

Stock Code: 2484

## **SIWARD Crystal Technology Co., Ltd. and Subsidiaries**

**Consolidated Financial Statements for the  
Nine Months Ended September 30, 2023 and 2022 and  
Independent Auditor's Review Report**

## **INDEPENDENT AUDITOR'S REVIEW REPORT**

To SIWARD Crystal Technology Co., Ltd.:

### **Introduction**

We have review the accompanying consolidated balance sheets of SIWARD Crystal Technology Co., Ltd. and its subsidiaries as of September 30, 2023 and 2022, the related consolidated statements of comprehensive income for the three months ended September 30, 2023 and 2022 and nine months ended September 30, 2023 and 2022, the consolidated statements of changes in equity, and cash flows for the nine months ended September 30, 2023 and 2022, and notes to consolidated financial statements (including summary of significant accounting policies). Management is responsible for the preparation and fair presentation of the consolidated financial statement in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and became effective by Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

### **Scope of Review**

Except as explained in the following paragraph, we conducted our reviews in accordance with the Standards on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" of the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing of the Republic of China and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Basis for Qualified Conclusion**

As explained in Note 4(3), the financial statements of certain insignificant subsidiaries were not reviewed by independent auditors. Those statements reflected total assets of NT\$60,752 thousand and NT\$63,060 thousand, which both represented 1% of the consolidated total assets, and total liabilities of NT\$25,709 thousand and NT\$26,223 thousands, which both represented 2% of the consolidated total liabilities as of September 30, 2023 and 2022; and total comprehensive income of NT\$1,662 thousand, NT\$1,152 thousand, NT\$4,526 thousand and NT\$5,128 thousand, constituting 5.29%, 0.47%, 4.47% and 2.02% of the consolidated total comprehensive income for the three months and nine months ended September 30, 2023 and 2022, respectively. As explained in Note 6(6), the financial statements of certain associates and joint ventures accounted for under the equity method were not reviewed by independent auditors. The investment in the associates and joint ventures under equity method amounted to NT\$202,997 thousand and NT\$187,266 thousand as of September 30, 2023 and 2022. The related shares of profits from the associates and joint ventures under the equity

method amounted to NT\$7,397 thousand, NT\$9,505 thousand, NT\$20,443 thousand and NT\$18,131 thousand, and the related shares of other comprehensive income from the associates and joint ventures under the equity method amounted to NT\$6 thousand, NT\$9 thousand, NT\$(23) thousand and NT\$(51) thousand for the three months and nine months ended September 30, 2023 and 2022, respectively. The information related to the above subsidiaries, and associates and joint ventures accounted for under the equity method disclosed in Note13 was also not reviewed by independent auditors.

### **Qualified Conclusion**

Based on our reviews except for the effect of such adjustments, in any, as might have been determined to be necessary had the financial statements of certain insignificant subsidiaries, associates and joint ventures accounted for under the equity method been reviewed by independent auditors, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of September 30, 2023 and 2022, and their consolidated financial performance for the three months and nine months ended September 30, 2023 and 2022, and their consolidated cash flows for the nine months ended September 30, 2023 and 2022, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors’ review report are Tu, Chin-Yuan and Huang, Yu-Ting.

Ernst & Young Taiwan

November 3, 2023

### **Notice to Readers**

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

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

**SIWARD Crystal Technology Co., Ltd. and Subsidiaries**  
**CONSOLIDATED BALANCE SHEETS**  
(In Thousands of New Taiwan Dollars)

	September 30, 2023 (Reviewed)		December 31, 2022 (Audited)		September 30, 2022 (Reviewed)	
	Amount	%	Amount	%	Amount	%
<b>ASSETS</b>						
Current assets						
Cash and cash equivalents (Notes 4 and 6.1)	\$1,095,059	22	\$1,330,202	24	\$959,153	17
Current financial assets at amortised cost(Notes 4 and 6.2)	17,000	-	17,000	-	17,000	-
Notes receivable, net (Notes 4 )	1,128	-	4,230	-	5,584	-
Accounts receivable, net (Notes 4 and 6.3)	646,407	13	552,346	10	871,303	15
Accounts receivable due from related parties, net (Notes 4 and 6.3 and 7.3)	14,363	-	45,946	1	50,885	1
Other receivables (Notes 4)	17,665	-	12,360	-	29,920	1
Inventories (Notes 4 and 6.4)	880,027	17	958,171	17	961,075	17
Prepayments	8,017	-	4,987	-	9,578	-
Other current assets	3,638	-	3,338	-	4,278	-
Total current assets	<u>2,683,304</u>	<u>52</u>	<u>2,928,580</u>	<u>52</u>	<u>2,908,776</u>	<u>51</u>
Non-current assets						
Non-current financial assets at fair value through other comprehensive income (Notes 4 and 6.5.)	398,974	8	563,031	10	607,681	11
Investments accounted for using equity method (Notes 4 and 6.6)	202,997	4	195,252	3	187,266	3
Property, plant and equipment (Notes 4 and 6.7 and 7)	1,535,784	30	1,641,924	29	1,627,153	28
Right-of-use assets (Notes 4 and 6.16)	112,633	2	135,013	2	135,114	2
Investment property, net (Notes 4 and 6.8)	52,175	1	53,560	1	103,029	2
Intangible assets (Notes 4 and 6.9)	53,301	1	58,603	1	59,780	1
Deferred tax assets (Notes 4 )	42,334	1	37,862	1	45,118	1
Other non-current assets (Notes 4 and 6.10)	40,443	1	65,639	1	58,383	1
Total non-current assets	<u>2,438,641</u>	<u>48</u>	<u>2,750,884</u>	<u>48</u>	<u>2,823,524</u>	<u>49</u>
Total Assets	<u>\$5,121,945</u>	<u>100</u>	<u>\$5,679,464</u>	<u>100</u>	<u>\$5,732,300</u>	<u>100</u>

**SIWARD Crystal Technology Co., Ltd. and Subsidiaries**  
**CONSOLIDATED BALANCE SHEETS**  
(In Thousands of New Taiwan Dollars)

	September 30, 2023		December 31, 2022		September 30, 2022	
	(Reviewed)		(Audited)		(Reviewed)	
	Amount	%	Amount	%	Amount	%
<b>LIABILITIES AND EQUITY</b>						
Current liabilities						
Current contract liabilities (Notes 6.14)	\$15,998	-	\$18,058	-	\$20,645	-
Notes payable	5,297	-	9,602	-	4,261	-
Accounts payable	190,638	5	142,111	3	245,115	4
Accounts payable to related parties (Notes 7.4)	203	-	1,426	-	78	-
Other payables	173,603	3	246,699	4	226,804	4
Current tax liabilities	74,843	1	119,973	2	82,777	2
Current lease liabilities (Notes 4 and 6.16)	28,699	1	29,737	1	28,407	1
Other current liabilities	9,877	-	10,855	-	9,201	-
Current portion of long-term borrowings (Notes 6.11)	221,474	4	180,190	3	126,295	2
Total current liabilities	<u>720,632</u>	<u>14</u>	<u>758,651</u>	<u>13</u>	<u>743,583</u>	<u>13</u>
Non-current liabilities						
Non-current portion of non-current borrowings (Notes 4 and 6.11)	317,731	6	531,096	10	639,293	11
Deferred tax liabilities (Notes 4)	91,525	2	115,397	2	136,065	2
Non-current lease liabilities (Notes 4 and 6.16)	82,736	2	109,784	2	112,798	2
Defined benefit liabilities, net (Notes 4)	55,683	1	61,325	1	81,256	2
Other non-current liabilities	109	-	113	-	110	-
Total non-current liabilities	<u>547,784</u>	<u>11</u>	<u>817,715</u>	<u>15</u>	<u>969,522</u>	<u>17</u>
Total liabilities	<u>1,268,416</u>	<u>25</u>	<u>1,576,366</u>	<u>28</u>	<u>1,713,105</u>	<u>30</u>
Equity attributable to owners of parent						
Share capital (Notes 6.13)	1,594,210	31	1,594,210	28	1,594,210	28
Ordinary share (Notes 6.13)	802,473	16	802,473	14	802,473	14
Capital surplus (Notes 6.13)						
Retained earnings						
Legal reserve	290,911	6	212,637	4	212,637	4
Unappropriated retained earnings (accumulated deficit)	1,091,737	21	1,268,703	22	1,164,470	20
Other equity interest						
Exchange differences on translation of foreign financial statements	(124,916)	(3)	(104,848)	(2)	(120,272)	(2)
Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	192,529	4	323,217	6	358,967	6
	<u>3,846,944</u>	<u>75</u>	<u>4,096,392</u>	<u>72</u>	<u>4,012,485</u>	<u>70</u>
Non-controlling interests (Notes 6.13)	6,585	-	6,706	-	6,710	-
Total equity	<u>3,853,529</u>	<u>75</u>	<u>4,103,098</u>	<u>72</u>	<u>4,019,195</u>	<u>70</u>
Total liabilities and equity	<u>\$5,121,945</u>	<u>100</u>	<u>\$5,679,464</u>	<u>100</u>	<u>\$5,732,300</u>	<u>100</u>

**SIWARD Crystal Technology Co., Ltd. and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(In Thousands of New Taiwan Dollars, Except for Earnings per Share)  
(Reviewed, not audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2023		2022		2023		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
REVENUE (Note 4 and 6.14)	\$588,632	100	\$845,593	100	\$1,786,298	100	\$2,590,003	100
COST OF GOODS SOLD (Note 6.4 and 6.17)	(436,553)	(74)	(495,906)	(59)	(1,275,935)	(71)	(1,596,351)	(62)
GROSS PROFIT	152,079	26	349,687	41	510,363	29	993,652	38
OPERATING EXPENSES (Note 6.17)								
Selling and marketing expenses	(23,909)	(4)	(26,581)	(3)	(72,313)	(4)	(79,003)	(3)
General and administrative expenses	(34,285)	(6)	(52,005)	(6)	(105,432)	(6)	(146,191)	(5)
Research and development expenses	(32,618)	(6)	(34,031)	(4)	(95,760)	(6)	(99,156)	(4)
Expected credit gain (loss) reversed on trade receivables (Note 6.15)	-	-	(6,034)	(1)	287	-	(26,034)	(1)
Total operating expenses	(90,812)	(16)	(118,651)	(14)	(273,218)	(16)	(350,384)	(13)
PROFIT FROM OPERATIONS	61,267	10	231,036	27	237,145	13	643,268	25
NON-OPERATING INCOME AND EXPENSES (Note 4 and 6.18)								
Interest income	3,183	1	982	-	13,491	1	2,654	-
Other income	11,471	2	7,210	1	26,885	2	17,888	-
Other gains and losses	38,559	7	100,642	12	44,381	2	194,785	7
Finance costs	(3,294)	(1)	(3,583)	-	(10,570)	(1)	(9,853)	-
Share of profits of associates and joint ventures (Note 6.6)	7,397	1	9,505	1	20,443	1	18,131	1
Total non-operating income and expenses	57,316	10	114,756	14	94,630	5	223,605	8
PROFIT BEFORE INCOME TAX	118,583	20	345,792	41	331,775	18	866,873	33
INCOME TAX EXPENSE (Note 4 and 6.20)	(23,809)	(4)	(72,314)	(9)	(79,524)	(4)	(188,584)	(7)
NET PROFIT FOR THE YEAR	94,774	16	273,478	32	252,251	14	678,289	26
OTHER COMPREHENSIVE INCOME (LOSS)								
Item that will not be reclassified subsequently to profit or loss:								
Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(86,286)	(15)	(36,562)	(4)	(163,697)	(9)	(501,293)	(19)
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	17,257	3	7,313	1	32,672	2	100,259	4
Item that maybe reclassified subsequently to profit or loss:								
Exchange differences on translation	2,544	-	3,621	-	(25,056)	(1)	(29,393)	(1)
Share of other comprehensive income of associates and joint ventures accounted for using equity method (Note 6.19)	6	-	9	-	(23)	-	(51)	-
Income tax related to components of other comprehensive income	(487)	-	(717)	(1)	5,010	-	5,914	-
Other comprehensive income, net	(66,966)	(12)	(26,336)	(4)	(151,094)	(8)	(424,564)	(16)
Total comprehensive income	\$27,808	4	\$247,142	28	\$101,157	6	\$253,725	10
Profit (loss), attributable to:								
Owners of parent	\$94,814		\$273,506		\$252,371		\$678,503	
Non-controlling interests	(40)		(28)		(120)		(214)	
	\$94,774		\$273,478		\$252,251		\$678,289	
Comprehensive income, attributable to:								
Owners of parent	\$27,824		\$247,162		\$101,278		\$253,901	
Non-controlling interests	(16)		(20)		(121)		(176)	
	\$27,808		\$247,142		\$101,157		\$253,725	
Earnings per share (Note 4 and 6.21)								
Basic earnings per share	\$0.59		\$1.72		\$1.58		\$4.26	
Diluted earnings per share	\$0.59		\$1.71		\$1.57		\$4.21	

