

Stock Code: 2484

SIWARD Crystal Technology Co., Ltd.

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

Parent Company Only Financial Statements

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Independent Auditor's Report

To SIWARD Crystal Technology Co., Ltd.:

Opinion

We have audited the accompanying parent company only financial statements of SIWARD Crystal Technology Co., Ltd., which comprise the parent company only balance sheets as of December 31, 2022 and 2021, and related parent company only statements of comprehensive income, changes in equity, cash flows, and notes to parent company only financial statements (including summary of significant accounting policies) from January 1 to December 31, 2022 and 2021. The independent auditor has completed the audits of these statements.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of SIWARD Crystal Technology Co., Ltd. as of December 31, 2022 and 2021 and its parent company only financial performance and its parent company only cash flows from January 1 to December 31, 2022 and 2021 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of SIWARD Crystal Technology Co., Ltd. in accordance with The Norm of the Professional Ethics for Certified Public Accountant of the Republic of China and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audit results and the audit reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Impairment of accounts receivable

As of December 31, 2022, the carrying amounts of the accounts receivable and loss allowance (including long-term receivables) of SIWARD Crystal Technology Co., Ltd. were NT\$725,862 thousand and NT\$153,607 thousand, respectively. The net accounts receivable account for 10% of the total assets, which have significant influence over SIWARD Crystal Technology Co., Ltd. Because the amount of loss allowance for accounts receivable is measured by the expected credit losses during the duration, the accounts receivable should be classified into groups in the measurement process, and appropriate age ranges and the loss rates for each age range, and their forward-looking information should be determined. These activities involve management judgments or assumptions and the measurement result affects the net accounts receivable; therefore, we have identified the Impairment of accounts receivable as a key audit matter.

The audit procedures that we performed include (but not limited to) the evaluation on the effectiveness of the internal controls established by the management for accounts receivable, including the control of credit limits, the analysis on the trend of changes in accounts receivable and turnover ratio and tests in the subsequent collection of accounts receivable to assess the recoverability, the test in the readiness matrix they employ, including the assessment of whether each group of age ranges is reasonably determined and the spot check on original documents and confirm for their correctness, and recalculation of lifetime expected credit losses.

We also consider the appropriateness of accounts receivable and related risk disclosures in Notes 4, 5 and 6 to the parent company only financial statements.

Inventory valuation

As of December 31, 2022, the carrying amounts of inventories of SIWARD Crystal Technology Co., Ltd. was NT\$907,180 thousand, with net inventories accounting for 16% of the total assets, which have significant influence over SIWARD Crystal Technology Co., Ltd. and the end application of products is in the rapidly changing industry, resulting in the losses of slow-moving or obsolete inventories. Therefore, the allowance to reduce inventory to market and valuation of slow-moving inventories involve management judgments or assumptions, and thus we have judged inventory valuation as a key audit matter.

The audit procedures that we performed include (but are not limited to), to understand and test the effectiveness of the internal controls established by the management for inventories, including the evaluation procedures for the identification of obsolete or defective inventories, the evaluation on the management's inventory plan and on-site observation of inventory counting to verify the quantity and status of inventory, selection of samples to test the correctness and completeness of inventory age, the cost of selecting the units of the inventory of the sample test and evaluation on the management's estimated net realizable value for inventory valuation.

We also consider the appropriateness of inventory related disclosures in Notes 5 and 6 to the parent company only financial statements.

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

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuer, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing SIWARD Crystal Technology Co., Ltd.'s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate SIWARD Crystal Technology Co., Ltd. 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 SIWARD Crystal Technology Co., Ltd.'s financial reporting process.

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

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SIWARD Crystal Technology Co., Ltd.'s internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on SIWARD Crystal Technology Co., Ltd.'s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause SIWARD Crystal Technology Co., Ltd. to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within SIWARD Crystal Technology Co., Ltd. to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit of SIWARD Crystal Technology Co., Ltd. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with statements 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 those matters that were of most significance in the audit of the parent company only financial statements of SIWARD Crystal Technology Co., Ltd. for the year ended December 31, 2022 and are therefore the key audit matters. 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.

The engagement partners on the audits resulting in this independent auditors' report are Chen, Ming-Hung and Huang, Yu-Ting.

Ernst & Young Taiwan

March 10, 2023

Notice to Readers

The accompanying standalone 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 financial statements shall prevail.

SIWARD Crystal Technology Co., Ltd.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

ASSETS	2022		2021	
	Amount	%	Amount	%
ASSETS				
Current assets				
Cash and cash equivalents (Notes 4 and 6.1)	\$1,193,318	22	\$551,499	10
Current financial assets at amortised cost(Notes 4 and 6.2)	-	-	86,812	1
Notes receivable, net (Notes 4)	-	-	1,117	-
Accounts receivable, net (Notes 4 and 6.3)	510,558	9	662,213	12
Accounts receivable due from related parties, net (Notes 4 and 6.3 and 7.3)	61,697	1	97,170	2
Other receivables (Notes 4)	-	-	-	-
Inventories (Notes 4 and 6.4)	907,180	16	793,256	14
Prepayments	0	-	0	-
Other current assets	11,445	-	15,837	-
Total current assets	<u>2,684,198</u>	<u>48</u>	<u>2,207,904</u>	<u>39</u>
Non-current assets				
Non-current financial assets at fair value through other comprehensive income (Notes 4 and 6.5.)	562,334	10	1,108,314	20
Investments accounted for using equity method (Notes 4 and 6.6)	583,965	10	572,607	10
Property, plant and equipment (Notes 4 and 6.7 and 7)	1,494,533	27	1,481,789	26
Right-of-use assets (Notes 4 and 6.16)	38,934	1	45,132	1
Investment property, net (Notes 4 and 6.8)	48,694	1	50,066	1
Intangible assets (Notes 4 and 6.9)	56,373	1	67,087	1
Deferred tax assets (Notes 4 and 6.20)	34,107	1	53,387	1
Other non-current assets (Notes 4 and 6.10)	40,510	1	56,686	1
Total non-current assets	<u>2,859,450</u>	<u>52</u>	<u>3,435,068</u>	<u>61</u>
TOTAL ASSETS	<u><u>\$5,543,648</u></u>	<u><u>100</u></u>	<u><u>\$5,642,972</u></u>	<u><u>100</u></u>
LIABILITIES AND EQUITY				
Current liabilities				
Current borrowings	\$ -	-	\$ -	-
Current contract liabilities (Notes 6.11)	\$17,917	-	\$ 27,372	-
Notes payable	2,518	-	743	-
Accounts payable	51,419	1	116,532	2
Accounts payable to related parties (Notes7.4)	89,945	2	61,295	1
Other payables	250,876	5	221,439	4
Current tax liabilities	117,092	2	126,839	2
Current lease liabilities (Notes 4 and 6.16)	8,027	-	7,723	-
Other current liabilities	2,576	-	232	-
Current portion of long-term borrowings (Notes 6.11)	177,680	3	16,400	1
Total current liabilities	<u>718,050</u>	<u>13</u>	<u>578,575</u>	<u>10</u>
Non-current liabilities				
Non-current portion of non-current borrowings (Notes 4 and 6.1)	526,320	9	721,740	13
Deferred tax liabilities (Notes 4 and 6.1)	115,397	2	225,734	4
Non-current lease liabilities (Notes 4 and 6.16)	31,912	1	38,268	1
Defined benefit liabilities, net (Notes 4 and 6.12)	55,522	1	80,885	2
Other non-current liabilities	55	-	55	-
Total non-current liabilities	<u>729,206</u>	<u>13</u>	<u>1,066,682</u>	<u>20</u>
Total liabilities	<u>1,447,256</u>	<u>26</u>	<u>1,645,257</u>	<u>30</u>
Equity attributable to owners of parent				
Share capital				
Ordinary share	1,594,210	29	1,594,210	28
Capital surplus	802,473	14	802,473	14
Retained earnings				
Legal reserve	212,637	4	164,010	3
Unappropriated retained earnings (accumulated deficit)	1,268,703	23	773,725	14
Other equity interest				
Exchange differences on translation of foreign financial statements	(104,848)	(2)	(96,704)	(2)
Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	323,217	6	760,001	13
Total equity	<u>4,096,392</u>	<u>74</u>	<u>3,997,715</u>	<u>70</u>
TOTAL LIABILITIES AND EQUITY	<u><u>\$5,543,648</u></u>	<u><u>100</u></u>	<u><u>\$5,642,972</u></u>	<u><u>100</u></u>

(The accompanying notes are an integral part of the parent company only financial statements)

SIWARD Crystal Technology Co., Ltd.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
REVENUE (Note 4 and 6.14)	\$3,045,329	100	\$2,819,590	100
COST OF GOODS SOLD (Note 6.4 and 6.16)	(1,863,827)	(61)	(1,962,301)	(70)
GROSS PROFIT	<u>1,181,502</u>	<u>39</u>	<u>857,289</u>	<u>30</u>
OPERATING EXPENSES (Note 6.16)				
Selling and marketing expenses	(105,430)	(4)	(95,314)	(3)
General and administrative expenses	(160,291)	(5)	(126,169)	(5)
Research and development expenses	(96,848)	(3)	(96,128)	(3)
Expected credit loss reversed on trade receivables (Note 6.15)	(26,034)	(1)	(45,547)	(2)
Total operating expenses	<u>(388,603)</u>	<u>(13)</u>	<u>(363,158)</u>	<u>(13)</u>
PROFIT FROM OPERATIONS	<u>792,899</u>	<u>26</u>	<u>494,131</u>	<u>17</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 4 and 6.18)	6,073	-	2,031	-
Other income (Note 4 and 6.18)	19,883	1	16,667	1
Other gains and losses (Note 4 and 6.18)	141,874	4	(22,510)	(1)
Finance costs (Note 4 and 6.18)	(10,846)	-	(8,572)	-
Share of profits of associates and joint ventures (Note 6.6)	30,050	1	32,852	1
Total non-operating income and expenses	<u>187,034</u>	<u>6</u>	<u>20,468</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	979,933	32	514,599	18
INCOME TAX EXPENSE (Note 4 and 6.20)	(211,657)	(7)	(108,921)	(4)
NET PROFIT FOR THE YEAR	<u>768,276</u>	<u>25</u>	<u>405,678</u>	<u>14</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will not be reclassified subsequently to profit or loss:				
Gains (losses) on remeasurements of defined benefit plans	17,895	1	7,866	-
Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(545,980)	(18)	817,414	29
Share of other comprehensive income of associates and joint ventures accounted for using equity method	144	-	9	-
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	105,617	3	(165,183)	(5)
Item that maybe reclassified subsequently to profit or loss:				
Exchange differences on translation	(10,165)	-	(51,319)	(2)
Share of other comprehensive income of associates and joint ventures accounted for using equity method	(29)	-	37,106	1
Income tax related to components of other comprehensive income	2,050	-	2,812	-
Other comprehensive income, net	<u>(430,468)</u>	<u>(14)</u>	<u>648,705</u>	<u>23</u>
Total comprehensive income	<u>\$337,808</u>	<u>11</u>	<u>\$1,054,383</u>	<u>37</u>
Earnings per share				
Basic earnings per share	<u>\$4.82</u>		<u>\$2.54</u>	
Diluted earnings per share	<u>\$4.77</u>		<u>\$2.53</u>	

(The accompanying notes are an integral part of the parent company only financial statements)

SIWARD Crystal Technology Co., Ltd.

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

	Ordinary share	Capital surplus	Retained earnings			Other		Total equity
			Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealised gains (losses) on financial assets measured at fair value through other comprehensive income	
BALANCE AT JANUARY 1,2021	\$1,594,210	\$888,466	\$147,812	\$74,617	\$308,745	\$(85,303)	\$203,745	\$3,132,292
Appropriation of 2020 earnings								
Legal reserve appropriated			16,198		(16,198)			-
Special reserve appropriated/Reversal of special reserve				(74,617)	74,617			-
Cash dividends of ordinary share					(79,711)			(79,711)
Changes in equity or associates and joint ventures accounted for using equity method		(6,283)			(23,256)			(29,539)
Cash dividends of capital surplus		(79,710)						(79,710)
Net profit (loss) for the year ended December 31,2021					405,678			405,678
Other comprehensive income for the year ended December 31,2021					6,302	(11,401)	653,804	648,705
Total comprehensive income					411,980	(11,401)	653,804	1,054,383
Equity at end of period								0
Disposal of investments in equity instruments designated at fair value through other comprehensive income					97,548		(97,548)	97,548
BALANCE AT DECEMBER 31,2021	\$1,594,210	\$802,473	\$164,010	\$ -	\$773,725	\$(96,704)	\$760,001	\$3,997,715
BALANCE AT JANUARY 1,2022	\$1,594,210	\$802,473	\$164,010	\$0	\$773,725	\$(96,704)	\$760,001	\$3,997,715
Appropriation of 2021 earnings								
Legal reserve appropriated			48,627		(48,627)			-
Cash dividends of ordinary share					(239,131)			(239,131)
Net profit (loss) for the year ended December 31,2022					768,276			768,276
Other comprehensive income for the year ended December 31,2022					14,460	(8,144)	(436,784)	(430,468)
Total comprehensive income					782,736	(8,144)	(436,784)	337,808
BALANCE AT DECEMBER 31,2022	\$1,594,210	\$802,473	\$212,637	\$ -	\$1,268,703	\$(104,848)	\$323,217	\$4,096,392

(The accompanying notes are an integral part of the parent company only financial statements)

SIWARD Crystal Technology Co., Ltd.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

	2022	2021
Cash flows from (used in) operating activities		
Profit (loss) before tax	\$979,933	\$514,599
Adjustments for :		
Depreciation expense	206,322	199,344
Amortization expense	14,884	14,858
Expected credit loss recognized on trade receivables	26,034	45,547
Interest expense	10,846	8,572
Interest income	(6,073)	(2,031)
Share of profit of associates and joint ventures accounted	(30,050)	(32,852)
Dividend income	(202)	(227)
Loss (gain) on disposal of property, plant and equipment	361	2,103
Loss (gain) on disposal of investments	-	8,436
Write-down of inventories/Other adjustments to reconcile profit (loss)	409	(13,676)
Changes in operating assets and liabilities		
Decrease in notes receivable	1,117	742
Decrease (increase) in accounts receivable	145,621	(99,025)
Decrease (increase) in accounts receivable due from related parties	35,473	(68,375)
Increase in inventories	(114,333)	(137,881)
Decrease (increase) in other current assets	4,392	3,219
Increase (decrease) in contract liabilities	(9,455)	26,978
Increase (decrease) in notes payable	1,775	(14)
Decrease in accounts payable	(65,113)	(13,150)
Increase (decrease) in accounts payable to related parties	28,650	(33,627)
Increase in other payable	40,784	45,555
Increase (decrease) in other current liabilities	2,344	(1,531)
Decrease in net defined benefit liability	(7,468)	(6,165)
Cash inflow generated from operations	1,266,251	461,399
Interest received	6,073	2,031
Dividends received	8,844	5,535
Interest paid	(10,696)	(8,569)
Income taxes paid	(204,794)	(51,885)
Net cash flows from operating activities	1,065,678	408,511

(Continued)

SIWARD Crystal Technology Co., Ltd. and Subsidiaries

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

	2022	2021
Cash flows from (used in) investing activities :		
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	171,952
Acquisition of financial assets at amortised cost	-	(86,812)
Proceeds from disposal of financial assets at amortised cost	86,812	-
Acquisition of financial assets at amortised cost	-	(100,670)
Proceeds from disposal of investments accounted for using equity method	-	335,790
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	-	1,301
Acquisition of property, plant and equipment	(225,980)	(380,177)
Proceeds from disposal of property, plant and equipment	-	448
Acquisition of intangible assets	(3,521)	(556)
Decrease(increase) in other non-current assets	13	(10)
Net cash flows from (used in) investing activities	(142,676)	(58,744)
Cash flows from (used in) financing activities :		
Decrease in short-term loans	-	(50,000)
Proceeds from long-term debt	32,260	225,440
Repayments of long-term debt	(66,400)	(66,400)
Payments of lease liabilities	(7,912)	(7,612)
Cash dividends paid	(239,131)	(159,421)
Net cash flows from (used in) financing activities	(281,183)	(57,993)
Net increase (decrease) in cash and cash equivalents	641,819	291,784
Cash and cash equivalents at beginning of period	551,499	259,715
Cash and cash equivalents at end of period	\$1,193,318	\$551,499

(Concluded)

(The accompanying notes are an integral part of the parent company only financial statements)

SIWARD Crystal Technology Co., Ltd.

Notes to the Parent Company Only Financial Statements

for the Years Ended December 31, 2022 and 2021

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated.)

I. Company history

SIWARD Crystal Technology Co., Ltd. (hereinafter referred to as the “Company”) was founded in January 1988, mainly engaged in manufacturing, processing, and sales of quartz crystal oscillators and filters. In June 1997, the Company completed the supplemental public issuance procedure in order to meet the diversified needs of future financing channels with the approval of the securities regulatory authority.

In March 2000, the Company invested in SIWARD TECHNOLOGY CO., LTD. (Yamagata, Japan) in order to obtain high-end quartz product technology and enter the Japanese quartz market.

The shares of the Company were listed on Taipei Exchange on December 4, 1999. In June 2001, the Company made the application for the shares to be listed and traded on the Taiwan Stock Exchange, which were approved to be officially listed on September 17, 2001. The main operating location is No. 11-1, Ln. 111, Sec. 3, Zhongshan Rd., Tanzi Dist., Taichung City.

In order to reduce operating costs and improve business performance and competitiveness, on June 3, 2019, the Company conducted a short-form merger in accordance with Article 19 of the Business Mergers and Acquisitions Act and other laws and regulations with Wafer Memos Co., Ltd. (hereinafter referred to as “Wafer”), in which the Company held 100% of shares. The Company was the surviving company after the merger and generally assume all rights and obligations of Wafer.

II. The date when the financial reports were authorized for issue and the process involved in authorizing the financial reports for issue

The financial reports of the Company for the year 2022 and 2021 were approved for issue by the Board of Directors on March 10, 2023.

III. The application of newly issued or revised standards or interpretations

1. Changes in accounting policies resulting from the first-time adoption of International Financial Reporting Standards (IFRSs):

The Company has adopted the International Financial Reporting Standards (IFRSs), International Accounting Standards (IFRSs), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission (hereinafter

SIWARD Crystal Technology Co., Ltd.

Notes to the Parent Company Only Financial Statements

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated.)

referred to as the “FSC”) and applicable for fiscal years beginning after January 1, 2022. Except for the following descriptions of the nature and impact that the application of newly issued or revised standards will have, other first-time adopts have no material effects on the Company.

2. The Company has not adopted the following newly issued, revised, and amended standards or interpretations that have been issued by the International Accounting Standards Board (IASB) and endorsed by the FSC:

Item No.	Newly issued/revised/amended standards and interpretations	Effective date announced by the International Accounting Standards Board (IASB)
1	Disclosure initiative – accounting policies (amendments to IAS 1)	January 1, 2023
2	Definition of accounting estimates (amendments to IAS 8)	January 1, 2023
3	Deferred tax related to assets and liabilities arising from a single transaction (amendments to IAS 12)	January 1, 2023

(1) Disclosure initiative – accounting policies (amendments to IAS 1)

The amendments improve disclosure of accounting policies to provide more useful information to investors and other primary users of the financial statements.

