

Stock Code: 2484

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

## **Parent Company Only Financial Statements for the Years Ended December 31, 2023 and 2022 and Independent Auditors' Report**

The reader is advised that these consolidated financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

## **Independent Auditor’s Report Translated from Chinese**

To SIWARD Crystal Technology Co., Ltd.:

### **Opinion**

We have audited the accompanying parent company only financial statements of SIWARD Crystal Technology Co., Ltd. (the “Company”), which comprise the parent company only balance sheets as of December 31, 2023 and 2022, and related parent company only statements of comprehensive income, changes in equity, cash flows, and notes to parent company only financial statements (including summary of significant accounting policies) for the years ended December 31, 2023 and 2022. The independent auditor has completed the audits of these statements.

In our opinion, the parent company only financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and its financial performance and cash flows for the years ended December 31, 2023 and 2022, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with The Norm of the Professional Ethics for Certified Public Accountant of the Republic of China (the “Norm”), and we have fulfilled our other ethical responsibilities in accordance with the Norm. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements of the Company for the year ended December 31, 2023. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Impairment of accounts receivable

As of December 31, 2023, the carrying amounts of the accounts receivable and loss allowance of the Company were NT\$570,923 thousand and NT\$16,620 thousand, respectively. The net accounts receivable account for 11% of the total assets, which have significant influence over the Company.

Because the amount of loss allowance for accounts receivable is measured by the expected credit losses during the duration, the accounts receivable should be classified into groups in the measurement process, and appropriate age ranges and the loss rates for each age range, and their forward-looking information should be determined. These activities involve management

judgments or assumptions and the measurement result affects the net accounts receivable; therefore, we have identified the Impairment of accounts receivable as a key audit matter.

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

We also consider the appropriateness of accounts receivable and related risk disclosures in Notes IV、V and VI to the parent company only financial statements.

### Inventory valuation

As of December 31, 2023, the carrying amounts of inventories of the Company were NT\$902,199 thousand, with net inventories accounting for 18% of the total assets, which have significant influence over the Company and the end application of products is in the rapidly changing industry, resulting in the losses of slow-moving or obsolete inventories. Therefore, the allowance to reduce inventory to market and valuation of slow-moving inventories involve management judgments or assumptions, and thus we have judged inventory valuation as a key audit matter.

The audit procedures that we performed include, but not limited to, understanding and testing the effectiveness of the internal controls established by the management for inventories, including the evaluation procedures for the identification of obsolete or defective inventories; the evaluation on the management's stocktaking plan and on-site observation of inventory counting to verify the quantity and status of inventory; selection of samples to test the correctness and completeness of inventory age; selection of samples to re-calculating the unit cost of inventories; and evaluating net realizable value adopted by management.

We also consider the appropriateness of inventory related disclosures in Notes IV、V and VI to the parent company only financial statements.

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

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

In preparing the parent company only financial statements, management is responsible for assessing the ability to continue as a going concern of the Company, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the audit committee) are responsible for overseeing the financial reporting process of the Company.

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

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also :

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements of the Company for the year ended December 31, 2023 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Ernst & Young Taiwan

February 29, 2024

#### **Notice to Readers**

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

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

**SIWARD Crystal Technology Co., Ltd.**
**PARENT COMPANY ONLY BALANCE SHEETS**
**DECEMBER 31, 2023 AND 2022**

(In Thousands of New Taiwan Dollars)

