

Key Ware Electronics Co., Ltd.

Parent Company Only Financial Statements  
and Independent Auditors' Report  
For 2022 and 2021

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Notice to Reader

*For the convenience of readers, this report has been translated into English from the original Chinese version, prepared and used in the Republic of China. The English version has not been audited or reviewed by independent auditors. If there are any discrepancies between the English version and the original Chinese version, or any difference in the interpretation of the two versions, the Chinese-language report shall prevail.*

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## **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

Notices to Readers

*The accompanying financial statements are intended only to present the 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 financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying 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 financial statements shall prevail.*

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		December 31, 2021	
		Amount	%	Amount	%
<b>Current Assets</b>					
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	<u>1,082,270</u>	<u>30</u>	<u>1,199,831</u>	<u>32</u>
<b>Non-current assets</b>					
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	<u>2,580,385</u>	<u>70</u>	<u>2,556,768</u>	<u>68</u>
1XXX	Total assets	<u>\$ 3,662,655</u>	<u>100</u>	<u>\$ 3,756,599</u>	<u>100</u>
<b>Liabilities and Equity</b>					
<b>Current Liabilities</b>					
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	<u>825,120</u>	<u>23</u>	<u>1,476,446</u>	<u>39</u>
<b>Non-current liabilities</b>					
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	<u>741,098</u>	<u>20</u>	<u>307,350</u>	<u>8</u>
2XXX	Total liabilities	<u>1,566,218</u>	<u>43</u>	<u>1,783,796</u>	<u>47</u>
<b>Equity (Notes IV, VIII and XVIII)</b>					
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	<u>2,096,437</u>	<u>57</u>	<u>1,972,803</u>	<u>53</u>
Total liabilities and equity		<u>\$ 3,662,655</u>	<u>100</u>	<u>\$ 3,756,599</u>	<u>100</u>

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		2021	
		Amount	%	Amount	%
4000	Operating revenue (Notes IV and XXV)	\$ 699,454	100	\$ 573,431	100
5000	Operating costs (Notes IV, X, XVII, XIX and XXV)	<u>693,313</u>	<u>99</u>	<u>544,920</u>	<u>95</u>
5900	Gross profit	6,141	1	28,511	5
5920	Realized (Unrealized) gains from sales	( <u>8</u> )	<u>-</u>	<u>140</u>	<u>-</u>
5950	Realized gross profit	<u>6,133</u>	<u>1</u>	<u>28,651</u>	<u>5</u>
	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)	( <u>140</u> )	<u>-</u>	<u>1,041</u>	<u>-</u>
6000	Total operating expenses	<u>61,731</u>	<u>9</u>	<u>63,849</u>	<u>11</u>
6900	Net operating loss	( <u>55,598</u> )	( <u>8</u> )	( <u>35,198</u> )	( <u>6</u> )
	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	<u>49,409</u>	<u>7</u>	<u>48,276</u>	<u>9</u>
7000	Total non-operating income and expenses	<u>56,545</u>	<u>8</u>	<u>67,848</u>	<u>12</u>

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Code		2022		2021	
		Amount	%	Amount	%
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		Total 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	
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

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<u>Code</u>		<u>2022</u>	<u>2021</u>
A33200	Interest received	\$ 2,256	\$ 3,288
A33500	Income tax paid	( 114)	( 18)
AAAA	Cash inflow (outflow) from operating activities	<u>150,274</u>	<u>( 118,065)</u>
	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	<u>10,224</u>	<u>3,570</u>
BBBB	Net cash flows used in investing activities	<u>( 246,722)</u>	<u>( 226,612)</u>
	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	<u>-</u>	<u>176</u>
CCCC	Net cash outflow used in financing activities	<u>4,076</u>	<u>507,732</u>
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	<u>216,260</u>	<u>53,205</u>
E00200	Cash and bank deposits at the end of the year	<u>\$ 123,888</u>	<u>\$ 216,260</u>

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

<u>New/Revised/Amended Standards and Interpretations</u>	<u>Effective Date of Issuance by the IASB</u>
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 1)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 2)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 3)

Note 1: The amendments 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 account 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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand	\$ 284	\$ 241
Checks and demand deposits in banks	<u>123,604</u>	<u>216,019</u>
	<u>\$ 123,888</u>	<u>\$ 216,260</u>

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

<u>December 31, 2022</u>	<u>December 31, 2021</u>
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Bank deposits	0.00%~1.05%	0.00%~0.20%
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VII. Financial Instruments at Fair Value through Profit or Loss

Financial assets - current

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Mandatorily measured at fair value through profit or loss</u>		
Domestic listed and emerging stocks	\$ 12,308	\$ 2,897
Foreign listed stocks	<u>41,160</u>	<u>3,261</u>
	<u>\$ 53,468</u>	<u>\$ 6,158</u>

Financial liabilities - Current

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

Financial liabilities - Non-current

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

VIII. Financial assets at fair value through other comprehensive income

Investments in equity instruments

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

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Notes receivable</u>		
Due to operation	\$ 3,624	\$ 7,715
Less: Loss allowances	<u>-</u>	<u>-</u>
	<u>\$ 3,624</u>	<u>\$ 7,715</u>
 <u>Accounts receivable</u>		
Due to operation	\$ 230,242	\$ 160,452
Less: Allowance for bad debts	( <u>1,295</u> )	( <u>1,435</u> )
	<u>\$ 228,947</u>	<u>\$ 159,017</u>
 <u>Other receivables</u>		
Refundable business tax	\$ -	\$ 5,275
Receivable from disposal of investments	7,569	3,423
Others	<u>143</u>	<u>73</u>
	<u>\$ 7,712</u>	<u>\$ 8,771</u>