(2) Definition of accounting estimates (amendments to IAS 8)

The amendments directly define accounting estimates and makes other amendment to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” to help entities distinguish between a change in accounting policy and a change in accounting estimate.

(3) Deferred tax related to assets and liabilities arising from a single transaction (amendments to IAS 12)

The amendments narrow the scope of the recognition exemption for deferred income tax in paragraphs 15 and 24 of IAS 12 “Income Taxes” so that it does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The above are the newly issued, revised, and amended standards or interpretations that have been issued by the International Accounting Standards Board (IASB) and endorsed by the FSC and applicable for the fiscal years beginning after January 1,

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2023. The Group assesses that the newly issued or revised standards, or interpretations have no material effects on the Group.

3. As of the date of approval for publication of financial reports, the Group has not adopted the following newly issued, revised, and amended standards or interpretations that have been issued by the International Accounting Standards Board (IASB) but not endorsed by the FSC:

Item No.	Newly issued/revised/amended standards and interpretations	Effective date announced by the International Accounting Standards Board (IASB)
1	IFRS 10 “Consolidated Financial Statements” and amendments to IAS 28 “Investments in Associates and Joint Ventures” – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the International Accounting Standards Board (IASB)
2	Amendments to IFRS 17 “Insurance Contracts”	January 1, 2023
3	Classification of liabilities as current or non-current (amendments to IAS 1)	January 1, 2024
4	Lease Liability in a Sale and Leaseback (amendments to IFRS 16)	January 1, 2024
5	Contractual non-current liabilities (amendments to IAS 1)	January 1, 2024

- (1) IFRS 10 “Consolidated Financial Statements” and amendments to IAS 28 “Investments in Associates and Joint Ventures” – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

This plan addresses the acknowledged inconsistency between the requirements in IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures,” in dealing with the loss of control of a subsidiary that is contributed to an associate or joint venture. IAS 28 requires that the share of gains or losses should be eliminated in the way of downstream transactions when non-monetary assets are contributed in exchange for an equity interest in the associate or joint venture. IFRS 10 requires a full gain or loss should be recognized on the loss of control of a subsidiary. The Amendments limit the above-mentioned requirements in IAS 28, a full gain or loss should be recognized in accounting for the sale or contributions of assets that constitute a business, as defined in IFRS 3.

The Amendments also revise the requirement in IFRS 10 that the gains and losses resulting from the sale or contributions of subsidiaries that do not constitute a business between an investor and its associate or joint venture, as defined in IFRS 3, should only be recognized to the extent of the share not attributable to the investor.

- (2) Amendments to IFRS 17 “Insurance Contracts”

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The Standard provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the General Model. Under this model, insurance contracts are measured as a sum of fulfillment cash flows and the Contractual Service Margin (CSM) on initial recognition. The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Aside from the General Model, it also provides a specific adaptation for contracts with direct participation features (the variable fee approach) and simplified approach for short-term contracts (Premium Allocation Approach).

After the Standard was issued in May 2017, it was published for amendments in 2020 and 2021. These amendments, except in the transitional provisions, extend the effective date by 2 years (that is, defer the effective date from January 1, 2021 to January 1, 2023) and provide additional exemptions. They also reduce the cost of applying the Standard by modifying part of the requirements and modify part of the requirements to make some cases easier to explain. The Standard comes into effect to replace the interim standard (i.e. IFRS 4 “Insurance Contracts”)

(3) Classification of liabilities as current or non-current (amendments to IFRS 1)

This is an amendment to classification of liabilities as current or non-current in paragraphs 69 and 76 of IAS 1 “Presentation of Financial Statements.”

(4) Lease liabilities in a Sale and leaseback (amendments to IFRS 16)

The amendments add seller-lessees additional requirements for the sale and leaseback transactions in IFRS 16, thereby supporting the consistent application of the standard.

(5) Contractual Non-current liabilities (amendments to IAS 1)

This amendment is to enhance the enterprise to provide information about long-term debt contracts. Note that the contractual agreement that must be complied with twelve months after the reporting period does not affect the classification of such liabilities as current or non-current at the end of the reporting period.

The above standards or interpretations that have been issued by the International Accounting Standards Board (IASB) but have not been endorsed by the FSC will be subject to the requirements of the FSC. The newly issued or revised standards, or interpretations have no material effects on the Company.

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IV. A summary of significant accounting policies

1. Statement of Compliance

The parent company only financial statements for the year 2022 and 2021 have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers as well as IFRSs, IFRSs, IFRIC, and SIC endorsed by the FSC.

2. Basis of Preparation

The parent company only financial statements have been prepared on a historical cost basis except for financial instruments measured at fair value. (Amounts in the consolidated financial statements are expressed in thousands of New Taiwan dollars unless otherwise stated.)

3. Foreign Currency Transactions

The financial statements of the Company are presented in New Taiwan dollars, which is the Company's functional currency.

Transactions in foreign currency of an entity in the company are recorded in the functional currency translated using the exchange rate on the day of the transaction. At the end of each reporting period, foreign currency monetary items are translated using the closing rate. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. Non-monetary items which are measured at historical cost in a foreign currency are translated using the exchange rate at the date of transaction.

Except as described below, exchange differences arising from settling or translating are recognized in profit or loss in the period in which they arise:

- (1) For foreign currency borrowings incurred in order to acquire an asset that meets the requirements, if the resulting exchange differences are regarded as adjustments to interest costs, which are part of the borrowing costs and should be capitalized as the cost of the asset.
- (2) Foreign currency items to which IFRS 9 "Financial Instruments" are applicable should be accounted for in accordance with the accounting policies for financial instruments.
- (3) Exchange differences arising on monetary items that form part of the reporting entity's net investment in a foreign operation are originally recognized in other comprehensive income; they will be reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other

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comprehensive income When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

4. Translation of Foreign Currency Financial Statements

Each entity in the Group determines its own functional currency and remeasures its financial statements into its functional currency. When preparing the parent company only financial statements, the assets and liabilities of a foreign operation are translated using into New Taiwan dollars at the closing exchange rate at the balance sheet date and income and expenses are translated at average exchange rates. Foreign currency differences arising on translation are recognized in other comprehensive income, and on the disposal of a foreign operation, the cumulative amount of the foreign exchange differences accumulated in a separate component of equity under equity are reclassified from equity to gain or loss when profit or loss on disposal is recognized. Partial disposal involving the loss of control of a subsidiary that includes a foreign operation and partial disposal of equity interests in affiliated companies or joint agreements involving a foreign operation should be, if the retained equity interests are those that include financial assets of a foreign operating operation, accounted for as disposal.

In the case of a partial disposal of a subsidiary that includes a foreign operation without losing control, the accumulated exchange differences recognized in other comprehensive income are re-attributed proportionally to non-controlling interests of the foreign operation and not recognized in profit or loss. Without a loss of significant influence over an associate and jointly controlled entity, the accumulated exchange differences are reclassified proportionally to profit or loss on partial disposal of equity interests in affiliated companies or joint agreements involving a foreign operation.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation shall be treated as assets and liabilities of the foreign operation and presented in its functional currency.

5. Classification of Current and Non-current Assets and Liabilities

Assets that meet one of the following criteria are classified as current assets; otherwise, they are classified as non-current assets:

- (1) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within its normal operating cycle;
- (2) Assets held mainly for sales;
- (3) Assets that are expected to be realized within twelve months from the reporting date;
- (4) These assets are cash or cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the reporting date.

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Liabilities that meet one of the following criteria are classified as current liabilities; otherwise, they are classified as non-current liabilities:

- (1) Liabilities that are expected to be paid off within the normal operating cycle;
- (2) Liabilities held mainly for sales;
- (3) Liabilities that are expected to be paid off within twelve months from the reporting date;
- (4) For liabilities their repayment date cannot be extended unconditionally to more than twelve months after the reporting date. 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.

6. Cash and Cash Equivalents

Cash and cash equivalents refer to cash on hand, demand deposits, and short-term, highly liquid time deposits (including time deposits with original maturity date for more than three months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

7. Financial Instruments

Financial assets and liabilities shall be recognized when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities within the scope of IFRS 9 “Financial Instruments” are initially recognized at fair value. Transaction costs that are attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from, as the case may be, the fair value of such financial assets or liabilities on initial recognition.

(1) Recognition and Measurement of Financial Assets

The Company’s regular way purchases or sales financial assets are recognized and derecognized using trade date accounting.

The Company classifies financial assets as those subsequently measured at amortized cost and those at fair value through other comprehensive income or at fair value through profit or loss based on the following two conditions:

- A. Business model by which financial assets are managed
- B. Characteristics of cash flows of financial assets

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Financial assets at amortized cost

Financial assets that meet the following two conditions at the same are measured at amortized cost and presented in the balance sheet as notes receivable, accounts receivable, financial assets measured at amortized cost, and other receivables:

- A. The business model by which such financial assets are managed: Holding financial assets in order to collect contractual cash flows
- B. Characteristics of cash flows of financial assets: Cash flows that are solely payments of principal and interest on the principal amount outstanding

These financial assets (excluding hedge accounting) are subsequently measured at amortized cost “the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization (using the effective interest method) of any difference between the initial amount and the maturity amount and adjust loss allowance.” A gain or loss is recognized in profit or loss on derecognition or amortization or impairment.

Interest calculated using the effective interest method (by multiplying the carrying amount of a financial asset by the effective interest rate) or the following conditions is recognized in profit or loss:

- A. In the case of purchased or originated credit-impaired financial assets, the interest is calculated by applying the effective interest rate to the amortized cost of the financial asset.
- B. For those that are not the above but subsequently have become credit impaired, the interest is calculated by multiplying the effective interest rate by the amortized cost of the financial asset.

Financial assets at fair value through other comprehensive income

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met, and shall be presented in the balance sheet as financial assets at fair value through other comprehensive income:

- A. The business model by which such financial assets are managed: to collect contractual cash flows and sell financial assets
- B. Characteristics of cash flows of financial assets: Cash flows that are solely payments of principal and interest on the principal amount outstanding

The recognition of gains and losses related to such financial assets is described as follows:

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- A. Before derecognition or reclassification, except for impairment gains or losses and foreign exchange gains and losses that are recognized in profit or loss, the gain or loss is recognized in other comprehensive income.
- B. On derecognition, the cumulative gain or loss recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- C. Interest calculated using the effective interest method (by multiplying the carrying amount of a financial asset by the effective interest rate) or the following conditions is recognized in profit or loss:
 - (a) In the case of purchased or originated credit-impaired financial assets, the interest is calculated by applying the effective interest rate to the amortized cost of the financial asset.
 - (b) For those that are not the above but subsequently have become credit impaired, the interest is calculated by multiplying the effective interest rate by the amortized cost of the financial asset.

In addition, for equity instruments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 Business Combinations applies, at initial recognition, an election (irrevocable) may be made to present in other comprehensive income for subsequent changes in the fair value. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (on disposal of these equity instruments, the amount that has been accumulated in other equity shall be transferred to retained earnings) and presented in the balance sheet as financial assets at fair value through other comprehensive income. Dividends on investments are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of an investment.

Financial assets at fair value through profit or loss

Except for the above-mentioned that meets certain conditions and is measured at amortized cost or at fair value through other comprehensive income, financial assets are all measured at fair value through profit or loss and the financial assets at fair value through profit or loss are presented in the balance sheet.

Such financial assets are measured at fair value, and the gain or loss arising on remeasurement is recognized as profit or loss. The gain or loss recognized in profit or loss includes any dividends or interest received from the financial asset.

(2) Impairment of Financial Assets

The Company recognizes the investments in debt instruments measured at fair value through other comprehensive income and the financial assets at amortized cost as expected credit losses and measures loss allowance. The loss allowance for

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investments in debt instruments measured at fair value through other comprehensive income is recognized as other comprehensive income without reducing the carrying amount of the investment.

The Company measures the expected credit losses in a way that reflects:

- A. An unbiFRSed and probability-weighted amount that is determined by evaluating a range of possible outcomes
- B. Time value of money
- C. Reasonable and supportable information (information that is reasonably available at the reporting date without undue cost or effort) relating to past events, current conditions, and reasonable and supportable forecasts

The methods to measure the allowance loss are described as follows:

- A. Measured at an amount equally to 12-months expected credit losses: including the financial asset on which the credit risk has not increased significantly since initial recognition or the financial asset that is determined to have low credit risk at the balance sheet date; also including the financial asset for which the loss allowance measured by the amount of lifetime expected credit losses in the previous reporting period but on the balance sheet date of the period, it no longer meets the condition that the financial asset on which the credit risk has increased significantly since initial recognition
- B. Measured at an amount equally to lifetime expected credit losses: including the financial asset on which the credit risk has increased significantly since initial recognition or is a purchased and originated credit-impaired financial asset
- C. For trade receivables or contract assets that result from transactions that are within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.
- D. For lease receivables that result from transactions that are within the scope of IFRS 16, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

On each balance sheet date, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and assesses whether the credit risk on a financial instrument is increased significantly since initial recognition. For more information on credit risk, please refer to Note 12.

(3) Derecognition of Financial Assets

A financial asset held by the Company shall be derecognized when it meets one of the following conditions:

- A. When the contractual rights to the cash flows from the financial asset expire;

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- B. The financial asset has been transferred and all the risks and rewards of ownership of the transferred asset have been transferred substantially to others;
- C. All the risks and rewards of ownership of the financial asset have been neither transferred nor retained substantially but the control of the transferred asset has been transferred.

- On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable plus any cumulative gain or loss recognized in other comprehensive income is recognized in profit or loss.

(4) Financial Liabilities and Equity Instruments

Classification of liabilities or equity

Liabilities and equity instruments issued by the Company are classified as financial liabilities or equity according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the value of proceeds received, net of direct issue costs.

Compound instrument

The Company recognizes the components of financial liabilities and equity for the convertible corporate bonds it issues in accordance with the substance of the contractual arrangement. In addition, for the convertible corporate bonds it issues, it assesses whether the economic characteristics and risks of the embedded call/put option are clearly and closely related to the debt host before distinguishing equity elements.

For the liabilities not involving derivatives instruments, their fair values are assessed using the market interest rates of the bonds equivalent in nature and without conversion characteristics, and before conversion or redemption, the amount of this part is classified as a financial liability measured at amortized cost. Other embedded derivative instruments that are not clearly and closely related to the debt host (for example, the embedded repurchase and redemption rights are confirmed that the exercise price cannot be nearly equal to the amortized cost of the debt host on each exercise date) are classified as the liability components unless they are the equity components and in subsequent periods are measured at

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fair value through profit or loss. The amount of the equity element is determined by deducting the liability component from the fair value of convertible bonds and the carrying amount thereof will not be re-measured in subsequent periods. If the issued convertible bonds do not have an equity element, they should be accounted for as hybrid instruments under IFRS 9.

Transaction costs are apportioned between the liability and equity components in proportion to the originally recognized convertible bonds apportioned to the liability and equity components.

When the holder of the convertible bond requests to exercise the conversion right before the maturity of the convertible bond, the carrying amount of the liability component should be adjusted to the carrying amount at the time of conversion as the basis for accounting entry for the issuance of ordinary shares.

Financial liabilities

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through profit or loss or as financial liabilities at amortized cost on original recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities that are held for trading and financial liabilities designated at fair value through profit or loss

Financial liabilities are classified as “held for sale” if one of the following conditions is met:

- A. It is acquired principally for the purpose of selling it in the near term;
- B. On initial recognition, it is part of a portfolio of identified financial assets that are managed together and for which there is evidence of a recent actual pattern of short- term profit taking; or
- C. It is a derivative, except for a derivative that is a financial guarantee or a designated and an effective hedging instrument.

For contracts containing one or more embedded derivative instruments, the entire hybrid contract may be designate as financial liabilities at fair value through profit or loss and designated at fair value through profit or loss when one of the following factors is met to provide more relevant information:

- A. Such designation eliminates or significantly reduces measurement or recognition inconsistency; or
- B. A group of financial assets or liabilities or both is managed, its performance is evaluated on a fair value basis in accordance with a documented risk

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management or investment strategy, and the portfolio information provided to the management within the consolidated company is also based on fair value.

Gains or losses resulting from the remeasurement of such financial liability are recognized in profit or loss. The gain or loss recognized in profit or loss includes any interest paid on the financial liability.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include payables and loans received and are subsequently measured at the amortized cost using the effective interest method after initial recognition. When financial liabilities are derecognized and amortized using the effective interest method, the related gains or losses and amortization amounts are recognized in profit or loss.

The calculation of amortized cost takes into account the discount or premium on acquisition and transaction costs.

Derecognition of financial liabilities

Financial liabilities are derecognized when, and only when, the Company's obligations are discharged, cancelled or expired.

When there is an exchange of debt instruments with substantially different terms or a substantial modification of the terms of an existing financial liability or a part of it (whether due to the financial difficulties) between the Company and a creditor, it should be treated as recognition of the original liability and the recognition of a new liability. When derecognizing financial liabilities, the difference between the carry amount of the financial liabilities derecognized and the consideration paid and payable (including any non-cash transferred or liabilities undertaken) is recognized in profit and loss.

(5) Offsetting Financial Assets and Financial Liabilities

A financial asset and financial liability can be offset when, and only when, there is a legally enforceable right to set-off and an intention to settle the asset and liability on a net basis or realize the asset and settle the liability simultaneously and the net amount is reported in the balance sheet.

8. Derivative Instruments

Derivative instruments held or issued by the Company are used to hedge against exchange rate risk and interest rate risk; among which, the designated and effective hedging instrument is presented in the balance sheet as hedging derivative assets or liabilities, and the rest that are not designated and effective hedging instrument are

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presented in the balance sheet as financial assets or financial liabilities at fair value through profit or loss.

Derivative instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value. A derivative with a positive fair value is recognized as a financial asset; a derivative with a negative fair value is recognized as a financial liability. Changes in the fair value of derivative instruments are directly recognized in profit or loss, but those involving hedging and being effective are recognized in profit or loss or equity according to the type of hedging.

If the host contract is not a financial asset, when the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss, the embedded derivative instrument should be treated as an independent derivative instrument.

9. Fair Value Measurement

Fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- (1) In the principal market for the asset or liability; or
- (2) In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Company.

The fair value of assets or liabilities is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

10. Inventories

Inventory should value at lower of cost and net realizable value.

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The cost of inventory includes all the costs necessary to bring the inventory to the location and condition ready for sale or production.

Materials	– the actual cost of materials purchased using the weighted average method
Work in process, semi-finished products, and finished products	– include direct raw materials, direct labor, and fixed manufacturing overhead at normal capacity, but do not include borrowing costs

Net realizable value is the estimated selling price in the normal course of business less estimated costs to complete and estimated costs to make a sale.

The provision of labor is accounted for according to the requirements of IFRS 15 and is not included in the scope of inventories.