(The accompanying notes are an integral part of the consolidated financial statements)

**SIWARD Crystal Technology Co., Ltd. and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(In Thousands of New Taiwan Dollars)  
**(Reviewed, not audited)**

	Total equity attributable to owners of parent								Total equity
	Common stock	Capital surplus	Retained earnings		Other		Total equity attributable to owners of parent	Non-controlling interests	
			Legal reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealised gain (loss) on financial assets measured at fair value through other comprehensive income			
BALANCE, JANUARY 1, 2022	\$1,594,210	\$802,473	\$164,010	\$773,725	\$(96,704)	\$760,001	\$3,997,715	\$6,886	\$4,004,601
Appropriation of 2021 earnings									
Legal reserve appropriated			48,627	(48,627)			-		-
Cash dividends of ordinary share				(239,131)			(239,131)		(239,131)
Net income for the nine months ended September 30, 2022				678,503			678,503	(214)	678,289
Other comprehensive income (loss) for the nine months ended September 30, 2022					(23,568)	(401,034)	(424,602)	38	(424,564)
Total comprehensive income				678,503	(23,568)	(401,034)	253,901	(176)	253,725
BALANCE, SEPTEMBER 30, 2022	\$1,594,210	\$802,473	\$212,637	\$1,164,470	\$(120,272)	\$358,967	\$4,012,485	\$6,710	\$4,019,195
BALANC, JANUARY 1, 2023	\$1,594,210	\$802,473	\$212,637	\$1,268,703	\$(104,848)	\$323,217	\$4,096,392	\$6,706	\$4,103,098
Appropriation of 2022 earnings									
Legal reserve appropriated			78,274	(78,274)			-		-
Cash dividends of ordinary share				(350,726)			(350,726)		(350,726)
Net income for the nine months ended September 30, 2023				252,371			252,371	(120)	252,251
Other comprehensive income (loss) for the nine months ended September 30, 2023					(20,068)	(131,025)	(151,093)	(1)	(151,094)
Total comprehensive income				252,371	(20,068)	(131,025)	101,278	(121)	101,157
Disposal of investments in equity instruments designated at fair value through other comprehensive income				(337)		337	-		-
BALANCE, SEPTEMBER 30, 2023	\$1,594,210	\$802,473	\$290,911	\$1,091,737	\$(124,916)	\$192,529	\$3,846,944	\$6,585	\$3,853,529

(The accompanying notes are an integral part of the consolidated financial statements)

**SIWARD Crystal Technology Co., Ltd. and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In Thousands of New Taiwan Dollars)  
**(Reviewed, not audited)**

	For the Nine Months Ended September 30	
	2023	2022
Cash flows from (used in) operating activities		
Profit before tax	\$331,775	\$866,873
Adjustments :		
Adjustments to reconcile profit (loss):		
Depreciation expense	167,392	169,468
Amortization expense	12,001	11,330
Expected credit loss recognized on trade receivables	(287)	26,034
Interest expense	10,570	9,853
Interest income	(13,491)	(2,654)
Share of profit of associates and joint ventures accounted for using equity method	(20,443)	(18,131)
Dividend income	(8,199)	(202)
Loss (Gain) on disposal of property, plant and equipment	(176)	350
Other adjustments to reconcile profit (loss)	10,987	7,859
Changes in operating assets and liabilities		
Decrease (increase) in notes receivable	3,102	(947)
Increase in accounts receivable	(93,774)	(104,605)
Decrease in accounts receivable due from related parties	31,583	34,879
Decrease (increase) in other receivable	(5,305)	5,502
Decrease (increase) in inventories	67,157	(159,598)
Increase in prepayments	(3,030)	(4,447)
Decrease in other current assets	494	5,011
Decrease in contract liabilities	(2,060)	(8,468)
Decrease in notes payable	(4,305)	(11,437)
Increase (decrease) in accounts payable	48,527	(39,120)
Decrease in accounts payable to related parties	(1,223)	(5,663)
Increase (decrease) in other payable	(71,446)	10,296
Increase (decrease) in other current liabilities	(978)	2,087
Decrease in net defined benefit liability	(5,642)	(5,761)
Cash inflow generated from operations	453,229	788,509
Interest received	13,491	2,654
Dividend received	20,874	8,844
Interest paid	(10,551)	(9,755)
Income taxes paid	(116,110)	(204,997)
Net cash flows from operating activities	360,933	585,255
Cash flows from (used in) investing activities :		
Proceeds from disposal of financial assets at fair value through other comprehensive income	353	-
Acquisition of financial assets at amortised cost	-	86,812
Acquisition of property, plant and equipment	(34,825)	(216,086)
Proceeds from property, plant and equipment	277	11
Acquisition of intangible assets	(4,546)	(2,795)
Decrease in other non-current assets	1,781	1,737
Net cash flows used in investing activities	(36,960)	(130,321)
Cash flows from (used in) financing activities :		
Proceeds from long-term debt	-	32,260
Repayments of long-term debt	(171,636)	(14,152)
Payments of lease liabilities	(21,666)	(20,589)
Decrease in other non-current liabilities	(4)	(5)
Cash dividends paid	(350,726)	(239,131)
Net cash flows used in financing activities	(544,032)	(241,617)
Effect of exchange rate changes on cash and cash equivalents	(15,084)	(17,403)
Net increase (decrease) in cash and cash equivalents	(235,143)	195,914
Cash and cash equivalents at beginning of period	1,330,202	763,239
Cash and cash equivalents at end of period	\$1,095,059	\$959,153

(The accompanying notes are an integral part of the consolidated financial statements)



SIWARD Crystal Technology Co., Ltd. and Subsidiaries  
Notes to the Consolidated Financial Statements  
For the Nine Months Ended September 30, 2023 and 2022  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)  
(Reviewed, not audited)

I. History and organization

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. Date and procedures of authorization the financial reports for issue

The consolidated financial reports of the Company and its subsidiaries (hereinafter referred to as the “Group”) for the nine months ended September 30, 2023 and 2022 were approved for issue by the Board of Directors on November 3, 2023.

III. Newly issued or revised standards or interpretations

1. Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Groups applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning after January 1, 2023. The adoption of these new standards and amendments had

SIWARD Crystal Technology Co., Ltd. and Subsidiaries  
Notes to the Consolidated Financial Statements (Continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

no material impact on the Group.

2. 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) 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	Classification of liabilities as current or non-current (amendments to IAS 1)	January 1, 2024
2	Lease Liability in a Sale and Leaseback (amendments to IFRS 16)	January 1, 2024
3	Non-current liabilities with Covenants (amendments to IAS 1)	January 1, 2024
4	Supplier Finance Arrangements (amendments to IAS 7 and IFRS 7)	January 1, 2024

- (1) Classification of liabilities as Current or Non-current (amendments to IAS 1)

These are the amendment to paragraphs 69 and 76 of IAS 1 “Presentation of Financial Statements” and the amended paragraphs related to classification of liabilities as current or non-current.

- (2) 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.

- (3) Non-current Liabilities with Covenants – amendments to IAS 1

The amendments improved the information companies provide about long-term debt with covenants. The amendments specify that covenants to be complied within twelve months after the reporting period do not affect the classification of debt as current or non-current at the end of the reporting period.

- (4) Supplier Finance Arrangements (amendments to IAS 7 and IFRS 7)

The amendments introduced additional information of supplier finance arrangements and added disclosure requirements for such arrangements.

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, 2024. The Group assesses that the newly issued or revised standards, or interpretations have no material effects

SIWARD Crystal Technology Co., Ltd. and Subsidiaries  
Notes to the Consolidated Financial Statements (Continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

on the Group.

3. Standards or interpretations issued, revised or amended, by International Accounting Standards Board (IASB) which are not endorsed by FSC, and not yet adopted by the Group as at the end of the reporting period are listed below.

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 IASB
2	IFRS 17 “Insurance Contracts”	January 1, 2023
3	Lack of Exchangeability (amendments to IAS 21)	January 1, 2025

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

The amendments address the 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 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full gain or loss recognition on the loss of control of a subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors’ interests in the associate or joint venture.

- (2) IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on

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initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. 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 (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017 and it was amended in 2020 and 2021. These amendments include deferral of the date of initial application of IFRS17 by two years to annual beginning on or after 1 January 2023 (from the original effective date of 1 January 2021); provide additional exemptions. Simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the result easier to explain. IFRS 17 replaces an interim Standard -IFRS 4 Insurance Contracts- from annual reporting periods beginning on or after 1 January 2023.

(3) Lack of Exchangeability (amendments to IAS 21)

This amendment explains the exchangeability and lack of exchangeability between currencies, how the exchange rate is determined when a currency lacks exchangeability, and adds additional disclosure requirements when a currency lacks exchangeability. These amendments are applicable to fiscal years starting after January 1, 2025.

The abovementioned standards and interpretations issued by the IASB have not yet endorsed by FSC at the date when the Group's financial statements was authorized for issue, the local effective dates are to be determined by FSC. The new or amended standards and interpretations have no material impact on the Group.

IV. Summary of significant accounting policies

1. Statement of Compliance

The consolidated financial statements of the Group for the nine months ended September 30, 2023 and 2022 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and became effective by Financial Supervisory Commission of the Republic of China.

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2. Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are expressed in thousands of New Taiwan Dollars (“NT\$”) unless otherwise stated.

3. Overview of Consolidation

A. Preparation principle of the consolidated financial statements

When the Company is exposed to the variability of returns from involvement with an investee, or is entitled to the variability of returns and has power to influence the returns through the investee, the Company controls the investee. In particular, the Company controls an investee if and only if it has the following three elements of control:

- (1) power over the investee (i.e. an investor must have existing rights that give it the current ability to direct the relevant activities);
- (2) exposure, or rights, to variable returns from its involvement with the investee; and
- (3) the ability to use its power over the investee to affect the amount of the investor’s returns.

When the company directly or indirectly holds less than a majority of the voting rights or similar rights of the investee, the Company considers all facts and circumstances to assess whether its voting rights are sufficient to give it power, including:

- (1) a contractual arrangement between the investor and other vote holders
- (2) rights arising from other contractual arrangements
- (3) voting rights and potential voting rights

The Company shall reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are all included in the consolidated financial statements from the acquisition date (that is, the date when the Company obtains control) until the date that control ceases. The accounting period and accounting policies of a subsidiary’s financial statements are the same as those of the parent company. All intra-group account balances, transactions, balance, and any unrealized internal gains and losses and dividends arising from intra-group transactions are all eliminated.