	2023		2022	
	Amount	%	Amount	%
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents (Notes IV and VI.1)	\$843,156	16	\$1,193,318	22
Accounts receivable, net (Notes IV, VI.2 and VI.14)	524,016	10	510,558	9
Accounts receivable due from related parties, net (Notes IV, VI.3, VI.14 and VII.3)	30,287	1	61,697	1
Inventories (Notes IV and VI.4)	902,199	18	907,180	16
Other current assets (Notes IV)	10,393	-	11,445	-
Total current assets	<u>2,310,051</u>	<u>45</u>	<u>2,684,198</u>	<u>48</u>
Non-current assets				
Non-current financial assets at fair value through other comprehensive income (Notes IV and VI.4)	678,696	13	562,334	10
Investments accounted for using equity method (Notes IV and VI.5)	579,274	11	583,965	10
Property, plant and equipment (Notes IV, VI.7 and VIII)	1,376,123	27	1,494,533	27
Right-of-use assets (Notes IV and VI.15)	30,876	1	38,934	1
Investment property, net (Notes IV and VI.7)	47,322	1	48,694	1
Intangible assets (Notes IV and VI.8)	48,079	1	56,373	1
Deferred tax assets (Notes IV and VI.19)	41,763	1	34,107	1
Other non-current assets (Notes IV and VI.9)	19,141	-	40,510	1
Total non-current assets	<u>2,821,274</u>	<u>55</u>	<u>2,859,450</u>	<u>52</u>
<b>TOTAL ASSETS</b>	<u>\$5,131,325</u>	<u>100</u>	<u>\$5,543,648</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
Current liabilities				
Current contract liabilities (Notes VI.13)	\$8,160	-	\$17,917	-
Notes payable	2,130	-	2,518	-
Accounts payable	81,596	2	51,419	1
Accounts payable to related parties (Notes VII.4)	66,416	1	89,945	2
Other payables	195,769	4	250,876	5
Current tax liabilities	87,124	2	117,092	2
Current lease liabilities (Notes IV and VI.15)	8,143	-	8,027	-
Other current liabilities	4,437	-	2,576	-
Current portion of long-term borrowings (Notes VI.10)	215,040	4	177,680	3
Total current liabilities	<u>668,815</u>	<u>13</u>	<u>718,050</u>	<u>13</u>
Non-current liabilities				
Long-term borrowings (Notes IV and VI.10)	161,280	3	526,320	9
Deferred tax liabilities (Notes IV and VI.19)	141,699	3	115,397	2
Non-current lease liabilities (Notes IV and VI.15)	23,768	-	31,912	1
Defined benefit liabilities, net (Notes IV and VI.11)	46,182	1	55,522	1
Other non-current liabilities	6,349	-	55	-
Total non-current liabilities	<u>379,278</u>	<u>7</u>	<u>729,206</u>	<u>13</u>
Total liabilities	<u>1,048,093</u>	<u>20</u>	<u>1,447,256</u>	<u>26</u>
Equity attributable to owners of parent (Notes VI.12)				
Share capital				
Ordinary share	1,594,210	31	1,594,210	29
Capital surplus	802,473	16	802,473	14
Retained earnings				
Legal reserve	290,911	6	212,637	4
Unappropriated retained earnings (accumulated deficit)	1,103,367	21	1,268,703	23
Other equity interest				
Exchange differences on translation of foreign financial statements	(124,035)	(2)	(104,848)	(2)
Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	416,306	8	323,217	6
Total equity	<u>4,083,232</u>	<u>80</u>	<u>4,096,392</u>	<u>74</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<u>\$5,131,325</u>	<u>100</u>	<u>\$5,543,648</u>	<u>100</u>

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

**SIWARD Crystal Technology Co., Ltd.**
**PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME**
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

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

	2023		2022	
	Amount	%	Amount	%
REVENUE (Note IV and VI.13)	\$2,191,702	100	\$3,045,329	100
COST OF GOODS SOLD (Note VI.16)	(1,619,244)	(74)	(1,863,827)	(61)
GROSS PROFIT	<u>572,458</u>	<u>26</u>	<u>1,181,502</u>	<u>39</u>
OPERATING EXPENSES (Note VI.16)				
Selling and marketing expenses	(91,372)	(4)	(105,430)	(3)
General and administrative expenses	(112,707)	(5)	(160,291)	(6)
Research and development expenses	(92,485)	(4)	(96,848)	(3)
Expected credit loss reversed on trade receivables (Note VI.14)	-	-	(26,034)	(1)
Total operating expenses	<u>(296,564)</u>	<u>(13)</u>	<u>(388,603)</u>	<u>(13)</u>
PROFIT FROM OPERATIONS	<u>275,894</u>	<u>13</u>	<u>792,899</u>	<u>26</u>
NON-OPERATING INCOME AND EXPENSES (Note IV and VI.17)				
Interest income	16,578	1	6,073	-
Other income	21,643	1	19,883	1
Other gains and losses	6,991	-	141,874	4
Finance costs	(11,043)	-	(10,846)	-
Share of profits of associates and joint ventures (Note VI.5)	32,234	1	30,050	1
Total non-operating income and expenses	<u>66,403</u>	<u>3</u>	<u>187,034</u>	<u>6</u>
PROFIT BEFORE INCOME TAX	342,297	16	979,933	32
INCOME TAX EXPENSE (Note IV and VI.19)	(81,309)	(4)	(211,657)	(7)
NET PROFIT FOR THE YEAR	<u>260,988</u>	<u>12</u>	<u>768,276</u>	<u>25</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will not be reclassified subsequently to profit or loss:				
Gains (losses) on remeasurements of defined benefit plans	3,700	-	17,895	1
Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	116,025	5	(545,980)	(18)
Share of other comprehensive income of associates and joint ventures accounted for using equity method	53	-	144	-
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	(24,013)	(1)	105,617	3
Item that maybe reclassified subsequently to profit or loss:				
Exchange differences on translation	(23,945)	(1)	(10,165)	-
Share of other comprehensive income of associates and joint ventures accounted for using equity method	(21)	-	(29)	-
Income tax related to components of other comprehensive income	4,779	-	2,050	-
Other comprehensive income, net (Note VI.18)	<u>76,578</u>	<u>3</u>	<u>(430,468)</u>	<u>(14)</u>
Total comprehensive income	<u>\$337,566</u>	<u>15</u>	<u>\$337,808</u>	<u>11</u>
Earnings per share (Note IV and VI.20)				
Basic earnings per share	<u>\$1.64</u>		<u>\$4.82</u>	
Diluted earnings per share	<u>\$1.63</u>		<u>\$4.77</u>	