11. Investments Accounted for Using the Equity Method

The subsidiary is incorporated in the standalone financial statements under the equity method. The standalone financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”). According to the Regulations Article 21, The profit or loss during the period and other comprehensive income presented in parent company only financial reports shall be the same as the allocations of profit or loss during the period and of other comprehensive income attributable to owners of the parent presented in the financial reports prepared on a consolidated basis, and the owners' equity presented in the parent company only financial reports shall be the same as the equity attributable to owners of the parent presented in the financial reports prepared on a consolidated basis. These adjustments are mainly to consider the treatment of investment subsidiaries in the consolidated financial statements in accordance with IFRS 10 "Consolidated Financial Statements" and the differences in the application of IFRS at different reporting entity levels, and debit or credit " Investments accounted for using the equity method ", "Share of other comprehensive income of subsidiaries and associates and joint venture for using the equity method" or " Share of profits of subsidiaries and associates and joint venture for using the equity method " .

The Company’s investments in associates, except for those classified as held-for-sale, are accounted for using the equity method. An associate is an entity over which the Company has significant influence. A joint venture is a joint arrangement whereby the Company (the parties that have joint control of the arrangements) have rights to the net assets of the joint arrangement.

Under the equity method, the investments in associates are accounted for in the balance sheet the cost plus the amount recognized by the Company according to the shareholding ratio of the change in the net assets of the associates or joint venture after the acquisition. After the carrying amount of the investment in the associate and other related long-term interests are reduced to zero, additional loss and relevant liability will be recognized only to the extent of the legal obligation, presumed obligation, or payments on behalf of the associate. The unrealized gains or losses resulting from

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transactions between the Company and its associates are eliminated in proportion to its interests in associates.

When changes in the interests in associates are not attributable to profit or loss and other comprehensive income and do not affect the Company's shareholding ratio, the Company recognizes the changes in relevant ownership interests in proportion to its shareholding ratio. The additional paid-in capital therefore recognized will be transferred to profit and loss according to the proportion of disposal.

When an associate issues additional shares, the Company does not subscribe according to the shareholding ratio, resulting in changes in the investment ratio, which causes an increasing or decrease in the Company's share of the net assets of the associate or joint venture, the increase or decrease is adjusted by "additional paid-in capital" and "Investment accounted for using the equity method." When the change in the investment ratio is a decrease, the related items previously recognized in other comprehensive income should be reclassified to profit or loss or other appropriate accounts according to the decrease ratio. The additional paid-in capital recognized as mentioned above should be transferred to profit or loss according to the proportion of disposal in the subsequent disposal of associates.

The financial statements of the associates are prepared for the same reporting periods and adjusted where necessary to bring their accounting policies in line with those used by the Company.

At the end of each reporting period the Company determines whether there is any objective evidence that the investment in its the associate or joint venture is impaired according to the requirements of IFRS 28 "Investments in Associates and Joint Ventures." If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the recoverable amount and the carrying amount of the investment in its the associate or joint venture and the amount is recognized in the profit or loss of the associate or joint venture according to the requirements of IFRS 36 "Impairment of Assets." If the above-mentioned recoverable amount is the value in use, the Group shall determine the relevant value in use based on the following estimates:

- (1) The Company's share of the present value of the estimated future cash flows generated from the associate or joint venture, including the cash flows from the operations of the associate or joint venture and the proceeds received from ultimate disposal of the investment; or
- (2) The present value of the estimated future cash flows that the Company expects to generate from the dividends received from the investment and the ultimate disposal of the investment.

The goodwill component included in the carrying amount of the investment in the investment in its the associate is not recognized separately; therefore, it is not necessary

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to apply the requirements of the goodwill impairment test of IFRS 36 “Impairment of Assets.”

Upon loss of significant influence over the associate or joint venture, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

12. Property, Plant and Equipment

Property, plant and equipment is recognized on the basis of the acquisition cost and presented after deducting any accumulated depreciation and accumulated impairment losses. The above-mentioned costs include the costs of dismantling and removing the item of property, plant and equipment items and the site on which it is located and necessary interest expenses arising from construction in progress. When each component of an item of property, plant and equipment is significant must be depreciated separately. When significant components of an item of property plant and equipment must be replaced periodically, the Company treats the item as an individual asset and recognizes separately with specific useful life and depreciation method. The carrying amount of the replaced part is derecognized under the derecognition requirements of IFRS 16 “Property, Plant and Equipment” if the overhaul cost meets the recognition criteria, it is regarded as the replacement cost and recognized in the carrying amount of the property plant and equipment, and other repair and maintenance costs are recognized in profit or loss.

Depreciation is provided on a straight-line basis over the following estimated useful lives of assets:

Fixed asset	Useful life
Buildings	3–52 years
Machinery equipment	3–10 years
Transportation equipment	5–7 years
Office equipment	3–10 years
Leasehold improvements	The lease term or the useful life of the asset whichever is shorter
Other equipment	2–22 years

Any item or any significant component of property, plant and equipment that is disposed of after initial recognition or is not expected that there will be an inflow of economic benefits from use or disposal should be derecognized and recognized in profit or loss.

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The residual values, useful lives, and methods of depreciation of property, plant and equipment are reviewed at each financial year end. If the expected value is different from the previous estimate, the difference should be accounted for as a change in an accounting estimate.

13. Investment Properties

The investment properties owned by the Company are measured initially at cost including the transaction costs paid to acquire the asset. The carrying amount of the investment property includes, under the conditions that the costs can be recognized, the costs incurred in repairing or adding existing investment properties; however, the maintenance costs generally incurred on a daily basis are not considered as part of the costs. After its original recognition, except those that meet the criteria to be classified as held for sale (or included in the disposal group held for sale) in accordance with IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations,” an investment property is measured using the cost model and is accounted for according to the requirements of such model of IFRS 16 “Property, Plant and Equipment.” However, it is held by a lessee as a right-of-use asset and is not available for sale according to the requirements of IFRS 5, it is accounted for according to the requirements of IFRS 16.

Depreciation is provided on a straight-line basis over the following estimated useful lives of assets:

<u>Investment Properties</u>	<u>Useful life</u>
Buildings	3–50 years

An investment property should be derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal, with the recognition of profit or loss.

The Company determines to transfer a property asset into, or out of, investment property according to the actual purpose of use of the asset.

When a property meets or no longer meets the definition of investment property and there is evidence of the change in use, the Company reclassifies the property as investment property or transfers it out of investment property.

14. Leases

The Company assesses whether a contract is (or contains) a lease, at inception of the contract. A contract is (or contains) a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period, the Company assesses whether it has the following two throughout the period of use:

(1) The right to obtain substantially all of the economic benefits from the use of the

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- identified asset; and
- (2) The right to direct the use of the identified asset.

When a contract is (or contains) a lease, the Company accounts for each lease component as a lease separately from non-lease components of the contract. When a lease contract contains one lease component and one or more additional lease or non-lease components, the Company allocates the contract consideration to each lease component on the basis of the relative stand-alone price of each lease component and the aggregate stand-alone prices of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge for that component, or a similar component, separately. If observable stand-alone price is not readily available, the Company shall estimate the stand-alone price, maximizing the use of observable information.

The Company as a lessee

Except for the leases met and selected for short-term leases and leases of low-value assets, when the Company is the lessee of a lease contract, all leases are recognized as right-of-use asset and lease liability.

The Company measures the lease liability at the present value of the lease payments that are not paid at the commencement date of the lease. If the interest rate implicit in the lease can be readily determined, lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used. At the commencement date, the lease payments included in the lease liability includes the following payments relating to the use of the underlying asset during the lease term and that have not been paid on that date:

- (1) fixed payments (including in-substance fixed payments), less any lease incentives that may be received;
- (2) variable lease payments that depend on an index or a rate (initially measured at the index or rate at the commencement date);
- (3) amounts expected to be payable by the lessee under residual value guarantees;
- (4) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- (5) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Company measures the lease liability at amortized cost, increases the carrying amount of the lease liability using the effective interest method, reflects interest on the lease liability, and reduces the carrying amount of the lease liability by making lease payments.

On the commencement date, the Company measures the right-of-use asset at cost. The cost of the right-of-use asset should comprise:

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- (1) the amount of the initial measurement of the lease liability;
- (2) any lease payments made at or before the commencement date, less any lease incentives received;
- (3) any initial direct costs incurred by the lessee; and
- (4) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset should be subsequently measured at cost less any accumulated depreciation and any accumulated impairment losses; that is, the right-of-use asset is measured using a cost model.

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term, or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the right-of-use asset is depreciated from the start date of the lease to the end of the useful life of the underlying asset. Otherwise, the Company should depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Company applies IFRS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for the leases met and selected for short-term leases and leases of low-value assets, the Company presents right-of-use assets and lease liabilities in the balance sheet and presents the depreciation expense and interest expense related to the lease separately in the statement of comprehensive income.

The Company has elected to account for short term leases and leases of low-value assets on either a straight-line basis over the lease term or another systematic basis and recognize lease payments as an expense over the lease term.

The Company as a lessor

The Company classifies each of its leases as either an operating lease or a finance lease. A lease that transfers substantially all the risks and rewards incidental to ownership of the underlying asset is classified as a finance lease. Otherwise, a lease is classified as an operating lease. Upon lease commencement, the Company shall recognize assets held under a finance lease in the balance sheet and expresses them as finance lease receivables at an amount equal to the net investment in the lease.

For any arrangements that contain lease and non-lease components, the Company applies the requirements of IFRS 15 to allocate the consideration in the contract.

The Company recognizes the rental income from operating leases as lease/rental revenue on either a straight-line basis over the lease term or another systematic basis.

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Variable lease payments that do not depend on an index or a rate are excluded from operating lease are recognized as rental income upon the occurrence.

15. Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of an asset acquired as a part of a business combination is its fair value at the acquisition date. After initial recognition, intangible assets should be carried at cost less accumulated amortization and impairment losses. The internally generated intangible asset that does not meet the criteria for recognition should not be capitalized and should be recognized in profit or loss when incurred.

The useful life of the asset is divided into a finite and indefinite useful life.

Intangible assets with finite useful lives are amortized over their expected useful lives, and impairment tests should be performed when there are any indicators that the assets may be impaired. The amortization period and the amortization method for an intangible asset with finite useful lives should be reviewed at least at each financial year end. If the expected useful life of an asset is different from the previous estimate or the expected pattern of consumption of the future economic benefits has been changed, the amortization method or the amortization period should be adjusted and accounted for as a change in an accounting estimate.

Intangible assets with infinite useful lives are not amortized but impairment tests should be performed annually at the individual asset or cash-generating unit level. Intangible assets with infinite useful lives should be reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. If the change in the useful life assessment from indefinite to finite, the change is not applied to prior periods (prospective application).

Gains or losses arising from derecognition of an intangible asset are recognized in profit or lost.

The Company's account policy for intangible assets is summarized as follows:

	<u>Computer software cost</u>	<u>Patented technology</u>
Useful life	3–5 years	10 years
Amortization method	Straight-line amortization	Straight-line amortization
Internally generated or externally acquired	Externally acquired	Externally acquired

16. Impairment of Non-financial Assets

The Company assess all asset within the scope of IFRS 36 “Impairment of Assets”

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whether there is any indication that an asset may be impaired at the end of each reporting period. When there is an indication of impairment or when an impairment test is required to be performed for an asset at the same time every year, the Company shall carry out the test on an individual asset or a cash-generating unit to which an asset belongs. If the results of the impairment test show that the amount by which the carrying amount of an asset or a cash-generating unit to which an asset belongs exceeds its recoverable amount, an impairment loss should be recognized. the recoverable amount is the higher of the asset's fair value less cost to sell and its value in use.

At the end of each reporting period, the Company shall assess whether there is any indication that a previous impairment loss recognized for an asset other than goodwill may no longer exist, or may have decreased. If such an indication exists, the entity shall estimate the recoverable amount of the asset or cash-generating unit. If the increase in the recoverable amount is caused by changes in the estimated service potential of an asset, the impairment loss can be reversed. However, after the reversal of an impairment loss, the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

The cash-generating unit or group to which goodwill belongs, whether or not there is indication that it is impaired, is performed at the same time every year. If the results of the impairment test show that an impairment loss should be recognized, the impairment loss to be allocated: first, to reduce the carrying amount of any goodwill, and then, to the assets other than goodwill, pro rata on the basis of the carrying amount of each asset. An impairment loss recognized for goodwill shall not be reversed.

Impairment losses and reversals of continuing operations are recognized in profit or lost.

17. Provisions

A provision should be recognized if, and only if a present obligation (legal or constructive) has arisen as a result of a past event. It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount can be estimated reliably. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when it is virtually certain that reimbursement will be received. Where the effect of the time value of money is material the provision, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. When discounting is applied to liabilities, the amount of liabilities increased over time is recognized as borrowing costs.

18. Revenue Recognition

The Company's revenue from contracts with customers is mainly from the sale of goods. The accounting treatment is described as follows:

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Sale of goods

The Company manufactures and sells goods, and the revenue is recognized when it transfers promised goods or services to the customer and when the customer obtains control (the is, the ability to direct the use of, and obtain substantially all of the remaining benefits from, the goods).

The Company provides a credit term of 30–180 days on sales of goods. Most contracts are recognized as accounts receivable when control of the goods has been transferred and an unconditional right to receive consideration has been earned. These receivables are usually short-term and without a significant financing component. For a few contracts, the goods have been transferred to the customer but no unconditional right to receive consideration has been earned, they are recognized as contract assets. The allowance for impairment of contract assets is measured at an amount equal to the lifetime expected credit losses according to the requirements of IFRS 9.

19. Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are included in the cost of that asset. Such borrowing costs are capitalized as part of the cost of the asset. All other borrowing costs are recognized as expenses in the period in which they are incurred. Borrowing costs are interest and other costs incurred in connection with the borrowing of funds.

20. Government Grants

A government grant is recognized only when there is reasonable assurance that the Company will comply with the conditions of the grant and the inflow of economic benefits from the grant will be received. When the grants are related to assets, government grants should be recognized as deferred grant income and are recognized as income in installments over the expected useful life of the related asset. When the grants are related to expenses, government grants should be recognized in profit or loss on a reasonable and systematic basis over the periods in which the related costs expected to be incurred.

When the Company receives a non-monetary asset as a grant, the assets and subsidies received are recorded at nominal amounts, and the income is recognized in the consolidated statement of income over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual instalments. The loans at below-market interest rate or similar assistance obtained from the government or related institution are regarded as additional government grants.

21. Post-employment Benefit Plans

The employees retirement regulations are applicable to all officially appointed employees of the Company. The employee retirement fund is fully managed by the

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Supervisory Committee of Labor Retirement Reserve and deposited in the labor pension accounts. Because the above-mentioned pension is deposited in the name of the Supervisory Committee of Labor Retirement Reserve, which is completely separated from the Company and its domestic subsidiaries, it is not included in the above-mentioned consolidated financial statements. The employees retirement regulations of the foreign subsidiaries and branches are pursuant to the local laws and regulations.

For the post-employment benefit plan that is a defined contribution plan, the Company shall pay an employee pension contribution rate not less than 6% of the employee's monthly salary every month, and the amount contributed should be recognized as current expense. Foreign subsidiaries and branches shall pay the contribution at a local specific percentage and recognize it as current expense.

Post-retirement benefits that are defined contribution plans are presented based on the actuarial reports at the end of the annual reporting period in accordance with the Projected Unit Credit Method. The remeasurement on the net defined benefit liability (asset) includes any changes in the return on plan assets and asset cap influence number, less the amount included in the net interest on the net defined benefit liability (asset), and actuarial gains or losses. The remeasurement on the net defined benefit liability (asset) is included in other comprehensive income when incurred and is recognized immediately in retained earnings. Past service cost is the change in the present value of the defined benefit obligation resulting from a plan amendment or curtailment, and is recognized as an expense at the earlier of the following dates:

- (1) when the plan amendment or curtailment occurs; and
- (2) when the entity recognizes related restructuring costs or termination benefits.

The net interest on the net defined benefit liability (asset) is determined by multiplying the net defined benefit liability (asset) by the discount rate, both of which are determined at the beginning of the annual reporting period, taking into account actual contributions and benefits paid during the period.

22. Share-based Payment

The cost of the share-based payment transactions of the equity settlement between the Company and employees is measured at the fair value of the equity instrument at the grant date. Fair value is determined using an appropriate pricing model.

The cost of the share-based payment transactions of the equity instrument is recognized during the period on a period-by-period basis when the service condition and performance condition are satisfied and a corresponding increase in equity is recognized. On the end date of each reporting period before the vesting day, the accumulated expenditure recognized for equity settlement transactions reflects the passage of the vesting period and the Company's best estimate of the number of equity instruments that will ultimately vest. At the beginning and end of each reporting period,

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any changes in the accumulated cost for share-based payment transactions are recognized in profit or loss for the period.

If share-based payment awards do not ultimately satisfy the vesting condition, no expense should be recognized. However, if the vesting conditions of the equity settlement transaction are related to market conditions or non-vesting conditions and if all the service or performance conditions are satisfied, the related expense should still be recognized whether or not the market conditions or non-vesting conditions are satisfied.

When modifying the equity settlement transaction conditions, the original grant cost without modification should at least be recognized. If the modification to a share-based payment transaction increases the total fair value of the share-based payment transaction or are otherwise beneficial to the employee, the additional equity settlement transaction cost should be recognized.

If the share-based payment awards plan for equity settlement is cancelled, it will be deemed to be vested on the cancellation date, and the remaining share-base payment expenses that have not been recognized should be immediately recognized, which includes the awards plans not satisfying the non-vesting conditions within the control of the entity or employee. If the previously cancelled awards are replaced by the new awards plan, and which is confirmed to replace the cancelled awards plan at the grant date, the cancellation and the new awards plan should be regarded as a modification to the original rewards plan.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

When issuing restricted employee shares, payroll expenses and the corresponding increase in equity are recognized in the vesting period on the basis of the fair value of the equity instrument given at the grant date. The Company recognizes unearned remuneration of employees at the grant date. Unearned remuneration of employees is a transitional item, which is deducted from equity in the consolidated balance sheet and transferred to payroll expenses over the passage of time.

23. Income Tax

Tax expense (income) is the aggregate amount included in the determination of net profit or loss for the period in respect of current tax and deferred tax.

Current tax

Current tax liabilities (assets) for the present and prior periods should be measured using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Current tax relating to items recognized in other comprehensive income or directly recognized in equity are recognized in other comprehensive income or equity and not in profit or loss.

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The additional profit-seeking income tax levied on the undistributed surplus earnings is recorded as income tax expense on the date the Shareholders' Meeting resolves to distribute the profit.

Deferred tax

Deferred tax is calculated on temporary differences at the end of each reporting period arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet.

All taxable temporary differences should be recognized as deferred tax liabilities except for the following two conditions:

- (1) The initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit (loss);
- (2) The taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint arrangements, the timing of the reversal of such differences can be controlled and it is probable that such differences will not reverse in the foreseeable future.