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

	<u>0 to 90 Days</u>	<u>91 to 180 Days</u>	<u>181 to 270 Days</u>	<u>271 to 360 Days</u>	<u>over 360 Days</u>	<u>Total</u>
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	<u>\$ 136,953</u>	<u>\$ 90,583</u>	<u>\$ 5,023</u>	<u>\$ 12</u>	<u>\$ -</u>	<u>\$ 232,571</u>

December 31, 2021

	<u>0 to 90 Days</u>	<u>91 to 180 Days</u>	<u>181 to 270 Days</u>	<u>271 to 360 Days</u>	<u>over 360 Days</u>	<u>Total</u>
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	<u>\$ 110,516</u>	<u>\$ 53,173</u>	<u>\$ 3,043</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 166,732</u>

Changes in loss allowances for accounts receivable are as follows:

	<u>2022</u>	<u>2021</u>
Beginning balance	\$ 1,435	\$ 394
Provision (reversal) of impairment loss for the year	(140)	1,041
Write-off in the current year	-	-
Ending balance	<u>\$ 1,295</u>	<u>\$ 1,435</u>

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Raw material	\$ 11,346	\$ 11,254
Work in process	22,573	27,604
Finished products	<u>176,098</u>	<u>148,899</u>
	<u>\$ 210,017</u>	<u>\$ 187,757</u>

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Investments in subsidiaries	\$ 1,654,064	\$ 1,591,453
Investments in associates	<u>20,658</u>	<u>20,543</u>
	<u>\$ 1,674,722</u>	<u>\$ 1,611,996</u>

(I) Investments in subsidiaries

<u>Name of Subsidiary</u>	<u>December 31, 2022</u>		<u>December 31, 2021</u>	
	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	<u>601</u>	60.00	<u>600</u>	60.00
	<u>\$ 1,654,064</u>		<u>\$ 1,591,453</u>	

(II) Investments in associates

<u>Name of Investee</u>	<u>December 31, 2022</u>		<u>December 31, 2021</u>	
	Amount	Equity %	Amount	Equity %
Non-significant associates				
Rong Pei Wisdom Co., Ltd.	<u>\$ 20,658</u>	22.73	<u>\$ 20,543</u>	22.73

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

	<u>2022</u>	<u>2021</u>
The Company's share of:		
Net income of continuing operations for the year	<u>\$ 1,103</u>	<u>\$ 1,098</u>
Other comprehensive income	<u>\$ -</u>	<u>\$ -</u>

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
<u>Cost</u>							
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	<u>\$ 113,167</u>	<u>\$ 169,021</u>	<u>\$ 1,209,381</u>	<u>\$ 14,625</u>	<u>\$ 15,924</u>	<u>\$ 140,868</u>	<u>\$ 1,662,986</u>
<u>Accumulated depreciation and impairment</u>							
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	<u>\$ -</u>	<u>\$ 47,399</u>	<u>\$ 791,596</u>	<u>\$ 12,070</u>	<u>\$ 8,740</u>	<u>\$ 5,672</u>	<u>\$ 865,477</u>
Net as of December 31, 2021	<u>\$ 113,167</u>	<u>\$ 121,622</u>	<u>\$ 417,785</u>	<u>\$ 2,555</u>	<u>\$ 7,184</u>	<u>\$ 135,196</u>	<u>\$ 797,509</u>
<u>Cost</u>							
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	<u>\$ 113,167</u>	<u>\$ 169,021</u>	<u>\$ 1,248,146</u>	<u>\$ 14,712</u>	<u>\$ 16,352</u>	<u>\$ 141,528</u>	<u>\$ 1,702,926</u>
<u>Accumulated depreciation and impairment</u>							
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	<u>\$ -</u>	<u>\$ 50,742</u>	<u>\$ 832,080</u>	<u>\$ 12,454</u>	<u>\$ 9,610</u>	<u>\$ 20,663</u>	<u>\$ 925,549</u>
Net as of December 31, 2022	<u>\$ 113,167</u>	<u>\$ 118,279</u>	<u>\$ 416,066</u>	<u>\$ 2,258</u>	<u>\$ 6,742</u>	<u>\$ 120,865</u>	<u>\$ 777,377</u>

- (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 to 10 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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Carrying amount of right-of-use assets		
Buildings	\$ 18,145	\$ 23,944
Transportation Equipment	<u>1,853</u>	<u>2,022</u>
	<u>\$ 19,998</u>	<u>\$ 25,966</u>

	<u>2022</u>	<u>2021</u>
Addition of Right-of-Use Assets	<u>\$ 2,862</u>	<u>\$ 16,051</u>
Depreciation of Right-of-Use Assets		
Buildings	\$ 5,798	\$ 4,802
Transportation Equipment	<u>2,820</u>	<u>2,148</u>
	<u>\$ 8,618</u>	<u>\$ 6,950</u>

(II) Lease liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Carrying amount of lease liabilities		
Current	<u>\$ 6,871</u>	<u>\$ 7,730</u>
Non-current	<u>\$ 13,457</u>	<u>\$ 18,462</u>

Ranges of discount rates for lease liabilities are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
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

	<u>2022</u>	<u>2021</u>
Short-term lease expenses	\$ <u>169</u>	\$ <u>930</u>
Low-value asset lease expense	\$ <u>209</u>	\$ <u>29</u>
Total cash flows on lease	(\$ <u>9,340</u> )	(\$ <u>8,201</u> )