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

**SIWARD Crystal Technology Co., Ltd.**

**PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY**

**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

(In Thousands of New Taiwan Dollars)

	Ordinary share	Capital surplus	Retained earnings		Other		Total equity
			Legal reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealised gains (losses) on financial assets measured at fair value through other comprehensive income	
BALANCE AT JANUARY 1,2022	\$1,594,210	\$802,473	\$164,010	\$773,725	\$(96,704)	\$760,001	\$3,997,715
Appropriation of 2021 earnings							
Legal reserve appropriated			48,627	(48,627)			-
Cash dividends of ordinary share				(239,131)			(239,131)
Net profit (loss) for the year ended December 31,2022				768,276			768,276
Other comprehensive income for the year ended December 31,2021				14,460	(8,144)	(436,784)	(430,468)
Total comprehensive income				782,736	(8,144)	(436,784)	337,808
BALANCE AT DECEMBER 31,2022	\$1,594,210	\$802,473	\$212,637	\$1,268,703	\$(104,848)	\$323,217	\$4,096,392
BALANCE AT JANUARY 1,2023	\$1,594,210	\$802,473	\$212,637	\$1,268,703	\$(104,848)	\$323,217	\$4,096,392
Appropriation of 2022 earnings							
Legal reserve appropriated			78,274	(78,274)			-
Cash dividends of ordinary share				(350,726)			(350,726)
Net profit (loss) for the year ended December 31,2023				260,988			260,988
Other comprehensive income for the year ended December 31,2022				3,013	(19,187)	92,752	76,578
Total comprehensive income				264,001	(19,187)	92,752	337,566
Disposal of investments in equity instruments designated at fair value through other comprehensive income				(337)		337	-
BALANCE AT DECEMBER 31,2022	\$1,594,210	\$802,473	\$290,911	\$1,103,367	\$(124,035)	\$416,306	\$4,083,232

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



# SIWARD Crystal Technology Co., Ltd.

## PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars)

	2023	2022
Cash flows from (used in) operating activities		
Profit (loss) before tax	\$342,297	\$979,933
Adjustments for :		
Depreciation expense	200,043	206,322
Amortization expense	15,917	14,884
Expected credit loss recognized on trade receivables	-	26,034
Interest expense	11,043	10,846
Interest income	(16,578)	(6,073)
Share of profit of associates and joint ventures accounted	(32,234)	(30,050)
Dividend income	(8,199)	(202)
Loss (gain) on disposal of property, plan and equipment	(174)	361
Loss (gain) on disposal of investments	-	-
Write-down of inventories	9,312	409
Changes in operating assets and liabilities		
Decrease in notes receivable	-	1,117
Decrease (increase) in accounts receivable	(13,458)	145,621
Decrease (increase) in accounts receivable due from related parties	31,410	35,473
Increase in inventories	(4,331)	(114,333)
Decrease (increase) in other current assets	1,052	4,392
Increase (decrease) in contract liabilities	(3,463)	(9,455)
Increase (decrease) in notes payable	(388)	1,775
Decrease in accounts payable	30,177	(65,113)
Increase (decrease) in accounts payable to related parties	(23,529)	28,650
Increase in other payable	(52,442)	40,784
Increase (decrease) in other current liabilities	1,861	2,344
Decrease in net defined benefit liability	(5,610)	(7,468)
Cash inflow generated from operations	482,706	1,266,251
Interest received	16,578	6,073
Dividends received	20,874	8,844
Interest paid	(11,133)	(10,696)
Income taxes paid	(111,865)	(204,794)
Net cash flows from operating activities	397,160	1,065,678

(Continued)

## SIWARD Crystal Technology Co., Ltd.

### PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023	2022
Cash flows from (used in) investing activities :		
Proceeds from disposal of financial assets at amortised cost	-	86,812
Acquisition of property, plant and equipment	(55,989)	(225,980)
Proceeds from disposal of property, plant and equipment	277	-
Acquisition of intangible assets	(5,163)	(3,521)
Decrease in other non-current assets	17	13
Net cash used in investing activities	<u>(60,858)</u>	<u>(142,676)</u>
Cash flows from (used in) financing activities :		
Proceeds from long-term borrowings	-	32,260
Repayments of long-term borrowings	(327,680)	(66,400)
Payments of lease liabilities	(8,028)	(7,912)
Cash dividends paid	<u>(350,726)</u>	<u>(239,131)</u>
Net cash used in financing activities	<u>(686,434)</u>	<u>(281,183)</u>
Net increase (decrease) in cash and cash equivalents	(350,132)	641,819
Cash and cash equivalents at beginning of period	1,193,318	551,499
Cash and cash equivalents at end of period	<u>\$843,186</u>	<u>\$1,193,318</u>