Changes in the shareholdings of subsidiaries that do not result in the

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company losing control over the subsidiaries are accounted for as equity transactions.

The total comprehensive income of subsidiaries should be attributed to the owners' equities and non-controlling interests, even this would cause the non-controlling interests to result in a deficit balance.

If the Company loses control of a subsidiary, it shall:

- (1) derecognize the assets (including any goodwill) and liabilities of the subsidiary;
- (2) derecognize the carrying amount of any non-controlling interests;
- (3) recognize the fair value of the consideration received;
- (4) recognize any investment retained in the former subsidiary;
- (5) recognize any gain or loss in profit or loss for the period;
- (6) reclassify to profit or loss for the period, the amounts recognized in other comprehensive income by the parent company.

**B. Entities in the preparation of the consolidated financial statements:**

Name of Investor	Name of Subsidiary	Main Business	Percentage of Equity Held		
			September 30, 2023	December 31, 2022	September 30, 2022
The Company	SIWARD Crystal Technology (Dongguan) Co., Ltd.	Manufacture and sale of quartz crystals, crystal oscillators, and crystal filters	100.00%	100.00%	100.00%
	SIWARD TECHNOLOGY CO., LTD.	Manufacture and sale of quartz crystals, miniature temperature-compensated oscillators, and surface acoustic wave filters	100.00%	100.00%	100.00%
	SCT USA, INC.	Providing after-sales services	100.00%	100.00%	100.00%
	SIWARD Crystal Technology (Shenzhen) Co., Ltd.	Wholesale and related supporting business of electromechanical equipment, electronic components, and accessories	100.00%	100.00%	100.00%
	Apex Optech Corporation	Engaged in the manufacture of electronic components, wholesale and retail of electronic materials, and product design and international trade business	87.78%	87.78%	87.78%
	APEX OPTECH CO.	A holding company invests in the Mainland Area, holding 100% equity of Apex Optech Corporation (Wuxi Factory)	78.70%	78.70%	78.70%

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Name of Investor	Name of Subsidiary	Main Business	Percentage of Equity Held		
			September 30, 2023	December 31, 2022	September 30, 2022
	Apex Optech Corporation (Wuxi Factory)	Engaged in the manufacture and sale of quartz crystals and chips	78.70%	78.70%	78.70%
	SE JAPAN CO. (SE Japan Corporation)	Engaged in the manufacture and sale of optical materials, optical lenses, and other series products	100.00%	100.00%	100.00%

The financial statements of some of the insignificant consolidated subsidiaries listed above had not been reviewed by auditors. As of September 30, 2023 and 2022, the related assets of the subsidiaries which were unreviewed by auditors amount to NT\$60,752 thousand and NT\$63,060 thousand, respectively, and the related liabilities amount to NT\$25,709 thousand and NT\$26,223 thousand, respectively. The comprehensive income of these subsidiaries amount to NT\$1,662 thousand, NT\$1,152 thousand, NT\$4,526 thousand and NT\$5,128 thousand for the three months and the nine months ended September 30, 2023 and 2022, respectively.

#### 4. Foreign Currency Transactions

The consolidated financial statements of the Group are presented in New Taiwan dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and remeasures its financial statements into its functional currency.

Transactions in foreign currency of an entity in the Group 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.

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- (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 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.

#### 5. Translation of Foreign Currency Financial Statements

When preparing the consolidated 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.

#### 6. 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:



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- (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.

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.

## 7. 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.

## 8. 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 Group’s regular way purchases or sales financial assets are recognized and derecognized using trade date accounting.

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The Group 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

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:

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- 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:

- 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

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income, financial assets are all measures 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 Group 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 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 Group measures the expected credit losses in a way that reflects:

- A. An unbiased 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.

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- 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 Group 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 XII.

(3) Derecognition of Financial Assets

A financial asset held by the Group 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;
- 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 Group 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 Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the value of proceeds received, net of direct issue costs.

#### Compound instrument

The Group 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 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 common stock.

#### 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

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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 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 Group’s obligations are discharged, cancelled or expired.

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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 Group 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.

9. Derivative Instruments

Derivative instruments held or issued by the Group 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 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.

10. 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



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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 Group.

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 Group 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.

## 11. Inventories

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

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.

## 12. Investments Accounted for under the Equity Method

The Group'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 Group has significant influence. A joint venture is a joint arrangement whereby the Group (the parties that have joint control of the

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arrangements) have rights to the net assets of the joint arrangement.

Under the equity method, the investments in associates and joint ventures are accounted for in the balance sheet the cost plus the amount recognized by the Group 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 or joint venture 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 transactions between the Group and its associates and joint ventures are eliminated in proportion to its interests in associates or joint ventures.

When changes in the interests in associates and joint ventures are not attributable to profit or loss and other comprehensive income and do not affect the Group's shareholding ratio, the Group 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 or a joint venture issues additional shares, the Group does not subscribe according to the shareholding ratio, resulting in changes in the investment ratio, which causes an increasing or decrease in the Group'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 or joint ventures.

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

At the end of each reporting period the Group determines whether there is any objective evidence that the investment in its the associate or joint venture is impaired according to the requirements of IAS 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 IAS 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:

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- (1) The Group'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 Group 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 or joint venture is not recognized separately; therefore, it is not necessary to apply the requirements of the goodwill impairment test of IAS 36 "Impairment of Assets."

When significant influence over an associate or joint control over a joint venture is lost, the Group shall measure and recognize the retained investment at fair value. When significant influence or joint control is lost, the difference between the carrying amount of the investment in an associate or a joint venture and the fair value of the retained investment plus the proceeds received is recognized in profit or loss. In addition, 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 Group continues to apply the equity method and does not remeasure the retained interest.

### 13. 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 Group 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 IAS 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:

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Fixed asset	Useful life
Buildings	3–52 years
Machinery equipment	2–10 years
Transportation equipment	2–7 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.

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.

#### 14. Investment Properties

The investment properties owned by the Group 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 IAS 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:

Investment Properties	Useful life
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.

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The Group 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 Group reclassifies the property as investment property or transfers it out of investment property.

## 15. Leases

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

When a contract is (or contains) a lease, the Group 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 Group 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 Group shall estimate the stand-alone price, maximizing the use of observable information.

### The Group as a lessee

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

The Group 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:

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- (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 Group 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 Group measures the right-of-use asset at cost. The cost of the right-of-use asset should comprise:

- (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 Group by the end of the lease term, or if the cost of the right-of-use asset reflects that the Group 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 Group 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 Group applies IAS 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 Group presents right-of-use assets and lease liabilities in the

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balance sheet and presents the depreciation expense and interest expense related to the lease separately in the statement of comprehensive income.

The Group 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 Group as a lessor

The Group 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 Group 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 Group applies the requirements of IFRS 15 to allocate the consideration in the contract.

The Group 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. 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.

## 16. 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

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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 Group'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

#### 17. Impairment of Non-financial Assets

The Group assess all asset within the scope of IAS 36 “Impairment of Assets” 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 Group 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 Group 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.



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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.

#### 18. 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 Group 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.

#### 19. Revenue Recognition

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

##### Sale of goods

The Group 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 Group 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.

#### 20. Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction

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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.

## 21. Government Grants

A government grant is recognized only when there is reasonable assurance that the Group 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 Group 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.

## 22. Post-employment Benefits

The employees retirement regulations are applicable to all officially appointed employees of the Company and its domestic subsidiaries. The employee retirement fund is fully managed by the 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 benefits that is a defined contribution plan, the Company and its domestic subsidiaries 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

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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.

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted and disclosed for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

### 23. Share-based Payment

The cost of the share-based payment transactions of the equity settlement between the Group 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 Group's best estimate of the number of equity instruments that will ultimately vest. At the beginning and end of each reporting period, 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

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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-based 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 Group 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.

#### 24. 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.

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.

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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.

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

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deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

Interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period. The estimated average annual effective income tax rate only includes current income tax. The recognition and measurement of deferred tax follow annual financial reporting requirements in accordance with IAS 12. The Group recognizes the effect of change in tax rate for deferred taxes in full if the new tax rate is enacted by the end of the interim reporting period, by charging profit or loss, other comprehensive income, or directly to equity.

## 25. 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 Group 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.

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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 groups 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.

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 Group 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 Group'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 Group has entered into commercial property leases for the investment property portfolio. Based on the evaluation on the agreed terms, the Group 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

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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 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 Group'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



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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.

VI. Descriptions of major accounting items

1. Cash and Cash Equivalent

	September 30, 2023	December 31, 2022	September 30, 2022
Cash on hand	\$755	\$614	\$543
Petty cash	120	120	120
Bank deposits	1,094,184	1,329,468	958,490
Total	<u>\$1,095,059</u>	<u>\$1,330,202</u>	<u>\$959,153</u>

2. Current financial assets at amortized cost

	September 30, 2023	December 31, 2022	September 30, 2022
Time deposits	<u>\$17,000</u>	<u>\$17,000</u>	<u>\$17,000</u>

The Group's financial assets measured at amortized cost have not been provided for as guarantees. For more information on credit risk, please refer to Note XII.

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3. Accounts Receivable and Accounts Receivable – Related Party

	September 30, 2023	December 31, 2022	September 30, 2022
Accounts receivable	\$672,576	\$578,806	\$897,893
Less: Loss allowance	(26,169)	(26,460)	(26,590)
Subtotal	646,407	552,346	871,303
Accounts receivable – related party	14,363	45,946	50,885
Less: Loss allowance	-	-	-
Subtotal	14,363	45,946	50,885
Total	<u>\$660,770</u>	<u>\$598,292</u>	<u>\$922,188</u>

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

The Group provides a credit term of 30–180 days usually to its customers. The total carrying amounts on September 30, 2023、December 31, 2022 and September 30, 2022 were NT\$686,939 thousand、NT\$624,752 thousand and NT\$948,778 thousand, respectively. For more information on loss allowances for the nine months ended September 30, 2023 and 2022, please refer to Note VI. 15; for more information on credit risk, please refer to Note XII.

4. Inventories

	September 30, 2023	December 31, 2022	September 30, 2022
Raw materials	\$326,772	\$330,994	\$310,857
Supplies	185,398	166,817	167,637
Work in process	133,331	142,717	137,197
Semi-finished goods	93,261	82,328	81,884
finished goods (including merchandies)	141,265	235,315	263,500
Net value	<u>\$880,027</u>	<u>\$958,171</u>	<u>\$961,075</u>

The cost of inventories recognized in cost of goods sold for the three months ended September 30, 2023 and 2022 were NT\$436,553 thousand and NT\$495,906 thousand; for the nine months ended September 30, 2023 and 2022 were NT\$1,275,935 thousand and NT\$1,596,351 thousand, respectively. The price reduction of inventories related to cost of goods sold

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were NT\$7,251 thousand and NT\$1,870 thousand for the three months ended September 30, 2023 and 2022; NT\$10,987 thousand and NT\$7,859 thousand for the nine months ended September 30, 2023 and 2022.

The above inventories are not provided for as guarantees.

5. Financial Assets at fair value through other comprehensive income

	September 30, 2023	December 31, 2022	September 30, 2022
Investment in equity instruments at fair value through other comprehensive income – non-current:			
Shares of TWSE/TPEX listed companies	\$392,341	\$555,987	\$601,356
Shares of non-TWSE/TPEX listed companies	6,633	7,044	6,325
Total	<u>\$398,974</u>	<u>\$563,031</u>	<u>\$607,681</u>

The Group's financial assets 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 Group for the nine months ended September 30, 2023 and 2022 were NT\$8,199 thousand and NT\$202 thousand, respectively.