XIV. Loans

(I) Short-term loans

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Unsecured loans</u>		
Credit line loans	\$ 539,257	\$ 438,775
<u>Secured loans</u>		
Bank loans	<u>60,000</u>	<u>165,000</u>
	<u>\$ 599,257</u>	<u>\$ 603,775</u>

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
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

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



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

December 31, 2022

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

December 31, 2021

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

(III) Long-term loans

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Secured loans</u>		
Bank loans	\$ 523,429	\$ 493,741
Less: Classified as due within 1 year	<u>21,621</u>	<u>419,467</u>
	<u>\$ 501,808</u>	<u>\$ 74,274</u>

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Third unsecured corporate bonds for 2021	<u>\$ 193,912</u>	<u>\$ 188,856</u>

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%	<u>8,242</u>
Liability components as of December 31, 2022	<u>\$ 193,912</u>

XVI. Other payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
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	<u>16,353</u>	<u>17,569</u>
	<u>\$ 34,557</u>	<u>\$ 299,567</u>

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:

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

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	( <u>\$ 31,136</u> )	<u>\$ 21,369</u>	( <u>\$ 9,767</u> )
Service costs for the current period	( 2,352 )	-	( 2,352 )
Interest (expenses) income	( <u>131</u> )	<u>90</u>	( <u>41</u> )
Recognized in profit or loss	( <u>2,483</u> )	<u>90</u>	( <u>2,393</u> )
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	( <u>1,747</u> )	<u>-</u>	( <u>1,747</u> )
Recognized in other comprehensive income	<u>3,196</u>	<u>291</u>	<u>3,487</u>
Contribution by the employer	-	791	791
Benefit paid	<u>715</u>	( <u>715</u> )	<u>-</u>
December 31, 2021	( <u>\$ 29,708</u> )	<u>\$ 21,826</u>	( <u>\$ 7,882</u> )

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	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit (liabilities) assets
January 1, 2022	<u>(\$ 29,708)</u>	<u>\$ 21,826</u>	<u>(\$ 7,882)</u>
Service costs for the current period	( 2,254)	-	( 2,254)
Interest (expenses) income	( <u>276</u> )	<u>203</u>	( <u>73</u> )
Recognized in profit or loss	( <u>2,530</u> )	<u>203</u>	( <u>2,327</u> )
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	<u>4,988</u>	<u>-</u>	<u>4,988</u>
Recognized in other comprehensive income	( <u>4,402</u> )	<u>1,578</u>	( <u>2,824</u> )
Contribution by the employer	-	823	823
Benefit paid	<u>-</u>	<u>-</u>	<u>-</u>
December 31, 2022	<u>(\$ 36,640)</u>	<u>\$ 24,430</u>	<u>(\$ 12,210)</u>

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:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
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:

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

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.

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Expected amount of contribution within 1 year	<u>\$ 822</u>	<u>\$ 791</u>
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:

	<u>2022</u>	<u>2021</u>
Operating costs	<u>\$ 4,476</u>	<u>\$ 3,801</u>
Selling and marketing expenses	<u>\$ 278</u>	<u>\$ 176</u>
General and administrative expenses	<u>\$ 2,424</u>	<u>\$ 2,669</u>
Research and development expenses	<u>\$ 142</u>	<u>\$ 146</u>

## XVIII. Equity

### (I) Capital stock

#### Common stock

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

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>May be used to offset deficits,</u> <u>appropriated as cash</u> <u>dividends or transferred to</u> <u>capital (1)</u>		
Stock issuance premium	\$ 64,872	\$ 64,794
Expired employee stock options	559	559
<u>May not be used for any</u> <u>purpose</u>		
Employees stock option	6,152	5,308
Stock option	<u>8,556</u>	<u>8,556</u>
	<u>\$ 80,139</u>	<u>\$ 79,217</u>

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	Dividends Per
	Earnings	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

	<u>2022</u>	<u>2021</u>
Beginning balance	(\$ 109,332)	(\$ 103,079)
Incurrd 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)	<u>1,562</u>
Ending balance	<u>(\$ 90,493)</u>	<u>(\$ 109,332)</u>

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

	<u>2022</u>	<u>2021</u>
Beginning balance	(\$ 113,549)	\$ 130,327
Incurrd 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	<u>(\$ 17,099)</u>	<u>(\$ 113,549)</u>

XIX. Net income of continuing operations

Net income of continuing operations includes the following items:

(I) Other income

	<u>2022</u>	<u>2021</u>
Rental income	\$ 24,530	\$ 24,000
Dividend income	<u>2,256</u>	<u>3,288</u>
	<u>\$ 26,786</u>	<u>\$ 27,288</u>



(II) Other gains and losses

	<u>2022</u>	<u>2021</u>
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)
	<u>\$ 5,430</u>	<u>\$ 12,882</u>

(III) Finance costs

	<u>2022</u>	<u>2021</u>
Interest on bank loans	\$ 19,880	\$ 16,986
Interest on corporate bonds	5,056	3,186
Interest on lease liabilities	<u>447</u>	<u>488</u>
	<u>\$ 25,383</u>	<u>\$ 20,660</u>

(IV) Employee benefits and depreciation and amortization expenses

	<u>2022</u>			<u>2021</u>		
	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

	<u>2022</u>	<u>2021</u>
Employee compensation	1.00%	1.00%
Director remuneration	-	1.00%

Amount

	<u>2022</u>		<u>2021</u>	
	<u>Cash</u>	<u>Stock</u>	<u>Cash</u>	<u>Stock</u>
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