A deferred tax asset is recognized for deductible temporary differences, unused tax losses and unused tax credits carried forward, to the extent that it is probable that future taxable profits will be available, except for the following two conditions:

- (1) Relating to the deductible temporary differences arising from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit (loss);
- (2) Relating to the deductible temporary differences arising from investments in subsidiaries, associates, and interests in joint ventures, to the extent that, and only to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

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Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

24. Business Combinations and Goodwill

Accounting for a business combination Business combinations are accounted for under the acquisition method. The consideration transferred, the identifiable assets acquired, liabilities assumed in a business combination should be measured at fair value on the acquisition date. For each business combination, the acquirer shall measure the non-controlling interests at fair value or the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred and included in the administrative expense.

When the Company acquires a business, it assesses whether the classification and designation of assets and liabilities is appropriate based on the contractual conditions, economic conditions, and other relevant circumstances that existed as of the acquisition date, including the considerations for separating embedded derivative financial instruments in host contracts held by the acquiree.

In a business combination achieved in stages, the acquirer shall remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in profit or loss.

The contingent consideration that the acquirer expects to transfer should be recognized at the acquisition-date fair value. Subsequent changes to the fair value of the contingent consideration that is classified as an asset or a liability are recognized as changes in profit or loss for the period or other comprehensive income according to the requirements of IFRS 9. However, contingent consideration that is classified as equity is not remeasured until it is finally settled within equity.

Goodwill is initially measured as the excess of consideration transferred plus non-controlling interests and the fair value of the identifiable assets and liabilities acquired. If this consideration is lower than the fair value of the net assets of the business acquired, the difference is recognized in profit or loss for the period.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill arising in a business combination is allocated to each of the acquirer's cash-generating units, or company of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated shall represent the lowest level within the entity at which the goodwill is monitored for internal management purposes, and not be larger than an operating segment.

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Where part of the cash-generating unit that contains goodwill is disposed of, the carrying amount of the disposed part includes the goodwill associated with the operation disposed of. Goodwill disposed of in this circumstance is measured based on the relative recoverable amount of the operation disposed of and the retained part.

V. Significant accounting judgments, estimations, and assumptions

When the Company prepares the consolidated financial statements, the management is required to make judgments, estimates, and assumptions at the end of the reporting period, which will affect the amount reported on revenues, expenses, assets, and liabilities, and disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that may require material adjustments to the carrying amounts of the assets and liabilities affected in future periods.

1. Judgments

In the process of applying the Company's accounting policies, management has made the following judgments which have the most significant effect in the amounts recognized in the consolidated financial statements:

(1) Operating lease commitments – the group as a lessor

The Company has entered into commercial property leases for the investment property portfolio. Based on the evaluation on the agreed terms, the Company still retains significant risks and rewards of ownership of these properties and accounts for these leases as operating leases.

(2) The judgement on whether the company controls the investee in the cases without a majority of voting rights

The Company does not hold a majority of voting rights of some investees. However, after considering the Company's absolute shareholding ratio of these companies, the relative shareholding ratio and shareholding dispersion of other shareholders, the written agreement among shareholders, the potential voting rights, and other factors, the Company is judged to have control over them. Please refer to Note IV for details. In addition, among them, the Company holds less than 50% of the shares of the investee and is the largest shareholder, and is judged to have no control and only have significant effect, please refer to Note VI. 6 for details.

2. Estimations and Assumptions

At the end of the reporting date, key sources of estimation uncertainty of estimates and assumptions concerning the future, and there is a significant risk of material adjustment to the carrying amounts of assets or liabilities in the next fiscal year. It is stated as

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follows:

(1) Income Tax

Uncertainty over income tax exists in the interpretation of complex tax regulations and the amount and timing related to generation of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The provision for income taxes is a reasonable estimate based on possible audit results by the tax authorities of the countries where the Group operates. The provision amounts are based on various factors; for example, prior audit experience and difference in the interpretations of tax statute between the subject of taxation and the tax authority to which the subject belongs. Differences in this interpretation may give rise to various issues depending on the conditions of the location of individual companies in the Group.

A deferred tax asset is recognized for unused tax losses, tax credits) carried forward, and deductible temporary differences, to the extent that it is probable that future taxable profits or taxable temporary differences will be available. The estimates of determining the amount of deferred tax assets that can be recognized are based upon the likely timing and level of future taxable income and taxable temporary differences as well as tax-planning strategies.

(2) Receivables – Estimation of Impairment Losses

The Company's estimation of impairment losses on receivables are measured by the amounts arising from lifetime expected credit losses. Credit losses are defined as the present value of the difference between contractual cash flows (carrying amount) due and cash flow (evaluation of forward-looking information) expected to receive. However, cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial and credit losses are measured by the undiscounted amount of difference. If the actual future cash flows are less than expected, significant impairment losses may occur. Please refer to Note VI for details.

(3) Inventories

Estimates of net realizable value of the inventories should take into account the conditions that the inventories are damaged or have become wholly or partially obsolete, or that the selling prices has increased and based on the most reliable evidence available of the amount which the inventories are expected to realize at the time of estimation. Please refer to Note VI for details.

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VI. Descriptions of major accounting items

1. Cash and Cash Equivalents

	December 31, 2022	December 31, 2021
Cash on hand	\$465	\$335
Petty cash	120	120
Bank deposits	1,192,733	551,044
Total	<u>\$1,193,318</u>	<u>\$551,499</u>

2. Accounts Receivable and Accounts Receivable – Related Party

	December 31, 2022	December 31, 2021
Accounts receivable	\$527,178	\$672,799
Less: Loss allowance	(16,620)	(10,586)
Subtotal	<u>510,558</u>	<u>662,213</u>
Accounts receivable – related party	61,697	97,170
Less: Loss allowance	-	-
Subtotal	<u>61,697</u>	<u>97,170</u>
Total	<u>\$572,255</u>	<u>\$759,383</u>

The Company's accounts receivable have not been provided for as guarantees.

The Company provides a credit term of 30–180 days usually to its customers. The total carrying amounts on December 31, 2022 and December 31, 2021 were NT\$588,875 thousand and NT\$769,969 thousand, respectively. For more information on loss allowances in 2022 and 2021, please refer to Note VI. 14; for more information on credit risk, please refer to Note XII.

3. Inventories

	December 31, 2022	December 31, 2021
Raw materials	\$330,994	\$205,400
Supplies	166,817	173,775
Work in process	142,717	134,706
Semi-finished products	82,328	57,654
finished products (including purchased components)	184,324	221,721
Net value	<u>\$907,180</u>	<u>\$793,256</u>

The cost of inventories recognized as an expense by the Company in 2022 was NT\$1,863,827 thousand, including NT\$409 thousand recognized as a current loss when the inventory was written down to the net realizable value.

The cost of inventories recognized as an expense by the Company in 2021 was

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NT\$1,962,301 thousand, including gain on reversal of inventory of NT\$13,676 thousand being recognized.

In 2021, due to the disposal of obsolete products and the recovery of the net realizable value, the gain from price recovery of inventory thus arose in the Company.

The above inventories are not provided for as guarantees.

4. Financial instruments measured at fair value through other comprehensive income

	December 31, 2022	December 31, 2021
Investment in equity instruments at fair value through other comprehensive income – non-current:		
Shares of TWSE/TPEX listed companies	\$555,987	\$1,100,809
Shares of non-TWSE/TPEX listed companies	6,347	7,505
Total	\$562,334	\$1,108,314

The Company's financial instruments measured at fair value through other comprehensive income have not been provided for as guarantees.

The dividend income of financial assets at fair value through other comprehensive income held by the Company in 2022 and 2021 was NT\$202 thousand and NT\$227 thousand, respectively.

The Company considered the investment strategy and sold and derecognized part of the financial instruments measured at fair value through other comprehensive income. At the time of disposal, the fair value was NT\$171,952 thousand, and the accumulated unrealized gain on valuation of NT\$123,376 thousand at the time of disposal and tax expense of NT\$24,675 thousand directly recognized in equity were transferred from other equity to retained earnings.

5. Investments Accounted for Using the Equity Method

The details of the Company's investments accounted for using the equity method are described as follows:

Name of invested company	December 31, 2022		December 31, 2021	
	Amount	Shareholding ratio%	Amount	Shareholding ratio %
Investments in subsidiaries:				
Siward Technology Co.Ltd.	\$330,498	100.00	\$338,512	100.00
Apex Optech Co.	2,720	33.93	3,248	33.93
Apex Optech Corporation	37,257	87.78	36,861	87.78

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Name of invested company	December 31, 2022		December 31, 2021	
	Amount	Shareholding ratio%	Amount	Shareholding ratio %
SCT USA, Inc.	11,999	100.00	8,175	100.00
Siward electronic tech.(Shenzhen) Inc.	9,805	100.00	11,549	100.00
Subtotal	<u>392,279</u>		<u>398,345</u>	
Investments in associates:				
Securitag Assembly Group Co., Ltd.	195,252	13.63	177,828	13.63
Subtotal	<u>587,531</u>		<u>177,828</u>	
Less:cumulative impairment	<u>(3,566)</u>		<u>(3,566)</u>	
Total	<u>\$583,965</u>		<u>\$572,607</u>	

- (1) The details of gain (loss) on investment recognized in 2022 and 2021 are as follows:

	2022	2021
Siward Technology Co.,Ltd.	\$3,424	\$17,558
Apex Optech Co.	(566)	(724)
Apex Optech Corporation	346	(530)
SCT USA Inc.	2,847	2,272
Siward electronic tech. (Shenzhen) Inc.	(1,952)	586
Securitag Assembly Group Co., Ltd.	25,951	13,690
Total	<u>\$30,050</u>	<u>\$32,852</u>

- (2) The details of the exchange differences on translating the financial statements of foreign operations recognized in 2022 and 2021 are as follows:

	2022	2021
Siward Technology Co.,Ltd.	\$(11,438)	\$(51,043)
Apex Optech Co.	38	(11)
Apex Optech Corporation	50	(15)
SCT USA Inc.	977	(202)
Siward electronic tech. (Shenzhen) Inc.	208	(48)
Securitag Assembly Group Co., Ltd.	\$(29)	(124)
Total	<u>\$(10,194)</u>	<u>\$(14,213)</u>

- (3) The Company sold 100% of equity interest in Suizhou Taihua Electronic Technology Co., Ltd., an investee company in the Mainland Area held by the Company by a resolution adopted by the board of directors on January 19, 2021, and completed the transfer of equity in March 2021. The total transaction amount

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was NT\$335,790 thousand which was fully recovered, and the loss on disposal of investment was NT\$8,436 thousand.

- (4) The Company increased its capital of Securitag Assembly Group Co., Ltd. in cash by NT\$100,670 thousand in 2021, and shareholding ratio to 13.63%; in addition, the additional paid-in capital was written to NT\$6,283 thousand and the retained earnings to NT\$23,256 thousand due to the change in shareholding ratio.
- (5) Because the chairman of Securitag Assembly Group Co., Ltd., the investee company – Weiqiao Technology is the same person as the chairman of the Company, the Company has significant influence over the investee company according to the requirements of IFRS 28 “Investments in Associates.” Although the Company holds 13.63% of the voting rights of Securitag Assembly Group Co., Ltd.; however, because the other two investors each holds more than 9% of the voting rights of Securitag Assembly Group Co., Ltd., the two investors working together is enough to deter the Group from leading the vital activities of Securitag Assembly Group Co., Ltd. Therefore, the Group has no control over Securitag Assembly Group Co., Ltd. and only has significant influence. As of December 31, 2022 and 2021, the fair values of Securitag Assembly Group Co., Ltd. were NT\$502,384 thousand and NT\$472,425 thousand, respectively.

6. Property, Plant and Equipment

	Land and land improvements	Buildings	Machinery equipment	Office equipment	Transportation equipment	Lased assets	Other equipment	Total
Cost:								
January 1, 2022	\$307,049	\$452,565	\$2,822,591	\$14,130	\$2,312	\$6,550	\$468,266	\$4,073,463
Addition	-	377	109,204	1,015	-	-	13,288	123,884
Reduction	-	-	(27,385)	(137)	-	-	(3,466)	(30,988)
Reclassification	-	-	84,812	-	-	-	1,301	86,113
December 31, 2022	\$307,049	\$452,942	\$2,989,222	\$15,008	\$2,312	\$6,550	\$479,389	\$4,252,472
Depreciation and impairment:								
January 1, 2022	\$ -	\$(258,982)	\$(1,935,581)	\$(13,592)	\$(2,312)	\$(6,297)	\$(374,910)	\$(2,591,674)
Depreciation	-	(10,089)	(154,499)	(493)	-	(45)	(31,766)	(196,892)
Reduction	-	-	27,104	137	-	-	3,386	30,627
December 31, 2022	\$ -	\$(269,071)	\$(2,062,976)	\$(13,948)	\$(2,312)	\$(6,342)	\$(403,290)	\$(2,757,939)
	Land and land improvements	Buildings	Machinery equipment	Office equipment	Transportation equipment	Lased assets	Other equipment	Total
Cost:								
January 1, 2021	\$307,049	\$422,873	\$2,517,751	\$14,195	\$2,312	\$6,550	\$458,780	\$3,729,510
Addition	-	3,493	234,289	203	-	-	33,461	271,446
Reduction	-	-	(48,312)	(268)	-	-	(5,571)	(54,151)
Reclassification	-	26,199	118,863	-	-	-	(18,404)	126,658
December 31, 2021	\$307,049	\$452,565	\$2,822,591	\$14,130	\$2,312	\$6,550	\$468,266	\$4,073,463
Depreciation and impairment:								
January 1, 2021	\$ -	\$(247,612)	\$(1,832,127)	\$(13,420)	\$(2,312)	\$6,252)	\$(351,435)	\$(2,453,158)

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	Land and land improvements	Buildings	Machinery equipment	Office equipment	Transportation equipment	Lased assets	Other equipment	Total
Depreciation	-	(9,956)	(151,265)	(440)	-	-(45)	(28,410)	(190,116)
Reduction	-	-	47,811	268	-	-	3,521	51,600
Reclassification	-	(1,414)	-	-	-	-	1,414	-
December 31, 2021	\$ -	\$ (258,982)	\$ (1,935,581)	\$ (13,592)	\$ (2,312)	\$ (6,297)	\$ (374,910)	\$ (2,591,674)
Net carrying amount:								
December 31, 2022	\$307,049	\$183,871	\$926,246	\$1,060	\$ -	\$208	\$76,099	\$1,494,533
December 31, 2021	\$307,049	\$193,583	\$887,010	\$538	\$ -	\$253	\$93,356	\$1,481,789

Note 1: Reclassification refers to the reclassification of prepayments for equipment and investment properties to property, plant and equipment and reclassification of items of property, plant and equipment.

- (1) The major components of the Company's buildings are principally the main building and air-conditioning equipment, which are depreciated over the useful lives of 50 years and 15 years, respectively.
- (2) For more information on the Company's property, plant and equipment that are provided for as guarantee, please refer to Note VIII.
- (3) No interest capitalization is required for the acquisition of property, plant and equipment in both 2022 and 2021.

7. Investment Properties

Investment properties include the investment properties owned by the Company. The Company enters into a commercial lease agreement for its own investment properties. the lease term ranges from 1 to 38 years, and the lease agreement does not contain the terms that the rent is adjusted according to the market environment every year.

	<u>Buildings</u>
Cost:	
January 1, 2022	\$55,210
Addition	-
December 31, 2022	<u>\$55,210</u>
January 1, 2021	\$55,210
Addition	-
December 31, 2021	<u>\$55,210</u>
Depreciation and impairment:	
January 1, 2022	\$5,114
Depreciation for the current year	1,372
December 31, 2022	<u>\$6,516</u>

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	Buildings	
January 1, 2021	\$3,773	
Depreciation for the current year	1,371	
December 31, 2021	\$5,114	
Net carrying amount:		
December 31, 2022	\$48,694	
December 31, 2021	\$50,066	
	January 1, 2022– December 31, 2022	January 1, 2021– December 31, 2021
Rental income from investment properties	\$1,284	\$1,149
Less: Direct operating expenses incurred by investment properties that generate rental income for the current period	-	-
Direct operating expenses incurred by investment properties that do not generate rental income for the current period	-	-
Total	\$1,284	\$1,149

For more information on the Company's investment properties that are provided for as guarantee, please refer to Note VIII.

The investment properties held by the Company are not measured at fair value, and only the information on their fair value is disclosed, which are classified within level 3 of the fair value hierarchy. The fair values of the investment properties held by the Company as of December 31, 2022 and December 31, 2021 were NT\$55,284 thousand and NT\$49,471 thousand, respectively. The investment properties of the Company are recorded mainly based on the appraisal report of external experts in previous years, and taking into account the changes in the Singapore housing price index as the benchmark for the current year's fair value.

8. Intangible Assets

	Patented technology	Computer software	Total
Cost:			
January 1, 2022	\$126,280	\$24,011	\$149,681
Addition – separately acquired	-	4,170	4,170
December 31, 2022	\$126,280	\$28,181	\$154,461

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	Patented technology	Computer software	Total
January 1, 2021	\$126,280	\$23,401	\$149,681
Addition – separately acquired	-	610	610
December 31, 2021	<u>\$126,280</u>	<u>\$24,011</u>	<u>\$150,291</u>
Amortization and impairment:			
January 1, 2022	\$(61,035)	\$(22,169)	\$(83,204)
Amortization	(12,628)	(2,256)	(14,884)
December 31, 2022	<u>\$(73,663)</u>	<u>\$(24,425)</u>	<u>\$(98,088)</u>
January 1, 2021	\$(48,407)	\$(19,939)	\$(68,346)
Amortization	(12,628)	(2,230)	(14,858)
December 31, 2021	<u>\$(61,035)</u>	<u>\$(22,169)</u>	<u>\$(83,204)</u>
Net carrying amount:			
	Patented technology	Computer software	Total
December 31, 2022	<u>\$52,617</u>	<u>\$3,756</u>	<u>\$56,373</u>
December 31, 2021	<u>\$65,245</u>	<u>\$1,842</u>	<u>\$67,087</u>

Amortization amounts of intangible assets are recognized as follows:

	2022	2021
Operating costs	\$313	\$321
Selling and marketing expenses	14	74
General and administrative expenses	197	202
Research and development expenses	14,360	14,261
Total	<u>\$14,884</u>	<u>\$14,858</u>

9. Other non-current assets

	December 31, 2022	December 31, 2021
Prepayment for equipment	\$39,683	\$35,845
Long-term receivables	136,987	136,987
Less: Loss allowance	(136,987)	(116,987)
Refundable deposits	827	841
Total	<u>\$40,510</u>	<u>\$56,686</u>

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10. Long-term debt payable

The details of long-term debt payable as of December 31, 2022 and 2021 are described as follows:

Creditor	Type	December 31, 2022	Interest rate (%)	Repayment period and method
KGI Bank	Secured loan	\$150,000	2.060	From March 2020 to March 2023, the interest is paid once a month and the principal will not be repaid until maturity.
Mega International Commercial Bank	Secured loan	16,400	1.721	From October 2018 to October 2023, repayable in 20 equal quarterly instalments and the interest is paid monthly.
Bank of Taiwan	Secured loan	537,600	1.625	From September 2020 to September 2025, the first two and a half years is a grace period. When the grace period expires, it is repayable in 30 equal monthly instalments and the interest is paid monthly.
Subtotal		<u>704,000</u>		
Less: Current portion of long-term loans payable		(117,680)		
Total		<u><u>\$526,320</u></u>		

Creditor	Type	December 31, 2021	Interest rate (%)	Repayment period and method
KGI Bank	Secured loan	\$200,000	1.141	From March 2020 to March 2023, the interest is paid once a month and the principal will not be repaid until maturity.
Mega International Commercial Bank	Secured loan	32,800	1.060	From October 2018 to October 2023, repayable in 20 equal quarterly instalments and the interest is paid monthly.
Bank of Taiwan	Secured loan	505,340	1.000	From September 2020 to September 2025, the first two and a half years is a grace period. When the grace period expires, it is repayable in 30 equal monthly instalments and the interest is paid monthly.
Subtotal		<u>738,140</u>		
Less: Current portion of long-term loans payable		(16,400)		
Total		<u><u>\$721,740</u></u>		

For more information on the medium- and long-term loan commitments that the Company entered into with KGI Bank as of December 31, 2022, please refer to Note IX.4.

