directors and managers. 2. Proposal of salary structure and payment amount for directors and managers of the Company. 3. Proposal of allocating employees' compensation and directors' remuneration for 2022.	Approved by all members present at the meeting	Submitted to the Board of Directors and approved by all Directors present

(V) Implementation Status and Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons

Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary description	
I. Has the Company established a governance framework for promoting sustainable development, and established an exclusively (or concurrently) dedicated unit to be in charge of promoting sustainable development? Has the board of directors authorized senior management to handle related matters under the supervision of the board?		V	The Company is in the process of research.	In the future, we will follow the development needs of the Company and the laws and regulations.
II. Does the company conduct risk assessments of environmental, social and corporate governance (ESG) issues related to the company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies? (	V		The Company has conducted a risk assessment with respect to the materiality principle.	No significant deviation, and the Company will ensure compliance with the law in the future.
III. Environmental issues (I) Has the Company set an environmental management system designed to industry characteristics?	V		(I) The company has passed ISO14001 international certification and regularly performs audits of the environmental management system in the factory to ensure the appropriateness and effectiveness of the overall operation through the PDCA improvement cycle of planning, implementation, inspection and verification.	No significant deviation, and we will follow the development needs of the Company and the laws and regulations in the future.
(II) Does the Company endeavor to use energy more efficiently and to use renewable materials with low environmental impact?	V		(II) The main energy used by the Company is purchased electricity, and the internal energy consumption of the organization also includes gasoline and diesel fuel. In addition to removing business waste in accordance with government regulations, the Company has also taken the initiative to request for process waste reduction, replacement of LED lighting in the factory to reduce electricity consumption, water conservation, and other energy-saving measures to reduce the impact of industrial activities on the environment.	
(III) Has the Company evaluated the potential risks and opportunities posed by climate change for its business now and in the future and adopted relevant measures to address them?		V	(III) The Company is in the process of research.	
(IV) Did the company collect data for the past two years on greenhouse gas emissions, volume of water consumption, and the total weight of waste, and	V		(IV) The Company consumed 60,815 metric tons of water in the past two years, with a total waste weight of approximately 222.81 metric tons, and expects to assess its 2022 greenhouse gas emissions in 2023. Currently, we are working	

Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary description	
establish policies for greenhouse gas reduction, reduction of water consumption, or management of other wastes?			on replacing LED lamps and strengthening the reuse of recycled boxes to reduce the amount of waste generated.	
IV. Social issues (I) Has the company formulated relevant management policies and procedures in accordance with relevant laws and regulations and international human rights conventions?		V	(I) The Company has established work rules and regulations in accordance with the law, which are reported to the competent authorities for approval and implementation, and holds regular labor-management meetings, and follows clear regulations on the legal rights and interests of employees.	No significant deviation, and we will follow the development needs of the Company and the laws and regulations in the future.
(II) Has the company established and implemented reasonable employee welfare measures (include salary/compensation, leave, and other benefits), and are business performance or results appropriately reflected in employee salary/compensation?	V		(II) The Company has established and implemented reasonable employee benefit measures (including salary, vacation and other benefits, etc.).	
(III) Does the company provide employees with a safe and healthy working environment, and implement regular safety and health education for employees?	V		(III) The Company has set up an employee welfare committee, and the welfare committee members are appointed by each unit to promote and improve employee welfare, such as marriage, childbirth, funeral, birthday, etc. The various subsidies have been operating normally. The Company also holds annual health examinations for employees, regular visits by specialists and nurses, and provides health consultation for employees.	
(IV) Has the company established effective career development training programs for employees?	V		(IV) The Company has established an employee education and training program, which includes: new employee education and training, professional development for colleagues ......, etc.	
(V) Does the company comply with the relevant laws and international standards with regards to customer health and safety, customer privacy, and marketing and labeling of products and services, and implement consumer protection and grievance policies?	V		(V) To protect the rights of customers and enhance customer service satisfaction, our company has set up a stakeholder area on our website at http://www.key-ware.com.tw and established the "Customer Grievance Management System" to handle customer complaints, grievances, proposals or dissatisfaction with products in order to solve customer problems and make the relationship between customers and the company more harmonious, thus achieving win-win results. To achieve a win-win situation.	
(VI) Has the company formulated supplier management policies requiring suppliers to comply with relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and what is the status of their implementation?	V		(VI) The Company has established a supplier management system that requires suppliers to prohibit harmful substances in the area of environmental protection.	

<table>
<tr><th rowspan="2">Item</th><th colspan="3">Implementation status</th><th rowspan="2">Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary description</th></tr>
<tr><td>V. Does the company refer to international reporting standards or guidelines when preparing its sustainability report and other reports disclosing non-financial information? Does the company obtain third party assurance or certification for the reports above?</td><td></td><td>V</td><td>The Company is evaluating the preparation of the Sustainability Report.</td><td>In the future, we will follow the development needs of the Company and the laws and regulations.</td></tr>
<tr><td colspan="5">VI. If the Company has adopted its own sustainable development best practice principles based on the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, please describe any deviation from the principles in the Company's operations: None.</td></tr>
<tr><td colspan="5">VII. Other important information to facilitate better understanding of the company's promotion of sustainable development:
1. The Company expects to assess the greenhouse gas emissions in 2022 from the Taoyuan and Yangmei plants in 2023.
2. The Company is very concerned about the safety and physical and mental health of the employees. In the design of the factory building, consideration is given to planting greenery, office building materials to prevent vibration, flaming, air conditioning, lighting, etc., in order to provide a good safety and comfortable working environment for the employees; at the same time, access control, security and video surveillance systems are installed in the factory to ensure that the employees have personal safety protection measures.
3. The Company is committed to work safety and environmental protection measures, and has established safety and health practices, regular employee health examinations, and workplace education and training for employees in accordance with the law, and established the ISO 14000 operation mechanism in 2000, which is valid from April 1, 2020 to April 1, 2023, to continuously conduct environmental assessment, environmental monitoring, and dispose of industrial waste in a legal manner to maintain environmental safety and comfort.
4. The Company also participates in community involvement and safety by participating in the joint defense system in the Guishan Industrial Area, playing a role in helping each other and maintaining good relations with neighbors, and cooperating with police units to provide relevant road video recordings to maintain law and order in the area, and often takes the initiative to clean and maintain the environment in the area.</td></tr>
</table>

(VI) Implementation Status and Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Description	
I. Establishment of ethical corporate management policies and programs (I) Does the company have an ethical corporate management policy approved by its Board of Directors, and bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and commitment regarding implementation of such policy from the Board of Directors and the top management team? (II) Whether the company has established an assessment mechanism for the risk of unethical conduct; regularly analyzes and evaluates, within a business context, the business activities with a higher risk of unethical conduct; has formulated a program to prevent unethical conduct with a scope no less than the activities prescribed in Article 7, paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/TPE Listed Companies? (III) Does the company clearly set out the operating procedures, behavior guidelines, and punishment and appeal system for violations in the unethical conduct prevention program, implement it, and regularly review and revise the plan?	V V V		(I) The Company's Board of Directors resolved in November 2022 to adopt the "Ethical Corporate Management Best Practice Principles" and the "Code of Ethical Conduct for Directors and Managers" and to disclose them on the Market Observation Post System and the Company's website for compliance by directors, managers, all employees and other interested parties. (II) The Company has an "Ethical Corporate Management Best Practice Principles" and "Work Rules", which stipulate that employees shall not accept hospitality, gifts, rebates or other unlawful benefits for or against the performance of their duties. (III) The Company's "Ethical Corporate Management Best Practice Principles" explicitly prohibits business activities that involve the risk of dishonest conduct and implements precautionary measures. In addition, the Company also regularly reviews relevant work processes through internal audits to prevent the risk of dishonest conduct.	No significant deviation.
II. Ethical Management Practice (I) Does the company assess the ethics records of those it has business relationships with and include ethical conduct related clauses in the business contracts?	V		(I) The Company has a good reputation in the industry and has no significant litigation disputes because of the spirit of honesty and service in communicating with the outside world and handling business. All external information and contact are performed by the Company's spokesperson.	No significant deviation, and we will follow the development needs of the Company and the laws and regulations in the

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Description	
(II) Has the company set up a dedicated unit to promote ethical corporate management under the board of directors, and does it regularly (at least once a year) report to the board of directors on its ethical corporate management policy and program to prevent unethical conduct and monitor their implementation?		V	(II) The Company is in the process of research.	future.
(III) Has the company established policies to prevent conflict of interests, provided appropriate communication and complaint channels, and properly implemented such policies?	V		(III) The Company has a spokesperson to disseminate significant information related to the Company through important news or newspaper media, and to communicate product quality, service and integrity to the outside world through participation in the association, so as to obtain customers' affirmation of the Company's ethical standards.	
(IV) Does the company have effective accounting and internal control systems in place to enforce ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit compliance with the systems to prevent unethical conduct or hire outside accountants to perform the audits?	V		(IV) The Company shall establish an effective accounting system and internal control system for business activities with a higher risk of dishonest acts, and should review the system from time to time to ensure that the design and implementation of the system are continuously effective; In addition, the Company's internal auditors shall regularly review the compliance of the former system and prepare audit reports for the Board of Directors. Up to date, there is no significant violation of this principle and related cases.	
(V) Does the company provide internal and external ethical corporate management training programs on a regular basis?		V	(V) The Company is in the process of research.	
III. Implementation of Complaint Procedures (I) Has the company established specific whistle-blowing and reward procedures, set up conveniently accessible whistle-blowing channels, and appointed appropriate personnel specifically responsible for handling complaints received from whistleblowers?	V		(I) Employees can report to the President via internal email or through the Stakeholders Section of the Company's website at http://www.key-ware.com.tw. If an employee is aggrieved by disciplinary action, he or she may file a complaint with specific evidence.	No significant deviation.

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof</th></tr>
<tr><th>Yes</th><th>No</th><th>Description</th></tr>
<tr><td>(II)) Has the company established standard operation procedures for investigating the complaints received, follow-up measures taken after investigation, and mechanisms ensuring such complaints are handled in a confidential manner?
(III) Has the company adopted proper measures to protect whistleblowers from retaliation for filing complaints?</td><td>V

V</td><td></td><td>(II) The identity of the whistleblower and the content of the report are protected by a non-disclosure mechanism.

(III) The identity of the whistleblower and the content of the report are protected by a non-disclosure mechanism.</td><td></td></tr>
<tr><td>IV. Strengthening Information Disclosure
Does the company disclose its ethical corporate management policies and the results of their implementation on its website and the Market Observation Post System (MOPS)?</td><td>V</td><td></td><td>The Company's "Ethical Corporate Management Best Practice Principles" is disclosed on the Market Observation Post System and the Company's website.</td><td>No deviation.</td></tr>
<tr><td colspan="5">V. If the company has adopted its own ethical corporate management best practice principles based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, please describe any deviations between the principles and their implementation: None.</td></tr>
<tr><td colspan="5">VI. Other important information to facilitate a better understanding of the status of operation of the company’s ethical corporate management policies (e.g., the company’s reviewing and amending of its ethical corporate management best practice principles): None.
The Company maintains honesty and integrity in negotiating and fulfilling contracts with its customers, and pursues, negotiates and fulfills all contracts in a fair and ethical manner.</td></tr>
</table>

(VII) For inquiries regarding the Company's Code of Corporate Governance and related rules and regulations, please refer to:
Please visit the Corporate Governance section of the Market Observation Post System or the Company's website for more information.

(VIII) Other important disclosures for understanding the operation of corporate governance:
The Company maintains honesty and integrity in negotiating and fulfilling contracts with its customers, and pursues, negotiates and fulfills all contracts in a fair and ethical manner.

(IX) The status of implementation of the internal control system shall disclose the following matters:

1. Statement on Internal Control:

Statement of Internal Control System of Public Offering Companies
Indicates that the design and execution are valid
(This statement applies when all of the Acts are declared in compliance with the Acts)

Key Ware Electronics Co., Ltd.
Statement on Internal Control

Date: February 24, 2023

The Company hereby states the results of the self-evaluation of the internal control system for 2022 as follows:

I. The Board of Directors and Managers are responsible for establishing, implementing, and maintaining an adequate internal control system. Its purpose is to reasonably ensure that operational effectiveness and efficiency (including income, performance, and asset safety) and reporting are reliable, timely, and transparent, as well as to ensure compliance with relevant regulations and laws.

II. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its 3 stated objectives above. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond control. Nevertheless, the internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.

III. The Company evaluates the design and operating effectiveness of the internal control system based on the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (herein below, the "Regulations"). The criteria adopted by the Regulations identify 5 components of internal control based on the process of management control: 1. control environment; 2. risk assessment; 3. control activities; 4. information and communication; and 5. monitoring operations. Each key component includes several items. Please refer to the Regulations for the aforementioned items.

IV. We have evaluated the design and operating effectiveness of the internal control system according to the Regulations.

V. Based on the aforesaid evaluation results, the Company is of the opinion that, as of Dec. 31, 2022, the internal control system (including the supervision and management of subsidiaries), including the design and implementation of the internal control system relating to the effectiveness and efficiency of the operations, reliability, timeliness, and transparency of reporting, and compliance with applicable laws and regulations, is effective and can reasonably assure the achievement of the foregoing goals.

VI. This statement is an integral part of our annual report and prospectus and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.

VII. This statement was approved by the Board of Directors on February 24, 2023, and none of the nine Directors in attendance objected to it and all consented to the content expressed in this statement and made declaration with regards to this matter.

Key Ware Electronics Co., Ltd.

Chairman: Chow, Pong-Chi Signature

President: Hsu, Wei-Chieh Signature

2. If a CPA has been hired to carry out a special audit of the internal control system, the CPA audit report shall be disclosed: None.

(X) Penalties imposed upon the Company and its employees in accordance with the law, penalties imposed by the Company upon its employees for the violation of the internal control system, principal deficiencies, and improvement status during the most recent fiscal year up to the date of publication of the Annual Report: No penalties upon the Company and its employees in accordance with the law during the most recent fiscal year up to the date of publication of the Annual Report: None.

(XI) Major Resolutions of Board of Shareholders and Board of Directors During the Most Recent Fiscal Year Up to the Date of Publication of the Annual Report:

1. Review of resolutions and implementation at shareholders' meetings on June 22, 2022:

Major resolutions of shareholders' Meeting	Implementation status
1. Proposal of the Company's 2021 Business Report and Financial Statements (including Consolidated Financial Statements). 2. Proposal of 2021 Earnings Distribution. 3. Proposal of amendments to some provisions of the Company's Articles of Incorporation.	1. The voting result has reached the standard stipulated by the law, and the motion is passed as written. 2. The voting result has reached the standard stipulated by the law, and the motion is passed as written. There is NT$0 available for distribution and no dividend to be distributed for the year. 3. The voting result has reached the standard stipulated by the law, and the motion is passed as written, and operate in accordance with the amended Articles of Incorporation.

2. Major Resolutions of Board of Directors During the Most Recent Fiscal Year Up to the Date of Publication of the Annual Report:

Date of major resolutions	Date of major resolutions	Matters referred to in Article 14-3 and 14-5 of the Securities and Exchange Act:	Independent directors' opinion and the Company's response	Results of resolutions of the Board of Directors or Audit Committee
February 25, 2022/ 3rd meeting of 9th Board of Directors	1. Proposal of the replacement of the Company's CPA due to the internal rotation of the CPA firm.	V	None	Approved by the directors present
	2. Proposal of 2022 Financial Statements.	V	None	Approved by the directors present
	3. In the fourth quarter of 2022, the Company proposed not to consider the accounts receivable beyond the normal credit period of three months and the amount is significant as a loan of funds.	V	None	Approved by the directors present
	4. Proposal of 2022 Earnings Distribution.	V	None	Approved by the directors present
	5. Proposal of allocating employees' compensation and directors' remuneration for 2022.	V	None	Approved by the directors present
	6. Conversion of employee stock option into new shares and setting the capital increase base date.	V	None	Approved by the directors present
	7. Proposal of the date and place of the 2023 Annual Shareholders Meeting of the Company.		None	Approved by the directors present
	8. The Company proposes to set the period for receiving proposals from shareholders and matters related to the premises.		None	Approved by the directors present
	9. Proposal of bank credit line.		None	Approved by the directors present
	10. Proposal of the Company's short-term bank secured lending facility.		None	Approved by the directors present
	11. Proposal of 2022 Statement of Internal Control System.	V	None	Approved by the directors present
	12. Proposal of amendments to some provisions of the Company's Articles of Incorporation.	V	None	Approved by the directors present
May 6, 2022/ 4th meeting of 9th Board of Directors	1. Proposal of the Consolidated Financial Statement for 2023 Q1.	V	None	Approved by the directors present
	2. In the first quarter of 2023, the Company proposed not to consider the accounts receivable beyond the normal credit period of three months and the amount is significant as a loan of funds.	V	None	Approved by the directors present
	3. Proposal of regular evaluation of the independence of CPAs.	V	None	Approved by the directors present
	4. Proposal of allocating employees' compensation and directors' remuneration for 2022.	V	None	Approved by the directors present
	5. Proposal of bank credit line.		None	Approved by the directors present
	6. Proposal of lending and 100% re-investment of the Company's capital.	V	None	Approved by the directors present

Date of major resolutions	Date of major resolutions	Matters referred to in Article 14-3 and 14-5 of the Securities and Exchange Act:	Independent directors' opinion and the Company's response	Results of resolutions of the Board of Directors or Audit Committee
June 30, 2022/ 4th Extraordinary meeting of 9th Board of Directors	1. Proposal of the Company's greenhouse gas assessment and verification schedule.		None	Approved by the directors present
August 3, 2022/ 5th meeting of 9th Board of Directors	1. Proposal of the Consolidated Financial Statement for 2022 Q2.	V	None	Approved by the directors present
	2. In the second quarter of 2022, the Company proposed not to consider the accounts receivable beyond the normal credit period of three months and the amount is significant as a loan of funds.	V	None	Approved by the directors present
	3. Proposal of bank credit line.		None	Approved by the directors present
	4. Proposal of the Company's short-term bank secured lending facility.		None	Approved by the directors present
	5. Proposal of making of endorsements/guarantees to subsidiary.	V	None	Approved by the directors present
November, 2022/ 6th meeting of 9th Board of Directors	1. Proposal of the Consolidated Financial Statement for 2022 Q3.	V	None	Approved by the directors present
	2. In the third quarter of 2022, the Company proposed not to consider the accounts receivable beyond the normal credit period of three months and the amount is significant as a loan of funds.	V	None	Approved by the directors present
	3. Proposal of bank credit line.		None	Approved by the directors present
	4. Proposal of the Company's short-term bank secured lending facility.		None	Approved by the directors present
	5. Proposal of making of endorsements/guarantees to subsidiary.	V	None	Approved by the directors present
	6. Proposal of the formulation of the Company's "Corporate Governance Best Practice Principles", "Sustainable Development Best Practice Principles", "Ethical Corporate Management Best Practice Principles", "Code of Ethical Conduct for Directors and Managers" and "Operating Procedures for Handling Internal Material Information and Preventing Insider Trading".	V	None	Approved by the directors present
December 26, 2022/ 7th meeting of 9th Board of Directors	1. Proposal of 2023 Budget plan.		None	Approved by the directors present
February 24, 2023/ 8th meeting of 9th Board of Directors	1. Proposal of 2022 Financial Statements.	V	None	Approved by the directors present
	2. In the fourth quarter of 2022, the Company proposed not to consider the accounts receivable beyond the normal credit period of three months and the amount is significant as a loan of funds.	V	None	Approved by the directors present
	3. Proposal of regular evaluation of the independence and appropriateness of CPAs.	V	None	Approved by the directors present
	4. Proposal of 2022 Earnings Distribution.	V	None	Approved by the directors present

Date of major resolutions	Date of major resolutions	Matters referred to in Article 14-3 and 14-5 of the Securities and Exchange Act:	Independent directors' opinion and the Company's response	Results of resolutions of the Board of Directors or Audit Committee
	5. Proposal of allocating employees’ compensation and directors’ remuneration for 2022.	V	None	Approved by the directors present
	6. Proposal of capitalization of the earnings to issue new shares.	V	None	Approved by the directors present
	7. Proposal of the date and place of the 2023 Annual Shareholders Meeting of the Company.		None	Approved by the directors present
	8. The Company proposes to set the period for receiving proposals from shareholders and matters related to the premises.		None	Approved by the directors present
	9. Proposal of bank credit line.		None	Approved by the directors present
	10. Proposal of 2022 Statement of Internal Control System.	V	None	Approved by the directors present
	11. Proposal of amendments to certain provisions of the "Rules of Procedure for Shareholders Meetings" and "Regulations Governing Procedure for Board of Directors Meetings" of the Company.	V	None	Approved by the directors present

(XII) Any dissenting opinion expressed by a Director or Supervisor with respect to a major resolution passed by the Board of Directors during the most recent fiscal year and up to the date of publication of the Annual Report, where said dissenting opinion has been recorded or prepared as a written declaration. The main contents: None.

(XIII) A summary of resignations and dismissals of the Company's Chairman, President, Accounting Manager, Finance Manager, Corporate Governance Officer, Chief Internal Auditor, Corporate Governance Officer, and R&D Manager during the most recent fiscal year and up to the date of publication of the Annual Report: None.

IV. Information on CPA Professional Fees

The Company discloses the following information about the CPA professional fees in the form of interval amount disclosure:

1. Information on CPA

Name of accounting firm	Name of CPAs		Period covered by the CPA audit	Remarks
Deloitte Taiwan	Li, Kuan-Hao	Lin, Wang-Sheng	2022	None

2. Information on CPA Professional Fees

Unit: NT$ thousands

Name of accounting firm	Name of CPAs	Period covered by the CPA audit	Audit Fees	Non-audit Fees (Note)	Total	Remarks
Deloitte Taiwan	Li, Kuan-Hao	2022	2,960	166	3,126	None
	Lin, Wang-Sheng					

Note: Note: Business registration: NT$76,000, others (annual report and other documents review): NT$90,000.

(I) When non-audit fees paid to CPAs, to the accounting firm of CPAs, and/or to any affiliated enterprise of such accounting firm is one quarter or more of the audit fees paid thereto, the amounts of both audit and non-audit fees, as well as details of non-audit services shall be disclosed: None.

(II) When the company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amount, proportion, and cause of the audit fees before and after the change shall be disclosed: None.

(III) Where the audit professional fees are reducing more than 10% than that of the previous year, its reduction amount, proportion, and cause shall be disclosed: None.

(IV) Disclosure of the Board's procedures for evaluating the independence of the CPAs and the specific criteria for evaluating the independence of the CPAs:

1. Procedures for the Board of Directors to evaluate the independence of the CPAs:
   The Board of Directors of the Company periodically evaluates the independence of the accountants on an annual basis, and the Board of Directors approved the "Proposal for the Periodic Evaluation of the Independence and Suitability of the Company's Certified Public Accountants" on May 6, 2022 and February 24, 2023.
2. Specific criteria for assessing an CPAs' independence:
   The Company's stock affairs unit has conducted an inspection and confirmed that the certifying accountant does not hold any shareholding in the Company and that the CPAs do not hold any position in the Company. ...... etc. We also evaluated the independence and appropriateness of the certified public accountants with reference to the Audit Quality Indicators (AQI) and obtained the "Accountant's Independence Statement" issued by Deloitte Taiwan.
3. The Deloitte Taiwan CPAs, Li, Kuan-Hao and Lin, Wang-Sheng, have met the Company's independence and suitability criteria and are qualified to act as the Company's CPAs.

V. Information on Replacement of CPAs: None.

VI. The name, title, and position at the company's CPA accounting firm or at an affiliated enterprise of such accounting firm of the Company Chairperson, CEO, or Managers in charge of finance or accounting matters within the past 1 year holding a position at the company's CPA accounting firm or at an affiliated enterprise of such accounting firm shall be disclosed: None.

VII. Any Transfer of Equity Interests and/or Pledge of or Change in Equity Interests (during the Most Recent Fiscal Year and during the Current Fiscal Year Up to the Date of Publication of the Annual Report) by Director, Managerial Officer, or Shareholder with a Stake of More than 10%:

(I) Change in Equity Interests by Directors, Managerial Officers, and Major Shareholders

Title	Name	2022		2023 As of April 18, 2023	
		Change in Number of Shares Held	Change in Number of Shares Pledged	Change in Number of Shares Held	Change in Number of Shares Pledged
Corporate Director	Jia Ju Investment Co., Ltd.	0	0	0	0
Corporate Director Representative and Chairman	Jia Ju Investment Co., Ltd. Representative: Chow, Pong-Chi	0	0	0	0
Corporate Director Representative	Jia Ju Investment Co., Ltd. Representative: Chow, Chia-Chu	0	0	0	0
Corporate Director	Concord Venture Capital Group	0	0	0	0
Corporate Director Representative	Concord Venture Capital Group Representative: Chao, Yuan-Chi	0	0	0	0
Corporate Director Representative	Concord Venture Capital Group Representative: Li, Hsiang-Yun	0	0	0	0
Corporate Director	Concord Financial Management Consultant Ltd.	0	0	0	0
Corporate Director Representative	Concord Financial Management Consultant Ltd. Representative: Cheng, Chung	0	0	0	0
Corporate Director Representative and President	Concord Financial Management Consultant Ltd. Representative: Hsu, Wei-Chieh	0	0	0	0
Independent Director	Lin, Tsung-Tan	0	0	0	0
Independent Director	Hsieh, Han-Ping	0	0	0	0
Independent Director	Cheng, Wen-Chung	0	0	0	0
Special Assistant to President's Office	Chen, Po-Ying	0	0	0	0
Vice President of Sales	Kang, Po-Yao	0	0	0	0
Chief Financial Officer	Li, Yung-Ting	0	0	0	0
Assistant Manager	Lo, Hung-Fu	0	0	0	0
Assistant Manager	Chien, Ju-Hung	(17,000)	0	0	0
Assistant Manager	Yu, Chang-Wei	0	0	0	0
Assistant Manager	Chen, Liang-Chi	0	0	0	0

(II) Where the counterparty of the equity transfer is a related party: None.

(III) Where the counterparty og the equity pledged is a related party: None.

VIII. Relationship information, among the Company's 10 largest shareholders any one is a related party or a relative within the second degree of kinship of another

NAME	CURRENT SHAREHOLDING		SPOUSE & MINOR SHAREHOLDING		SHAREHOLDING BY NOMINEES		AMONG 10 LARGEST SHAREHOLDERS, NAME AND RELATIONSHIP WITH ANYONE WHO IS A RELATED PARTY UNDER NO. 6 OF THE FINANCIAL AND ACCOUNTING STANDARDS OR A RELATIVE WITHIN THE SECOND DEGREE OF KINSHIP		NOTE
	Number of Shares	Shareholding (%)	Number of Shares	Shareholding (%)	Number of Shares	Shareholding (%)	Name	Relationship	
Qing Yu Investment Co., Ltd.	16,277,465	8.57%	-	-	-	-	None	None	None
Representative: Lin Kao, Hui-I	631,848	0.33%	-	-	-	-	None	None	None
Jia Ju Investment Co., Ltd.	11,042,440	5.81%	-	-	-	-	Concord Financial Management Consultant Ltd. Concord Venture Capital Group	Chairman is the same person Chairman is the same person	None
Representative: Chow, Pong-Chi	4,551,404	2.40%	863,154	0.45%	-	-	Jia Ju Investment Co., Ltd. Concord Financial Management Consultant Ltd. Concord Venture Capital Group	Chairman is the same person Chairman is the same person Chairman is the same person	None
Sheng Ding Enterprise Co., Ltd.	10,217,521	5.38%	-	-	-	-	None	None	None
Representative: Li, Hsiang-Yun	-	-	-	-	-	-	None	None	None
Concord Financial Management Consultant Ltd.	7,646,238	4.03%	-	-	-	-	Jia Ju Investment Co., Ltd. Concord Venture Capital Group	Chairman is the same person Chairman is the same person	None
Representative: Chow, Pong-Chi	4,551,404	2.40%	863,154	0.45%	-	-	Jia Ju Investment Co., Ltd. Concord Financial Management Consultant Ltd. Concord Venture Capital Group	Chairman is the same person Chairman is the same person Chairman is the same person	None
Concord Venture Capital Group	6,274,944	3.30%	-	-	-	-	Jia Ju Investment Co., Ltd. Concord Financial Management Consultant Ltd.	Chairman is the same person Chairman is the same person	None
Representative: Chow, Pong-Chi	4,551,404	2.40%	863,154	0.45%	-	-	Jia Ju Investment Co., Ltd. Concord Financial Management Consultant Ltd. Concord Venture Capital Group	Chairman is the same person Chairman is the same person Chairman is the same	None

NAME	CURRENT SHAREHOLDING		SPOUSE & MINOR SHAREHOLDING		SHAREHOLDING BY NOMINEES		AMONG 10 LARGEST SHAREHOLDERS, NAME AND RELATIONSHIP WITH ANYONE WHO IS A RELATED PARTY UNDER NO. 6 OF THE FINANCIAL AND ACCOUNTING STANDARDS OR A RELATIVE WITHIN THE SECOND DEGREE OF KINSHIP		NOTE
	Number of Shares	Shareholding (%)	Number of Shares	Shareholding (%)	Number of Shares	Shareholding (%)	Name	Relationship	
								person	
Han Xun Investment Co., Ltd.	5,779,473	3.04%	-	-	-	-	None	None	None
Representative: Chow, Ching-Ching	10,000	0%	-	-	-	-	Chow, Pong-Chi	Relatives within second degree of kinship	None
Chow, Pong-Chi	4,551,404	2.40%	863,154	0.45%	-	-	Jia Ju Investment Co., Ltd. Concord Financial Management Consultant Ltd. Concord Venture Capital Group	Chairman is the same person Chairman is the same person Chairman is the same person	None
Ji Shan Investment Co., Ltd.	4,202,133	2.21%					None	None	None
Representative: Chow, Pong-Wei	125,879	0.07%					Chow, Pong-Chi	Relatives within second degree of kinship	None
Liu, Ling-Chun	3,612,548	1.90%	1,568,034	0.83%	-	-	None	None	None
Min Ju Investment Co., Ltd.	1,812,734	0.95%	-	-	-	-	None	None	None
Wang, Shan-Shan	863,154	0.45%	4,551,404	2.40%	-	-	Chow, Pong-Chi	Spouse of the Chairman	None

IX. The total number of shares and total equity stake held in any single enterprise by the Company, its directors and supervisors, managers, and any companies controlled either directly or indirectly by the Company

December 31, 2022; Unit: Share,%

Investee Business (Note)	Ownership by the Company		Investment by Directors, Managerial Officers and Companies Directly or Indirectly Controlled by the Company		Total Ownership	
	Number of Shares	Percentage of Ownership	Number of Shares	Percentage of Ownership	Number of Shares	Percentage of Ownership
Rong Pei Technology Corp.	1,866,665	22.73%	-	-	1,866,665	22.73%

Note: Investments Accounted for Using the Equity Method.

Chapter 4 Capital Overview

I. Capital and Shares:

(I) Source of Capital:

1. Equity Change during the Most Recent Five Fiscal Year and during the Current Fiscal Year Up to the Date of Publication of the Annual Report

Year/ Month	Issuance Price (NT$)	Authorized Capital		Paid-in Capital		Note		
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital	Capital Increase by Assets Other than Cash	Others
2018.09	10	200,000,000	2,000,000,000	164,702,767	1,647,027,670	NT$26,227,000, capital increase from earnings NT$1,842,000, capital increase from employee compensation	None	Authorized Commercial No. 10701127730
2019.07	10	250,000,000	2,500,000,000	164,823,912	1,648,239,120	NT$1,211,000, capital increase from employee compensation	None	Authorized Commercial No. 10801076940
2020.09	10	250,000,000	2,500,000,000	169,339,756	1,693,397,560	NT$44,502,000, capital increase from earnings NT$656,000, capital increase from employee compensation	None	Authorized Commercial No. 10901176290
2021.10	10	250,000,000	2,500,000,000	176,113,346	1,761,133,460	NT$67,736,000, capital increase from earnings	None	Authorized Commercial No. 11101181360
2021.10	10	250,000,000	2,500,000,000	189,913,346	1,899,133,460	NT$138,000,000, issuance of shares for cash capital increase	None	Authorized Commercial No. 11101189100
2022.03	10	250,000,000	2,500,000,000	189,928,346	1,899,283,460	NT$150,000, capital increase from employee stock options	None	Authorized Commercial No. 11201043550

2. Share Type

April 18, 2023; Unit: Share

Share Type	Authorized Capital			Note
	Issued Shares	Unissued Shares	Total	
Common stock	189,928,346	60,071,654	250,000,000	Listed Company Shares

3. Information on the shelf registration system: N/A.

(II) Shareholder Structure:

April 18, 2023; Unit: Person, Share

Shareholder / StructureItem	Government Agencies	Financial Institutions	Other Institutional Shareholders	Domestic Natural Persons	Foreign Institutions and Natural Persons	Total
Number of shareholders	0	1	144	21,214	38	21,397
Shares Held	0	121,000	67,141,992	120,033,372	2,631,982	189,928,346
Shareholding Ratio (%)	0	0.06	35.35	63.20	1.39	100.00

(III) Shareholding Distribution Status:

1. Common stock:

April 18, 2023; Unit: Person, Share

Range of Shares	Number of Shareholders	Shares Held	Percentage of Ownership (%)
1~999	11,122	676,204	0.36
1,000~5,000	6,490	13,499,778	7.11
5,001~10,000	1,670	11,674,641	6.15
10,001~15,000	783	9,138,011	4.81
15,001~20,000	287	5,086,816	2.68
20,001~30,000	376	8,992,636	4.73
30,001~40,000	181	6,192,208	3.26
40,001~50,000	103	4,659,211	2.45
50,001~100,000	199	13,605,828	7.16
100,001~200,000	104	14,397,642	7.58
200,001~400,000	46	12,565,899	6.62
400,001~600,000	14	6,652,397	3.5
600,001~800,000	5	3,258,649	1.72
800,001~1,000,000	3	2,799,173	1.47
Over 1,000,001	14	76,729,253	40.4
Total	21,397	189,928,346	100

Note: Denomination of NT$10 per share

2. Preferred stock: N/A.

(IV) List of Major Shareholders

April 18, 2023

Shareholding / Name of Major Shareholders	Shares Held	Shareholding Ratio (%)
Qing Yu Investment Co., Ltd.	16,277,465	8.57
Jia Ju Investment Co., Ltd.	11,042,440	5.81
Sheng Ding Enterprise Co., Ltd.	10,217,521	5.38
Concord Financial Management Consultant Ltd.	7,646,238	4.03
Concord Venture Capital Group	6,274,944	3.30
Han Xun Investment Co., Ltd.	5,779,473	3.04
Chow, Pong-Chi	4,551,404	2.40
Ji Shan Investment Co., Ltd.	4,202,133	2.21
Liu, Ling-Chun	3,612,548	1.90
Min Ju Investment Co., Ltd.	1,812,734	0.95

(V) Share Price for the Past 2 Fiscal Years, with Net Worth per Share, Earnings per Share, Dividends per Share, and Related Information

Unit: NT$

Item \ Year			2021	2022	2023 As of March 31
Market Price Per Share	Highest		22.70	15.30	11.65
	Lowest		13.20	9.47	10.20
	Average		16.42	11.16	10.68
Net Worth per Share	Before distribution		10.39	11.04	Information on the audited financial statements for the first quarter of 2023 is not available as of the date of printing of the annual report
	After distribution		10.39	10.91 (Note 1)	
Earnings per share	Weighted average number of shares		189,913 thousand shares	189,926 thousand shares	
	Earnings per share		0.18	0.01	
Dividends per share	Cash dividends		-	0.1 (Note 1)	
	Stock dividends	Stock dividends appropriated from earnings	-	0.115 (Note 1)	
		Stock dividends appropriated from capital surplus	-	- (Note 1)	
	Accumulated unpaid dividends		-	-	
Return on Investment	Price-to-earnings ratio		91.22	1116	
	Price-to-dividend ratio		-	111.6	
	Cash dividend yield		-	0.9%	

Note 1: Approved by the Company's Board of Directors on February 24, 2023, subject to the resolution of the 2023 Annual General Meeting of Shareholders.

(VI) Dividend Policy and Its Implementation:

1. Dividend Policy as stipulated in the Articles of Incorporation:

(1) The Company shall first settle the taxes and make up for any deficit in the annual accounts and then set aside 10% of the remaining balance as legal reserve, except that the legal reserve may be waived when the legal reserve has reached the Company's capital, and after setting aside a special reserve or reversing a special reserve in accordance with the law. For the remaining surplus, the Board of Directors shall prepare a proposal for appropriation of earnings, including the undistributed earnings at the beginning of the period, and submit it to the shareholders meeting for resolution.

(2) For the current year's stock dividends, cash dividends shall be distributed at a rate of not less than 10% of the total dividends distributed.

(3) If the Company makes a profit in a year, the Company shall contribute 1% to 10% as compensation to employees and up to 1% as remuneration to directors, which shall be distributed in shares or cash by resolution of the Board of Directors; the distribution of compensation to employees and remuneration to

directors shall be reported to the shareholders meeting. However, when the Company still has accumulated losses, it shall reserve the amount of compensation in advance, and then allocate employee compensation and directors' remuneration in proportion to the preceding paragraph.

(4) The Company executes employee treasury stock, employee stock options, employee subscription of new stock, employee restricted new stock and employee compensation to employees who meet certain criteria for control or subordinate company employees.

2. Distribution of dividends proposed in the shareholders' meeting

The proposed distribution of the Company's 2022 earnings was approved by the board of directors on February 24, 2023, with a proposed cash dividend of NT$0.1 per share and a non-remunerated allotment of NT$0.115 per share to be distributed based on the number of shares held by shareholders as recorded in the shareholders' register on the base date, once approved at the 2023 annual shareholders' meeting.

3. Expected significant changes in dividend policy: None.

(VII) Effect on the Operating Performance and Earnings per Share of Distribution of Stock Dividends Proposed or Adopted in the Most Recent Shareholders' Meeting:

<table>
<tr><td colspan="3">Year / Item</td><td>2023 (estimate)</td></tr>
<tr><td colspan="3">Beginning paid-in capital</td><td>1,899,283,460</td></tr>
<tr><td rowspan="3">Distribution of dividends this year (Note 1)</td><td colspan="2">Cash dividend per share (NT$)</td><td>0.1</td></tr>
<tr><td colspan="2">Number of allotted shares per share for capital increase from earnings (share)</td><td>0.0115</td></tr>
<tr><td colspan="2">Number of allotted shares per share for capital increase from capital reserve (share)</td><td>-</td></tr>
<tr><td rowspan="7">Change in operating performance</td><td colspan="2">Operating profit</td><td rowspan="13">N/A (Note 2)</td></tr>
<tr><td colspan="2">Operating profit increase (decrease) ratio over the same period last year</td></tr>
<tr><td colspan="2">Net income after tax</td></tr>
<tr><td colspan="2">Net income after tax increase (decrease) ratio over the same period last year</td></tr>
<tr><td colspan="2">Earnings per share</td></tr>
<tr><td colspan="2">Earning per share increase (decrease) ratio over the same period last year</td></tr>
<tr><td colspan="2">Average annual return on investment (annual average P/E ratio)</td></tr>
<tr><td rowspan="6">Pro-forma earnings per share and P/E ratio</td><td rowspan="2">If capital increase by retained earnings is entirely replaced by cash dividend distribution</td><td>Pro-forma earnings per share</td></tr>
<tr><td>Pro-forma average annual return on investment</td></tr>
<tr><td rowspan="2">If capital reserve is not used for capital increase</td><td>Pro-forma earnings per share</td></tr>
<tr><td>Pro-forma average annual return on investment</td></tr>
<tr><td rowspan="2">If capital reserve to capital increase has not yet been undertaken and the surplus to capital increase is changed to cash dividend</td><td>Pro-forma earnings per share</td></tr>
<tr><td>Pro-forma average annual return on investment</td></tr>
</table>

Note 1: The share allotment and dividend distribution are based on the total number of issued shares of 189,928,346 shares and shall be processed in accordance with the relevant regulations after the resolution of the annual shareholders' meeting.

Note 2: The Company's financial forecast for 2023 is not publicly available, and therefore, no information is required to be disclosed for 2023.

(VIII) Remuneration of Employees and Directors:

1. Percentage or range of the remuneration of employees and directors as set forth in the Articles of Incorporation:

   Article 31 of the Company's Articles of Incorporation stipulates that: If the Company makes a profit in a year, the Company shall contribute 1% to 10% as compensation to employees and up to 1% as remuneration to directors, which shall be distributed in shares or cash by resolution of the Board of Directors; the distribution of compensation to employees and remuneration to directors shall be reported to the shareholders meeting. However, when the Company still has accumulated losses, it shall reserve the amount of compensation in advance, and then allocate employee compensation and directors' remuneration in proportion to the preceding paragraph."

2. The basis for estimating the amount of employee and director remunerations, for calculating the number of shares to be distributed as employee remuneration, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period: N/A.

3. Distribution of remuneration approved by the Board of Directors:

   (1) The amount of employees' and directors' remuneration distributed in cash or stock; if the amount differs from the amount estimated in the year in which the expense is recognized, the amount of the difference, the reasons for the difference, and the circumstances under which the difference was handled shall be disclosed:

   The Board of Directors' Meeting on February 24, 2023 resolved to distribute NT$10,504 in cash to employees and no remuneration to directors for 2022. The report shall be submitted to the annual shareholders' meeting and shall be processed in accordance with the relevant regulations.

   The above amounts of directors' and employees' remuneration are consistent with the original estimate of expenses for 2022 and there is no difference.

   (2) The amount of any employee remuneration distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial statements or individual financial statements for the current period and the total employee remuneration: N/A.

4. The actual distribution of employees' and directors' remuneration in the previous year (including the number of shares distributed, the amount and the share price), the difference between the distribution and the recognition of employees' and directors' remuneration, and the amount of the difference, the reasons for the difference and the treatment of the difference should be stated:

   The appropriation of employees' remuneration and directors' remuneration for 2021 was reported at the stockholders' meeting on June 22, 2022, and there is no difference with the actual appropriation result.

(IX) Share Repurchases: None.

II. Corporate Bonds:

Type of Corporate Bonds		Third Domestic Unsecured Convertible Bond
Issuance (Processing) date		May 10, 2021
Face Value		NT$100,000
Issuance and Trading Location		N/A
Issuance Price		Issue at full face value.
Total Amount		NT$200 million.
Interest Rate		0%
Period		3 years Maturity Date: May 10, 2024
Guarantor Institution		N/A
Trustees		Taiwan Shin Kong Commercial Bank Co., Ltd.
Accepting Institution		Horizon Securities Co., Ltd.
Attorney		Pan, Chao-Wei/ Mega Trust International Law Offices
CPA		Lin, Wang-Sheng, Chen, Ying-Chou Deloitte Taiwan
Repayment Method		Except for the conversion of the bonds into the Company's common stock in accordance with Article 10 of the Company's Issuance and Conversion Procedures or the exercise of the right of sale in accordance with Article 19 of the Company's Issuance and Conversion Procedures, and the early redemption by the Company or cancellation by purchase from the securities dealer's office in accordance with Article 18 of the Company's Issuance and Conversion Procedures, the Company will repay the bonds in cash at face value upon maturity.
Outstanding Principal		NT$200 million.
Terms of Redemption or Early Settlement		Please refer to pp. 218.
Restrictions		Please refer to pp. 218.
Name of Credit Rating Agency, Date of Rating, Results of Corporate Bond Rating		N/A
Additional Rights	Amount of common shares, ODRs or other marketable securities converted (exchanged or subscribed) as of the date of printing of the annual report	Current cumulative converted common shares: 0 shares

	Issuance and Conversion (Exchange or Subscription) Method	Please refer to pp. 218.
The method of issuance and conversion, exchange or stock options, the possible dilution of shareholdings by the terms of issuance and the effect on the interests of existing shareholders		Based on the conversion price and the current outstanding balance in accordance with Article 11 of the Company's Issuance and Conversion Regulations, 10,101,010 shares, representing 5.32% of the total number of issued shares, shall be issued if all the shares are converted to common shares, which will have limited impact on shareholders' equity.
Name of Custodian Entrusted with the Subject of Exchange		N/A

III. Preferred Shares: None.

IV. Global Depository Receipts: None.

V. Employee Stock Options:

1. The status of the Company's outstanding employee stock options as of the date of printing of the annual report and the effect on shareholders' equity:

March 31, 2023

Type of Employees Stock Option	2018 First (Period) Employees Stock Option	2019 First (Period) Employees Stock Option
Filing Effective Date and Total Units	November 7, 2018 4,000,000 shares	December 30, 2020 2,300,000 shares
Issuance (Processing) Date	November 1, 2019	February 26, 2021
Number of Units Issued	1,700,000 shares	985,000 shares
Number of Units Available for Issuance	0 shares	0 shares
Ratio of the Number of Subscription Shares Issued to the Total Number of Shares Issued	0.90%	0.52%
Subscription Period	November 11, 2019 to October 31, 2025	February 26, 2021 to February 25, 2027
Method of Performance	The Company issues new shares by	The Company issues new shares by

	way of delivery.	way of delivery.
Restricted Period and Rate (%)	50% of the stock options shall be exercisable after two years from the issue date and 100% of the stock options shall be exercisable cumulatively after three years from the issue date.	50% of the stock options shall be exercisable after two years from the issue date and 100% of the stock options shall be exercisable cumulatively after three years from the issue date.
Number of Shares Executed	15,000 shares	0 shares
Amount of Executed Share Options	NT$175,500	NT$0
Number of Outstanding Share Options	1,685,000 shares	985,000 shares
Subscription Price per share for Outstanding Stock Options	NT$11.70	NT$15.50
Ratio of the Number of Outstanding Share Options to Total Number of Shares Issued (%)	0.89%	0.52%
Effect on Shareholders' Equity	The Company has a positive impact on shareholders' equity in order to attract and retain the talents needed by the Company and to motivate and enhance the motivation of employees to work together for the benefit of the Company and shareholders.	

2. The names of the managers and the top ten employees who acquired stock options as of the publication date of the annual report, and the acquisition and subscription status of the stock options:

March 31, 2023; Unit: NT$; Share

	Title	Name	Number of Stock Options Acquired	Ratio of the Number of Stock Options Acquired to the Total Number of Shares Issued	Executed				Unexecuted			
					Number of Subscriptions	Subscription Price	Amount of Subscriptions	Ratio of the Number of Subscriptions to the Total Number of Shares Issued	Number of Subscriptions	Subscription Price	Amount of Subscriptions	Ratio of the Number of Subscriptions to the Total Number of Shares Issued
Managerial Officer	President	Hsu, Wei-Chieh	970,000	0.51%	0	0	0	0.00%	970,000	11.7~15.5	12,375,500	0.51%
	Special Assistant to President's Office	Chen, Po-Ying										
	Assistant Manager	Lo, Hung-Fu										
	Assistant Manager	Chien, Ju-Hung										
	Assistant Manager	Yu, Chang-Wei										
Employee	Assistant Manager, Kunshan Laserware Laser Technology Co., Ltd.	Hu, Chien-Hung	1,035,000	0.54%	0	0	0	0.00%	1,035,000	11.7~15.5	13,648,500	0.54%
	Special Assistant to President's Office	Chu, Tsung-Wei										
	Assistant Manager, Kunshan Key Ware Electronics Co., Ltd.	Shen, Liang-Ping										
	Plant Manager, Wuhan Laserware Laser Technology Co., Ltd	Lo, Chin-Chuan										
	Special Assistant, Kunshan Key Ware Electronics Co., Ltd.	Chen, Chih-Chun										
	President, Jia Chi Co., Ltd.	Yang, Chun-Nan										
	Assistant Manager, Key De Precise Industries Co., Ltd	Lin, Kuei-Tun										
	Plant Manager, Kunshan Laserware Laser Technology Co., Ltd.	Huang, Chui-Mei										
	Manager, Kunshan Laserware Laser Technology Co., Ltd.	Tsai, I-An										
	Deputy Manager	Cheng, Chien-Ming										

3. The status of the Company's new shares with restricted employee stock that have not yet fully met the vesting conditions as of the printing date of the annual report and the effect on shareholders' equity: None.