	<u>2022</u>	<u>2021</u>
Current income tax		
Incurred this year	\$ -	\$ 372
Additional tax on unappropriated earnings	-	97
Adjustments from previous years	( <u>372</u> )	<u>-</u>
	( <u>372</u> )	<u>469</u>
Deferred income tax		
Incurred this year	( <u>1,329</u> )	<u>750</u>
Income tax (benefit) expense recognized in profit or loss	( <u>\$ 1,701</u> )	<u>\$ 1,219</u>

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

	<u>2022</u>	<u>2021</u>
Net income of continuing operations before tax	<u>\$ 947</u>	<u>\$ 32,650</u>
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	( <u>372</u> )	<u>-</u>
Income tax (benefit) expense recognized in profit or loss	( <u>\$ 1,701</u> )	<u>\$ 1,219</u>

(II) Income tax recognized in other comprehensive income

	<u>2022</u>	<u>2021</u>
<u>Deferred income tax</u>		
Incurring 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	<u>565</u>	( <u>697</u> )
Income tax gain recognized in other comprehensive income	( <u>\$ 4,145</u> )	<u>\$ 865</u>

(III) Deferred income tax assets and liabilities

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

2022

	<u>Beginning balance</u>	<u>Recognized in profit or loss</u>	<u>Recognized in other comprehensive income</u>	<u>Ending balance</u>
<u>Deferred income tax assets</u>				
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	( <u>179</u> )	<u>1,524</u>	<u>-</u>	<u>1,345</u>
	<u>\$ 37,182</u>	<u>\$ 1,329</u>	<u>\$ 565</u>	<u>\$ 39,076</u>
<u>Deferred income tax liabilities</u>				
Temporary differences				
Exchange differences on translation of foreign operations	( <u>\$ 5,160</u> )	<u>\$ -</u>	( <u>\$ 4,710</u> )	( <u>\$ 9,870</u> )



2021

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensiv e income	Ending balance
<u>Deferred income tax assets</u>				
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	<u>752</u>	<u>( 931)</u>	<u>-</u>	<u>( 179)</u>
	<u>\$ 38,629</u>	<u>( \$ 750)</u>	<u>( \$ 697)</u>	<u>\$ 37,182</u>
<u>Deferred income tax liabilities</u>				
Temporary differences				
Exchange differences on translation of foreign operations	<u>( \$ 6,722)</u>	<u>\$ -</u>	<u>\$ 1,562</u>	<u>( \$ 5,160)</u>

(IV) Items not recognized as deferred income tax assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Loss carryforwards		
Due in 2032	<u>\$ 7,553</u>	<u>\$ 7,564</u>

(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	
	<u>2022</u>	<u>2021</u>
Basic earnings per share		
From continuing operations	<u>\$ 0.01</u>	<u>\$ 0.18</u>
Diluted earnings per share		
From continuing operations	<u>\$ 0.01</u>	<u>\$ 0.18</u>

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

Net Income for the period

	<u>2022</u>	<u>2021</u>
Net income used for calculation of basic earnings per share	<u>\$ 2,648</u>	<u>\$ 31,431</u>
Net income used for calculation of diluted earnings per share	<u>\$ 2,648</u>	<u>\$ 31,431</u>

Number of shares

Unit: Thousand shares

	<u>2022</u>	<u>2021</u>
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	<u>334</u>	<u>934</u>
Weighted average number of common shares used for calculation of diluted earnings per share	<u>190,260</u>	<u>177,218</u>

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:

Employees stock option	2022		2021	
	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	<u>1,550</u>	11.70	<u>1,700</u>	12.60
Exercisable at the end of the year	<u>1,550</u>		<u>850</u>	

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

Stock price at grant date	<u>November 1, 2019</u> 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
<u>Financial liabilities</u>					
Financial liabilities measured at amortized cost					
- Corporate bonds payable	<u>\$193,912</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$193,140</u>	<u>\$193,140</u>

December 31, 2021

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

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at fair value through profit or loss</u>				
Non-derivative financial assets				
— Domestic emerging stocks	\$ -	\$ -	\$ 12,308	\$ 12,308
— Foreign listed stocks	41,160	-	-	41,160
Total	<u>\$ 41,160</u>	<u>\$ -</u>	<u>\$ 12,308</u>	<u>\$ 53,468</u>
<u>Financial assets at fair value through other comprehensive income</u>				
Investments in equity instruments				
— Domestic OTC stocks	\$ 354,046	\$ -	\$ -	\$ 354,046
— Domestic and foreign unlisted (OTC) stocks	-	-	52,765	52,765
Total	<u>\$ 354,046</u>	<u>\$ -</u>	<u>\$ 52,765</u>	<u>\$ 406,811</u>
<u>Financial liabilities at fair value through profit or loss</u>				
— Repurchase option for convertible bonds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,380</u>	<u>\$ 4,380</u>

December 31, 2021

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

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

	<u>2022</u>	<u>2021</u>
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	<u>-</u>	<u>( 1,140)</u>
Ending balance	<u>\$ 7,928</u>	<u>(\$ 1,220)</u>

Financial assets at fair value through other comprehensive income

	<u>2022</u>	<u>2021</u>
Beginning balance	\$ 40,144	\$ 28,979
Purchase	15,180	13,888
Recognized in other comprehensive income	( 2,559)	( 2,723)
Ending balance	<u>\$ 52,765</u>	<u>\$ 40,144</u>

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

<u>Category of Financial Instruments</u>	<u>Valuation Technique and Inputs</u>
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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
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
<u>Financial liabilities</u>		
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 :

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
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.