The Company considered the investment strategy and sold and derecognized part of the financial assets at fair value through other comprehensive income in 2023. At the time of disposal, the fair value was NT\$353 thousand, and the accumulated unrealized loss on valuation of NT\$337 thousand directly recognized in equity were transferred from other equity to retained earnings.

6. Investments Accounted for Using the Equity Method

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

Name of invested company	September 30, 2023		December 31, 2022		September 30, 2022	
	Amount	Shareholding ratio	Amount	Shareholding ratio	Amount	Shareholding ratio
Investments in associates:						
Securitag Assembly Group Co., Ltd	<u>\$202,997</u>	13.63	<u>\$195,252</u>	13.63	<u>\$187,266</u>	13.63

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- (1) 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 IAS 28 “Investments in Associates.” Although the Group holds 13.63% of the voting rights of Securitag Assembly Group Co., Ltd.; however, because the other three investors each holds more than 7% 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 September 30, 2023、December 31, 2022 and September 30, 2022, the fair values of Securitag Assembly Group Co., Ltd. were NT\$659,667 thousand、NT\$502,384 thousand and NT\$509,873 thousand, respectively.
- (2) The financial statements of certain associates and joint ventures accounted for under the equity method were not reviewed by independent auditors. Those associates and joint ventures under equity method amounted to NT\$202,997 thousand, NT\$195,252 thousand and NT\$187,266 thousand as of September 30, 2023、December 31, 2022 and September 30, 2022, respectively. The related shares of profits from the associates and joint ventures under the equity method amounted to NT\$7,397 thousand, NT\$9,505 thousand, NT\$20,443 thousand and NT\$18,131 thousand, and the related shares of other comprehensive income from the associates and joint ventures under the equity method amounted to NT\$6 thousand, NT\$9 thousand, NT\$(23) thousand and NT\$(51) thousand for the three months and nine months ended September 30, 2023 and 2022, respectively.

## 7. Property, Plant and Equipment

	Land and land improvements	Buildings	Machinery equipment	Office equipment	Transportation equipment	Lased assets	Other equipment	Total
<b>Cost:</b>								
January 1, 2023	\$407,143	\$622,378	\$3,099,609	\$15,063	\$2,541	\$6,550	\$515,477	\$4,668,761
Addition	-	-	10,866	639	-	-	11,429	22,934
Reduction	-	-	(1,290)	(316)	-	-	(439)	(2,045)
Reclassification (Note 1)	-	-	28,272	-	-	-	3,061	31,333
The effects of changes in foreign exchange rates	(7,020)	(11,884)	(7,250)	(1)	(16)	-	(2,590)	(28,761)
September 30, 2023	\$400,123	\$610,494	\$3,130,207	\$15,385	\$2,525	\$6,550	\$526,938	\$4,692,222

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	Land and land improvements	Buildings	Machinery equipment	Office equipment	Transportation equipment	Lased assets	Other equipment	Total
January 1, 2022	\$356,645	\$627,979	\$2,935,981	\$14,184	\$2,549	\$6,550	\$496,052	\$4,439,940
Addition	-	377	107,859	617	-	-	20,873	129,910
Reduction	-	-	(26,489)	(54)	-	-	(3,444)	(29,987)
Reclassification (Note 1)	-	-	79,151	-	-	-	1,158	80,309
The effects of changes in foreign exchange rates	(4,267)	(15,092)	(8,976)	2	(20)	-	(2,741)	(31,094)
September 30, 2022	<u>\$352,378</u>	<u>\$613,264</u>	<u>\$3,087,526</u>	<u>\$14,933</u>	<u>\$2,529</u>	<u>\$6,550</u>	<u>\$511,898</u>	<u>\$4,589,078</u>

	Land and land improvements	Buildings	Machinery equipment	Office equipment	Transportation equipment	Lased assets	Other equipment	Total
<b><u>Depreciation and impairment:</u></b>								
January 1, 2023	\$(12,261)	\$(410,753)	\$(2,153,143)	\$(14,001)	\$(2,541)	\$(6,342)	\$(427,796)	\$(3,026,837)
Depreciation	-	(8,428)	(116,420)	(434)	-	(34)	(25,032)	(150,348)
Reduction	-	-	1,189	316	-	-	439	1,944
The effects of changes in foreign exchange rates	860	9,998	6,132	-	16	-	1,797	18,803
September 30, 2023	<u>\$(11,401)</u>	<u>\$(409,183)</u>	<u>\$(2,262,242)</u>	<u>\$(14,119)</u>	<u>\$(2,525)</u>	<u>\$(6,376)</u>	<u>\$(450,592)</u>	<u>\$(3,156,438)</u>

January 1, 2022	\$(12,693)	\$(403,212)	\$(2,025,643)	\$(13,645)	\$(2,549)	\$(6,296)	\$(397,793)	\$(2,861,831)
Depreciation	-	(9,324)	(117,658)	(353)	-	(35)	(25,441)	(152,811)
Reduction	-	-	26,208	54	-	-	3,364	29,626
The effects of changes in foreign exchange rates	1,092	12,476	7,472	(2)	20	-	2,033	23,091
September 30, 2022	<u>\$(11,601)</u>	<u>\$(400,060)</u>	<u>\$(2,109,621)</u>	<u>\$(13,946)</u>	<u>\$(2,529)</u>	<u>\$(6,331)</u>	<u>\$(417,837)</u>	<u>\$(2,961,925)</u>

<b><u>Net carrying amount:</u></b>	Land and land improvements	Buildings	Machinery equipment	Office equipment	Transportation equipment	Lased assets	Other equipment	Total
September 30, 2023	<u>\$388,722</u>	<u>\$201,311</u>	<u>\$867,965</u>	<u>\$1,266</u>	<u>\$ -</u>	<u>\$174</u>	<u>\$76,346</u>	<u>\$1,535,784</u>
December 31, 2022	<u>\$394,882</u>	<u>\$211,625</u>	<u>\$946,466</u>	<u>\$1,062</u>	<u>\$ -</u>	<u>\$208</u>	<u>\$87,681</u>	<u>\$1,641,924</u>
September 30, 2022	<u>\$340,777</u>	<u>\$213,204</u>	<u>\$977,905</u>	<u>\$987</u>	<u>\$ -</u>	<u>\$219</u>	<u>\$94,061</u>	<u>\$1,627,153</u>

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 Group'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 Group'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 for the nine months ended September 30, 2023 and 2022.

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8. Investment Properties

Investment properties include the investment properties owned by the Group. The Group 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>Land</u>	<u>Buildings</u>	<u>Total</u>
Cost:			
January 1, 2023	\$4,756	\$85,571	\$90,327
The effects of changes in foreign exchange rates	(333)	(2,130)	(2,463)
September 30, 2023	<u>\$4,423</u>	<u>\$83,441</u>	<u>\$87,864</u>
January 1, 2022	\$58,955	\$86,642	\$145,597
The effects of changes in foreign exchange rates	(5,072)	(2,704)	(7,776)
September 30, 2022	<u>\$53,883</u>	<u>\$83,938</u>	<u>\$137,821</u>
Depreciation and impairment:			
January 1, 2023	\$ -	\$(36,767)	\$(36,767)
Depreciation for the current year	-	(1,044)	(1,044)
The effects of changes in foreign exchange rates	-	2,122	2,122
September 30, 2023	<u>\$ -</u>	<u>\$(35,689)</u>	<u>\$(35,689)</u>
January 1, 2022	\$ -	\$(36,438)	\$(36,438)
Depreciation for the current year	-	(1,047)	(1,047)
The effects of changes in foreign exchange rates	-	2,693	2,693
September 30, 2022	<u>\$ -</u>	<u>\$(34,792)</u>	<u>\$(34,792)</u>
Net carrying amount:			
September 30, 2023	<u>\$4,423</u>	<u>\$47,752</u>	<u>\$52,175</u>
December 31, 2022	<u>\$4,756</u>	<u>\$48,804</u>	<u>\$53,560</u>
September 30, 2022	<u>\$53,883</u>	<u>\$49,146</u>	<u>\$103,029</u>

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	Three months Ended		Nine Months Ended	
	September 30		September 30	
	2023	2022	2023	2022
Rental income from investment properties	\$986	\$957	\$2,988	\$3,013
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	-	-	-	-
<b>Total</b>	<b>\$986</b>	<b>\$957</b>	<b>\$2,988</b>	<b>\$3,013</b>

The Group's investment properties have not been provided for as guarantees.

The investment properties held by the Group 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 Group as of September 30, 2023、December 31, 2022 and September 30, 2022 were NT\$90,066 thousand、NT\$92,566 thousand and NT\$113,280 thousand, respectively. The investment properties of the Group are recorded mainly based on the published price of the real estate in Yonezawa City, Japan and 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.

## 9. Intangible Assets

	Patented technology	Computer software	Total
Cost:			
January 1, 2023	\$126,280	\$30,927	\$157,207
Addition – separately acquired	-	4,546	4,546
Reclassification	-	2,304	2,304
Difference in exchange rates	-	(185)	(185)
September 30, 2023	<b>\$126,280</b>	<b>\$37,592</b>	<b>\$163,872</b>

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	Patented technology	Computer software	Total
January 1, 2022	\$126,280	\$25,000	\$151,280
Addition – separately acquired	-	2,795	2,795
Reclassification	-	649	649
Difference in exchange rates	-	(127)	(127)
September 30, 2022	<u>\$126,280</u>	<u>\$28,317</u>	<u>\$154,597</u>
Amortization and impairment:			
January 1, 2023	\$(73,663)	\$(24,941)	\$(98,604)
Amortization	(9,471)	(2,530)	(12,001)
Difference in exchange rates	-	34	34
September 30, 2023	<u>\$(83,134)</u>	<u>\$(27,437)</u>	<u>\$(110,571)</u>
January 1, 2022	\$(61,035)	\$(22,467)	\$(83,502)
Amortization	(9,471)	(1,859)	(11,330)
Difference in exchange rates	-	15	15
September 30, 2022	<u>\$(70,506)</u>	<u>\$(24,311)</u>	<u>\$(94,817)</u>
Net carrying amount:	Patented technology	Computer software	Total
September 30, 2023	<u>\$43,146</u>	<u>\$10,155</u>	<u>\$53,301</u>
December 31, 2022	<u>\$52,617</u>	<u>\$5,986</u>	<u>\$58,603</u>
September 30, 2022	<u>\$55,774</u>	<u>\$4,006</u>	<u>\$59,780</u>

Amortization amounts of intangible assets are recognized as follows:

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2023	2022	2023	2022
Operating costs	\$699	\$73	\$1,712	\$177
Selling and marketing expenses	-	-	-	15
General and administrative expenses	164	101	461	279



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	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2023	2022	2023	2022
Research and development expenses	3,300	3,621	9,828	10,859
Total	<u>\$4,163</u>	<u>\$3,795</u>	<u>\$12,001</u>	<u>\$11,330</u>

10. Other non-current assets

	September 30, 2023	December 31, 2022	September 30, 2022
Prepayment for equipment	\$16,268	\$39,683	\$33,757
Long-term receivables	136,987	136,987	136,987
Less: allowance for impairment loss	(136,987)	(136,987)	(136,987)
Refundable deposits	24,086	25,854	24,511
Others	89	102	115
Total	<u>\$40,443</u>	<u>\$65,639</u>	<u>\$58,383</u>

11. Long-term borrowings

The details of long-term borrowings as of September 30, 2023、December 31, 2022 and September 30, 2022 are described as follows:

Creditor	Type	September 30, 2023	Interest rate (%)	Repayment period and method
Bank of Taiwan	Secured loan	\$430,080	1.75	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.
KGI Bank	Secured loan	100,000	1.940	From March 2022 to March 2025, the interest is paid once a month and the principal will not be repaid until maturity.
Mega International Commercial Bank	Secured loan (JPY 23,252,000)	5,025	1.800	From December 2020 to November 2025, repayable in 59 equal monthly instalments and the interest is paid monthly.
Mega International Commercial Bank	Secured loan	4,100	1.853	From October 2018 to October 2023, repayable in 20 equal quarterly instalments and the interest is paid monthly.
Subtotal		<u>539,205</u>		
Less: Current portion of long-term borrowings		<u>(221,474)</u>		
Total		<u>\$317,731</u>		

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Creditor	Type	December 31, 2022	Interest rate (%)	Repayment period and method
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.
KGI Bank	Secured loan	150,000	2.060	From March 2022 to March 2025, 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.
Mega International Commercial Bank	Secured loan (JPY 31,352,000)	7,286	1.800	From December 2020 to November 2025, repayable in 59 equal monthly instalments and the interest is paid monthly.
Subtotal		711,286		
Less: Current portion of long-term borrowings		( 180,190)		
Total		<u>\$531,096</u>		

Creditor	Type	September 30, 2022	Interest rate (%)	Repayment period and method
Bank of Taiwan	Secured loan	\$537,600	1.375	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.
KGI Bank	Secured loan	\$200,000	1.561	From March 2022 to March 2025, the interest is paid once a month and the principal will not be repaid until maturity.
Mega International Commercial Bank	Secured loan	20,500	1.457	From October 2018 to October 2023, repayable in 20 equal quarterly instalments and the interest is paid monthly.
Mega International Commercial Bank	Secured loan (JPY34,052,000)	7,488	1.800	From December 2020 to November 2025, repayable in 59 equal monthly instalments and the interest is paid monthly.
Subtotal		765,588		
Less: Current portion of long-term borrowings		(126,295)		
Total		<u>\$639,293</u>		

For more information on the medium- and long-term loan commitments that the Company entered into with KGI Bank as of September 30, 2023, please refer to Note IX.4.

## 12. Retirement Benefit Plans

### Defined contribution plan

The expense amounts recognized by the Group for the three months ended September 30, 2023 and 2022 of the defined contribution plans were NT\$4,967 thousand and NT\$5,520 thousand, respectively. The expense

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amounts recognized by the Group for the nine months ended September 30, 2023 and 2022 of the defined contribution plans were NT\$15,616 thousand and NT\$16,236 thousand, respectively.

Defined benefit plan

The expense amounts recognized by the Group for the three months ended September 30, 2023 and 2022 of the defined benefit plans were NT\$193 thousand and NT\$317 thousand, respectively. The expense amounts recognized by the Group for the nine months ended September 30, 2023 and 2022 of the defined benefit plans were NT\$587 thousand and NT\$517 thousand, respectively.

13. Equity

(1) Capital

As of September 30, 2023, December 31, 2022 and September 30, 2022, 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. 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	September 30, 2023	December 31, 2022	September 30, 2022
Additional paid-in capital in excess of par- common stock	\$557,589	\$557,589	\$557,589
Conversion premium of the convertible bond	239,970	239,970	239,970
Others	4,914	4,914	4,914
Total	<u>\$802,473</u>	<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

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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 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 regular shareholders' meeting on June 19, 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	2022	2021
Legal reserve	\$78,274	\$48,627		
Special reserve	350,726	239,131	2.2	1.5
Cash dividends on common stock	<u>\$429,000</u>	<u>\$287,758</u>		

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For more information on the basis of estimate and the amounts recognized for employees' compensation and remuneration to directors, please refer to Note VI (17).

(4) Non-controlling interests

	Nine Months Ended September 30	
	2023	2022
Beginning balance	\$6,706	\$6,886
Net loss attributable to non-controlling interests	(230)	(214)
Other comprehensive income attributable to non-controlling interests		
The exchange differences on translating the financial statements of foreign operations	(1)	38
Ending balance	\$6,585	\$6,710

14. Operating revenue

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
	Revenue from contracts with customers			
Revenue from goods sold	\$586,760	\$844,373	\$1,782,034	\$2,585,687
Other operating revenue	1,872	1,220	4,264	4,316
Total	\$588,632	\$845,593	\$1,786,298	\$2,590,003

Analysis of revenue from contracts with customers during the nine months ended September 30, 2023 and 2022 are as follows:

(1) Disaggregation of revenue

For the three months ended September 30, 2023

	Siward Crystal Technology (Taiwan)	Siward Crystal Technology (Japan)	Apex Optech Corporation	Total
Sale of goods	\$534,312	\$50,785	\$1,663	\$586,760
Other operating revenue	1,872	-	-	1,872
Total	\$535,725	\$41,994	\$3,545	\$588,632

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For the three months ended September 30, 2022

	Siward Crystal Technology (Taiwan)	Siward Crystal Technology (Japan)	Apex Optech Corporation	Total
Sale of goods	\$786,527	\$53,609	\$4,237	\$844,373
Other operating revenue	1,220	-	-	1,220
<b>Total</b>	<b>\$787,747</b>	<b>\$53,609</b>	<b>\$4,237</b>	<b>\$845,593</b>

For the nine months ended September 30, 2023

	Siward Crystal Technology (Taiwan)	Siward Crystal Technology (Japan)	Apex Optech Corporation	Total
Sale of goods	\$1,635,814	\$137, 25	\$8,906	\$1,782,034
Other operating revenue	4,264	-	-	4,264
<b>Total</b>	<b>\$1,640,078</b>	<b>\$137,314</b>	<b>\$8,906</b>	<b>\$1,786,298</b>

For the nine months ended September 30, 2022

	Siward Crystal Technology (Taiwan)	Siward Crystal Technology (Japan)	Apex Optech Corporation	Total
Sale of goods	\$2,355,293	\$221,254	\$9,140	\$2,585,687
Other operating revenue	4,316	-	-	4,316
<b>Total</b>	<b>\$2,359,609</b>	<b>\$221,254</b>	<b>\$9,140</b>	<b>\$2,590,003</b>

The types of revenue from contracts with customers are revenue recognized at a point in time in the nine months ended September 30, 2023 and 2022.

(2) Balance of contract

A. Contract assets – current

The Group had no contract assets in the nine months ended September 30, 2023 and 2022.

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B. Contract liabilities – current

	September 30, 2023	December 31 2022	September 30, 2022	January 1 2022
Sale of goods	\$15,998	\$18,058	\$20,645	\$29,113

The Group's balance of contract liabilities decreased in the nine months ended September 30, 2023 because most of the performance obligations were fulfilled and recognized as revenue in the current period, of which the beginning balance of NT\$2,714 thousand was recognized as revenue in the current period.

The Group's balance of contract liabilities decreased in the nine months ended September 30, 2022 because most of the performance obligations were fulfilled and recognized as revenue in the current period, of which the beginning balance of NT\$10,646 thousand was recognized as revenue in the current period.

(3) The transaction price allocated to the performance obligations

As of September 30, 2023 and 2022, the Group'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.

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

None.

15. Expected credit losses

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
Operating expenses – expected credit losses				
Account receivables	\$-	\$ 6,034	\$(287)	\$ 6,034
Long-term receivables	-	-	-	20,000
Total	\$-	\$ 6,034	\$(287)	\$26,034

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

The loss allowance for the Group'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

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provision matrix. The relevant description of the assessment of the amount of the loss allowance as of September 30, 2023、December 31, 2022 and September 30, 2022 is described as follows:

September 30, 2023

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: 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	91-120 days	More than 121 day	
Gross carrying amount:	\$658,432	\$12,415	\$20	\$693	\$170	\$16,337	\$688,067
Loss ratio	1.32%	4.00%	25.00%	70.71%	100%	100%	
Lifetime expected credit losses	(8,671)	(496)	(5)	(490)	(170)	(16,337)	(26,169)
Total	\$649,761	\$11,919	\$15	\$203	\$ -	\$ -	\$661,898

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: 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	91-120 days	More than 121 day	
Gross carrying amount:	\$607,776	\$2,650	\$1,589	\$325	\$ -	\$16,642	\$628,982
Loss ratio	1.49%	5.77%	27.44%	53.85%	100%	100%	
Lifetime expected credit losses	(9,054)	(153)	(436)	(175)	-	(16,642)	(26,460)
Total	\$598,722	\$2,497	\$1,153	\$150	\$ -	\$ -	\$602,522



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September 30, 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: The provision matrix is used to measure allowance losses. The relevant information is as follows:

	Number of days overdue						Total
	Not overdue (Note)	Within 30 days	31-60 days	61-90 days	91-120 days	More than 121 day	
Gross carrying amount:	\$883,728	\$40,994	\$6,357	\$4,518	\$2,016	\$16,749	\$954,362
Loss ratio	0.09%	5.75%	27.45%	64.59%	100%	100%	
Lifetime expected credit losses	(806)	(2,356)	(1,745)	(2,918)	(2,016)	(16,749)	(26,590)
Total	\$882,922	\$38,638	\$4,612	\$1,600	\$ -	\$ -	\$927,772

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

The information on the changes in loss allowances for bills receivable and accounts receivable of the Group during the nine months ended September 30, 2023 and 2022 is as follows:

	Notes receivable	Accounts receivable	Long-term receivables
January 1, 2023	\$ -	\$26,460	\$136,987
Amount increased in the current period	-	(287)	-
Exchange rate difference	-	(4)	-
September 30, 2023	\$ -	\$26,169	\$136,987
January 1, 2022	\$ -	\$20,275	\$116,987
Amount increased in the current period	-	6,034	20,000
Exchange rate difference	-	281	-
September 30, 2022	\$ -	\$26,590	\$136,987

## 16. Leases

### (1) The Group as a lessee

The Group leases multiple and different types of assets, including real estate (land or buildings), machinery equipment, transportation

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equipment, office equipment, and other equipment. The lease terms for each contract range from 1 to 20 years.

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

A. Amount recognized in the balance sheet

(a) Right-of-use asset

Carrying amount of right-of-use assets

	September 30 2023	December 31 2022	September 30 2022
Land	\$27,671	\$30,583	\$31,554
Buildings	5,219	8,351	9,394
Machinery equipment	79,743	96,079	94,166
Total	<u>\$112,633</u>	<u>\$135,013</u>	<u>\$135,114</u>

During the nine months ended September 30, 2023 and 2022, the Group's right-of-use assets increased by NT\$0 and NT\$30,769 thousand, respectively.

(b) Lease liability

	September 30 2023	December 31 2022	September 30 2022
Current	\$28,699	\$29,737	\$28,407
Non-current	82,736	109,784	112,798
Total	<u>\$111,435</u>	<u>\$139,521</u>	<u>\$141,205</u>

For details on the Group's interest expenses on lease liabilities during the nine months ended September 30, 2023 and 2022, please refer to Note VI. 18(4) Finance Costs. For details on the maturity analysis for lease liabilities as of September 30, 2023、December 31, 2022 and September 30, 2022, please refer to XII.5 Liquidity Risk Management.

B. Amount recognized in the statement of comprehensive income

Depreciation of right-of-use assets

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	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2023	2022	2023	2022
Land	\$971	\$971	\$2,912	\$2,912
Buildings	1,043	1,043	3,131	3,131
Machinery equipment	3,242	3,250	9,957	9,567
Total	<u>\$5,256</u>	<u>\$5,264</u>	<u>\$16,000</u>	<u>\$15,610</u>

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

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2023	2022	2023	2022
Expenses for short-term rentals	<u>\$2,071</u>	<u>\$2,320</u>	<u>\$5,846</u>	<u>\$6,113</u>

D. Lessee's cash outflows related to leasing activities

The Group's total cash outflows from leases during the nine months ended September 30, 2023 and 2022 were NT\$27,336 thousand and NT\$26,995 thousand, respectively.