4. The names of the managers and the top ten employees who acquired new shares with restricted employee stock as of the publication date of the annual report, and the status of acquisition and subscription: None.

VI. Issuance of New Shares in Connection with Mergers or Acquisitions or with Acquisitions of Shares of Other Companies: None.

VII. Implementation of Capital Allocation Plans: None.

Chapter 5 Operational Highlights

I. Business Activities:

(I) Scope of Business

1. Principal Business Activities:
   (1) Manufacturing and sales of full-size drilling needles and tools for electronic circuit boards.
   (2) Electronic circuit board drilling services, including: laser, machine drilling, molding and electrical testing foundry.
   (3) Import trade and agency.
2. Operating Weight of Major Products:

Unit: NT$ thousand

Item	2022	
	Net Operating Revenue	Operating Weight (%)
Drill Bits	954,155	66%
Copper Foil Substrate	221,170	15%
Drilling Foundry	278,668	19%
Total	1,453,993	100%

3. Current Products (Services)

The Company is a professional manufacturer and distributor of Printed Circuit Board (PCB) drill bits, copper foil laminates and drilling services. Among them, we mainly produce and sell drill bits, followed by copper foil laminates and drilling processing services. The following table summarizes the major operating items of the Company:

Item	Product Description
PCB cutting tools	Manufacturing and sales of full-size drilling pins, milling cutters and coating tools.
Copper foil substrate	Sales of copper foil substrates for Nanya.
Drilling process value-added service	Distributor of consumables required for drilling process (aluminum cover plate, lower pad, etc.); and provide technical services for drilling needle grinding.
Circuit board foundry	Mechanical drilling, mechanical forming, laser drilling, electrical testing.

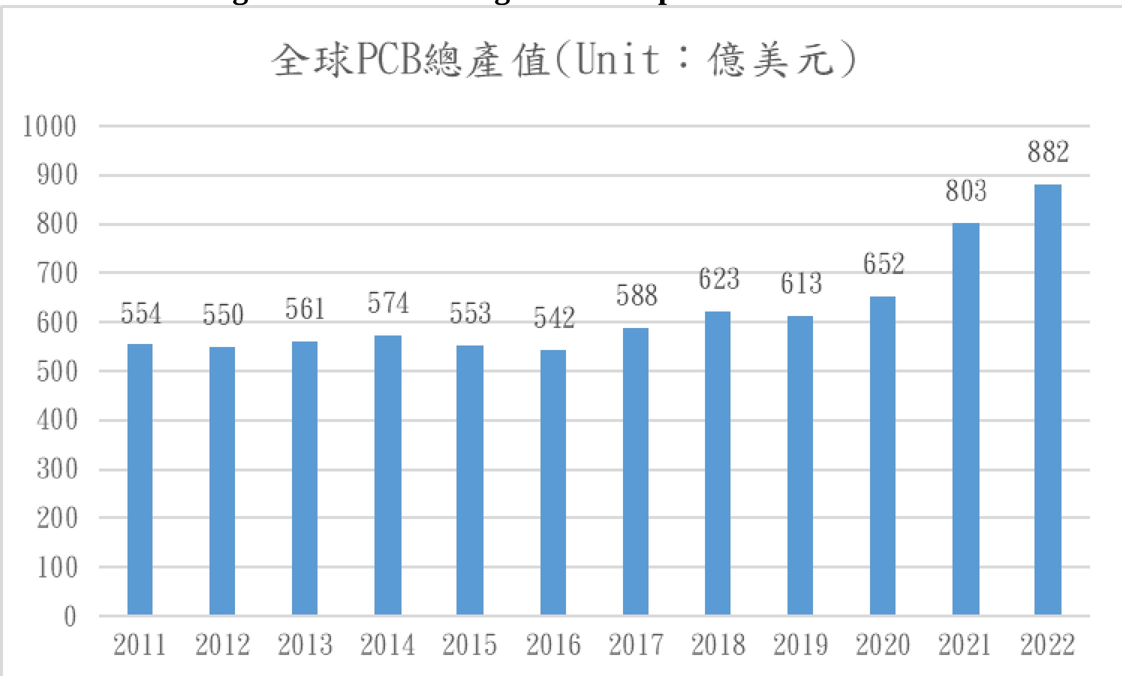
4. New products (services) planned to be developed
   (1) Develop back-drilling needles for 5G high-frequency products.
   (2) High aspect ratio coated drill needle.
   (3) ABF carrier board with tiny point pin (drill diameter less than 0.15mm).
   (4) Development of drill needles for soft plates, such as high chip evacuation drill needles, wide slotted drill bits and chipbreaker coating needles.

(II) Industry Overview:

1. Current status and development of the industry

Drill bit is a consumable used in PCB drilling process, and copper foil substrate is the most important direct raw material for PCB manufacturing, both are important upstream raw materials in the process of PCB manufacturing, so the prosperity of drill bit and copper foil substrate industry is inextricably related to the overall PCB industry boom, in addition, with the rapid growth of 5G and intelligent related electronic products, the demand for laser and mechanical drilling has increased greatly, which is the bottleneck process gap for all PCB makers.

Figure 1 2011 - 2022 global PCB production value



Under the influence of international conflicts, high inflation, high inventory and other persistent negative factors, making 2021 optimistic atmosphere in 2022 has changed, especially in the second half of the impact of sluggish consumer demand, many companies have experienced a decline in performance, which also makes the first half of the optimistic growth of the war almost exhausted, the estimated 2022 global PCB output size of US$88.2 billion, with annual growth rate of 3.2%. Compared to the bright performance of 22.5% in 2021, the weakening momentum is quite obvious.

With the reversal in the second half of 2022, the growth of BT carriers for consumer applications, for example, has weakened in the fourth quarter of last year, and ABF carriers for high-end computing are also experiencing murmurs due to increased uncertainty about the future. Therefore, in 2023, the carrier board is still optimistic to maintain positive growth compared to other types of PCB products, but it is expected that the growth will slow down compared to 2021, and the force of the overall global production value will also weaken.

Looking ahead to 2023, due to the overall poor economic prospects, the demand for terminal electronic products tend to be conservative, it is expected that the first half of the year still need to de-stocking, which may lead to the overall sales volume to remain sluggish, the second half of the year will have the opportunity to gradually rise, the overall global terminal products in 2023 will slow down the fluctuations, the whole year shall show a slight recession situation.

From a product perspective, the development of Taiwan's PCB industry focuses on three major applications, including fifth-generation mobile communications (5G), artificial intelligence Internet of Things (AIoT), and high-speed computing (HPC), driving related HDI manufacturers and server boards, carrier boards, and high-end flexible boards. Packaging substrates, high density interconnects, flexible circuit boards and multilayer boards are expected to continue to grow in the coming years. Multilayers will continue to play a very important role in the 5G infrastructure, servers and network systems.

2. Correlation between Upstream, Midstream, and Downstream of the Industry

Upstream		Midstream		Downstream
Tungsten Carbide Steel	→	**Drill Needle, Cutting Tool**	→	**PCB Manufacturer**

(III) Overview of Technologies and R&D

1. Overview of the Technology Level and Research Development of the Operation

(1) Technology Level

The Company is mainly engaged in the research and development, design, manufacture and sales of cutting tools for PCBs, including drills and end mills...etc. The products are used in a wide range of applications, such as drilling and forming for cutting applications of automotive boards, soft and hard bonded boards, pads, Smart Phone, Wafer, PZT...etc.

(2) Overview of Research and Development

A. For the drilling of high aspect ratio boards, such as server, automotive, military and other related circuit boards, there is a high risk of needle breakage during drilling due to high board thickness, high drilling wear and poor chip removal. Designing special tool type and further development, and gradually launching the drill pin with both strength and chip removal for customers to test and certify and mass production.

B. There is a strong demand from customers for high life and high cutting quality forming end mills. The new type of cutter design, supplemented by the application of coating, enhances the good cost performance of the product.

C. In response to the increasing demand of tablet PC and smart phone in the future, the micro-drills (drill diameter less than 0.15mm) for this type of application have become the focus of development in the near future. In conjunction with the development of coating technology, the Company is able to provide customers with high cost-performance drills to increase its competitiveness in the market for micro-drills used in high-end plates. It has been tested and approved by customers and has been receiving volume orders. It has also been applied to the Company's internal drilling business unit in 2022 to achieve a multiplier effect.

2. Research and Development Personnel and Their Academic Experience

Unit: Person; %

Item \ Year		2021	2022
Academic Background Distribution	University (inclusive) or above	2	2
	Bachelor's	1	1
	High school	1	1
Total		4	4
Average Service Year		8.51	9.39

3. Research and Development Expenses for the Most Recent Year and Up to the Date of Publication of the Annual Report

Unit: NT$ thousand

Item \ Year	2020	2021	2022
Consolidated research and development expenses (A)	3,912	3,295	2,287
Consolidated net operating revenues (B)	1,264,376	1,579,047	1,453,993
Percentage of consolidated net operating revenues (A/B)	0.31%	0.21%	0.16%

4. Development of successful technologies or products

Year	Development of successful technologies and products
2020	ψ0.225x5.5 super long edge coating product certification passed (modified version) ψ0.15x4.0 super long blade product certification passed ψ0.475 back drill needle product certification passed ψ0.55~ψ0.80 back-drilling needle product certification passed ψ0.09x1.6 (2.0 shank diameter) coating product certification ψ0.1x2.0 (2.0 shank diameter) coating product certification ψ0.11x2.0 coating product certification ψ0.15x5.8 super long blade product certification passed ψ0.20x5.0 super long edge coating product certification passed (modified version) ψ0.28x6.2 super long edge coating product certification passed ψ0.50~ψ0.70 EA slotted cutter certification passed
2021	ψ0.10x1.8 (2.0 shank diameter) coating product certification passed ψ0.45~ψ0.65 UC type slotted cutter products certification passed ψ0.10x2.0 super long edge coating product certification passed (modified version) ψ0.20x4.3 super long edge coating product certification passed ψ0.225x5.5 super long edge coating product certification passed (modified version) ψ0.25x6.0 super long edge coating product certification passed ψ0.28x6.2 super long edge coating product certification passed (modified version) ψ0.40x5.0 back-drilling coating product certification passed ψ0.45x5.0 back-drilling coating product certification passed ψ0.50x5.0 back-drilling coating product certification passed ψ0.175x4.2 super long blade product certification passed ψ0.19x4.3 super long blade product certification passed
2022	ψ0.40~ψ0.45 EA slotted cutter certification passed ψ0.20x4.5 super long blade product certification passed ψ0.275x5.5 super long blade product certification passed ψ0.20x5.0 super long edge coating product certification passed ψ0.20x6.5 super long edge coating product certification passed ψ0.225x5.5 super long edge coating product certification passed (modified version) ψ0.25x6.0 super long edge coating product certification passed (modified version) ψ0.275~ψ0.375 back-drilling needle coating products certification passed

(IV) Long-term and Short-term Business Development Plans

1. Short-term Business Development Plans

(1) Increase the proportion of orders for micro-drilling process below 0.20mm (inclusive) to maintain more than 60% of sales.

(2) Enhance on-time delivery rate to improve customer satisfaction and strengthen customer service, with excellent process technology and professional technicians, with complete and rigorous certification procedures to win the trust of customers.

(3) Continuously improve the yield rate to 95% for tiny drill diameter products below 0.20mm (inclusive).

(4) Effective integration of various businesses and professional technical support to expand overseas markets.

(5) Continuing the cycle of drilling needles, holes, and copper foil substrates to pre-empt the process capability and cutting tools required for next-generation PCB new materials.

2. Medium-term and Short-term Business Development Plans

(1) Product line layout for the technical requirements of high frequency products

A. Microdrill high aspect ratio (30x or more) product line.

B. Back drill product line.

C. Anti-abrasion and high chip removal coating product line.

D. Build up laser and mechanical drilling capacity for high end HDI and IC carrier boards.

(2) Continuous development of new process technology: Develop new specifications of product processes to expand new customer sources and follow the trend of technological development.

A. Shank2.0 shank micro drill bit high speed drilling product mass production is launched.

B. Promotion of special tools and coated drills to improve the Company's cost performance.

(3) Strengthen the development of overseas markets and increase the proportion of orders received in response to the circuit board industry.

II. Market and Sales Overview:

(I) Market Analysis:

1. Sales Regions of Main Products (Services):

Unit: NT$ thousand

Region		2021		2022	
		Sales	Rate (%)	Sales	Rate (%)
Domestic Sales		1,529,353	96.85	1,239,023	85.22
Foreign Sales	Asia	46,051	2.92	210,936	14.51
	Europe	3,643	0.23	4,034	0.27
Total		1,579,047	100.00	1,453,993	100.00

2. Market Share of Drill Bit Products

   The Group's Taiwan plant has a monthly sales volume of about 4 million units, and if the domestic monthly demand is about 14 million units, the domestic market share is about 30%; and the combined monthly sales volume of 8 million units for the Company's investment in China's Kunshan and Chongqing Jinwei, the Group's total monthly sales volume is 12 million units, and if the global monthly demand is about 120 million units, the market share is about 10%.

3. Future Supply and Demand and Growth of Drill Bit Market

   (1) Supply Status:

   There is no unbalanced trend of self-production and self-distribution by drill needle suppliers in different regions.

   (2) Demand Status:

   According to Taiwan Printed Circuit Association (TPCA), the main focus of PCB industry development in Taiwan comes from three major applications, including fifth-generation mobile communications (5G), artificial intelligence Internet of Things (AIoT) and high-speed computing (HPC), driving related HDI manufacturers and server boards, carrier boards, and high-end flexible boards, and according to research firm Prismark, global PCB output is estimated to reach US$78.3 billion in 2023.

   (3) Future Growth:

   According to research institute Prismark, it is estimated that in 2023, although there will be a decline of 4.13% compared to US$81.741 billion in 2022, the growth will resume from 2024 onwards, and the average annual compound growth rate will be 3.8% from 2023 to 2027.

   Global PCB production is still concentrated in Mainland China, but the share of Southeast Asian production countries is expected to increase significantly in response to the rising demand from end-users to set up factories outside of China. The Company will invest more resources in overseas business development to advance the Southeast Asian market in the future.

4. Competitive Niches

   (1) The management team has rich experience in production and sales

   The management team of our company has served in the upstream and downstream PCB manufacturers, and is a professional management team with rich experience and excellent technical ability, and has rich experience in related industries. No matter in production, sales, R&D and quality control, we are able to develop products that meet the market demand in a short time, so that we can occupy a place in the global drill market.

   (2) Competitive Product Quality

   Since the establishment of the Company, we have been committed to improving the quality of our products and have obtained ISO-9002 quality certification in January 2000. Due to the stable quality and delivery of our products, the major domestic PCB manufacturers such as GCE, Kinsus, Chinm Poon, Unimicron, Nanya, HannStar, and Mil Technology are our main customers, and we also cooperate with our customers to develop products with tiny diameter to enhance our competitiveness in the market.

(3) Competitive Cost and Product Pricing

The Company has developed its own bonding technology between stainless steel and tungsten carbide, in order to reduce the use of tungsten carbide rods and reduce costs, and increase the competitiveness of our products. In addition, raw materials are purchased under contract, the prices of which are determined at the time of contracting with suppliers, so as not to affect the cost due to changes, which facilitates the quotation of the Company's products.

(4) Good Knowledge of Market Trends

The directors of our business unit have been working in the PCB industry for many years and have a good grasp of upstream and downstream industry information, and have good relationships with our customers. At present, in addition to actively developing the top 20 PCB manufacturers in China, we are also sending samples and trials to BGA substrate manufacturers in order to develop the market for drill bits of sizes below 0.20mm and to grasp the trend of light, thin, short and small PCBs.

(5) Professional and Comprehensive Sales Service

Our company upholds the service concept of "Quality First, Customer Satisfaction". In addition to providing high quality and competitively priced drill bits, we also assist manufacturers in adjusting drilling equipment and processes, and developing coating technology to improve drilling durability, thereby increasing drilling yields and stabilizing customers' production quality. We also supply drilling process peripheral products such as Nanya copper foil substrate, aluminum cover plate, lower pad plate, milling cutter and coating tool to satisfy customers' "one-time purchase" demand, and provide professional and comprehensive sales service to meet customers' needs and enhance customer satisfaction.

5. Favorable and Unfavorable Factors of Development Prospects

(1) Favorable Factors

A. Fifth generation cellular communication (5G), artificial intelligence internet of things (AIoT) and high speed computing (HPC) are driving PCB demand growth.

B. China's PCB market has grown significantly, driving demand for mid-range and high-end products.

C. Advanced production facilities and stable production are conducive to the development of high-end products.

D. Early deployment in Southeast Asia market.

(2) Unfavorable Factors and Related Measures

A. The red supply chain is growing rapidly, and middle and low-end products are facing cost competition.

B. The supply source of tungsten carbide is limited, and it is difficult to disperse the risk of rising raw materials.

(3) Measures:

A. Strengthen business products and regional breadth.

B. Promote high performance drills for high end products.

C. Continuous improvement of production efficiency to reduce waste and enhance cost competitiveness.

D. Continuously develop new tungsten materials to reduce the risk of raw material fluctuations.

(II) Usage and Manufacturing Processes for Main Products

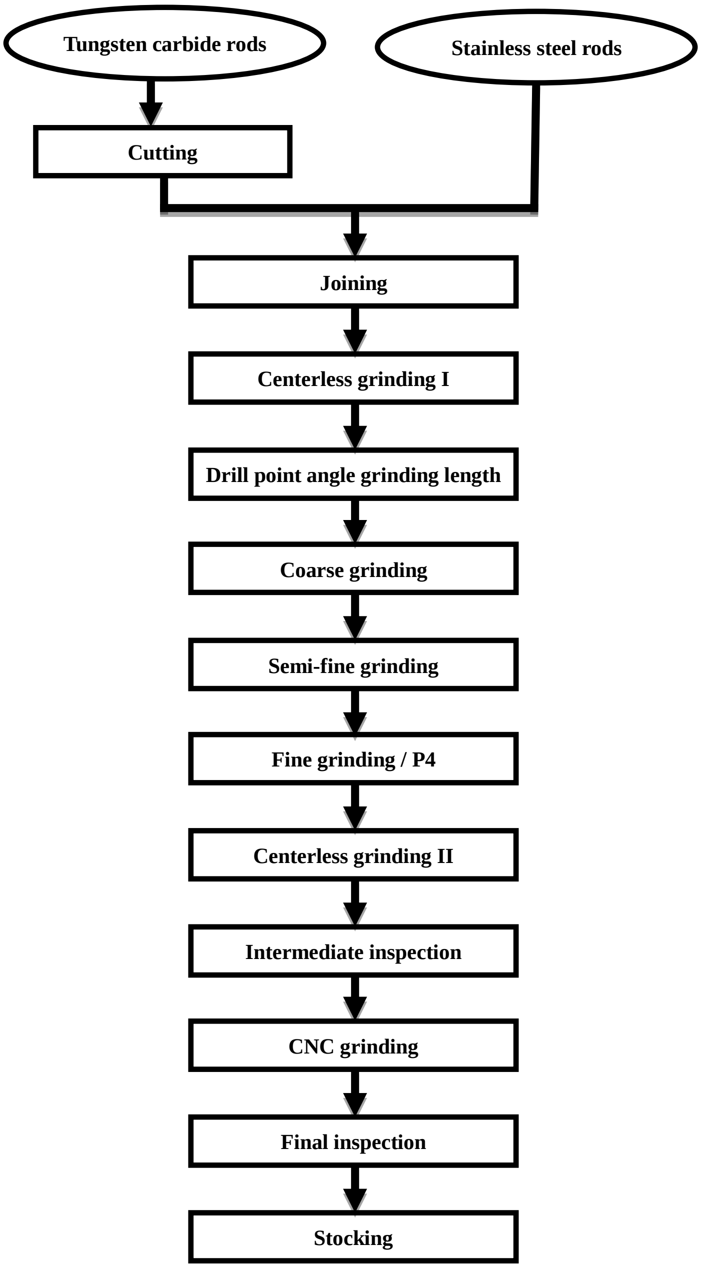
1. Usage for Main Products

Our tungsten carbide drill bit is a cutting tool for PCBs. It has various specifications depending on the design of drill diameter, flute length, helix angle and point angle, etc. It can be used for drilling holes of various circuit boards as follows:

Type of PCB	Usage
Flexible circuit board	Smartphones, tablets, digital cameras, and notebooks.
Rigid single-layer board	Consumer electronics.
Rigid double-layer board	Computer peripherals and terminals, fax machines, video recorders, numerical control equipment, personal computers, communication equipment, etc.
Rigid multi-layer board HDI board	Smartphones, tablet PCs, digital cameras, notebooks, game consoles, personal computers, fax machines, industrial automation-related equipment, numerical control equipment, communication equipment, small, medium and mini computers, semiconductor test equipment, wall-mounted ultra-thin TV systems, etc.
IC Substrate	Mobile communication chips, CPU chips, graphics chips, Northbridge chipsets, Southbridge chipsets, game machine chips, digital TVs, etc.
Aluminum substrates	Heat dissipation application board for backlight module and LED light emitting diode.

2. Manufacturing Processes:

Manufacturing process of drill bit products:



(III) Supply situation for major raw materials

Major raw material	Major suppliers	Supply situation
Tungsten carbide rods	AXIS	Good
Stainless steel joint handle	Tai Yu Sheng Co., Ltd.	Good

(IV) Names of customers with more than 10% of total purchase (sales) and the amount and proportion of purchase (sales) in any of the last two years, and the reasons for the increase or decrease

1. List of suppliers of purchases

Unit: NT$ thousand; %

	2021				2022			
Item	Name	Amount	Proportion to Net Purchase for the Year %	Relationship with the Issuer	Name	Amount	Proportion to Net Purchase for the Year %	Relationship with the Issuer
1	Supplier A	259,077	32.78	Affiliate	Supplier C	192,872	26.63	None
2	Supplier B	159,107	20.13	None	Supplier A	164,712	22.75	Affiliate
3	Supplier C	131,239	16.60	None	Supplier B	149,183	20.60	None
4	Supplier D	94,124	11.90	None	Supplier D	92,892	12.83	None
	Others	146,924	18.59		Others	124,461	17.19	None
	Net purchase	790,471	100.00		Net purchase	724,120	100.00	

Note: Information on the audited financial statements for the first quarter of 2023 is not available as of the date of printing of the annual report.

Reason for change: There was no significant change in the percentage of customers with more than 10% of total purchases in the last two years.

2. List of Sales Customers

Unit: NT$ thousand; %

	2021				2022			
Item	Name	Amount	Proportion to Net Sale for the Year %	Relationship with the Issuer	Name	Amount	Proportion to Net Sale for the Year %	Relationship with the Issuer
1	-	-	-	-	Customer A	212,976	14.65	None
2	Others	1,579,047	100.00	-	Others	1,241,017	85.35	-
	Net sales	1,579,047	100.00		Net sales	1,453,993	100.00	

Note: Information on the audited financial statements for the first quarter of 2023 is not available as of the date of printing of the annual report.

Reason for change: Increase in the number of high value-added, high unit price products sold to customer A in 2022.

(V) Production Volume and Value for the Most Recent 2 Years

Unit: Production capacity/volume: thousands unit; Production value: NT$ thousand

Year / Production Volume and Value / Main Products	2021			2022		
	Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
Drill Bits	97,200	88,417	463,101	97,440	79,332	359,759
Total	97,200	88,417	463,101	97,440	79,332	359,759

Note: Production capacity is expressed in terms of finished drill bits

(VI) Sales Volume and Value for the Most Recent 2 Years

Unit: Sales volume: thousand unit; Sales value: NT$ thousand

Year / Sales Value / Main Products	2021				2022			
	Domestic Sales		Foreign Sales		Domestic Sales		Foreign Sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Drill Bits	22,619	199,420	80,414	465,208	26,079	268,829	63,120	369,606
Board	293	229,536	81	45,439	208	162,644	16	11,025
Others	-	176,103	-	463,341	-	186,869	-	455,020
Total	22,912	605,059	80,495	973,988	26,287	618,342	63,136	835,651

Analysis of changes in sales volume:
There were no significant changes in sales volume between the two years.

III. Employee Statistics for the Most Recent 2 Fiscal Years up to the Annual Report Publication Date

March 31, 2023

Year		2021	2022	As of March 31, 2023
Number of Employees	Director labor	300	248	252
	Indirector labor	117	146	143
	Total	417	394	395
Average Age		37.94	38.82	38.55
Average Service Year		5.48	6.25	6.29
Academic Background Distribution (%)	PhD	0.00%	0.00%	0.00%
	Master's	1.68%	2.28%	2.28%
	Bachelor's	32.61%	33.00%	32.91%
	High school	39.09%	34.26%	31.90%
	Below high school	26.62%	30.46%	32.91%
	Total	100.00%	100.00%	100.00%

IV. Disbursements for Environmental Protection:

(I) For the last two years and up to the date of publication of the public statement, the losses suffered by the Company due to pollution of the environment (including compensation and environmental protection audit results for violations of environmental protection laws and regulations, the date of the penalty, the word number of the penalty, the provision of the violation, the content of the violation, and the content of the penalty should be listed), and the estimated amount of current and possible future occurrences and response measures should be disclosed, and if it cannot be reasonably estimated, the fact that it cannot be reasonably estimated should be stated: None.

V. Labor-management relations:

(I) Employee Benefit Plans, Continuing Education, Training, and Retirement Systems and the Status of Their Implementation, and the Status of Labor-management Agreements and Measures for Preserving Employees' Rights and Interests

1. Employee benefits measures:
   (1) Statutory benefits: Labor insurance, universal health insurance, group insurance, pension
   (2) Company benefits: employee bonus shares, on-the-job training for employees.
   (3) Welfare Committee benefits: The Company has established the Employee Welfare Committee in 1999 according to the law, providing wedding and funeral subsidies, emergency relief, annual gifts, employee celebrations, club activities, company trips, etc.
2. Continuing Education, Training, Retirement System and its implementation:
   (1) The Company has established the "Education and Training Management System" to implement various training programs in a planned manner so that all employees have the proper ability to perform their jobs, including: new employee training, pre-employment training, on-the-job training, and other training, in the hope of improving the overall quality of the company's manpower, developing the potential of the Company's employees, and reserving future management personnel.
   (2) The Company has established the " Regulations for Labor Retirement Management". Employees who have completed a certain number of years of service or reached a certain age are entitled to receive a pension under the Regulations.
3. Agreement between labor and management and measures to protect employees' rights and interests: Therefore, the Company has always attached great importance to the harmony of labor relations and spared no effort in protecting the rights of employees and caring for them physically and mentally, and has established an employee welfare committee to be responsible for the planning of employee welfare matters. Both employers and employees can make use of the Employee Welfare Committee to maintain good labor relations, therefore, labor relations have always been good and no disputes have occurred.

(II) For the most recent year and up to the date of printing of the annual report, the losses suffered by the Company due to labor disputes (including labor inspection results in violation of the Labor Standards Law, the date of sanction, the sanction number, the provisions of the law violated, the content of the law violated, and the content of the sanction) should be listed, and the estimated amount of current and possible future occurrence and the measures to be taken should be disclosed, and if it cannot be reasonably estimated, the facts that cannot be reasonably estimated should be stated: None.

The Company does not have a labor union but it has always valued the welfare of its employees and provided an excellent working environment. It also emphasizes two-way communication with its employees to ensure harmonious labor-management relations, and has established work rules in accordance with governmental regulations, and has perfect and reasonable regulations on salaries, working hours, vacations, and retirement, etc. In addition, it has also taken welfare measures such as safety and health, education and training to reduce the chance of future labor disputes and losses.

VI. Cyber security management:

(I) Cyber security risk management framework, cyber security policies, specific management plans and resources devoted to cyber security:

1. Cyber security risk management structure: Currently, the information professionals established by the Company's management department are responsible for overseeing cyber security-related management issues. It is expected that by the end of 2023, we will have a dedicated head of information security and at least one dedicated information security officer in compliance with regulations.
2. Cyber Security Policy: The Company has established "Information Security Practice Management Regulations".
3. Specific management solutions: anti-virus software, firewall, intrusion detection system and other information security control measures, regular promotion of information security awareness, and e-mail social engineering exercises.
4. Investing in resources for information security management: upgrading anti-virus software, firewall and intrusion detection system equipment.

(II) For the most recent year and as of the printing date of the annual report, the losses suffered as a result of significant information security incidents, their possible effects and the measures taken in response, if they cannot be reasonably estimated, should state the facts that cannot be reasonably estimated: None.

VII. Important Contracts:

Type of Contract	Party	Contract Duration	Contract Content	Restrictions
Bank loans contract	Chang Hwa Bank	2022.12.31-2023.12.31	Short-term consolidated credit line	None
Bank loans contract	Taishin International Bank	2022.12.31-2023.12.31	(1) Short-term consolidated credit line (2) Short-term secured loan - stock	None
Bank loans contract	Land Bank of Taiwan	2023.02.17-2034.02.17	Short-term loans	None
Bank loans contract	Taiwan Cooperative Bank	2022.09.27-2023.09.27	Short-term loans	None
Bank loans contract	Mega International Commercial Bank	2022.08.30-2023.08.29	Short-term consolidated credit line	None
Bank loans contract	Entie Commercial Bank	2022.09.30-2023.09.30	Short-term consolidated credit line	None
Bank loans contract	Yuanta Commercial Bank	2022.08.31-2023.08.31	General revolving funds	None
Bank loans contract	Bank of Panhsin	2022.12.31-2023.12.31	Short-term loans	None
		2021.07.27-2026.10.29	Interim equipment secured loans	None
Bank loans contract	KGI Bank	2022.11.04-2023.11.04	Short-term loans	None
Bank loans contract	Bank Sinopac	2023.03.16-2023.06.21	Short-term consolidated credit line	None
Bank loans contract	Taichung Commercial Bank	2023.05.31-2023.05.31	Short-term consolidated credit line	None
Bank loans contract	Cathay United Bank	2022.11.30-2023.11.30	Short-term consolidated credit line	None
Bank loans contract	Jih Sun International Bank	2022.12.15-2023.12.15	Short-term loans	None
Bank loans contract	First Commercial Bank	2022.09.19-2023.09.19	Short-term loans	None
		2022.05.25-2027.05.25	Equipment guarantee	None
Bank loans contract	Sunny Bank	2022.08.30-2023.08.30	Short-term secured loan - stock	None
Guaranteed issuance of commercial bills	Mega Bills Finance Co., Ltd.	2023.03.14-2024.03.13	Operations revolving funds	None
Bank loans contract	Taiwan Shin Kong Commercial Bank	2023.02.08-2024.02.08	Short-term loans	None
Bank loans contract	Taiwan Shin Kong Commercial Bank	2023.01.26-2025.01.26	(1) Interim secured loan - equipment (2) Interim secured loan - land and plant	None

Chapter 6 Financial Information

I. Condensed balance sheet, statement of comprehensive income, and CPAs' name and audit opinion for the last five years:

1. Condensed Balance Sheet (Consolidated) - IFRS

Unit: NT$ thousand

Item \ Year		Financial Information for the Past Five Fiscal Years				
		2018	2019	2020	2021	2022
Current Assets		1,597,648	1,652,991	2,053,958	2,060,511	2,092,078
Property, plant, and equipment		980,067	943,332	1,010,969	1,542,576	1,636,419
Intangible Assets		42,409	38,753	35,503	32,101	28,850
Other Assets		363,369	413,952	446,251	524,120	335,881
Total Assets		2,983,493	3,049,028	3,546,681	4,159,308	4,093,228
Current Liabilities	Before distribution	935,746	793,421	992,012	1,753,058	1,170,983
	After distribution	935,746	798,366	1,025,880	1,753,058	N/A
Non-current liabilities		404,068	513,337	513,234	396,550	797,267
Total Liabilities	Before distribution	1,339,814	1,306,758	1,505,246	2,149,608	1,968,250
	After distribution	1,339,814	1,311,703	1,539,114	2,149,608	N/A
Equity Attributable to Owners of the Parent		1,615,357	1,710,877	2,007,463	1,972,803	2,096,437
Share capital		1,647,028	1,648,239	1,693,397	1,899,309	1,899,283
Capital surplus		405	833	3,439	79,217	80,139
Retained earnings	Before distribution	179,907	248,486	283,379	217,158	224,607
	After distribution	179,907	199,039	181,775	217,158	N/A
Other equity		(211,983)	(186,681)	27,248	(222,881)	(107,592)
Treasury Stock		-	-	-	-	-
Non-controlling Interests		28,322	31,393	33,972	36,897	28,541
Total Equity	Before distribution	1,643,679	1,742,270	2,041,435	2,009,700	2,124,978
	After distribution	1,643,679	1,737,325	2,007,567	2,009,700	N/A

Note: Information on the audited financial statements for the first quarter of 2023 is not available as of the date of printing of the annual report.

2. Condensed Statements of Comprehensive Income (Consolidated) - IFRS

Unit: NT$ thousand

Item \ Year	Financial Information for the Past Five Fiscal Years				
	2018	2019	2020	2021	2022
Operating revenue	1,216,749	1,255,128	1,264,376	1,579,047	1,453,993
Gross profit	163,308	171,671	174,756	172,000	51,555
Operating Income	32,167	48,343	36,787	28,323	(97,875)
Non-operating income and expenses	24,693	47,369	80,379	27,625	117,568
Net income before tax	56,860	95,712	117,166	55,948	19,693
Income from Continuing Operations	40,642	74,531	89,057	37,786	3,166
Loss from Discontinued Operations	-	-	-	-	-
Net Income (Loss)	40,642	74,531	89,057	37,786	3,166
Other Comprehensive Income (Net After Tax)	(181,957)	24,367	215,089	(246,177)	120,090
Total Comprehensive Income	(141,315)	98,898	304,146	(208,391)	123,256
Net Income Attributable to Shareholders of the Parent	36,281	69,514	87,256	31,431	2,648
Net Income Attributable to Non-controlling Interests	4,361	5,017	1,801	6,355	518
Comprehensive Income Attributable to Owners of the Parent	(145,676)	93,881	302,345	(214,746)	122,738
Comprehensive Income Attributable to Non-controlling Interests	4,361	5,017	1,801	6,355	518
Earnings per share	0.22	0.41	0.50	0.18	0.01

Note: Information on the audited financial statements for the first quarter of 2023 is not available as of the date of printing of the annual report.

3. Condensed Balance Sheet (Parent Company Only) - IFRS

Unit: NT$ thousand

Item \ Year		Financial Information for the Past Five Fiscal Years				
		2018	2019	2020	2021	2022
Current Assets		647,696	682,966	1,014,969	1,199,831	1,082,270
Property, plant, and equipment		446,188	485,730	538,730	797,509	777,377
Intangible Assets		-	-	-	-	-
Other Assets		1,500,766	1,542,924	1,971,089	1,759,259	1,803,008
Total Assets		2,594,650	2,711,620	3,254,788	3,756,599	3,662,655
Current Liabilities	Before distribution	732,107	574,453	805,023	1,476,446	825,120
	After distribution	732,107	579,398	838,891	1,476,446	N/A
Non-current liabilities		166,315	247,186	442,302	307,350	741,098
Total Liabilities	Before distribution	979,293	1,000,743	1,247,325	1,783,796	1,566,218
	After distribution	979,293	1,005,688	1,281,193	1,783,796	N/A
Equity Attributable to Owners of the Parent		1,615,357	1,710,877	2,007,463	1,972,803	2,096,437
Share capital		1,647,028	1,648,239	1,693,397	1,899,309	1,899,283
Capital surplus		405	833	3,439	79,217	80,139
Retained earnings	Before distribution	179,907	248,486	283,379	217,158	224,607
	After distribution	179,907	199,039	181,775	217,158	N/A
Other equity		(211,983)	(186,681)	27,248	(222,881)	(107,592)
Treasury Stock		-	-	-	-	-
Non-controlling Interests		-	-	-	-	-
Total Equity	Before distribution	1,615,357	1,710,877	2,007,463	1,972,803	2,096,437
	After distribution	1,615,357	1,705,932	1,973,595	1,972,803	N/A

Note: Information on the audited financial statements for the first quarter of 2023 is not available as of the date of printing of the annual report.

4. Condensed Statements of Comprehensive Income (Parent Company Only) - IFRS

Unit: NT$ thousand

Item \ Year	Financial Information for the Past Five Fiscal Years				
	2018	2019	2020	2021	2022
Operating revenue	458,329	449,622	520,721	573,431	699,454
Gross profit	69,112	70,854	69,671	28,651	6,133
Operating Income	11,575	11,220	6,581	(35,198)	(55,598)
Non-operating income and expenses	27,556	57,945	82,658	67,848	56,545
Net income before tax	39,131	69,165	89,239	32,650	947
Income from Continuing Operations	36,281	69,514	87,256	31,431	2,648
Loss from Discontinued Operations	-	-	-	-	-
Net Income (Loss)	36,281	69,514	87,256	31,431	2,648
Other Comprehensive Income (Net After Tax)	(181,957)	24,367	215,089	(246,177)	120,090
Total Comprehensive Income	(145,676)	93,881	302,345	(214,746)	122,738
Net Income Attributable to Shareholders of the Parent	36,281	69,514	87,256	31,431	2,648
Net Income Attributable to Non-controlling Interests	-	-	-	-	-
Comprehensive Income Attributable to Owners of the Parent	(145,676)	93,881	302,345	(214,746)	122,738
Comprehensive Income Attributable to Non-controlling Interests	-	-	-	-	-
Earnings per share	0.22	0.42	0.50	0.18	0.01

Note: Information on the audited financial statements for the first quarter of 2023 is not available as of the date of printing of the annual report.

5. Name of CPAs and Audit Opinions for the Last Five Years

Year	Name of accounting firm	Name of CPAs	Opinions
2018	Deloitte Taiwan	Cheng, Hsu-Jan, Lin, Wang-Sheng	Unmodified opinion
2019	Deloitte Taiwan	Lin, Wang-Sheng,Chen, Ying-Chou	Unmodified opinion
2020	Deloitte Taiwan	Lin, Wang-Sheng,Chen, Ying-Chou	Unmodified opinion
2021	Deloitte Taiwan	Lin, Wang-Sheng, Li, Kuan-Hao	Unmodified opinion
2022	Deloitte Taiwan	Li, Kuan-Hao, Lin, Wang-Sheng	Unmodified opinion

II. Financial Analyses for the Past Five Fiscal Years:

1. Financial Analysis (Consolidated) - IFRS

Analysis Item	Year	2018	2019	2020	2021	2022
		Financial Analyses for the Past Five Fiscal Years				
Financial structure	Debt ratio (%)	44.91	42.86	42.44	51.68	48.09
	Ratio of long-term capital to property, plant, and equipment (%)	208.94	239.11	252.70	155.99	178.58
Solvency	Current ratio (%)	170.74	208.34	207.05	117.54	178.66
	Quick ratio (%)	117.14	143.64	159.63	87.54	133.02
	Interest coverage ratio	4.15	6.29	7.51	3.47	1.62
Operating ability	Accounts receivable turnover rate (times)	1.92	1.86	1.84	2.11	1.78
	Average days for cash receipts	190	196	198	173	205
	Inventory turnover rate (times)	2.29	2.35	2.45	3.14	2.93
	Accounts payable turnover rate (times)	9.22	8.50	7.20	7.41	6.34
	Average days for sale of goods	159	156	149	116	124
	Property, plant, and equipment turnover rate (times)	1.34	1.31	1.29	1.24	0.91
	Total assets turnover rate (times)	0.41	0.42	0.38	0.41	0.35
Profitability	Return on assets (%)	1.85	2.95	3.14	1.45	0.69
	Return on equity (%)	2.37	4.40	4.71	1.87	0.15
	Ratio of income before tax to paid-in capital (%)	3.45	5.81	6.92	2.95	1.04
	Net profit margin (%)	3.34	5.94	7.04	2.39	0.22
	Earnings per share (NT$)	0.22	0.42	0.50	0.18	0.01
Cash Flows	Cash flow ratio (%)	11.58	4.05	20.54	4.06	4.29
	Cash flow adequacy ratio (%)	87.86	88.81	63.59	62.78	62.65
	Cash reinvestment ratio (%)	3.02	0.66	5.12	0.66	0.80
Leverage	Operating leverage	3.53	3.25	4.26	6.35	(0.72)
	Financial leverage	2.27	1.59	1.96	4.97	0.75

Please explain the reasons for the changes in each financial ratio for the last two years. (If the change is less than 20%, the analysis is exempted)

1. Current and quick ratio: This is due to the short-term loans converted to long-term loans on maturity in 2022.
2. This is due to the maturity of short-term borrowings to long-term borrowings in 2022.
3. Property, plant, and equipment turnover rate: This is due to the increase in the amount of capital expenditures in 2022.
4. Return on assets, return on equity, net profit margin and earnings per share: This is due to the decrease in net income after tax in 2022 compared to 2021.
5. Ratio of income before tax to paid-in capital : This is due to the decrease in net income before tax in 2022 compared to 2021.
6. Operating leverage and financial leverage: This is due to the decrease in operating income in 2022 compared to 2021.

Note: Information on the audited financial statements for the first quarter of 2023 is not available as of the date of printing of the annual report.

2. Financial Analysis (Parent Company Only) - IFRS

Analysis Item \ Year		Financial Analyses for the Past Five Fiscal Years				
		2018	2019	2020	2021	2022
Financial structure	Debt ratio (%)	37.74	36.91	38.32	47.48	42.76
	Ratio of long-term capital to property, plant, and equipment (%)	417.43	439.99	454.73	285.91	365.01
Solvency	Current ratio (%)	88.47	118.89	126.08	808.28	131.17
	Quick ratio (%)	66.95	90.86	104.66	794.24	101.26
	Interest coverage ratio	3.34	5.20	6.36	2.58	1.04
Operating ability	Accounts receivable turnover rate (times)	2.70	2.59	2.67	2.60	2.70
	Average days for cash receipts	135	140	137	141	135
	Inventory turnover rate (times)	2.67	2.53	2.92	3.27	3.49
	Accounts payable turnover rate (times)	8.65	9.64	10.21	9.23	10.57
	Average days for sale of goods	137	144	125	112	105
	Property, plant, and equipment turnover rate (times)	1.06	0.96	1.02	0.86	0.89
	Total assets turnover rate (times)	0.17	0.17	0.17	0.16	0.19
Profitability	Return on total assets (%)	1.88	3.12	3.37	1.37	0.62
	Return on equity (%)	2.15	4.18	4.69	1.58	0.13
	Ratio of income before tax to paid-in capital (%)	2.38	4.20	5.27	(1.85)	(2.93)
	Net profit margin (%)	7.92	15.46	16.76	5.48	0.38
	Earnings per share (NT$)	0.22	0.42	0.50	0.18	0.01
Cash Flows	Cash flow ratio (%)	12.71	2.42	4.13	(7.05)	20.26
	Cash flow adequacy ratio (%)	106.72	93.60	80.85	21.94	41.20
	Cash reinvestment ratio (%)	7.90	0.98	2.04	(0.85)	8.01
Leverage	Operating leverage	3.59	4.49	9.08	(0.80)	(0.29)
	Financial leverage	(2.25)	(2.13)	(0.65)	0.63	0.69

Please explain the reasons for the changes in each financial ratio for the last two years. (If the change is less than 20%, the analysis is exempted)

1. Ratio of long-term capital to property, plant, and equipment: This is due to the increase in the amount of capital expenditures in 2022.
2. Current and quick ratio: This is due to the short-term loans converted to long-term loans on maturity in 2022.
3. Interest coverage ratio: This is due to the maturity of short-term borrowings to long-term borrowings in 2022.
4. Return on assets, return on equity, net profit margin and earnings per share: This is due to the decrease in net income after tax in 2022 compared to 2021.
5. Ratio of income before tax to paid-in capital : This is due to the decrease in net income before tax in 2022 compared to 2021.
6. Cash flow ratio, cash flow adequacy ratio and cash reinvestment ratio: This is due to the increase in net cash inflow from operating activities in 2022.
7. Operating leverage: This is due to the decrease in operating income in 2022 compared to 2021.

Note: Information on the audited financial statements for the first quarter of 2023 is not available as of the date of printing of the annual report.

Note 1: The financial information for each year has been audited and certified by the CPAs.

Note 2: The following formula shall be shown at the end of this table in the annual report:

1. Financial structure
   (1) Debt ratio = Total liabilities/Total assets.
   (2) Ratio of long-term capital to property, plant, and equipment = （ Total equity + Non-current liabilities） /Net value of property, plant, and equipment.
2. Solvency
   (1) Current ratio = Current assets/Current liabilities.
   (2) Quick ratio = (Current assets - Inventories - Prepaid expenses)/Current liabilities.
   (3) Interest coverage ratio = Income before tax and interest expenses/Interest expenses.
3. Operating ability
   (1) Accounts receivable (including accounts receivable and notes receivable generated from operations) turnover rate = Net sales/Average balance of accounts receivable (including accounts receivable and notes receivable generated from operations) for each period.
   (2) Average days for cash receipts = 365/Accounts receivable turnover rate.
   (3) Inventory turnover rate = Cost of goods sold/Average inventories.
   (4) Accounts payable (including accounts payable and notes payable generated from operations) turnover rate = Cost of goods sold/Average balance of accounts payable (including accounts payable and notes payable generated from operations) for each period.
   (5) Average days for sale of goods = 365/Inventory turnover rate.
   (6) Property, plant, and equipment turnover rate = Net sales/Average net property, plant, and equipment.
   (7) Total assets turnover rate = Net sales/Average total assets.
4. Profitability
   (1) Return on assets = [Income after tax + Interest expenses x （ 1 - Tax rate）]/Average total assets.
   (2) Return on equity = Income after tax/Average total equity.
   (3) Net profit margin = Income after tax/Net sales.
   (4) Earnings per share = (Income attributable to owners of the parent - Preferred stock dividends)/Weighted average number of shares issued.
5. Cash Flows
   (1) Cash flow ratio = Net cash flows generated from operating activities/Current liabilities.
   (2) Cash flow adequacy ratio = Five-year sum of net cash flows generated from operating activities/Five-year sum of capital expenditure, inventory additions and cash dividends).
   (3) Cash reinvestment ratio = (Net cash flows from operating - cash dividends)/(Gross amount of property, plant, and equipment + Long term investment + Other non-current assets + Working capital).
6. Leverage:
   (1) Operating leverage = (Net operating revenue - Variable operating costs & expenses)/Operating income.
   (2) Financial leverage = Operating income/(Operating income - Interest expenses).

III. Audit Committee's Review Report of the Financial Statements in the Most Recent Year:

Key Ware Electronics Co., Ltd.
Audit Committee's Review Report

The 2022 Financial Statements prepared and submitted by the Board of Directors have been audited by CPA Li, Kuan-Hao and CPA Lin, Wang-Sheng of Deloitte & Touche. The above statements and reports have been examined and reviewed by the Audit Committee, and no irregularities were found. According to the Article 219 of the Company Act, we hereby submit this report.

Sincerely,

2023 Annual Shareholders' Meeting

Key Ware Electronics Co., Ltd.

Convener of the Audit Committee: Lin, Tsung-Tan

March 24, 2023

IV. Financial Statements for the Most Recent Fiscal Year

Declaration of Consolidated Financial Statements of Affiliates

The entities that are required to be included in the combined financial statements of Key Ware Electronics Co., Ltd. for 2022 (January 1, 2022 to December 31, 2022), under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Key Ware Electronics Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Sincerely,

Name of Company: Key Ware Electronics Co., Ltd.