(Concluded)

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

# SIWARD Crystal Technology Co., Ltd.

## Notes to the Parent Company Only Financial Statements

For the Years Ended December 31, 2023 and 2022

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

### I. Company history

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

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

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

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

### II. Date and procedures of authorization of financial statements for issue

The financial reports of the Company for the years ended December 31, 2023 and 2022 were authorized for issue by the Board of Directors on February 29, 2024.

### 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 Company applied for the first time International Financial Reporting

SIWARD Crystal Technology Co., Ltd.

Notes to the Parent Company Only Financial Statements

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

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 on or after January 1, 2023. The adoption of these new standards and amendments had no material impact on the Company.

2. Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) which are endorsed by FSC, but not yet adopted by the Company as at the end of the reporting period are listed below.

Item No.	Newly issued/revised/amended standards and interpretations	Effective date Issued by 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.

SIWARD Crystal Technology Co., Ltd.

Notes to the Parent Company Only Financial Statements

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

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2024. Apart from item explained below, the remaining standards and interpretations have no material impact on the Company.

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 Company as at the end of the reporting period are listed below.

Item No.	Newly issued/revised/amended standards and interpretations	Effective date Issued by 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

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IFRS 17 is the General (building block) Model, under this model, on 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 results easier to explain. IFRS 17 replaces an interim Standard -IFRS 4 Insurance Contracts- from annual reporting periods beginning on or after January 1, 2023.

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

These amendments specify whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide. The amendments apply for annual reporting periods beginning on or after January 1, 2025.

The abovementioned standards and interpretations issued by the IASB have not yet endorsed by FSC at the date when the Company'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 Company.

IV. A summary of significant accounting policies

1. Statement of Compliance

The parent company only financial statements of the Company for the years ended December 31, 2023 and 2022 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations").

2. Basis of Preparation

The parent company only financial statements have been prepared on a

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historical cost basis except for financial instruments measured at fair value. Amounts in the parent company only financial statements are expressed in thousands of New Taiwan dollars (“NT\$”) unless otherwise stated.

### 3. Foreign Currency Transactions

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

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

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

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

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

### 4. Translation of Foreign Currency Financial Statements

Each entity in the Group determines its own functional currency and remeasures its financial statements into its functional currency. When preparing the parent company only financial statements, the assets and

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

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

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

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

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

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

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



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- (1) Liabilities that are expected to be paid off within the normal operating cycle;
- (2) Liabilities held mainly for sales;
- (3) Liabilities that are expected to be paid off within twelve months from the reporting date;
- (4) For liabilities their repayment date cannot be extended unconditionally to more than twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

#### 6. Cash and Cash Equivalents

Cash and cash equivalents refer to cash on hand, demand deposits, and short-term, highly liquid time deposits (including ones that have maturity within 3 months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

#### 7. Financial Instruments

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

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

##### (1) Recognition and Measurement of Financial Assets

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

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

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

Financial assets at amortized cost

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

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

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

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

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

Financial assets at fair value through other comprehensive income

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

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

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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 income, financial assets are all measured at fair value through profit or loss and the financial assets at fair value through profit or loss are presented in the balance sheet.

Such financial assets are measured at fair value, and the gain or loss arising on remeasurement is recognized as profit or loss. The gain or

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loss recognized in profit or loss includes any dividends or interest received from the financial asset.

(2) Impairment of Financial Assets

The Company recognizes the investments in debt instruments measured at fair value through other comprehensive income and the financial assets at amortized cost as expected credit losses and measures loss allowance. The loss allowance for investments in debt instruments measured at fair value through other comprehensive income is recognized as other comprehensive income without reducing the carrying amount of the investment.

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

- A. An unIFRSed 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 Company measures the loss allowance at an amount equal to lifetime expected credit losses.
- D. For lease receivables that result from transactions that are within the scope of IFRS 16, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

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

(3) Derecognition of Financial Assets

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

- A. When the contractual rights to the cash flows from the financial asset expire;
- B. The financial asset has been transferred and all the risks and rewards of ownership of the transferred asset have been transferred substantially to others;
- C. All the risks and rewards of ownership of the financial asset have been neither transferred nor retained substantially but the control of the transferred asset has been transferred.