(a) Variable lease payments

Part of the Group'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 Group 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 Group'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 Group. After the commencement date, the Group shall reassess whether the lease, upon the occurrence of either a significant event or a

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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 Group as a lessor

For the disclosure of the Group'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.

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2023	2022	2023	2022
Lease income on operating leases				
Income related to fixed lease payments and variable lease payments that depend on an index or a rate	\$986	\$957	\$2,988	\$3,013
Income related to variable lease payments that do not depend on an index or a rate	-	-	-	-
<b>Total</b>	<b>\$986</b>	<b>\$957</b>	<b>\$2,988</b>	<b>\$3,013</b>

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

Type of function  Type of nature	Three Months Ended September 30					
	2023			2022		
	Related to operating costs	Related to operating costs	Total	Related to operating costs	Related to operating costs	Total
Employee benefit expenses						
Payroll expenses	\$82,791	\$44,713	\$127,504	\$91,174	\$63,498	\$154,672
Labor/Health insurance expenses	8,806	2,587	11,393	9,777	2,825	12,602
Pension expense	3,714	1,446	5,160	4,262	1,575	5,837
Other employee benefit expenses	4,984	2,264	7,248	5,713	2,212	7,925
Depreciation expenses	45,190	8,862	54,052	49,285	8,470	57,755
Amortization expenses	699	3,464	4,163	73	3,722	3,795

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Type of function  Type of nature	Nine Months Ended September 30					
	2023			2022		
	Related to operating costs	Related to operating costs	Total	Related to operating costs	Related to operating costs	Total
Employee benefit expenses						
Payroll expenses	\$239,688	\$133,183	\$372,871	\$276,368	\$179,219	\$455,587
Labor/Health insurance expenses	26,771	9,338	36,109	28,536	8,812	37,348
Pension expense	11,113	5,081	16,194	12,038	4,715	16,753
Other employee benefit expenses	14,999	6,293	21,292	16,709	6,205	22,914
Depreciation expenses	140,731	26,661	167,392	143,927	25,541	169,468
Amortization expenses	1,712	10,289	12,001	177	11,153	11,330

The number of employees of the Group as of September 30, 2023 and 2022 were 756 and 808, respectively.

The Group'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. 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 approved by the board of directors, please visit the "Market Observation Post System" of the Taiwan Stock Exchange.

The Group estimated employees' compensation and remuneration to directors at 5% and 2%, respectively, according to the profit status. In the three months ended September 30, 2023, employees' compensation and remuneration to directors recognized were NT\$6,315 thousand and NT\$2,526 thousand, respectively. In the nine months ended September 30, 2023, employees' compensation and remuneration to directors recognized were NT\$17,781 thousand and NT\$ 7,112 thousand, respectively. In the three months ended September 30, 2022, employees' compensation and remuneration to directors recognized were NT\$18,578 thousand and NT\$7,431 thousand, respectively. In the nine months ended September 30, 2022, employees' compensation and remuneration to directors recognized were NT\$46,603 thousand and NT\$ 18,641 thousand, respectively. Its estimation basis is based on the current year's profit distribution. The above-mentioned amounts are accounted for under payroll expenses. If there is a difference between the estimated amount and the actual allotment amount decided by the board of directors, it will be recognize as profit or loss for the next year.

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The Group's employees' compensation and remuneration to directors for the year 2022 were paid in cash at NT\$52,685 thousand and NT\$21,074 thousand, respectively, by a resolution adopted by the board of directors on March 10, 2023. There were no material differences in the amounts accounted for as expenses in the 2022 financial report.

The Group's employees' compensation and remuneration to directors for the year 2021 were no material differences in the amounts accounted for as expenses in the 2021 financial report.

18. Non-operating income and expenses

(1) Interest revenue

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2023	2022	2023	2022
Financial assets measured at amortized cost	<u>\$3,183</u>	<u>\$982</u>	<u>\$13,491</u>	<u>\$2,654</u>

(2) Other income

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2023	2022	2023	2022
Rental income	\$986	\$957	\$4,735	\$4,991
Divided income	8,141	-	8,199	202
Other income	2,344	6,253	13,951	12,695
Total	<u>\$11,471</u>	<u>\$7,210</u>	<u>\$26,885</u>	<u>\$17,888</u>

(3) Other gains and losses

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2023	2022	2023	2022
Foreign exchange gains , net	\$38,668	\$101,313	\$44,923	\$195,732
Gain on disposal of property, plan and equipment	176	(362)	176	(350)
Other losses	(285)	(309)	(718)	(597)
Total	<u>\$38,559</u>	<u>\$100,642</u>	<u>\$44,381</u>	<u>\$194,785</u>

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(4) Financial costs

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2023	2022	2023	2022
Interest on bank loans	\$(2,635)	\$(2,763)	\$(8,429)	\$(7,315)
Interest on lease liabilities	(659)	(820)	(2,141)	(2,538)
Total financial costs	<u>\$(3,294)</u>	<u>\$(3,583)</u>	<u>\$(10,570)</u>	<u>\$(9,853)</u>

19. Components of other comprehensive income

(1) The components of other comprehensive income for the three months ended September 30, 2023 are as follows:

	Occurred in the current year	Reclassificatio n adjustments in the current period	Other comprehensive income	Tax income (expense)	After-tax amount
Items that will not be reclassified to profit or loss:					
Gains or losses on valuation of investment in equity instruments at fair value through other comprehensive income	\$(86,286)	\$ -	\$(86,286)	\$17,257	\$(69,029)
Items that will be reclassified to profit or loss:					
The exchange differences on translating the financial statements of foreign operations	2,544	-	2,544	(487)	2,057
Share of other comprehensive Income of subsidiaries, associates, and joint ventures	6	-	6	-	6
Total other comprehensive income for the period	<u>\$(83,736)</u>	<u>\$ -</u>	<u>\$(83,736)</u>	<u>\$16,770</u>	<u>\$(66,966)</u>

(2) The components of other comprehensive income for the three months ended September 30, 2022 are as follows:

	Occurred in the current year	Reclassificatio n adjustments in the current period	Other comprehensive income	Tax income (expense)	After-tax amount
Items that will not be reclassified to profit or loss:					
Gains or losses on valuation of investment in equity instruments at fair value through other comprehensive income	\$(36,562)	\$ -	\$(36,562)	\$7,313	\$(29,249)
Items that will be reclassified to profit or loss:					
The exchange differences on translating the financial statements of foreign operations	3,621	-	3,621	(717)	2,904
Share of other comprehensive Income of subsidiaries, associates, and joint ventures	9	-	9	-	9
Total other comprehensive income for the period	<u>\$(32,932)</u>	<u>\$ -</u>	<u>\$(32,932)</u>	<u>\$6,596</u>	<u>\$(26,336)</u>

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(3) The components of other comprehensive income for the nine months ended September 30, 2023 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:					
Gains or losses on valuation of investment in equity instruments at fair value through other comprehensive income	\$(163,697)	\$ -	\$(163,697)	\$32,672	\$(131,025)
Items that will be reclassified to profit or loss:					
The exchange differences on translating the financial statements of foreign operations	(25,056)	-	(25,056)	5,010	(20,046)
Share of other comprehensive Income of subsidiaries, associates, and joint ventures	(23)	-	(23)	-	(23)
<b>Total other comprehensive income for the period</b>	<b><u>\$(188,776)</u></b>	<b><u>\$ -</u></b>	<b><u>\$(188,776)</u></b>	<b><u>\$37,682</u></b>	<b><u>\$(151,094)</u></b>

(4) The components of other comprehensive income for the nine months ended September 30, 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:					
Gains or losses on valuation of investment in equity instruments at fair value through other comprehensive income	\$(501,293)	\$ -	\$(501,293)	\$100,259	\$(401,034)
Items that will be reclassified to profit or loss:					
The exchange differences on translating the financial statements of foreign operations	(29,393)	-	(29,393)	5,914	(23,479)
Share of other comprehensive Income of subsidiaries, associates, and joint ventures	(51)	-	(51)	-	(51)
<b>Total other comprehensive income for the period</b>	<b><u>\$(530,737)</u></b>	<b><u>\$ -</u></b>	<b><u>\$(530,737)</u></b>	<b><u>\$106,173</u></b>	<b><u>\$(424,564)</u></b>

## 20. Income Tax

The major components of tax expense in the nine months ended September 30, 2023 and 2022 are as follows:



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A、Income tax recognized in profit or loss

	Three months Ended September 30		Nine months Ended September 30	
	2023	2022	2023	2022
Tax expense for the current period:				
Income tax payable	\$21,097	\$58,510	\$71,444	\$162,014
Deferred tax expenses:				
Current income tax for previous years	-	-	(996)	(1,362)
Deferred tax expenses relating to origination and reversal of temporary differences	2,712	13,804	9,076	27,932
Income tax expense	<u>\$23,809</u>	<u>\$72,314</u>	<u>\$79,524</u>	<u>\$188,584</u>

B、Income tax recognized in other comprehensive income

	Three months Ended September 30		Nine months Ended September 30	
	2023	2022	2023	2022
Deferred tax income (expense):				
Equity instruments measured at fair value through other comprehensive income				
Unrealized gains or losses on valuation of investments	\$(17,257)	\$(7,313)	\$(32,672)	\$(100,259)
Share of other comprehensive Income of associates and joint ventures	487	717	(5,010)	(5,914)
Income tax relating to components of other comprehensive income	<u>\$(16,770)</u>	<u>\$(6,596)</u>	<u>\$(37,682)</u>	<u>\$(106,173)</u>

C、The assessment of income tax return

As of September 30, 2023, the filing and assessment of income tax return of the Company and its subsidiaries is as follows:

	<u>The assessment of income tax return</u>
The Company	Assessed until the year 2021
Subsidiary – Apex Optech Corporation	Assessed until the year 2021
Subsidiary – SIWARD Technology Co., Ltd.	Filed until the year 2022

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21. 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.

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2023	2022	2023	2022
(1) Basic earnings per share				
The net profit for the period attributable to ordinary equity holders of the parent (in thousand NTD)	<u>\$94,814</u>	<u>\$273,506</u>	<u>\$252,371</u>	<u>\$678,503</u>
The weighted average number of ordinary shares for EPS (in thousands of shares)	<u>159,421</u>	<u>159,421</u>	<u>159,421</u>	<u>159,421</u>
Basic earnings per share (NT\$)	<u>\$0.59</u>	<u>\$1.72</u>	<u>\$1.58</u>	<u>\$4.26</u>
(2) Diluted EPS				
The net profit for the period attributable to ordinary equity holders of the parent (in thousand NTD)	<u>\$94,814</u>	<u>\$273,506</u>	<u>\$253,371</u>	<u>\$678,503</u>
The net profit for the period attributable to ordinary equity holders of the parent after adjusting for the dilution effect (in thousand NTD)	<u>\$94,814</u>	<u>\$273,506</u>	<u>\$253,371</u>	<u>\$678,503</u>
The weighted average number of ordinary shares for EPS (in thousands of shares)	<u>159,421</u>	<u>159,421</u>	<u>159,421</u>	<u>159,421</u>
Dilution effect:				
Employee bonus – share (in thousands of shares)	<u>197</u>	<u>585</u>	<u>912</u>	<u>1,693</u>
The weighted average number of ordinary shares after adjusting for the dilution effect (in thousands of shares)	<u>159,618</u>	<u>160,006</u>	<u>160,333</u>	<u>161,114</u>
Diluted earnings per share(NT\$)	<u>\$0.59</u>	<u>\$1.71</u>	<u>\$1.57</u>	<u>\$4.21</u>

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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.