Chairman: Chow, Pong-Chi

February 24, 2023

Independent Auditors' Report

To the Board of Directors of Key Ware Electronics Co., Ltd.:

Opinions

We have audited the Consolidated Balance Sheets of Key Ware Electronics Co., Ltd. and its subsidiaries (Hereinafter referred to as “Key Ware Group”) as of December 31, 2022, and 2021, the Statements of Comprehensive Income, Statements of Changes in Equity, Statements of Cash Flows, and Notes to Consolidated Financial Statements (including Summary of Significant Accounting Policies) for the annual periods from January 1 to December 31, 2022, and 2021.

In our opinion, the aforementioned Consolidated Financial Statements present fairly, in all material respects, the financial position of Key Ware Group as of December 31, 2022, and 2021, and its financial performance and cash flows for the annual periods ended December 31, 2022, and 2021, in conformity with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers.”

Basis for Opinions

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

Key Audit Matters

Key audit key matters refer to those most material key matters for the audit on the Consolidated Financial Statements of the year 2022 of Key Ware Group, based on the professional judgment of the accountant. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In our judgment, key audit matters for the Group's Consolidated Financial Statements for the year ended December 31, 2022 are stated as follows:

Truthfulness of Sales Revenue

Key Ware Group's sales revenue is derived from the sale of drill bits. We believe that because of the competition in the industry and the possible pressure on management to meet projected operating targets Shareholding%, the truthfulness of sales revenue is the key audit matter for 2022. Refer to Note 4(14) for the accounting policy on revenue recognition.

The major audit procedures performed by us for revenue recognition are as follows:

1. We understood and tested the effectiveness of the design and implementation of internal controls in the recognition of sales revenue.
2. We obtained detailed information on sales revenue, examined the relevant supporting documents for shipment and the status of collection of payment, and verified the consistency of the sales counterparties and the recipients to confirm the truthfulness of sales transactions.

Other Matters

We have also audited the Parent Company Only Financial Statements of Key Ware Electronics Co., Ltd. for the years ended December 31, 2022 and 2021, on which we have issued an unqualified opinion.

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

To ensure that the Consolidated Financial Statements do not contain material misstatements caused by fraud or errors, the management is responsible for preparing prudent Consolidated Financial Statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, as well as the IFRS, IAS, law and regulation reviews and their announcements recognized and announced by the Financial Supervisory Commission, and for preparing and maintaining necessary internal control procedures pertaining to the Consolidated Financial Statements.

In preparing the Consolidated Financial Statements, the management is responsible for assessing Key Ware Group’s ability to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going concern basis of accounting unless the management either intends to liquidate Key Ware Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the Audit Committee) are responsible for overseeing Key Ware Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and evaluate the risk of material misstatements due to fraud or error in the Consolidated Financial Statements; design and carry out appropriate countermeasures for the evaluated risk; and obtain sufficient and appropriate evidence as the basis for their audit 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 controls 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 Key Ware Group.
3. Assess the appropriateness of the accounting policies adopted by the management, as well as the reasonableness of their accounting estimates and relevant disclosures.
4. Conclude on the appropriateness of the 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 Key Ware Group's ability to operate as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Key Ware Group to cease to continue as a going concern.
5. Evaluate the overall expression, structure and contents of the Consolidated Financial Statements (including relevant Notes), and whether the Consolidated Financial Statements fairly present relevant transactions and items.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Key Ware Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision, and performance of the audit and for expressing an opinion on the Consolidated Financial Statements of Key Ware Group.

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 the key audit matters of Key Ware Group's Consolidated Financial Statements for the year ended December 31, 2022. We describe these matters in our auditors' report unless 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

CPA, Li, Kuan-Hao	CPA, Lin, Wang-Sheng
Financial Supervisory Commission Approval Document No.: FSC Approval Document No. 1100372936	Financial Supervisory Commission Approval Document No.: FSC Approval Document No. 1060023872

March 24, 2023

Notices to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

Key Ware Electronics Co., Ltd. and Subsidiaries

Consolidated Balance Sheets

As of December 31, 2022 and 2021

Unit: NT$ thousand

Code	Assets	December 31, 2022 Amount	%	December 31, 2021 Amount	%
	Current Assets				
1100	Cash and cash equivalents (Notes IV and VI)	$ 198,745	5	$ 279,247	7
1110	Financial assets at fair value through profit or loss - current (Notes IV and VII)	75,516	2	53,176	1
1120	Financial assets at fair value through other comprehensive income - current (Notes IV, VIII and XXVIII)	354,046	9	339,771	8
1150	Notes receivable (Notes IV and IX)	158,669	4	109,941	3
1170	Accounts receivable (Notes IV and IX)	671,632	16	696,494	17
1180	Accounts receivable - related parties (Notes IV and XXVII)	65	-	107	-
1200	Other receivables (Notes IV and IX)	100,684	2	54,183	2
130X	Inventories (Notes IV and X)	490,164	12	466,423	11
1421	Prepayments for goods	14,469	-	7,761	-
1470	Other current assets	28,088	1	53,408	1
11XX	Total current assets	2,092,078	51	2,060,511	50
	Non-current assets				
1517	Financial assets at fair value through other comprehensive income - current (Notes IV and VIII)	52,765	1	40,144	1
1550	Investments accounted for using the equity method (Notes IV and XII)	20,658	1	20,543	-
1600	Property, plant, and equipment (Notes IV, XIII and XXVIII)	1,636,419	40	1,542,576	37
1755	Right-of-use assets (Notes IV, XIV and XXVII)	108,434	3	135,044	3
1805	Goodwill	7,277	-	7,165	-
1821	Other intangible assets (Notes IV and XV)	21,573	1	24,936	1
1840	Deferred tax assets (Notes IV and XXII)	90,949	2	73,124	2
1920	Refundable deposits	3,377	-	5,192	-
1915	Prepayment - non-current (Note XIII)	10,097	-	243,599	6
1990	Other non-current assets	49,601	1	6,474	-
15XX	Total non-current assets	2,001,150	49	2,098,797	50
1XXX	Total assets	$ 4,093,228	100	$ 4,159,308	100
Code	Liabilities and Equity				
	Current Liabilities				
2100	Short-term loans (Note XVI)	$ 724,855	18	$ 685,482	17
2110	Short-term notes and bills payable (Note XVI)	44,965	1	34,991	1
2120	Financial liabilities at fair value through profit or loss - current (Notes IV, VII and XVII)	4,380	-	-	-
2150	Notes and accounts payables	134,251	3	163,126	4
2180	Accounts payable - related parties (Note XXVII)	28,507	1	58,039	1
2219	Other payables (Note XVIII)	88,965	2	338,150	8
2220	Other payables - related parties (Note XXVII)	171	-	135	-
2230	Current tax liabilities (Notes IV and XIII)	91,224	2	19,286	-
2280	Lease liabilities - current (Note IV, XIV and XXVII)	19,896	1	26,422	1
2320	Long-term liabilities with a maturity of less than one year (Note XVI)	25,460	1	419,467	10
2399	Other current liabilities	8,309	-	7,960	-
21XX	Total current liabilities	1,170,983	29	1,753,058	42
	Non-current liabilities				
2500	Financial liabilities at fair value through profit or loss - current (Notes IV, VII and XVII)	-	-	1,220	-
2530	Corporate bonds payable (Notes IV and XVII)	193,912	5	188,856	5
2540	Long-term loans (Note XVI)	528,680	13	74,274	2
2570	Deferred income tax liabilities (Notes IV and XXII)	42,226	1	85,133	2
2580	Lease liabilities - non-current (Note IV, XIV and XXVII)	20,239	-	39,185	1
2670	Other non-current liabilities (Note XIX)	12,210	-	7,882	-
25XX	Total non-current liabilities	797,267	19	396,550	10
2XXX	Total liabilities	1,968,250	48	2,149,608	52
	Equity attributable to owners of the parent				
3100	Share capital	1,899,283	46	1,899,309	46
3200	Capital surplus	80,139	2	79,217	2
3300	Retained earnings	224,607	6	217,158	5
3400	Other equity	(107,592)	(3)	(222,881)	(6)
31XX	Total equity attributable to owners of the Company	2,096,437	51	1,972,803	47
36XX	Non-controlling Interests	28,541	1	36,897	1
3XXX	Total equity	2,124,978	52	2,009,700	48
	Total liabilities and equity	$ 4,093,228	100	$ 4,159,308	100

The accompanying notes are an integral part of the Consolidated Financial Statements.

Chairman: Chow, Pong-Chi   President: Hsu, Wei-Chieh   Accounting Manager: Lee, Yun-Ting

Key Ware Electronics Co., Ltd. and Subsidiaries

Consolidated Statements of Comprehensive Income

From January 1 to December 31, 2022 and 2021

Unit: NT$ Thousands, except for Earnings per share (in Dollars)

Code		2022 Amount	2022 %	2021 Amount	2021 %
4000	Operating revenue (Notes IV and XXVII)	$ 1,453,993	100	$ 1,579,047	100
5000	Operating costs (Notes IV, X, XIX, XXI and XXVII)	1,402,438	97	1,407,047	89
5900	Gross profit	51,555	3	172,000	11
	Operating expenses (Notes IV, IX, XIX, and XXI)				
6100	Selling and marketing expenses	74,646	5	76,272	5
6200	General and administrative expenses	65,531	5	71,772	5
6300	Research and development expenses	2,287	-	3,295	-
6450	Expected credit losses (gains)	6,966	-	(7,662)	(1)
6000	Total operating expenses	149,430	10	143,677	9
6900	Net operating income	(97,875)	(7)	28,323	2
	Non-operating income and expenses (Notes IV, XII, XIII, XXI and XXVII)				
7100	Interest income	2,379	-	1,261	-
7010	Other income	2,378	-	3,360	-
7020	Other gains and losses	143,541	10	44,532	3
7050	Finance costs	(31,833)	(2)	(22,626)	(2)
7060	Shares of profits or loss of associates accounted for using equity method	1,103	-	1,098	-
7000	Total non-operating income and expenses	117,568	8	27,625	1
7900	Net income before tax	19,693	1	55,948	3
7950	Tax expenses (Notes IV and XXII)	16,527	1	18,162	1
8200	Net income	3,166	-	37,786	2

(Continued on the next page)

(Continued from the previous page)

Code		2022 Amount	2022 %	2021 Amount	2021 %
	Other comprehensive income				
8310	Components that will not be reclassified to profit or loss				
8311	Gains (losses) on re-measurements of defined benefit plans (Notes IV and XIX)	($ 2,824)	-	$ 3,487	-
8316	Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income (Notes IV and XX)	103,510	7	(242,714)	(15)
8349	Income tax related to components that will not be reclassified to profit or loss (Note IV and XXII)	565	-	(697)	-
8360	Components that may be reclassified to profit or loss				
8361	Exchange differences on translation of financial statements of foreign operations (Notes IV and XX)	23,549	1	(7,815)	-
8399	Income tax related to components that may be reclassified to profit or loss (Notes IV, XX and XXII)	(4,710)	-	1,562	-
8300	Other comprehensive income	120,090	8	(246,177)	(15)
8500	Total comprehensive income	$ 123,256	8	($ 208,391)	(13)
	Net income attributable to:				
8610	Owners of the Company	$ 2,648	-	$ 31,431	2
8620	Non-controlling Interests	518	-	6,355	-
8600		$ 3,166	-	$ 37,786	2
	Total comprehensive income attributable to:				
8710	Owners of the Company	$ 122,738	8	($ 214,746)	(14)
8720	Non-controlling Interests	518	-	6,355	1
8700		$ 123,256	8	($ 208,391)	(13)
	Earnings per share (Note XXIII)				
9750	Basic	$ 0.01		$ 0.18	
9850	Diluted	$ 0.01		$ 0.18	

The accompanying notes are an integral part of the Consolidated Financial Statements.

Chairman:	President:	Accounting Manager:
Chow, Pong-Chi	Hsu, Wei-Chieh	Lee, Yun-Ting

Key Ware Electronics Co., Ltd. and Subsidiaries

Consolidated Statements of Changes in Equity

From January 1 to December 31, 2022 and 2021

Unit: NT$ thousand

		Equity attributable to owners of the parent (Note IV, VIII and XIX)										
		Share capital			Retained earnings			Other equity				
Code		Capital stock - common shares	Capital collected in advance	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translation of financial statements of foreign operations	Unrealized valuation gains (losses) on financial assets at fair value through other comprehensive income	Total	Non-controlling Interests	Total Equity
A1	Balance as of January 1, 2021	$ 1,693,397	$ -	$ 3,439	$ 11,993	$ 186,681	$ 84,705	($ 103,079)	$ 130,327	$ 2,007,463	$ 33,972	$ 2,041,435
D1	Net income in 2021	-	-	-	-	-	31,431	-	-	31,431	6,355	37,786
D3	Other comprehensive income after tax in 2021	-	-	-	-	-	2,790	(6,253)	(242,714)	(246,177)	-	(246,177)
D5	Total comprehensive income in 2021	-	-	-	-	-	34,221	(6,253)	(242,714)	(214,746)	6,355	(208,391)
	Appropriation and distribution of earnings for 2021											
B1	Legal reserve	-	-	-	8,842	-	(8,842)	-	-	-	-	-
B3	Reversal of special reserve	-	-	-	-	(28,037)	28,037	-	-	-	-	-
B5	Cash dividends of common stock	-	-	-	-	-	(33,868)	-	-	(33,868)	-	(33,868)
B9	Stock dividends of common stock	67,736	-	-	-	-	(67,736)	-	-	-	-	-
E1	Cash capital increase	138,000	-	63,480	-	-	-	-	-	201,480	-	201,480
N1	Share-based payment - employee stock option compensation cost (Note XXIV)	-	176	3,742	-	-	-	-	-	3,918	-	3,918
I1	Equity component of convertible bond issued by the Corporation	-	-	8,556	-	-	-	-	-	8,556	-	8,556
O1	Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	1,162	-	(1,162)	-	-	-
O1	Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	(3,430)	(3,430)
Z1	Balance as of December 31, 2021	1,899,133	176	79,217	20,835	158,644	37,679	(109,332)	(113,549)	1,972,803	36,897	2,009,700
D1	Net income in 2022	-	-	-	-	-	2,648	-	-	2,648	518	3,166
D3	Other comprehensive income after tax in 2022	-	-	-	-	-	(2,259)	18,839	103,510	120,090	-	120,090
D5	Total comprehensive income in 2022	-	-	-	-	-	389	18,839	103,510	122,738	518	123,256
	Appropriation and distribution of earnings for 2021											
B1	Legal reserve	-	-	-	3,538	-	(3,538)	-	-	-	-	-
B3	Provision of special reserve	-	-	-	-	34,141	(34,141)	-	-	-	-	-
N1	Share-based payment - employee stock option exercise	150	(176)	26	-	-	-	-	-	-	-	-
N1	Share-based payment - employee stock option compensation cost (Note XXIV)	-	-	896	-	-	-	-	-	896	-	896
O1	Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	7,060	-	(7,060)	-	-	-
O1	Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	(8,874)	(8,874)
Z1	Balance as of December 31, 2022	$ 1,899,283	$ -	$ 80,139	$ 24,373	$ 192,785	$ 7,449	($ 90,493)	($ 17,099)	$ 2,096,437	$ 28,541	$ 2,124,978

The accompanying notes are an integral part of the Consolidated Financial Statements.

Chairman: Chow, Pong-Chi President: Hsu, Wei-Chieh Accounting Manager: Lee, Yun-Ting

Key Ware Electronics Co., Ltd. and Subsidiaries

Consolidated Statements of Cash Flows

From January 1 to December 31, 2022 and 2021

Unit: NT$ thousand

Code		2022	2021
	Cash flows from operating activities		
A10000	Net income before tax	$ 19,693	$ 55,948
A20010	Adjustments to reconcile income (loss):		
A20100	Depreciation expenses	168,621	151,653
A20200	Amortization expenses	5,219	5,093
A20300	Expected credit losses (gains)	6,966	(7,662)
A20400	Valuation loss (gain) on financial assets and liabilities measured at fair value through profit or loss	20,202	(10,845)
A20900	Finance costs	31,833	22,626
A21200	Interest income	(2,379)	(1,261)
A21300	Dividend income	(2,256)	(3,288)
A21900	Share-based compensation cost	896	3,742
A22500	Gains on property, plant, and equipment	(53,674)	(18,664)
A22300	Share of profit (loss) of associates and joint ventures accounted for using the equity method	(1,103)	(1,098)
A23700	Loss for market price decline and obsolete and slow-moving inventories	3,673	-
A24100	Unrealized foreign exchange losses (gains)	5,301	(4,905)
A30000	Changes in operating assets and liabilities, net		
A31130	Notes receivable	(48,892)	8,665
A31150	Accounts receivable	33,416	(116,347)
A31160	Accounts receivable - related parties	42	24
A31180	Other receivables	(49,079)	(1,134)
A31200	Inventories	(28,828)	(37,903)
A31230	Prepayments for goods	(6,567)	4,977
A31240	Other current assets	25,320	(28,754)
A32130	Notes and accounts payables	(31,019)	49,620
A32160	Accounts payable - related parties	(29,532)	13,620
A32180	Other payables	9,033	(2,002)
A32190	Other payables - related parties	36	(27)
A32230	Other current liabilities	349	4,761
A32240	Other non-current liabilities	1,504	1,602
A33000	Cash generated from operations	78,775	88,441
A33300	Interest paid	(22,828)	(18,925)
A33100	Interest received	2,379	1,261
A33200	Interest received	2,256	3,288
A33500	Income tax paid	(10,375)	(2,807)
AAAA	Net cash flows generated from operating activities	50,207	71,258

(Continued on the next page)

(Continued from the previous page)

Code		2022	2021
	Cash flows from investing activities		
B00010	Acquisition of financial assets at fair value through other comprehensive income	($ 15,179)	($ 30,545)
B00020	Disposal of financial assets at fair value through other comprehensive income	91,793	5,103
B00100	Acquisition of financial assets at fair value through profit or loss	(369,197)	(404,962)
B00200	Disposal of financial assets at fair value through profit or loss	330,624	533,197
B01800	Dividends received from associates	988	(10,333)
B02000	Decrease (Increase) in prepayments	8,508	(136,353)
B02700	Acquisition of property, plant, and equipment	(44,227)	(271,112)
B02800	Disposal of property, plant, and equipment	101,946	-
B07100	Decrease in equipment payable	(262,188)	(94,590)
B03700	Increase in refundable deposits	(501)	(456)
B03800	Decrease in refundable deposits	2,318	-
B06700	Increase in other non-current assets	(45,054)	(29)
BBBB	Net cash flows used in investing activities	(200,169)	(410,080)
	Cash flows from financing activities		
C00100	Increase in short-term loans	30,092	72,605
C00500	Increase (Decrease) in short-term notes and bills payable	9,974	(4,970)
C01600	Proceeds from long-term loans	454,406	419,467
C01700	Repayments of long-term loans	(394,007)	(325,726)
C04020	Repayment of the lease principal	(27,548)	(22,398)
C04500	Cash dividends paid	-	(33,868)
C04600	Cash capital increase	-	201,480
C04800	Employees stock option exercised	-	176
C01200	Issuance of corporate bonds	-	200,000
C05800	Cash dividends paid to non-controlling interests	(8,874)	(3,430)
CCCC	Net cash outflow used in financing activities	64,043	503,336
DDDD	Effects of exchange rate changes on the balance of cash held in foreign currencies	5,417	291
EEEE	(Decrease) increase in cash and bank deposits for the year	(80,502)	164,805
E00100	Cash and bank deposits at the beginning of the year	279,247	114,442
E00200	Cash and bank deposits at the end of the year	$ 198,745	$ 279,247

The accompanying notes are an integral part of the Consolidated Financial Statements.

Chairman: Chow, Pong-Chi   President: Hsu, Wei-Chieh   Accounting Manager: Lee, Yun-Ting

Key Ware Electronics Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements
From January 1 to December 31, 2022 and 2021
(Amount in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

I. Company History

Key Ware Electronics Co., Ltd. (the “Company” was incorpoarted on February 27, 1997, and is mainly engaged in the design, manufacture and processing of printed circuit board materials such as electroplating solution, dry film, drill bits and copper foil substrates.

The common stock issued by the Company has been listed and traded on the Taipei Exchange since March 29, 2001.

The Consolidated Financial Statements are presented in the New Taiwan dollar, the Company's functional currency.

II. Date of Authorization for Issuance of the Parent Company Only Financial Statements and Procedures for Authorization

The Consolidated Financial Statements have been approved by the Board of Directors on February 24, 2023.

III. Application of New and Amended Standards and Interpretations

(I) Initial application of the latest Regulations Governing the Preparation of Financial Reports by Securities Issuers, as well as the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Financial Reporting Interpretations Committee (IFRIC), and Standard Interpretations Committee (SIC) (the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (the "FSC").

The application of the latest Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC should not result in major changes in the accounting policies of the Group.

(II) FSC-endorsed IFRSs that are applicable from 2023 onward

New/Revised/Amended Standards and Interpretations	Effective Date of Issuance by the 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 prospectively apply to the annual reporting periods beginning on or after January 1, 2023.

Note 2: The amendments apply to changes in accounting estimates and in accounting policies which take place in the annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments apply to transactions occurring on or after January 1, 2022, except for the recognition of deferred income taxes on temporary differences between leases and ex-service obligations as of January 1, 2022.

As of the date of authorization of the consolidated financial statements, the Group continues to assess the material impact of the above-mentioned amendments to standards and interpretations on the financial position and financial performance.

(III) Standards issued by the IASB but not yet endorsed and issued into effect by the FSC

New/Revised/Amended Standards and Interpretations	Effective Date of Issuance by the 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
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 "Classify Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

Note 1: Unless otherwise specified, the aforementioned New/Amended/Revised Standards and Interpretations shall be effective for the annual reporting period after the specified dates.

Note 2: Sellers and lessees shall apply the amendments to IFRS 16 retroactively to sale-and-leaseback transactions entered into after the date of initial application of IFRS 16

As of the date of authorization of the Consolidated Financial Statements, the Group has continued to assess the effects of amendments to other standards and interpretations on its financial conditions and performance. Related impacts will be disclosed upon completion of the assessment.

IV. Summary of Significant Accounting Policies

(I) Compliance declaration

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

(II) Preparation basis

The Consolidated Financial Statements have been prepared on a historical cost basis, except for financial instruments measured at fair value and net defined benefit liabilities recognized at the present value of defined benefit obligations less fair value of plan assets.

The fair value measurement is classified into three levels based on the observability and importance of related input:

1. Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities on the measurement date.
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. deduced from).
3. Level 3: Inputs are unobservable inputs for the asset or liability.

(III) Standards for assets and liabilities classified as current and non-current

Current assets include:

1. Assets held primarily for trading purposes;
2. Assets expected to be realized within 12 months after the balance sheet date; and
3. Cash and bank deposit (excluding assets restricted from being exchanged or used to settle a liability for at least 12 months after the balance sheet date).

Current liabilities include:

1. Liabilities held primarily for trading purposes;
2. Liabilities expected to be settled when due within 12 months after the balance sheet date (even if an agreement to refinance or to reschedule payments on a long-term basis is completed after the balance sheet date and before the financial statements are authorized for issue); and

3. Liabilities with a repayment schedule that cannot be unconditionally deferred till at least 12 months after the publication of the balance sheet. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other assets or liabilities that are not specified above are classified as non-current.

(IV) Basis of consolidation

The Consolidated Financial Statements include the financial statements of the Company and entities controlled by the Company (i.e., subsidiaries). The Consolidated Statements of Comprehensive Income include the operating income/loss of the acquired or disposed subsidiaries from the date of acquisition to the date of disposal in the current period. The financial statements of the subsidiaries have been adjusted to bring their accounting policies in line with those used by the Group. All intergroup transactions, balances, income and expenses are eliminated in full upon consolidation. A subsidiary's total comprehensive income is attributed to the owners of the Company and non-controlling interests, even if non-controlling interests become having deficit balances in the process.

Changes in the Company’s ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Company’s interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to shareholders of the parent.

Please refer to Notes XI (Tables 5 and 6) for details, shareholding ratio, and business activities of subsidiaries.

(V) Foreign currencies

In the preparation of each individual financial statements, transactions denominated in a currency other than the entity’s functional currency (i.e., foreign currency) are translated into the entity's functional currency by using the exchange rate at the date of the transaction before they are recorded by each entity.

Monetary items denominated in foreign currencies are translated at the closing rates on the balance sheet date. Exchange differences arising from settlement or translation of monetary items are recognized in profit or loss in the year in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. The resulting exchange difference is recognized in profit or loss. For items whose changes in fair value are recognized in other comprehensive income, the resulting exchange difference is recognized in other comprehensive income.

Non-monetary items measured at historical cost that are denominated in foreign currencies are translated at the rates of exchange prevailing on the transaction dates and are not re-translated.

In the preparation of the consolidated financial statements, the assets and liabilities of foreign operations including subsidiaries, associates, joint ventures or branches that operate in a country or currency different from the Company) are translated into the New Taiwan dollar at the closing rate of exchange prevailing on the balance sheet date. Income and expenses are translated at the average rate of the year. The exchange differences arising are recognized in other comprehensive income (and are attributable to owners of the Company and non-controlling interests respectively).

On the disposal of entire interests in foreign operators, or on the disposal of partial interests in subsidiary of foreign operation with loss of control, or when the retained interests upon the disposal of foreign operation's joint agreement or associate are financial assets and accounted for under the accounting policy for using the accounting policies for financial instruments, all of the accumulated exchange differences and associated with the foreign operation are reclassified to profit or loss.

When partial disposal of subsidiary of foreign operations does not result in loss of control, the accumulated exchange differences are reattributed to the non-controlling interest of the subsidiary on a pro rata basis and are not recognized in profit or loss. In the case of any other partial disposal of foreign operations, the accumulated exchange differences are reclassified to profit or loss in proportion to the disposal.

(VI) Inventories

Inventories comprise raw materials, materials, finished goods and work in process. Inventories are measured at the lower of cost and net realizable value. The comparison between costs and net realizable values is based on individual items except for the same type of inventory. The net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale. Inventory costs are calculated using the weighted average method.

(VII) Investments in associates

An associate is an entity over which the Group has significant influence other than a subsidiary or a joint venture.

The Group accounts for investments in associates by using the equity method.

Under the equity method, investments are initially treated at cost and adjusted thereafter for the post-acquisition change in the Group's interest in profit or loss, share in other comprehensive income, and profits of associates. In addition, changes in the Group's equity in associates are recognized on a pro rata basis.

Any excess of the cost of acquisition over the Group’s share of the net fair value of the identifiable assets, and liabilities of associates recognized at the date of acquisition is recognized as goodwill, which is included in the carrying amount of the investment and may not be amortized. Any excess of the Group’s share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized as profit or loss in the current year.

When associates issue new shares and the Group does not subscribe to such shares to the extent that its original shareholding ratio can be changed, the difference is recorded as an adjustment to capital surplus - changes in the net value of shares in associates and joint ventures accounted for using the equity method and other investments accounted for using the equity method. If the amount of ownership interests in associates is not subscribed for or obtained in proportion to the shareholding ratio, the amount of the related assets or liabilities shall be recognized in other comprehensive income. The basis of the accounting treatment is the same as that of the associates. The difference in the balance of the capital reserve accounted for using the equity method shall be recognized in retained earnings.

The recognition of further losses ceases when the Group's share of losses in associates equals or exceeds its interest in the associates (including the carrying amount of its investment in the associates under the equity method and other long-term interests that are in substance a component of the Group's net investment in the associates). The Group recognizes additional losses and liabilities only to the extent that legal obligations, constructive obligations or payments on behalf of associates have been incurred.

To assess impairment, the Group has to consider the overall carrying amount (including goodwill) of the investment as a single asset to compare the recoverable and carrying amounts. The cost of impairment identified is to be deemed as part of the carrying amount of the investment. Reversal of the impairment loss is recognized to the extent of subsequent increases in the recoverable amount of investment.

The Group shall cease the use of equity method from the date when its investment is no longer a joint venture. Its retained interest in the associate is measured at fair value, and the difference between the fair value and the carrying amount of the investment and the carrying amount of the investment at the date of acquisition of the equity method is included in profit or loss for the current period. In addition, the Group shall account for all the amounts recognized in other comprehensive income in relation to that joint venture on the same basis as would be required if the associate had directly disposed of the related assets or liabilities. If an investment in an associate becomes a joint venture or an investment in a joint venture becomes an investment an associate, the Group continues to use the equity method without remeasuring the retained interest.

Profits and losses in upstream, downstream and side-stream transactions between the Group and associates are recognized in the financial statements only when the profits and losses are irrelevant to the Group's interests in the associates.

(VIII) Property, plant, and equipment

Property, plant, and equipment shall be recognized at cost and subsequently at cost less accumulated depreciation and accumulated impairment losses.

In addition to land owned by the Company, which is not depreciated, each significant part of property, plant, and equipment is separately depreciated over its useful life on a straight-line basis. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

When property, plant, and equipment is derecognized, the difference between the net disposal proceeds and the carrying amount of the asset shall be recognized in profit or loss.

(IX) Goodwill

The value of goodwill received through business combinations has to be shown as the amount of goodwill recognized on the acquisition date and subsequently evaluated as cost less accumulated impairment loss.

To evaluate impairment, goodwill is distributed among various cash-generating units or cash-generating unit groups ("cash-generating units") which the Group expects to benefit by business combinations.

The cash-generating units that are allocated goodwill will compare the unit's carrying amount and its recoverable amount including goodwill every year (and whenever there are signs of impairment) to evaluate the impairment of the unit. If the goodwill is obtained by the cash-generating units through a business combination in the current year, an impairment test is to be conducted prior to the end of the current year. If the recoverable amount of the cash-generating units is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating units and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Impairment loss is considered as loss in the current year. The impairment loss of goodwill shall not be reversed in subsequent periods.

Upon disposal of an operation within an amortized goodwill cash-generating unit, the amount of goodwill associated with the disposed operation is included in the carrying amount of the operation to determine the gain or loss on disposal.

(X) Intangible assets

Acquisition through business combinations

Intangible assets acquired in a business combination are recognized at fair value on the acquisition date and are recognized separately from goodwill. Subsequent measurement is based on cost less accumulated amortization and accumulated impairment losses.

(XI) Impairment of property, plant and equipment, right-of-use asset, intangible assets (other than goodwill) and assets related to contract costs

On each balance sheet date, the Group reviews the carrying amounts of its property, plant, and equipment as well as right-of-use assets, and intangible assets (excluding goodwill) 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. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

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 fair value minus cost of sales or its value in use, whichever is higher. If the recoverable amount of individual asset or the cash-generating unit is lower than its carrying amount, the carrying amount of the asset or the cash-generating unit shall be reduced to the recoverable amount and the impairment loss shall be recognized in profit or loss.

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.

When an impairment loss subsequently is reversed, the carrying amount of the asset or cash-generating unit 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 for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(XII) Financial instruments

Financial assets and liabilities will be recognized in the consolidated balance sheets when the Group becomes a party to the contract of the financial instrument.

When showing the original financial assets and liabilities, if their fair value was not assessed based on profit or loss, it is the fair value plus the cost of transaction, that is, of its acquisition or issuance of the financial assets or financial liabilities. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1. Financial assets

Regular trading of financial assets shall be recognized and derecognized in accordance with trade date accounting.

(1) Types of measurement

Financial assets held by the Group are classified as financial assets at fair value through profit or loss, financial assets at amortized cost, and investments in equity instruments at fair value through other comprehensive income.

A. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets mandatorily measured at fair value through profit or loss and financial assets designated as at fair value through profit or loss. Financial assets mandatorily measured at fair value through profit or loss include equity instrument investments not designated to be measured at fair value through other comprehensive income, and debt instrument investments.

Financial assets at fair value through profit or loss are measured at fair value. Dividends and interest generated are recognized in other income, and gains or losses arising from remeasurement are recognized in other gains and losses. Please refer to Note XXVI for the methods for determining fair values.

B. Financial assets at amortized cost

When the Group's investments in financial assets satisfy the following two conditions simultaneously, they are classified as financial assets at amortized cost:

a. Financial assets are under a business model whose purpose is to hold financial assets and collecting contractual cash flows; and
b. The terms of the contract generate a cash flow on a specified date that is solely for the payment of interest on the principal and the amount of principal outstanding.

After initial recognition, financial assets (including cash and bank deposits, notes receivable measured at amortized cost, accounts receivable, accounts receivable - related parties and other receivables) measured at amortized cost are measured at amortized cost, which equals to gross carrying amount determined by the effective rate method less any impairment loss.

Except for the following two circumstances, interest income is calculated at the value of effective interest rate times the gross carrying amount of financial assets:

a. For purchased or originated credit-impaired financial assets, interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial assets.
b. Financial assets that are not credit impairment from purchases or at the time of founding but subsequently become credit impairments shall be calculated by multiplying the effective interest rate in the

reporting period after the credit impairment by the cost after the amortization of financial assets.

Credit-impaired financial assets are those for which the issuer or the debtor has experienced significant financial difficulty, default, a substantial likelihood that the debtor will declare bankruptcy or other financial reorganization, or the disappearance of an active market for the financial assets due to financial difficulties.

C. Investments in equity instruments at fair value through other comprehensive income

The Group may, at initial recognition, make an irrevocable decision to designate an equity instrument that is neither held for trading nor contingent consideration arising from a business combination to be measured at fair value through other comprehensive income.

Investments in equity instruments at fair value through other comprehensive income are measured at fair value, and any subsequent fair value changes are recognized in other comprehensive income and accumulated in other equity. When the investment is disposed of, the cumulative profit or loss is directly transferred to retained earnings and not reclassified to profit or loss.

Dividends of investments in equity instruments at fair value through other comprehensive income are recognized in profit or loss when the Group's right to receive payment is confirmed unless such dividends clearly represent the recovery of a part of the investment cost.

(2) Impairment of financial assets

The impairment loss of financial assets (Including notes receivable, accounts receivable and other receivables) at amortized cost is measured by the Group on the balance sheet date based on the expected credit losses.

Allowances shall be appropriated for notes and accounts receivable for expected credit losses for the duration of their existence. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition.

The expected credit loss is the weighted average credit loss determined by the risk of default. The 12-month expected credit losses represent the expected credit losses arising from the possible default of the financial instrument in the 12 months after the balance sheet date, and the expected credit losses during the lifetime represent the expected credit losses arising from all possible defaults of the financial instrument during the expected existence period.

For the purpose of internal credit risk management, under the premise that the collateral held is not under consideration, the Group determines that there is internal or external information indicating that the debtor cannot settle the debt, which represents that the financial assets have breached the contract.

The impairment loss of all financial assets is reduced based on the allowance account.

(3) Derecognition of financial assets

The Group derecognizes the financial assets when the contractual rights to the cash flow from the said financial assets expire or when the Group transfers almost all the risks and rewards of ownership of the financial assets to other enterprises.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received is recognized in profit or loss. Through the full derecognition of the investments in equity instruments at fair value through other comprehensive income, the cumulative profit or loss is directly transferred to retained earnings and not reclassified to 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, issue or cancellation of the Company's own equity instruments.

3. Financial liabilities

   (1) Subsequent measurement

   All financial liabilities are assessed at amortized cost using the effective interest method.

   (2) Derecognition of financial liabilities

   When financial liabilities are derecognized, the difference between their carrying amount and the paid consideration (including any transferred non-cash assets or liabilities assumed) shall be recognized in profit or loss.

4. Convertible bonds

The compound financial instruments (convertible bonds) issued by the Group are classified as financial liabilities and equity in accordance with the substance of the contractual agreements and the definitions of financial liabilities and equity instruments, respectively, at the time of initial recognition.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument and is measured at amortized cost using the effective interest method until the effective conversion or maturity date. The components of liabilities that are embedded in non-equity derivatives are measured at fair value.

The conversion right classified as equity is equal to the remaining amount of the fair value of the compound instrument as a whole less the fair value of the separately determined liability component, which is recognized in equity net of the income tax effect and is not subsequently measured. When the conversion right is exercised, the related liability component and the amount in equity will be transferred to equity and capital surplus - issue premium. If the conversion rights of convertible bonds are not exercised on the maturity date, the amount recognized in equity will be transferred to capital surplus - issue premium.

Transaction costs related to the issuance of convertible bonds are allocated to the liability (included in the carrying amount of the liability) and the equity component (included in equity) of the instrument in proportion to the total apportioned price.

(XIII) Revenue recognition

After the Group identifies its performance obligations in contracts with customers, it shall amortize the transaction costs to each obligation in the contract and recognize revenue upon satisfaction of performance obligations.

1. Sales revenue of commodities

   Sales revenue of commodities comes from the sales of drill bits and copper foil substrates. The Group recognizes revenue and accounts receivable when the customer has the right to fix the price and use the goods and has the primary responsibility for re-selling the goods, and bears the risk of obsolescence.

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

2. Service revenue

   Service revenue is derived from services such as needle electrical testing, mechanical drilling and laser drilling operations.

   With the electrical testing of drilling needles, mechanical drilling and laser drilling provided by the Group, customers can obtain and consume performance benefits at the same time, and the related revenue is recognized when the services are provided.

(XIV) Leases

The Group assesses whether the contract is (or includes) a lease on the date of its establishment.

1. Where the Group is a lessor:

   A lease is classified as a finance lease when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the asset to the lessee. All other leases are classified as operating leases.

   Under operating leases, lease payments after deducting lease incentives are recognized as revenue on a straight-line basis over the relevant lease term. The initial direct costs arising from acquisition of operating leases is added to the carrying amount of the underlying assets; and an expense is recognized for the lease on a straight line basis over the lease term.

2. Where the Group is a lessee:

   Except that the lease payments of the low value subject-matter assets and short-term leases applicable to recognition exemption are recognized as expenses on a straight-line basis during the lease period, other leases are recognized as right-of-use assets and lease liabilities on the lease commencement date.

The right-of-use asset is initially measured at cost (including the original measured amount of the lease liability, the original direct cost and the estimated cost of the recovery target asset), and subsequently measured at cost minus the accumulated depreciation and the accumulated impairment loss and adjusted for the remeasurement of the lease liability. The right-of-use assets are separately expressed in the consolidated balance sheets.

The right-of-use assets shall be depreciated on a straight-line basis from lease commencement date to the end of the useful life or the end of the lease term.

Lease liabilities are measured initially at the present value of the lease payments (including the present value of fixed payments). If the implicit interest rate of lease is easy to determine, the interest rate is used to discount the lease payment. If the interest rate is not easy to determine, the lessee's incremental borrowing rate shall be used.

Subsequently, the lease liability is measured on the basis of amortized cost using the effective interest method, and the interest expense is apportioned during the lease period. If the assessments on lease terms, amounts expected to be paid under residual value guarantees or changes in the index or rate which determines the lease payments result in changes in future lease payments, the Group would remeasure the lease liabilities with a corresponding adjustment on the right-of-use assets. However, if the carrying amount of right-of-use assets has been reduced to zero, the remaining remeasurement amount is recognized in profit or loss. Lease liabilities are presented separately in the consolidated balance sheets.

(XV) Government Grants

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

Government grants related to revenues are recognized in other income on a systematic basis over the period in which the related costs for which they are intended to compensate are recognized as expenses by the Group.

(XVI) 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 service rendered by employees.

2. Retirement benefits

   Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

   The costs of defined benefits under the defined benefit pension plan (including service cost, net interest, and the remeasurement amount) are calculated based on the projected unit credit method. The cost of services (including the cost of services of the current periods) and the net interest of the net defined benefit liabilities (assets) are recognized as employee benefit expenses. The remeasurement amount (including actuarial gains and losses and the return on plan assets after deducting interest) is recognized in other comprehensive income and presented in retained earnings when it occurs. It shall not be reclassified to profit or loss in subsequent periods.

   Net defined benefit liabilities (assets) are the deficit (residual) of the contribution made according to the defined benefit pension plan. Net defined benefit assets shall not exceed the present value of refunds of contributions from the plan or reductions in future contributions.

(XVII) Share-based payment arrangements

Shares for employees are expensed on a straight-line basis over the vesting period, based on the fair value at the grant date and the Group’s best estimate of the number expected to ultimately vest, with a corresponding increase in capital surplus-employee stock options If the acquisition is made immediately on the date of grant, the full cost is recognized on the date of grant. The Group reserves the right to retain employee subscriptions for cash capital increases by recognizing the date of granting the employee subscriptions.

The Group revises the estimated number of employee stock options expected to be vested at each balance sheet date. If the original estimate is revised, the effect is recognized in profit or loss so that the accrued expenses reflect the revised estimate, with a corresponding adjustment to capital surplus - employee stock options.

(XVIII) Income Tax

Income tax expenses are the sum of the tax in the current period and deferred income tax.

1. Current income tax

   The Group determines the income (loss) of the current period in accordance with the laws and regulations in each income tax declaration jurisdiction, and calculates the income tax payable (recoverable) accordingly.

   A tax is levied on the unappropriated earnings pursuant to the Income Tax Act of the Republic of China and is recorded as an income tax expense in the year when the shareholders' meeting resolves to appropriate the earnings.

   Adjustments to prior year income taxes are shown in the taxes of the current period.

2. Deferred income tax

   Deferred income tax is calculated based on the temporary difference between the carrying amount of the assets and liabilities and the taxable basis of the taxable income. Deferred income tax assets and liabilities are not recognized for temporary differences arising from the initial recognition of assets and liabilities that are not part of a business combination that affects neither taxable income nor accounting profit at the time of recognition. In addition, deferred income tax liabilities are not recognized for taxable temporary differences arising from the initial recognition of goodwill.

   Deferred income tax liabilities are generally recognized for all taxable temporary differences, and deferred income tax assets are recognized when there are likely taxable income for the deducting temporary differences, loss carryforwards or income tax credits available for expenditures on machinery and equipment, research and development and personnel training.

   Deferred income tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, affiliates and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. For deductible temporary differences associated with such investment, when it is probable that sufficient taxable income will be available to realize such temporary difference, a deferred tax asset is recognized, but only to the extent of the amount that is expected to be reversed in the foreseeable future.

The carrying amount of the deferred income tax assets is re-examined at each balance sheet date and the carrying amount is reduced for assets that are no longer likely to generate sufficient taxable income to recover all or part of the assets. Deferred income tax assets that were not initially recognized as such are reviewed at each balance sheet date and the carrying amount is increased to the extent that it is probable that future taxable income will be available to recover all or part of the asset.

Deferred income tax assets and liabilities are measured at the tax rate of the period of expected repayment of liabilities or realization of assets. The rate is based on the tax rate and tax laws that have been enacted prior to the balance sheet date or have been substantially legislated. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. Current and deferred income taxes for the year

Current income tax and deferred income tax are recognized in profit or loss or directly recognized in equity except for those related to items recognized in other comprehensive income that shall be recognized in other comprehensive income or directly recognized in equity.

If the current income tax or deferred income tax arises from a business combination, the income tax effect is included in the accounting for the business combination.

V. Primary Sources of Uncertainties in Material Accounting Judgments, Estimates, and Assumptions

When the Group adopts accounting policies, the management must make judgments, estimates, and assumptions based on historical experience and other critical factors for related information that are not readily available from other sources. Actual results may differ from these estimates.

The management shall continue to review the estimates and basic assumptions. If an amendment of estimates only affects the current period, it shall be recognized in the period of amendment If an amendment of accounting estimates affects the current year and future periods, it shall be recognized in the period of amendment and future periods.

VI. Cash and bank deposits

	December 31, 2022	December 31, 2021
Cash on hand	$ 1,165	$ 1,083
Checks and demand deposits in banks	197,580	278,164
	$ 198,745	$ 279,247

The interest rate interval of bank deposits as of the balance sheet date is as follows:

	December 31, 2022	December 31, 2021
Bank deposits	0.00%～1.05%	0.00%～0.35%

VII. Financial Instruments at Fair Value through Profit or Loss

Financial assets - current

	December 31, 2022	December 31, 2021
Mandatorily measured at fair value through profit or loss		
Domestic listed and emerging stocks	$ 12,308	$ 2,897
Foreign listed stocks	41,160	3,261
Renminbi financial products	22,048	47,018
	$ 75,516	$ 53,176

Financial liabilities - Current

	December 31, 2022	December 31, 2021
Financial liabilities held for trading		
Repurchase option (Note XV)	$ 4,380	$ -

Financial liabilities - Non-current

	December 31, 2022	December 31, 2021
Financial liabilities held for trading		
Repurchase option (Note XV)	$ -	$ 1,220

VIII. Financial assets at fair value through other comprehensive income

Investments in equity instruments

	December 31, 2022	December 31, 2021
Current		
Domestic OTC stocks	$ 354,046	$ 339,771
Non-current		
Domestic unlisted (OTC) stocks	$ 27,325	$ 12,285
Foreign unlisted (OTC) stocks	25,440	27,859
	$ 52,765	$ 40,144

The Group invested in equity instruments for medium- and long-term strategic purposes. The management chose to designate these investments to be measured at fair value through other comprehensive income as they believed that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

In 2022 and 2021, the Group adjusted the investment positions to diversify the risk by selling certain investments in equity instruments at fair value of NT$91,793 thousand and NT$5,103 thousand, respectively, and the related unrealized gain on financial assets at fair value through other comprehensive income of NT$7,060 thousand and NT$1,162 thousand, respectively, was transferred to retained earnings.

For information on pledges of investments in equity instruments measured at fair value through other comprehensive income or loss, see Note XXVIII.

IX. Notes Receivables, Accounts Receivables, and Other Receivables

	December 31, 2022	December 31, 2021
Notes receivable		
Due to operation	$ 159,807	$ 109,941
Less: Loss allowances	(1,138)	-
	$ 158,669	$ 109,941
Accounts receivable		
Due to operation	$ 677,459	$ 699,634
Less: Loss allowances	(5,827)	(3,140)
	$ 671,632	$ 696,494

(Continued on the next page)

(Continued from the previous page)

	December 31, 2022	December 31, 2021
Other receivables		
Refundable business tax	$ 1,377	$ 5,275
Receivable from disposal of investments	7,568	3,423
Receivable for demolition grants (Note XIII)	72,470	42,516
Receivables from equipment (Note XIII)	18,818	124
Others	3,601	2,845
Less: Loss allowances (Note XIII)	(3,150)	-
	$ 100,684	$ 54,183

(I) Notes and Accounts Receivable

To minimize credit risk, the management of the Group has delegated operational personnel to follow up on amounts past due to ensure that appropriate actions have been taken to recover overdue receivables. In addition, the Group reviews the recoverable amount of each individual receivable on the balance sheet date to ensure that adequate allowances are made for possible irrecoverable amounts. As such, the Group's management concludes that the credit risk has been significantly reduced.

The Group's credit period for commodity sales averages 120~180 days, and no interest was charged on accounts receivable.

The Group adopts the simplified approach as stipulated in IFRS 9 and recognizes loss allowances for accounts receivables based on the lifetime expected credit losses. The expected credit losses for the remaining period are calculated using a provision matrix, which takes into account the historical average recovery rates of various age groups of customers and the customers' past default records and current financial position. An allowance for loss is recognized as a percentage of the probable loss rate.

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

Loss allowances for notes and accounts receivable based on the provision matrix are as follows:

December 31, 2022

	0 to 90 Days	91 to 180 Days	181 to 270 Days	271 to 360 Days	over 360 Days	Total
Expected credit loss rate	0%～0.49%	0%～2.96%	0%～4.26%	0%～21.49%	0%～100%	
Total carrying amount	$ 493,566	$ 300,074	$ 29,818	$ 9,407	$ 4,401	$ 837,266
Allowance for loss (expected credit losses during the period)	(489)	(1,005)	(380)	(1,087)	(4,004)	(6,965)
Amortized cost	$ 493,077	$ 299,069	$ 29,438	$ 8,320	$ 397	$ 830,301

December 31, 2021

	0 to 90 Days	91 to 180 Days	181 to 270 Days	271 to 360 Days	over 360 Days	Total
Expected credit loss rate	0%～0.51%	0%～3.26%	0%～5.56%	0%～22.96%	0%～100%	
Total carrying amount	$ 554,176	$ 217,250	$ 13,028	$ 12,350	$ 12,771	$ 809,575
Allowance for loss (expected credit losses during the period)	(292)	(787)	(212)	(411)	(1,438)	(3,140)
Amortized cost	$ 553,884	$ 216,463	$ 12,816	$ 11,939	$ 11,333	$ 806,435

Changes in loss allowances for accounts receivable and note receivables are as follows:

	2022	2021
Beginning balance	$ 3,140	$ 10,871
Provision (reversal) of impairment loss for the year	3,807	(7,662)
Exchange difference	18	(69)
Ending balance	$ 6,965	$ 3,140

The Group's accounts receivable as of December 31, 2022 and 2021 are significantly concentrated in major customers and are subject to credit risk as described in Note XXVI.