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

(4) Financial Liabilities and Equity Instruments

Classification of liabilities or equity

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

Equity instrument

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

### Compound instrument

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

For the liabilities not involving derivatives instruments, their fair values are assessed using the market interest rates of the bonds equivalent in nature and without conversion characteristics, and before conversion or redemption, the amount of this part is classified as a financial liability measured at amortized cost. Other embedded derivative instruments that are not clearly and closely related to the debt host (for example, the embedded repurchase and redemption rights are confirmed that the exercise price cannot be nearly equal to the amortized cost of the debt host on each exercise date) are classified as the liability components unless they are the equity components and in subsequent periods are measured at fair value through profit or loss. The amount of the equity element is determined by deducting the liability component from the fair value of convertible bonds and the carrying amount thereof will not be re-measured in subsequent periods. If the issued convertible bonds do not have an equity element, they should be accounted for as hybrid instruments under IFRS 9.

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

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

### Financial liabilities

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

Financial liabilities at fair value through profit or loss

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

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

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

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

- A. Such designation eliminates or significantly reduces measurement or recognition inconsistency; or
- B. A group of financial assets or liabilities or both is managed, its performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy, and the portfolio information provided to the management within the consolidated company is also based on fair value.

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

Financial liabilities at amortized cost

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

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

Derecognition of financial liabilities

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

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

(5) Offsetting Financial Assets and Financial Liabilities

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

8. Derivative Instruments

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

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

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



## 9. Fair Value Measurement

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

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

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

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

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

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

## 10. Inventories

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

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

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

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

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

#### 11. Investments Accounted for Using the Equity Method

According to Article 21 of the Regulation, the Company's investment in subsidiaries was presented as "Investments accounted for using equity method" and made necessary adjustments. The profit or loss during the period and other comprehensive income presented in the parent company only financial statements shall be the same as the allocations of profit or loss during the period and of other comprehensive income attributable to shareholders of the parent presented in the financial statements prepared on a consolidated basis, and the shareholders' equity presented in the parent company only financial statements shall be the same as the equity attributable to shareholders of the parent presented in the financial statements prepared on a consolidated basis. The adjustment was considered the difference between investment in subsidiaries in consolidated financial statements according to IFRS 10 "Consolidated financial statements" and application of IFRS to different reporting entities, debit/credit "Investment accounted for using equity method", "Share of profit or loss of subsidiaries, associates and joint ventures" or "Share of other comprehensive profit or loss of subsidiaries, associates and joint ventures" etc.

The Company's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Company has significant influence. Joint venture means the Company has rights to the net assets of the joint agreement (with joint controller).

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

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

When an associate issues new stock, the Company does not subscribe according to the shareholding ratio, resulting in changes in the investment ratio, which causes an increasing or decrease in the Company's share of the

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net assets of the associate or joint venture, the increase or decrease is adjusted by “additional paid-in capital” and “Investment accounted for using the equity method.” When the change in the investment ratio is a decrease, the related items previously recognized in other comprehensive income should be reclassified to profit or loss or other appropriate accounts according to the decrease ratio. The additional paid-in capital recognized as mentioned above should be transferred to profit or loss according to the proportion of disposal in the subsequent disposal of associates.

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

At the end of each reporting period the Company determines whether there is any objective evidence that the investment in its the associate or joint venture is impaired according to the requirements of 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 Company shall determine the relevant value in use based on the following estimates:

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

The goodwill component included in the carrying amount of the investment in the investment in its the associate is not recognized separately; therefore, it is not necessary to apply the requirements of the goodwill impairment test of IAS 36 “Impairment of Assets.”

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

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remeasure the retained interest.

## 12. Property, Plant and Equipment

Property, plant and equipment is recognized on the basis of the acquisition cost and presented after deducting any accumulated depreciation and accumulated impairment losses. The above-mentioned costs include the costs of dismantling and removing the item of property, plant and equipment items and the site on which it is located and necessary interest expenses arising from construction in progress. When each component of an item of property, plant and equipment is significant must be depreciated separately. When significant components of an item of property plant and equipment must be replaced periodically, the Company treats the item as an individual asset and recognizes separately with specific useful life and depreciation method. The carrying amount of the replaced part is derecognized under the derecognition requirements of 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:

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

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

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

## 13. Investment Properties

The investment properties owned by the Company are measured initially at

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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:

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

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

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

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

#### 14. Leases

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

- (1) The right to obtain substantially all of the economic benefits from the use of the identified asset; and
- (2) The right to direct the use of the identified asset.

When a contract is (or contains) a lease, the Company accounts for each lease component as a lease separately from non-lease components of the

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

The Company as a lessee

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

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

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

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

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

- (1) the amount of the initial measurement of the lease liability;

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

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

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

The Company applies 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 Company presents right-of-use assets and lease liabilities in the balance sheet and presents the depreciation expense and interest expense related to the lease separately in the statement of comprehensive income.