VII. Information on related party transactions

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

Names of related parties and description of relationship

<u>Names of related parties</u>	<u>The relationship with the Group</u>
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

Significant transactions with related parties

1. Sales revenue

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2023	2022	2023	2022
The Company's associate				
Securitag Assembly Group Co., Ltd.	\$ -	\$ -	\$ -	\$50
Substantive related party				
Rakon Limited	13,109	50,387	63,200	171,170
Others	4,263	4,207	5,972	9,333
Total	<u>\$17,372</u>	<u>\$54,594</u>	<u>\$69,172</u>	<u>\$180,553</u>

The prices at which the Group sells goods to a related party are by reference to the market conditions and are negotiated by both parties. The outstanding balance as of September 30, 2023 and 2022 was unsecured, non-interest bearing and must be settled in cash. The receivables from the related parties were not guaranteed.

2. Purchases

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2023	2022	2023	2022
The Company's associate				
Securitag Assembly Group Co., Ltd.	\$ -	\$ -	\$ -	\$490
SAG Japan Co., Ltd	76	70	344	258

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	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
Substantive related party				
Rakon Limited	1,270	5,335	6,363	12,497
Total	<u>\$1,346</u>	<u>\$5,405</u>	<u>\$6,707</u>	<u>\$13,245</u>

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

3. Accounts receivable – related party

	September 30, 2023	December 31, 2022	September 30, 2022
Substantive related party			
Rakon Limited	\$13,012	\$45,352	\$50,305
Other	1,351	594	580
Total	<u>\$14,363</u>	<u>\$45,946</u>	<u>\$50,885</u>

4. Accounts payable – related party

	September 30, 2023	December 31, 2022	September 30, 2022
The Company's associate			
Securitag Assembly Group Co., Ltd.	\$ -	\$41	\$-
SAG Japan Co., Ltd	-	-	78
Substantive related party			
Rakon Limited	203	1,385	-
Total	<u>\$203</u>	<u>\$1,426</u>	<u>\$78</u>

5. Other income

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
The Company's associate				
Securitag Assembly Group Co., Ltd.	\$ 689	\$ 342	\$ 689	\$358
Substantive related party				
Rakon Limited	13	1,306	171	1,672
Total	<u>\$702</u>	<u>\$1,648</u>	<u>\$860</u>	<u>\$2,030</u>

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6. Key management personnel compensation

	Three Months Ended September 30		Six Months Ended September 30	
	2023	2022	2023	2022
Short-term employee benefits	\$11,891	\$9,772	\$35,673	\$29,317
Post-employment benefits	105	95	314	286
Total	<u>\$11,996</u>	<u>\$9,867</u>	<u>\$35,987</u>	<u>\$29,603</u>

For detailed information on compensation to key management, please refer to the Annual Report of the Shareholders' Meeting.

VIII. Pledged assets

As of September 30, 2023、December 31, 2022 and September 30, 2022, The Group has the following assets that are used as collateral:

Item	Carrying amount			Collateralized debt
	September 30, 2023	December 31, 2022	September 30, 2022	
Property, plant and equipment – land	\$313,691	\$314,649	\$313,814	Long-/short-term borrowings
Property, plant and equipment – buildings	155,815	160,030	161,113	Long-/short-term borrowing
Property, plant and equipment – machinery equipment	438,239	488,440	505,028	Long-term borrowing
Property, plant and equipment – other equipment	276	346	370	Long-term borrowing
Total	<u>\$908,021</u>	<u>\$963,465</u>	<u>\$980,425</u>	

IX. Material contingent liabilities and unrecognized contractual commitments

- As of September 30, 2023、December 31, 2022 and September 30, 2022, the guaranteed notes issued by the Group due to bank loans were NT\$1,263,110 thousand、NT\$1,263,110 thousand and NT\$1,263,110 thousand, respectively.
- The Company and its subsidiaries provide endorsements or guarantees for related parties. For details please refer to Note XIII. 1. (2).
- As of September 30, 2023、December 31, 2022 and September 30, 2022, the letters of credit that have been issued by the Group but not used were JPY0 thousand、JPY0 thousand and JPY43,110 thousand, respectively.

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4. As of September 30, 2023, 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 Group fails to meet the financial limits on the above financial ratios, it should achieve the objective during the period of improvement.

As of September 30, 2023, the Group met the medium- and long-term loan commitments that was entered into with KGI Bank and there had been no breach.

X. Losses due to major disasters

No such matter.

XI. Significant subsequent events

No such matter.

XII. Others

(I) Financial instruments

1. Types of financial instruments

Financial assets

	September 30, 2023	December 31, 2022	September 30, 2022
Financial instruments measured at fair value through other comprehensive income	\$398,974	\$563,031	\$607,681
Financial assets measured at amortized cost			
Cash and cash equivalents (exclusive of cash on hand)	1,094,184	1,329,588	958,490
Financial assets measured at amortized cost	17,000	17,000	17,000
Notes receivable and accounts receivable	661,898	602,522	927,772
Other receivables	17,665	12,360	29,920
Subtotal	<u>1,790,747</u>	<u>1,961,470</u>	<u>1,933,182</u>
Total	<u>\$2,189,721</u>	<u>\$2,524,501</u>	<u>\$2,540,863</u>

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<u>Financial liabilities</u>	September 30, 2023	December 31, 2022	September 30, 2022
Financial liabilities measured at amortized cost			
Payables	\$196,138	\$153,139	\$249,454
Other payables	173,603	246,699	226,804
Less: Long-term loans payable (including current portion)	539,205	711,286	765,588
Lease liability	111,435	139,521	141,205
Total	<u>\$1,020,381</u>	<u>\$1,250,645</u>	<u>\$1,383,051</u>

## 2. Financial risk management objectives and policies

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

The Group has established appropriate policies, procedures, and internal controls for the above-mentioned financial risk management in accordance with 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 Group should strictly comply with the relevant regulations for financial risk management it formulated.

## 3. Market risk

The Group'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 Group'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 Group) and net investment in foreign operations.

Part of the Group's Some foreign currency receivables and foreign currency

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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 Group did not hedge against it.

The sensitivity analysis of the Group'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 Group's profit or loss and equity. The Group'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 Group in the nine months ended September 30, 2023 and 2022 will decrease/increase by NT\$8,057 thousand and NT\$14,661 thousand, respectively.

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 Group's risk of changes in interest rates mainly arises from borrowings with floating interest rates and fixed interest rates. However, the Group had no risks of cash flows with significant changes in interest rates in the nine months ended September 30, 2023 and 2022.

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\$3,923 thousand and NT\$6,014 thousand on the equity attributable to the Company as at September 30, 2023 and 2022, respectively.

If the fair value hierarchy of other equity instruments or derivatives linked to



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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 Group'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 Group'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 Group'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.

In addition, the Group 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 Group's Finance Department manages the credit risk of cash in banks, fixed income securities, and other financial instruments in accordance with the Group's policies. Because the Group'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 Group 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 Group, 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.

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Non-derivative financial liabilities

	<u>Less than a year</u>	<u>2 to 3 years</u>	<u>4 to 5 years</u>	<u>over 5 years</u>	<u>Total</u>
September 30, 2023					
Payables	\$196,138	\$ -	\$ -	\$ -	\$196,138
Other payables	173,603	-	-	-	173,603
Long-term borrowings – bank	231,107	323,482	-	-	554,589
Lease liability	30,905	53,812	22,127	9,947	116,791
	<u>Less than a year</u>	<u>2 to 3 years</u>	<u>4 to 5 years</u>	<u>over 5 years</u>	<u>Total</u>
December 31, 2022					
Payables	\$153,139	\$ -	\$ -	\$ -	\$153,139
Other payables	246,699	-	-	-	246,699
Long-term borrowings – bank	186,314	540,387	-	-	726,701
Lease liability	32,592	60,613	41,220	12,932	147,357
	<u>Less than a year</u>	<u>2 to 3 years</u>	<u>4 to 5 years</u>	<u>over 5 years</u>	<u>Total</u>
September 30, 2022					
Payables	\$249,454	\$ -	\$ -	\$ -	\$249,454
Other payables	226,804	-	-	-	226,804
Long-term borrowings – bank	137,242	648,117	370	-	785,729
Lease liability	31,298	59,169	45,125	13,926	149,518

Derivative financial liabilities

None

6. Reconciliation of liabilities arising from financing activities

Information on the reconciliation of liabilities in the nine months ended September 30, 2023:

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	Long-term borrowings (including the current portion)	Lease liability	Total liabilities arising from financing activities
January 1, 2023	\$711,286	\$139,521	\$850,807
Cash flows	(171,636)	(21,666)	(193,302)
Others	-	-	-
Exchange rate changes	(445)	(6,420)	(6,865)
September 30, 2023	<u>\$539,205</u>	<u>\$111,435</u>	<u>\$650,640</u>

Information on the reconciliation of liabilities in the nine months ended September 30, 2022:

	Long-term borrowings (including the current portion)	Lease liability	Total liabilities arising from financing activities
January 1, 2022	\$748,281	\$137,305	\$885,586
Cash flows	18,108	(20,589)	(2,481)
Others	-	32,979	32,979
Exchange rate changes	(801)	(8,490)	(9,291)
September 30, 2022	<u>\$765,588</u>	<u>\$141,205</u>	<u>\$906,793</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, shares of public companies and non-public companies) is estimated by

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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 Group'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 September 30, 2023, December 31, 2022 and September 30, 2022, the Group 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 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

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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 Group 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:

As of September 30, 2023

	<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	\$392,341	\$ -	\$6,693	\$398,974

As of 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	\$ -	\$7,044	\$563,031

As of September 30, 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	\$601,356	\$ -	\$6,325	\$607,681

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

In the nine months ended September 30, 2023 and 2022, there was no transfer between Level 1 and Level 2 of the fair value hierarchy of the Group'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 Groups' 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	
	Nine Months Ended September 30	
	2023	2022
Beginning balance	\$7,044	\$8,227
Total profit (loss) recognized from January 1 to March 31:		
Recognized in other comprehensive income (presented in "gains or Losses on Valuation of Investment in equity instruments at fair value through other comprehensive income")	(51)	(1,840)
Dispose/settle	(353)	-
The effects of changes in foreign exchange rates	(7)	(62)
Ending balance	\$6,633	\$6,325

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 Groups' 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:

As of September 30, 2023

	Valuation technique	Significant unobservable input	Quantitative information	Relationship between input value and fair value	Sensitivity of the input to 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 Group decreases/increases by NT\$66 thousand.

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As of December 31, 2022

Financial assets: Measured at fair value through other comprehensive income	Valuation technique	Significant unobservable input	Quantitative information	Relationship between input value and fair value	Sensitivity of the input to fair value
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 Group decreases/increases by NT\$70 thousand.

As of September 30, 2022

Financial assets: Measured at fair value through other comprehensive income	Valuation technique	Significant unobservable input	Quantitative information	Relationship between input value and fair value	Sensitivity of the input to fair value
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 Group decreases/increases by NT\$63 thousand.

(3) Fair value measurement hierarchy of the Group's assets and liabilities not measured at fair value but for which the fair value is disclosed.