(II) Other receivables

The Group recognized an allowance for losses on other receivables with reference to historical experience and the risk of default over the term of the receivables, and the changes in the allowance for losses on other receivables were as follows:

	2022
Beginning balance	$ -
Impairment loss in the current period	3,159
Exchange difference	(9)
Ending balance	$ 3,150

X. Inventories

	December 31, 2022	December 31, 2021
Raw material	$ 23,895	$ 13,766
Material	21,370	20,448
Work in process	89,599	103,152
Finished products	355,300	329,057
	$ 490,164	$ 466,423

As of December 31, 2022 and 2021, the Group had an allowance for inventory valuation losses of NT$16,222 thousand and NT$12,430 thousand, respectively.

The costs of goods sold related to inventories for the years ended December 31, 2022 and 2011 were NT$992,850 thousand and NT$1,055,773 thousand, respectively. The costs of goods sold in 2022 included a loss on decline in inventory valuation of NT$3,673 thousand, which was mainly due to the change in the net realizable value of inventories.

XI. Subsidiaries

Subsidiaries included in the consolidated financial statements

The entities involved in the preparation of the Consolidated Financial Statements are listed as follows:

			Shareholding %	
Name of Investor	Name of Subsidiary	Business Nature	December 31, 2022	December 31, 2021
The Company	Key Ware International Limited	General investment	100%	100%
The Company	Key De Precise Industris Co., Ltd	Wholesale and processing of electronic parts and components	51%	51%
The Company	Laserware Laser Technology Co., Ltd	Electronic components, machinery and equipment	99.99%	99.99%
The Company	Jia Chi Co., Ltd	Drilling foundry	83.63%	83.63%
The Company	Hui Peng Technology Co., Ltd	Electronic components, machinery and equipment	60%	60%
Key Ware International Limited	Advisor Move Investments Limited	General investment	100%	100%
Key Ware International Limited	Module System International Limited	General investment	100%	100%

Name of Investor	Name of Subsidiary	Business Nature	Shareholding % December 31, 2022	Shareholding % December 31, 2021
Advisor Move Investments Limited	Kunshan Key Ware Electronics Co., Ltd	Drilling tools, hand tools	100%	100%
Module System International Limited	Kunshan Weixing Electronics Co., Ltd.	Drilling tools, hand tools	100%	100%
Kunshan Key Ware Electronics Co., Ltd	Kunshan Laserware Laser Technology Co., Ltd	Drilling foundry	100%	100%
Kunshan Key Ware Electronics Co., Ltd	King Ware (Chongqing) Electronics Co., Ltd	Wholesale and processing of electronic parts and components	100%	100%
Kunshan Key Ware Electronics Co., Ltd	Wuhan Laserware Laser Technology Co., Ltd	Drilling foundry	100%	100%
Kunshan Key Ware Electronics Co., Ltd	Shenzhen Laserware Laser Technology Co., Ltd.	Drilling foundry	100%	100%

XII. Investments Accounted for Using the Equity Method

The Group's associates are as follows

Name of Company	December 31, 2022 Amount	December 31, 2022 Equity %	December 31, 2021 Amount	December 31, 2021 Equity %
Individually insignificant associates				
Rong Pei Wisdom Co., Ltd.	$ 20,658	22.73	$ 20,543	22.73

Aggregated financial information about the Group's associates is as follows:

	2022	2021
The Group's share of:		
Net income of continuing operations for the year	$ 1,103	$ 1,098
Other comprehensive income	$ -	$ -

On May 7, 2021, the Board of Directors of the Company resolved to participate in the capital increase of Rong Pei Wisdom Co., Ltd. by subscribing 1,033 thousand shares at NT$10 per share in proportion to the original shareholding. The base date of capital increase is May 11, 2021.

XIII. Property, plant, and equipment

	Self-owned Land	Housing and Construction	Machinery	Transportation Equipment	Office Equipment	Lease Improvements	Other Equipment	Total
Cost								
Balance as of January 1, 2021	$ 113,167	$ 256,005	$ 2,114,854	$ 2,155	$ 18,595	$ -	$ 54,628	$ 2,559,404
Addition	-	12,709	288,149	-	1,920	140,868	9,644	453,290
Disposal and obsolescence	-	-	-	-	-	-	(162)	(162)
Effect of Foreign Currency Exchange Differences	-	(109)	(5,296)	(6)	(25)	-	(190)	(5,626)
Reclassifications	-	187,129	22,847	-	(214)	-	7,969	217,731
Balance as of December 31, 2021	$ 113,167	$ 455,734	$ 2,420,554	$ 2,149	$ 20,276	$ 140,868	$ 71,889	$ 3,224,637
Accumulated depreciation and impairment								
Balance as of January 1, 2021	$ -	$ 49,784	$ 1,441,500	$ 1,909	$ 16,078	$ -	$ 39,164	$ 1,548,435
Disposal and obsolescence	-	-	-	-	-	-	(59)	(59)
Depreciation expenses	-	7,413	110,658	55	329	5,672	4,011	128,138
Effect of Foreign Currency Exchange Differences	-	3	(3,566)	(5)	(22)	-	(165)	(3,755)

	Self-owned Land	Housing and Construction	Machinery	Transportation Equipment	Office Equipment	Lease Improvements	Other Equipment	Total
Reclassifications	-	14,682	2,271	-	2	-	(7,653)	9,302
Balance as of December 31, 2021	$ -	$ 71,882	$ 1,550,863	$ 1,959	$ 16,387	$ 5,672	$ 35,298	$ 1,682,061
Net as of December 31, 2021	$ 113,167	$ 383,852	$ 869,691	$ 190	$ 3,889	$ 135,196	$ 36,591	$ 1,542,576
Cost								
Balance as of January 1, 2022	$ 113,167	$ 455,734	$ 2,420,554	$ 2,149	$ 20,276	$ 140,868	$ 71,889	$ 3,224,637
Addition	-	-	34,913	505	226	492	8,091	44,227
Disposal and obsolescence	-	(55,325)	(83,516)	(1,295)	(2,346)	-	(8,253)	(150,735)
Effect of Foreign Currency Exchange Differences	-	4,176	17,962	21	93	-	849	23,101
Reclassifications	-	105,948	120,887	-	-	168	-	227,003
Balance as of December 31, 2022	$ 113,167	$ 510,533	$ 2,510,800	$ 1,380	$ 18,249	$ 141,528	$ 72,576	$ 3,368,233
Accumulated depreciation and impairment								
Balance as of January 1, 2022	$ -	$ 71,882	$ 1,550,863	$ 1,959	$ 16,387	$ 5,672	$ 35,298	$ 1,682,061
Disposal and obsolescence	-	(18,333)	(76,136)	(710)	(2,166)	-	(5,118)	(102,463)
Depreciation expenses	-	11,641	103,535	-	859	14,991	8,816	139,842
Effect of Foreign Currency Exchange Differences	-	381	11,520	18	72	-	383	12,374
Balance as of December 31, 2022	$ -	$ 65,571	$ 1,589,782	$ 1,267	$ 15,152	$ 20,663	$ 39,379	$ 1,731,814
Net as of December 31, 2022	$ 113,167	$ 444,962	$ 921,018	$ 113	$ 3,097	$ 120,865	$ 33,197	$ 1,636,419

(I) Depreciation of property, plant and equipment is calculated on a straight-line basis according to the following durable years:

Housing and Construction	20 to 50 years
Machinery	2 to 13 years
Transportation Equipment	3 to 5 years
Office Equipment	3 to 8 years
Lease Improvements	3 to10 years
Other Equipment	3 to 20 years

(II) Kunshan Key Ware and Kunshan Weixing were originally located at No. 1999, Hua'an Road, Huaqiao Town, Kunshan City, Jiangsu Province, China. In order to meet the requirements of the Shanghai Railway Line No. 11 and Suzhou Railway Line No. S1 projects and to meet the relocation requirements of the Planning and Construction Bureau of Huaqiao Economic Development Zone of the local authority, the Board of Directors authorized the Chairman to execute the relocation compensation contract in accordance with the law. The signed compensation agreements are described as follows:

1. Compensation agreement for land demolition and relocation

   The compensation agreement was signed on December 11, 2015 between the Kunshan Huaqiao Township Relocation Office and Kunshan Key Ware , with the contents of the agreement focusing on the compensation for the non-removable objects and the suspension of production and relocation of

Kunshan Key Ware and Kunshan Weixing. The main terms of the agreement are as follows:

(1) The total compensation amount is RMB 152,206 thousand;

(2) The Kunshan Huaqiao Township Relocation Office shall pay the relocation compensation within three years after the signing of the relocation agreement, with RMB50,000,000 (received) in the first year, RMB70,000,000 (received) in the second year and RMB32,206,000 (received) in the third year.

(3) Kunshan Key Ware and Kunshan Weixing shall transfer the old factory to the Kunshan Huaqiao Township Relocation Office within two years from the date of the relocation agreement.

Kunshan Key Ware has completed the relocation after signing the Compensation agreement for land demolition and relocation and has handed over all factories to Kunshan Huaqiao Township Relocation Office. The relocation benefits recognized in 2022 and 2021 were RMB923 thousand and RMB4,329 thousand, respectively (included in other gains and losses, please refer to the 2016-2020 consolidated financial statements for the relocation benefits recognized before 2020).

2. Land Use Rights Acquisition Compensation Agreement

The Land Use Right Acquisition Compensation Agreement was signed between Kunshan Huaqiao Weimin House Demolition Limited Company and Kunshan Key Ware on January 6, 2023. The content of the agreement is to compensate Kunshan Key Ware and Kunshan Weixing for the resumption and relocation of their state-owned land use rights. The main terms of the agreement are as follows:

(1) The total compensation amount is RMB 158,856 thousand;

(2) Kunshan Huaqiao Weimin House Demolition Limited Company shall pay the first installment of compensation of RMB47,000,000 by June 2023; the second installment of compensation of RMB47,000,000 by June 2024; the third installment of compensation of RMB31,000,000 by June 2025; and the remaining compensation of RMB33,857,000 by June 2026.

(3) Kunshan Key Ware and Kunshan Weixing shall deliver the land use certificate to Kunshan Huaqiao Weimin House Demolition Limited

Company after the signing of the contract, and deliver the legal documents for cancellation of the land use certificate and real estate certificate to Kunshan Huaqiao Weimin House Demolition Limited Company after the demolition of the old factory is completed.

The relocation agreement contains incentives for the relocation of facilities. Kunshan Key Ware recognized a subsidy incentive of RMB16,345 thousand (included in other benefits and losses) for the completed relocation of facilities and an expected credit loss of RMB714 thousand considering the risk of default during the period of the payment.

(III) In conjunction with the relocation of the Kunshan Key Ware and Kunshan Weixing plants, on July 22, 2016, Kunshan Key Ware acquired 23,333 square meters of land use rights located at No. 69 Shengli Road, Huaqiao Town, Kunshan City, and built a new plant in the area, signing major contracts with contractors for the construction of the fence gate, fire protection works and construction works. As of December 31, 2022, the amount of completion of plant and construction acceptance was RMB75,086 thousand.

(IV) In November 2022, Kunshan Key Ware entered into a contract for the sale of machinery and equipment with an unrelated party, Chongqing Jinzexin Technology Co., Ltd. The main terms of the contract are described as follows:

1. The total amount of machinery and equipment sold was RMB14,500 thousand.
2. Chongqing Jinzexin Technology Co., Ltd. shall pay the first installment of RMB2,900 thousand within one month after receiving the machinery and equipment, and the remaining amount shall be paid in 54 installments starting from July 2023.
3. Kunshan Key Ware shall complete the delivery of the machines by December 2022.

Kunshan Key War has completed the transfer of machinery and equipment after signing the sale contract and recognized a gain of RMB12,916 thousand (recorded as other gains and losses) on the sale of machinery and equipment in 2022 after considering the time value of currency of the sale price.

(V) For the amount of property, plant, and equipment pledged as collateral, please refer to Note XXVIII.

XIV. Lease Agreements

(I) Right-of-use assets

	December 31, 2022	December 31, 2021
Carrying amount of right-of-use assets		
Land	$ 68,978	$ 70,015
Buildings	31,411	46,351
Machinery	5,852	16,399
Transportation Equipment	2,193	2,279
	$ 108,434	$ 135,044
Addition of Right-of-Use Assets	$ 3,149	$ 57,592
Depreciation Expense of Right-of-Use Assets		
Land	$ 2,139	$ 1,282
Buildings	15,181	10,602
Machinery	8,435	9,329
Transportation Equipment	3,024	2,302
	$ 28,779	$ 23,515

(II) Lease liabilities

	December 31, 2022	December 31, 2021
Carrying amount of lease liabilities		
Current	$ 19,896	$ 26,422
Non-current	$ 20,239	$ 39,185

Ranges of discount rates for lease liabilities are as follows:

	December 31, 2022	December 31, 2021
Buildings	1.89%～2.26%	1.89%～2.26%
Machinery	2.26%	2.26%
Transportation Equipment	1.56%～2.26%	2.26%

(III) Major lease activities and terms

The Group leases certain offices, machinery and equipment and vehicles for business use for a period of 3 to 5 years. At the end of the lease term, the lease agreements do not contain renewal or off-take provisions.

(IV) Other lease information

	2022	2021
Short-term lease expenses	$ 3,730	$ 2,261
Low-value asset lease expense	$ 1,482	$ 29
Total cash flows on lease	($ 32,760)	($ 25,557)

XV. Other intangible assets

	December 31, 2022	December 31, 2021
Customer Relationships	$ 21,573	$ 24,936

The acquisition of Key De Precise Industries Co., Ltd. resulted in an intangible asset - customer relationship, which was recognized at the fair value of NT$40,346 thousand as of June 1, 2017, the fair value was recorded on the basis of an appraisal report and amortized on a straight-line basis over 12 years of effectiveness.

The Group's amortization amounted to NT$3,363 thousand and NT$3,363 thousand (recorded as amortization expense) in 2022 and 2021, respectively.

XVI. Loans

(I) Short-term loans

	December 31, 2022	December 31, 2021
Unsecured loans		
Credit line loans	$ 664,855	$ 520,482
Secured loans		
Bank loans	60,000	165,000
	$ 724,855	$ 685,482

The interest rates on revolving bank loans as of December 31, 2022 and 2021 are as follows:

	December 31, 2022	December 31, 2021
NTD	1.25%～2.65%	1.20%～2.00%
RMB	3.85%～4.00%	4.10%
JPY	1.10%～1.44%	0.90%～1.37%

(II) Short-term notes and bills payable

	December 31, 2022	December 31, 2021
Commercial paper payable	$ 45,000	$ 35,000
Less: Discount on short-term notes and bills payable	35	9
	$ 44,965	$ 34,991

The outstanding short-term bills payable as of the balance sheet date are as follows:

December 31, 2022

Guarantor/ Accepting Institution	Nominal Amount	Discounted Amount	Carrying amount	Interest Rate	Collateral	Carrying amount of collaterals
Commercial paper payable						
Mega Bills	$ 45,000	$ 35	$ 44,965	1.75%	—	$ -

December 31, 2021

Guarantor/Accepting Institution	Nominal Amount	Discounted Amount	Carrying amount	Interest Rate	Collateral	Carrying amount of collaterals
Commercial paper payable						
Mega Bills	$ 25,000	$ 4	$ 24,996	0.59%	—	$ -
Taiwan Finance Cooperation	10,000	5	9,995	1.56%	—	-
	$ 35,000	$ 9	$ 34,991			$ -

(III) Long-term loans

	December 31, 2022	December 31, 2021
Secured loans		
Bank loans	$ 554,140	$ 493,741
Less: Classified as due within 1 year	25,460	419,467
	$ 528,680	$ 74,274

On October 1, 2019, the Group entered into a guarantee loan agreement with Shin Kong Bank for a total amount of NT$400,000 thousand, which was transferred to the loan facility in one lump sum on the same date, with a maturity date of September 11, 2022. On January 26, 2022, the Group modified the terms and conditions of the aforementioned credit agreement, with the total amount of NT$440,000 thousand and the maturity date of the loan on January 26, 2015., and the loan was allocated to the credit line on March 7, 2022. The interest rate of the loan is based on the fixed reserve rate index plus floating rate.

On May 24, 2021, the Group entered into a secured loan agreement with the Bank of Panhsin for a total amount of NT$105,000 thousand and allocated NT$60,000 thousand, NT$10,000 thousand and NT$30,000 thousand on July 27, 2021, September 29, 2021 and October 29, 2021, respectively, for a period of five years, with monthly repayments based on the fixed annuity method. The interest rate is based on the fixed rate index plus floating rate.

On March 9, 2022, the Group entered into a loan agreement with Jiangsu Kunshan Rural Commercial Bank for a total amount of US$3,000 thousand and allocated US$1,000 thousand for a period of five years, with repayment of US$125 thousand every six months starting from September 2023. The interest rate is based on the fixed rate index plus floating rate.

On April 25, 2022, the Group entered into a secured loan agreement with the First Commercial Bank for a total amount of NT$10,200 thousand and allocated NT$10,200 thousand on May 25, 2022 for a period of five years, with monthly repayments based on the fixed annuity method. The interest rate is based on the fixed rate index plus floating rate.

The effective interest rates were 1.90% to 3.90% and 1.50% to 1.60% per annum for the years ended December 31, 2022 and 2021, respectively.

Please refer to Note XXVIII for the secured bank loans.

XVII. Corporate bonds payable

	December 31, 2022	December 31, 2021
Third unsecured corporate bonds for 2021	$ 193,912	$ 188,856

On April 21, 2021, the FSC approved the issuance of the third domestic unsecured convertible bonds of NT$200,000 thousand, with a face value of NT$100 thousand each and a coupon rate of 0%, with a maturity of 3 years, all of which have not been converted as of December 31, 2022. The repayment or conversion method is as follows:

1. Upon maturity, the Group shall redeem the bonds at par value.
2. If the conditions are fulfilled, the Group may redeem the bonds in cash at the face value of the bonds from 3 months after the issuance date to 40 days before the issuance date.
3. After three months from the date of issuance to the maturity date of the bonds, except for the period when the transfer is suspended by law, the bondholders may request the Company to convert the bonds into shares of the Company's

common stock at the then prevailing conversion price at any time. According to the issuance and conversion rules of the Company's bonds, the original conversion price was NT$21. The conversion price is adjusted to NT$19.8 as of October 5, 2021, which is the base date of the cash capital increase.

4. The date on which the convertible bonds expire 2 years after issuance is the base date for bondholders to redeem the bonds.The bondholders can request the Company to redeem the bonds held by the bondholders at face value plus interest compensation within 30 days prior to the redemption date.

The above convertible bonds consist of liability and equity components. The equity component is recorded as capital surplus - stock options, and the liability component is originally recognized with an effective interest rate of 2.68%. The repurchase option is measured at fair value through profit or loss. Information on the components of liabilities and equity are as follows:

Issuance proceeds (less transaction costs of NT$4,634 thousand)	$ 195,366
Equity components	(8,556)
Repurchase option	(1,140)
Liability components at issue date	185,670
Interest calculated at an effective rate of 2.68%	8,242
Liability components as of December 31, 2022	$ 193,912

XVIII. Other payables

	December 31, 2022	December 31, 2021
Salaries and bonuses payable	$ 21,471	$ 24,015
Service charge payable	6,223	9,733
Utilities payable	4,020	4,228
Processing fees payable	3,436	4,695
Equipment payables	792	262,980
Others	53,023	32,499
	$ 88,965	$ 338,150

XIX. Post-retirement Benefit Plan

(I) Defined contribution plans－Taiwan

The Group adopts a pension plan under the Labor Pension Act, which is a state-managed defined contribution plan. According to the Labor Pension Act, the Company makes monthly contributions to employees' individual pension accounts at 6% of their monthly salaries.

The amount to be appropriated by the Group in accordance with the defined contribution plan for 2022 and 2021 has been recognized in the consolidated statements of income as expenses totaling NT$5,958 thousand and NT$5,284 thousand, respectively.

(II) Defined contribution plans－Mainland China

Employees of the Group's subsidiaries in Mainland China are required to contribute a certain percentage of their monthly salaries to the pension insurance fund (recorded as employee insurance expense) in accordance with the pension insurance system stipulated by the government of the People's Republic of China, and the contribution rate is 18%, which is deposited in a separate account for each employee. The government manages and coordinates the monthly pension arrangements for employees, and the subsidiaries in Mainland China have no obligation other than to make monthly contributions.

The amount to be appropriated by the subsidiaries in Mainland China in accordance with the defined contribution plan for 2022 and 2021 has been recognized in the consolidated statements of income as expenses totaling NT$2,600 thousand and NT$2,675 thousand, respectively.

(III) Defined benefit plans

The pension system adopted by the Company under the "Labor Standards Act" is a state-managed defined benefit plan. The employee's pension is calculated based on the length of service and the average salary for the six months before the approved retirement date. The Company allocates 2% of employees' monthly salaries respectively to the Supervisory Committee of Labor Retirement Reserve's dedicated account in the Bank of Taiwan as pension reserve funds. If the estimated balance of the special account before the end of the year is not enough to pay for the workers who are expected to reach retirement in the following year, the difference shall be withdrawn in one lump sum by the end of March of the following year. The Bureau of Labor Funds, Ministry of Labor administers the account. The Company has no right over its investment and administration strategies.

The amount included in the consolidated balance sheet for obligations arising from the Group's defined benefit plans are as follows:

	December 31, 2022	December 31, 2021
Present value of defined benefit obligation contributed	($ 36,640)	($ 29,708)
Fair value of plan assets	24,430	21,826
Balance of contribution	(12,210)	(7,882)
Pension payable (recognized as other non-current liabilities)	($ 12,210)	($ 7,882)

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

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit (liabilities) assets
January 1, 2021	($ 31,136)	$ 21,369	($ 9,767)
Service costs for the current period	(2,352)	-	(2,352)
Interest (expenses) income	(131)	90	(41)
Recognized in profit or loss	(2,483)	90	(2,393)
Remeasurements			
Planned asset remuneration (excluding amounts included in net interest)	-	291	291
Actuarial losses - changes in demographic assumptions	1,471	-	1,471

(Continued on the next page)

(Continued from the previous page)

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit (liabilities) assets
Actuarial losses - changes in financial assumptions	$ 3,472	$ -	$ 3,472
Actuarial gains - experience adjustment	(1,747)	-	(1,747)
Recognized in other comprehensive income	3,196	291	3,487
Contribution by the employer	-	791	791
Benefit paid	715	(715)	-
December 31, 2021	($ 29,708)	$ 21,826	($ 7,882)
January 1, 2022	($ 29,708)	$ 21,826	($ 7,882)
Service costs for the current period	(2,254)	-	(2,254)
Interest (expenses) income	(276)	203	(73)
Recognized in profit or loss	(2,530)	203	(2,327)
Remeasurements			
Planned asset remuneration (excluding amounts included in net interest)	-	1,578	1,578
Actuarial losses - changes in financial assumptions	(9,390)	-	(9,390)
Actuarial gains - experience adjustment	4,988	-	4,988
Recognized in other comprehensive income	(4,402)	1,578	(2,824)
Contribution by the employer	-	823	823
December 31, 2022	($ 36,640)	$ 24,430	($ 12,210)

The Company has the following risks owing to the implementation of the pension system under the Labor Standards Act:

1. Investment risks: The Bureau of Labor Funds, Ministry of Labor invests the labor pension fund in equity securities, debt securities, and bank deposits in domestic (foreign) banks through independent implementation and commissioned operations. However, the distributed amount from the plan assets received by the Company shall not be lower than interest on a two-year time deposit at a local bank.

2. Interest rate risk: The decrease in the interest rate will increase the present value of defined benefit obligations, but the yield on debt investment of plan assets will also increase accordingly, which will partially offset the impact on net defined benefit liabilities.
3. Salary risk: The present value of defined benefit obligations is calculated with reference to future salaries of plan members. Therefore, the salary increase of plan members will increase the present value of the defined benefit obligation.

The present value of the Company's defined benefit obligations is calculated by certified actuaries and the major assumptions on the assessment date are as follows:

	December 31, 2022	December 31, 2021
Discount rate	1.50%	0.93%
Expected salary increase rate	3.00%	1.00%

If changes occur in major actuarial assumptions with other assumptions unchanged, the present value of defined benefit obligations will increase (decrease) as follows:

	December 31, 2022	December 31, 2021
Discount rate		
Increase by 0.5%	($ 3,769)	($ 2,856)
Decrease by 0.5%	$ 4,281	$ 3,251
Expected salary increase rate		
Increase by 0.5%	$ 4,193	$ 3,231
Decrease by 0.5%	($ 3,734)	($ 2,867)

As actuarial assumptions may be related to one another, the likelihood of fluctuation in a single assumption is not high. Therefore, the aforementioned sensitivity analysis may not reflect the actual fluctuations of the present value of defined benefit obligations.

	December 31, 2022	December 31, 2021
Expected amount of contribution within 1 year	$ 822	$ 791
Average duration of defined benefit obligations	22 years	21 years

The Group's defined contribution plan and defined benefit plan related pension expense for 2022 and 2021 are recognized in each of the following single lines:

	2022	2021
Operating costs	$ 7,158	$ 6,488
Selling and marketing expenses	$ 725	$ 610
General and administrative expenses	$ 2,839	$ 3,077
Research and development expenses	$ 163	$ 177

XX. Equity

(I) Capital stock

Common stock

	December 31, 2022	December 31, 2021
Share capital authorized	$ 2,500,000	$ 2,500,000
Number of shares authorized (in thousands)	250,000	250,000
Share capital issued	$ 1,899,283	$ 1,899,133
Number of Shares (in thousands)	189,928	189,913
Common stock issued publicly	$ 1,734,493	$ 1,734,343
Common stock of private placement	164,790	164,790
Share capital issued	$ 1,899,283	$ 1,899,133
Capital collected in advance	$ -	$ 176

The common stock issued has a par value of $10 per share and each share is entitled to one vote and the right to receive dividends.

On February 26, 2021, the Board of Directors resolved to issue 13,800 thousand shares of common stock with a par value of $10 per share, for a total issue amount of NT$138,000 thousand at par. The aforementioned capital increase was approved by the FSC on April 21, 2021, and the base date of the capital increase was October 5, 2021, with a subscription price of NT$14.6 per share and a paid-in capital of NT$201,480 thousand, which has been fully received and registered.

At the shareholders' meeting held on July 20, 2021, the Company resolved to issue 6,774 thousand new shares by transferring capital from earnings. The aforementioned allotment of new shares without compensation was approved and reported by the Securities and Futures Bureau of the FSC on August 19, 2021, and the base date of the capital increase is September 14, 2021.

In November 2021, the Company's employees exercised stock options of NT$176 thousand for 15 thousand common shares at a subscription price of NT$11.7 per share, which were registered as a change on March 28, 2022.

(II) Capital surplus

	December 31, 2022	December 31, 2021
May be used to offset deficits, appropriated as cash dividends or transferred to capital (Note)		
Stock issuance premium	$ 64,872	$ 64,794
Expired employee stock options	559	559
May not be used for any purpose		
Employees stock option	6,152	5,308
stock options	8,556	8,556
	$ 80,139	$ 79,217

Note: This type of capital surplus may be used to cover loss or issue cash or replenish capital when there is no loss, but capital replenishment is restricted to the ratio of actual capital stock each year.

(III) Retained earnings and dividend policy

In accordance with the provisions of the Company's earnings distribution policy, if the Company has a net profit for the current year, it shall first use the profit to pay income taxes and make up for any accumulated losses, and then set aside 10% as a legal capital reserve. Any excessive balance may be reserved or transferred to be a special reserve pursuant to relevant laws. Any remaining balance in retained earnings may be appropriated for dividends in accordance with a proposal for appropriation of earnings as approved by the Board of Directors and submit it to the shareholders' meeting for distribution of shareholder dividends. For the Company's policy on employee and director remuneration distribution in the Articles of Incorporation, please refer to Note XXI.

Since the Company's business is growing, the dividend distribution policy is based on the Company's current and future investment environment, capital requirements, domestic and international competition and capital budget, taking into account shareholders' rights and interests, balanced dividends and the Company's long-term financial planning, etc. The Board of Directors prepares the distribution plan annually in accordance with the law and submits it to the shareholders' meeting. For the current year's stock dividends, cash dividends shall be distributed at a rate of not less than 10% of the total dividends distributed.

The legal reserve shall be appropriated until the remaining balance reaches the Company's total paid-in capital. The legal reserve may be used to make up for losses. When the Company has no loss, the portion of the legal reserve exceeding 25% of the total paid-in capital may be appropriated in the form of cash, in addition to being transferred to share capital.

The Company appropriates or reserves special reserve in accordance with the Official Letter No. 1010012865, Official Letter No. 1010047490, Official Letter No. 1030006415 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs."

The shareholders' meetings which approved the distribution of earnings for years ended December 31, 2021 and 2020 were held on June 22, 2022 and July 20, 2020, respectively; the distributions of earnings are as follows:

	Distribution of Earnings		Dividends Per Share (NT$)	
	2021	2020	2021	2020
Legal reserve	$ 3,538	$ 8,842		
Special reserve	34,141	(28,037)		
Cash dividends		33,868	$ -	$ 0.200
Stock dividends		67,736	-	0.400

On February 24, 2023, the Board of Directors proposed the distribution of earnings for the year ended December 31, 2022 as follows:

	Distribution of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 745	
Special reserve	(34,141)	
Cash dividends	18,993	$ 0.100
Stock Dividends	21,852	0.115

The distribution of earnings for the year ended December 31, 2022 is subject to the resolution in the annual shareholders' meeting on June 12, 2023.

(IV) Special reserve

The special reserve resulting from the translation of the financial statements of foreign operating companies (including subsidiaries) is reversed in proportion to the disposal of the Group's shares and shall be reversed in full when the Group loses significant influence over the Group. Upon the distribution of earnings, a special reserve should be provided for the difference between the net decrease in other shareholders' equity recorded at the end of the reporting period and the special reserve provided for the first time using IFRSs. If there is a subsequent reversal of the balance of the other shareholders' equity reduction, the reversed portion of the surplus shall be distributed.

(V) Other equity items

1. Exchange differences on translation of financial statements of foreign operations

	2022	2021
Beginning balance	($ 109,332)	($ 103,079)
Incurred this year		
Exchange differences on translation of financial statements of foreign operations	23,549	(7,815)
Income taxes related to exchange differences on translation of financial statements of foreign operations	(4,710)	1,562
Ending balance	($ 90,493)	($ 109,332)

2. Unrealized valuation gains (losses) on financial assets at fair value through other comprehensive income

	2022	2021
Beginning balance	($ 113,549)	$ 130,327
Incurred this year		
Unrealized gain or loss - equity instruments	103,510	(242,714)
Accumulated gains (losses) on disposal of equity instruments transferred to retained earnings	(7,060)	(1,162)
Ending balance	($ 17,099)	($ 113,549)

XXI. Net income of continuing operations

Net income of continuing operations includes the following items:

(I) Other income

	2022	2021
Rental income	$ 122	$ 72
Dividend income	2,256	3,288
	$ 2,378	$ 3,360

(II) Other gains and losses

	2022	2021
Net gain or loss on financial instruments at fair value through profit or loss	($ 20,202)	$ 10,845
Demolition subsidy incentives (Note XIII)	72,678	-
Gains on property, plant, and equipment (Note XIII)	53,674	18,664
Net foreign exchange gains	33,442	17,404
Others	3,949	(2,381)
	$ 143,541	$ 44,532

(III) Finance costs

	2022	2021
Interest on bank loans	$ 25,770	$ 18,571
Finance costs of corporate bonds payable	5,056	3,186
Interest on lease liabilities	1,007	869
	$ 31,833	$ 22,626

(IV) Employee benefits and depreciation and amortization expenses

	2022			2021		
	Operation costs	Operation expenses	Total	Operation costs	Operation expenses	Total
Employee benefits						
Salary expenses	$ 182,154	$ 45,229	$ 227,383	$ 169,995	$ 46,293	$ 216,288
Employee insurance expenses	20,289	3,846	24,135	16,333	4,162	20,495
Pension expenses	5,020	3,265	8,285	4,272	3,405	7,677
Other employee benefits	3,318	458	3,776	2,084	196	2,280
Depreciation expenses	160,887	7,734	168,621	145,192	6,461	151,653
Amortization expenses	1,470	3,749	5,219	1,450	3,643	5,093

(V) Employee compensation and director remuneration

In accordance with the Company's Articles of Incorporation, the Company sets aside 1% to 10% and not more than 1% of the pre-tax benefit before employee and director remuneration distributions for the year, respectively, for employee compensation and director remuneration.

The estimated employee compensation and director remuneration for 2022 and 2021 were resolved by the Board of Directors on February 24, 2023 and February 25, 2022, respectively, as follows:

Estimated percentage

	2022	2021
Employee compensation	1.00%	1.00%
Director remuneration	-	1.00%

Amount

	2022		2021	
	Cash	Stock	Cash	Stock
Employee compensation	$ 10	$ -	$ 333	$ -
Director remuneration	-	-	333	-

If there is still any change in the amount after the annual consolidated financial statements are authorized for issue, the differences shall be treated as a change in accounting estimates in the following year.

The amounts of employee compensation distributed for the years ended December 31, 2021 and 2020 and those recognized in the consolidated financial statements are consistent.

At the board of directors' meeting held on May 6, 2022, the Company resolved to allocate NT$0 thousand for directors' remuneration for 2021, which is different from the amount of NT$333 thousand recognized in the consolidated financial statements for 2021, and the difference was adjusted to the profit or loss for 2022. There was no difference between the amount of directors' remuneration for 2020 and the amount recognized in the consolidated financial statements for 2020.

Information on employee compensation and director remuneration resolved by the Board of Directors is available on the "Market Observation Post System" of the Taiwan Stock Exchange Corporation.

XXII. Income tax on continuing operations

(I) Major components of income tax expenses are as follows:

	2022	2021
Current income tax		
Incurred this year	$ 82,938	$ 13,119
Additional tax on unappropriated earnings	-	97
Adjustments from previous years	(565)	63
	82,373	13,279
Deferred income tax		
Incurred this year	(61,692)	4,883
Adjustments from previous years	(4,154)	-
Income tax expense recognized in profit or loss	$ 16,527	$ 18,162

Reconciliation between accounting income and current income tax expenses is as follows:

	2022	2021
Net income of continuing operations before tax	$ 19,693	$ 55,948
Income tax expenses calculated at the statutory rate	($ 23,215)	$ 13,605
Fees that cannot be deducted from taxes	4,589	3,052
Tax-exempted income	38,177	(540)
Additional tax on unappropriated earnings	-	97
Unrecognized loss carryforwards	1,694	1,513
Basic tax amount taxable	-	372
Adjustments of current income tax expenses in previous years	(4,718)	63
Income tax expense recognized in profit or loss	$ 16,527	$ 18,162

(II) Income tax recognized in other comprehensive income

	2022	2021
Deferred income tax		
Incurred this year		
Exchange differences on translation of financial statements of foreign operations	($ 4,710)	$ 1,562
Gains (losses) on re-measurements of defined benefit plans	565	(697)
Income tax gain (expense) recognized in other comprehensive income	($ 4,145)	$ 865

(III) Deferred income tax assets and liabilities

Changes in deferred income tax assets and liabilities are as follows:

2022

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Exchange Differences	Ending balance
Deferred income tax assets					
Temporary differences					
Loss allowances	$ 63,826	$ 1,479	$ -	$ 421	$ 65,726
Loss carryforwards	4,266	12,950	-	(28)	17,188
Inventory write-down	2,723	918	-	29	3,670
Others	2,309	1,490	565	1	4,365
	$ 73,124	$ 16,837	$ 565	$ 423	$ 90,949
Deferred income tax liabilities					
Temporary differences					
Exchange differences on translation of foreign operations	($ 5,160)	$ -	($ 4,710)	$ -	($ 9,870)
Relocation gains	(79,973)	63,288	-	(1,433)	(18,118)
Others	-	(14,279)	-	41	(14,238)
	($ 85,133)	$ 49,009	($ 4,710)	($ 1,392)	($ 42,226)

2021

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Exchange Differences	Ending balance
Deferred income tax assets					
Temporary differences					
Loss allowances	$ 66,011	($ 2,002)	$ -	($ 183)	$ 63,826
Loss carryforwards	-	4,266	-	-	4,266
Inventory write-down	2,734	-	-	(11)	2,723
Others	5,461	(2,455)	(697)	-	2,309
	$ 74,206	($ 191)	($ 697)	($ 194)	$ 73,124
Deferred income tax liabilities					
Temporary differences					
Exchange differences on translation of foreign operations	($ 6,722)	$ -	$ 1,562	$ -	($ 5,160)
Relocation gains	(75,680)	(4,692)	-	399	(79,973)
	($ 82,402)	($ 4,692)	$ 1,562	$ 399	($ 85,133)

(IV) Income tax assessment

The Company's income tax returns for the year ended 2020 have been approved by the tax authorities. The income tax returns of the subsidiaries Key De Precise Industries Co., Ltd. and Jia Chi Co., Ltd. for the year ended 2020 have been approved by the tax authorities.

XXIII. Earnings per Share

Unit: NT$ Per Share

	2022	2021
Basic earnings per share		
From continuing operations	$ 0.01	$ 0.18
Diluted earnings per share		
From continuing operations	$ 0.01	$ 0.18

Net income and weighted average number of common shares used for calculation of earnings per share are as follows:

Net Income for the period

	2022	2021
Net income used for calculation of basic earnings per share	$ 2,648	$ 31,431
Net income used for calculation of diluted earnings per share	$ 2,648	$ 31,431

Number of shares

Unit: Thousand shares

	2022	2021
Weighted average number of common shares used for calculation of basic earnings per share	189,926	176,113
Effect of potentially dilutive common shares:		
Employees stock option	-	171
Employee compensation	334	956
Weighted average number of common shares used for calculation of diluted earnings per share	190,260	177,240

If the Group chooses to offer employee compensation or share profits in the form of cash or stock, while calculating diluted earnings per share, and assuming that the compensation is paid in the form of stock, the dilutive potential common shares will be included in the weighted average number of outstanding shares to calculate diluted earnings per share. The dilutive effect of such potential common shares shall continue to be considered when calculating diluted earnings per share before the number of shares to be distributed as employee compensation is approved in the following year.

XXIV. Share-based payment arrangements

(I) The Company's employees stock option plan

In November 2019, the Company granted 1,700 units of stock options to employees, each of which entitles them to subscribe for 1,000 shares of common stock. The grant is made to employees of the Company and its subsidiaries who meet certain criteria. The validity of the stock options is 6 years, and the certificate holders can exercise a certain percentage of the subscription rights granted after 2 years from the date of issuance. The exercise price of the stock options is the closing price of the Company's common stock on the date of issuance. If there is a change in the shares of the Company's common stock after the stock options are issued, the exercise price of the stock options shall be adjusted in accordance with the prescribed formula. The Company recognized remuneration costs of NT$896 thousand and NT$2,316 thousand in 2022 and 2021, respectively.

Information on employee stock options is as follows:

	2022		2021	
Employees stock option	Unit (Thousand)	Weighted average exercise price (NT$)	Unit (Thousand)	Weighted average exercise price (NT$)
Outstanding at the beginning of the year	1,700	$ 12.60	1,700	$ 12.60
Granted during the year	-	-	-	-
Exercised during the year	(150)	11.70	-	-
Outstanding at the end of the year	1,550	11.70	1,700	12.60
Exercisable at the end of the year	1,550		850	

The Company adopted the Black-Scholes valuation model and the input values used in the valuation model are as follows:

	November 1, 2019
Stock price at grant date	NT$12.60
Exercise price	NT$12.60
Expected volatility	35.35%
Duration	6 years
Risk-free interest rate	0.575%／0.591%

The expected volatility is measured by the annualized standard deviation of the Company's stock price return for the past year.

(II) Employee stock options for cash capital increase

On July 2, 2021, the Board of Directors resolved to increase the capital by cash and reserved 10% of the total new shares issued for subscription by employees in accordance with the Company Act. Based on the fair value of the stock options at grant date, the Company recognized a compensation cost of NT$1,426 thousand for employee stock options in 2021, and recognized the same amount for capital surplus - employee stock options. Of which, 243 thousand shares of employees' unexercised stock options have been transferred from capital surplus - employee stock options to NT$559 thousand.

XXV. Capital Risk Management

The Group manages capital management under the precondition for sustainable development to ensure that the Group's businesses are able to maximize the benefit for its shareholders by optimizing debt and equity. The capital structure of the Group consists of the Group's equity attributable to the owners of the Company (i.e., capital stock, capital surplus, retained earnings and other equity items).

Key management of the Group reviews the capital structure of the Group on a quarterly basis, which includes consideration of the cost of various types of capital and the associated risks. According to the management's opinions, the Group balances its overall capital structure through dividend payments, issuance of new shares, repurchase of shares and issuance of new debt or repayment of old debt.

XXVI. Financial instruments

(I) Information on fair value - financial instruments not measured at fair value

December 31, 2022

	Carrying amount	Fair value Level 1	Level 2	Level 3	Total
Financial liabilities					
Financial liabilities measured at amortized cost					
- Corporate bonds payable	$193,912	$ -	$ -	$193,140	$193,140

December 31, 2021

	Carrying amount	Fair value Level 1	Level 2	Level 3	Total
Financial liabilities					
Financial liabilities measured at amortized cost					
- Corporate bonds payable	$188,856	$ -	$ -	$192,160	$192,160

The fair value measurement of Level 3 is based on the binary tree convertible bond valuation model, taking into consideration the duration of the bonds, the stock price of the underlying convertible bonds and its fluctuation, the conversion price, the risk-free interest rate, the risk discount rate and the liquidity risk of the convertible bonds.

(II) Information on fair value - financial instruments measured at fair value on a recurring basis

1. Fair value level

December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Non-derivative financial assets				
— Domestic emerging stocks	$ -	$ -	$ 12,308	$ 12,308
— Foreign listed stocks	41,160	-	-	41,160
— Renminbi financial products	-	-	22,048	22,048
Total	$ 41,160	$ -	$ 34,356	$ 75,516

(Continued on the next page)

(Continued from the previous page)

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income				
Investments in equity instruments				
— Domestic OTC stocks	$ 354,046	$ -	$ -	$ 354,046
— Domestic and foreign unlisted (OTC) stocks	-	-	52,765	52,765
Total	$ 354,046	$ -	$ 52,765	$ 406,811
Financial liabilities at fair value through profit or loss				
— Repurchase option for convertible bonds	$ -	$ -	$ 4,380	$ 4,380

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Non-derivative financial assets				
— Domestic listed stocks	$ 2,897	$ -	$ -	$ 2,897
— Foreign listed stocks	3,261	-	-	3,261
— Renminbi financial products	-	-	47,018	47,018
Total	$ 6,158	$ -	$ 47,018	$ 53,176
Financial assets at fair value through other comprehensive income				
Investments in equity instruments				
— Domestic OTC stocks	$ 339,771	$ -	$ -	$ 339,771
— Domestic and foreign unlisted (OTC) stocks	-	-	40,144	40,144
Total	$ 339,771	$ -	$ 40,144	$ 379,915
Financial liabilities at fair value through profit or loss				
— Repurchase option for convertible bonds	$ -	$ -	$ 1,220	$ 1,220

In 2021 and 2020, there was no transfer between Level 1 and Level 2 fair value measurement.

2. Reconciliation of financial instruments measured at fair value in Level 3

Financial Instruments at Fair Value through Profit or Loss

	2022	2021
Beginning balance	$ 45,798	$ 171,625
Recognized in profit or loss (other gains and losses)	(1,591)	(2,031)
Purchase	290,507	291,355
Disposal/Settlement	(305,473)	(412,828)
Issuance of corporate bonds as part of the repurchase options	-	(1,220)
Effect of exchange rate changes	735	(1,103)
Ending balance	$ 29,976	$ 45,798

Financial assets at fair value through other comprehensive income

	2022	2021
Beginning balance	$ 40,144	$ 28,979
Purchase	15,178	13,888
Recognized in other comprehensive income	(2,557)	(2,723)
Ending balance	$ 52,765	$ 40,144

3. Valuation techniques and inputs of Level 3 fair value measurement

Category of Financial Instruments	Valuation Technique and Inputs
Renminbi financial products	The financial instruments purchased by the Group use counter-party quotes as a valuation technique and significant unobservable inputs to calculate the expected return on the investment.
Domestic and foreign unlisted (OTC) and emerging stocks	The total value of the individual assets and individual liabilities covered by the valuation targets is evaluated on a balance sheet basis, and the market approach is appropriately applied to the nature of the individual valuation targets, taking into account the liquidity discount and the control discount, to reflect the overall value of the enterprise or business.
Repurchase option for convertible corporate bonds	Binary tree convertible bond valuation model: The Group considers the duration of the bonds, the stock price of the underlying convertible bonds and its fluctuation, the conversion price, the risk-free interest rate, the risk discount rate and the liquidity risk of the convertible bonds.

If the evaluation parameters of the Group were to change downward by 5%, other comprehensive income or loss would decrease by NT$1,596 thousand and NT$1,496 thousand in 2022 and 2021, respectively, due to the change in fair value of investments in equity instruments classified as Level 3.

(III) Category of financial instruments

	December 31, 2022	December 31, 2021
Financial assets		
Financial assets at fair value through profit or loss	$ 75,516	$ 53,176
Financial assets at fair value through other comprehensive income	406,811	379,915
Financial assets at amortized cost (Note 1)	1,133,222	1,145,214
Financial liabilities		
Financial liabilities at fair value through profit or loss	4,380	1,220
Measured at amortized cost (Note 2)	1,762,368	1,944,593

Note 1: The balance includes cash and bank deposits, notes receivable, accounts receivable, accounts receivable - related parties, other receivables, certain other current assets, refundable deposits and other financial assets at amortized cost.

Note 2: The balance includes financial liabilities at amortized cost such as short-term borrowings, short-term notes payable, notes and accounts payable, accounts payable - related parties, certain other payables, other accounts payable - related parties, certain other current liabilities, corporate bonds payable and long-term borrowings.

(IV) Financial risk management objectives and policies

The financial risk management objective of the Group is to manage the exchange rate risk, credit risk and liquidity risk associated with operating activities. To reduce the related financial risks, the Group is committed to identifying, evaluating and hedging market uncertainties in order to reduce the potential adverse effects of market changes on the Company's financial performance.

The significant financial activities of the Group are reviewed by the Board of Directors in accordance with the relevant regulations and internal control system. During the implementation of the financial plan, the Group must comply with the relevant financial operating procedures regarding the overall financial risk management and allocation of authority and responsibility.

1. Market risk

The main financial risk the Group is exposed in the business activities are foreign exchange risk.

(1) Foreign exchange risk

The carrying amounts of the Group's monetary assets and monetary liabilities denominated in non-functional currencies as of the balance sheet date (including monetary items denominated in non-functional currencies that have been written off in the consolidated financial statements) are shown in Note XXX.

The Group is mainly affected by the fluctuation of the exchange rate between the USD and the JPY and has significant amounts of assets and liabilities due to foreign currency transactions. Although the gains and losses on foreign currency assets and liabilities are offset by changes in market exchange rates, the amount of foreign currency assets and foreign currency liabilities of the Group are significantly different and therefore subject to foreign exchange risk. If the U.S. dollar depreciates 3% against the New Taiwan dollar, pre-tax income would decrease by NT$4,870 thousand and increase by NT$47 thousand in 2022 and 2021, respectively; if the U.S. dollar strengthens 3% against the New Taiwan dollar, pre-tax income would decrease by NT$2,202 thousand and NT$2,148 thousand in 2022 and 2021, respectively.