#### Liquidity and interest rate risk tables

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

	<u>Less than 1 year</u>	<u>1 to 5 year(s)</u>	<u>Total</u>
<u>Non-derivative financial liabilities</u>			
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

	<u>Less than 1 year</u>	<u>1 to 5 year(s)</u>	<u>Total</u>
<u>Non-derivative financial liabilities</u>			
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

<u>Related Party</u>	<u>Relationship with the Company</u>
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

<u>Type of Related Party</u>	<u>2022</u>	<u>2021</u>
Subsidiaries		
Kunshan Key Ware	\$ 133,395	\$ 134,892
Jia Chi	<u>67,793</u>	<u>47,782</u>
	<u>\$ 201,188</u>	<u>\$ 182,674</u>

(III) Purchase of goods

<u>Type of Related Party</u>	<u>2022</u>	<u>2021</u>
Subsidiaries		
Kunshan Key Ware	\$ 69,482	\$ 74,062
Others	<u>5</u>	<u>934</u>
	<u>\$ 69,487</u>	<u>\$ 74,996</u>

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

<u>Type of Related Party</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Subsidiaries		
Kunshan Key Ware	\$ 16,680	\$ 34,360
Jia Chi	<u>41,530</u>	<u>27,186</u>
	<u>\$ 58,210</u>	<u>\$ 61,546</u>

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

<u>Type of Related Party</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Subsidiaries		
Kunshan Laserware Laser	\$ -	\$ 97,012
Kunshan Key Ware	1,234	89,845
Jia Chi	6,224	6,300
Others	<u>4</u>	<u>3</u>
	<u>\$ 7,462</u>	<u>\$ 193,160</u>

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

<u>Type of Related Party</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Subsidiaries		
Kunshan Key Ware	\$ 27,190	\$ 38,405
Others	<u>-</u>	<u>15</u>
	<u>\$ 27,190</u>	<u>\$ 38,420</u>

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

<u>Type of Related Party</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Subsidiaries		
Kunshan Key Ware	\$ 11,660	\$ -
Jia Chi	<u>1,065</u>	<u>965</u>
	<u>\$ 12,725</u>	<u>\$ 965</u>

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	<u>\$ 230,000</u>	<u>\$ 33,000</u>	<u>\$ 230,000</u>	<u>\$ 60,000</u>

(X) Remuneration to the management

	2022	2021
Short-term employee benefits	\$ 7,811	\$ 8,639
Retirement benefits	<u>36</u>	<u>156</u>
	<u>\$ 7,847</u>	<u>\$ 8,795</u>

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
<u>Monetary items of financial assets</u>						
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
<u>Non-monetary items of financial assets</u>						
USD	53,672	30.71	1,648,267	56,177	27.68	1,554,975
<u>Monetary items of financial liabilities</u>						
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. Segment Information**

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	<u>Domestic listed and emerging stocks</u> Qbic Technology Co., Ltd.	—	Financial assets at fair value through profit or loss - current	350	\$ 12,308	2.22%	\$ 12,308	Note 1
	Savior Lifetec Corporation	—	Financial assets at fair value through other comprehensive income - current	14,276	354,046	4.50%	354,046	
	<u>Domestic unlisted (OTC) stocks</u> 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	
	<u>Foreign listed (OTC) stocks</u> 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	<u>Renminbi financial products</u>						
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.

## § STATEMENTS OF SIGNIFICANT ACCOUNTING SUBJECTS§

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Key Ware Electronics Co., Ltd.  
Statement of Notes and Accounts Receivable  
December 31, 2022

Statement 1:

Unit: NT\$ thousand

Name of Customer	Amount
Notes receivable	
Speedy Circuits Co., Ltd.	\$ 1,878
Giant Blue Co., Ltd.	1,129
Jia Huah Co., Ltd.	187
Others (Note)	<u>430</u>
Subtotal	<u>3,624</u>
Accounts receivable	
Gold Circuit Electronics Ltd.	119,075
Anhui Cong Shuo	39,230
HANYOUNG CORP.	14,138
Tai Yu Sheng Co., Ltd.	13,878
Others (Note)	<u>43,921</u>
Subtotal	<u>230,242</u>
Less: Loss allowances	( <u>1,295</u> )
Net amount	<u>\$ 232,571</u>

Note: The balance of each item does not exceed 5% of the balance of this account.

Key Ware Electronics Co., Ltd.  
Statements of Financial Assets at Fair Value through Profit or Loss  
2022

Statement 2:

Unit: NT\$ thousand

Item	Beginning balance		Increase in this year		Decrease in this year		Unrealized valuation gains	Ending balance	
	Number of Shares (in Thousands)	Amount	Number of Shares (in Thousands)	Amount	Number of Shares (in Thousands)	Amount		Number of Shares (in Thousands)	Amount
Current									
Qbic Technology Co., Ltd.	-	\$ -	350	\$ 11,389	-	-	\$ 919	350	12,308
Topoint Technology Co., Ltd.	-	-	10	367	10	367	-	-	-
Nuvoton Technology Corporation	-	-	25	3,435	25	3,435	-	-	-
Walsin Lihwa Corporation	-	-	40	1,456	40	1,456	-	-	-
Silicon Motion Technology Corp.	1	3,261	21	50,663	1	4,344	( 8,420)	21	41,160
Evergreen Marine Corporation	5	713	129	19,177	134	19,890	-	-	-
Wan Hai Lines, Ltd.	11	<u>2,184</u>	19	<u>2,791</u>	30	<u>4,975</u>	-	-	-
Total		<u>\$ 6,158</u>		<u>\$ 89,278</u>		<u>\$ 34,467</u>	<u>(\$ 7,501)</u>		<u>\$ 53,468</u>