11. Post-employment Benefit Plans

Defined contribution plan

The employees retirement regulations formulated by the Company in accordance with the “Labor Pension Act” is a definite provision plan. According to the Act, the Company shall pay an employee pension contribution rate not less than 6% of the

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employee's monthly salary every month. The Company have already appropriated 6% of the employee's salary to the individual pension account of the Bureau of Labor Insurance in compliance with the employees retirement regulations that is formulated according to the Act.

The expense amounts recognized by the Company in 2022 and 2021 of the defined contribution plans were NT\$20,507 thousand and NT\$19,178 thousand, respectively.

Defined benefit plan

The employees pension regulations formulated by the Company in accordance with the "Labor Standards Act" is a defined benefit plan. The payment of the employees' pension is calculated according to the base of the service periods and one month's average wage of the worker at the time when his or her retirement is approved. For years of service within 15 years (inclusive), two bases are given for each full year of service rendered. But for the rest of the years over 15 years, one base is given for each full year of service rendered. However, the total number of bases shall be no more than 45. The Company shall appropriate labor pension reserve funds 2% of the total monthly wages of their employees and deposit such amount in a designated account at the Bank of Taiwan in the name of the Supervisory Committee of Labor Retirement Reserve. In addition, before the end of each year, the Company shall assess the balance in the designated labor pension reserve funds account as mentioned above. If the amount is inadequate to pay pensions calculated according to the above-mentioned for workers expected to meet retirement conditions in the following year, the Company are required to make up the difference in one appropriation before the end of March the following year.

Asset allocation is carried out by the Ministry of Labor in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The fund invests under proprietary operation and entrusted operation, with both actively and passively managed medium and long-term investment strategies. In consideration of market, credit, liquidity, and other risks, the Ministry of Labor set up the fund risk limit and control plan to provide sufficient flexibility to achieve target returns and curb excessive risk taking. With regard to utilization of the Fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. In case that the deficit is still inadequate to cover the surplus, Treasury Funds can be used to cover the deficits after the approval of the competent authority. Because the Company has no right to participate in the operation and management of the fund, it cannot disclose the classification of the fair value of the plan assets in accordance with Paragraph 142 of IFRS 19. As of December 31, 2022, the Company is expected to allocate NT\$1,744 thousand in the following year under the defined benefit plan.

As of December 31, 2022, the weighted average duration of the Company's defined benefit plan is 7 years.

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The below summarizes the costs recognized in profit or loss for the defined benefit plan:

	2022	2021
Service cost for the current period	\$130	\$118
Net interest on the net defined benefit liability (asset)	560	282
Total	<u>\$690</u>	<u>\$400</u>

Reconciliation of the present value of the defined benefit obligation and the fair value of the plan assets is as follows:

	December 31, 2022	December 31, 2021	January 1, 2021
Present value of the defined benefit obligation	\$142,765	\$159,482	\$169,599
Fair value of the plan assets	(87,243)	(78,597)	(74,683)
Other non-current liabilities – net defined benefit liability (asset)	<u>\$55,522</u>	<u>\$80,885</u>	<u>\$94,916</u>

Reconciliation of the net defined benefit liability (asset):

	Defined benefit Present value of obligation	Plan assets Fair value	Net defined benefit liability (asset)
January 1, 2021	\$169,599	\$(74,683)	\$94,916
Service cost for the current period	118	-	118
Interest expense (income)	496	(214)	282
Subtotal	<u>170,213</u>	<u>(74,897)</u>	<u>95,316</u>
Remeasurements of the defined benefit liability/asset:			
Actuarial gain or loss due to changes in demographic assumptions	330	-	330
Experience adjustments	(1,563)	-	(1,563)
Actuarial gain or loss due to changes in financial assumptions	(5,531)	-	(5,531)
Remeasurements of the defined benefit asset	-	(1,103)	(1,103)
Subtotal	<u>163,449</u>	<u>(76,000)</u>	<u>87,449</u>
Benefits paid	(3,967)	3,967	-
Employer contributions		(6,564)	(6,564)
December 31, 2021	\$159,482	\$(78,597)	\$80,885
Service cost for the current period	130	-	130
Interest expense (income)	1,083	(523)	560
Subtotal	<u>160,695</u>	<u>(79,120)</u>	<u>81,575</u>
Remeasurements of the defined benefit liability/asset:			
Actuarial gain or loss due to changes in demographic assumptions	6	-	330

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	Defined benefit Present value of obligation	Plan assets Fair value	Net defined benefit liability (asset)
Experience adjustments	(5,560)	-	(1,563)
Actuarial gain or loss due to changes in financial assumptions	(6,332)	-	(6,332)
Remeasurements of the defined benefit asset	-	(6,039)	(6,039)
Subtotal	148,839	(85,159)	87,449
Benefits paid	(6,074)	6,074	-
Employer contributions		(8,158)	(8,158)
December 31, 2022	\$142,765	\$(87,243)	\$55,522

The following key assumptions used to determine the Company's defined benefit plan:

	December 31, 2022	December 31, 2021
Discount rate	1.25%	0.70%
Expected salary increase rate	3.00%	3.00%

A sensitivity analysis for each significant actuarial assumption:

	2022		2021	
	Increase in defined benefit obligation	Decrease in defined benefit obligation	Increase in defined benefit obligation	Decrease in defined benefit obligation
Discount rate increased by 0.25%	\$ -	\$(2,736)	\$ -	\$(3,343)
Discount rate decreased by 0.25%	2,824	-	3,459	-
Expected salary increased by 0.25%	2,768	-	3,372	-
Expected salary decreased by 0.25%	-	(2,697)	-	(3,278)

The above-mentioned sensitivity analysis is to analyze the possible impact on the defined benefit obligation brought by a reasonably possible change in a single actuarial assumption (e.g. discount rate or expected salary), with other assumptions remaining unchanged. Because some actuarial assumptions are correlated, changes in only a single actuarial assumption are rarely seen in practice. Therefore, such analysis has its limitations.

The methods and assumptions adopted in the sensitivity analysis for the current period are the same as those of the prior period.

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12. Equity

(1) Capital

As of January 1, 2021, the authorized capital of the Company amounted to NT\$2,300,000 thousand, with each share at NT\$10 par value, 159,421,022 shares issued, and the paid-in share capital of NT\$1,594,210 thousand. There was no change as of December 31, 2022. The holders of shares shall be entitled to one vote for each share and the right to receive dividends.

(2) Additional paid-in capital

Item	December 31, 2022	December 31, 2021
Additional paid-in capital in excess of par- common stock	\$557,589	\$557,589
Conversion premium of the convertible bond	239,970	239,970
Change in the net equity of associates and joint ventures accounted for using the equity method	-	-
Others	4,914	4,914
Total	<u>\$802,473</u>	<u>\$802,473</u>

According to the law, additional paid-in capital should not be used unless it is used to set off losses. When the company has no accumulated losses, any excess on the issuance of shares with a par value and additional paid-in capital generated income from a gift received may be set aside as equity capital within a certain ratio of the paid-in capital. The above-mentioned additional paid-in capital may also be distributed to its original shareholders in proportion to the number of shares being held by each of them by cash.

(3) Distributable earnings and dividend policy

According to its Articles of Incorporation, the Company's earnings, if any, in its annual final account shall be first used to pay income taxes and make up for its accumulated losses in previous years and then 10% of the said profits should be set aside as a legal reserve first and a special reserve may be appropriated or reversed as required by law or the competent authority. Where there is surplus, dividends may be paid to shareholders. Among them, cash dividends shall be no less than 10% of the total dividends to shareholders. The Board of Directors shall prepare a distribution proposal based on the actual profit and capital for the year. The proposal is submitted to the shareholders' meeting for resolution. If there is a reduction in accumulated shareholders' equity in the current year but there is not sufficient net income, a special reserve of the same amount should be set aside from the accumulated undistributed earnings of the previous year and deducted

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prior to the provision for distribution.

According to the Company Act, surplus profits should be allocated to a legal reserve until the legal reserve amounts to the authorized capital. A legal reserve may be used to cover losses. Where a company incurs no loss, it may distribute the portion of legal reserve which exceeds 25 percent of the paid-in capital to its original shareholders in proportion to the number of shares being held by each of them by issuing new shares or by cash.

As per March 31 2021 Order No. Jin-Guan-Zheng-Fa-Zi-1090150022 of the Financial Supervisory Commission, for the first-time adoption of IFRS, the unrealized gain on revaluation and cumulative translation adjustments (gains) transferred to retained earnings on the date of conversion due to selection of exemptions for the IFRS 1 “First-time Adoption of IFRSs” exemptions are set aside as special reserve. When the Company subsequently uses, disposes of, or reclassifies the relevant assets, it may reverse to distributable earnings a proportional amount of the special reserve originally set aside. The Company has no circumstances that special reserve is required to be set aside for the first -time adoption, and thus the Order has no influence on the Company.

The Company’s proposals and resolutions for the year 2022 and 2021 on the appropriation and distribution of surplus earnings and dividends per share at the meeting of the board of directors and regular shareholders’ meeting on March 10, 2023 and June 9, 2022 are listed as follows:

	Proposal for appropriation and distribution of surplus earnings and dividends		Dividend per share (NT\$)	
	2022	2021	2021	2020
Legal reserve	\$78,274	\$48,627		
Special reserve	-	-		
Cash dividends on common stock	350,726	239,132	NT\$2.2	NT\$1.5
Total	<u>\$429,000</u>	<u>\$287,759</u>		

For more information on the basis of estimate and the amounts recognized for employees’ compensation and remuneration to directors, please refer to Note VI (16).

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13. Operating revenue

	<u>2022</u>	<u>2021</u>
Revenue from contracts with customers		
Revenue from goods sold	\$3,039,448	\$2,798,769
Other operating revenue	<u>5,881</u>	<u>20,821</u>
Total	<u>\$3,045,329</u>	<u>\$2,819,590</u>

In 2022 and 2021, the Company's revenue from contracts with customers were recognized at a certain point in time.

(1) Balance of contract

A. Contract assets – current

The Company had no contract assets in 2022 and 2021.

B. Contract liabilities – current

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Sale of goods	<u>\$17,917</u>	<u>\$27,372</u>	<u>\$394</u>

The Company's balance of contract liabilities decreased in 2022 because most of the performance obligations were fulfilled and recognized as revenue in the current period, of which the beginning balance of NT\$10,987 thousand was recognized as revenue in the current period.

The increase in the balance of contract liabilities of the Company in the year 2021 was due to the failure to fulfill performance obligations of payments received from customers. In addition, the beginning balance of NT\$193 thousand was recognized as revenue in the current period.

(2) The transaction price allocated to the performance obligations

As of December 31, 2022 and 2021, the Company's customer contracts for the sale of goods are all shorter than one year, so it is not necessary to provide information on unfulfilled performance obligations.

(3) Assets recognized from costs to obtain or fulfill a contract with a customer

None.

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14. Expected credit losses

	December 31, 2022	December 31, 2021
Operating expenses – expected credit losses		
Accounts receivable	\$6,034	\$-
Long-term receivables	20,000	45,547
Total	<u>\$26,034</u>	<u>\$45,547</u>

For more information on credit risk, please refer to Note 12.

The loss allowance for the Company's receivables (including notes receivable, accounts receivable, and long-term receivables (accounting for other non-current assets)) are all measured by the amount of lifetime expected credit losses, considering counterparty credit risks and other factors and using the provision matrix. The relevant description of the assessment of the amount of the loss allowance as of December 31, 2022 and December 31, 2021 is described as follows:

December 31, 2022

Group I: An Individual assessment for counterparties in some regions. The total carrying amount of long-term receivables is NT\$136,987 thousand and is accounted for as other non-current assets, all of which are overdue, and the amount of provision for loss allowance is NT\$136,987 thousand.

Group II:	Not overdue (Note)	Number of days overdue				Total
		Within 30 days	31–60 days	61–90 days	More than 91 days	
Gross carrying amount:	\$577,290	\$2,650	\$1,589	\$325	\$7,021	\$588,875
Loss ratio	1.53%	5.77%	27.45%	53.85%	100%	
Lifetime expected credit losses	(8,835)	(153)	(436)	(175)	(7,021)	(16,620)
Total	<u>\$568,455</u>	<u>\$2,497</u>	<u>\$1,153</u>	<u>\$150</u>	<u>\$ -</u>	<u>\$572,255</u>

December 31, 2021

Group I: An Individual assessment for counterparties in some regions. The total carrying amount of long-term receivables is NT\$136,987 thousand and is accounted for as other non-current assets, all of which are overdue, and the amount of provision for loss allowance is NT\$116,987 thousand.

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Group II: The provision matrix is used to measure allowance losses. The relevant information is as follows:

	Not overdue (Note)	Number of days overdue			Total	
		Within 30 days	31–60 days	61–90 days		More than 91 days
Gross carrying amount:	\$722,354	\$34,318	\$6,533	\$151	\$7,730	\$711,086
Loss ratio	0%	3.51%	23.85%	56.95%	100%	
Lifetime expected credit losses	(6)	(1,206)	(1,558)	(86)	(7,730)	(10,586)
Total	\$722,348	\$33,112	\$4,975	\$65	\$ -	\$760,500

Note: The Company's notes receivables are not overdue.

The information on the changes in loss allowances for bills receivable and accounts receivable of the Company in 2022 and 2021 is as follows:

	Notes receivable	Accounts receivable	Long-term receivables
January 1, 2022	\$ -	\$10,586	\$116,987
Amount increased in the current period	-	6,034	20,000
December 31, 2022	\$ -	\$16,620	\$136,987
January 1, 2021	\$ -	\$10,586	\$71,440
Amount increased in the current period	-	-	45,547
December 31, 2021	\$ -	\$10,586	\$116,987

15. Leases

(1) The Company as a lessee

The Company leases multiple and different types of assets, including real estate (land or buildings), machinery equipment, transportation equipment, office equipment, and other equipment. The lease terms for each contract range from 1 to 20 years.

The effects of leases on the Company's financial position, financial performance, and cash flows are described as follows:

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A. Amount recognized in the balance sheet

(a) Right-of-use asset

Carrying amount of right-of-use assets	December 31, 2022	December 31, 2021
Land	\$30,583	\$32,606
Buildings	8,351	12,526
Total	\$38,934	\$45,132

In 2022, the Company's right-of-use assets increase by NT\$1,860 thousand. In 2021, the company did not increase the right-of-use assets.

(b) Lease liability

	December 31, 2022	December 31, 2021
Current	\$8,027	\$7,723
Non-current	31,912	38,268
Total	\$39,939	\$45,991

For details on the Company's interest expenses on lease liabilities in 2022 and 2021, please refer to Note VI. 18(4) Finance Costs. For details on the maturity analysis for lease liabilities as of December 31, 2022 and December 31, 2021, please refer to XII. 5 Liquidity Risk Management.

B. Amount recognized in the statement of comprehensive income

Depreciation of right-of-use assets

	2022	2021
Land	\$3,883	\$3,681
Buildings	4,175	4,176
Total	\$8,058	\$7,857

C. Lessee's gains and losses related to leasing activities

	2022	2021
Expenses for short-term rentals	\$6,097	\$6,350

D. Lessee's cash outflows related to leasing activities

The Company's total cash outflows from leases in 2022 and 2021 were

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NT\$14,244 thousand and NT\$13,964 thousand, respectively.

E. Other information related to leasing activities

(a) Variable lease payments

Part of the Company's real estate lease agreements include the terms of variable lease payments with respect to the changes in the assessed current land value, and the amount is linked to the assessed current land value of the leased object. It is not uncommon for the industry to which the Company belongs to enter into leases with such variable lease payments. Because such variable lease payments do not meet the definition of lease payments, they are not included in the measurement of assets and liabilities.

(b) Options to extend or terminate the lease

Part of the Company's real estate lease agreements include options to extend or terminate the lease. The lease term is determined by the non-cancelable period for which the lessee has a right to use the underlying asset together with periods covered by an extension option which the lessee is reasonably certain to exercise and a termination option which the lessee is reasonably certain not to exercise. The use of such options can maximize the managing flexibility in operations. Most of the options to extend or terminate the lease are exercisable only by the Company. After the commencement date, the Company shall reassess whether the lease, upon the occurrence of either a significant event or a significant change (in circumstances that is within the control of the lessee, and affects whether the lessee is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term).

(c) Residual value guarantee

None.

(2) The Company as a lessor

For the disclosure of the Company's own investment properties, please refer to Note VI. 7. A self-owned investment properties are classified as operating lease because it has not transferred substantially all the risks and rewards incidental to ownership of the underlying asset.

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	2022	2021
Lease income on operating leases		
Income related to fixed lease payments and variable lease payments that depend on an index or a rate	\$1,284	\$1,149
Income related to variable lease payments that do not depend on an index or a rate	-	-
Total	\$1,284	\$1,149

16. Employee benefits, depreciation and amortization expenses, and functional types are summarized as follows:

Type of function Type of nature	2022			2021		
	Related to operating costs	Related to operating costs	Total	Related to operating costs	Related to operating costs	Total
Employee benefit expenses						
Payroll expenses	\$361,866	\$180,013	\$541,879	\$354,374	\$142,876	\$497,250
Labor/Health insurance expenses	37,829	11,093	48,922	34,841	10,842	45,683
Pension expense	16,045	5,152	21,197	14,453	5,125	19,578
Directors remuneration	-	22,592	22,592		13,074	13,074
Other employee benefit expenses	21,828	4,780	26,608	20,836	5,242	26,078
Depreciation expenses	192,889	13,433	206,322	184,748	14,596	199,344
Amortization expenses	313	14,571	14,884	321	14,537	14,858

Respectively, The number of employees of the Company as of December 30, 2022 and 2021 were 770 and 768, of which the number of directors who are not concurrently employees were 6.

In 2022 and 2021, the Company's average employee benefit expenses were NT\$836 thousand and NT\$772 thousand, respectively.

In 2022 and 2021, the Company's average payroll expenses were NT\$709 thousand and NT\$653 thousand, respectively.

In 2022, the Company's average payroll expenses increased by 8.6%.