(2) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument may fluctuate due to changes in market conditions.

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

	December 31, 2022	December 31, 2021
Cash flow interest rate risk		
- Financial liabilities	$ 1,278,995	$ 1,179,223

The following sensitivity analysis is based on the calculation of interest rate risk on floating rate liabilities as of the balance sheet date, assuming that the amount of liabilities outstanding at the balance sheet date is outstanding at the reporting date.

If interest rates increase by 1%, with all other variables held constant, the Group's net income before income taxes would decrease by NT$12,790 thousand and NT$11,792 thousand in 2022 and 2021, respectively.

(3) Equity securities price risk

Market risk of equity securities includes individual risk arising from changes in the market price of individual equity securities and general market risk arising from changes in the overall market price.

If the Group's equity price decreases by 10%, the net income before income tax for 2022 and 2021 would decrease by NT$4,116 thousand and NT$616 thousand, respectively, due to the change in fair value of financial assets measured at fair value through profit or loss. Other comprehensive income in 2022 and 2021 would decrease by NT$40,681 thousand and NT$37,992 thousand, respectively, due to the change in fair value of financial assets measured at fair value through other comprehensive income.

2. Credit risk

Credit risk refers to risk that causes the financial loss of the Group due to a counterparty's delay in performing contractual obligations. As of the balance sheet date, the Group's maximum exposure to credit risk (without considering collaterals or other credit enhancement instruments and the maximum amount of irrevocable exposure) that could result in financial loss due to the counter-parties' failure to perform their obligations and the Group's provision of financial guarantees was mainly from the carrying amount of financial assets recognized in the consolidated balance sheet.

The Group's policy is to transact only with creditworthy counterparties and to obtain adequate guarantees, if necessary, to mitigate the risk of financial losses arising from defaults.

To minimize credit risk, the Group reviews the recoverable amount of each individual receivable on the balance sheet date to ensure that adequate allowances are made for possible irrecoverable amounts. As such, the

Company's management concludes that the credit risk has been significantly reduced.

The counter-parties to the liquidity and derivative financial instruments are banks with high credit ratings from international credit rating agencies, so the credit risk is not significant.

Accounts receivable are due from a wide range of customers in various geographic locations. The Group continuously evaluates its accounts receivable customers' financial condition, credit rating agencies, the Group's internal credit rating, historical transaction history, and other factors that may affect customers' ability to pay. The Group also carries trade credit insurance to reduce the credit risk of specific customers. As of December 31, 2022 and 2021, the credit enhancement of accounts receivable against certain Mainland China amounted to NT$129,163 thousand and NT$166,061 thousand, respectively.

As of December 31, 2022 and 2021, the percentages of accounts receivable from the top ten customers to the Group's accounts receivable balances were 60% and 53%, respectively. The credit concentration risk of the remaining accounts receivable was relatively insignificant.

3. Liquidity risk

The Group supports the operations and reduces the impact of fluctuating cash flows by managing and maintaining sufficient cash and bank deposit. The management of the Group supervises the use of the credit line and ensures compliance with the terms of the loan contracts.

Bank loans are an important source of liquidity for the Group. As of December 31, 2022 and 2021, the Group had unused short-term banking facilities of NT$583,125 thousand and NT$425,772 thousand, respectively.

Liquidity and interest rate risk tables

The following table details the analysis of the remaining contractual maturities of the Group's non-derivative financial liabilities with contractual repayment periods, which are based on the earliest possible date on which the Group could be required to make repayment, and is prepared using the undiscounted cash flows of the financial liabilities, which include cash flows of interest and principal.

The maturity analysis of the Group's non-derivative financial liabilities is prepared based on the contractual repayment dates.

December 31, 2022

	Less than 1 year	1 to 5 year(s)	6 to10 years
Non-derivative financial liabilities			
Short-term loans	$ 724,855	$ -	$ -
Short-term notes and bills payable	45,000	-	-
Notes and accounts payables	134,251	-	-
Accounts payable - related parties	28,507	-	-
Other payables	73,407	-	-
Other payables - related parties	171	-	-
Lease liabilities	20,975	18,540	2,442
Other current liabilities	8,160	-	-
Long-term loans	25,460	528,680	-
Corporate bonds payable	-	200,000	-

December 31, 2021

	Less than 1 year	1 to 5 year(s)	6 to10 years
Non-derivative financial liabilities			
Short-term loans	$ 685,482	$ -	$ -
Short-term notes and bills payable	35,000	-	-
Notes and accounts payables	163,126	-	-
Accounts payable - related parties	58,039	-	-
Other payables	318,216	-	-
Other payables - related parties	135	-	-
Lease liabilities	27,406	38,180	2,116
Other current liabilities	2,007	-	-
Long-term loans	419,467	74,274	-
Corporate bonds payable	-	200,000	-

(V) Information on financial asset transfers

The Group transferred some of its banker's acceptances receivable in Mainland China to suppliers for payment of accounts payable. Since almost all risks and rewards of these instruments were transferred, the Group excluded the transferred bank's acceptance bill receivable and the corresponding accounts payable. However, if the derecognized bank's acceptance bills are not redeemed at maturity, the suppliers still have the right to demand the Group for settlement, so the Group continues to participate in these bills.

The Group's maximum exposure to loss on continuing participation in the derecognized bank's acceptance bills is the face amount of the transferred outstanding bankers' acceptances of NT$8,390 thousand and NT$19,018 thousand as of December 31, 2022 and 2021, respectively, which will mature within one to ten months after the balance sheet date. Considering the credit risk of the excluded bank's acceptance bills, the Group's assessment of the fair value of its continuing participation was not material.

XXVII. Related Party Transactions

All transactions between the Company and its subsidiaries（ related parties of the）, account balances, income, and expenses are eliminated upon consolidation and therefore are not shown in the note. The transactions between the Group and other related parties are as follows.

(I) Names and relations of related parties

Related Party	Relationship with the Group
Wen Shung Industrial Corp.	Substantial related party
Belize Quan Ke Co., Ltd.	Substantial related party
Belize New Decision Co., Ltd.	Substantial related party
Dongguan Jiacun Trading Co., Ltd.	Substantial related party
Ching Pu Technology Inc.	Substantial related party

(II) Operating revenue

Accounting Subject	Type/Name of Related Party	2022	2021
Sales revenue	Substantial related party	$ 445	$ 784

(III) Purchase of goods

Type/Name of Related Party	2022	2021
Substantial related party		
Wen Shung Industrial Corp.	$ 164,712	$ 259,077
Others	1,529	19,716
	$ 166,241	$ 278,793

The purchase and sale of goods to related parties are based on cost, and both parties negotiate prices with reference to market conditions.

(IV) Receivables from related parties

Accounting Subject	Type/Name of Related Party	December 31, 2022	December 31, 2021
Accounts receivable	Substantial related party	$ 65	$ 107

The outstanding amount of receivables from related parties is not collateralized and the terms of the transactions are monthly for 60 days, which are not materially different from those of general accounts.

(V) Lease agreements

Accounting Subject	Type/Name of Related Party	December 31, 2022	December 31, 2021
Lease liabilities	Substantial related party	$ 1,494	$ 5,032

Type/Name of Related Party	2022	2021
Interest expenses (Recognized as finance costs)		
Substantial related party	$ 70	$ 157
Cash outflow from leasing		
Substantial related party	$ 3,600	$ 3,600

Under the lease agreements between the Group and the substantial related parties, the rent is paid monthly in accordance with the size of the premise leased with reference to the market in the vicinity.

(VI) Payables to related parties

Accounting Subject	Type/Name of Related Party	December 31, 2022	December 31, 2021
Accounts payable	Substantial related party		
	Wen Shung Industrial Corp.	$ 27,184	$ 52,136
	Others	1,323	5,903
		$ 28,507	$ 58,039
Other payables	Substantial related party		
	Wen Shung Industrial Corp.	$ 171	$ 135

The terms of the Group's purchase of copper foil substrates from the substantial related party are 120 days monthly, which is not yet materially different from those of the general suppliers.

(VII) Remuneration to the management

	2022	2021
Short-term employee benefits	$ 7,811	$ 9,464
Retirement benefits	36	156
	$ 7,847	$ 9,620

XXVIII. Pledged Assets

The following assets were provided as collateral for the Group's bank loans and performance guarantees:

	December 31, 2022	December 31, 2021
Property, plant, and equipment		
Land	$ 113,167	$ 113,167
Housing and Construction	121,622	121,622
Equipment	221,899	9,775
Financial assets at fair value through other comprehensive income - current		
Domestic OTC stocks	130,835	306,364

XXIX. Other Matters

Due to the spread of COVID-19, the Group's subsidiaries in the Kunshan area have taken temporary shutdown and adopted closed management in the second quarter of 2022 in response to the local government's epidemic prevention policy. The Group has taken appropriate contingency measures.

The Group will also make cost savings to reduce operating costs and operational risks, and will continue to monitor the development of the outbreak and assess its impact.

XXX. Information on Foreign Currency-denominated Assets and Liabilities of Significant Influence

The following summary is presented in foreign currencies other than the functional currency. The exchange rate disclosed in the summary refers to the exchange rate of a foreign currency to the functional currency. The significant impact on assets and liabilities recognized in foreign currencies is as follows:

Unit: Foreign currency/NT$ thousand

	December 31, 2022			December 31, 2021		
	Foreign currencies	Exchange Rate	NTD	Foreign currencies	Exchange Rate	NTD
Monetary items of financial assets						
USD	$ 6,286	30.71	$ 193,043	$ 11,875	27.68	$ 328,700
JPY	338,459	0.2324	78,658	366,892	0.2405	88,238
Non-monetary items of financial assets						
USD	1,718	30.71	52,764	1,450	27.68	40,144
Monetary items of financial liabilities						
USD	1,000	30.71	30,710	11,932	27.68	330,278
JPY	654,280	0.2324	152,055	664,617	0.2405	159,840

Please refer to Note XXI for the Group's foreign currency exchange gains and losses (realized and unrealized) for the years 2022 and 2021. Due to the large number of foreign currency transactions, it is not possible to disclose the exchange gains and losses by foreign currency for each material effect.

XXXI. Supplementary Disclosures

(I) Information on Significant Transactions:

1. Loans provided for others. (Table 1)
2. Endorsements/Guarantees Provided for Others. (Table 2)
3. Securities held at end of period (excluding investments in subsidiaries, associates, and joint ventures). (Table 3)
4. Accumulated Purchase or Sale of the Same Securities Amounting to NT$300 Million or 20% of Paid-in Capital or More. (None)
5. Acquisition of Real Estate Amounting to NT$300 Million or 20% of the Paid-in Capital or More. (None)
6. Disposal of property amounting to NT$300 million or 20% of paid-in capital or more. (None)

7. Purchases or Sales with Related Parties Amounting to NT$100 Million or 20% of Paid-up Capital or More. (Table 4)
8. Receivables from related parties amounting to NT$100 million or 20% of paid-up capital or more. (None)
9. Derivatives transactions. (None)
10. Others: Intercompany Relationships and Significant Intercompany Transactions. (Table 7)

(II) Information on invested companies (Table 5)

(III) Information on Investments in Mainland China:

1. Information on any investee company in mainland China (name, main business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income, carrying amount of investment at end of period, repatriations of investment income, and limit on the amount of investment in mainland China. (Table 6)
2. Major transactions with any investee company in mainland China directly or indirectly through a third region, and their prices, payment terms, unrealized gains (losses), and other information: (Table 8)
   (1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
   (2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
   (3) The amount of property transactions and the amount of the resultant gains or losses. (None)
   (4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes. (None)
   (5) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds. (Table 1)
   (6) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services. (None)

(IV) Information on Major Shareholders: Name, amount and percentage of shareholding of shareholders with 5% or more of the shares. (Table 9)

XXXII. Operating Segment Financial Information

Segment Financial Information

The information provided by the Group to its key operating decision makers for the purpose of allocating resources and evaluating divisional performance focuses on the type of product or service to be delivered or provided. In accordance with IFRS 8, "Operating Segments," the Group's reportable segments (products or labor for drill bits, drilling foundry and copper foil substrates) are as follows:

1. Taiwan Business Division: Includes sales and segment operating expenses resulting from shipments from Key Ware Electronics, Key De Precise, Jia Chi, Hui Peng and Laserware Laser .
2. Mainland China Business Division: Includes sales and segment operating expenses arising from shipments of Kunshan Key Ware Electronics , Kunshan Weixing, Kunshan Laserware Laser , King Ware(Chongqing) , Wuhan Laserware Laser , Shenzhen Laserware Laser, Key ware, Advisor and Module.

Financial information regarding the operating segments of the Group for 2022 and 2021 is as follows:

	2022		
Item	Taiwan Region	Mainland China Region	Amount after adjustment
Segment revenue			
External revenue	$ 832,042	$ 621,950	$ 1,453,993
Segment profit or loss	($ 28,435)	($ 69,445)	($ 97,875)
Non-operating income and expenses			117,568
Net income before tax			$ 19,693
Segment assets	$ 2,110,729	$ 1,982,499	$ 4,093,228

	2021		
Item	Taiwan Region	Mainland China Region	Amount after adjustment
Segment revenue			
External revenue	$ 772,224	$ 806,823	$ 1,579,047
Segment profit or loss	($ 10,142)	$ 38,465	$ 28,323
Non-operating income and expenses			27,625
Net income before tax			$ 55,948
Segment assets	$ 2,291,206	$ 1,868,102	$ 4,159,308

Segment profit refers to the profit earned by each segment, excluding investment income or loss, interest income, gain or loss on disposal of property, plant and equipment, gain or loss on disposal of investments, exchange gain or loss, gain or loss on valuation of financial instruments, interest expense and income tax expense recognized under the equity method. The measurement amount is provided to the chief operating decision maker to allocate resources to the segment and to measure its performance.

Key Ware Electronics Co., Ltd. and its investee companies

Loans provided for others

2022

Table 1

Unit: NT$/RMB thousand

No.	Financing Company	Counterparty	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending balance	Actual Amount Drawn	Interest Rate	Nature for Financing	Transaction Amounts	Reason for Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Note 1)	Financing Company's Total Financing Amount Limits (Note 1)
													Item	Value		
0	The Company	4 Companies including Kunshan Key Ware Electronics Co., Ltd (Note 2)	Other receivables - related parties	Yes	$ 100,000	$ 100,000	$ -	-	Short-term Financing	$ -	Operations turnover of investee companies	$ -	—	$ -	$ 209,644	$ 838,575
1	Kunshan Key Ware Electronics Co., Ltd	Wuhan Laserware Laser Technology Co., Ltd (Note 3)	Other receivables - related parties	Yes	33,819	17,638	17,638 RMB 4,000	-	Short-term Financing	-	Operations turnover of investee companies	-	—	-	157,993 RMB 35,831	631,972 RMB 143,322

Note 1: In accordance with the "Regulations Governing the Loaning of Funds to Others", the total amount of funds loaned to others shall not exceed 40% of the Group's most recent audited or reviewed financial statements. The amount of individual loans shall not exceed 10% of the net value of the company to which the funds are lent if necessary for financial assistance.

Note 2: The loan of 100% of the Company's capital to an investee company was approved by the Board of Directors on May 6, 2022. The Company intends to lend funds to 100% of its investees (including Key Ware International Limited, Advisor Move Investments Limited, Module System International Limited, and Kunshan Key Ware Electronics Co., Ltd. The total amount of the loan is limited to NT$100 million (or its equivalent in foreign currency), and the chairman is authorized to allocate or recycle the funds in installments within one year after the resolution of the board of directors.

Note 3: On October 26, 2021, the Board of Directors of Key Ware approved the loan of funds to Wuhan Laserware Laser . The capital was loaned to Wuhan Laserware Laser Technology Co., Ltd, a direct or indirect 100% voting stock investee company, to support the operational development needs.

Key Ware Electronics Co., Ltd. and its investee companies

Endorsements/Guarantees Provided for Others

2022

Table 2

Unit: NT$ thousand

No.	Endorser/ Guarantor	Endorsee/Guarantee		Limit on Endorsements/ Guarantees Provided for Single Entity (Note 1)	Maximum Endorsement/ Guarantee Balance	Ending Balance	Actual Amount Drawn	Amount of Endorsements/ Guarantees Collateralized by Property	Ratio of Accumulated Endorsements/ Guarantees to Net Worth per Latest Financial Statements	Endorsement/ Guarantee Ceiling (Note 1)	Endorsements/ Guarantees Provided by Parent for Subsidiary	Endorsements/Guarantees Provided by Subsidiary for Parent	Endorsements/Guarantees Provided for Subsidiary in Mainland China
		Name of Company	Relationship										
0	The Company	Key De Precise Industries Co., Ltd	Investee (subsidiaries) accounted for using the equity method	$ 419,287	$ 200,000	$ 200,000	$ 8,000	$ -	9.54%	$ 1,257,862	Y	N	N
0	The Company	Jia Chi Co., Ltd	Investee (subsidiaries) accounted for using the equity method	419,287	30,000	30,000	25,000	-	1.43%	1,257,862	Y	N	N
1	Kunshan Key Ware Electronics Co., Ltd	Kunshan Laserware Laser Technology Co., Ltd	Investee (subsidiaries) accounted for using the equity method	315,986	41,678 RMB 9,600	41,678	22,048 RMB 5,000	-	2.68%	947,958	N	N	Y

Note 1: In accordance with the Company's endorsement and guarantee procedures, the aggregate amount of the endorsement and guarantee shall not exceed 60% of the Company's latest audited or reviewed financial statements, and the amount of endorsement and guarantee for a single enterprise shall not exceed 20% of the aforementioned net value.

Key Ware Electronics Co., Ltd. and its investee companies

Securities Held at End of Period

December 31, 2022

Table 3

Unit: NT$ thousand

Securities Holding Company	Marketable Securities and Name	Relationship with Issuer of Securities	Ledger Account	Ending Balance				Remark
				Number of Shares (in Thousands)	Carrying amount	Shareholding Ratio (%)	Market Value/Net Equity Value	
The Company	Domestic listed (OTC) stocks							
	Qbic Technology Co., Ltd.	—	Financial assets at fair value through profit or loss - current	350	$ 12,308	2.22%	$ 12,308	
	Savior Lifetec Corporation	—	Financial assets at fair value through other comprehensive income - current	14,276	354,046	4.50%	354,046	Note 1
	Domestic unlisted (OTC) stocks							
	Han Yu Venture Capital Co., Ltd.	—	Financial assets at fair value through other comprehensive income - non-current	4,000	27,325	8.89%	27,325	
	Foreign unlisted (OTC) stocks							
	Concord Venture Capital Group Limited	—	Financial assets at fair value through other comprehensive income - non-current	-	11,578	13.57%	11,578	
	Kirana Inc.	—	Financial assets at fair value through other comprehensive income - non-current	1,809	13,862	2.07%	13,862	
	Foreign listed (OTC) stocks							
	Silicon Motion Technology Corp.	—	Financial assets at fair value through profit or loss - current	21	41,060	0.06%	41,160	
Kunshan Key Ware Electronics Co., Ltd	Renminbi financial products							
	China CITIC Bank - Win-Win Stable Daily Profit	—	Financial assets at fair value through profit or loss - current	-	22,048 RMB 5,000	-	22,048 RMB 5,000	

Note 1: The Company provided 6,850 thousand shares of Savior Lifetec Corporation to financial institutions as a collateral for financing.

Key Ware Electronics Co., Ltd. and its investee companies

Purchases or Sales with Related Parties Amounting to NT$100 Million or 20% of Paid-up Capital or More

2022

Table 4

Unit: NT$ thousand

Purchase (sales) of goods	Counterparty	Relationship	Transaction Situation				Unusual Transaction Terms and Reasons		Notes and Accounts Receivable (Payable)		Remark
			Purchases (Sales)	Amount	Percentage of Total Purchases (Sales) (%)	Credit Period	Unit price	Credit Period	Balance	Percentage of Notes and Accounts Receivable (Payable)	
Key Ware Electronics Co., Ltd.	Kunshan Key Ware Electronics Co., Ltd	Investee (subsidiaries) accounted for using the equity method	Sales	($ 133,334)	(19%)	Net 180 days	-	Usually net 90 to 150 days	$ 16,680	6%	—
Key De Precise Industries Co., Ltd	Wen Shung Industrial Corp.	Substantial related party	Purchase of goods	164,712	98%	Net 120 days	-	Usually net 90 to 120 days from invoice date	(27,184)	(98%)	—

Key Ware Electronics Co., Ltd. and its investee companies

Name of investee company, location and other related information

2022

Table 5

Unit: NTD/USD/RMB thousand

Name of Investor	Name of Investee	Location	Main Business Activities	Initial Investment Amount		Ending Balance			Profit (Loss) of Investee for the Period	Investment Income (Loss) Recognized for the Period	Remark
				Ending Balance for the Current Period	Ending Balance for the Previous Period	Number of Shares (in Thousands)	Shareholding (%)	Carrying amount			
Key Ware Electronics Co., Ltd.	Key Ware International Limited	Trustnet Chambers, P.O. Box 3444, Road Town, Tortola, B.V.I.	General investment	$ 728,349 USD 23,717	$ 728,349 USD 23,717	23,717	100%	$ 1,595,508	$ 60,340 RMB 13,645	$ 57,136 RMB 12,918	Note 1, Note 3
	Key De Precise Industries Co., Ltd	No. 31, Keji 2nd Rd., Guishan Dist., Taoyuan City	Wholesale and processing of electronic parts and components	30,600	30,600	612	51%	28,288	9,115	2,934	Note 1, Note 4
	Laserware Laser Technology Co., Ltd	4F., No. 76, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City	Electronic components, machinery and equipment	1,000	1,000	100	99.99%	970	1	1	Note 2
	Rong Pei Wisdom Co., Ltd.	Taiwan 4F., No. 76, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City	General investment	18,667	8,333	1,867	22.73%	20,658	4,850	1,103	Note 1
	Jia Chi Co., Ltd	4F., No. 8-5, Nangong Ln., Sec. 1, Nangong Rd., Luzhu Dist., Taoyuan City	Drilling foundry	49,500	49,500	2,972	83.63%	28,697	(13,352)	(11,766)	Note 1, Note 5
	Hui Peng Technology Co., Ltd	No. 32, Xingbang Rd., Taoyuan Dist., Taoyuan City	Electronic components, machinery and equipment	600	600	60	60%	601	2	1	Note 2
Key Ware International Limited	Advisor Move Investments Limited	Trustnet Chambers, P.O. Box 3444, Road Town, Tortola, B.V.I.	General investment	305,872 USD 9,960	305,872 USD 9,960	9,960	100%	1,131,988 RMB 256,179	60,494 RMB 13,680	60,494 RMB 13,680	Note 1
	Module System International Limited	Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands	General investment	397,909 USD 12,957	397,142 USD 12,932	12,957	100%	459,164 RMB 104,132	(230) (RMB 52)	(230) (RMB 52)	Note 1

Note 1: The calculation is based on the investee's audited financial statements for 2022.

Note 2: The calculation is based on the investee's unaudited financial statements for 2022.

Note 3: The difference is due to the unrealized gross profit of the parent company to the associates and the unrealized gain on asset transactions.

Note 4: The difference is due to amortization expense of intangible assets arising from investments.

Note 5: The difference is due to unrealized gain from asset transactions between associates.

Note 6: For information on Mainland China investee, please refer to Table 6.

Key Ware Electronics Co., Ltd. and its investee companies

Information on Investments in Mainland China

2022

Table 6

Unit: NT$/USD/RMB thousand

Investee Company	Main Business Activities	Paid-in Capital	Method of Investments	Accumulated Amount of Investments Remitted from Taiwan at Beginning of Period	Amount of Investments Remitted or Repatriated for the Period		Accumulated Amount of Investments Remitted from Taiwan at End of Period	Profit (Loss) of Investee for the Period	The Company's Direct or Indirect Ownership	Investment Profit (Loss) Recognized for the Period (Note 1)	Carrying Amount of Investments at End of Period	Accumulated Investment Income Repatriated at End of Period
					Remitted	Repatriated						
Kunshan Key Ware Electronics Co., Ltd	Drilling tools, hand tools	$ 337,810 USD 11,000	Investment in Mainland China through companies registered in a third region	$ 259,192 USD 8,440	$ -	$ -	$ 259,192 USD 8,440	$ 60,021 RMB 13,573	100%	$ 56,806 RMB 12,846	$ 1,118,309 RMB 253,617	$ -
Kunshan Weixing Electronics Co., Ltd.	Drilling tools, hand tools	404,359 USD 13,167	Investment in Mainland China through companies registered in a third region	404,359 USD 13,167	-	-	404,359 USD 13,167	- RMB -	100%	- RMB -	458,414 RMB 103,962	-
Kunshan Laserware Laser Technology Co., Ltd	Drilling foundry	30,866 CNY 7,000	Investment in Mainland China through Kunshan Key Ware Electronics Co., Ltd.	-	-	-	-	(19,510) (RMB 4,412)	100%	(19,510) (RMB 4,112)	39,913 RMB 9,052	-
King Ware(Chongqing) Electronics Co., Ltd.	Wholesale of electronic parts and components	4,409 CNY 1,000	Investment in Mainland China through Kunshan Key Ware Electronics Co., Ltd.	-	-	-	-	(53) (RMB 12)	100%	(53) (RMB 12)	5,584 RMB 1,266	-
Wuhan Laserware Laser Technology Co., Ltd	Drilling foundry	171,968 CNY 39,000	Investment in Mainland China through Kunshan Key Ware Electronics Co., Ltd.	-	-	-	-	(1,256) (RMB 284)	100%	(1,256) (RMB 284)	169,920 RMB 38,535	-
Shenzhen Laserware Laser Technology Co., Ltd.	Drilling foundry	23,194 CNY 5,260	Investment in Mainland China through Kunshan Key Ware Electronics Co., Ltd.	-	-	-	-	(6,500) (RMB 1,470)	100%	(6,500) (RMB 1,470)	15,155 RMB 3,437	-

Accumulated Amount of Investments Remitted from Taiwan to Mainland China at End of Period	Amount of Investments Authorized by Investment Commission, M.O.E.A.	Ceiling on Amount of Investments Stipulated by Investment Commission, M.O.E.A.
$ 680,441（USD 22,157）	$ 744,011（USD 24,227）	$ 1,274,986 (Note 3)

Note 1: Shenzhen Laserware Laser Technology Co., Ltd. was recognized on the basis of the unaudited financial statements for 2022, while the rest of the investees were recognized on the basis of the audited financial statements for 2022.

Note 2: According to the "Principles for Examination of Investment or Technical Cooperation in Mainland China", the accumulated amount of the investor's investment in Mainland China shall not exceed 60% of the net value or the combined net value, whichever is higher.

Key Ware Electronics Co., Ltd. and its investee companies

Intercompany Relationships and Significant Intercompany Transactions

2022

Table 7

Unit: NT$ thousand

No. (Note 1)	Company	Counterparty	Relationship (Note 2)	Description of Transactions			
				Ledger Account	Amount (Note 7)	Transaction Term	Percentage of Consolidated Total Revenue or Total Assets (Note 8)
0	Key Ware Electronics Co., Ltd.	Key De Precise Industries Co., Ltd	1	Other receivables	$ 4	—	-
		Key De Precise Industries Co., Ltd	1	Cost of goods sold	5	Note 5	-
		Jia Chi Co., Ltd	1	Other receivables	6,224	—	0.15
		Jia Chi Co., Ltd	1	Rental income	24,480	Note 6	1.55
		Jia Chi Co., Ltd	1	Accounts receivable	41,530	—	1.00
		Jia Chi Co., Ltd	1	Sales revenue	67,793	—	4.49
		Jia Chi Co., Ltd	1	Other payables	1,061	—	0.03
		Kunshan Key Ware Electronics Co., Ltd	1	Accounts receivable	16,680	Note 3	0.40
		Kunshan Key Ware Electronics Co., Ltd	1	Accounts payable	27,190	Note 4	0.65
		Kunshan Key Ware Electronics Co., Ltd	1	Sales revenue	133,334	Note 3	8.45
		Kunshan Key Ware Electronics Co., Ltd	1	Cost of goods sold	69,482	Note 4	4.40
		Kunshan Key Ware Electronics Co., Ltd	1	Unrealized gross profit on sales	639	—	0.04
		Kunshan Key Ware Electronics Co., Ltd	1	Realized gross profit on sales	631	—	0.04
		Kunshan Key Ware Electronics Co., Ltd	1	Other receivables	1,234	Note 3	0.03
		Kunshan Key Ware Electronics Co., Ltd	1	Other payables	11,660	—	0.28
		Wuhan Laserware Laser Technology Co., Ltd	1	Long-term deferred revenue	9,842	—	0.62
		Wuhan Laserware Laser Technology Co., Ltd	1	Gains on property, plant, and equipment	1,655	—	0.10
1	Jia Chi Co., Ltd	Kunshan Laserware Laser Technology Co., Ltd	3	Other receivables	10,718	—	0.30
2	Kunshan Key Ware Electronics Co., Ltd	Kunshan Laserware Laser Technology Co., Ltd	3	Accounts receivable	3,893	Note 3	0.09
		Kunshan Laserware Laser Technology Co., Ltd	3	Other receivables	48,845	—	1.17
		Kunshan Laserware Laser Technology Co., Ltd	3	Sales revenue	7,313	Note 3	0.46
		Kunshan Laserware Laser Technology Co., Ltd	3	Other income	454	—	0.03
		Shenzhen Laserware Laser Technology Co., Ltd.	3	Other payables	3,087	—	0.07
		Wuhan Laserware Laser Technology Co., Ltd	3	Accounts receivable	15,895	Note 3	0.38
		Wuhan Laserware Laser Technology Co., Ltd	3	Sales revenue	5,360	Note 3	0.34
		Wuhan Laserware Laser Technology Co., Ltd	3	Other receivables	17,638	—	0.42
		King Ware (Chongqing) Electronics Co., Ltd	3	Other receivables	11,773	—	0.28

Note 1: The information on business dealings between the parent company and subsidiaries should be numbered according to the following method:

1. For the parent company, fill in 0.
2. Subsidiaries are sorted in a numerical order starting from 1.

Note 2: Relationships with counterparties can be any one of the following three types:

1. The parent company to subsidiaries.
2. Subsidiaries to the parent company.
3. Subsidiaries to subsidiaries.

Note 3: Transaction price are based on cost, and both parties negotiate prices with reference to market conditions. The trading terms are net 80 dates

Note 4: Transaction price are based on cost, and both parties negotiate prices with reference to market conditions. The trading terms are net 120 dates

Note 5: Transaction price are based on cost, and both parties negotiate prices with reference to market conditions. The trading terms are net 65 dates

Note 6: Transaction price are based on cost. The trading terms are advance receipts.

Note 7: In preparing the consolidated financial statements, inter-parent-subsidiary transactions are written-off.

Note 8: The ratio of transaction amount to total consolidated revenue or total assets is calculated as the ending balance to total consolidated assets if it is an asset or liability account; For profit and loss accounts, the calculation is based on the accumulated amount as a percentage of consolidated total revenue.

Key Ware Electronics Co., Ltd. and its investee companies

Major Transactions with Any Investee Company in mainland China Directly or Indirectly through a Third Region, and Their Prices, Payment terms, Unrealized Gains (Losses), and Other Information

2022

Table 8

Unit: NT$ thousand

Investee Company	Type of Transaction	Purchases (Sales)		Price	Transaction Term		Notes and Accounts Receivable (Payable)		Unrealized gains (losses)	Remark
		Amount	Percentage (%)		Payment Terms	Difference with General Transactions	Amount	Percentage (%)		
Kunshan Key Ware Electronics Co., Ltd	Sales	$ 133,334	19%	No material difference from the general account	Net 120 to 180 days	No material difference from the general transaction	$ 16,680	6%	($ 8)	—
	Purchase of goods	77,555	9%	No material difference from the general account	Net 180 days	No material difference from the general transaction	(46,978)	37%	-	—
Kunshan Laserware Laser Technology Co., Ltd	Sales	7,313	2%	No material difference from the general account	Net 180 days	No material difference from the general transaction	3,893	1%	-	—
Wuhan Laserware Laser Technology Co., Ltd	Sales	5,360	1%	No material difference from the general account	Net 180 days	No material difference from the general transaction	15,895	4%	-	—
								6%		

Note: The unrealized gain or loss on transactions with the investees in Mainland China has been fully written off in the preparation of the consolidated financial statements.

Key Ware Electronics Co., Ltd.

Information on Major Shareholders

December 31, 2022

Table 9

Name of Major Shareholders	Shareholding	
	Number of shares held (shares)	Shareholding ratio (%)
Qing Yu Investment Co., Ltd.	16,277,465	8.57%
Jia Ju Investment Co., Ltd.	11,042,440	5.81%
Sheng Ding Enterprise Co., Ltd.	10,317,521	5.43%

Note 1: The major shareholders in this table are shareholders holding more than 5% of the common shares that have completed delivery without physical registration on the last business day of each quarter calculated by the Taiwan Depository & Clearing Corporation. Share capital indicated in the Company's consolidated financial statements may differ from the actual number of shares that have been issued and delivered without physical registration as a result of different basis of preparation.

V. Parent Company-Only Financial Statement for the Most Recent Fiscal Year, Certified by CPAs

Independent Auditors' Report

To the Board of Directors of Key Ware Electronics Co., Ltd.:

Opinions

We have audited the parent company only Balance Sheets of Key Ware Electronics Co., Ltd. (Hereinafter referred to as “Key Ware”) as of December 31, 2022, and 2021, the Statements of Comprehensive Income, Statements of Changes in Equity, Statements of Cash Flows, and Notes to Parent Company Only Financial Statements (including Summary of Significant Accounting Policies) for the annual periods from January 1 to December 31, 2022, and 2021.

In our opinion, the aforementioned Parent Company Only Financial Statements present fairly, in all material respects, the financial position of Key Ware Electronics Co., Ltd. as of December 31, 2022, and 2021, and its financial performance and cash flows for the annual periods ended December 31, 2022, and 2021, in conformity with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers.”

Basis for Opinions

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

Key Audit Matters

Key audit key matters refer to those most material key matters for the audit on the Parent Company Only Financial Statements of the year 2022 of Key Ware Electronics Co., Ltd., based on the professional judgment of the accountant. These matters were addressed in the context of our audit of the Parent Company Only Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In our judgment, key audit matters for the Company's Parent Company Only Financial Statements for the year ended December 31, 2022 are stated as follows:

Truthfulness of Sales Revenue

Key Ware Electronics' sales revenue is derived from the sale of drill bits. We believe that because of the competition in the industry and the possible pressure on management to meet projected operating targets, the truthfulness of sales revenue is the key audit matter for 2022. Refer to Note 4(14) for the accounting policy on revenue recognition.

The major audit procedures performed by us for revenue recognition are as follows:

1. We understood and tested the effectiveness of the design and implementation of internal controls in the recognition of sales revenue.
2. We obtained detailed information on sales revenue, examined the relevant supporting documents for shipment and the status of collection of payment, and verified the consistency of the sales counterparties and the recipients to confirm the truthfulness of sales transactions.

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

To ensure that the Parent Company Only Financial Statements do not contain material misstatements caused by fraud or errors, the management is responsible for preparing prudent Parent Company Only Financial Statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for preparing and maintaining necessary internal control procedures pertaining to the Parent Company Only Financial Statements.

In preparing the Parent Company Only Financial Statements, the management is responsible for assessing Key Ware Electronics' ability to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going concern basis of accounting unless the management either intends to liquidate Key Ware Electronics 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 Key Ware Electronics' financial reporting process.

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

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

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

1. Identify and evaluate the risk of material misstatements due to fraud or error in the Parent Company Only Financial Statements; design and carry out appropriate countermeasures for the evaluated risk; and obtain sufficient and appropriate evidence as the basis for audit 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 controls 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 Key Ware Electronics.
3. Assess the appropriateness of the accounting policies adopted by the management, as well as the reasonableness of their accounting estimates and relevant disclosures.
4. Conclude on the appropriateness of the 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 Key Ware Electronics' ability to operate 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 Parent Company Only 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 Key Ware Electronics to cease to continue as a going concern.
5. Evaluate the overall expression, structure and contents of the Parent Company Only Financial Statements (including relevant Notes), and whether the Parent Company Only Financial Statements fairly present relevant transactions and items.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Key Ware Electronics to express an opinion on the Parent Company Only Financial Statements. We are responsible for the direction, supervision, and performance of the audit and for expressing an opinion on the Parent Company Only Financial Statements of Key Ware Electronics.

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 the key audit matters of Key Ware Electronics' Parent Company Only Financial Statements for the year ended December 31, 2022. We describe these matters in our auditors' report unless 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

CPA, Li, Kuan-Hao	CPA, Lin, Wang-Sheng
Financial Supervisory Commission Approval Document No.: FSC Approval Document No. 1100372936	Financial Supervisory Commission Approval Document No.: FSC Approval Document No. 1060023872

March 24, 2023

Key Ware Electronics Co., Ltd.

Parent Company Only Balance Sheets

As of December 31, 2022 and 2021

Unit: NT$ thousand

Code	Assets	December 31, 2022 Amount	%	December 31, 2021 Amount	%
	Current Assets				
1100	Cash and cash equivalents (Notes IV and VI)	$ 123,888	3	$ 216,260	6
1110	Financial assets at fair value through profit or loss - current (Notes IV and VII)	53,468	2	6,158	-
1120	Financial assets at fair value through other comprehensive income - current (Notes IV, VII and XXVI)	354,046	10	339,771	9
1150	Notes receivable (Notes IV and IX)	3,624	-	7,715	-
1170	Accounts receivable (Notes IV and IX)	228,947	6	159,017	4
1180	Accounts receivable - related parties (Notes IV and XXV)	58,210	2	61,546	2
1200	Other receivables (Notes IV and IX)	7,712	-	8,771	-
1210	Other receivable - related parties (Notes IV and XXV)	7,462	-	193,160	5
130X	Inventories - Net (Notes IV and X)	210,017	6	187,757	5
1470	Other current assets	34,896	1	19,676	1
11XX	Total current assets	1,082,270	30	1,199,831	32
	Non-current assets				
1510	Financial assets at fair value through other comprehensive income - current (Notes IV and VIII)	52,765	1	40,144	1
1550	Investments accounted for using the equity method (Notes IV and XI)	1,674,722	46	1,611,996	43
1600	Property, plant, and equipment (Notes IV, XII and XXVI)	777,377	21	797,509	21
1755	Right-of-use assets (Notes IV and XIII)	19,998	1	25,966	1
1840	Deferred tax assets (Notes IV and XX)	39,076	1	37,182	1
1915	Prepayment - non-current (Note XXII)	12,339	-	37,105	1
1920	Refundable deposits (Note IV)	1,539	-	3,787	-
1990	Other non-current assets	2,569	-	3,079	-
15XX	Total non-current assets	2,580,385	70	2,556,768	68
1XXX	Total assets	$ 3,662,655	100	$ 3,756,599	100
Code	**Liabilities and Equity**				
	Current Liabilities				
2100	Short-term loans (Note XIV)	$ 599,257	17	$ 603,775	16
2110	Short-term notes and bills payable (Note XIV)	44,965	1	34,991	1
2120	Financial liabilities at fair value through profit or loss - current (Notes IV, VII and XV)	4,380	-	-	-
2150	Notes and accounts payables	66,292	2	64,942	2
2180	Accounts payable - related parties (Note XXV)	27,190	1	38,420	1
2219	Other payables (Note XVI)	34,557	1	299,567	8
2220	Other payables - related parties (Note XXV)	12,725	-	965	-
2230	Current tax liabilities (Notes IV and XIII)	-	-	469	-
2280	Lease liabilities - current (Notes IV and XIII)	6,871	-	7,730	-
2320	Long-term loans with a maturity of less than one year (Note XIV)	21,621	1	419,467	11
2399	Other current liabilities	7,262	-	6,120	-
21XX	Total current liabilities	825,120	23	1,476,446	39
	Non-current liabilities				
2500	Financial liabilities at fair value through profit or loss - non-current (Notes IV, VII and XV)	-	-	1,220	-
2530	Corporate bonds payable (Notes IV and XV)	193,912	5	188,856	5
2540	Long-term loans (Note XIV)	501,808	14	74,274	2
2570	Deferred income tax liabilities (Notes IV and XX)	9,870	-	5,160	-
2580	Lease liabilities - non-current (Notes IV and XIII)	13,457	1	18,462	1
2630	Long-term deferred revenue (Note XII)	9,841	-	11,496	-
2670	Net defined benefit liabilities (Notes IV and XVII)	12,210	-	7,882	-
25XX	Total non-current liabilities	741,098	20	307,350	8
2XXX	Total liabilities	1,566,218	43	1,783,796	47
	Equity (Notes IV, VIII and XVIII)				
3100	Share capital	1,899,283	52	1,899,309	51
3200	Capital surplus	80,139	2	79,217	2
3300	Retained earnings	224,607	6	217,158	6
3400	Other equity	(107,592)	(3)	(222,881)	(6)
3XXX	Total equity	2,096,437	57	1,972,803	53
	Total liabilities and equity	$ 3,662,655	100	$ 3,756,599	100

The accompanying notes are an integral part of the Parent Company Only Financial Statements.

Chairman: Chow, Pong-Chi President: Hsu, Wei-Chieh Accounting Manager: Lee, Yun-Ting

Key Ware Electronics Co., Ltd.

Parent Company Only Statements of Comprehensive Income

From January 1 to December 31, 2022 and 2021

Unit: NT$ Thousands, except for Earnings per share (in Dollars)

Code		2022 Amount	2022 %	2021 Amount	2021 %
4000	Operating revenue (Notes IV and XXV)	$ 699,454	100	$ 573,431	100
5000	Operating costs (Notes IV, X, XVII, XIX and XXV)	693,313	99	544,920	95
5900	Gross profit	6,141	1	28,511	5
5920	Realized (Unrealized) gains from sales	(8)	-	140	-
5950	Realized gross profit	6,133	1	28,651	5
	Operating expenses (Notes IV, XI, XVII, and XIX)				
6100	Selling and marketing expenses	28,562	4	20,124	3
6200	General and administrative expenses	31,022	5	39,389	7
6300	Research and development expenses	2,287	-	3,295	1
6450	Expected credit losses (gains)	(140)	-	1,041	-
6000	Total operating expenses	61,731	9	63,849	11
6900	Net operating loss	(55,598)	(8)	(35,198)	(6)
	Non-operating income and expenses (Notes IV, XI, XII, XIX and XXV)				
7100	Interest income	303	-	62	-
7010	Other income	26,786	4	27,288	5
7020	Other gains and losses	5,430	1	12,882	2
7050	Finance costs	(25,383)	(4)	(20,660)	(4)
7070	Shares of profits or loss of subsidiaries and associates accounted for using equity method	49,409	7	48,276	9
7000	Total non-operating income and expenses	56,545	8	67,848	12

(Continued on the next page)

(Continued from the previous page)

Code		2022 Amount	2022 %	2021 Amount	2021 %
7900	Net income before tax	$ 947	-	$ 32,650	6
7950	Income tax expense (profit) (Notes IV and XX)	(1,701)	(1)	1,219	-
8200	Net income	2,648	1	31,431	6
	Other comprehensive income				
8310	Components that will not be reclassified to profit or loss				
8311	Gains (losses) on re-measurements of defined benefit plans (Notes IV and XVII)	(2,824)	(1)	3,487	-
8316	Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income (Notes IV and XVIII)	103,510	15	(242,714)	(42)
8349	Income tax related to components that will not be reclassified to profit or loss (Note IV and XX)	565	-	(697)	-
8360	Components that may be reclassified to profit or loss				
8361	Exchange differences on translation of financial statements of foreign operations (Notes IV and XVIII)	23,549	4	(7,815)	(1)
8399	Income tax related to components that may be reclassified to profit or loss (Notes IV, XVIII and XX)	(4,710)	(1)	1,562	-
8300	Other comprehensive income	120,090	17	(246,177)	(43)
8500	Total comprehensive income	$ 122,738	18	($ 214,746)	(37)
	Earnings per share (Note XXI)				
9750	Basic	$ 0.01		$ 0.18	
9850	Diluted	$ 0.01		$ 0.18	

The accompanying notes are an integral part of the Parent Company Only Financial Statements.

Chairman: Chow, Pong-Chi

President: Hsu, Wei-Chieh

Accounting Manager: Lee, Yun-Ting

Key Ware Electronics Co., Ltd.

Parent Company Only Statements of Changes in Equity

From January 1 to December 31, 2022 and 2021

Unit: NT$ thousand

Code		Share capital			Retained earnings			Other equity		
		Capital stock - common shares	Capital collected in advance	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translation of financial statements of foreign operations	Unrealized valuation gains (losses) on financial assets at fair value through other comprehensive income	Total Equity
A1	Balance as of January 1, 2021	$ 1,693,397	$ -	$ 3,439	$ 11,993	$ 186,681	$ 84,705	($ 103,079)	$ 130,327	$ 2,007,463
D1	Net income in 2021	-	-	-	-	-	31,431	-	-	31,431
D3	Other comprehensive income after tax in 2021	-	-	-	-	-	2,790	(6,253)	(242,714)	(246,177)
D5	Total comprehensive income in 2021	-	-	-	-	-	34,221	(6,253)	(242,714)	(214,746)
	Appropriation and distribution of earnings for 2021									
B1	Legal reserve	-	-	-	8,842	-	(8,842)	-	-	-
B3	Reversal of special reserve	-	-	-	-	(28,037)	28,037	-	-	-
B5	Cash dividends of common stock	-	-	-	-	-	(33,868)	-	-	(33,868)
B9	Stock dividends of common stock	67,736	-	-	-	-	(67,736)	-	-	-
E1	Cash capital increase	138,000	-	63,480	-	-	-	-	-	201,480
N1	Share-based payment - employee stock option compensation cost (Note XX)	-	176	3,742	-	-	-	-	-	3,918
I1	Equity component of convertible bond issued by the Corporation	-	-	8,556	-	-	-	-	-	8,556
Q1	Disposal of equity instruments through other comprehensive income	-	-	-	-	-	1,162	-	(1,162)	-
Z1	Balance as of December 31, 2021	1,899,133	176	79,217	20,835	158,644	37,679	(109,332)	(113,549)	1,972,803
D1	Net income in 2022	-	-	-	-	-	2,648	-	-	2,648
D3	Other comprehensive income after tax in 2022	-	-	-	-	-	(2,259)	18,839	103,510	120,090
D5	Total comprehensive income in 2022	-	-	-	-	-	389	18,839	103,510	122,738
	Appropriation and distribution of earnings for 2021									
B1	Provision of legal reserve	-	-	-	3,538	-	(3,538)	-	-	-
B3	Provision of special reserve	-	-	-	-	34,141	(34,141)	-	-	-
N1	Share-based payment - employee stock option exercise	150	(176)	26	-	-	-	-	-	-
N1	Share-based payment - employee stock option compensation cost (Note XX)	-	-	896	-	-	-	-	-	896
O1	Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	7,060	-	(7,060)	-
Z1	Balance as of December 31, 2022	$ 1,899,283	$ -	$ 80,139	$ 24,373	$ 192,785	$ 7,449	($ 90,493)	($ 17,099)	$ 2,096,437

The accompanying notes are an integral part of the Parent Company Only Financial Statements.

Chairman: Chow, Pong-Chi   President: Hsu, Wei-Chieh   Accounting Manager: Lee, Yun-Ting

Key Ware Electronics Co., Ltd.