Key Ware Electronics Co., Ltd.  
Statements of Financial Assets at Fair Value through Other Comprehensive Income  
From January 1, 2022 to December 31, 2022

Statement 3:

Unit: NT\$ thousand

Item	Beginning balance		Increase in this year		Decrease in this year			Unrealized valuation gains and losses	Ending balance		
	Number of Shares (in Thousands)	Amount	Number of Shares (in Thousands)	Amount	Number of Shares (in Thousands)	Amount	Others (Note 1)		Number of Shares (in Thousands)	Ownership Percentage of	Amount
Current											
Savior Lifetec Corporation	17,789	<u>\$ 339,771</u>	-	<u>\$ -</u>	3,513	<u>\$ 84,733</u>	<u>(\$ 7,060)</u>	<u>\$ 106,068</u>	14,276	4.5%	<u>\$ 354,046</u>
Non-current											
Han Yu Venture Capital Co., Ltd.	2,000	12,285	2,000	15,179	-	-	-	( 139)	4,000	8.89%	27,325
Concord Venture Capital Group Limited	-	11,778	-	-	-	-	-	( 200)	-	13.57%	11,578
Kinara Inc.	1,809	<u>16,081</u>	-	<u>-</u>	-	<u>-</u>	<u>-</u>	<u>( 2,219)</u>	1,809	2.07%	<u>13,862</u>
		<u>40,144</u>		<u>15,179</u>		<u>-</u>	<u>-</u>	<u>( 2,558)</u>			<u>52,765</u>
Total		<u>\$ 379,915</u>		<u>\$ 15,179</u>		<u>\$ 84,733</u>	<u>(\$ 7,060)</u>	<u>\$ 103,510</u>			<u>\$ 406,811</u>

Note 1: This represents the reclassification of equity instruments measured at fair value through other comprehensive income to retained earnings.

Key Ware Electronics Co., Ltd.  
Statement of Inventories  
December 31, 2022

Statement 4:

Unit: NT\$ thousand

Item	Amount	
	Cost	Market value (Note)
Raw material	\$ 11,346	\$ 11,346
Work in process	22,573	36,472
Finished products	<u>176,098</u>	<u>258,939</u>
Total	<u>\$ 210,017</u>	<u>\$ 306,757</u>

Note: Market value is the net realizable value.

Key Ware Electronics Co., Ltd.  
Statement of Changes in Investments Accounted for Using the Equity Method  
From January 1, 2022 to December 31, 2022

Statement 5:

Unit: (In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

	Beginning balance		Increase in this year		Decrease in this year		Investment income or loss	Others (Note 3)	Exchange differences on translation of financial statements of foreign operations	Ending balance			Net Equity Value	Guarantee provided	Remark
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount				Number of Shares	Shareholding %	Amount			
Unlisted companies															
Key Ware International Ltd.	23,717	\$ 1,514,831	-	\$ -	-	\$ -	\$ 57,136	( \$ 8 )	\$ 23,549	23,717	100.00	\$ 1,595,508	\$ 1,599,352	—	Note 1 and Note 4
Key De Precise Industries Co., Ltd	612	34,590	-	-	-	-	2,934	( 9,236 )	-	612	51.00	28,288	14,911	—	Note 1 and Note 5
Rong Pei Wisdom Co., Ltd.	1,866	20,543	-	-	-	-	1,103	( 988 )	-	1,866	22.73	20,658	19,957	—	Note 1
Laserware Laser Technology Co., Ltd	100	969	-	-	-	-	1	-	-	100	99.99	970	970	—	Note 2
Hui Peng Technology Co., Ltd	60	600	-	-	-	-	1	-	-	60	60.00	601	601	—	Note 2
Jia Chi Co., Ltd	2,972	<u>40,463</u>	-	-	-	-	( <u>11,766</u> )	-	-	2,972	83.63	<u>28,697</u>	<u>29,295</u>	—	Note 1 and Note 6
		<u>\$ 1,611,996</u>		<u>\$ -</u>		<u>\$ -</u>	<u>\$ 49,409</u>	( <u>\$ 10,232</u> )	<u>\$ 23,549</u>			<u>\$ 1,674,722</u>	<u>\$ 1,665,086</u>		

Note 1: The calculation is based on the Company's audited financial statements for 2011.

Note 2: The calculation is based on the Company's unaudited financial statements for 2011.

Note 3: The unrealized gross profit of the parent company was amortized by NT\$8 thousand and cash dividends of NT\$10,224 thousand were distributed to the investee company.

Note 4: The difference between the carrying amount and the net equity is due to the unrealized gross profit of NT\$639 thousand from the parent company to its associates and the unrealized gain of NT\$3,205 thousand from asset transactions.

Note 5: The difference between the carrying amount and the net equity is the intangible asset of NT\$13,377 thousand arising from the investment.

Note 6: The difference between the carrying amount and the net equity is due to an unrealized gain of NT\$598 thousand from an inter-associate asset transaction.