The company has set up an audit committee to replace the supervisor in accordance with the regulations, so the remuneration of the supervisor has not been recognized.

The Company's employees' compensation information is as follows:

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Where there is a profit for the current year, the Company shall distribute 5% of the profit as remuneration to employees and not more than 3% of the profit as remuneration to directors. However, if the Company has accumulated losses, profit shall be set aside in advance to make up for the losses. Profit refers to the net income before deducting remuneration to employees and remuneration to directors. Performance evaluation and remuneration of directors and managers in addition to considering the usual level of payment in the industry, personal performance and contribution, the company's operating performance and the reasonableness of the relationship between future risks, and the results of the director's performance evaluation are also considered, and the reasonableness of the relevant salary is reported. The remuneration committee and the board of directors approve the application, and review the remuneration system in a timely manner based on the actual operating conditions and relevant laws and regulations, in order to strike a balance between the company's sustainable operation and risk control.

The remuneration referred to in the preceding paragraph includes cash remuneration, stock options, stock ownership, retirement benefits or severance pay, various allowances and other incentives. The scope of the Charter is consistent with the director and manager remuneration set forth in the Regulations Governing Information to be Published in Annual Reports of Public Companies.

The Company's Article of Incorporation stipulates that if the Company has profits, it shall appropriate 5% as employees' compensation and not more than 3% as remuneration to directors and supervisors. However, if it has accumulated losses, the profits should be set aside in advance to make up for the losses. The above-mentioned employees' compensation should, by a resolution adopted by a majority vote at a meeting of board of directors attended by two-thirds of the total number of directors, be distributed in the form of shares or in cash; and in addition thereto a report of such distribution should be submitted to the shareholders' meeting. For more information on employees' compensation and remuneration to directors and supervisors approved by the board of directors, please visit the "Market Observation Post System" of the Taiwan Stock Exchange.

In 2022, the Company estimated employees' compensation and remuneration to directors and supervisors at 5% and 2%, respectively, according to the profit status. In 2022, employees' compensation and remuneration to directors and supervisors recognized were NT\$52,685 thousand and NT\$21,074 thousand, respectively. In 2021, employees' compensation and remuneration to directors and supervisors recognized were NT\$27,667 thousand and NT\$11,067 thousand, respectively. The basis for estimating the distribution is the profit status for the year. The above-mentioned amounts are accounted for under payroll expenses.

The Company's employees' compensation and remuneration to directors and supervisors for the year 2021 were paid in cash at NT\$27,667 thousand and NT\$11,067 thousand, respectively, by a resolution adopted by the board of directors on March 11, 2022. There were no material differences in the amounts accounted for as expenses in the 2021 financial report.

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The Company's employees' compensation and remuneration to directors and supervisors for the year 2020 were no material differences in the amounts accounted for as expenses in the 2020 financial report.

17. Non-operating income and expenses

(1) Interest revenue

	2022	2021
Interest revenue		
Financial assets measured at amortized cost	\$6,073	\$2,031

(2) Other income

	2022	2021
Rental income	\$5,244	\$5,167
Dividend income	202	227
Other income	14,437	11,273
Total	\$19,883	\$16,667

(3) Other gains and losses

	2022	2021
Gains (losses) on disposal of property, plant, and equipment	\$(361)	\$(2,103)
Foreign exchange gains (losses), net	142,450	(11,971)
Loss on disposal of investments	-	(8,436)
Other losses	(215)	-
Total	\$141,874	\$(22,510)

(4) Financial costs

	2022	2021
Interest on bank loans	\$(8,099)	\$(7,849)
Interest on lease liabilities	(938)	(723)
Total financial costs	\$(9,037)	\$(8,572)

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18. Components of other comprehensive income

(1) The components of other comprehensive income for the year 2022 are as follows:

	Occurred in the current year	Reclassification adjustments in the current period	Other comprehensive income	Tax income (expense)	After-tax amount
Items that will not be reclassified to profit or loss:					
Remeasurements of the defined benefit plan	\$17,895	\$ -	\$17,895	\$(3,579)	\$14,316
Gains or losses on valuation of investment in equity instruments at fair value through other comprehensive income	(545,980)	-	(545,980)	109,196	(436,784)
Share of other comprehensive Income of subsidiaries, associates, and joint ventures	144	-	144	-	144
Items that will be reclassified to profit or loss:					
The exchange differences on translating the financial statements of foreign operations	(10,165)	-	(10,165)	2,050	(8,115)
Share of other comprehensive Income of subsidiaries, associates, and joint ventures	(29)	-	(29)	-	(29)
Total other comprehensive income for the period	<u>\$(538,135)</u>	<u>\$ -</u>	<u>(538,135)</u>	<u>\$107,667</u>	<u>\$(430,468)</u>

(2) The components of other comprehensive income for the year 2021 are as follows:

	Occurred in the current year	Reclassification adjustments in the current period	Other comprehensive income	Tax income (expense)	After-tax amount
Items that will not be reclassified to profit or loss:					
Remeasurements of the defined benefit plan	\$7,866	\$ -	\$7,866	\$(1,573)	\$6,293
Gains or losses on valuation of investment in equity instruments at fair value through other comprehensive income	817,414	-	817,414	(163,610)	653,804
Share of other comprehensive Income of subsidiaries, associates, and joint ventures	9	-	9	-	9
Items that will be reclassified to profit or loss:					
The exchange differences on translating the financial statements of foreign operations	(51,326)	-	(51,326)	10,258	(41,068)
Share of other comprehensive Income of subsidiaries, associates, and joint ventures	37,106	-	37,106	(7,446)	29,660
Total other comprehensive income for the period	<u>\$811,069</u>	<u>\$ -</u>	<u>\$811,069</u>	<u>\$(162,371)</u>	<u>\$648,698</u>

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19. Income Tax

The major components of tax expense in 2022 and 2021 are as follows:

A. Income tax recognized in profit or loss

	2022	2021
Tax expense for the current period:		
Income tax payable	\$137,097	\$134,682
Adjustments recognized in the current period in relation to the current tax of prior years	(2,813)	(3,134)
deferred tax expenses:		
Deferred tax expenses relating to origination and reversal of temporary differences	(20,505)	(22,627)
Income tax expense	\$113,779	\$108,921

B. Income tax recognized in other comprehensive income

	2022	2021
Deferred tax income (expense):		
Remeasurements of the defined benefit plan	\$(3,579)	\$(1,573)
Equity instruments measured at fair value through other comprehensive income	109,196	(163,610)
The exchange differences on translating the financial statements of foreign operations	2,050	10,258
Share of other comprehensive Income of associates and joint ventures	-	(7,446)
Income tax relating to components of other comprehensive income	\$107,667	(162,371)

C. Income tax recognized directly in equity

	2022	2021
Tax expense for the current period:		
Equity instruments measured at fair value through other comprehensive income	\$-	\$24,387
Realized gains or losses on investments		
Income tax recognized directly in equity	\$-	\$ 24,387

D. Reconciliation of tax expense and accounting profit multiplied by the applicable tax rates is as follows:

	2022	2021
Net income from continuing operations	\$979,933	\$514,599
Income tax calculated at the statutory tax rate of parent company	\$195,986	\$102,920

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	2022	2021
Tax effects of gains on tax exemption	(42)	(46)
Tax effects of non-deductible expenses on tax return	15,394	9,181
Tax effects of deferred tax assets/liabilities	-	-
Additional 5% of income tax levied on the undistributed surplus earnings	1,681	-
Adjustments recognized in the current year in relation to the current tax of prior years	(1,362)	(3,314)
Total tax expenses recognized in profit or loss	\$211,657	\$108,921

E. The balance of deferred tax assets (liabilities) related to the following items:

For the year 2022

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Directly recognized in Equity	Ending balance
Temporary differences					
Unrealized foreign exchange losses	\$3,766	\$(2,518)	\$ -	\$ -	\$1,248
Unrealized foreign exchange gains	(633)	387	-	-	(246)
Arising from the recognition of estimated commissions expense	1,065	219	-	-	1,284
Allowance for bad debts exceeding the limit	14,555	(12,421)	-	-	2,134
Impairment loss on property, plant and equipment	2,208	-	-	-	2,208
Allowance to reduce inventory to market	11,968	81	-	-	12,049
Net defined benefit liability – non-current	12,785	(1,493)	-	-	11,292
Remeasurements of the defined benefit plan	3,665	-	(3,579)	-	86
Investment loss (gain) accounted for under the equity method	(33,321)	(865)	-	-	(34,186)
Impairment loss – under the equity method of accounting for long-term investments	713	-	-	-	713
Impairment loss – under the cost method of accounting for long-term investments	2,662	-	-	-	2,662
Cumulative translation adjustments	(1,619)	-	2,050	-	431
Losses on valuation of investment in equity instruments at fair value through other comprehensive income	(190,161)	-	109,196	-	(80,965)
Deferred tax income/(expense):		\$(16,610)	\$107,667	\$-	
Deferred tax assets/(liabilities), net	\$(172,347)				\$(81,290)
The information presented in the balance sheet is as follows:					
Deferred tax assets	\$53,387				\$34,107
Deferred tax liabilities	\$(225,734)				\$(115,397)

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For the year 2021

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Directly recognized in Equity	Ending balance
Temporary differences					
Unrealized foreign exchange losses	\$3,857	\$(91)	\$ -	\$ -	\$3,766
Unrealized foreign exchange gains	(220)	(413)	-	-	(633)
Arising from the recognition of estimated commissions expense	730	335	-	-	1,065
Allowance for bad debts exceeding the limit	14,886	(331)	-	-	14,555
Impairment loss on property, plant and equipment	2,208	-	-	-	2,208
Allowance to reduce inventory to market	14,703	(2,735)	-	-	11,968
Net defined benefit liability – non-current	14,018	(1,233)	-	-	12,785
Remeasurements of the defined benefit plan	5,238	-	(1,573)	-	3,665
Investment loss (gain) accounted for under the equity method	(60,416)	27,095	-	-	(33,321)
Impairment loss – under the equity method of accounting for long-term investments	713	-	-	-	713
Impairment loss – under the cost method of accounting for long-term investments	2,662	-	-	-	2,662
Cumulative translation adjustments	(4,431)	-	2,812	-	(1,619)
Losses on valuation of investment in equity instruments at fair value through other comprehensive income	(50,938)	-	(163,610)	24,387	(190,161)
Deferred tax income/(expense):		<u>\$22,627</u>	<u>\$(162,371)</u>	<u>\$24,387</u>	
Deferred tax assets/(liabilities), net	<u>\$(56,990)</u>				<u>\$(172,347)</u>
The information presented in the balance sheet is as follows:					
Deferred tax assets	<u>\$59,015</u>				<u>\$53,387</u>
Deferred tax liabilities	<u>\$(116,005)</u>				<u>\$(225,734)</u>

F. The assessment of income tax returns

As of December 31, 2022, the Company's income tax returns through 2020 have been assessed and approved by the tax authority

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20. Earnings per share (EPS)

Basic earnings per share is calculated by dividing the net profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated by dividing the net profit for the period attributable to ordinary equity holders of the parent (after adjusting for the interest on convertible bonds) by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

	2022	2021
(1) EPS		
The net profit for the period attributable to ordinary equity holders of the parent (in thousand NTD)	\$768,276	\$405,678
The weighted average number of ordinary shares for EPS (in thousands of shares)	159,421	159,421
EPS (NT\$)	\$4.82	\$2.54
(2) Diluted EPS		
The net profit for the period attributable to ordinary equity holders of the parent (in thousand NTD)	\$768,276	\$405,678
The net profit for the period attributable to ordinary equity holders of the parent after adjusting for the dilution effect (in thousand NTD)	768,276	405,678
The weighted average number of ordinary shares for EPS (in thousands of shares)	159,421	159,421
Dilution effect		
Employee bonus – share (in thousands of shares)	1,732	796
The weighted average number of ordinary shares after adjusting for the dilution effect (in thousands of shares)	161,153	160,217
Diluted EPS (NT\$)	\$4.77	\$2.53

After the reporting period but before the approval and publication of the financial statements, there have been no other transactions that change significantly the number of ordinary shares or potential ordinary shares at the end of the period.

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VII. Information on related party transactions

During the financial reporting period, the related parties who enter into transactions with the Company are as follows:

Names of related parties and description of relationship

Names of related parties	The relationship with the Group
Siward Technology Co., Ltd	The Company's subsidiary
SCT USA Inc.	The Company's subsidiary
SE Japan CO.	The Company's subsidiary
Apex Optech Corproation	The Company's subsidiary
Suizhou Taihua Electronic Tech. Co., Ltd.	The Company's associate (Note)
Securitag Assembly Group Co., Ltd.	The Company's associate
SAG Japan Co., Ltd	The Company's associate
Rakon Limited	The Company's substantive related party
Rakon France SAS	The Company's substantive related party

Note: The Company has completed the transfer of equity of Suizhou Taihua Electronic Technology Co., Ltd. in March 2021. It is no longer the Company's related party since March 31, 2021.

Significant transactions with related parties

1. Sales revenue

	2022	2021
The Company's subsidiary		
Siward Technology Co., Ltd	\$47,045	\$32,806
Other	8,257	10,840
The Company's associate		
Suizhou Taihua Electronic Tech. Co., Ltd.	-	9,817
Substantive related party		
Rakon Limited	216,627	186,899
Others	11,615	10,809
Total	\$283,594	\$251,171

The prices at which the Company sells goods to a related party are by reference to the market conditions and are negotiated by both parties. The outstanding payments at the end of the year are unsecured, no interest, and must be settled in cash. No guarantee is not received for trade receivables from related parties.

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2. Purchases

	<u>2022</u>	<u>2021</u>
The Company's subsidiary		
Siward Technology Co., Ltd	\$635,386	\$455,527
Other	2,847	2,097
The Company's associate		
Securitag Assembly Group Co., Ltd.	490	1,969
Substantive related party		
Rakon Limited	16,036	41,855
Total	<u>\$654,759</u>	<u>\$501,448</u>

The prices at which the Company purchases goods from a related party are by reference to the market conditions and are negotiated by both parties. The payment terms for the Company to purchase from a related party are comparable to those of general suppliers.

3. Accounts receivable – related party

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
The Company's subsidiary		
Siward Technology Co., Ltd	\$15,320	\$10,651
Other	431	755
Substantive related party		
Rakon Limited	45,352	84,617
Others	594	1,147
Total	<u>\$61,697</u>	<u>\$97,170</u>

4. Accounts payable – related party

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
The Company's subsidiary		
Siward Technology Co., Ltd	\$86,447	\$55,214
Other	2,083	340
Substantive related party		
Rakon Limited	1,385	5,741
Total	<u>\$89,945</u>	<u>\$61,295</u>

5. Other accounts payable

	<u>2022</u>	<u>2021</u>
The Company's subsidiary	<u>\$19,439</u>	<u>\$15,871</u>

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6. Commission expense		
	2022	2021
The Company's subsidiary	<u>\$15,864</u>	<u>\$11,211</u>
7. Other expense		
	2022	2021
The Company's subsidiary	<u>\$11,044</u>	<u>\$27,081</u>
8. Technical support expense		
	2022	2021
The Company's subsidiary	<u>\$2,590</u>	<u>\$2,926</u>
9. Service expense		
	2022	2021
The Company's subsidiary	<u>\$12,577</u>	<u>\$11,764</u>
10. Other income		
	2022	2021
The Company's subsidiary	\$738	\$454
The Company's associate	358	2,222
Substantive related party	1,677	2,463
Total	<u>\$2,773</u>	<u>\$5,139</u>
11. Rewards of the Group's key management personnel		
	2022	2021
Short-term employee benefits	\$46,467	\$37,896
Post-employment benefits	418	381
Total	<u>\$46,885</u>	<u>\$38,277</u>

VIII. Pledged assets

The Group has the following assets that are used as collateral:

Item	Carrying amount:		Collateralized debt
	December 31, 2022	December 31, 2021	
Property, plant and equipment – land	\$300,991	\$300,991	Long-/short-term debt payable
Property, plant and equipment – buildings	311,694	321,374	Long-/short-term debt payable
Property, plant and equipment – machinery equipment	488,440	555,215	Long-term debt payable
Property, plant and equipment – other equipment	346	441	Long-term debt payable
Total	<u>\$1,101,471</u>	<u>\$1,178,021</u>	

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IX. Material contingent liabilities and unrecognized contractual commitments

1. As of December 31, 2022 and December 31, 2021, the guaranteed notes issued by the Company due to bank loans were NT\$1,263,110 thousand and NT\$1,257,455 thousand, respectively.
2. The Company and its subsidiaries provide endorsements or guarantees for related parties. For details please refer to Note XIII. 1. (2).
3. As of December 31, 2022 and December 31, 2021, the letters of credit that have been issued by the Company but not used were JPY0 thousand and JPY34,400 thousand, respectively.
4. As of December 31, 2022, the medium- and long-term loan commitments that the Company entered into with KGI Bank were as follows: During the loan period, the Company shall maintain a current ratio of 120% or more, a debt ratio of less than 100%, and a ratio of interest expense, income tax, depreciation, and amortization to interest expense of at greater than or equal to 3 (the above calculation of financial ratios are based on the figures in the annual consolidated financial report and semi-annual consolidated financial report audited and attested by accountants). The net worth of the Company shall not be lower than NT\$2 billion. If the Company fails to meet the financial limits on the above financial ratios, it should achieve the objective during the period of improvement.

As of December 31, 2022, the Company met the medium- and long-term loan commitments that was entered into with KGI Bank and there had been no breach.

5. The major equipment purchase agreements that have been entered into are as follows:

<u>Counterparty</u>	<u>Equipment agreement</u>	<u>Expressed in</u>	<u>Total price</u>	<u>Amount paid for equipment</u>	<u>Amount unpaid for equipment as of December 31, 2022</u>
Company A	Machinery equipment	thousands of NTD	\$3,750	\$1,125	\$2,625

X. Losses due to major disasters

No such matter.

XI. Significant subsequent events

No such matter.

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XII. Others

(I) Financial instruments

1. Types of financial instruments

Financial assets	December 31, 2022	December 31, 2021
Financial instruments measured at fair value through other comprehensive income	\$562,334	\$1,108,314
Financial assets measured at amortized cost		
Cash and cash equivalents (exclusive of cash on hand)	1,192,853	551,164
Financial assets measured at amortized cost	-	86,812
Notes receivable and accounts receivable	572,255	760,500
Other receivables	7,102	11,568
Subtotal	<u>1,772,210</u>	<u>1,410,044</u>
Total	<u>\$2,334,544</u>	<u>\$2,518,358</u>

<u>Financial liabilities</u>	December 31, 2022	December 31, 2021
Financial liabilities measured at amortized cost		
Payables	\$143,882	\$178,570
Other payables	250,876	221,439
Less: Long-term loans payable (including current portion)	704,000	738,140
Lease liability	39,939	45,991
Total	<u>\$1,138,697</u>	<u>\$1,184,140</u>

2. Financial risk management objectives and policies

The Company's financial risk management objectives are primarily to manage market risk, credit risk, and liquidity risk related to operating activities. The Company identifies, measures, and manages the above-mentioned risks in accordance with the Company's policies and risk preference.