Parent Company Only Statements of Cash Flows

From January 1 to December 31, 2022 and 2021

Unit: NT$ thousand

Code		2022	2021
	Cash flows from operating activities		
A10000	Net income before tax	$ 947	$ 32,650
A20010	Adjustments to reconcile income (loss):		
A20100	Depreciation expenses	68,690	73,066
A20200	Amortization expenses	1,842	1,718
A20300	Expected credit impairment loss (reversal gains)	(140)	1,041
A20400	Valuation loss (gain) on financial assets and liabilities measured at fair value through profit or loss	20,853	(8,778)
A20900	Finance costs	25,383	20,660
A21300	Dividend income	(2,256)	(3,288)
A21200	Interest income	(303)	(62)
A21900	Share-based compensation cost	896	3,742
A22500	Gains on property, plant, and equipment	(1,655)	(1,655)
A29900	Unrealized (Realized) gains from sales	8	(140)
A22300	Shares of profits or loss of subsidiaries and associates accounted for using equity method	(49,409)	(48,276)
A24100	Unrealized foreign exchange losses (gains)	944	(4,508)
A30000	Changes in operating assets and liabilities, net		
A31130	Notes receivable	4,091	1,363
A31150	Accounts receivable	(65,388)	(9,542)
A31160	Accounts receivable - related parties	2,311	(9,240)
A31180	Other receivables	1,059	(3,200)
A31190	Other receivables - related parties	188,714	(113,367)
A31200	Inventories	(22,260)	(42,327)
A31230	Prepayments	(8,885)	(8,680)
A31240	Other current assets	(1,977)	(4,516)
A32130	Notes and accounts payables	789	12,555
A32160	Accounts payable - related parties	(11,880)	(14,294)
A32190	Other payables - related parties	11,760	965
A32180	Other payables	414	14,498
A32230	Other current liabilities	1,142	3,942
A32240	Other non-current assets	1,503	1,599
A33000	Cash inflow (outflow) generated from operations	167,193	(104,074)
A33300	Interest paid	(19,364)	(17,323)
A33100	Interest received	303	62

(Continued on the next page)

(Continued from the previous page)

Code		2022	2021
A33200	Interest received	$ 2,256	$ 3,288
A33500	Income tax paid	(114)	(18)
AAAA	Cash inflow (outflow) from operating activities	150,274	(118,065)
	Cash flow from investment activities		
B00010	Acquisition of financial assets at fair value through other comprehensive income	(15,178)	(30,545)
B00020	Proceeds from disposal of financial assets at fair value through other comprehensive income	91,793	5,103
B00100	Acquisition of financial assets at fair value through profit or loss	(89,278)	(113,607)
B00200	Disposal of financial assets at fair value through profit or loss	24,275	112,884
B01800	Net cash outflow from acquisition of associates	-	(10,333)
B02700	Acquisition of property, plant, and equipment	(7,882)	(150,483)
B07100	Decrease in equipment payable	(262,924)	(42,760)
B03700	Increase in refundable deposits	-	(441)
B03800	Decrease in refundable deposits	2,248	-
B07600	Dividends received from associates	10,224	3,570
BBBB	Net cash flows used in investing activities	(246,722)	(226,612)
	Cash flows from financing activities		
C00100	Increase in short-term loans	-	52,931
C00200	Repayments of short-term loans	(26,624)	-
C00500	Increase in short-term notes and bills payable	9,974	26
C01200	Issuance of corporate bonds	-	200,000
C01600	Proceeds from long-term loans	450,199	419,467
C01700	Repayments of long-term loans	(420,511)	(325,726)
C04020	Repayment of the lease principal	(8,962)	(6,754)
C04500	Cash dividends paid	-	(33,868)
C04600	Cash capital increase	-	201,480
C04800	Employees stock option exercised	-	176
CCCC	Net cash outflow used in financing activities	4,076	507,732
EEEE	(Decrease) increase in cash and bank deposits for the year	(92,372)	163,055
E00100	Cash and bank deposits at the beginning of the year	216,260	53,205
E00200	Cash and bank deposits at the end of the year	$ 123,888	$ 216,260

The accompanying notes are an integral part of the Parent Company Only Financial Statements.

Chairman: Chow, Pong-Chi

President: Hsu, Wei-Chieh

Accounting Manager: Lee, Yun-Ting

Key Ware Electronics Co., Ltd.
Notes to Parent Company Only Financial Statements
From January 1 to December 31, 2022 and 2021
(Amount in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

I. Company History

Key Ware Electronics Co., Ltd. (the "Company") was incorporated on February 27, 1997, and is mainly engaged in the design, manufacture and processing of printed circuit board materials such as electroplating solution, dry film, drill bits and copper foil substrates.

The common stock issued by the Company has been listed and traded on the Taipei Exchange since March 29, 2001.

The Parent Company Only Financial Statements are presented in the New Taiwan dollar, the Company's functional currency.

II. Date of Authorization for Issuance of the Parent Company Only Financial Statements and Procedures for Authorization

The Parent Company Only Financial Statements have been approved by the Board of Directors on February 24, 2023.

III. Application of New and Amended Standards and Interpretations

(I) Initial application of the latest Regulations Governing the Preparation of Financial Reports by Securities Issuers, as well as the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Financial Reporting Interpretations Committee (IFRIC), and Standard Interpretations Committee (SIC) (the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (the "FSC").

The application of the latest Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC should not result in major changes in the accounting policies of the Company.

(II) FSC-endorsed IFRSs that are applicable from 2023 onward

New/Revised/Amended Standards and Interpretations	Effective Date of Issuance by the 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 prospectively apply to the annual reporting periods beginning on or after January 1, 2023.

Note 2: The amendments apply to changes in accounting estimates and in accounting policies which take place in the annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments apply to transactions occurring on or after January 1, 2022, except for the recognition of deferred income taxes on temporary differences between leases and ex-service obligations as of January 1, 2022.

(III) Standards issued by the IASB but not yet endorsed and issued into effect by the FSC

New/Revised/Amended Standards and Interpretations	Effective Date of Issuance by the 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
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 "Classify Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

Note 1: Unless otherwise specified, the aforementioned New/Amended/Revised Standards and Interpretations shall be effective for the annual reporting period after the specified dates.

Note 2: Sellers and lessees shall apply the amendments to IFRS 16 retroactively to sale-and-leaseback transactions entered into after the date of initial application of IFRS 16

As of the date of authorization of the Parent Company Only Financial Statements, the Company has continued to assess the effects of amendments to above standards and interpretations on its financial conditions and performance. Related impacts will be disclosed upon completion of the assessment.

IV. Summary of Significant Accounting Policies

(I) Compliance declaration

The Parent Company Only Financial Statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(II) Preparation basis

The Parent Company Only Financial Statements have been prepared on a historical cost basis, except for financial instruments measured at fair value and net defined benefit liabilities recognized at the present value of defined benefit obligations less fair value of plan assets.

The fair value measurement is classified into three levels based on the observability and importance of related input:

1. Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities on the measurement date.
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. deduced from).
3. Level 3: Inputs are unobservable inputs for the asset or liability.

When preparing parent company only financial statements, the Company adopts the equity method for investments in subsidiaries, associates, or joint ventures. In order to align profit or loss, other comprehensive income, and equity from the current year in the Parent Company Only Financial Statements with those attributable to the Company's owners, the differences in accounting treatment with individual and consolidated basis have led to adjustments in "investments accounted for using the equity method", "share of profit or loss of subsidiaries, associates, and joint ventures accounted for using the equity method", "share of other comprehensive income of subsidiary, associates, and joint ventures accounted for using the equity method" and related equity items.

(III) Standards for assets and liabilities classified as current and non-current

Current assets include:

1. Assets held primarily for trading purposes;
2. Assets expected to be realized within 12 months after the balance sheet date; and

3. Cash and bank deposit (excluding assets restricted from being exchanged or used to settle a liability for at least 12 months after the balance sheet date).

Current liabilities include:

1. Liabilities held primarily for trading purposes;
2. Liabilities expected to be settled when due within 12 months after the balance sheet date (even if an agreement to refinance or to reschedule payments on a long-term basis is completed after the balance sheet date and before the financial statements are authorized for issue); and
3. Liabilities with a repayment schedule that cannot be unconditionally deferred till at least 12 months after the publication of the balance sheet. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other assets or liabilities that are not specified above are classified as non-current.

(IV) Foreign currencies

In the preparation of financial statements, transactions denominated in a currency other than the Company’s functional currency (i.e., foreign currency) are translated into the Company's functional currency by using the exchange rate at the date of the transaction.

Monetary items denominated in foreign currencies are translated at the closing rates on the balance sheet date. Exchange differences arising from settlement or translation of monetary items are recognized in profit or loss in the year in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. The resulting exchange difference is recognized in profit or loss. For items whose changes in fair value are recognized in other comprehensive income, the resulting exchange difference is recognized in other comprehensive income.

Non-monetary items measured at historical cost that are denominated in foreign currencies are translated at the rates of exchange prevailing on the transaction dates and are not re-translated.

In the preparation of the consolidated financial statements, the assets and liabilities of foreign operations including subsidiaries, associates, joint ventures or branches that operate in a country or currency different from the Company) are translated into the New Taiwan dollar at the closing rate of exchange prevailing on the balance sheet date. Income and expenses are translated at the average rate of the period. The exchange differences arising are recognized in other comprehensive income.

On the disposal of entire interests in foreign operators, or on the disposal of partial interests in subsidiary of foreign operation with loss of control, or when the retained interests upon the disposal of foreign operation's joint agreement or associate are financial assets and accounted for under the accounting policy for using the accounting policies for financial instruments, all of the accumulated exchange differences and associated with the foreign operation are reclassified to profit or loss.

When partial disposal of subsidiary of a foreign operation does not result in loss of control, the accumulated exchange differences are recognized in equity transactions on a pro rata basis but not in profit or loss. In the case of any other partial disposal of foreign operations, the accumulated exchange differences are reclassified to profit or loss in proportion to the disposal.

(V) Inventories

Inventories comprise raw materials, finished goods and work in process. Inventories are measured at the lower of cost and net realizable value. The comparison between costs and net realizable values is based on individual items except for the same type of inventory. The net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale. Inventory costs are calculated using the weighted average method.

(VI) Investments in subsidiaries

The Company has adopted the equity method for investments in subsidiaries.

Subsidiaries refer to entities controlled by the Company.

Under the equity method, the investment is initially recognized at cost. The carrying amount of investment is adjusted thereafter for the post-acquisition changes in the Company's share of profit or loss and other comprehensive income and profit distribution of the subsidiaries. In addition, changes in the Company’s share of subsidiaries' other equity are recognized in proportion to its shareholding ratio.

Changes in the Company’s ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amount of the investment and the fair value of the consideration paid or received is recognized directly in equity.

The recognition of further losses ceases when the Company's share of losses in subsidiaries equals or exceeds its interest in the subsidiaries (including the carrying amount of its investment in the subsidiaries under the equity method and other long-term interests that are in substance a component of the Company's net investment in the subsidiaries).

Any excess of the cost of acquisition over the Company’s share of the net fair value of the identifiable assets, and liabilities of subsidiaries recognized at the date of acquisition is recognized as goodwill, which is included in the carrying amount of the investment and may not be amortized. Any excess of the Company’s share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized as profit or loss in the current year.

When the Company assesses impairment, the test shall be performed on the basis of cash generating units within the financial statements. The recoverable amount and the carrying amount of cash generating units shall be compared. Subsequently, if the recoverable amount of an asset increases, the recovery of the impairment loss shall be recognized as an advantage, provided that the carrying amount of the asset recovered from the impairment loss shall not exceed the carrying amount of the asset to be amortized if the impairment loss is not recognized. Impairment losses attributable to goodwill shall not be reversed in subsequent periods.

When the Company loses control of a subsidiary, the Company measures its remaining investment in the former subsidiary at fair value at the date of loss of control. The difference between the fair value of the remaining investment and the carrying amount of the investment at the date of loss of control, if any, is recognized in profit or loss for the period. In addition, the Company shall accounts for all amounts recognized in other comprehensive income or loss related to the subsidiary on the same basis as the Company is required to follow for the direct disposal of the related assets or liabilities.

The unrealized profit or loss in downstream transactions between the Company and the subsidiary shall be eliminated in the parent company only financial statements. The gains and losses arising from the countercurrent and side current transactions between the Company and its subsidiaries shall be recognized in the parent company only financial statements only to the extent not related to the Company's equity in the subsidiaries.

(VII) Investments in associates

An associate is an entity over which the Company has significant influence other than a subsidiary or a joint venture.

The Company accounts for investments in associates using the equity method.

Under the equity method, investments are initially treated at cost and adjusted thereafter for the post-acquisition change in the Company's interest in profit or loss, share in other comprehensive income, and profits of associates. In addition, changes in the Company's equity in associates are recognized on a pro rata basis.

Any excess of the cost of acquisition over the Company’s share of the net fair value of the identifiable assets, and liabilities of associates recognized at the date of acquisition is recognized as goodwill, which is included in the carrying amount of the investment and may not be amortized. Any excess of the Company’s share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized as profit or loss in the current year.

When associates and joint ventures issue new shares and the Company does not subscribe to such shares to the extent that its original shareholding ratio can be changed, the difference is recorded as an adjustment to capital surplus - changes in the net value of shares in associates and joint ventures accounted for using the equity method and other investments accounted for using the equity method. If the amount of ownership interests in associates is not subscribed for or obtained in proportion to the shareholding ratio, the amount of the related assets or liabilities shall be recognized in other comprehensive income. The basis of the accounting treatment is the same as that of the associates. The difference in the balance of the capital reserve accounted for using the equity method shall be recognized in retained earnings.

The recognition of further losses ceases when the Company's share of losses in associates equals or exceeds its interest in the associates (including the carrying amount of its investment in the associates under the equity method and other long-term interests that are in substance a component of the Company's net investment in the associates). The Company recognizes additional losses and liabilities only to the extent that legal obligations, constructive obligations or payments on behalf of associates have been incurred.

To assess impairment, the Company has to consider the overall carrying amount (including goodwill) of the investment as a single asset to compare the recoverable and carrying amounts. The cost of impairment identified is to be deemed as part of the carrying amount of the investment. Reversal of the impairment loss is recognized to the extent of subsequent increases in the recoverable amount of investment.

The Company shall cease the use of equity method from the date when its investment is no longer a joint venture. Its retained interest in the associate is measured at fair value, and the difference between the fair value and the carrying amount of the investment and the carrying amount of the investment at the date of acquisition of the equity method is included in profit or loss for the current period. In addition, the Company shall account for all the amounts recognized in other comprehensive income in relation to that joint venture on the same basis as would be required if the associate had directly disposed of the related assets or liabilities. If an investment in an associate becomes a joint venture or an investment in a joint venture becomes an investment an associate, the Company continues to use the equity method without remeasuring the retained interest.

Profits and losses in upstream, downstream and side-stream transactions between the Company and associates are recognized in the parent only financial statements only when the profits and losses are irrelevant to the Company's interests in the associates.

(VIII) Property, plant, and equipment

Property, plant, and equipment shall be recognized at cost and subsequently at cost less accumulated depreciation and accumulated impairment losses.

In addition to land owned by the Company, which is not depreciated, each significant part of property, plant, and equipment is separately depreciated over its useful life on a straight-line basis. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

When property, plant, and equipment is derecognized, the difference between the net disposal proceeds and the carrying amount of the asset shall be recognized in profit or loss.

(IX) Impairment of property, plant and equipment, right-of-use asset, intangible assets (other than goodwill) and assets related to contract costs

On each balance sheet date, the Company reviews the carrying amounts of its property, plant, and equipment as well as right-of-use assets, and intangible assets (excluding goodwill) 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. If it is not possible to determine the recoverable amount for an individual asset, the Company shall estimate the recoverable amount of the asset's cash-generating unit. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

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 fair value minus cost of sales or its value in use, whichever is higher. If the recoverable amount of individual asset or the cash-generating unit is lower than its carrying amount, the carrying amount of the asset or the cash-generating unit shall be reduced to the recoverable amount and the impairment loss shall be recognized in profit or loss.

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.

When an impairment loss subsequently is reversed, the carrying amount of the asset or cash-generating unit 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 for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(X) Financial instruments

Financial assets and financial liabilities shall be recognized in the parent company only balance sheet when the Company becomes a party of the financial instrument contract.

When showing the original financial assets and liabilities, if their fair value was not assessed based on profit or loss, it is the fair value plus the cost of transaction, that is, of its acquisition or issuance of the financial assets or financial liabilities. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1. Financial assets

   Regular trading of financial assets shall be recognized and derecognized in accordance with trade date accounting.

(1) Types of measurement

Financial assets held by the Company are classified as financial assets at fair value through profit or loss, financial assets at amortized cost, and investments in equity instruments at fair value through other comprehensive

A. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets mandatorily measured at fair value through profit or loss and financial assets designated as at fair value through profit or loss. Financial assets mandatorily measured at fair value through profit or loss include equity instrument investments not designated to be measured at fair value through other comprehensive income, and debt instrument investments.

Financial assets at fair value through profit or loss are measured at fair value. Dividends and interest generated are recognized in other income, and gains or losses arising from remeasurement are recognized in other gains and losses. Please refer to Note XXVI for the methods for determining fair values.

B. Financial assets at amortized cost

When the Company's investments in financial assets match the following two conditions simultaneously, they are classified as financial assets at amortized cost:

a. Financial assets are under a business model whose purpose is to hold financial assets and collecting contractual cash flows; and

b. The terms of the contract generate a cash flow on a specified date that is solely for the payment of interest on the principal and the amount of principal outstanding.

After initial recognition, financial assets (including cash and bank deposits, notes receivable measured at amortized cost, accounts receivable, accounts receivable - related parties and other receivables and other receivables - related parties) measured at amortized cost are measured at amortized cost, which equals to gross carrying amount determined by the effective rate method less any impairment loss.

Except for the following two circumstances, interest income is calculated at the value of effective interest rate times the gross carrying amount of financial assets:

a. For purchased or originated credit-impaired financial assets, interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial assets.

b. Financial assets that are not credit impairment from purchases or at the time of founding but subsequently become credit impairments shall be calculated by multiplying the effective interest rate in the reporting period after the credit impairment by the cost after the amortization of financial assets.

Credit-impaired financial assets are those for which the issuer or the debtor has experienced significant financial difficulty, default, a substantial likelihood that the debtor will declare bankruptcy or other financial reorganization, or the disappearance of an active market for the financial assets due to financial difficulties.

C. Investments in equity instruments at fair value through other comprehensive income

The Company may, at initial recognition, make an irrevocable decision to designate an equity instrument that is neither held for trading nor contingent consideration arising from a business acquisition to be measured at fair value through other comprehensive income.

Investments in equity instruments at fair value through other comprehensive income are measured at fair value, and any subsequent fair value changes are recognized in other comprehensive income and accumulated in other equity. When the investment is disposed of, the cumulative profit or loss is directly transferred to retained earnings and not reclassified to profit or loss.

Dividends of investments in equity instruments at fair value through other comprehensive income are recognized in profit or loss when the Company's right to receive payment is confirmed unless such dividends clearly represent the recovery of a part of the investment cost.

(2) Impairment of financial assets

The impairment loss of financial assets (including note and account receivable) at amortized cost is measured by the Company on the balance sheet date based on the expected credit losses.

Allowances shall be appropriated for notes and accounts receivable for expected credit losses for the duration of their existence. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition.

The expected credit loss is the weighted average credit loss determined by the risk of default. The 12-month expected credit losses represent the expected credit losses arising from the possible default of the financial instrument in the 12 months after the balance sheet date, and the expected credit losses during the lifetime represent the expected credit losses arising from all possible defaults of the financial instrument during the expected existence period.

For the purpose of internal credit risk management, under the premise that the collateral held is not under consideration, the Company determines that there is internal or external information indicating that the debtor cannot settle the debt, which represents that the financial assets have breached the contract.

The impairment loss of all financial assets is reduced based on the allowance account.

(3) Derecognition of financial assets

The Company derecognizes the financial assets when the contractual rights to the cash flow from the said financial assets expire or when the Company transfers almost all the risks and rewards of ownership of the financial assets to other enterprises.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received is recognized in profit or loss. Through the full derecognition of the investments in equity instruments at fair value through other comprehensive income, the cumulative profit or loss is directly transferred to retained earnings and not reclassified to 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, issue or cancellation of the Company's own equity instruments.

3. Financial liabilities

(1) Subsequent measurement

All financial liabilities are assessed at amortized cost using the effective interest method.

(2) Derecognition of financial liabilities

When financial liabilities are derecognized, the difference between their carrying amount and the paid consideration (including any transferred non-cash assets or liabilities assumed) shall be recognized in profit or loss.

4. Convertible bonds

The compound financial instruments (convertible bonds) issued by the Company are classified as financial liabilities and equity in accordance with the substance of the contractual agreements and the definitions of financial liabilities and equity instruments, respectively, at the time of initial recognition.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument and is measured at amortized cost using the effective interest method until the effective conversion or maturity date. The components of liabilities that are embedded in non-equity derivatives are measured at fair value.

The conversion right classified as equity is equal to the remaining amount of the fair value of the compound instrument as a whole less the fair value of the separately determined liability component, which is recognized in equity net of the income tax effect and is not subsequently measured. When the conversion right is exercised, the related liability component and the amount in equity will be transferred to equity and capital surplus - issue premium. If the conversion rights of convertible bonds are not exercised on the maturity date, the amount recognized in equity will be transferred to capital surplus - issue premium.

Transaction costs related to the issuance of convertible bonds are allocated to the liability (included in the carrying amount of the liability) and the equity component (included in equity) of the instrument in proportion to the total apportioned price.

(XI) Revenue recognition

After the Company identifies its performance obligations in contracts with customers, it shall amortize the transaction costs to each obligation in the contract and recognize revenue upon satisfaction of performance obligations.

1. Sales revenue of commodities

Sales revenue of commodities comes from the sales of drill bits.. The Company recognizes revenue and accounts receivable when the customer has the right to fix the price and use the goods and has the primary responsibility for re-selling the goods, and bears the risk of obsolescence.

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

2. Service revenue

Service revenue is derived from mechanical drilling service. With the electrical testing of mechanical drilling provided by the Company, customers can obtain and consume performance benefits at the same time, and the related revenue is recognized when the services are provided.

(XII) Leases

The Company assesses whether the contract is (or includes) a lease on the date of its establishment.

1. Where the Company is a lessor:

A lease is classified as a finance lease when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the asset to the lessee. All other leases are classified as operating leases.

Under operating leases, lease payments after deducting lease incentives are recognized as revenue on a straight-line basis over the relevant lease term. The initial direct costs arising from acquisition of operating leases is added to the carrying amount of the underlying assets; and an expense is recognized for the lease on a straight line basis over the lease term.

2. Where the Company is a lessee:

Except that the lease payments of the low value subject-matter assets and short-term leases applicable to recognition exemption are recognized as expenses on a straight-line basis during the lease period, other leases are recognized as right-of-use assets and lease liabilities on the lease commencement date.

The right-of-use asset is initially measured at cost (including the original measured amount of the lease liability, the original direct cost and the estimated cost of the recovery target asset), and subsequently measured at cost minus the accumulated depreciation and the accumulated impairment loss and adjusted for the remeasurement of the lease liability. A right-of-use asset is separately presented on the parent company only balance sheets.

The right-of-use assets shall be depreciated on a straight-line basis from lease commencement date to the end of the useful life or the end of the lease term.

Lease liabilities are measured initially at the present value of the lease payments (including the present value of fixed payments). If the implicit interest rate of lease is easy to determine, the interest rate is used to discount the lease payment. If the interest rate is not easy to determine, the lessee's incremental borrowing rate shall be used.

Subsequently, the lease liability is measured on the basis of amortized cost using the effective interest method, and the interest expense is apportioned during the lease period. If the assessments on lease terms, amounts expected to be paid under residual value guarantees or changes in the index or rate which determines the lease payments result in changes in future lease payments, the Company would remeasure the lease liabilities with a corresponding adjustment on the right-of-use assets. However, if the carrying amount of right-of-use assets has been reduced to zero, the remaining remeasurement amount is recognized in profit or loss. Lease liabilities are expressed separately in the parent company only balance sheets.

(XIII) 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 service rendered by employees.

2. Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

The costs of defined benefits under the defined benefit pension plan (including service cost, net interest, and the remeasurement amount) are calculated based on the projected unit credit method. The cost of services (including the cost of services of the current periods) and the net interest of the net defined benefit liabilities (assets) are recognized as employee benefit expenses. The remeasurement amount (including actuarial gains and losses and the return on plan assets after deducting interest) is recognized in other comprehensive income and presented in retained earnings when it occurs. It shall not be reclassified to profit or loss in subsequent periods.

Net defined benefit liabilities (assets) are the deficit (residual) of the contribution made according to the defined benefit pension plan. Net defined benefit assets shall not exceed the present value of refunds of contributions from the plan or reductions in future contributions.

(XIV) Share-based payment arrangements

Shares for employees are expensed on a straight-line basis over the vesting period, based on the fair value at the grant date and the Company's best estimate of the number expected to ultimately vest, with a corresponding increase in capital surplus - employee stock options If the acquisition is made immediately on the date of grant, the full cost is recognized on the date of grant. The Company reserves the right to retain employee subscriptions for cash capital increases by recognizing the date of granting the employee subscriptions.

The Company revises the estimated number of employee stock options expected to be vested at each balance sheet date. If the original estimate is revised, the effect is recognized in profit or loss so that the accrued expenses reflect the revised estimate, with a corresponding adjustment to capital surplus - employee stock options.

(XV) Income Tax

Income tax expenses are the sum of the tax in the current period and deferred income tax.

1. Current income tax

The Company determines the income (loss) of the current period in accordance with the laws and regulations in each income tax declaration jurisdiction, and calculates the income tax payable (recoverable) accordingly.

A tax is levied on the unappropriated earnings pursuant to the Income Tax Act of the Republic of China and is recorded as an income tax expense in the year when the shareholders' meeting resolves to appropriate the earnings.

Adjustments to prior year income taxes are shown in the taxes of the current period.

2. Deferred income tax

Deferred income tax is calculated based on the temporary difference between the carrying amount of the assets and liabilities and the taxable basis of the taxable income.

Deferred income tax liabilities are generally recognized for all taxable temporary differences, and deferred income tax assets are recognized when there are likely taxable income for the deducting temporary differences, loss carryforwards or income tax credits available for expenditures on machinery and equipment, research and development and personnel training.

Deferred income tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, affiliates and 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. For deductible temporary differences associated with such investment, when it is probable that sufficient taxable income will be available to realize such temporary difference, a deferred tax asset is recognized, but only to the extent of the amount that is expected to be reversed in the foreseeable future.

The carrying amount of the deferred income tax assets is re-examined at each balance sheet date and the carrying amount is reduced for assets that are no longer likely to generate sufficient taxable income to recover all or part of the assets. Deferred income tax assets that were not initially recognized as such are reviewed at each balance sheet date and the carrying amount is increased to the extent that it is probable that future taxable income will be available to recover all or part of the asset.

Deferred income tax assets and liabilities are measured at the tax rate of the period of expected repayment of liabilities or realization of assets. The rate is based on the tax rate and tax laws that have been enacted prior to the balance sheet date or have been substantially legislated. 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 balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

3. Current and deferred income taxes for the year

Current income tax and deferred income tax are recognized in profit or loss or directly recognized in equity except for those related to items recognized in other comprehensive income that shall be recognized in other comprehensive income or directly recognized in equity.

V. Primary Sources of Uncertainties in Material Accounting Judgments, Estimates, and Assumptions

When the Company adopts accounting policies, the management must make judgments, estimates, and assumptions based on historical experience and other critical factors for related information that are not readily available from other sources. Actual results may differ from these estimates.

The management shall continue to review the estimates and basic assumptions. If an amendment of estimates only affects the current period, it shall be recognized in the period in which the accounting estimate is revised. If an amendment of accounting estimates affects the current year and future periods, it shall be recognized in the period of amendment and future periods.

VI. Cash and bank deposits

	December 31, 2022	December 31, 2021
Cash on hand	$ 284	$ 241
Checks and demand deposits in banks	123,604	216,019
	$ 123,888	$ 216,260

The interest rate interval of bank deposits as of the balance sheet date is as follows:

	December 31, 2022	December 31, 2021

Bank deposits	0.00%~1.05%	0.00%~0.20%

VII. Financial Instruments at Fair Value through Profit or Loss

Financial assets - current

	December 31, 2022	December 31, 2021
Mandatorily measured at fair value through profit or loss		
Domestic listed and emerging stocks	$ 12,308	$ 2,897
Foreign listed stocks	41,160	3,261
	$ 53,468	$ 6,158

Financial liabilities - Current

	December 31, 2022	December 31, 2021
Financial liabilities held for trading		
Repurchase option (Note XV)	$ 4,380	$ -

Financial liabilities - Non-current

	December 31, 2022	December 31, 2021
Financial liabilities held for trading		
Repurchase option (Note XV)	$ -	$ 1,220

VIII. Financial assets at fair value through other comprehensive income

Investments in equity instruments

	December 31, 2022	December 31, 2021
Current		
Domestic OTC stocks	$ 354,046	$ 339,771
Non-current		
Domestic unlisted (OTC) stocks	$ 27,325	$ 12,285
Foreign unlisted (OTC) stocks	25,440	27,859
	$ 52,765	$ 40,144

The Company invested in equity instruments for medium- and long-term strategic purposes. The management chose to designate these investments to be measured at fair value through other comprehensive income as they believed 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.

In 2022 and 2021, the Company adjusted the investment positions to diversify the risk by selling certain investments in equity instruments at fair value of NT$91,793 thousand

and NT$5,103 thousand, respectively, and the related unrealized gain on financial assets at fair value through other comprehensive income of NT$7,060 thousand and NT$1,162 thousand, respectively, was transferred to retained earnings.

For information on pledges of investments in equity instruments measured at fair value through other comprehensive income or loss, see Note XXVI.

IX. Notes Receivables, Accounts Receivables, and Other Receivables－Net

	December 31, 2022	December 31, 2021
Notes receivable		
Due to operation	$ 3,624	$ 7,715
Less: Loss allowances	-	-
	$ 3,624	$ 7,715
Accounts receivable		
Due to operation	$ 230,242	$ 160,452
Less: Allowance for bad debts	(1,295)	(1,435)
	$ 228,947	$ 159,017
Other receivables		
Refundable business tax	$ -	$ 5,275
Receivable from disposal of investments	7,569	3,423
Others	143	73
	$ 7,712	$ 8,771

To minimize credit risk the management of the Company has delegated operational personnel to follow up on amounts past due to ensure that appropriate actions have been taken to recover overdue receivables. In addition, the Company reviews the recoverable amount of each individual receivable on the balance sheet date to ensure that adequate allowances are made for possible irrecoverable amounts. As such, the management concludes that the credit risk of the Company is significantly reduced.

The Company's credit period for commodity sales averages 120~180 days, and no interest was charged on accounts receivable.

The Company adopts the simplified approach as stipulated in IFRS 9 and recognizes loss allowances for accounts receivables based on the lifetime expected credit losses. The expected credit losses for the remaining period are calculated using a provision matrix, which takes into account the historical average recovery rates of various age groups of customers and the customers' past default records and current financial position. An allowance for loss is recognized as a percentage of the probable loss rate.

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

Loss allowances for notes and accounts receivable based on the provision matrix are as follows:

December 31, 2022

	0 to 90 Days	91 to 180 Days	181 to 270 Days	271 to 360 Days	over 360 Days	Total
Expected credit loss rate	0%	0%	0%	0%	100%	
Total carrying amount	$ 136,953	$ 90,583	$ 5,023	$ 12	$ 1,295	$ 233,866
Allowance for loss (expected credit losses during the period)	-	-	-	-	(1,295)	(1,295)
Amortized cost	$ 136,953	$ 90,583	$ 5,023	$ 12	$ -	$ 232,571

December 31, 2021

	0 to 90 Days	91 to 180 Days	181 to 270 Days	271 to 360 Days	over 360 Days	Total
Expected credit loss rate	0%	0%	0%	0%	100%	
Total carrying amount	$ 110,516	$ 53,173	$ 3,043	$ -	$ 1,435	$ 168,167
Allowance for loss (expected credit losses during the period)	-	-	-	-	(1,435)	(1,435)
Amortized cost	$ 110,516	$ 53,173	$ 3,043	$ -	$ -	$ 166,732

Changes in loss allowances for accounts receivable are as follows:

	2022	2021
Beginning balance	$ 1,435	$ 394
Provision (reversal) of impairment loss for the year	(140)	1,041
Write-off in the current year	-	-
Ending balance	$ 1,295	$ 1,435

The Company's accounts receivable as of December 31, 2022 and 2021 are significantly concentrated in major customers and are subject to credit risk as described in Note XXIV.

X. Inventories

	December 31, 2022	December 31, 2021
Raw material	$ 11,346	$ 11,254
Work in process	22,573	27,604
Finished products	176,098	148,899
	$ 210,017	$ 187,757

As of December 31, 2022 and 2021, the Company had an allowance for inventory valuation losses of NT$4,184 thousand.

The costs of goods sold related to inventories for the years ended December 31, 2022 and 2011 were NT$567,544 thousand and NT$472,064 thousand, respectively.

XI. Investments Accounted for Using the Equity Method

	December 31, 2022	December 31, 2021
Investments in subsidiaries	$ 1,654,064	$ 1,591,453
Investments in associates	20,658	20,543
	$ 1,674,722	$ 1,611,996

(I) Investments in subsidiaries

	December 31, 2022		December 31, 2021	
Name of Subsidiary	Amount	Equity %	Amount	Equity %
Key Ware International Limited	$ 1,595,508	100.00	$ 1,514,831	100.00
Key De Precise Industries Co., Ltd	28,288	51.00	34,590	51.00
Laserware Laser Technology Co., Ltd	970	99.99	969	99.99
Jia Chi Co., Ltd	28,697	83.63	40,463	83.63
Hui Peng Technology Co., Ltd	601	60.00	600	60.00
	$ 1,654,064		$ 1,591,453	

(II) Investments in associates

	December 31, 2022		December 31, 2021	
Name of Investee	Amount	Equity %	Amount	Equity %
Non-significant associates				
Rong Pei Wisdom Co., Ltd.	$ 20,658	22.73	$ 20,543	22.73

Aggregated financial information about the Company's associates is as follows:

	2022	2021
The Company's share of:		
Net income of continuing operations for the year	$ 1,103	$ 1,098
Other comprehensive income	$ -	$ -

On May 7, 2021, the Board of Directors of the Company resolved to participate in the capital increase of Rong Pei Wisdom Co., Ltd. by subscribing 1,033 thousand shares at NT$10 per share in proportion to the original shareholding. The base date of capital increase is May 11, 2021.

XII. Property, plant, and equipment

	Self-owned Land	Housing and Construction	Machinery	Office Equipment	Other Equipment	Lease Improvements	Total
Cost							
Balance as of January 1, 2021	$ 113,167	$ 169,021	$ 1,029,100	$ 13,630	$ 13,173	$ -	$ 1,338,091
Addition	-	-	157,505	995	2,751	140,868	302,119
Reclassifications	-	-	22,776	-	-	-	22,776
Balance as of December 31, 2021	$ 113,167	$ 169,021	$ 1,209,381	$ 14,625	$ 15,924	$ 140,868	$ 1,662,986
Accumulated depreciation and impairment							
Balance as of January 1, 2021	$ -	$ 44,058	$ 735,382	$ 11,920	$ 8,001	$ -	$ 799,361
Depreciation expenses	-	3,341	56,214	150	739	5,672	66,116
Balance as of December 31, 2021	$ -	$ 47,399	$ 791,596	$ 12,070	$ 8,740	$ 5,672	$ 865,477
Net as of December 31, 2021	$ 113,167	$ 121,622	$ 417,785	$ 2,555	$ 7,184	$ 135,196	$ 797,509
Cost							
Balance as of January 1, 2022	$ 113,167	$ 169,021	$ 1,209,381	$ 14,625	$ 15,924	$ 140,868	$ 1,662,986
Addition	-	-	6,876	87	428	491	7,882
Reclassifications	-	-	31,889	-	-	169	32,058
Balance as of December 31, 2022	$ 113,167	$ 169,021	$ 1,248,146	$ 14,712	$ 16,352	$ 141,528	$ 1,702,926
Accumulated depreciation and impairment							
Balance as of January 1, 2022	$ -	$ 47,399	$ 791,596	$ 12,070	$ 8,740	$ 5,672	$ 865,477
Depreciation expenses	-	3,343	40,484	384	870	14,991	60,072
Balance as of December 31, 2022	$ -	$ 50,742	$ 832,080	$ 12,454	$ 9,610	$ 20,663	$ 925,549
Net as of December 31, 2022	$ 113,167	$ 118,279	$ 416,066	$ 2,258	$ 6,742	$ 120,865	$ 777,377

(I) Depreciation of property, plant and equipment is calculated on a straight-line basis according to the following durable years:

Housing and Construction	50 years
Machinery	2 to 13 years
Transportation Equipment	3 years
Office Equipment	3 to 8 years
Other Equipment	3 to 20 years
Lease Improvements	3 to10 years

(II) In 2018, the Company sold machinery and equipment to Wuhan Laserware Laser Technology Co., Ltd, a 100%-owned subsidiary of the Group. The difference between the net disposal price and the carrying amount of the asset of NT$16,547 thousand was deferred (recorded as long-term deferred income). A gain of NT$1,655 thousand and a loss of NT$1,655 thousand (recorded as other gains and losses) on the disposal of the assets were recognized in 2022 and 2021, respectively, based on the useful lives of the assets.

(III) To enhance the overall production capacity of the Group's drilling business, the Company entered into a lease agreement for the plant in November 2020 and signed contracts with engineering vendors for plant integration, floor grouting, electricity distribution and piping, etc. As of December 31, 2022, the Company had paid NT$141,528 thousand and had accepted and recognized as lease improvements.

(IV) For the amount of property, plant, and equipment pledged as collateral, please refer to Note XXVI.

XIII. Lease Agreements

(I) Right-of-use assets

	December 31, 2022	December 31, 2021
Carrying amount of right-of-use assets		
Buildings	$ 18,145	$ 23,944
Transportation Equipment	1,853	2,022
	$ 19,998	$ 25,966

	2022	2021
Addition of Right-of-Use Assets	$ 2,862	$ 16,051
Depreciation of Right-of-Use Assets		
Buildings	$ 5,798	$ 4,802
Transportation Equipment	2,820	2,148
	$ 8,618	$ 6,950

(II) Lease liabilities

	December 31, 2022	December 31, 2021
Carrying amount of lease liabilities		
Current	$ 6,871	$ 7,730
Non-current	$ 13,457	$ 18,462

Ranges of discount rates for lease liabilities are as follows:

	December 31, 2022	December 31, 2021
Buildings	1.89%	1.89%
Transportation Equipment	1.56%～1.61%	1.89%

(III) Major lease activities and terms

The Company leases certain plants and vehicles for business use for a period of 3 to 5 years. At the end of the lease term, the lease agreements do not contain renewal or off-take provisions.

(IV) Other lease information

	2022	2021
Short-term lease expenses	$ 169	$ 930
Low-value asset lease expense	$ 209	$ 29
Total cash flows on lease	($ 9,340)	($ 8,201)

XIV. Loans

(I) Short-term loans

	December 31, 2022	December 31, 2021
Unsecured loans		
Credit line loans	$ 539,257	$ 438,775
Secured loans		
Bank loans	60,000	165,000
	$ 599,257	$ 603,775

The interest rates on revolving bank loans as of December 31, 2022 and 2021 are as follows:

	December 31, 2022	December 31, 2021
NTD	2.00%～2.49%	1.20%～1.89%
JPY	1.10%～1.44%	0.90%～1.37%

(II) Short-term notes and bills payable

	December 31, 2022	December 31, 2021
Commercial paper payable	$ 45,000	$ 35,000
Less: Discount on short-term notes and bills payable	35	9
	$ 44,965	$ 34,991

The outstanding short-term bills payable as of the balance sheet date are as follows:

December 31, 2022

Guarantor/Accepting Institution	Nominal Amount	Discounted Amount	Carrying amount	Interest Rate	Collateral	Carrying amount of collaterals
Commercial paper payable						
Mega Bills	$ 45,000	$ 35	$ 44,965	1.75%	—	$ -

December 31, 2021

Guarantor/Accepting Institution	Nominal Amount	Discounted Amount	Carrying amount	Interest Rate	Collateral	Carrying amount of collaterals
Commercial paper payable						
Mega Bills	$ 25,000	$ 4	$ 24,996	0.59%	—	$ -
Taiwan Finance Cooperation	10,000	5	9,995	1.56%	—	-
	$ 35,000	$ 9	$ 34,991			$ -

(III) Long-term loans

	December 31, 2022	December 31, 2021
Secured loans		
Bank loans	$ 523,429	$ 493,741
Less: Classified as due within 1 year	21,621	419,467
	$ 501,808	$ 74,274

On October 1, 2019, the Company entered into a guarantee loan agreement with Shin Kong Bank for a total amount of NT$400,000 thousand, which was transferred to the loan facility in one lump sum on the same date, with a maturity date of September 11, 2022. On January 26, 2022, the Company modified the terms and conditions of the aforementioned credit agreement, with the total amount of NT$440,000 thousand and the maturity date of the loan on January 26, 2015., and the loan was allocated to the credit line on March 7, 2022. The interest rate of the loan is based on the fixed reserve rate index plus floating rate.

On May 24, 2021, the Company entered into a secured loan agreement with the Bank of Panhsin for a total amount of NT$105,000 thousand and allocated NT$60,000 thousand, NT$10,000 thousand and NT$30,000 thousand on July 27, 2021, September 29, 2021 and October 29, 2021, respectively, for a period of five years, with monthly repayments based on the fixed annuity method. The interest rate is based on the fixed rate index plus floating rate.

On April 25, 2022, the Company entered into a secured loan agreement with the First Commercial Bank for a total amount of NT$10,200 thousand and allocated NT$10,200 thousand on May 25, 2022 for a period of five years, with monthly repayments based on the fixed annuity method. The interest rate is based on the fixed rate index plus floating rate.

The effective interest rates were 1.90% to 2.38% and 1.50% to 1.60% per annum for the years ended December 31, 2022 and 2021, respectively.

Please refer to Note XXVI for the secured bank loans.

XV. Corporate bonds payable

	December 31, 2022	December 31, 2021
Third unsecured corporate bonds for 2021	$ 193,912	$ 188,856

On April 21, 2021, the FSC approved the issuance of the third domestic unsecured convertible bonds of NT$200,000 thousand, with a face value of NT$100 thousand each and a coupon rate of 0%, with a maturity of 3 years, all of which have not been converted as of December 31, 2022. The repayment or conversion method is as follows:

(I) Upon maturity, the Company shall redeem the bonds at par value.

(II) If the conditions are fulfilled, the Company may redeem the bonds in cash at the face value of the bonds from 3 months after the issuance date to 40 days before the issuance date.

(III) After three months from the date of issuance to the maturity date of the bonds, except for the period when the transfer is suspended by law, the bondholders may request the Company to convert the bonds into shares of the Company's common stock at the then prevailing conversion price at any time. According to the issuance and conversion rules of the Company's bonds, the original conversion price was NT$21. The conversion price is adjusted to NT$19.8 as of October 5, 2021, which is the base date of the cash capital increase.

(IV) The date on which the convertible bonds expire 2 years after issuance is the base date for bondholders to redeem the bonds.The bondholders can request the Company to redeem the bonds held by the bondholders at face value plus interest compensation within 30 days prior to the redemption date.

The above convertible bonds consist of liability and equity components. The equity component is recorded as capital surplus - stock options, and the liability component is originally recognized with an effective interest rate of 2.68%. The repurchase option is measured at fair value through profit or loss. Information on the components of liabilities and equity are as follows:

Issuance proceeds (less transaction costs of NT$4,634 thousand)	$ 195,366
Equity components	(8,556)
Repurchase option	(1,140)
Liability components at issue date	185,670
Interest calculated at an effective rate of 2.68%	8,242
Liability components as of December 31, 2022	$ 193,912

XVI. Other payables

	December 31, 2022	December 31, 2021
Salaries and bonuses payable	$ 11,941	$ 12,999
Service charge payable	4,134	3,675
Utilities payable	2,129	2,400
Equipment payables	-	262,924
Others	16,353	17,569
	$ 34,557	$ 299,567

XVII. Post-retirement Benefit Plan

(I) Defined contribution plans

The Company adopts a pension plan under the Labor Pension Act, which is a state-managed defined contribution plan. According to the Labor Pension Act, the Company makes monthly contributions to employees' individual pension accounts at 6% of their monthly salaries.

The amount to be appropriated by the Company in accordance with the defined contribution plan for 2022 and 2021 has been recognized in the parent company only statements of income as expenses totaling NT$4,993 thousand and NT$4,399 thousand, respectively.

(II) Defined benefit plans

The pension system adopted by the Company under the "Labor Standards Act" is a state-managed defined benefit plan. The employee's pension is calculated based on the length of service and the average salary for the six months before the approved retirement date. The Company allocates 2% of employees' monthly salaries respectively to the Supervisory Committee of Labor Retirement Reserve's dedicated account in the Bank of Taiwan as pension reserve funds. If the estimated balance of the special account before the end of the year is not enough to pay for the workers who are expected to reach retirement in the following year, the difference shall be withdrawn in one lump sum by the end of March of the following year. The Bureau of Labor Funds, Ministry of Labor administers the account. The Company has no right over its investment and administration strategies.

The amount included in the parent company only balance sheet for obligations arising from the Company's defined benefit plans are as follows:

	December 31, 2022	December 31, 2021
Present value of defined benefit obligation contributed	($ 36,640)	($ 29,708)
Fair value of plan assets	24,430	21,826
Balance of contribution	(12,210)	(7,882)
Pension payable (recognized as other non-current liabilities)	($ 12,210)	($ 7,882)

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

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit (liabilities) assets
January 1, 2021	($ 31,136)	$ 21,369	($ 9,767)
Service costs for the current period	(2,352)	-	(2,352)
Interest (expenses) income	(131)	90	(41)
Recognized in profit or loss	(2,483)	90	(2,393)
Remeasurements			
Planned asset remuneration (excluding amounts included in net interest)	-	291	291
Actuarial losses - changes in demographic assumptions	1,471	-	1,471
Actuarial losses - changes in financial assumptions	3,472	-	3,472
Actuarial gains - experience adjustment	(1,747)	-	(1,747)
Recognized in other comprehensive income	3,196	291	3,487
Contribution by the employer	-	791	791
Benefit paid	715	(715)	-
December 31, 2021	($ 29,708)	$ 21,826	($ 7,882)

(Continued on the next page)

(Continued from the previous page)

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit (liabilities) assets
January 1, 2022	($ 29,708)	$ 21,826	($ 7,882)
Service costs for the current period	(2,254)	-	(2,254)
Interest (expenses) income	(276)	203	(73)
Recognized in profit or loss	(2,530)	203	(2,327)
Remeasurements			
Planned asset remuneration (excluding amounts included in net interest)	-	1,578	1,578
Actuarial losses - changes in demographic assumptions	-	-	-
Actuarial losses - changes in financial assumptions	(9,390)	-	(9,390)
Actuarial gains - experience adjustment	4,988	-	4,988
Recognized in other comprehensive income	(4,402)	1,578	(2,824)
Contribution by the employer	-	823	823
Benefit paid	-	-	-
December 31, 2022	($ 36,640)	$ 24,430	($ 12,210)

The Company has the following risks owing to the implementation of the pension system under the Labor Standards Act:

1. Investment risks: The Bureau of Labor Funds, Ministry of Labor invests the labor pension fund in equity securities, debt securities, and bank deposits in domestic (foreign) banks through independent implementation and commissioned operations. However, the distributed amount from the plan assets received by the Company shall not be lower than interest on a two-year time deposit at a local bank.
2. Interest rate risk: The decrease in the interest rate will increase the present value of defined benefit obligations, but the yield on debt investment of plan assets will also increase accordingly, which will partially offset the impact on net defined benefit liabilities.

3. Salary risk: The present value of defined benefit obligations is calculated with reference to future salaries of plan members. Therefore, the salary increase of plan members will increase the present value of the defined benefit obligation.

