Stock Code: 5498

Key Ware Electronics Co., Ltd. and Subsidiaries

Consolidated Financial Statements and Independent Auditors' Report

For 2022 and 2021

Address: No. 32, Xingbang Rd., Taoyuan Dist., Taoyuan City

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<u>*Notice to Reader*</u>

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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Declaration of Consolidated Financial Statements of Affiliates

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

Sincerely,

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

Chairman: Chow, Pong-Chi

March 24, 2023

Independent Auditors' Report

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

Opinions

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

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

Basis for Opinions

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

Key Audit Matters

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

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

Truthfulness of Sales Revenue

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

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

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

Other Matters

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and evaluate the risk of material misstatements due to fraud or error in the Consolidated Financial Statements; design and carry out appropriate countermeasures for the evaluated risk; and obtain sufficient and appropriate evidence as the basis for their audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of Key Ware Group.
3. Assess the appropriateness of the accounting policies adopted by the management, as well as the reasonableness of their accounting estimates and relevant disclosures.
4. Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Key Ware Group's ability to operate as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Key Ware Group to cease to continue as a going concern.
5. Evaluate the overall expression, structure and contents of the Consolidated Financial Statements (including relevant Notes), and whether the Consolidated Financial Statements fairly present relevant transactions and items.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Key Ware Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision, and performance of the audit and for expressing an opinion on the Consolidated Financial Statements of Key Ware Group.

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

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

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

Deloitte & Touche

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

March 24, 2023

Notices to Readers

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

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

Key Ware Electronics Co., Ltd. and Subsidiaries

Consolidated Balance Sheets

As of December 31, 2022 and 2021

Unit: NT$ thousand

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

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

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

Key Ware Electronics Co., Ltd. and Subsidiaries

Consolidated Statements of Comprehensive Income

From January 1 to December 31, 2022 and 2021

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

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

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

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

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

Key Ware Electronics Co., Ltd. and Subsidiaries

Consolidated Statements of Changes in Equity

From January 1 to December 31, 2022 and 2021

Unit: NT$ thousand

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

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

Chairman: Chow, Pong-Chi

President: Hsu, Wei-Chieh

Accounting Manager: Lee, Yun-Ting

Key Ware Electronics Co., Ltd. and Subsidiaries

Consolidated Statements of Cash Flows

From January 1 to December 31, 2022 and 2021

Unit: NT$ thousand

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

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

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

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

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

I. Company History

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

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

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

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

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

III. Application of New and Amended Standards and Interpretations

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

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

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

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

Note 1: The amendments prospectively apply to the annual reporting periods beginning on or after January 1, 2023.

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

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

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

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

New/Revised/Amended Standards and Interpretations	Effective Date of Issuance by the IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture"	To be determined
Amendments to IFRS 16 “Lease liability in a sale and leaseback”	January 1, 2024 (Note 2)
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9—Comparative Information”	January 1, 2023
Amendments to IAS 1 "Classify Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

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

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

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

IV. Summary of Significant Accounting Policies

(I) Compliance declaration

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

(II) Preparation basis

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

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

1. Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities on the measurement date.
2. Level 2: Inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. deduced from).
3. Level 3: Inputs are unobservable inputs for the asset or liability.

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

Current assets include:

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

Current liabilities include:

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

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

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

(IV) Basis of consolidation

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

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

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

(V) Foreign currencies

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

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

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

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

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

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

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

(VI) Inventories

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

(VII) Investments in associates

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

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

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

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

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

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

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

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

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

(VIII) Property, plant, and equipment

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

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

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

(IX) Goodwill

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

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

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

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

(X) Intangible assets

<u>Acquisition through business combinations</u>

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

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

On each balance sheet date, the Group reviews the carrying amounts of its property, plant, and equipment as well as right-of-use assets, and intangible assets (excluding goodwill) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

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

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

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount.

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

(XII) Financial instruments

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

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

1. Financial assets

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

(1) Types of measurement

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

A. Financial assets at fair value through profit or loss

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

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

B. Financial assets at amortized cost

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

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

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

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

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

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

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

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

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

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

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

(2) Impairment of financial assets

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

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

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

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

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

(3) Derecognition of financial assets

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

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

2. Equity instruments

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

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

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

3. Financial liabilities

   (1) Subsequent measurement

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

   (2) Derecognition of financial liabilities

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

4. Convertible bonds

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

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

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

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

(XIII) Revenue recognition

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

1. Sales revenue of commodities

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

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

2. Service revenue

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

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

(XIV) Leases

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

1. Where the Group is a lessor:

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

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

2. Where the Group is a lessee:

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

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

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

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

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

(XV) Government Grants

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

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

(XVI) Employee benefits

1. Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for service rendered by employees.

2. Retirement benefits

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

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

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

(XVII) Share-based payment arrangements

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

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

(XVIII) Income Tax

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

1. Current income tax

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

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

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

2. Deferred income tax

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

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

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

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

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

3. Current and deferred income taxes for the year

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

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

V. <u>Primary Sources of Uncertainties in Material Accounting Judgments, Estimates, and Assumptions</u>

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

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

VI. Cash and bank deposits

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

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

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

VII. Financial Instruments at Fair Value through Profit or Loss

Financial assets - current

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

Financial liabilities - Current

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

Financial liabilities - Non-current

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

VIII. Financial assets at fair value through other comprehensive income

Investments in equity instruments

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

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

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

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

IX. Notes Receivables, Accounts Receivables, and Other Receivables

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

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

(I) Notes and Accounts Receivable

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

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

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

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

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

December 31, 2022

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

December 31, 2021

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

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

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

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

(II) Other receivables

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

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

X. Inventories

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

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

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

XI. Subsidiaries

Subsidiaries included in the consolidated financial statements

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

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

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

XII. Investments Accounted for Using the Equity Method

The Group's associates are as follows

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

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

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

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

XIII. Property, plant, and equipment

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

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

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

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

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

1. Compensation agreement for land demolition and relocation

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

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

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

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

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

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

2. Land Use Rights Acquisition Compensation Agreement

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

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

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

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

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

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

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

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

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

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

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

XIV. Lease Agreements

(I) Right-of-use assets

	December 31, 2022	December 31, 2021
Carrying amount of right-of-use assets		
Land	$ 68,978	$ 70,015
Buildings	31,411	46,351
Machinery	5,852	16,399
Transportation Equipment	2,193	2,279
	$ 108,434	$ 135,044