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

The Company as a lessor

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

For any arrangements that contain lease and non-lease components, the

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

The Company recognizes the rental income from operating leases as lease/rental revenue on either a straight-line basis over the lease term or another systematic basis. Variable lease payments that do not depend on an index or a rate are excluded from operating lease are recognized as rental income upon the occurrence.

## 15. Intangible Assets

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

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

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

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

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

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



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

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

The Company assess all asset within the scope of 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 Company shall carry out the test on an individual asset or a cash-generating unit to which an asset belongs. If the results of the impairment test show that the amount by which the carrying amount of an asset or a cash-generating unit to which an asset belongs exceeds its recoverable amount, an impairment loss should be recognized. the recoverable amount is the higher of the asset’s fair value less cost to sell and its value in use.

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

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

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

## 17. Provisions

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

## 18. Revenue Recognition

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

### Sale of goods

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

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

## 19. Borrowing Costs

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

## 20. Government Grants

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

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

## 21. Post-employment Benefit Plans

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

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

Post-retirement benefits that are defined contribution plans are presented based on the actuarial reports at the end of the annual reporting period in accordance with the Projected Unit Credit Method. The remeasurement on the net defined benefit liability (asset) includes any changes in the return on plan assets and asset cap influence number, less the amount included in the net interest on the net defined benefit liability (asset), and actuarial gains or

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losses. The remeasurement on the net defined benefit liability (asset) is included in other comprehensive income when incurred and is recognized immediately in retained earnings. Past service cost is the change in the present value of the defined benefit obligation resulting from a plan amendment or curtailment, and is recognized as an expense at the earlier of the following dates:

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

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

## 22. Share-based Payment

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

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

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

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

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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 Company recognizes unearned remuneration of employees at the grant date. Unearned remuneration of employees is a transitional item, which is deducted from equity in the consolidated balance sheet and transferred to payroll expenses over the passage of time.

### 23. Income Tax

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

#### Current tax

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

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

#### Deferred tax

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

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

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According to the provisions of the temporary exceptions of the "International Tax Reform - Pillar Two Model Rules (Amendment to International Accounting Standards No. 12)", deferred income tax assets and liabilities of Pillar Two income tax are not allowed to be recognized and the relevant information is not disclosed.

#### 24. Business Combinations and Goodwill

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

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

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

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

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill arising in a business combination is allocated to each of the acquirer's cash-generating units, or company of cash-generating units, that are expected to benefit from the synergies of the combination,

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

1. Judgments

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

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

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

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

The Company does not hold a majority of voting rights of some investees. However, after considering the Company's absolute shareholding ratio of these companies, the relative shareholding ratio and shareholding dispersion of other shareholders, the written agreement among shareholders, the potential voting rights, and other factors, the Company is judged to have control over them. Please refer to Note IV for details. In addition, among them, the Company holds



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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. 5 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

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing 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 Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

Deferred tax assets are recognized for all carry forward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies. Please refer to Note VI for more details.

(2) Receivables – Estimation of Impairment Losses

The Company's estimation of impairment losses on receivables are measured by the amounts arising from lifetime expected credit losses. Credit losses are defined as the present value of the difference between contractual cash flows (carrying amount) due and cash flow (evaluation of forward-looking information) expected to receive. However, cash

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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 realisable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made. Please refer to Note 6 for more details.

VI. Descriptions of major accounting items

1. Cash and Cash Equivalents

	December 31, 2023	December 31, 2022
Cash on hand	\$678	\$585
Demand deposits	597,140	1,088,558
Time deposits	245,338	104,175
Total	<u>\$843,156</u>	<u>\$1,193,318</u>

2. Accounts Receivable and Accounts Receivable – Related Party

	December 31, 2023	December 31, 2022
Accounts receivable	\$540,636	\$527,178
Less: Loss allowance	(16,620)	(16,620)
Subtotal	<u>524,016</u>	<u>510,558</u>
Accounts receivable – related party	30,287	61,697
Less: Loss allowance	-	-
Subtotal	<u>30,287</u>	<u>61,697</u>
Total	<u>\$554,303</u>	<u>\$572,255</u>

Accounts receivables were not pledged.

The Company provides a credit term of 30–180 days usually to its customers. The total carrying amounts on December 31, 2023 and 2022 were NT\$570,923 thousand and NT\$588,875 thousand, respectively. For more information on loss allowances, please refer to Note VI. 14; for more information on credit risk, please refer to Note XII.

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As of December 31, 2023 and 2022, the amount of accounts receivable were NT\$136,987 thousand that were determined to be irrecoverable have been transferred to long-term receivables and the amount of provision for loss allowance were NT\$136,987 thousand.