The Company has established appropriate policies, procedures, and internal controls for the above-mentioned financial risk management in accordance with

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relevant regulations, and important financial activities should be reviewed by the Board of Directors and the Audit Committee in accordance with relevant regulations and internal control systems. During the execution of financial management activities, the Company should strictly comply with the relevant regulations for financial risk management it formulated.

3. Market risk

The Company's market risk is the risk that the fair value or future cash flows will fluctuate because of changes in market prices. Market risk mainly includes exchange rate risk, interest rate risk, and other price risks (such as equity price risk).

In practice, the situation that only a single risk variable changes rarely occurs, and changes in risk variables are usually correlated. However, the sensitivity analysis of each of the following risks does not take into consideration the interaction effects of the relevant risk variables.

Foreign exchange risk

The Company's foreign exchange risk is mainly related to operating activities (where the currency used for revenue or expenses is different from the functional currency of the Company) and net investment in foreign operations.

Part of the Company's Some foreign currency receivables and foreign currency payables are in the same currency, a considerable part of the position will have the effect of natural hedge. For part of foreign currency payments, foreign exchange forward contracts are used to manage exchange rate risks. Based on the above-mentioned natural hedging and that the approach to managing exchange rate risks by foreign exchange forward contracts do not meet hedge accounting requirements, and thus hedge accounting is not adopted. In addition, the net investment in foreign operations is a strategic investment; therefore, the Company did not hedge against it.

The sensitivity analysis of the Company's exchange rate risk mainly focuses on the major foreign currency monetary items at the end of the financial reporting period, and the impact of the related foreign currency appreciation/depreciation on the Company's profit or loss and equity. The Company's exchange rate risk is mainly affected by fluctuations of U.S. dollar exchange rate. The information on the sensitivity analysis is shown as follows:

When New Taiwan dollar appreciates/depreciates by 1% against the US dollar, the profit and loss of the Company in 2022 and 2021 will decrease/increase by NT\$14,367 thousand and NT\$8,961 thousand, respectively.

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Interest rate risk

Interest rate risk is the risk of fluctuations in the fair value or future cash flows of financial instruments as a result of changes in market interest rates. The Company's risk of changes in interest rates mainly arises from borrowings with floating interest rates and fixed interest rates. However, the Company had no risks of cash flows with significant changes in interest rates in 2022 and 2021.

Equity price risk

The fair value of the Company's listed and unlisted equity securities is susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company's listed and unlisted equity securities are classified under held for trading financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income. The Company manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Company's senior management on a regular basis. The Company's board of directors reviews and approves all equity investment decisions.

At the reporting date, a change of 1% in the price of the listed equity securities measured at fair value through other comprehensive income could have an impact of NT\$5,560 thousand and NT\$11,009 thousand on the equity attributable to the Company for the year periods ended 31 December 2022 and 2021, respectively.

If the fair value hierarchy of other equity instruments or derivatives linked to equity instruments belongs to Level 3, please refer to Note XII. 9 for sensitivity analysis information

4. Credit risk management

Credit risk refers to the risk that the counterparties do not perform their obligations based on the contractual terms, resulting in the risk of financial loss. The Company's credit risk arises from operating activities (mainly accounts receivable and notes) and financial activities (mainly cash in banks and various financial instruments).

Each business unit manages customer credit risk in compliance with the Company's policies, procedures, and controls on customer credit risk. The credit risk assessment of all customers takes into account the customer's financial status, ratings from credit rating agencies, past historical transaction experience, current economic environment, the Company's internal rating criteria, and other factors. In addition, the Group also uses certain credit enhancement instruments (such as unearned sales revenue, or insurance) when appropriate to reduce the credit risk of specific customers.

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In addition, the Company also uses certain credit enhancement tools (such as advance payment and insurance, etc.) when appropriate to reduce the credit risk of specific customers. As assessed by the Group, there is no significant concentration of credit risk.

The Company's Finance Department manages the credit risk of cash in banks, fixed income securities, and other financial instruments in accordance with the Company's policies. Because the Company's counterparties are, determined by internal control procedures, banks with good credit and financial institutions, corporate organizations, and government agencies with investment grade, and there are no significant performance concerns; therefore, no significant credit risk exists.

5. Liquidity risk management

The Company maintains financial flexibility through cash and cash equivalents, highly liquid securities, and bank loans. The following table summarizes the maturity of payments under contracts of financial liabilities of the Company, and is prepared based on the earliest date on which repayment may be required and the undiscounted cash flows thereof. The amounts listed also include the agreed interest. For interest cash flows paid at floating rates, the undiscounted interest amount is derived from the yield curve at the end of the reporting period.

Non-derivative financial liabilities

	Less than a year	2 to 3 years	4 to 5 years	over 5 years	Total
December 31, 2022					
Payables	\$143,882	-	-	-	\$143,882
Other payables	250,876	-	-	-	250,876
Long-term debt payable – bank	180,583	535,525	-	-	716,108
Lease liability	8,550	12,529	7,958	12,932	41,969
December 31, 2021					
Payables	\$178,570	-	-	-	\$178,570
Other payables	221,439	-	-	-	221,439
Long-term debt payable – bank	16,748	576,132	153,118	-	745,998
Lease liability	8,335	16,669	7,528	16,311	48,843

Derivative financial liabilities

None

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6. Reconciliation of liabilities arising from financing activities

Information on the reconciliation of liabilities in the year 2022:

	Long-term debt payable (including the current portion)	Lease liability	Total liabilities arising from financing activities
January 1, 2022	\$738,140	\$45,991	\$784,131
Cash flows	(34,140)	(7,912)	(42,052)
Others	-	1,860	1,860
December 31, 2022	<u>\$704,000</u>	<u>\$39,939</u>	<u>\$743,939</u>

Information on the reconciliation of liabilities in the year 2021:

	Short-term debt payable	Long-term debt payable (including the current portion)	Lease liability	Total liabilities arising from financing activities
January 1, 2021	\$50,000	\$579,100	\$53,603	\$682,703
Cash flows	(50,000)	159,040	(7,612)	101,428
Others	-	-	-	-
December 31, 2021	<u>\$-</u>	<u>\$738,140</u>	<u>\$45,991</u>	<u>\$784,131</u>

7. Fair value of financial instruments

(1) Valuation techniques and assumptions used to determine fair value

Fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The methods and assumptions used by the Group to measure or disclose the fair value of financial assets and financial liabilities are as follows:

- A. The carrying value of cash and cash equivalents, receivables, payables, and other current liabilities reasonably approximates to fair value mainly due to the relatively short periods to maturity of such instruments.
- B. The fair value of financial assets and liabilities traded in active markets with standard terms and conditions are determined with reference to quoted prices in active markets (such as TWSE or TPEX listed shares, beneficiary certificates, bonds, or futures).
- C. The fair value of equity instruments that are not traded in an active market (such as private placement of TWSE or TPEX listed shares,

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shares of public companies and non-public companies) is estimated by using the market approach. The fair value is estimated based on the prices and other relevant information resulting from the market transactions of equity instruments of the same or comparable company (such as the discount for lack of liquidity, price-to-earnings ratio of a similar company's stock, price-to-book ratio of a similar company's stock, or other input value).

- D. The fair value of investment in debt instruments, bank loans, bonds payable, and other non-current liabilities is determined by counterparties' quotes or valuation techniques which are based on the discounted cash flow analysis. Assumptions for items such as interest rates and discount rates are mainly by reference to relevant information of similar instruments (such as TPEX reference yield curve, Reuters commercial paper rates and credit risk, and other information).
- E. The fair value of derivative instruments without quoted price in an active market, among which the derivative instruments other than options, is calculated by counterparties' quotes or yield curves to which the duration is applicable with the discounted cash flow analysis. The fair value of the derivative instruments that are options is calculated by counterparties' quotes, appropriate option pricing models (such as Black-Scholes Model), or other valuation methods (such as Monte Carlo Simulation).

- (2) The fair value of financial instruments measured at amortized cost

The Company's carrying amounts of financial assets and financial liabilities measured at amortized cost approximate the fair value.

- (3) Relevant information on the fair value hierarchy of financial instruments

For detailed information on the fair value hierarchy of financial instruments of the Group, please refer to Note XII. 9.

8. Derivative Instruments

As of December 31, 2022 and December 31, 2021, the Company did not hold any derivative instruments that did not qualify for hedge accounting and had not yet expired.

9. Fair value hierarchy

- (1) Definition of fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in fair

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value are categorized in the fair value hierarchy to which they belong based on the lowest level inputs that are significant to the overall fair value measurement. The inputs for each level are as follows:

Level 1: Quoted prices (unadjusted) available on the measurement date for identical assets or liabilities in active markets

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly

Level 3: Unobservable inputs for assets or liabilities

For assets and liabilities that are recognized in the financial statements on a recurring basis, their classification is reassessed at the end of each reporting period to determine whether transfers between levels of the fair value hierarchy have occurred.

(2) Information on the fair value measurement and hierarchy

The Company has no assets measured at fair value on a nonrecurring basis. The information on the fair value hierarchy of the assets and liabilities measured at fair value on a recurring basis is listed as follows:

December 31, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets measured at the fair value: Measured at fair value through other comprehensive income				
Stock	\$555,987	\$ -	\$6,347	\$562,334

December 31, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets measured at the fair value: Measured at fair value through other comprehensive income				
Stock	\$1,100,809	\$ -	\$7,505	\$1,108,314

Transfers between Level 1 and Level 2 of the fair value hierarchy

In 2022 and 2021, there was no transfer between Level 1 and Level 2 of the fair value hierarchy of the Company's assets and liabilities measured at fair value on a recurring basis.

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Details of the changes to the recurring fair value measurements categorized in Level 3 of the fair value hierarchy

Reconciliation of beginning and closing balances of the Company' assets and liabilities measured at fair value on a recurring basis categorized in Level 3 of the fair value hierarchy is listed as follows:

	Assets	
	Financial instruments measured at fair value through other comprehensive income	
	Stock	
	<u>2022</u>	<u>2021</u>
Beginning balance	\$7,505	\$10,519
Total profit (loss) recognized from January 1 to December 31:		
Recognized in profit or loss (presented in "other gains or losses")	-	-
Recognized in other comprehensive income (presented in "gains or Losses on Valuation of Investment in equity instruments at fair value through other comprehensive income")	(1,158)	(1,564)
Dispose/settle	-	(1,450)
Ending balance	\$6,347	\$7,505

Information on significant unobservable inputs for Level 3 of the fair value hierarchy

The significant unobservable inputs used in the fair value measurement to the Companys' assets and liabilities measured at fair value on a recurring basis categorized in Level 3 of the fair value hierarchy are listed as the following:

December 31, 2022:

Valuation technique	Significant unobservable input	Quantitative information	Relationship between input value and fair value	Sensitivity analysis on value relationship between input value and fair value
Financial assets: Measured at fair value through other comprehensive income Stock	Market approach	Discount for lack of liquidity 30%	The higher the level of lack of liquidity, the lower the fair value estimate	As the level of lack of liquidity increases (decreases) by 1%, the equity in the Company decreases/increases by NT\$63 thousand.

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December 31, 2021:

	Valuation technique	Significant unobservable input	Quantitative information	Relationship between input value and fair value	Sensitivity analysis on value relationship between input value and fair value
Financial assets: Measured at fair value through other comprehensive income					
Stock	Market approach	Discount for lack of liquidity	30%	The higher the level of lack of liquidity, the lower the fair value estimate	As the level of lack of liquidity increases (decreases) by 1%, the equity in the Company decreases/increases by NT\$75 thousand.

(3) Not measured at fair value but the fair value hierarchy disclosures are required

December 31, 2022:

	Level 1	Level 2	Level 3	Total
(2) Assets with fair value disclosure only:				
Investment properties (For details, please refer to Note VI.)	\$ -	\$ -	\$55,284	\$55,284
Investments accounted for using the equity method (For details, please refer to Note VI.)	502,384	-	-	502,384

December 31, 2021:

	Level 1	Level 2	Level 3	Total
(2) Assets with fair value disclosure only:				
Investment properties (For details, please refer to Note VI.)	\$ -	\$ -	\$49,471	\$49,471
Investments accounted for using the equity method (For details, please refer to Note VI.)	472,425	-	-	472,425

10. Information on the foreign-currency-denominated financial assets and liabilities that have significant influence

The Information on the Group's foreign-currency-denominated financial assets and liabilities that have significant influence is as follows:

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	December 31, 2022			Expressed in thousand NTD December 31, 2021		
	Foreign currency	Exchange rate	New Taiwan dollar	Foreign currency	Exchange rate	New Taiwan dollar
<u>Financial assets</u>						
Monetary items:						
USD	\$48,574	30.7080	\$1,491,610	\$36,197	27.6900	\$1,002,295
JPY	342,654	0.2324	79,633	688,556	0.2406	165,667
RMB	17,329	4.4175	76,551	46,113	4.3406	200,158
 <u>Financial liabilities</u>						
Monetary items:						
USD	1,789	30.7080	54,937	3,836	27.6900	106,219
JPY	427,020	0.2324	99,239	346,883	0.2406	83,460

The above information is disclosed based on the foreign-currency-denominated carrying amounts (translated into functional currencies). There are a wide variety of functional currencies of the entities in the Company; therefore, it is not possible to disclose the information on the foreign exchange gains and losses on the monetary financial assets and financial liabilities by foreign currencies that have significant influence. The Company's foreign exchange gains and losses in 2022 and 2021 were NT\$142,450 thousand and NT\$(11,971) thousand, respectively.

11. Capital management

The primary objective of the Company's capital management is to maintain sound credit ratings and good capital ratio to support business operations and the maximization of shareholders' interests. The Company manages and adjusts the capital structure according to economic conditions, and may achieve the purpose of maintaining and adjusting the capital structure by adjusting dividend payments, returning capital, or issuing new shares.

XIII. Information disclosed in the notes

1. Information on significant transactions

(1) Loans to other parties:

None.

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(2) Endorsements/guarantees for others

No. (Note 1)	Company making the endorsement/guarantee (company name)	Counterparty of the endorsement/guarantee		The maximum amount of endorsements/guarantees permitted for a single enterprise (Note 3)	The maximum balance of endorsements/guarantees in the current period (Note 4)	Ending balance of endorsements/guarantees in the current period (Note 5)	Actual drawdown amount (Note 6)	The amount of an endorsement/guarantee with property as security	The percentage of the cumulative amount of endorsements/guarantees accounted for the net worth as stated in its latest financial statement	The maximum amount of endorsements/guarantees (Note 3)	The amount that the Company makes endorsements/guarantees for its subsidiaries (Note 7)	The amount that its subsidiaries makes endorsements/guarantees for the Company (Note 7)	The amount of endorsements/guarantees in the Mainland Area (Note 7)
		Company name	Relationship (Note 2)										
0	SIWARD Crystal Technology Co., Ltd.	SIWARD TECHNOLOGY CO., LTD.	2	\$614,459 (Note 8)	\$118,000	\$118,000	\$97,034	\$ -	2.88%	\$1,638,557 (Note 9)	Y	N	N

Note 1: The description of the "No." column is as follows:

- (1) For issuers, please fill in with "0."
- (2) Invested companies are numbered sequentially starting with the Arabic number 1 by company.

Note 2: There are seven types of relationship between the company making an endorsement/guarantee and the counterparty of the endorsement/guarantee. Please specify one of the type codes as follows:

- (1) A company with which it does business
- (2) A company in which the company directly and indirectly holds more than 50 percent of the voting shares
- (3) A company that directly and indirectly holds more than 50 percent of the voting shares in the company
- (4) A company in which the company holds, directly or indirectly, 90% or more of the voting shares
- (5) A company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project
- (6) A company where all capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages
- (7) Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other

Note 3: The maximum amount of endorsements/guarantees permitted for a single entity and the limit on the amounts of endorsements/guarantees stipulated by the company in accordance with the Operational Procedures for Endorsements/Guarantees should be provided, and the single entity and the calculation method for the aggregate endorsement/guarantee amount should be described in the Remark column.

Note 4: The maximum balance of endorsements/guarantees for others in the current year.

Note 5: The amount approved by the board of directors should be provided. However, if the board of directors authorizes the chairman of the board of directors for approval in accordance with Subparagraph 8, Article 12 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, the amount of authorization by the chairman of the board should be provided.

Note 6: The actual drawdown amount within the balance of endorsements/guarantees available for the company for which the endorsements/guarantees are made should be provided.

Note 7: "Y" is required for endorsements/guarantees that the TWSE- and TPEX-listed parent company makes endorsements/guarantees for its subsidiaries, that the subsidiaries make endorsements/guarantees for the TWSE- and TPEX-listed parent company, and in the Mainland Area only.

Note 8: The maximum amount of endorsements/guarantees permitted for a single entity is calculated based on 15% of the Company's net worth of NT4,096,392 thousand as audited by accountants on December 31, 2022.

Note 9: The maximum aggregate amount is calculated based on 40% of the Company's net value of Nt\$4,096,392 thousand as audited by accountants on December 31, 2021.

- (3) Holding of securities at the end of the period (excluding the portion held due to investment in a subsidiary or an associate, and the portion held due to an interest in a joint venture):

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Holding company	Type and name of securities	Relationship with the issuer of securities	Accounting for	End of the period				
				Number of units/shares	Carrying amount:	Ratio (%)	Fair value	
SIWARD Crystal Technology Co., Ltd.	Stock	DBS Bank	Non-related party	Financial assets at fair value through profit or loss – current	42,637	\$ -	- %	\$ -
		Hua Chung Venture Capital Co., Ltd.	Non-related party	Financial assets at fair value through other comprehensive income – non-current	12,036	-	6.66%	-
		FONG HAN ELECTRONIC CO., LTD.	Non-related party	Financial assets at fair value through other comprehensive income – non-current	525,000	-	3.00%	-
		VISION DISPLAY SYSTEM CO., LTD.	Non-related party	Financial assets at fair value through other comprehensive income – non-current	53,600	-	0.45%	-
		BRANCHY TECHNOLOGY CO., LTD.	Non-related party	Financial assets at fair value through other comprehensive income – non-current	134,601	-	1.94%	-
		IMAGIC TECHNOLOGY CO., LTD.	Non-related party	Financial assets at fair value through other comprehensive income – non-current	6,375	-	0.03%	-
		FUJITER Semiconductor CO.,LTD.	Non-related party	Financial assets at fair value through other comprehensive income – non-current	206,374	1,310	0.95%	1,310
		IGIANT OPTICS CO.,LTD.	Non-related party	Financial assets at fair value through other comprehensive income – non-current	9,000	450	0.03%	450
		LEDRAY TECHNOLOGY CO., LTD.	Non-related party	Financial assets at fair value through other comprehensive income – non-current	360,000	-	14.88%	-
		AXEL BIOTECHNOLOGY INC.	Non-related party	Financial assets at fair value through other comprehensive income – non-current	425,000	5,037	19.32%	5,037
		Rakon Limited	or not	Financial assets at fair value through other comprehensive income – non-current	28,016,681	555,537	12.23%	555,537
				Total		<u>\$562,334</u>		

(4) Aggregate purchases or sales of the same securities in the current period reaching NT\$300 million or 20 percent of paid-in capital or more: :None.