The present value of the Company's defined benefit obligations is calculated by certified actuaries and the major assumptions on the assessment date are as follows:

	December 31, 2022	December 31, 2021
Discount rate	1.50%	0.93%
Expected salary increase rate	3.00%	1.00%

If changes occur in major actuarial assumptions with other assumptions unchanged, the present value of defined benefit obligations will increase (decrease) as follows:

	December 31, 2022	December 31, 2021
Discount rate		
Increase by 0.5%	($ 3,769)	($ 2,856)
Decrease by 0.5%	$ 4,281	$ 3,251
Expected salary increase rate		
Increase by 0.5%	$ 4,193	$ 3,231
Decrease by 0.5%	($ 3,734)	($ 2,867)

As actuarial assumptions may be related to one another, the likelihood of fluctuation in a single assumption is not high. Therefore, the aforementioned sensitivity analysis may not reflect the actual fluctuations of the present value of defined benefit obligations.

	December 31, 2022	December 31, 2021
Expected amount of contribution within 1 year	$ 822	$ 791
Average duration of defined benefit obligations	22 years	21 years

The Company's defined contribution plan and defined benefit plan related pension expense for 2022 and 2021 are recognized in each of the following single lines:

	2022	2021
Operating costs	$ 4,476	$ 3,801
Selling and marketing expenses	$ 278	$ 176
General and administrative expenses	$ 2,424	$ 2,669
Research and development expenses	$ 142	$ 146

XVIII. Equity

(I) Capital stock

Common stock

	December 31, 2022	December 31, 2021
Share capital authorized	$ 2,500,000	$ 2,500,000
Number of shares authorized (in thousands)	250,000	250,000
Share capital issued	$ 1,899,283	$ 1,899,133
Number of Shares (in thousands)	189,928	189,913
Common stock issued publicly	$ 1,734,493	$ 1,734,343
Common stock of private placement	164,790	164,790
Share capital issued	$ 1,899,283	$ 1,899,133
Capital collected in advance	$ -	$ 176

The common stock issued has a par value of $10 per share and each share is entitled to one vote and the right to receive dividends.

On February 26, 2021, the Board of Directors resolved to issue 13,800 thousand shares of common stock with a par value of $10 per share, for a total issue amount of NT$138,000 thousand at par. The aforementioned capital increase was approved by the FSC on April 21, 2021, and the base date of the capital increase was October 5, 2021, with a subscription price of NT$14.6 per share and a paid-in capital of NT$201,480 thousand, which has been fully received and registered.

At the shareholders' meeting held on July 20, 2021, the Company resolved to issue 6,774 thousand new shares by transferring capital from earnings. The aforementioned allotment of new shares without compensation was approved and reported by the Securities and Futures Bureau of the FSC on August 19, 2021, and the base date of the capital increase is September 14, 2021.

In November 2021, the Company's employees exercised stock options of NT$176 thousand for 15 thousand common shares at a subscription price of NT$11.7 per share, which were registered as a change on March 28, 2022.

(II) Capital surplus

	December 31, 2022	December 31, 2021
May be used to offset deficits, appropriated as cash dividends or transferred to capital (1)		
Stock issuance premium	$ 64,872	$ 64,794
Expired employee stock options	559	559
May not be used for any purpose		
Employees stock option	6,152	5,308
Stock option	8,556	8,556
	$ 80,139	$ 79,217

1. This type of capital surplus may be used to cover loss or issue cash or replenish capital when there is no loss, but capital replenishment is restricted to the ratio of actual capital stock each year.

(III) Retained earnings and dividend policy

In accordance with the provisions of the Company's earnings distribution policy, if the Company has a net profit for the current year, it shall first use the profit to pay income taxes and make up for any accumulated losses, and then set aside 10% as a legal capital reserve. Any excessive balance may be reserved or transferred to be a special reserve pursuant to relevant laws. Any remaining balance in retained earnings may be appropriated for dividends in accordance with a proposal for appropriation of earnings as approved by the Board of Directors and submit it to the shareholders' meeting for distribution of shareholder dividends. For the Company's policy on employee and director remuneration distribution in the Articles of Incorporation, please refer to Note XIX.

Since the Company's business is growing, the dividend distribution policy is based on the Company's current and future investment environment, capital requirements, domestic and international competition and capital budget, taking into account shareholders' rights and interests, balanced dividends and the Company's long-term financial planning, etc. The Board of Directors prepares the distribution plan annually in accordance with the law and submits it to the shareholders' meeting. For the current year's stock dividends, cash dividends shall be distributed at a rate of not less than 10% of the total dividends distributed.

The legal reserve shall be appropriated until the remaining balance reaches the Company's total paid-in capital. The legal reserve may be used to make up for losses. When the Company has no loss, the portion of the legal reserve exceeding 25% of the total paid-in capital may be appropriated in the form of cash, in addition to being transferred to share capital.

The Company appropriates or reserves special reserve in accordance with the Official Letter No. 1010012865, Official Letter No. 1010047490, Official Letter No. 1030006415 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs."

The shareholders' meetings which approved the distribution of earnings for years ended December 31, 2021 and 2020 were held on June 22, 2022 and July 20, 2020, respectively; the distributions of earnings are as follows:

	Distribution of Earnings		Dividends Per Share (NT$)	
	2021	2020	2021	2020
Legal reserve	$ 3,538	$ 8,842		
Special reserve	34,141	(28,037)		
Cash dividends	-	33,868	$ -	$ 0.200
Stock Dividends	-	67,736	-	0.400

On February 24, 2023, the Board of Directors proposed the distribution of earnings for the year ended December 31, 2022 as follows:

	Distribution of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 745	
Special reserve	(34,141)	
Cash dividends	18,993	$ 0.100
Stock Dividends	21,852	0.115

The distribution of earnings for the year ended December 31, 2022 is subject to the resolution in the annual shareholders' meeting on June 16, 2023.

(IV) Special reserve

When IFRSs were first adopted, the Company recorded accumulated translation adjustments to retained earnings of NT$158,644 thousand, and a special reserve of the same amount was provided.

The special reserve resulting from the translation of the financial statements of foreign operating companies is reversed in proportion to the disposal of the Company's shares and shall be reversed in full when the Company loses significant influence over the Company. Upon the distribution of earnings, a special reserve should be provided for the difference between the net decrease in other shareholders' equity recorded at the end of the reporting period and the special reserve provided for the first time using IFRSs. If there is a subsequent reversal of the balance of the other shareholders' equity reduction, the reversed portion of the surplus shall be distributed.

(V) Other equity items

1. Exchange differences on translation of financial statements of foreign operations

	2022	2021
Beginning balance	($ 109,332)	($ 103,079)
Incurred this year		
Exchange differences on translation of financial statements of foreign operations	23,549	(7,815)
Income taxes related to exchange differences on translation of financial statements of foreign operations	(4,710)	1,562
Ending balance	($ 90,493)	($ 109,332)

2. Unrealized valuation gains (losses) on financial assets at fair value through other comprehensive income

	2022	2021
Beginning balance	($ 113,549)	$ 130,327
Incurred this year		
Unrealized gain or loss - equity instruments	103,510	(242,714)
Accumulated gains (losses) on disposal of equity instruments transferred to retained earnings	(7,060)	(1,162)
Ending balance	($ 17,099)	($ 113,549)

XIX. Net income of continuing operations

Net income of continuing operations includes the following items:

(I) Other income

	2022	2021
Rental income	$ 24,530	$ 24,000
Dividend income	2,256	3,288
	$ 26,786	$ 27,288

(II) Other gains and losses

	2022	2021
Net gain or loss on financial instruments at fair value through profit or loss	($ 20,853)	$ 8,778
Gains on property, plant, and equipment	1,655	1,655
Net foreign exchange gains	37,264	15,157
Depreciation expense on rental equipment	(12,080)	(11,738)
Others	(556)	(970)
	$ 5,430	$ 12,882

(III) Finance costs

	2022	2021
Interest on bank loans	$ 19,880	$ 16,986
Interest on corporate bonds	5,056	3,186
Interest on lease liabilities	447	488
	$ 25,383	$ 20,660

(IV) Employee benefits and depreciation and amortization expenses

	2022			2021		
	Operation Costs	Operation Expenses	Total	Operation Costs	Operation Expenses	Total
Employee benefits						
Salary expenses	$ 87,791	$ 25,707	$ 113,498	$ 77,253	$ 30,287	$ 107,540
Employee insurance expenses	9,952	2,134	12,086	8,479	2,256	10,735
Pension expenses	4,476	2,844	7,320	3,801	2,991	6,792
Remuneration Paid to Directors	-	626	626	-	1,293	1,293
Other employee benefits	935	147	1,082	748	142	890
Depreciation expenses	53,068	3,542	56,610	58,212	3,116	61,328
Amortization expenses	1,457	385	1,842	1,437	281	1,718

Depreciation expense on equipment leased to others (recorded as machinery and equipment) amounted to NT$12,080 thousand and NT$11,738 thousand in 2022 and 2021, respectively (recognized as other gains and losses).

For 2022 and 2021, the average number of employees of the Company is 178 and 162, respectively, of which the average number of directors who are not also employees is 8.

1. The average employee benefits expense for the current year is NT$788 thousand（"Total employee benefit expenses for the current year - Total Directors' remuneration" / "Number of employees for the current year - Number of Directors who do not concurrently serve as employees"） The

average employee benefits expense for the previous year is NT$818 thousand ((Total employee benefit expenses for the previous year - Total Directors' remuneration) / (Number of employees for the previous year - Number of Directors who do not concurrently serve as employees))

2. The average employee salary expense for the current year is NT$668 thousand (Total employee salary expenses for the current year / (Number of employees for the current year - Number of Directors who do not concurrently serve as employees)) The average employee salary expense for the previous year was NT$698 thousand (Total salary expense for the previous year / (Number of employees in the previous year - Number of Directors who do not concurrently serve as employees)).

3. Change in average employee salary expense is (4.30)% ((Average employee salary expense of the current year - Average employee salary expense of the previous year) / Average employee salary expense of the previous year).

4. Salary and remuneration policy

   The remuneration to directors is based on the results of the operation of the Company and the performance evaluation of the Board of Directors, and is reasonable; The remuneration to the managers is in accordance with the Company's current policies, systems, standards and structure for salary and compensation, and the performance evaluation and evaluation of the reasonableness of the remuneration are submitted to the Salary and Compensation Committee and the Board of Directors for review and approval; The performance evaluation and salary compensation of employees are based on the salary payment standards, and the performance of individuals is evaluated by considering their time, responsibilities, and achievement of goals. The Company has established the Audit Committee to replace supervisors.

(V) Employee compensation and director remuneration

In accordance with the Company's Articles of Incorporation, the Company sets aside 1% to 10% and not more than 1% of the pre-tax benefit before employee and director remuneration distributions for the year, respectively, for employee compensation and director remuneration. The estimated employee compensation and director remuneration for 2022 and 2021 were resolved by the Board of Directors on February 24, 2023 and February 25, 2022, respectively, as follows:

Estimated percentage

	2022	2021
Employee compensation	1.00%	1.00%
Director remuneration	-	1.00%

Amount

	2022		2021	
	Cash	Stock	Cash	Stock
Employee compensation	$ 10	$ -	$ 333	$ -
Director remuneration	-	-	333	-

If there is still any change in the amount after the annual parent company only financial statements are authorized for issue, the differences shall be treated as a change in accounting estimates in the following year.

The amounts of employee compensation distributed for the years ended December 31, 2021 and 2020 and those recognized in the parent company only financial statements are consistent.

At the board of directors' meeting held on May 6, 2022, the Company resolved to allocate NT$0 thousand for directors' remuneration for 2021, which is different from the amount of NT$333 thousand recognized in the parent company only financial statements for 2021, and the difference was adjusted to the profit or loss for 2022. There was no difference between the amount of directors' remuneration for 2020 and the amount recognized in the parent company only financial statements for 2020.

Information on employee compensation and director remuneration resolved by the Board of Directors is available on the "Market Observation Post System" of the Taiwan Stock Exchange Corporation.

XX. Income tax on continuing operations

(I) Major components of income tax (benefit) expense recognized in profit or loss

	2022	2021
Current income tax		
Incurred this year	$ -	$ 372
Additional tax on unappropriated earnings	-	97
Adjustments from previous years	(372)	-
	(372)	469
Deferred income tax		
Incurred this year	(1,329)	750
Income tax (benefit) expense recognized in profit or loss	($ 1,701)	$ 1,219

Reconciliation between accounting income and current income tax (benefit) expenses is as follows:

	2022	2021
Net income of continuing operations before tax	$ 947	$ 32,650
Income tax expense on net income before tax at statutory rate (20%)	$ 189	$ 6,530
Fees that cannot be deducted from taxes	4,309	2,949
Tax-exempted income	(5,712)	(10,242)
Additional tax on unappropriated earnings	-	97
Unrecognized loss carryforwards	(115)	1,513
Basic tax amount taxable	-	372
Adjustments of current income tax expenses in previous years	(372)	-
Income tax (benefit)expense recognized in profit or loss	($ 1,701)	$ 1,219

(II) Income tax recognized in other comprehensive income

	2022	2021
Deferred income tax		
Incurred this year		
Exchange differences on translation of financial statements of foreign operations	($ 4,710)	$ 1,562
Gains (losses) on re-measurements of defined benefit plans	565	(697)
Income tax gain recognized in other comprehensive income	($ 4,145)	$ 865

(III) Deferred income tax assets and liabilities

Changes in deferred income tax assets and liabilities are as follows:

2022

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Deferred income tax assets				
Temporary differences				
Allowance for bad debts	$ 32,696	($ 159)	$ -	$ 32,537
Inventory write-down	711	-	-	711
Defined benefit obligation	1,655	295	565	2,515
Unrealized disposal gain of equipment	2,299	(331)	-	1,968
Others	(179)	1,524	-	1,345
	$ 37,182	$ 1,329	$ 565	$ 39,076
Deferred income tax liabilities				
Temporary differences				
Exchange differences on translation of foreign operations	($ 5,160)	$ -	($ 4,710)	($ 9,870)

2021

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Deferred income tax assets				
Temporary differences				
Allowance for bad debts	$ 32,504	$ 192	$ -	$ 32,696
Inventory write-down	711	-	-	711
Defined benefit obligation	2,032	320	(697)	1,655
Unrealized disposal gain of equipment	2,630	(331)	-	2,299
Others	752	(931)	-	(179)
	$ 38,629	($ 750)	($ 697)	$ 37,182
Deferred income tax liabilities				
Temporary differences				
Exchange differences on translation of foreign operations	($ 6,722)	$ -	$ 1,562	($ 5,160)

(IV) Items not recognized as deferred income tax assets

	December 31, 2022	December 31, 2021
Loss carryforwards		
Due in 2032	$ 7,553	$ 7,564

(V) Income tax assessment

The Company's income tax returns for 2020 have been examined and audited by the tax authorities.

XXI. Earnings per Share

Unit: NT$ Per Share

	2022	2021
Basic earnings per share		
From continuing operations	$ 0.01	$ 0.18
Diluted earnings per share		
From continuing operations	$ 0.01	$ 0.18

Net income and weighted average number of common shares used for calculation of earnings per share are as follows:

Net Income for the period

	2022	2021
Net income used for calculation of basic earnings per share	$ 2,648	$ 31,431
Net income used for calculation of diluted earnings per share	$ 2,648	$ 31,431

Number of shares

Unit: Thousand shares

	2022	2021
Weighted average number of common shares used for calculation of basic earnings per share	189,926	176,113
Effect of potentially dilutive common shares:		
Employees stock option	-	171
Employee compensation	334	934
Weighted average number of common shares used for calculation of diluted earnings per share	190,260	177,218

If the Company chooses to offer employee compensation or share profits in the form of cash or stock, while calculating diluted earnings per share, and assuming that the compensation is paid in the form of stock, the dilutive potential common shares will be included in the weighted average number of outstanding shares to calculate diluted earnings per share. The dilutive effect of such potential common shares shall continue to be considered when calculating diluted earnings per share before the number of shares to be distributed as employee compensation is approved in the following year.

XXII. Share-based payment arrangements

(I) The Company's employees stock option plan

In November 2019, the Company granted 1,700 units of stock options to employees, each of which entitles them to subscribe for 1,000 shares of common stock. The grant is made to employees of the Company and its subsidiaries who meet certain criteria. The validity of the stock options is 6 years, and the certificate holders can exercise a certain percentage of the subscription rights granted after 2 years from the date of issuance. The exercise price of the stock options is the closing price of the Company's common stock on the date of issuance. If there is a change in the shares of the Company's common stock after the stock options are issued, the exercise price of the stock options shall be adjusted in accordance with the prescribed formula. The Company recognized remuneration costs of NT$896 thousand and NT$2,316 thousand in 2022 and 2021, respectively.

Information on employee stock options is as follows:

	2022		2021	
Employees stock option	Unit (Thousand)	Weighted average exercise price (NT$)	Unit (Thousand)	Weighted average exercise price (NT$)
Outstanding at the beginning of the year	1,700	$12.60	1,700	$12.60
Granted during the year	-	-	-	-
Exercised during the year	(150)	11.70	-	-
Outstanding at the end of the year	1,550	11.70	1,700	12.60
Exercisable at the end of the year	1,550		850	

The Company adopted the Black-Scholes valuation model and the input values used in the valuation model are as follows:

	November 1, 2019
Stock price at grant date	NT$12.60
Exercise price	NT$12.60
Expected volatility	35.35%
Duration	6 years
Risk-free interest rate	0.575%／0.591%

The expected volatility is measured by the annualized standard deviation of the Company's stock price return for the past year.

(II) Employee stock options for cash capital increase

On July 2, 2021, the Board of Directors resolved to increase the capital by cash and reserved 10% of the total new shares issued for subscription by employees in accordance with the Company Act. Based on the fair value of the stock options at grant date, the Company recognized a compensation cost of NT$1,426 thousand for employee stock options in 2021, and recognized the same amount for capital surplus - employee stock options. Of which, 243 thousand shares of employees' unexercised stock options have been transferred from capital surplus - employee stock options to NT$559 thousand.

XXIII. Capital Risk Management

The Company manages capital management under the precondition for sustainable development to ensure that it is able to maximize the benefit for its shareholders by optimizing debt and equity. The capital structure of the Company consists of the Company's equity attributable to the owners of the Company (i.e., capital stock, capital surplus, retained earnings and other equity items).

The Company reviews the capital structure of the Company on a quarterly basis, which includes consideration of the cost of various types of capital and the associated risks. According to the management's opinions, the Company balances its overall capital structure through dividend payments, issuance of new shares, repurchase of shares and issuance of new debt or repayment of old debt.

XXIV. Financial instruments

(I) Information on fair value - financial instruments not measured at fair value

December 31, 2022

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial liabilities					
Financial liabilities measured at amortized cost					
- Corporate bonds payable	$ 193,912	$ -	$ -	$ 193,140	$ 193,140

December 31, 2021

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial liabilities					
Financial liabilities measured at amortized cost					
- Corporate bonds payable	$ 188,856	$ -	$ -	$ 192,160	$ 192,160

The fair value measurement of Level 3 is based on the binary tree convertible bond valuation model, taking into consideration the duration of the bonds, the stock price of the underlying convertible bonds and its fluctuation, the conversion price, the risk-free interest rate, the risk discount rate and the liquidity risk of the convertible bonds.

(II) Information on fair value - financial instruments measured at fair value on a recurring basis

1. Fair value level

December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Non-derivative financial assets				
— Domestic emerging stocks	$ -	$ -	$ 12,308	$ 12,308
— Foreign listed stocks	41,160	-	-	41,160
Total	$ 41,160	$ -	$ 12,308	$ 53,468
Financial assets at fair value through other comprehensive income				
Investments in equity instruments				
— Domestic OTC stocks	$ 354,046	$ -	$ -	$ 354,046
— Domestic and foreign unlisted (OTC) stocks	-	-	52,765	52,765
Total	$ 354,046	$ -	$ 52,765	$ 406,811
Financial liabilities at fair value through profit or loss				
— Repurchase option for convertible bonds	$ -	$ -	$ 4,380	$ 4,380

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Non-derivative financial assets				
— Domestic listed stocks	$ 2,897	$ -	$ -	$ 2,897
— Foreign listed stocks	3,261	-	-	3,261
Total	$ 6,158	$ -	$ -	$ 6,158
Financial assets at fair value through other comprehensive income				
Investments in equity instruments				
— Domestic OTC stocks	$ 339,771	$ -	$ -	$ 339,771
— Domestic and foreign unlisted (OTC) stocks	-	-	40,144	40,144
Total	$ 339,771	$ -	$ 40,144	$ 379,915
Financial liabilities at fair value through profit or loss				
— Repurchase option for convertible bonds	$ -	$ -	$ 1,220	$ 1,220

In 2021 and 2020, there was no transfer between Level 1 and Level 2 fair value measurement.

2. Reconciliation of financial instruments measured at fair value in Level 3

Financial Instruments at Fair Value through Profit or Loss

	2022	2021
Beginning balance	($ 1,220)	$ -
Purchase	11,389	-
Recognized in profit or loss (other gains and losses)	(2,241)	(80)
Issuance of corporate bonds as part of the repurchase options	-	(1,140)
Ending balance	$ 7,928	($ 1,220)

Financial assets at fair value through other comprehensive income

	2022	2021
Beginning balance	$ 40,144	$ 28,979
Purchase	15,180	13,888
Recognized in other comprehensive income	(2,559)	(2,723)
Ending balance	$ 52,765	$ 40,144

3. Valuation techniques and inputs of Level 3 fair value measurement

Category of Financial Instruments	Valuation Technique and Inputs
Domestic and foreign unlisted (OTC) and emerging stocks	The total value of the individual assets and individual liabilities covered by the valuation targets is evaluated on a balance sheet basis, and the market approach is appropriately applied to the nature of the individual valuation targets, taking into account the liquidity discount and the control discount, to reflect the overall value of the enterprise or business.
Repurchase option for convertible corporate bonds	Binary tree convertible bond valuation model: The Company considers the duration of the bonds, the stock price of the underlying convertible bonds and its fluctuation, the conversion price, the risk-free interest rate, the risk discount rate and the liquidity risk of the convertible bonds.

If the evaluation parameters of the Company were to change downward by 5%, other comprehensive income or loss would decrease by NT$1,596 thousand and NT$1,496 thousand in 2022 and 2021, respectively, due to the change in fair value of investments in equity instruments classified as Level 3.

(III) Category of financial instruments

	December 31, 2022	December 31, 2021
Financial assets		
Financial assets at fair value through profit or loss	$ 53,468	$ 6,158
Financial assets at fair value through other comprehensive income	406,811	379,915
Financial assets at amortized cost (Note 1)	431,382	650,256
Financial liabilities		
Financial liabilities at fair value through profit or loss	4,380	1,220
Measured at amortized cost (Note 2)	1,501,539	1,715,229

Note 1: The balance includes cash and bank deposits, notes receivable, accounts receivable, accounts receivable - related parties, other receivables, other receivables - related parties, certain other current assets and refundable deposits, which are measured at amortized cost.

Note 2: The balance includes financial liabilities at amortized cost such as short-term borrowings, short-term notes payable, notes and accounts payable, accounts payable - related parties, certain other payables, other payable - related parties, certain other current liabilities, corporate bonds payable and long-term borrowings.

(IV) Financial risk management objectives and policies

The financial risk management objective of the Company is to manage the exchange rate risk, credit risk and liquidity risk associated with operating activities. To reduce the related financial risks, the Company is committed to identifying, evaluating and hedging market uncertainties in order to reduce the potential adverse effects of market changes on the Company's financial performance.

The significant financial activities of the Company are reviewed by the Board of Directors in accordance with the relevant regulations and internal control system. During the implementation of the financial plan, the Company must comply with the relevant financial operating procedures regarding the overall financial risk management and allocation of authority and responsibility.

1. Market risk

The main financial risk the Company is exposed in the business activities are foreign exchange risk.

(1) Foreign exchange risk

The carrying amounts of the Company's monetary assets and monetary liabilities denominated in non-functional currencies as of the balance sheet date (including monetary items denominated in non-functional currencies that have been written off in the parent company only financial statements) are shown in Note XXVIII.

The Company is mainly affected by the fluctuation of the exchange rate between the USD and the JPY and has significant amounts of assets and liabilities due to foreign currency transactions. Although the gains and losses on foreign currency assets and liabilities are offset by changes in market exchange rates, the amount of foreign currency assets and foreign currency liabilities of the Company are significantly different and therefore subject to foreign exchange risk. If the U.S. dollar depreciates 3% against the New Taiwan dollar, pre-tax income would decrease by NT$5,507 thousand and NT$2,334 thousand in 2022 and 2021, respectively; if the U.S. dollar strengthens 3% against the New Taiwan dollar, pre-tax income would decrease by NT$1,433 thousand and NT$1,702 thousand in 2022 and 2021, respectively.

(2) Interest rate risk

Interest rate risk arises because entities within the Company engage in borrowing at both fixed and floating rates. The Company manages interest rate risk by maintaining an appropriate mix of fixed and floating rates.

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

	December 31, 2022	December 31, 2021
Cash flow interest rate risk		
- Financial liabilities	$ 1,167,651	$ 1,132,507

The sensitivity analysis below is prepared based on the risk exposure of non-derivative instruments to the interest rates at balance sheet date. For floating rate liabilities, the analysis assumes that the amount of the liability outstanding at the balance sheet date is outstanding at the reporting date.

If interest rates increase by 1%, with all other variables held constant, the Company's net income before income taxes would decrease by NT$11,677 thousand and NT$11,325 thousand in 2022 and 2021, respectively.

(3) Equity securities price risk

Market risk of equity securities includes individual risk arising from changes in the market price of individual equity securities and general market risk arising from changes in the overall market price.

If the Company's equity price decreases by 10%, the net income before income tax for 2022 and 2021 would decrease by NT$4,116 thousand and NT$616 thousand, respectively, due to the change in fair value of financial assets measured at fair value through profit or loss. Other comprehensive income in 2022 and 2021 would decrease by NT$40,681 thousand and NT$37,992 thousand, respectively, due to the change in fair value of financial assets measured at fair value through other comprehensive income.

2. Credit risk

Credit risk refers to risk that causes the financial loss of the Group due to a counterparty's delay in performing contractual obligations. As of the balance sheet date, the Company's maximum exposure to credit risk (without considering collaterals or other credit enhancement instruments and the maximum amount of irrevocable exposure) that could result in financial loss due to the counter-parties' failure to perform their obligations and the Company's provision of financial guarantees was mainly from the carrying amount of financial assets recognized in the parent company only balance sheet.

The Company's policy is to transact only with creditworthy counterparties and to obtain adequate guarantees, if necessary, to mitigate the risk of financial losses arising from defaults.

To minimize credit risk, the Company reviews the recoverable amount of each individual receivable on the balance sheet date to ensure that adequate allowances are made for possible irrecoverable amounts. As such, the management concludes that the credit risk of the Company is significantly reduced.

The counter-parties to the liquidity and derivative financial instruments are banks with high credit ratings from international credit rating agencies, so the credit risk is not significant.

Accounts receivable are due from a wide range of customers in various geographic locations. The Company continuously evaluates its accounts receivable customers' financial condition, credit rating agencies, the Company's internal credit rating, historical transaction history, and other factors that may affect customers' ability to pay. The Company also uses measures such as sales on a prepayment basis to reduce the credit risk of specific customers.

As of December 31, 2022 and 2021, the percentages of accounts receivable from the top ten customers to the Company's accounts receivable balances were 94% and 63%, respectively. The credit concentration risk of the remaining accounts receivable was relatively insignificant.

3. Liquidity risk

The Company supports the operations and reduces the impact of fluctuating cash flows by managing and maintaining sufficient cash and bank deposit. The management of the Company supervises the use of the credit line and ensures compliance with the terms of the loan contracts.

Bank loans are an important source of liquidity for the Company. As of December 31, 2022 and 2021, the Company had unused short-term banking facilities of NT$325,015 thousand and NT$235,801 thousand, respectively, and the Company had unused long-term banking facilities of NT$31,771 thousand and NT$11,259 thousand, respectively.

<u>Liquidity and interest rate risk tables</u>

The following table details the analysis of the remaining contractual maturities of the Company's non-derivative financial liabilities with contractual repayment periods, which are based on the earliest possible date on which the Company could be required to make repayment, and is prepared using the undiscounted cash flows of the financial liabilities, which include cash flows of interest and principal.

The maturity analysis of the Company's non-derivative financial liabilities is prepared based on the contractual repayment dates.

December 31, 2022

	Less than 1 year	1 to 5 year(s)	Total
Non-derivative financial liabilities			
Short-term loans	$ 599,257	$ -	$ 599,257
Short-term notes and bills payable	45,000	-	45,000
Notes and accounts payables	66,292	-	66,292
Accounts payable - related parties	27,190	-	27,190
Other payables	26,577	-	26,577
Other payables - related parties	12,725	-	12,725
Lease liabilities	7,181	13,711	20,892
Other current liabilities	7,192	-	7,192
Long-term loans	-	501,808	501,808
Corporate bonds payable	-	200,000	200,000

December 31, 2021

	Less than 1 year	1 to 5 year(s)	Total
Non-derivative financial liabilities			
Short-term loans	$ 603,775	$ -	$ 603,775
Short-term notes and bills payable	35,000	-	35,000
Notes and accounts payables	64,942	-	64,942
Accounts payable - related parties	38,420	-	38,420
Other payables	288,311	-	288,311
Other payables - related parties	965	-	965
Lease liabilities	8,144	19,000	27,144
Other current liabilities	1,228	-	1,228
Long-term loans	-	74,274	74,274
Corporate bonds payable	-	200,000	200,000

XXV. Related Party Transactions

In addition to those disclosed in other notes, the transactions between the Company and related parties are as follows:

(I) Names and relations of related parties

Related Party	Relationship with the Company
Jia Chi Co., Ltd (hereinafter referred to as "Jia Chi")	Subsidiaries
Key De Precise Industries Co., Ltd (hereinafter referred to as "Key De Precise")	Subsidiaries
Kunshan Key Ware Electronics Co., Ltd (hereinafter referred to as "Kunshan Key Ware")	Subsidiaries
Wuhan Laserware Laser Technology Co., Ltd (hereinafter referred to as "Wuhan Laserware Laser")	Subsidiaries
Kunshan Laserware Laser Technology Co., Ltd (hereinafter referred to as "Kunshan Laserware Laser")	Subsidiaries

(II) Operating revenue

Type of Related Party	2022	2021
Subsidiaries		
Kunshan Key Ware	$ 133,395	$ 134,892
Jia Chi	67,793	47,782
	$ 201,188	$ 182,674

(III) Purchase of goods

Type of Related Party	2022	2021
Subsidiaries		
Kunshan Key Ware	$ 69,482	$ 74,062
Others	5	934
	$ 69,487	$ 74,996

The purchase and sale of goods to related parties are based on cost, and both parties negotiate prices with reference to market conditions.

(IV) Accounts payable

Type of Related Party	December 31, 2022	December 31, 2021
Subsidiaries		
Kunshan Key Ware	$ 16,680	$ 34,360
Jia Chi	41,530	27,186
	$ 58,210	$ 61,546

The trading terms for the sale of semi-finished drill bits to Kunshan Key Ware and the drilling foundry with Jia Chi are net 180 days, net 90 to 150 days for domestic general customers and net 60 to 165 days for foreign general customers.

(V) Other receivables

Type of Related Party	December 31, 2022	December 31, 2021
Subsidiaries		
Kunshan Laserware Laser	$ -	$ 97,012
Kunshan Key Ware	1,234	89,845
Jia Chi	6,224	6,300
Others	4	3
	$ 7,462	$ 193,160

The amount represents the lease of equipment to Jia Chi and the purchase of equipment on behalf of Kunshan Laserware Laser and Kunshan Key Ware.

(VI) Accounts payable

Type of Related Party	December 31, 2022	December 31, 2021
Subsidiaries		
Kunshan Key Ware	$ 27,190	$ 38,405
Others	-	15
	$ 27,190	$ 38,420

The trading terms for the purchase of drill bits and slotting tools from subsidiaries are net 120 days and net 90 to 120 days for general non-related parties.

(VII) Other payables

Type of Related Party	December 31, 2022	December 31, 2021
Subsidiaries		
Kunshan Key Ware	$ 11,660	$ -
Jia Chi	1,065	965
	$ 12,725	$ 965

The amount represents the purchase of machinery and equipment from Kunshan Key Ware and the maintenance of the machinery and equipment by Jia Chi on behalf of the Company.

(VIII) Lease agreements

Operating lease

The Company leases the use of machinery and equipment to Jia Chi under an operating lease for a period of three years. As of December 31, 2022, operating lease receivables amounted to NT$6,205 thousand and total lease payments to be received in the future amounted to NT$24,000 thousand. The lease income (recognized as other income) amounted to NT$24,480 thousand and NT$24,000 thousand in 2022 and 2021, respectively.

(IX) Endorsements/Guarantees

As of December 31, 2022 and 2021, the Company's endorsement/ guarantees for related parties is as follows:

Type of Related Party	December 31, 2022		December 31, 2021	
	Total Credits	Credit in Force	Total Credits	Credit in Force
Subsidiaries	$ 230,000	$ 33,000	$ 230,000	$ 60,000

(X) Remuneration to the management

	2022	2021
Short-term employee benefits	$ 7,811	$ 8,639
Retirement benefits	36	156
	$ 7,847	$ 8,795

XXVI. Pledged Assets

The following assets were provided as collateral for the Company's bank loans and performance guarantees:

	December 31, 2022	December 31, 2021
Property, plant, and equipment		
Land	$ 113,167	$ 113,167
Housing and Construction	118,279	121,622
Machinery	221,899	9,775
Financial assets at fair value through other comprehensive income - current		
Domestic OTC stocks	130,835	306,364

XXVII. Other Matters

Due to the spread of COVID-19, the Company's subsidiaries in the Kunshan area have taken temporary shutdown and adopted closed management in the second quarter of 2022 in response to the local government's epidemic prevention policy. The Company has taken appropriate contingency measures.

The Company will also make cost savings to reduce operating costs and operational risks, and will continue to monitor the development of the outbreak and assess its impact.

XXVIII. Information on Foreign Currency-denominated Assets and Liabilities of Significant Influence

The following information is aggregated by the foreign currencies other than the functional currency of the Company and the exchange rates between foreign currencies and the functional currency are disclosed. The significant impact on assets and liabilities recognized in foreign currencies is as follows:

Unit: Foreign currency/NT$ thousand

	December 31, 2022			December 31, 2021		
	Foreign currencies	Exchange Rate	NTD	Foreign currencies	Exchange Rate	NTD
Monetary items of financial assets						
USD	$ 5,977	30.71	$ 183,554	$ 11,553	27.68	$ 319,785
JPY	328,260	0.2324	76,288	356,693	0.2405	85,785
Non-monetary items of financial assets						
USD	53,672	30.71	1,648,267	56,177	27.68	1,554,975
Monetary items of financial liabilities						
USD	-	30.71	-	8,742	27.68	241,987
JPY	533,810	0.2324	124,057	592,633	0.2405	142,528

Please refer to Note XIX for the Company's foreign currency exchange gains and losses (realized and unrealized) for the years 2022 and 2021. Due to the large number of foreign currency transactions, it is not possible to disclose the exchange gains and losses by foreign currency for each material effect.

XXIX. Supplementary Disclosures

(I) Information on Significant Transactions:

1. Loans provided for others. (Table 1)
2. Endorsements/Guarantees Provided for Others. (Table 2)
3. Securities held at end of period (excluding investments in subsidiaries, associates, and joint ventures). (Table 3)
4. Accumulated Purchase or Sale of the Same Securities Amounting to NT$300 Million or 20% of Paid-in Capital or More. (None)
5. Acquisition of Real Estate Amounting to NT$300 Million or 20% of the Paid-in Capital or More. (None)
6. Disposal of property amounting to NT$300 million or 20% of paid-in capital or more. (None)
7. Purchases or Sales with Related Parties Amounting to NT$100 Million or 20% of Paid-up Capital or More. (Table 4)

8. Receivables from related parties amounting to NT$100 million or 20% of paid-up capital or more. (None)

9. Derivatives transactions. (None)

(II) Information on investee companies (Table 5)

(III) Information on Investments in Mainland China:

1. Information on any investee company in mainland China (name, main business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income, carrying amount of investment at end of period, repatriations of investment income, and limit on the amount of investment in mainland China. (Table 6)

2. Major transactions with any investee company in mainland China directly or indirectly through a third region, and their prices, payment terms, unrealized gains (losses), and other information:

(1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period. (Table 7)

(2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period. (Table 7)

(3) The amount of property transactions and the amount of the resultant gains or losses. (None)

(4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes. (None)

(5) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds. (Table 1)

(6) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services. (None)

(IV) Information on Major Shareholders: Name, amount and percentage of shareholding of shareholders with 5% or more of the shares. (Table 8)

XXX. <u>Segment Information</u>

The Company's segment information is disclosed in the 2022 consolidated financial statements.

Key Ware Electronics Co., Ltd. and its investee companies

Loans provided for others

2022

Table 1

Unit: NT$ thousand

No.	Financing Company	Counterparty	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending balance	Actual Amount Drawn	Interest Rate	Nature for Financing	Transaction Amounts	Reason for Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Note 1)	Financing Company's Total Financing Amount Limits (Note 1)
													Item	Value		
0	The Company	4 Companies including Kunshan Key Ware Electronics Co., Ltd (Note 2)	Other receivables - related parties	Yes	$ 100,000	$ 100,000	$ -	-	Short-term Financing	$	Operations turnover	$ -	-	$ -	$ 209,644	$ 838,575
1	Kunshan Key Ware Electronics Co., Ltd	Wuhan Laserware Laser Technology Co., Ltd (Note 3)	Other receivables - related parties	Yes	33,819	17,638	17,638 RMB 4,000	-	Short-term Financing		Operations turnover	-	-	-	157,993 RMB 35,831	631,972 RMB 143,322

Note 1: In accordance with the "Regulations Governing the Loaning of Funds to Others", the total amount of funds loaned to others shall not exceed 40% of the Company's most recent audited or reviewed financial statements. The amount of individual loans shall not exceed 10% of the net value of the company to which the funds are lent if necessary for financial assistance.

Note 2: The loan of 100% of the Company's capital to an investee company was approved by the Board of Directors on May 6, 2022. The Company intends to lend funds to 100% of its investees (including Key Ware International Limited, Advisor Move Investments Limited, Module System International Limited, and Kunshan Key Ware Electronics Co., Ltd. The total amount of the loan is limited to NT$100 million (or its equivalent in foreign currency), and the chairman is authorized to allocate or recycle the funds in installments within one year after the resolution of the board of directors.

Note 3: On October 26, 2021, the Board of Directors of Key Ware approved the loan of funds to Wuhan Laserware Laser . The capital was loaned to Wuhan Laserware Laser Technology Co., Ltd, a direct or indirect 100% voting stock investee company, to support the operational development needs.

Key Ware Electronics Co., Ltd. and its investee companies

Endorsements/Guarantees Provided for Others

2022

Table 2

Unit: NT$ thousand

No.	Endorser/ Guarantor	Endorsee/Guarantee		Limit on Endorsements/ Guarantees Provided for Single Entity (Note 1)	Maximum Endorsement/ Guarantee Balance	Ending Balance	Actual Amount Drawn	Amount of Endorsements/ Guarantees Collateralized by Property	Ratio of Accumulated Endorsements/ Guarantees to Net Worth per Latest Financial Statements	Endorsement/ Guarantee Ceiling (Note 1)	Endorsements/Guarantees Provided by Parent for Subsidiary	Endorsements/Guarantees Provided by Subsidiary for Parent	Endorsements/Guarantees Provided for Subsidiary in Mainland China
		Name of Company	Relationship										
0	The Company	Key De Precise Industries Co., Ltd	Investee (subsidiaries) accounted for using the equity method	$ 419,287	$ 200,000	$ 200,000	$ 8,000	-	9.54%	$ 1,257,862	Y	N	N
0	The Company	Jia Chi Co., Ltd	Investee (subsidiaries) accounted for using the equity method	419,287	30,000	30,000	25,000	-	1.43%	1,257,862	Y	N	N
1	Kunshan Key Ware Electronics Co., Ltd	Kunshan Laserware Laser Technology Co., Ltd	Investee (subsidiaries) accounted for using the equity method	315,986	41,678 RMB 9,600	41,678	22,048 RMB 5,000	-	2.68%	947,958	N	N	Y

Note 1: In accordance with the Company's endorsement and guarantee procedures, the aggregate amount of the endorsement and guarantee shall not exceed 60% of the Company's latest audited or reviewed financial statements, and the amount of endorsement and guarantee for a single enterprise shall not exceed 20% of the aforementioned net value.

Key Ware Electronics Co., Ltd. and its investee companies

Securities Held at End of Period

December 31, 2022

Table 3

Unit: NT$ thousand

Securities Holding Company	Marketable Securities and Name	Relationship with Issuer of Securities	Ledger Account	Ending Balance				Remark
				Number of Shares (in Thousands)	Carrying amount	Shareholding Ratio (%)	Market Value/Net Equity Value	
The Company	Domestic listed and emerging stocks							
	Qbic Technology Co., Ltd.	—	Financial assets at fair value through profit or loss - current	350	$ 12,308	2.22%	$ 12,308	
	Savior Lifetec Corporation	—	Financial assets at fair value through other comprehensive income - current	14,276	354,046	4.50%	354,046	Note 1
	Domestic unlisted (OTC) stocks							
	Han Yu Venture Capital Co., Ltd.	—	Financial assets at fair value through other comprehensive income - non-current	4,000	27,325	8.89%	27,325	
	Concord Venture Capital Group Limited	—	Financial assets at fair value through other comprehensive income - non-current	-	11,578	13.57%	11,578	
	Kirana Inc.	—	Financial assets at fair value through other comprehensive income - non-current	1,809	13,862	2.07%	13,862	
	Foreign listed (OTC) stocks							
	Silicon Motion Technology Corp.	—	Financial assets at fair value through profit or loss - current	21	41,160	0.06%	41,160	
Kunshan Key Ware Electronics Co., Ltd	Renminbi financial products							
	China CITIC Bank - Win-Win Stable Daily Profit	—	Financial assets at fair value through profit or loss - current	-	22,048 RMB 5,000	-	22,048 RMB 5,000	

Note 1: The Company provided 6,850 thousand shares of Savior Lifetec Corporation to financial institutions as a collateral for financing.

Key Ware Electronics Co., Ltd. and its investee companies

Purchases or Sales with Related Parties Amounting to NT$100 Million or 20% of Paid-up Capital or More

2022

Table 4

Unit: NT$ thousand

Purchase (sales) of goods	Counterparty	Relationship	Transaction Situation				Unusual Transaction Terms and Reasons		Notes and Accounts Receivable (Payable)		Remark
			Purchases (Sales)	Amount	Percentage of Total Purchases (Sales) (%)	Credit Period	Unit price	Credit Period	Balance	Percentage of Notes and Accounts Receivable (Payable)	
Key Ware Electronics Co., Ltd.	Kunshan Key Ware Electronics Co., Ltd	Investee (subsidiaries) accounted for using the equity method	Sales	($ 133,334)	(19%)	Net 180 days	-	Usually net 90 to 150 days	$ 16,680	6%	—
Key De Precise Industries Co., Ltd	Wen Shung Industrial Corp.	Substantial related party	Purchase of goods	164,712	98%	Net 120 days	-	Usually net 90 to 120 days from invoice date	(27,184)	(98%)	—

Key Ware Electronics Co., Ltd. and its investee companies

Name of investee company, location and other related information

2022

Table 5

Unit: NTD/USD

Name of Investor	Name of Investee	Location	Main Business Activities	Initial Investment Amount		Ending Balance			Profit (Loss) of Investee for the Period	Investment Income (Loss) Recognized for the Period	Remark
				Ending Balance for the Current Period	Ending Balance for the Previous Period	Number of Shares (in Thousands)	Shareholding (%)	Carrying amount			
Key Ware Electronics Co., Ltd.	Key Ware International Limited	Trustnet Chambers, P.O. Box 3444, Road Town, Tortola, B.V.I.	General investment	$ 728,349 USD 23,717	$ 728,349 USD 23,717	23,717	100.00	$ 1,595,508	$ 60,340 RMB 13,645	$ 57,136 RMB 12,918	Note 1, Note 3
	Key De Precise Industries Co., Ltd	No. 31, Keji 2nd Rd., Guishan Dist., Taoyuan City	Wholesale and processing of electronic parts and components	30,600	30,600	612	51.00	28,288	9,115	2,934	Note 1, Note 4
	Laserware Laser Technology Co., Ltd	4F., No. 76, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City	Electronic components, machinery and equipment	1,000	1,000	100	99.99	970	1	1	Note 2
	Rong Pei Wisdom Co., Ltd.	4F., No. 76, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City	General investment	18,667	8,333	1,867	22.73	20,658	4,850	1,103	Note 1
	Jia Chi Co., Ltd	4F., No. 8-5, Nangong Ln., Sec. 1, Nangong Rd., Luzhu Dist., Taoyuan City	Wholesale and processing of electronic parts and components	49,500	49,500	2,972	83.63	28,697	(13,352)	(11,766)	Note 1, Note 5
	Hui Peng Technology Co., Ltd	No. 32, Xingbang Rd., Taoyuan Dist., Taoyuan City	Electronic components, machinery and equipment	600	600	60	60.00	601	2	1	Note 2
Key Ware International Limited	Advisor Move Investments Limited	Trustnet Chambers, P.O. Box 3444, Road Town, Tortola, B.V.I.	General investment	305,872 USD 9,960	305,872 USD 9,960	9,960	100.00	1,131,988 RMB 256,179	60,494 RMB 13,680	60,494 RMB 13,680	Note 1
	Module System International Limited	Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands	General investment	397,909 USD 12,957	397,142 USD 12,932	12,957	100.00	459,164 RMB 104,132	(230) (RMB 52)	(230) (RMB 52)	Note 1

Note 1: The calculation is based on the investee's audited financial statements for 2022.

Note 2: The calculation is based on the investee's unaudited financial statements for 2022.

Note 3: The difference is due to the unrealized gross profit of the parent company to the associates and the unrealized gain on asset transactions.

Note 4: The difference is due to amortization expense of intangible assets arising from investments.

Note 5: The difference is due to unrealized gain from asset transactions between associates.

Note 6: For information on Mainland China investee, please refer to Table 6.

Key Ware Electronics Co., Ltd. and its investee companies

Information on Investments in Mainland China

2022

Table 6

Unit: NTD/USD/RMB thousand

Investee Company	Main Business Activities	Paid-in Capital	Method of Investments	Accumulated Amount of Investments Remitted from Taiwan at Beginning of Period	Amount of Investments Remitted or Repatriated for the Period		Accumulated Amount of Investments Remitted from Taiwan at End of Period	Profit (Loss) of Investee for the Period	The Company's Direct or Indirect Ownership	Investment Profit (Loss) Recognized for the Period (Note 1)	Carrying Amount of Investments at End of Period	Accumulated Investment Income Repatriated at End of Period
					Remitted	Repatriated						
Kunshan Key Ware Electronics Co., Ltd	Drilling tools, hand tools	$ 337,810 USD 11,000	Investment in Mainland China through companies registered in a third region	$ 259,192 USD 8,440	$	$	$ 259,192 USD 8,440	$ 60,021 RMB 13,573	100%	$ 60,021 RMB 13,573	$ 1,121,515 RMB 254,344	$ -
Kunshan Weixing Electronics Co., Ltd.	Drilling tools, hand tools	404,359 USD 13,167	Investment in Mainland China through companies registered in a third region	404,359 USD 13,167			404,359 USD 13,167	- RMB -	100%	- RMB -	458,414 RMB 103,962	-
Kunshan Laserware Laser Technology Co., Ltd	Drilling foundry	30,866 CNY 7,000	Investment in Mainland China through Kunshan Key Ware Electronics Co., Ltd.	-			-	(19,510) (RMB 4,412)	100%	(19,510) (RMB 4,412)	39,913 RMB 9,052	-
King Ware(Chongqing) Electronics Co., Ltd.	Drilling tools, hand tools	4,409 CNY 1,000	Investment in Mainland China through Kunshan Key Ware Electronics Co., Ltd.	-			-	(53) (RMB 12)	100%	(53) (RMB 12)	5,584 RMB 1,266	-
Wuhan Laserware Laser Technology Co., Ltd	Drilling foundry	171,968 CNY 39,000	Investment in Mainland China through Kunshan Key Ware Electronics Co., Ltd.	-			-	(1,256) (RMB 284)	100%	(1,256) (RMB 284)	169,920 RMB 38,535	-
Shenzhen Laserware Laser Technology Co., Ltd.	Drilling foundry	20,107 CNY 4,560	Investment in Mainland China through Kunshan Key Ware Electronics Co., Ltd.	-			-	(6,500) (RMB 1,470)	100%	(6,500) (RMB 1,470)	15,479 RMB 3,511	-

Accumulated Amount of Investments Remitted from Taiwan to Mainland China at End of Period	Amount of Investments Authorized by Investment Commission, M.O.E.A.	Ceiling on Amount of Investments Stipulated by Investment Commission, M.O.E.A.
$ 680,441（USD 22,157）	$ 744,011（USD 24,227）	$ 1,274,986 (Note 2)

Note 1: The Company's financial statements were recognized on the basis of the investee's audited financial statements for 2022.