3. Inventories

	December 31, 2023	December 31, 2022
Raw materials	\$313,884	\$330,994
Supplies	186,540	166,817
Work in process	127,718	142,717
Semi-finished products	100,235	82,328
finished products (including purchased components)	173,711	184,324
Net value	<u>\$902,199</u>	<u>\$907,180</u>

The cost of inventories recognized as an expense by the Company for the years ended December 31, 2023 was NT\$1,619,244 thousand, including NT\$9,312 thousand recognized as a current loss when the inventory was written down to the net realizable value.

The cost of inventories recognized as an expense by the Company for the years ended December 31, 2022 was NT\$1,863,827 thousand, including NT\$409 thousand recognized as a current loss when the inventory was written down to the net realizable value.

The above inventories were not pledged.

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

	December 31, 2023	December 31, 2022
Investment in equity instruments at fair value through other comprehensive income – non-current:		
Shares of TWSE/TPEX listed companies	\$671,512	\$555,987
Shares of non-TWSE/TPEX listed companies	7,184	6,347
Total	<u>\$678,696</u>	<u>\$562,334</u>

The Company's financial instruments measured at fair value through other comprehensive income were not pledged.

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The cash dividend income of financial assets at fair value through other comprehensive income held by the Company for the years ended December 31, 2023 and 2022 were NT\$8,199 thousand and NT\$202 thousand, respectively.

5. Investments Accounted for Using the Equity Method

The following table lists the investments accounted for using the equity method of the Company:

Name of invested company	December 31, 2023		December 31, 2022	
	Amount	Shareholding ratio%	Amount	Shareholding ratio %
Investments in subsidiaries:				
Siward Technology Co.Ltd.	\$315,282	100.00	\$330,498	100.00
Apex Optech Co.	2,178	33.93	2,720	33.93
Apex Optech Corporation	37,118	87.78	37,257	87.78
SCT USA, Inc.	13,747	100.00	11,999	100.00
Siward electronic tech.(Shenzhen) Inc.	8,768	100.00	9,805	100.00
Subtotal	<u>377,093</u>		<u>392,279</u>	
Investments in associates:				
Securitag Assembly Group Co., Ltd.	205,747	13.63	195,252	13.63
Subtotal	<u>582,840</u>		<u>587,531</u>	
Less: cumulative impairment	<u>(3,566)</u>		<u>(3,566)</u>	
Total	<u>\$579,274</u>		<u>\$583,965</u>	

(1) The details of profit or loss of subsidiaries and associates recognized for the years ended December 31, 2023 and 2022 were as follows:

	For the years ended December 31	
	2023	2022
Siward Technology Co.,Ltd.	\$8,829	\$3,424
Apex Optech Co.	(520)	(566)
Apex Optech Corporation	(110)	346
SCT USA Inc.	1,761	2,847
Siward electronic tech. (Shenzhen) Inc.	(8,64)	(1,952)
Securitag Assembly Group Co., Ltd.	23,138	25,951
Total	<u>\$32,234</u>	<u>\$30,050</u>

The cash dividend income of Securitag Assembly Group Co., Ltd. held by the Company for the years ended December 31, 2023 and 2022 were NT\$12,675 thousand and NT\$8,642 thousand, respectively.

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- (2) The details of the exchange differences on translating the financial statements of foreign operations recognized for the years ended December 31, 2023 and 2022 were as follows:

	For the years ended December 31	
	2023	2022
Siward Technology Co.,Ltd.	\$(23,708)	\$(11,438)
Apex Optech Co.	(22)	38
Apex Optech Corporation	(29)	50
SCT USA Inc.	(13)	977
Siward electronic tech. (Shenzhen) Inc.	(173)	208
Securitag Assembly Group Co., Ltd.	\$(21)	\$(29)
Total	\$(23,966)	\$(10,194)

- (3) Because the chairman of Securitag Assembly Group Co., Ltd.,- the investee company 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 Company holds 13.63% of the voting rights of Securitag Assembly Group Co., Ltd.; however, because the other two 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 Company has no control over Securitag Assembly Group Co., Ltd. and only has significant influence. As of December 31, 2023 and 2022, the fair values of Securitag Assembly Group Co., Ltd. were NT\$616,457 thousand and NT\$502,384 thousand, respectively.

## 6. Property, Plant and Equipment

	Land and land improvements	Buildings	Machinery equipment	Office equipment	Transportation equipment	Lased assets	Other equipment	Total
<u>Cost:</u>								
January 1, 2023	\$307,049	\$452,942	\$2,989,222	\$15,008	\$2,312	\$6,550	\$479,389	\$4,252,472
Addition	-	402	10,842	638	-	-	17,788	29,670
Reduction	-	-	(1,586)	(349)	-	-	(796)	(2,731)
Reclassification	-	120	38,924	-	-	-	3,592	42,636
December 31, 2023	\$307,049	\$453,464	\$3,037,402	\$15,297	\$2,312	\$6,550	\$499,973	\$4,322,047