(5) Acquisition of real estate reaching NT\$300 million or 20 percent of paid-in capital or more : None.

(6) Disposal of real estate reaching NT\$300 million or 20 percent of paid-in capital or more: None.

(7) Purchases or sales of goods from or to related parties reaching NT\$100 million or 20 percent of paid-in capital or more

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The company making purchases (sales)	Counterparty	Relationship	Transaction condition				Transaction terms differ from general transaction terms and the reason		Notes and accounts receivables (payables)		Remark
			Purchases (sales)	Amount	Percentage of total purchases (sale)	Credit term	Unit price	Credit term	Balance	Percentage of of total bills receivable (payable) and accounts	
SIWARD Crystal Technology Co., Ltd.	SIWARD TECHNOLOGY CO., LTD.	Parent company and subsidiary	Purchases	\$635,386	55.96%	60 days	No general transaction price is available for comparison.	-	\$(86,477)	(60.1)%	
SIWARD Crystal Technology Co., Ltd.	Rakon Limited	Substantive related party	Sales	216,627	7.11%	60 days	No general transaction price is available for comparison.	-	45,352	7.93%	

(8) Accounts receivable from related parties reaching NT\$100 million or 20 percent of paid-in capital or more: None.

(9) Trading in derivative instruments: Please refer to Note XII (1).8 to the Financial Statements.

2. Information on investees

Relevant information on the name, location, principal business activities, original investment amount, shareholding at the end of the period, profit or loss for the period, and recognized investment gain or loss of the investee company (exclusive of investee companies in the Mainland Area):

Name of Investor	Name of invested company	Location	Principal business activities	Original investment amount		Held by the Company			Profit or loss for the period of the invested company	Gain or loss on investments recognized by the Company	Remark
				End of the current period	End of the previous year	Number shares	Ratio	Carrying amount:			
SIWARD Crystal Technology Co., Ltd.	SIWARD TECHNOLOGY CO., LTD.	Japan	Engaged in the manufacture and sale of quartz crystals, miniature temperature-compensated oscillators, and surface acoustic wave filters	\$711,144 (JPY2,397,200,000)	\$711,144 (JPY2,397,200,000)	9,300,000	100%	\$330,498	\$18,407 (JPY72,096,975)	\$3,424 (including unrealized losses on transactions of associates \$19,232)	Subsidiary
SIWARD Crystal Technology Co., Ltd.	SCT USA INC.	U.S.A.	Providing after-sales services	\$3,285 (USD100,000)	\$3,285 (USD100,000)	200	100%	\$11,999	\$2,847 (USD95,511)	\$2,847	Subsidiary
SIWARD Crystal Technology Co., Ltd.	APEX OPTECH CO.	British Virgin Islands	Financial investment	\$50,802 (USD1,495,392)	\$50,802 (USD1,495,392)	2,884,541	33.93%	\$2,720	\$(1,669)	\$(566)	Subsidiary
SIWARD Crystal Technology Co., Ltd.	Apex Optech Corporation	Hsinchu County Jhubei City	Engaged in the manufacture of electronic components, wholesale and retail of electronic materials, and product design and international trade business	\$177,246	\$177,246	2,194,476	87.78%	\$37,257	\$394	\$346	Subsidiary

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Name of Investor	Name of invested company	Location	Principal business activities	Original investment amount		Held by the Company			Profit or loss for the period of the invested company	Gain or loss on investments recognized by the Company	Remark
				End of the current period	End of the previous year	Number shares	Ratio	Carrying amount:			
SIWARD Crystal Technology Co., Ltd.	Securitag Assembly Group Co., Ltd.	Taichung City Dali Dist.	Engaged in the manufacture and sale of electronic components	\$145,804	\$45,134	5,761,280	13.63%	\$195,252	\$190,419	\$25,951	The investee company using the equity method for valuation
SIWARD TECHNOLOGY CO., LTD.	SE JAPAN CO.	Japan	Engaged in the manufacture and sale of quartz crystal rods and chips	JPY28,000,000	JPY28,000,000	400	100%	\$10,735 (JPY46,191,475)	\$4,574 (JPY10,012,359)	Not applicable	Sub-subsidiary
Apex Optech Corporation	APEX OPTECH CO.	British Virgin Islands	Financial investment	\$129,935 (USD3,825,000)	\$129,935 (USD3,825,000)	4,335,000	51%	\$(1,270)	\$(1,669)	Not applicable	Sub-subsidiary

3. Information on investments in the Mainland Area

(1) The Company invests in the Mainland Area. The relevant information is as follows:

Name of the investee company Company name	Principal business activities and influence on the company operations	Paid-in capital	Method of investment	End of the current period The accumulated investment amount remitted from Taiwan at the beginning of the current period	The investment amount remitted or recovered in the current period		The accumulated investment amount remitted from Taiwan at the end of the current period	Profit or loss during the period of the investee company	Shareholding ratio of the Company's direct or indirect investments	Gain or loss on investments recognized in the current period (Note 5)	Carrying amount of the investment at the end of the period	Repatriated investment gains as of the current period
					Outward remittance	Recovery						
SIWARD Crystal Technology (Dongguan) Co., Ltd. (Note 1)	Manufacture and sale of quartz crystals, crystal oscillators, and crystal filters	RMB 18,202,104	Direct investments in the companies in the Mainland Area	\$63,848 (USD2,131,815)	-	-	\$63,848 (USD2,131,815)	\$- (USD0)	100%	\$-	\$-	-
Apex Optech Corporation (Wuxi Factory) (Note 1)	Manufacture and sale of quartz chips and crystal rods	RMB 65,788,141	Reinvest in the company in the Mainland Area through the company invested and established in a third area	\$50,102 (USD1,672,858)	-	-	\$50,102 (USD1,672,858)	\$(1,669) (RMB377,144)	78.70%	Included in the subsidiary	\$3,637	-
SIWARD Electronic Technology (Shenzhen) INC..	Wholesale and related supporting business of electromechanical equipment, electronic components, and accessories	RMB 3,000,000	Direct investments in the companies in the Mainland Area	\$14,529 (USD462,600)	-	-	\$14,529 (USD462,600)	\$(1,952) (RMB441,098)	100%	\$(1,952)	\$9,805	-

The accumulated investment amount remitted from Taiwan to the Mainland Area at the end of the current period	The investment amount approved by the Investment Board, Ministry of Economic Affairs (Note 6)	The limit on the amount of the Company's investment in the Mainland Area
		Net worth * 60%
NT\$128,479 thousand (US\$4,267,273)	US\$17,268,532.19	NT\$2,457,835 thousand (Note 4)

(Note 1): Information on the indirect investment in Apex Optech Corporation (Wuxi factory) in Mainland Area through the equity of Apex Optech Corporation and APEX OPTECH CO. in British Virgin Islands.

(Note 2): The limit on the amount of investment in the Mainland Area should be 60% of the net worth as the upper limit of the percentage in accordance with the requirements of the Investment Board, Ministry of Economic Affairs.

(Note 3): The financial statements that have been audited by CPA.

(2) The significant transactions with investee companies in the Mainland Area, either directly or indirectly through a third area: Please refer to Note XIII to the consolidated financial statements.

SIWARD Crystal Technology Co., Ltd.
Notes to the Parent Company Only Financial Statements
(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated.)

4. Information on major shareholders

As of December 31, 2022, the Company had no shareholders who hold 5 percent or more of the issuer's equity.

SIWARD CRYSTAL TECHNOLOGY CO., LTD.

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

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STATEMENT 1

SIWARD CRYSTAL TECHNOLOGY CO., LTD

CASH AND CAHS EQUIVALENTS

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars, and Foreign Currency)

Item	Explanation	Amount	Note
Cash on hand		\$465	
Petty cash		120	
Cash in banks			
Demand deposits		186,162	
Time deposits	Including	104,175	
	TWD 60,000 thousand		
	RMB 10,000 thousand		
Foreign-currency deposits	Including	902,396	
	USD 26,130 thousand		
	RMB 7,314 thousand		
	JPD 271,771 thousand		
Total		<u>\$1,193,318</u>	

SIWARD CRYSTAL TECHNOLOGY CO., LTD

STATEMENT OF ACCOUNT RECEIVABLES

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Explanation	Amount	
		Subtotal	Total
Related parties			
Rakon Limited		\$45,352	
Others		16,345	
Less : Allowance for impairment loss			\$ -
Subtotal			61,697
Third parties			
A Company		37,5663	
B Company		29,327	
C Company		29,080	
Others		437,445	
Less : Allowance for impairment loss			(16,620)
Add : Allowance for foreign exchange loss			(6,240)
Subtotal			510,558
Total			\$572,255

Note: Each of the accounts was less than 5% of the total account balance.

STATEMENT 3

SIWARD CRYSTAL TECHNOLOGY CO., LTD

STATEMENT OF INVENTORIES

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Cost	Market Value
Raw materials	\$330,994	\$386,895
Supplies and spare parts	166,817	168,974
Work in process	142,717	142,717
Semi-finished goods	82,328	84,984
Finished goods(including purchased components)	184,324	190,700
Total	<u>\$907,180</u>	<u>\$974,270</u>

Note: The market value is based on net realizable value. Please refer to NoteIV.10

SIWARD CRYSTAL TECHNOLOGY CO., LTD

CHANGES IN FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME-NON-CURRENT

FOR THE YEARS ENDED DECEMBER 31.2022

(In Thousands of New Taiwan Dollars)

	Beginning Balance		Increase		Decrease		Re-measure	Ending Balance		Pledge or security
	Shares	Amount	Shares	Amount	Shares	Amount		Shares	Amount	
Ordinary										
Hua Chung Venture Capital Co., Ltd.	12,036	\$ -	-	\$ -	-	\$ -	\$ -	12,036	\$ -	-
FONG HAN ELECTRONIC CO., LTD.	525,000	-	-	-	-	-	-	525,000	-	-
VISION DISPLAY SYSTEM CO., LTD.	53,600	-	-	-	-	-	-	53,600	-	-
BRANCHY TECHNOLOGY CO., LTD.	134,601	-	-	-	-	-	-	134,601	-	-
FUJITER Semiconductor CO.,LTD.	6,375	-	-	-	-	-	-	6,375	-	-
IGIANT OPTICS CO.,LTD.	206,374	3,084	-	-	-	-	(1,774)	206,374	1,310	-
LEDRAY TECHNOLOGY CO., LTD.	9,000	-	-	-	-	-	450	9,000	450	-
AXEL BIOTECHNOLOGY INC.	360,000	-	-	-	-	-	-	360,000	-	-
Rakon Limited	425,000	4,421	-	-	-	-	616	425,000	5,037	-
Hua Chung Venture Capital Co., Ltd.	38,016,681	1,100,809	-	-	-	-	(545,272)	28,016,681	555,537	-
TOTAL		\$1,108,314		\$ -		\$-	\$(545,980)		\$562,334	

SIWARD CRYSTAL TECHNOLOGY CO., LTD
CHANGES IN INVESTEMENTS ACCOUNTED FOR BY THE EQUITY METHOD
FOR THE YEARS ENDED DECEMBER 31.2022

(In Thousands of New Taiwan Dollars)

名 稱	Beginning Balance		Increase		Decrease		Equity in Investees Gain(Loss)	Ending Balance			Market Price or Net Asset Value		Pledge or Security
	Shares	Amount	Shares	Amount	Shares	Amount		Share	% of Ownership	Amount	Unit Price	Amount	
SIWARD TECHNOLOGY CO., LTD.	9,300,000	338,512	-	-	-	(8,014)		9,300,000	100%	\$330,498		\$330,498	-
APEX OPTECH CO.	2,884,541	3,248	-	-	-	(528)		2,884,541	33.93%	2,720		2,720	-
APEX OPTECH Corporation	2,194,476	36,861	-	396	-	(545)		2,194,476	87.78%	37,257		37,257	-
SCT USA, INC.	200	8,175	-	3,824	-	-		200	100%	11,999		11,999	-
Securitag Assembly Group Co., Ltd.	4,083,433	177,828	-	17,424	-	-		5,761,280	13.63%	195,252		502,384	-
SIWARD Electronic Technology (Shenzhen) Inc.	-	11,549	-	-	-	(1,744)		-	100%	9,805		9,805	-
小 計		576,173		21,644		(10,286)				587,531			
減:累計減損		(3,566)								(3,566)			
合 計		\$572,607		\$21,644		\$(10,286)				\$583,965		\$894,663	

Note 1: Including investment gains 22,656 thousand, unrealized losses on transactions of associates(19,232) thousand and exchange differences on translating the financial statements of foreign operating (11,438) thousand.

Note 2 : Including investment losses (566) thousand and exchange differences on translating the financial statements of foreign operating 38 thousand.

Note 3: Including investment gains 346 thousand and exchange differences on translating the financial statements of foreign operating 50 thousand.

Note 4: Including investment gains 2,847 thousand and exchange differences on translating the financial statements of foreign operating 977 thousand.

Note 5: Including investment gains 24,951 thousand, exchange differences on translating the financial statements of foreign operating (29) thousand. cash dividend (8,642) thousand and Re-measurements of the defined benefit plan144 thousand.

Note 6: Including investment losses (1,952) thousand and exchange differences on translating the financial statements of foreign operating 208 thousand.

SIWARD CRYSTAL TECHNOLOGY CO., LTD

Statement of changes in right-of-use asset and changes in accumulated depreciation of
right-of-use asset

FOR THE YEARS ENDED DECEMBER 31.2022

(In Thousands of New Taiwan Dollars)

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Cost :			
January 1, 2022	\$43,277	\$20,877	\$64,154
Addition	1,860	-	1,860
December 31.2022	<u>\$45,137</u>	<u>\$20,877</u>	<u>\$66,014</u>
Depreciation and impairment :			
January 1, 2022	\$10,671	\$8,351	\$19,022
Depreciation for the current year	3,883	4,175	8,058
December 31.2022	<u>\$14,554</u>	<u>\$12,526</u>	<u>\$27,080</u>
Net carrying amount :			
December 31.2022	<u>\$30,583</u>	<u>\$8,351</u>	<u>\$38,934</u>

SIWARD CRYSTAL TECHNOLOGY CO., LTD
 STATEMENT OF ACCOUNT PAYABLE
 DECEMBER 31, 2022
 (In Thousands of New Taiwan Dollars)

Item	Explanation	Amount	
		Subtotal	Subtotal
<u>Related parties</u>			
SIWARD TECHNOLOGY CO., LTD.		\$86,477	
Others		3,468	\$89,945
Add : Allowance for foreign exchange loss			-
			<u>89,945</u>
<u>Third parties</u>			
A Company		12,956	
B Company		8,977	
Others		<u>29,641</u>	51,574
Add : Allowance for foreign exchange loss			(155)
			<u>51,419</u>
Total			<u><u>\$141,364</u></u>

Note: Each of the accounts was less than 5% of the total account balance.

SIWARD CRYSTAL TECHNOLOGY CO., LTD

STATEMENT OF OTHER PAYABLES

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Amount
Payable salary and bonus	\$90,320
Employees' compensation payable	52,685
Directors' remuneration payable	21,074
Others	86,797
Total	<u>\$250,876</u>

Note: Each of the accounts was less than 5% of the total account balance.

STATEMENT 9

SIWARD CRYSTAL TECHNOLOGY CO., LTD

STATEMENT OF LEASE LIABILITY

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Explanation	Rental period	Discount rate	Ending balance
Land	Tainan Science Park land	From April 17, 2018 to March 31, 2031	1.44%	\$30,934
Building	Hsinchu Science Park land	From January 1, 2020 to December 31, 2024	1.445%	473
	Hsinchu Science Park building	From January 1, 2020 to December 31, 2024	1.445%	8,532
				<u>\$39,939</u>
			Current	8,027
			Non-current	31,912
Total				<u>\$39,939</u>

SIWARD CRYSTAL TECHNOLOGY CO., LTD
OPERATING REVENUE
FOR THE YEARS ENDED DECEMBER 31.2022
(In thousands of New Taiwan Dollars, and thousands of pcs)

Item	Quantity	Amount
Quartz crystal products	847,581	\$2,975,297
Others	26,883	70,032
Total	847,464	\$3,045,329

SIWARD CRYSTAL TECHNOLOGY CO., LTD

STATEMENT OF COST GOODS SOLD

FOR THE YEARS ENDED DECEMBER 31, 2022

(In thousands of New Taiwan Dollars)

Item	Amount	Note
1. Production cost		
Direct material :		
Beginning commodity	\$251	
Add : Commodity purchase	2,789	
Less : Ending commodity	(251)	
Purchase cost	2,789	
Beginning material	246,757	
Add : Material purchase	678,814	
Others	59,028	
Less: Ending material	(375,481)	
Cost of material sold	(45,352)	
Others	(5,281)	
Direct materials	558,485	
Direct labor	258,437	
Overhead	612,122	
Manufacturing cost	1,429,044	
Add: Beginning work in process	134,706	
Beginning Semi-finished products	63,265	
Purchases	183,050	
Others	13,528	
Less: Ending work in process	(142,717)	
Ending Semi-finished products	(88,712)	
Semi-finished products sold	(5,748)	
Others	(12,431)	
Finished goods cost	1,573,985	
Add: Beginning finished goods	231,040	
Purchases	183,192	
Less: Ending finished goods	(192,133)	
Others	(13,546)	
Production cost	1,782,538	
2. Cost of material sold	45,352	
3. Cost of semi-finished goods sold	5,748	
4. Cost of Supplies sold	90	
5. Cost of other goods sold	3,635	
6. Disposal of obsolete inventory	11,940	
7. Waste recovery cost	(1,194)	
8. Unfavorable cost variance	31,028	
9. Loss on physical inventory	409	
10. Temporary differences	(18,508)	
Total	\$1,863,827	

SIWARD CRYSTAL TECHNOLOGY CO., LTD

STATEMENT OF MANUFACTURING EXPENSES

FOR THE YEARS ENDED DECEMBER 31.2022

(In thousands of New Taiwan Dollars)

Item	Amount	Note
Indirect labor	\$150,624	
Maintenance fee	33,929	
Utilities	61,195	
Depreciation	192,889	
Indirect materials	53,331	
Others	151,182	Each of the accounts was less than 5% of the total account balance.
Subtotal	643,150	
Less : Unallocated fixed manufacturing overhead transferred to cost of goods sold	(31,028)	
Total	612,122	

STATEMENT 13

SIWARD CRYSTAL TECHNOLOGY CO., LTD

STATEMENT OF OPERATING EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2022
(In thousands of New Taiwan Dollars)

Item	Selling and Marketing	General and Administration	Research and Development	Expected credit losses	Total	Note
Salary	\$40,072	\$115,566	\$46,745	\$ -	\$202,383	Each of the accounts was less than 5% of the total account balance.
Commission	20,868	-	-	-	20,868	
Others	44,490	44,725	50,103	26,034	165,352	
Total	<u>\$105,430</u>	<u>\$160,291</u>	<u>\$96,848</u>	<u>\$26,034</u>	<u>\$388,603</u>	