Note 2: According to the "Principles for Examination of Investment or Technical Cooperation in Mainland China", the accumulated amount of the investor's investment in Mainland China shall not exceed 60% of the net value or the combined net value, whichever is higher.

Key Ware Electronics Co., Ltd. and its investee companies

Major Transactions with Any Investee Company in mainland China Directly or Indirectly through a Third Region, and Their Prices, Payment terms, Unrealized Gains (Losses), and Other Information

2022

Table 7

Unit: NT$ thousand

Investee Company	Type of Transaction	Purchases (Sales)		Price	Transaction Term		Notes and Accounts Receivable (Payable)		Unrealized gains (losses)	Remark
		Amount	Percentage (%)		Payment Terms	Difference with General Transactions	Amount	Percentage (%)		
Kunshan Key Ware Electronics Co., Ltd	Sales	$ 133,334	19%	No material difference from the general account	Net 120 to 180 days	No material difference from the general transaction	$ 16,680	6%	($ 8)	—
	Purchase of goods	77,555	9%	No material difference from the general account	Net 180 days	No material difference from the general transaction	(46,978)	37%	-	—
Kunshan Laserware Laser Technology Co., Ltd	Sales	7,313	2%	No material difference from the general account	Net 180 days	No material difference from the general transaction	3,893	1%	-	—
Wuhan Laserware Laser Technology Co., Ltd	Sales	5,360	1%	No material difference from the general account	Net 180 days	No material difference from the general transaction	15,895	4%	-	—

Key Ware Electronics Co., Ltd.

Information on Major Shareholders

December 31, 2022

Table 8

Name of Major Shareholders	Shareholding	
	Number of shares held (shares)	Shareholding ratio (%)
Qing Yu Investment Co., Ltd.	16,277,465	8.57
Jia Ju Investment Co., Ltd.	11,042,440	5.81
Sheng Ding Enterprise Co., Ltd.	10,317,521	5.43

Note 1: The major shareholders in this table are shareholders holding more than 5% of the common shares that have completed delivery without physical registration on the last business day of each quarter calculated by the Taiwan Depository & Clearing Corporation. Share capital indicated in the Company's consolidated financial statements may differ from the actual number of shares that have been issued and delivered without physical registration as a result of different basis of preparation.

VI. Effect on the Financial Position of Any Financial Difficulties Experienced by the Company and Its Affiliates in the Most Recent Fiscal Year and during the Current Fiscal Year Up to the Date of Publication of the Annual Report: None.

Chapter 7 Review and Analysis of the Company's Financial Position and Financial Performance, and Listing of Risks

I. Financial Position:

(I) The Major Reasons for Significant Changes in Assets, Liabilities and Equity in the Last Two Years and Their Effects, and Future Plans if Significant:

Unit: NT$ thousand

Item \ Year	2021	2022	Difference	
			Amount	%
Current Assets	2,060,511	2,092,078	31,567	1.53
Property, plant, and equipment	1,542,576	1,636,419	93,843	6.08
Intangible Assets	32,101	28,850	(3,251)	(10.13)
Other Assets (Note 1)	524,120	335,881	(188,239)	(35.92)
Total Assets	4,159,308	4,093,228	(66,080)	(1.59)
Current Liabilities	1,753,058	1,170,983	(582,075)	(33.20)
Non-current liabilities	396,550	797,267	400,717	101.05
Total Liabilities	2,149,608	1,968,250	(181,358)	(8.44)
Share capital	1,899,309	1,899,283	(26)	(0.00)
Capital surplus	79,217	80,139	922	1.16
Retained earnings	217,158	224,607	7,449	3.43
Other equity adjustments	(222,881)	(107,592)	115,289	(51.73)
Total Equity	2,009,700	2,124,978	115,278	5.74

1. Reasons for and effects of significant changes (changes of 20% or more in the prior and subsequent periods):
   (1) Decrease in other assets: Mainly due to the transfer of prepaid equipment to fixed assets upon acceptance.
   (2) Decrease in current liabilities: Mainly due to the conversion of short-term loans to long-term loans.
   (3) Increase in non-current liabilities: Mainly due to new long-term borrowings in 2022.
   (4) Other equity adjustments: Mainly due to the unrealized revaluation of investments in equity instruments measured at fair value through other comprehensive income in fiscal 2022.
2. Future plans: The above changes have no significant impact on the Company and its subsidiaries.

Note 1: Other assets are non-current assets, net of property, plant and equipment and intangible assets.

II. Financial Performance:

(I) The Main Reasons for Significant Changes in Operating Income, Net Operating Income and Net Income before Taxes for the Last Two Years:

Unit: NT$ thousand

Year / Item	2021	111 years	Difference	
			Amount	%
Operating revenue	1,579,047	1,453,993	(125,054)	(7.92)
Operating costs	1,407,047	1,402,438	(4,609)	(0.33)
Gross profit	172,000	51,555	(120,445)	(70.03)
Operating Expenses	143,677	149,430	5,753	4.00
Net operating income	28,323	(97,875)	(126,198)	(445.57)
Non-operating income and expenses	27,625	117,568	89,943	325.59
Net income before tax	55,948	19,693	(36,255)	(64.80)
Income Tax Expense	18,162	16,527	(1,635)	(9.00)
Net Income for the period	37,786	3,166	(34,620)	(91.62)
Other comprehensive income	(246,177)	120,090	366,267	(148.78)
Total Comprehensive Income	(208,391)	123,256	331,647	(159.15)

Analysis of the reasons for changes of 20% or more in the percentage of increase or decrease:

1. Decrease in gross profit, net profit, net income before income tax and net income for the period:
   This is mainly due to the decrease in the crop rate of the foundry business in 2022.
2. Increase in other comprehensive income or loss and total comprehensive income or loss:
   This is mainly due to the unrealized revaluation of investments in equity instruments measured at fair value through other comprehensive income in fiscal 2022.

(II) The expected sales volume and its basis, the possible impact on the Company's future financial operations and the corresponding plans:

Driven by applications such as artificial intelligence (AI), Internet of Things (IoT), high performance computing (HPC) and DRAM for high-bandwidth mobile devices, demand for ABF carriers and servers has been on the high side. The sales volume of the Company's Drilling Needle Division's ABF-specific needles, HLC high aspect ratio needles, and back-drilling needles continue to grow. The production capacity of the foundry business unit has been expanded to meet the growing demand for high-end carrier boards and high-end HDI, and future revenue and profit growth is expected. The Board Division is focusing on the marketing strategy of high frequency and high speed boards for 5G products. It is optimistically estimated that the global sales of drilling tools will be over 120 million units in 2023, and the contribution from foundry services will grow by 5~15%, and the sales of various boards will be over 1 million units.

III. Cash Flows:

(I) Analysis of Changes in Cash Flow for the Current Year:

Unit: NT$ thousand

Year / Item	2021	2022	Increase (Decrease)	Increase (Decrease) %
Operating activities	71,258	50,207	(21,051)	(29.54)
Investment activities	(410,080)	(200,169)	209,911	(51.19)
Financing activities	503,336	64,043	(439,293)	(87.28)

Analysis of the reasons for changes of 20% or more in the percentage of increase or decrease:

(1) Decrease in net cash inflow from operating activities: This is mainly due to the decrease in net income before tax in 2022.

(2) Decrease in net cash flows used in investment activities:
This is mainly due to the decrease in leasehold improvements and equipment purchases in 2022 compared to 2021.

(3) Decrease in net cash outflow used in financing activities:
This is mainly due to the difference between the issuance of convertible bonds and cash capital increase in 2021.

(II) Improvement plan for liquidity deficiency: No liquidity deficiency is expected.

(III) Liquidity Analysis for the Coming Year:

Unit: NT$ thousand

Cash at Beginning of Year a	Expected Net Cash Flows from Operating Activities b	Expected Cash Flows Used c	Expected Cash Surplus (Inadequacy) a+b-c	Expected Remedial Measures for Cash Inadequacy	
				Investment Plan	Financial Plan
198,745	150,000	200,000	148,745	-	-

(1) Analysis of Changes in Cash Flow for the Coming Year:
  A. Expected Net Cash Flows from Operating Activities:
  Expected Net Cash Inflow from Operating Profit and Amortization and Depreciation.
  B. Expected Annual Cash Outflow: Monthly normal operating expenses and distribution of cash dividends.

(2) Remedial Measures for Cash Inadequacy: N/A.

IV. Effect on Financial Operations of Any Major Capital Expenditures during the Most Recent Fiscal Year: None.

V. Reinvestment Policy for the Most Recent Fiscal Year, Main Reasons for Profits/Losses Generated Thereby, Plan for Improving Re-investment Profitability, and Investment Plans for the Coming Year:

(I) The current reinvestment policy has been included in the consolidated financial statements, and the supervision and management of the subsidiaries have been established in the internal control system to ensure the monitoring of the subsidiaries' operations.

(II) No new investment plans are expected in the coming year.

VI. Risk Analysis and Assessment for the Most Recent Fiscal Year and during the Current Fiscal Year Up to the Date of Publication of the Annual Report:

(I) Effect on the Profit (Loss) of Interest and Exchange Rate Fluctuations and Changes in the Inflation Rate, and Response Measures to Be Taken in the Future:

Unit: NT$ thousand; %

Item	2021	2022
Interest expense	22,626	31,833
Net foreign exchange gains (losses)	17,404	33,442
Operating revenue	1,579,047	1,453,993
Net income before tax	55,948	19,693
Ratio of net interest expense to net revenue	1.43%	2.19%
Ratio of net interest expense to net (loss) income before taxes	40.44%	161.65%
Ratio of net exchange gain to net revenue	1.10%	2.30%
Ratio of net exchange gain to net (loss) income before taxes	31.11%	169.82%

1. Change in Interest Rate

   The Company maintains good relationships with banks and is able to seek lower interest rate funding channels to reduce interest costs. The Company will continue to monitor global economic trends and take necessary measures to hedge the risk of rising interest rates at the appropriate time, so the impact of interest rate changes on the Company's revenue and earnings is not yet significant.

2. Change in Exchange Rate

   The Company's exchange rate impact is derived from U.S. dollar-denominated accounts receivable and Japanese yen-denominated purchase loans from imports. The Company is closely informed of current and future exchange rate trends and makes timely adjustments for hedges.

3. Inflation

   The Company has closely monitored price fluctuations and implemented policies to address them. There is no risk of serious inflationary impact. Therefore, there is no significant impact on the Company's profit or loss.

(II) Policy regarding High-risk Investments, Highly Leveraged Investments, Loans to Other Parties, Endorsements/Guarantees, and Derivatives Transactions, Main Reasons for the Profit (Loss) Generated Thereby, and Response Measures to Be Taken in the Future:

1. Policy regarding High-risk Investments and Highly Leveraged Investments, Main Reasons for the Profit (Loss) Generated Thereby, and Response Measures to Be Taken in the Future:

   The Company focuses on its business and has not engaged in any high-risk, highly leveraged investments in the most recent year or as of the date of the annual report.

2. Policy regarding Loans to Other Parties, Endorsements/Guarantees, and Derivatives Transactions, Main Reasons for the Profit (Loss) Generated Thereby, and Response

Measures to Be Taken in the Future:

The Company has established the "Procedures for Lending of Funds to Others", "Procedures for Endorsement and Guarantee", "Procedures for Acquisition or Disposal of Assets" and "Procedures for Derivative Transactions", which have been approved by the shareholders' meeting, and the relevant regulations are followed when the Company engages in related operations.

(III) R&D Work to Be Carried Out in the Future and Further Expenditures Expected for R&D Work:

In 2023, the Company expects to spend approximately NT$2 million on research and development, subject to timely planning and adjustment depending on global market conditions and the Company's actual operations. A summary of the Company's future major research and development projects is as follows:

Project Name	Project Description	Project Purpose	Expenditures Expected for R&D Work:
Constructing 5G product lines	1. High aspect ratio (25x or more) coated drill needle 2. Back drill (blind drill) (deep control) needle 3. Positioning Needle 4. Specialized slotted needles	In response to the future 5G market, we will prepare corresponding products to increase the price and drilling efficiency to enhance the competitiveness of our products.	400,000
Evaluation of wear-resistant tungsten carbide materials	Discuss and test the wear-resistant tungsten carbide with existing tungsten carbide suppliers or find other suppliers.	In response to the future ABF market, we will prepare corresponding products to increase the price and drilling efficiency to enhance the competitiveness of our products.	500,000
Constructing ABF product lines	1. ψ0.10x2.0 2. ψ0.15x3.0 3. ψ0.15x3.5 4. ψ0.20x3.8	In response to the future ABF market, we will prepare corresponding products to increase the price and drilling efficiency to enhance the competitiveness of our products.	900,000
Evaluation of wear-resistant coatings	Discuss and test the wear-resistant coatings with existing coatings suppliers or find other suppliers.	In response to the future ABF market, we will prepare corresponding products to increase the price and drilling efficiency to enhance the competitiveness of our products.	200,000

(IV) Effect on the Financial Operations of Important Policies Adopted and Changes in the Legal Environment at Home and Abroad, and Measures to Be Taken in Response:

The Company's daily operations are conducted in accordance with the relevant domestic and foreign regulations, and it pays close attention to the changes in important domestic and foreign policies and regulations. The Company's financial operations have not been materially affected by significant domestic and foreign policy and legal changes in recent years.

(V) Effect on the Financial Operations of Developments in Science and Technology and Industrial Change, and Measures to Be Taken in Response: None.

(VI) Effect on the Crisis Management of Changes in the Corporate Image, and Measures to Be Taken in Response: None.

(VII) Expected Benefits and Possible Risks Associated with Any Mergers and Acquisitions, and Measures to Be Taken in Response: None.

(VIII) Expected Benefits and Possible Risks Associated with Any Plant Expansion, and Measures to Be Taken in Response: None.

(IX) Risks Associated with Any Consolidation of Sales or Purchasing Operations, and Measures to Be Taken in Response:

1. Centralized purchasing: We have three or more qualified suppliers for our main raw materials, effectively dispersing our supply sources.
2. Centralized sales: The Company's customer base is dispersed and there is no centralized sales.

(X) Effect on and Risk to the Company in the Event a Major Quantity of Shares Belonging to a Director or Shareholder Holding Greater than a 10% Stake in the Company Has Been Transferred or Has Otherwise Changed Hands, and Measures to Be Taken in Response: None.

(XI) Effect on and Risk to the Company Associated with Any Change in Governance Personnel or Top Management, and Measures to Be Taken in Response: None.

(XII) Litigation or non-litigation litigation or non-litigation litigation should include the major litigation, non-litigation or administrative dispute that has been determined or is still pending between the company and its directors, general manager, persons in charge of the company, major shareholders holding more than 10% of the shares, and affiliated companies, the outcome of which may have a significant impact on shareholders' equity or securities prices, and shall disclose the facts of the dispute, the amount of the subject matter, the date of commencement of the litigation, and the main parties involved in the litigation. The Company shall disclose the facts of the dispute, the amount of the subject matter, the commencement date of the litigation, the main parties involved in the litigation and the status as of the date of the annual report: None.

(XIII) Other important risks and response measures:

Information Security Risk Assessment and Measures to Be Taken in Response:

The Company has established "Information Security Practice Management Regulations", and information security-related control matters are supervised by the Company's information professionals.

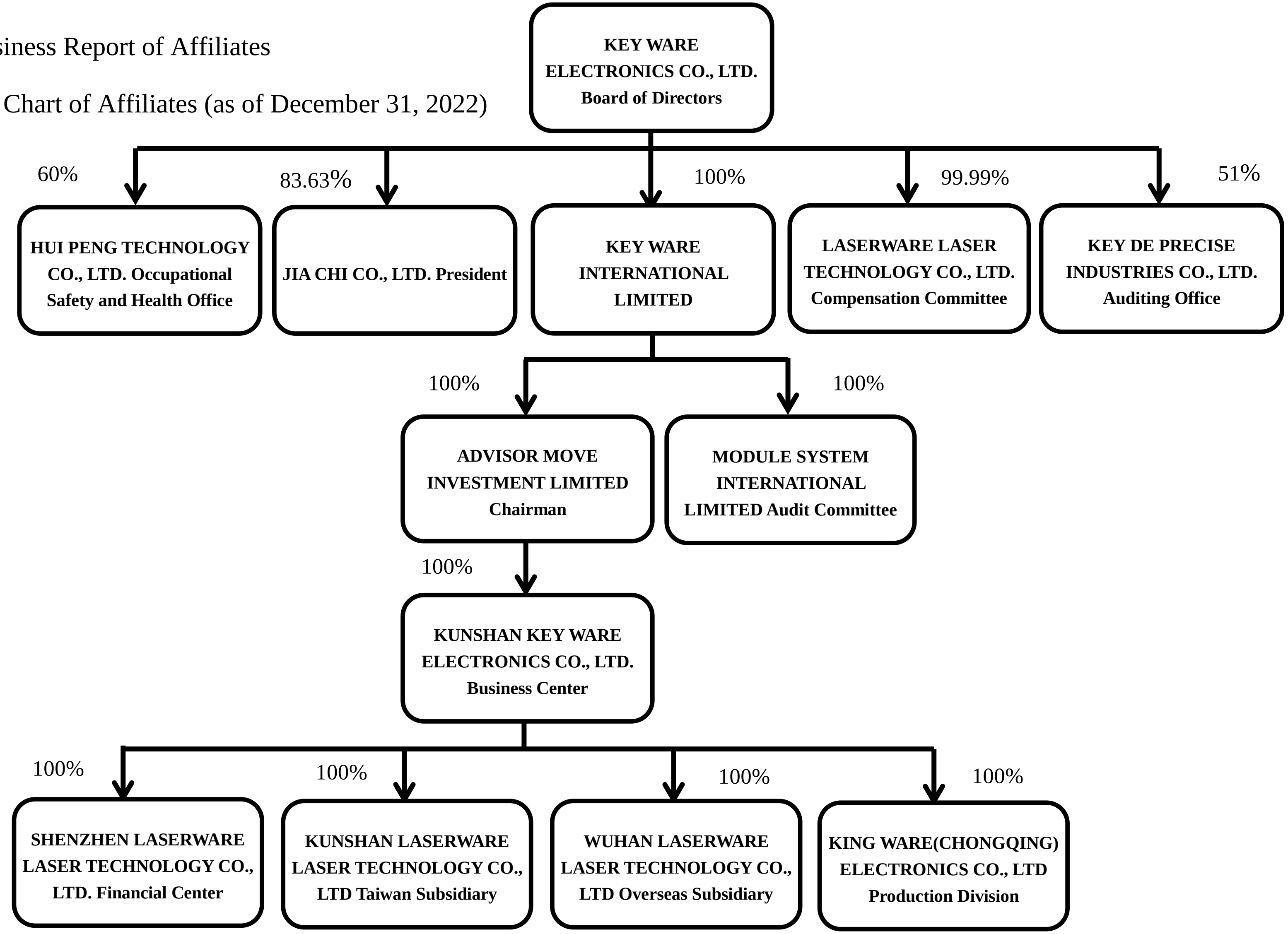
VII. Other Important Matters: None.

Chapter 8 Special Disclosure

I. Information on Affiliates:

(I) Consolidated Business Report of Affiliates

1. Organization Chart of Affiliates (as of December 31, 2022)



2. Basic information of affiliates

December 31, 2022

(Unit: NT$/US$/RMB thousand)

Name of Affiliate	Date of Incorporation	Address	Paid-in Capital	Major Lines of Business or Products
Key Ware International Limited	2001.03	TRUSTNET CHAMBERS,P.O. BOX 3444 ROAD TOWN, TORTOLA BVI	USD 23,717	General investment
Key De Precise Industries Co., Ltd.	2008.11	No. 31, Keji 2nd Rd., Guishan Dist., Taoyuan City	NTD 12,000	Wholesale and processing of electronic parts and components
Jia Chi Co., Ltd.	1997.04	4F., No. 8-5, Nangong Ln., Sec. 1, Nangong Rd., Luzhu Dist., Taoyuan City	NTD 37,714	Laser drilling foundry, electro-metering
Laserware Laser Technology Co., Ltd.	2014.12	4F., No. 76, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City	NTD 1,000	Electronic components, machinery and equipment
Hui Peng Technology Co., Ltd	2020.06	No. 32, Xingbang Rd., Taoyuan Dist., Taoyuan City	NTD 1,000	Electronic components, machinery and equipment
Advisor Move Investments Limited	2001.08	TRUSTNET CHAMBERS,P.O. BOX 3444 ROAD TOWN, TORTOLA BVI	USD 9,960	General investment
Module System International Limited	2002.10	Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands	USD 12,957	General investment
Kunshan Key Ware Electronics Co., Ltd.	2001.08	No. 69, Lisheng Road, Huaqiao Town, Kunshan City, Jiangsu Province, China	USD 11,000	Drilling tools, hand tools
Kunshan Laserware Laser Technology Co., Ltd	2015.06	No. 69, Lisheng Road, Huaqiao Town, Kunshan City, Jiangsu Province, China	RMB 7,000	Laser drilling foundry
King Ware (Chongqing) Electronics Co., Ltd.	2017.11	Block 3, No. 2177 Xinglong Avenue, Yongchuan District, Chongqing	RMB 1,000	Drilling tools, hand tools
Wuhan Laserware Laser Technology Co., Ltd	2018.03	Factory 1-4, No. 266, Taizihu Road, Wuhan Economic and Technological Development Zone	RMB 39,000	Drilling Foundry
Shenzhen Laserware Laser Technology Co., Ltd.	2020.11	Block A1, No. 2099, Jincheng Road, Democracy Community, Shajing Street, Baoan District, Shenzhen	RMB 5,260	Drilling Foundry

3. Where there is considered to be a controlled and subordinate relation, information of the same shareholders: None.

4. Industries covered by the overall business of the affiliates
   (1) Design, manufacture, processing and sale of drill bits, plating solution, dry film, and other printed circuit board materials.
   (2) Design, manufacture and trading of printed circuit board special purpose machines.
   (3) Agency, distribution, quotation and bidding of the previous products.
   (4) Laser and mechanical drilling foundry business.

5. Information on directors, supervisors, and presidents of affiliates

December 31, 2022

Name of Affiliate	Title	Name or Representative	Shareholding	
			Number of Shares	Percentage of Ownership
Key Ware International Limited	Chairman	Huang, Chih-Han	-	-
Key De Precise Industries Co., Ltd.	Chairman Director Director Director Director Supervisor President	Chen, Po-Ying Chow, Chia-Chu Chu, Tsung-Wei Tsai, Chuan-Chuan Wang, Yu-Jen Chen, Chih-Chun Chen, Po-Ying	- - 60,000 shares 120,000 shares - -	- - 5% 10% - -
Jia Chi Co., Ltd.	Chairman Director Director Director Director Supervisor President	Chow, Pong-Chi Chen, Po-Ying Chen, Chih-Chun Shen, Yen-Chao Liao, Su-Chen Chu, Tsung-Wei Yang, Chun-Nan	- - - 145,408 shares 145,408 shares - -	- - - 4.09% 4.09% - -
Laserware Laser Technology Co., Ltd.	Chairman Director Director Director Director Supervisor	Chow, Pong-Chi Chow, Chia-Chu Chen, Po-Ying Hsu, Wei-Chieh Chu, Tsung-Wei Chen, Chih-Chun	1 share - - - - -	0.01% - - - -
Hui Peng Technology Co., Ltd	Chairman Director Director Supervisor	Chow, Pong-Chi Chen, Chih-Chun Huang, Jung-Hui Chu, Tsung-Wei	- - 400,000 shares -	- - 40% -
Advisor Move Investments Limited	Chairman	Huang, Chih-Han	-	-
Module System International Limited	Chairman	Chu, Tsung-Wei	-	-
Kunshan Key Ware Electronics Co., Ltd.	Chairman Director Director Supervisor President	Chu, Tsung-Wei Chiang, Chi-Chen Chen, Po-Ying Li, Hsiang-Yun Chen, Po-Ying	-	-
Kunshan Laserware Laser Technology Co., Ltd	Chairman Director Director Supervisor President	Chiang, Chi-Chen Chu, Tsung-Wei Hsu, Wei-Chieh Shen, Liang-Ping Hsu, Wei-Chieh	-	-
King Ware (Chongqing) Electronics Co., Ltd.	Chairman Director Director Supervisor President	Chiang, Chi-Chen Chu, Tsung-Wei Chen, Po-Ying Shen, Liang-Ping Chen, Po-Ying	-	-
Wuhan Laserware Laser Technology Co., Ltd	Chairman Director Director Supervisor President	Chiang, Chi-Chen Hsu, Wei-Chieh Chen, Po-Ying Chu, Tsung-Wei Hsu, Wei-Chieh	-	-
Shenzhen Laserware Laser Technology Co., Ltd.	Chairman Director Director Supervisor President	Chiang, Chi-Chen Chu, Tsung-Wei Hsu, Wei-Chieh Shen, Liang-Ping Hsu, Wei-Chieh	-	-

6. Operating status of affiliates

December 31, 2022

Name of Affiliate	Capital	Total Assets	Total Liabilities	Net Worth	Operating revenue	Operating profit (loss)	Net income (loss)	Earnings per share (NT$)
Key Ware International Limited (Unit: RMB thousand)	189,976	361,984	-	361,984	-	(21)	12,918	-
Key De Precise Industries Co., Ltd. (Unit: NT$ thousand;)	12,000	71,127	41,890	29,237	211,585	10,510	9,115	-
Jia Chi Co., Ltd. (Unit: NT$ thousand;)	37,714	117,785	82,756	35,029	54,338	(17,405)	(13,352)	-
Laserware Laser Technology Co., Ltd. (Unit: NT$ thousand;)	1,000	970	-	970	-	-	1	-
Hui Peng Technology Co., Ltd (Unit: NT$ thousand;)	1,000	1,002	-	1,002	-	-	1	-
Advisor Move Investments Limited (Unit: RMB thousand)	79,845	256,719	-	256,719	-	(22)	13,680	-
Module System International Limited (Unit: RMB thousand)	102,607	104,138	6	104,132	-	(49)	(52)	-
Kunshan Key Ware Electronics Co., Ltd. (Unit: RMB thousand)	194,131	426,295	67,989	358,306	105,288	(2,987)	13,573	-
Kunshan Laserware Laser Technology Co., Ltd (Unit: RMB thousand)	7,000	37,017	27,966	9,051	29,438	(6,204)	(4,412)	-
King Ware (Chongqing) Electronics Co., Ltd. (Unit: RMB thousand)	1,000	1,721	455	1,266	2,167	(10)	(12)	-
Wuhan Laserware Laser Technology Co., Ltd (Unit: RMB thousand)	39,000	50,483	11,948	38,535	15,699	240	(284)	-
Shenzhen Laserware Laser Technology Co., Ltd. (Unit: RMB thousand)	5,260	6,783	3,272	3,511	6,002	(1,470)	(1,470)	-

(II) Consolidated Financial Statements of Affiliates: Please refer to pp. 67-140.

(III) Reports on Affiliations: N/A.

II. Private Placement of Securities during the Most Recent Fiscal Year and during the Current Fiscal Year Up to the Date of Publication of the Annual Report: None.

III. Holding or Disposal of Shares in the Company by Subsidiaries during the Most Recent Fiscal Year and during the Current Fiscal Year Up to the Date of Publication of the Annual Report: None.

IV. Other Supplementary Information: None.

V. Situations Listed in Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act, which Might Materially Affect Shareholders' Equity or the Price of the Securities, Occurring during the Most Recent Fiscal Year and during the Current Fiscal Year Up to the Date of Publication of the Annual Report (Including the matters in accordance with Article 11,

Paragraph 1 of the Taipei Exchange Procedures for Verification and Disclosure of Material Information of Companies with TPEx Listed Securities): None.

Chapter 9 Third Domestic Unsecured Convertible Bond Issuance and Conversion Method

I. Name of the bond
Key Ware Electronics Co., Ltd (hereinafter referred to as the "Company") Third Domestic Unsecured Convertible Bond (hereinafter referred to as the "Convertible Bond").

II. Issue date
May 10, 2022 (hereinafter referred to as the "Issue Date").

III. Total issue amount and par value
Each bond has a par value of NT$100,000 and is issued in full at par value. The total number of bonds issued is 20,000 and the total amount of bonds issued is NT$200 million.

IV. Issuance period
The issue period is three years from May 10, 2022 to May 10, 2024 (hereinafter referred to as the "Maturity Date").

V. Bond coupon rate
The coupon rate of the convertible bonds is 0% per annum.

VI. Repayment date and method
Except for the conversion of the bonds into the Company's common stock in accordance with Article 10 of this Regulation, the exercise of the right of sale in accordance with Article 19 of this Regulation, the early redemption by the Company in accordance with Article 18 of this Regulation, or the purchase and cancellation by the Company from the securities dealer's office, the Company shall repay the bonds at maturity in cash at the face value of the bonds.

VII. Security situation
The convertible bonds are unsecured bonds. However, if the Company issues or private places other secured warrants or secured convertible bonds after the issuance, the convertible bonds will have the same ranking as the secured warrants or secured convertible bonds, or the same ranking of security rights.

VIII. Converting subjects
The conversion obligation will be fulfilled by issuing new shares of the Company's common stock. The new shares to be exchanged will be delivered by book transfer and will not be printed in physical form.

IX. Conversion period
From the day following the third month after the issuance of this convertible bond (August 11, 2022) to the maturity date (May 10, 2024), except for (1) the period during which the transfer of common stocks is suspended in accordance with the law; (2) the period from the fifteen business days prior to the date of cessation of transfer of the Company's uncompensated allotment of shares, the date of cessation of transfer of cash dividends or the date of cessation of transfer of cash incremental stock options to the base date of distribution of rights; (3) the period from the base date for processing (3) the base date of capital reduction for capital reduction to the day before the commencement of trading day for capital reduction and stock exchange; (4) the commencement date of the cessation of conversion (subscription) for the change of stock denomination to the day before the commencement of trading day for the new stock exchange; except for the request for conversion, the Company may at any time request the Company's stock agent to convert the bonds in accordance with the Act through the original trading broker and notify Taiwan Depository & Clearing Corporation (hereinafter referred to as "TDCC"). The conversion of the Bonds into the Company's common stock shall be carried out in accordance with Articles 10, 11, 13 and 15 of these Regulations.

X. Request conversion procedure

(I) The bondholder shall apply to TDCC by filling out the "Application for Conversion/Redemption/Sale of Convertible Bonds" (marked as conversion) at the original trading broker, and TDCC shall notify the Company's stock agent electronically upon acceptance of the application, and the conversion shall become effective upon delivery to the Company's stock agent and shall not be revoked. The conversion procedure will be completed within five business days of delivery and the shares of the Company's common stock will be directly transferred to the bondholders' collective insurance accounts.

(II) When overseas ROC and non-ROC nationals apply for the conversion of the bonds held by the Company into common stocks, all applications will be made by the Company through a book-entry process.

XI. Conversion price and its adjustment

(I) Conversion price setting method

The conversion price is determined by taking April 29, 2022 as the base date for setting the conversion price and taking the simple arithmetic average of the closing prices of the Company's common stocks for the one business day, the three business days and the five business days before the base date as the base price and multiplying it by the conversion premium rate of 102% to 111% as the basis for calculating the conversion price (calculated to the nearest NT$ ten cents, rounded up or down for NT$ cents). If there is an ex-rights or ex-dividend date, the closing price used to calculate the conversion price shall be set as the ex-rights or ex-dividend price; if there is an ex-rights or ex-dividend date after the conversion price is determined and before the actual issuance date, the conversion price shall be adjusted according to the conversion price adjustment formula. Based on the above, the conversion price is NT$21.00 per share if the conversion premium rate of 102.89% is multiplied by the base price of NT$20.41 at the time of bond issuance.

(II) Conversion price adjustment

1. After the issuance of the convertible bonds, except for the issuance or private placement of various securities with common stock conversion rights or stock options in exchange for common stocks or the issuance of new shares for employee compensation, in the event of an increase in the number of common stocks issued or private placed by the Company (including but not limited to the issuance or private placement of additional cash, capitalization of earnings, capitalization of capital surplus, merger or transfer of shares of other companies), the conversion price shall be adjusted according to the following formula (including but not limited to issuance of new shares, stock split and cash capital increase for issuance of overseas depositary receipts, etc.), the Company shall adjust the conversion price of the bonds in accordance with the following formula (adjusted downward, but not upward, calculated to the nearest NT$ ten cents, rounded up or down for NT$ cents), and request the OTC to announce the adjustment on the ex-rights basis date of the new shares (Note 1). If the increase is due to the change in the par value of the shares, the adjustment will be made on the basis date of the new share exchange, but the adjustment will be made on the date of full payment if there is actual payment.

$$\text{Conversion price after adjustment} = \text{Conversion price before adjustment} \times \frac{\text{Number of issued shares (Note 2)} + \dfrac{\text{Amount paid per share (Note 3)} \times \text{Number of new shares issued or private placement}}{\text{Current price per share (Note 4)}}}{\text{Number of issued shares} + \text{number of new shares issued or private placement}}$$

When the share denomination is changed:

$$\text{Conversion price after adjustment} = \text{Conversion price before adjustment} \times \frac{\text{Number of common stocks issued before the change in stock par value (Note 2)}}{\text{Number of common stocks issued after the change in stock par value}}$$

Note 1: In the case of a stock split, the adjustment is made on the basis date of the split. In the case of a cash capital increase or a cash capital increase to participate in the issuance of overseas depositary receipts (ODRs) by means of a bid-rigged purchase, the adjustment shall be made on the date the shares are fully paid up because there is no ex-rights basis date. In the case of a merger or transfer of shares of another company, the adjustment is made at the base date of the merger or transfer. In the case of a cash capital increase by private placement or an increase in shares of private placement securities, the adjustment will be made on the date of delivery of the private placement securities because there is no ex-rights basis date. If the conversion price is changed after the ex-rights date of the new shares issued by cash capital increase, the new issue price will be readjusted according to the updated new issue price. If the conversion price is lower than the conversion price adjusted by the announcement before the original ex-rights date, a new announcement will be sent to the Taipei Exchange for adjustment.

Note 2: The number of shares outstanding refers to the total number of shares of common stock issued (including offerings and private placements) less the number of shares of treasury stock purchased by the Company but not yet cancelled or transferred.

Note 3: The amount paid per share is zero if it is a no-cost stock allotment or stock split. In the case of a merger to issue new shares, the paid-in amount per share shall be the net value per share calculated on the basis of the most recent audited or reviewed financial statements of the extinguished company prior to the date of the merger multiplied by the conversion ratio. In the case of a transfer of shares of another company for the issuance of new shares, the amount paid per share shall be the net value per share of the shares of the other company transferred, calculated on the basis of the most recent financial statements audited or reviewed by an accountant, multiplied by its conversion ratio.

Note 4: The hourly price per share shall be determined based on the simple arithmetic average of the closing prices of the common stocks calculated on the ex-rights date, the pricing date, the stock consolidation and stock split date, or one, three, or five business days prior to the delivery date of the private placement of marketable securities.

2. After the issuance of the convertible bonds, if the Company pays cash dividends on common stocks, the conversion price shall be reduced on the ex-dividend date in accordance with the following formula (adjusted downward, but not upward, calculated to the nearest NT$ ten cents, rounded up or down for NT$ cents), and the Company shall request the Taipei Exchange to announce the adjusted conversion price. This provision does not apply to those who have requested conversion before the ex-dividend date (excluding). Its adjustment formula is as follows:

   Conversion price after reduction = Conversion price before reduction × (1 - ratio of cash dividends paid on common stocks to the current price per share (Note))

   Note: The hourly price per share is based on the simple arithmetic average of the closing prices of the common stocks for the one, three and five business days prior to the announcement date of the cash dividend cessation and ex-dividend.

3. If, after the issuance of this convertible bond, the Company raises another issue (or private placement) of various marketable securities with common stock conversion rights or stock options at a conversion or stock option price lower than the current price per share (Note 1), the Company shall adjust the conversion price of this convertible bond according to the following formula (adjusted downward, but not upward, calculated to the nearest NT$ ten cents, rounded up or down for NT$ cents), and shall request the Taipei Exchange to announce the adjustment on the date of issuance of the aforementioned marketable securities or stock options or the delivery date of the private placement of marketable securities:

$$\text{Conversion price after adjustment} = \text{Conversion price before adjustment x} \frac{\text{Number of issued shares (Note 2)} + \dfrac{\text{Conversion or stock option price of newly issued (or private placement) securities or stock options} \times \text{Number of newly issued (or private placement) marketable securities or stock options convertible or subscribed}}{\text{Current price per share (Note 1)}}}{\text{Number of shares issued + number of newly issued or private placement shares with conversion rights or options to convert or subscribe for common stock}}$$

Note 1: The hourly price per share is calculated as the simple arithmetic average of the closing prices of the Company's common stock for the one, three or five business days prior to the base date of the reissue (or private placement) of each type of marketable securities with common stock conversion rights or stock options or the delivery date of the marketable securities in the private placement. If there is an ex-rights or ex-dividend date, the closing price used to calculate the conversion price shall be calculated as the ex-rights or ex-dividend price.

Note 2: The number of shares issued shall be defined as the number of shares of common stock offered for issuance or private placement, less the number of shares of treasury stock purchased by the Company but not yet cancelled or transferred. If the reissuance (or private placement) of various securities with conversion rights or stock options of common stock is supported by treasury stock, the number of shares issued in the adjustment formula shall be reduced by the number of shares of newly issued (or private placement) securities that are convertible or subscribable.

4. After the issuance of the convertible bonds, if the Company's common stocks are reduced due to a capital reduction other than the cancellation of treasury shares, the conversion price shall be calculated according to the following formula (calculated to the nearest NT$ ten cents, rounded up or down for NT$ cents) and announced by the Taipei Exchange in a notice and adjusted on the capital reduction date, and if the reduction of common stocks is due to a change in stock denomination, the adjustment shall be made on the conversion date.

In the event of a capital reduction to offset a loss:

$$\text{Conversion price after adjustment} = \text{Conversion price before adjustment} \times \frac{\text{Number of common stocks outstanding before capital reduction (Note)}}{\text{Number of common stocks outstanding after capital reduction}}$$

In case of cash reduction:

$$\text{Conversion price after adjustment} = (\text{Conversion price beforeadjustment} - \text{cash refund per share}) \times \frac{\text{Number of common stocks outstanding before capital reduction (Note)}}{\text{Number of common stocks outstanding after capital reduction}}$$

When the share denomination is changed:

$$\text{Conversion price after adjustment} = \text{Conversion price before adjustment} \times \frac{\text{Number of common stocks issued before the change in stock par value (Note)}}{\text{Number of common stocks issued after the change in stock par value}}$$

Note: The number of common stocks outstanding includes the total number of common stocks and private placement shares issued by the Company, less the number of common stocks of treasury stock that have been repurchased by the Company but not yet cancelled or transferred.

XII. Listing and termination of listing of the convertible bonds

The convertible bonds shall be listed and traded on the OTC before the issuance date and shall cease to be listed when they are fully converted to common stocks or fully repurchased or repaid by the Company. The above announcement shall be made after the Company has obtained the consent of the Taipei Exchange.

XIII. Listing of new shares after conversion

If the convertible bonds are converted into the Company's common stocks, the converted common stocks shall be listed and traded on the Taipei Exchange from the date of delivery, and the Company shall announce the above after obtaining the consent of the Taipei Exchange. The Company's common stock is issued in a disregarded form and the converted common stock is listed and traded on the Taipei Exchange from the date of delivery in a disregarded form.

XIV. Change of share capital registration

Within 15 days after the end of each quarter, the Company shall announce the amount of shares delivered upon the exercise of conversion of this convertible bond in the previous quarter, and shall apply to the competent authority for registration of capital changes at least once each quarter.

XV. Handling of the amount of less than one share upon conversion

Upon conversion into common stocks, if there is less than one share, the convertible bondholders shall not pool their shares into one whole share, and shall be reimbursed by the Company in cash (calculated to the nearest NT$ ten cents, rounded up or down for NT$ cents), in addition to offsetting the transfer fee.

XVI. Vesting of cash dividends and stock dividends in the year of conversion

(I) Cash dividend

1. If the bondholders request for conversion before January 1 of the current year and 15 business days prior (exclusive) to the date of cessation of transfer of the current year's cash dividends, the converted common stocks may participate in the cash dividends for the previous year resolved by the shareholders' meeting of the current year.
2. The conversion of this convertible bond shall cease from 15 business days (inclusive) before the date of cessation of transfer of the Company's cash dividend for the current year to the ex-dividend base date of the cash dividend (inclusive).

3. Bondholders who request conversion from the day after the ex-dividend date of the current year to December 31 (inclusive) are not entitled to the cash dividends for the year before the current year's shareholders' meeting, but may participate in the current year's cash dividends resolved at the following year's shareholders' meeting.

(II) Stock dividends

1. If the bondholders request for conversion before January 1 of the current year and 15 business days (exclusive) prior to the date of the cessation of transfer of the Company's gratis allotment, the converted common stock may participate in the stock dividends for the previous year resolved by the shareholders' meeting of the current year.
2. The conversion of this convertible bond shall cease from fifteen business days prior to the date of cessation of transfer of the Company's gratis allotment of shares in the current year (inclusive) to the ex-rights basis date of the gratis allotment of shares (inclusive).
3. Bondholders requesting conversion from the day after the ex-dividend date of the current year's gratis allotment to and including December 31 (inclusive)of the current year shall not be entitled to the stock dividends for the year prior to the resolution of the current year's shareholders' meeting, but may participate in the stock dividends for the current year as resolved by the shareholders' meeting of the following year.

XVII. Rights and obligations after conversion

The rights and obligations of the bondholders to acquire shares of common stock after the effective date of the requested conversion are the same as the shares of common stock originally issued by the Company.

XVIII. The Company's right to redeem the convertible bonds

(I) If the closing price of the Company's common stock exceeds 30% of the then prevailing conversion price for 30 consecutive business days from the day after three months after the issuance of the Bonds (August 11, 2022) to 40 days prior to the expiration of the issuance period (March 31, 2024), the Company may, within 30 business days thereafter, send a "Notice of Bond Call" by registered mail. If the closing price of the Company's common stocks exceeds 30% of the then prevailing conversion price for 30 consecutive business days (including the closing price of the Company's common stocks), the Company may, within 30 business days thereafter, send to the holders of the Bonds, by registered mail, a "Notice of Call" expiring on the 30th day (the aforementioned period shall be counted from the date of the Company's letter, and the expiration date of such period shall be the date of call, and the aforementioned period shall not be the cessation of conversion period as described in Article 9), whichever is stated in the register of the holders of the Bonds on the fifth business day prior to the date of the mailing of the "Notice of Call". The redemption price shall be set at the face value of the Bonds, and the Bonds shall be redeemed in cash, and the announcement shall be made by notice to the Taipei Exchange. The Company shall redeem the outstanding convertible bonds at their face value in cash within five business days after the collection date of the bonds by executing the collection request.

(II) If the outstanding balance of the convertible bonds is less than 10% of the original issue amount from the day after three months after the issuance of the bonds (August 11, 2022) to 40 days before the expiration of the issuance period (March 31, 2024), the Company may, at any time thereafter, send by registered mail a "Notice of Bond Call" expiring on the 30th day of the issuance period (the expiration date of the aforementioned period shall be the base date of bond call). If the outstanding balance of the Bonds is less than 10% of the original issue amount, the Company may, at any time thereafter, send to the Bondholders by registered mail a "Notice of Bond Collection" expiring on the 30th day (the aforesaid period shall be counted from the date of issuance of the letter by the Company and the expiration date of such period shall be the Bond Call Date, and the aforesaid period shall not be the cessation of conversion period under Article 9), whichever is stated in the Bondholders' register as of the fifth business day prior to the date of mailing of the "Bond Call Notice", and if the Bonds are subsequently acquired for trading or other reasons, the Company may send to the Bondholders a "Bond Call Notice". The redemption price shall be set at the face value of the Bonds, and the Bonds shall be redeemed in cash, and the announcement shall be made by notice to the Taipei Exchange. The Company shall redeem the outstanding convertible bonds at their face value in cash within five business days after the collection date of the bonds by executing the collection request.

(III) If the creditor does not reply to the Company's stock agent in writing (effective upon delivery, postmarked by the date of mailing) before the date of the "Notice of Bond Collection", the Company will redeem the convertible bonds in cash at the face value of the bonds within five business days after the date of the Notice of Bond Collection.

XIX. Repurchase rights of bondholders

The Company shall send a "Notice of Exercise of Right of Sale" to the bondholders by registered mail 30 days prior to the base date of sale (the notice of exercise of the right of sale shall be as stated in the register of creditors on the fifth business day prior to the date of mailing of the "Notice of Exercise of Right of Sale", and for investors who subsequently acquire the bonds for trading or other reasons, the notice shall be made by public announcement). For investors who subsequently acquire the Bonds for trading or other reasons, the notice shall be announced. The Company may request the Company to redeem the convertible bonds held by the Company at the face value of the bonds plus interest compensation (100.50% of the face value of the bonds (0.25% real rate of return) for two years) within 30 days prior to the redemption date. The Company shall redeem the convertible bonds in cash within five business days from the date of the repurchase request. If the aforementioned date falls on a day when the TWSE is closed, it shall be postponed to the next business day.

XX. All bonds collected (including those bought back by securities dealers), repaid or converted by the Company shall be cancelled, not sold or issued, and the conversion rights attached thereto shall be extinguished.

XXI. The convertible bonds and the converted common stock are in registered form, and the transfer, registration of changes, pledge and loss of the bonds are in accordance with the " Regulations Governing the Administration of Shareholder Services of Public Companies" and the Company Act, and the taxation matters are in accordance with the then current tax regulations.

XXII. Taiwan Shin Kong Commercial Bank Co., Ltd. is the trustee of the bondholders to exercise the right and responsibility to check and supervise the Company's performance of the issuance of this convertible bond on behalf of the interests of the bondholders. All bondholders of the convertible bonds, regardless of whether they subscribe for the bonds at the time of issuance or purchase them in the interim, agree to and grant to the Trustee full power of attorney with respect to the provisions of the Trust Deed between the Company and the Trustee, the Trustee's rights and obligations, and the Issuance and Conversion Agreement, and this authorization shall not be revoked in the interim. As to the contents of the Trust Deed, the Bondholders may visit the Company or the Trustee's business office at any time during business hours.

XXIII. The convertible bonds are assigned to the Company's stock affairs agent for repayment of principal and interest and conversion.

XXIV. The convertible bonds are delivered by book-entry in accordance with Article 8 of the Securities and Exchange Act, and no physical bonds are printed.

XXV. If there are any matters that are not covered by the issuance and conversion rules of the convertible bonds, they shall be handled in accordance with the relevant laws and regulations.

Key Ware Electronics Co., Ltd.

Chairman: Chow, Pong-Chi