As of September 30, 2023

	Level 1	Level 2	Level 3	Total
Assets with fair value disclosure only:				
Investment properties (For details, please refer to Note VI.)	\$ -	\$ -	\$90,066	\$90,066
Investments accounted for using the equity method (For details, please refer to Note VI.)	659,667	-	-	659,667

As of December 31, 2022

	Level 1	Level 2	Level 3	Total
Assets with fair value disclosure only:				
Investment properties (For details, please refer to Note VI.)	\$ -	\$ -	\$92,566	\$92,566
Investments accounted for using the equity method (For details, please refer to Note VI.)	502,384	-	-	502,384

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As of September 30, 2022

	Level 1	Level 2	Level 3	Total
Assets with fair value disclosure only:				
Investment properties (For details, please refer to Note VI.)	\$ -	\$ -	\$113,280	\$113,280
Investments accounted for using the equity method (For details, please refer to Note VI.)	509,873	-	-	509,873

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:

	Expressed in thousand dallor								
	September 30, 2023			December 31, 2022			September 30, 2022		
	Foreign currency	Exchang e rate	New Taiwan dollar	Foreign currency	Exchang e rate	New Taiwan dollar	Foreign currency	Exchang e rate	New Taiwan dollar
<u>Financial assets</u>									
Monetary items:									
USD	\$27,132	32.2680	\$875,495	\$48,779	30.7080	\$1,497,906	47,602	31.74	1,510,887
JPY	1,140,448	0.2161	246,451	866,156	0.2324	201,295	1,163,082	0.2199	255,762
<u>Financial liabilities</u>									
Monetary items:									
USD	2,164	32.2680	69,828	1,093	30.7080	33,564	1,410	31.74	44,753
JPY	624,906	0.2161	135,042	516,258	0.2324	119,978	974,767	0.2199	214,351

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 Group; 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 Group's foreign exchange gains and losses in the nine months ended September 30, 2023 and 2022 were NT\$44,923 thousand and NT\$195,732 thousand, respectively.

11. Capital management

The primary objective of the Group's capital management is to maintain sound credit ratings and good capital ratio to support business operations and the maximization of shareholders' interests. The Group 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.



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XIII. Information disclosed in the notes

1. Information on significant transactions

(1) Loans to other parties: The following transactions are among the consolidating entities that should be written off and have been adjusted and written off.

A. The Company

None.

B. Subsidiary

No.	Lending company	Counterparty of the loan	Transaction account	A related party or not	The maximum balance in the current period	Ending balance	Actual drawdown Amount	Interest rate collars	Nature of loan	Business transaction amount	Reason for the necessity of short-term financing facility	Amount of provision for bad debts	Collateral		The maximum amount permitted to a single borrower (Note 1)	The aggregate amount of loans (Note 1)
													Name	Value		
1	SIWARD TECHNOLOGY CO., LTD.	SE JAPAN CO., LTD	Other receivables	Yes	JPY 45,312,500	JPY 42,500,000	JPY 42,500,000	0.5%	Short-term financing facility is necessary.	\$ -	Business turnover	\$ -	-	\$ -	JPY 639,263,700	JPY 639,263,700

Note 1: 40% of the net worth on the most current financial statements of the lending company

(2) Endorsements/guarantees for others :

A. The Company

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	\$577,042 (Note 8)	\$118,000	\$118,000	\$81,219	\$ -	3.07%	\$1,538,445 (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

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- (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 NT\$3,846,944 thousand as audited by accountants on September 30, 2023.
- Note 9: The maximum aggregate amount is calculated based on 40% of the Company's net value of NT\$3,846,944 thousand as audited by accountants on September 30, 2023.

### B. Subsidiary

None.

(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)

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%	-

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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
	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	1,595	0.95%	1,595
	IGIANT OPTICS CO.,LTD.	Non-related party	Financial assets at fair value through other comprehensive income – non-current	9,000	273	0.03%	273
	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	5,038	19.32%	5,038
	Rakon Limited	or not	Financial assets at fair value through other comprehensive income – non-current	28,016,681	392,068	12.23%	392,068
				Total			
					<u>\$398,974</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

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	\$300,223	51.28%	60 days	No general transaction price is available for comparison.	-	\$58,406	41.82%	

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(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.

(10)The business relationship between the parent and the subsidiaries and between each subsidiary, and the circumstances and amounts of any significant transactions between them

No. (Note 1)	Name of the company conducting a transaction	Counterparty	Relationship with the company (Note 2)	Circumstances of transactions			
				for	Amount	Transaction terms	Percentage of the total consolidated revenue or total assets (Note 3)
0	SIWARD Crystal Technology Co., Ltd.	SIWARD TECHNOLOGY CO., LTD.	1	Purchases	\$300,223	No general transaction price is available for comparison.	16.81%
0	SIWARD Crystal Technology Co., Ltd.	SIWARD TECHNOLOGY CO., LTD.	1	Accounts payable	\$58,406	No general transaction price is available for comparison.	1.14%

Note 1: "0" represents the parent company and the rest of the Arabic numbers represent subsidiaries.

Note 2: There are three types of relationship between the company conducting a transaction and the counterparty as follows:

1. Parent company to a subsidiary
2. A subsidiary to parent company
3. A subsidiary to a subsidiary

Note 3: For the calculation of the transaction amount as a percentage of the total consolidated revenue or total assets, the items under asset or liability accounts are calculated by the ending balance as a percentage of the total consolidated assets; the items under profit or loss accounts are calculated by the interim accumulated amount as a percentage of the total consolidated revenue.

## 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 of 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%	\$320,653	\$7,914 (JPY35,300,111)	\$16,2556 (including unrealized gains on transactions of associates \$8,341)	Subsidiary

**SIWARD Crystal Technology Co., Ltd. and Subsidiaries**  
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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 of shares	Ratio	Carrying amount:			
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%	\$ 15,083	\$2,373 (USD76,709)	\$2,373	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%	\$2,322	\$(1,168)	\$(396)	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%	\$37,657	\$458	\$402	Subsidiary
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%	\$202,997	\$150,005	\$20,443	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%	\$13,423 (JPY62,114,623)	\$3,570 (JPY15,923,148)	Not applicable	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%	\$(1,868)	\$(1,168)	Not applicable	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 3)	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.	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)	\$(1,168) (RMB265,704)	78.70%	Included in the subsidiary	\$2,715	-
SIWARD Crystal Technology (Shenzhen) Co., Ltd.	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)	\$(1,279) (RMB294,852)	100%	\$(1,279)	\$8,508	-

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
NT\$128,479 thousand (US\$4,267,273)	US\$17,268,532.19	Net worth * 60%
		NT\$2,308,166 thousand (Note 2)

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(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.

4. Information on major shareholders

As of September 30, 2023, the Company had no shareholders who hold 5 percent or more of the issuer's equity.

XIV. Segment information

For management purposes, the Group divides its operating units, according to different strategic business units, into the following five reportable segments:

Siward Taiwan segment: Engaged in manufacturing, processing, and sales of quartz crystal oscillators and filters.

Siward Japan segment: Engaged in the manufacture and sale of quartz crystals, miniature temperature-compensated oscillators, and surface acoustic wave filters.

Apex Optech Corporation segment: Engaged in the manufacture of electronic components, wholesale and retail of electronic materials, and product design and international trade business.

The above-mentioned reportable segments do not aggregate more than one operating segment.

The management oversees the operating results of each own business unit separately to make decisions on resource allocation and performance evaluation. The performance of the segment is assessed on the basis of operating profit or loss and measured in a manner consistent with operating profit or loss in the consolidated financial statements. However, the income tax in the consolidated financial statements is managed on a group basis and is not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

1. Information on profit or loss for each reportable segment

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(1) For the three months ended September 30, 2023

	Siward Crystal Technology (Taiwan)	Siward Crystal Technology (Japan)	Apex Optech Corporation	Others (Note 1)	Adjustment and cancellation	Total
Revenue						
external customers	\$536,184	\$50,785	\$1,663	\$ -	\$ -	\$588,632
Inter-segment	8,495	114,606	2,110	2,781	(127,992)	-
Total revenue	<u>\$544,679</u>	<u>\$165,391</u>	<u>\$3,773</u>	<u>\$2,781</u>	<u>(127,992)</u>	<u>\$588,632</u>
Segment profit or loss	<u>\$111,702</u>	<u>\$4,932</u>	<u>\$(44)</u>	<u>\$479</u>	<u>\$1,514</u>	<u>\$118,583</u>

(2) For the nine months ended September 30, 2023 :

	Siward Crystal Technology (Taiwan)	Siward Crystal Technology (Japan)	Apex Optech Corporation	Others (Note 1)	Adjustment and cancellation	Total
Revenue						
external customers	\$1,640,078	\$137,314	\$8,906	\$ -	\$ -	\$1,786,298
Inter-segment	31,466	317,405	3,118	8,635	(360,624)	-
Total revenue	<u>\$1,671,544</u>	<u>\$454,719</u>	<u>\$12,024</u>	<u>\$8,635</u>	<u>\$(360,624)</u>	<u>\$1,786,298</u>
Segment profit or loss	<u>\$313,390</u>	<u>\$9,082</u>	<u>\$(114)</u>	<u>\$1,076</u>	<u>\$8,341</u>	<u>\$331,775</u>

(3) For the three months ended September 30, 2022

	Siward Crystal Technology (Taiwan)	Siward Crystal Technology (Japan)	Apex Optech Corporation	Others (Note 1)	Adjustment and cancellation	Total
Revenue						
external customers	\$787,747	\$53,609	\$4,237	\$ -	\$ -	\$845,593
Inter-segment	12,541	171,044	552	2,687	(186,824)	-
Total revenue	<u>\$800,288</u>	<u>\$224,653</u>	<u>\$4,789</u>	<u>\$2,687</u>	<u>\$(186,824)</u>	<u>\$845,593</u>
Segment profit or loss	<u>\$340,480</u>	<u>\$6,897</u>	<u>\$(41)</u>	<u>\$160</u>	<u>\$(1,704)</u>	<u>\$345,792</u>

(4) For the nine months ended September 30, 2022

	Siward Crystal Technology (Taiwan)	Siward Crystal Technology (Japan)	Apex Optech Corporation	Others (Note 1)	Adjustment and cancellation	Total
Revenue						
external customers	\$2,359,609	\$221,254	\$9,140	\$ -	\$ -	\$2,590,003
Inter-segment	42,781	517,486	1,067	8,694	(570,028)	-
Total revenue	<u>\$2,402,390</u>	<u>\$738,740</u>	<u>\$10,207</u>	<u>\$8,694</u>	<u>\$(570,028)</u>	<u>\$2,590,003</u>
Segment profit or loss	<u>\$859,540</u>	<u>\$25,950</u>	<u>\$(989)</u>	<u>\$1,447</u>	<u>\$(19,075)</u>	<u>\$866,873</u>

Note 1: For revenue coming from those below the quantitative threshold, including SCT and Siward Shenzhen segment, which do not meet the quantitative threshold for reportable segments.

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2、Information on assets and liabilities of the Group's operating segments as of September 30, 2023、December 31, 2022 and September 30, 2022:

Segment assets:

	Siward Crystal Technology (Taiwan)	Siward Crystal Technology (Japan)	Apex Optech Corporation	Others	Adjustment and cancellation	Total
September 30,,2023	\$4,969,233	\$573,829	\$50,523	\$27,762	\$(499,402)	\$5,121,945
December 31, 2022	\$5,543,648	\$600,996	\$51,944	\$25,930	\$(543,054)	\$5,679,464
September 30, 2022	\$5,516,449	\$668,221	\$50,361	\$26,444	\$(529,175)	\$5,732,300

Segment liabilities:

	Siward Crystal Technology (Taiwan)	Siward Crystal Technology (Japan)	Apex Optech Corporation	Others	Adjustment and cancellation	Total
September 30,,2023	\$1,122,289	\$228,466	\$9,419	\$4,171	\$(95,929)	\$1,268,416
December 31, 2022	\$1,447,256	\$237,447	\$10,722	\$4,126	\$(123,185)	\$1,576,366
September 30, 2022	\$1,503,964	\$321,512	\$9,634	\$3,546	\$(125,551)	\$1,713,105