Addition of Right-of-Use Assets	$ 3,149	$ 57,592

Depreciation Expense of Right-of-Use Assets		
Land	$ 2,139	$ 1,282
Buildings	15,181	10,602
Machinery	8,435	9,329
Transportation Equipment	3,024	2,302
	$ 28,779	$ 23,515

(II) Lease liabilities

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

Ranges of discount rates for lease liabilities are as follows:

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

(III) Major lease activities and terms

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

(IV) Other lease information

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

XV. Other intangible assets

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

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

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

XVI. Loans

(I) Short-term loans

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

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

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

(II) Short-term notes and bills payable

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

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

December 31, 2022

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

December 31, 2021

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

(III) Long-term loans

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

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

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

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

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

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

Please refer to Note XXVIII for the secured bank loans.

XVII. Corporate bonds payable

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

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

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

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

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

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

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

XVIII. Other payables

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

XIX. Post-retirement Benefit Plan

(I) Defined contribution plans－Taiwan

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

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

(II) Defined contribution plans－Mainland China

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

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

(III) Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

XX. Equity

(I) Capital stock

Common stock

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

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

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

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

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

(II) Capital surplus

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

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

(III) Retained earnings and dividend policy

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

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

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

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

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

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

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

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

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

(IV) Special reserve

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

(V) Other equity items

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

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

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

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

XXI. Net income of continuing operations

Net income of continuing operations includes the following items:

(I) Other income

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

(II) Other gains and losses

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

(III) Finance costs

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

(IV) Employee benefits and depreciation and amortization expenses

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

(V) Employee compensation and director remuneration

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

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

Estimated percentage

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

Amount

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

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

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

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

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

XXII. Income tax on continuing operations

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

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

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

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

(II) Income tax recognized in other comprehensive income

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

(III) Deferred income tax assets and liabilities

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

2022

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

2021

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

(IV) Income tax assessment

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

XXIII. Earnings per Share

Unit: NT$ Per Share

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

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

Net Income for the period

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

Number of shares

Unit: Thousand shares

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

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

XXIV. Share-based payment arrangements

(I) The Company's employees stock option plan

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

Information on employee stock options is as follows:

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

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

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

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

(II) Employee stock options for cash capital increase

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

XXV. Capital Risk Management

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

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

XXVI. Financial instruments

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

December 31, 2022

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

December 31, 2021

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

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

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

1. Fair value level

December 31, 2022

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

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

December 31, 2021

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

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

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

Financial Instruments at Fair Value through Profit or Loss

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

Financial assets at fair value through other comprehensive income

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

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

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

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

(III) Category of financial instruments

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

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

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

(IV) Financial risk management objectives and policies

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

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

1. Market risk

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

(1) Foreign exchange risk

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

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

(2) Interest rate risk

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

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

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

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

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

(3) Equity securities price risk

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

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

2. Credit risk

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

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

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

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

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

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

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

3. Liquidity risk

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

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

<u>Liquidity and interest rate risk tables</u>

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

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

December 31, 2022

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

December 31, 2021

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

(V) Information on financial asset transfers

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

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

XXVII. Related Party Transactions

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

(I) Names and relations of related parties

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

(II) Operating revenue

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

(III) Purchase of goods

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

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

(IV) Receivables from related parties

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

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

(V) Lease agreements

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

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

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

(VI) Payables to related parties

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

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

(VII) Remuneration to the management

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

XXVIII. Pledged Assets

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

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

XXIX. Other Matters

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

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

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

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

Unit: Foreign currency/NT$ thousand

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

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

XXXI. Supplementary Disclosures

(I) Information on Significant Transactions:

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

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

(II) Information on invested companies (Table 5)

(III) Information on Investments in Mainland China:

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

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

XXXII. Operating Segment Financial Information

Segment Financial Information

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

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

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

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

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

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

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

Loans provided for others

2022

Table 1

Unit: NT$/RMB thousand

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

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

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

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

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

Endorsements/Guarantees Provided for Others

2022

Table 2

Unit: NT$ thousand

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

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

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

Securities Held at End of Period

December 31, 2022

Table 3

Unit: NT$ thousand

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

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

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

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

2022

Table 4

Unit: NT$ thousand

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

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

Name of investee company, location and other related information

2022

Table 5

Unit: NTD/USD/RMB thousand

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

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

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

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

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

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

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

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

Information on Investments in Mainland China

2022

Table 6

Unit: NT$/USD/RMB thousand

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

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

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

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

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

Intercompany Relationships and Significant Intercompany Transactions

2022

Table 7

Unit: NT$ thousand

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

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

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

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

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

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

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

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

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

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

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

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

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

2022

Table 8

Unit: NT$ thousand

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

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

Key Ware Electronics Co., Ltd.

Information on Major Shareholders

December 31, 2022

Table 9

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

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