Key Ware Electronics Co., Ltd.  
Statement of Changes in Right-of-use Assets

2022

Statement 6:

Unit: NT\$ thousand

Item	Beginning balance	Increase in this year	Ending balance	Remark
Cost				
Building and Construction	\$ 28,994	\$ -	\$ 28,994	
Transportation Equipment	<u>7,700</u>	<u>1,594</u>	<u>9,294</u>	
	<u>36,694</u>	<u>1,594</u>	<u>38,288</u>	
Accumulated depreciation				
Building and Construction	5,050	5,799	10,849	
Transportation Equipment	<u>5,678</u>	<u>1,763</u>	<u>7,441</u>	
	<u>10,728</u>	<u>7,562</u>	<u>18,290</u>	
Net amount	<u>\$ 25,966</u>	( <u>\$ 5,968</u> )	<u>\$ 19,998</u>	

Key Ware Electronics Co., Ltd.  
Statement of Other Assets  
December 31, 2022

Statement 7:

Unit: NT\$ thousand

<u>Item</u>	<u>Amount</u>
Current	
Supplies Inventory	\$ 16,467
Prepayments for goods	13,226
Tax overpaid retained for offsetting the future tax payable	2,540
Prepaid Salaries	1,309
Others (Note)	<u>1,354</u>
	<u>\$ 34,896</u>
Non-current	
Other Deferred Expenses	\$ 2,542
Patents	<u>27</u>
	<u>\$ 2,569</u>

Note: The balance of each item does not exceed 5% of the balance of this account.

Key Ware Electronics Co., Ltd.  
Statement of Long-term and Short-term Loans  
December 31, 2022

Statement 8:

Unit: NT\$ thousand

Types of Loans and Creditors	Ending balance	Contract Period (YYYY/MM/DD)	Annual Interest Rate (%)	Line of credit	Pledge or Guarantee
<b>Long-term loans (including due within one year)</b>					
Bank of Panhsin	\$ 74,362	2021.07.27~2026.10.29	2.18%	\$ 105,000	Pledge of equipment
Taiwan Shin Kong Commercial Bank	440,000	2021.01.26~2025.01.26	1.90%~2.15%	440,000	Pledge of land and equipment
First Commercial Bank	<u>9,067</u>	2022.05.25~2027.05.25	2.38%	<u>10,200</u>	Pledge of equipment
	<u>523,429</u>			<u>555,200</u>	
<b>Short-term loans</b>					
Taishin International Bank	41,203	2021.12.31~2022.12.31	1.25%~2.39%	85,000	—
Taishin International Bank	30,000	2021.12.31~2022.12.31	2.25%	35,000	Pledge of stocks
Taiwan Cooperative Bank	46,000	2022.09.27~2023.09.27	2.25%	46,000	—
Entie Commercial Bank	-	2022.09.30~2023.09.30	-	50,000	—
Bank of Panhsin	18,052	2022.12.31~2023.12.31	1.37%	50,000	—
Taichung Commercial Bank	7,921	2022.05.31~2023.05.31	1.40%	40,000	—
Taiwan Shin Kong Commercial Bank	87,081	2022.01.26~2023.01.26	1.25%~2.00%	100,000	—
Yuanta Commercial Bank	80,000	2022.08.31~2023.08.30	2.39%	80,000	—
Chang Hwa Bank	20,000	2021.12.31~2022.12.31	2.43%	100,000	—
Land Bank of Taiwan	50,000	2022.02.10~2023.02.10	2.20%	50,000	—
Bank Sinopac	50,000	2022.03.16~2023.03.31	2.30%	50,000	—
KGI Bank	50,000	2022.11.04~2023.11.04	2.49%	50,000	—
Cathay United Bank	31,362	2022.11.30~2023.11.30	1.10%	42,994	—
Mega International Commercial Bank	14,835	2022.08.30~2023.08.29	1.16%~1.20%	55,278	—
Jih Sun International Bank	30,000	2022.12.18~2022.12.18	2.26%	30,000	—
First Commercial Bank	12,803	2022.09.08~2023.09.19	1.44%	30,000	—
Sunny Bank	<u>30,000</u>	2022.08.30~2023.08.30	2.29%	<u>30,000</u>	Pledge of stocks
	<u>599,257</u>			<u>924,272</u>	
<b>Total</b>	<u>\$ 1,122,686</u>			<u>\$ 1,479,472</u>	

Key Ware Electronics Co., Ltd.  
Statement of Notes and Accounts Payable  
December 31, 2022

Statement 9:

Unit: NT\$ thousand

Manufacturer Name	Amount
Non-related party	
CREATING NANO TECHNOLOGIES INC. STSIP BRANCH	\$ 24,382
Tai Yu Sheng Co., Ltd.	8,271
Jing Jian Technology Co., Ltd.	4,299
Others (Note)	<u>29,340</u>
	<u>\$ 66,292</u>

Note: The balance of each manufacturer does not exceed 5% of the balance of this account.

Key Ware Electronics Co., Ltd.  
Statement of Other Current Liabilities  
December 31, 2022

Statement 10:

Unit: NT\$ thousand

<u>Item</u>	<u>Amount</u>
Prepayment	\$ 70
Receipts under custody	<u>7,192</u>
	<u>\$ 7,262</u>

## Key Ware Electronics Co., Ltd.

## Statement of Lease liabilities

December 31, 2022

Statement 11:

Unit: NT\$ thousand

<u>Item</u>	<u>Summary</u>	<u>Lease period</u>	<u>Discount rate</u>	<u>Ending balance</u>	<u>Remark</u>
Building Construction	and Plant	109.12.01~2025.11.3 0	1.89%	\$ 8,452	
		2021.05.16~2026.05. 15	1.89%	10,010	
Transportation Equipment	Vehicle Leasing	2021.01.01~2023.12. 31	1.56%	279	
		2021.08.25~2024.08. 24	1.56%	465	
		2022.01.01~2024.12. 31	1.56%	671	
		2022.05.30~2025.05. 30	1.61%	451	
Less: Due within one year				<u>6,871</u>	
				<u>\$ 13,457</u>	

Key Ware Electronics Co., Ltd.  
Statement of Operating Revenue  
2022

Statement 12:

Unit: NT\$ thousand

Item	Quantity (thousands units)	Amount
Operating revenue		
Drill Bits	38,342	\$ 356,897
End Mills	1,805	26,961
Tungsten Carbide	113,634	249,902
Drilling Foundry	-	70,913
Others (Note)	1,485	<u>3,562</u>
Subtotal		<u>708,235</u>
Less: Sales returns and discounts		( <u>8,781</u> )
Net operating revenue		<u>\$ 699,454</u>

Note: The balance of each item does not exceed 5% of the balance of this account.

Key Ware Electronics Co., Ltd.  
Statement of Operating Costs  
2022

Statement 13:

Unit: NT\$ thousand

Item	Amount
Operating costs	
Direct raw materials	
Raw materials at the beginning of the period	\$ 11,254
Add: Purchase	306,046
Less: Raw materials at the end of the period	( 11,346)
Conversion of raw materials to commodities for sale	( <u>262,185</u> )
Material consumption for the period	43,769
Director labor	41,741
Manufacturing overheads	<u>230,509</u>
Manufacturing overheads	316,019
Add: Work-in-process at beginning of period	27,604
Less: Work-in-process at end of period	( <u>22,573</u> )
Cost of finished products	321,050
Add: Finished products at the beginning of period (including goods in transit)	148,899
Purchase of finished products	110,860
Conversion of raw materials to commodities for sale	262,185
Less: Finished products at the end of period (including goods in transit)	( 176,098)
Claims and adjustments from other departments	<u>26,417</u>
Total	<u>\$ 693,313</u>



Key Ware Electronics Co., Ltd.  
Statement of Selling and Marketing Expenses  
2022

Statement 14:

Unit: NT\$ thousand

<u>Item</u>	<u>Amount</u>
Entertainment fee	\$ 15,334
Salaries	4,660
Shipping cost	6,056
Others (Note)	<u>2,512</u>
Total	<u>\$ 28,562</u>

Note: The balance of each item does not exceed 5% of the balance of this account.

Key Ware Electronics Co., Ltd.  
Statement of General and Administrative Expenses  
2022

Statement 15:

Unit: NT\$ thousand

<u>Item</u>	<u>Amount</u>
Salaries	\$ 19,238
Service charge	3,930
Depreciation	3,275
Pensions	2,434
Others (Note)	<u>2,145</u>
Total	<u>\$ 31,022</u>

Note: The balance of each item does not exceed 5% of the balance of this account.

Key Ware Electronics Co., Ltd.  
Statement of Research and Development Expenses  
2022

Statement 16:

Unit: NT\$ thousand

<u>Item</u>	<u>Amount</u>
Salaries	\$ 2,437
Depreciation	147
Labor and health insurance	267
Others (Note)	( <u>564</u> )
Total	<u>\$ 2,287</u>

Note: The balance of each item does not exceed 5% of the balance of this account.

Key Ware Electronics Co., Ltd.  
Statement of Employee Benefits and Depreciation and Amortization Expenses by Function  
For 2022 and 2021

Statement 17:

Unit: NT\$ thousand

	2022			2021		
	<u>Operation Costs</u>	<u>Operation Expenses</u>	<u>T o t a l</u>	<u>Operation Costs</u>	<u>Operation Expenses</u>	<u>T o t a l</u>
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	<u>935</u>	<u>147</u>	<u>1,082</u>	<u>748</u>	<u>142</u>	<u>890</u>
Total	<u>\$ 103,154</u>	<u>\$ 31,458</u>	<u>\$ 134,612</u>	<u>\$ 90,281</u>	<u>\$ 36,969</u>	<u>\$ 127,250</u>
Depreciation expenses	<u>\$ 53,068</u>	<u>\$ 3,542</u>	<u>\$ 56,610</u>	<u>\$ 58,212</u>	<u>\$ 3,116</u>	<u>\$ 61,328</u>
Amortization expenses	<u>\$ 1,457</u>	<u>\$ 385</u>	<u>\$ 1,842</u>	<u>\$ 1,437</u>	<u>\$ 281</u>	<u>\$ 1,718</u>

Note 1: 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.

Note 2: For companies whose shares are listed on the TPEX, the following information should also be disclosed:

- (1) The average employee benefit expenses for the current and prior years were NT\$788 thousand and NT\$818 thousand, respectively.
- (2) The average employee salary expenses for the current and prior years were NT\$667 thousand and NT\$698 thousand, respectively.
- (3) The change in average employee salary cost adjustment is (4.44)%.
- (4) The Company has established an audit committee and the remuneration to the independent directors has been consolidated and disclosed in the directors' remuneration.
- (5) The Company's salary and remuneration policy (including directors, managers and employees)
  1. Director: Remuneration is based on the results of the Company's operations and the Board of Directors' performance evaluation, and reasonable remuneration is given.
  2. Managerial officers: Remuneration is based on the Company's current salary and remuneration related policies, systems, standards and structures, and the related performance appraisals and salary reasonableness assessments are submitted to the Remuneration Committee and the Board of Directors for review and approval.
  3. Employees: Salary performance evaluation and salary compensation are based on salary payment standards, and the performance of individuals is evaluated by taking into account their time, responsibilities, and achievement of goals.
  4. 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.