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	Land and land improvements	Buildings	Machinery equipment	Office equipment	Transportation equipment	Lased assets	Other equipment	Total
<b>Depreciation and impairment:</b>								
January 1, 2023	\$ -	\$(269,071)	\$(2,062,976)	\$(13,948)	\$(2,312)	\$(6,342)	\$(403,290)	\$(2,757,939)
Depreciation	-	(8,859)	(150,396)	(554)	-	(45)	(30,759)	(190,613)
Reduction	-	-	1,485	349	-	-	794	2,628
Reclassification	\$ -	\$(277,930)	\$(2,211,887)	\$(14,153)	\$(2,312)	\$(6,387)	\$(433,255)	\$(2,945,924)
December 31, 2023	\$ -	\$(269,071)	\$(2,062,976)	\$(13,948)	\$(2,312)	\$(6,342)	\$(403,290)	\$(2,757,939)

	Land and land improvements	Buildings	Machinery equipment	Office equipment	Transportation equipment	Lased assets	Other equipment	Total
<b>Cost:</b>								
January 1, 2022	\$307,049	\$452,565	\$2,822,591	\$14,130	\$2,312	\$6,550	\$468,266	\$4,073,463
Addition	-	377	109,204	1,015	-	-	13,288	123,884
Reduction	-	-	(27,385)	(137)	-	-	(3,466)	(30,988)
Reclassification	-	-	84,812	-	-	-	1,301	86,113
December 31, 2022	\$307,049	\$452,942	\$2,989,222	\$15,008	\$2,312	\$6,550	\$479,389	\$4,252,472

<b>Depreciation and impairment:</b>								
January 1, 2022	\$ -	\$(258,982)	\$(1,935,581)	\$(13,592)	\$(2,312)	\$(6,297)	\$(374,910)	\$(2,591,674)
Depreciation	-	(10,089)	(154,499)	(493)	-	(45)	(31,766)	(196,892)
Reduction	-	-	27,104	137	-	-	3,386	30,627
December 31, 2022	\$ -	\$(269,071)	\$(2,062,976)	\$(13,948)	\$(2,312)	\$(6,342)	\$(403,290)	\$(2,757,939)

<b>Net carrying amount:</b>								
December 31, 2023	\$307,049	\$175,534	\$825,515	\$1,144	\$ -	\$163	\$66,718	\$1,376,123
December 31, 2022	\$307,049	\$183,871	\$926,246	\$1,060	\$ -	\$208	\$76,099	\$1,494,533

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

- (1) The major components of the Company's buildings are principally the main building and air-conditioning equipment, which are depreciated over the useful lives of 50 years and 15 years, respectively.
- (2) For more information on the Company's property, plant and equipment that are provided for as a pledge, please refer to Note VIII.
- (3) No interest capitalization is required for the acquisition of property, plant and equipment for the years ended December 31, 2023 and 2022.

## 7. Investment Properties

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

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according to the market environment every year.

	Buildings
Cost:	
January 1, 2023	\$55,210
Addition	-
December 31, 2023	\$55,210
January 1, 2022	\$55,210
Addition	-
December 31, 2022	\$55,210
Depreciation and impairment:	
January 1, 2023	\$6,516
Depreciation for the current year	1,372
December 31, 2023	\$7,888
January 1, 2022	\$5,114
Depreciation for the current year	1,372
December 31, 2022	\$6,516
Net carrying amount:	
December 31, 2023	\$48,694
December 31, 2022	\$48,694

	For the years ended December 31	
	2023	2022
Rental income from investment properties	\$1,383	\$1,284
Less: Direct operating expenses incurred by investment properties that generate rental income for the current period	-	-
Direct operating expenses incurred by investment properties that do not generate rental income for the current period	-	-
Total	\$1,383	\$1,284

The Company's investment properties were not pledged.

The investment properties held by the Company are not measured at fair value, and only the information on their fair value is disclosed, which are classified within level 3 of the fair value hierarchy. The fair values of the investment properties held by the Company as of December 31, 2023 and December 31, 2022 were NT54,892 thousand and NT\$55,284 thousand, respectively. The investment properties of the Company are recorded mainly

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based on the appraisal report of external experts in previous years, and taking into account the changes in local housing price index as the benchmark for the current year's fair value.

8. Intangible Assets

	Patented technology	Computer software	Total
Cost:			
January 1, 2023	\$126,280	\$28,181	\$154,461
Addition – separately acquired		5,163	5,163
Reclassification	-	2,460	2,460
December 31, 2023	<u>\$126,280</u>	<u>\$35,804</u>	<u>\$162,084</u>
January 1, 2022	\$126,280	\$24,011	\$149,681
Addition – separately acquired	-	4,170	4,170
December 31, 2022	<u>\$126,280</u>	<u>\$28,181</u>	<u>\$154,461</u>
Amortization and impairment:			
January 1, 2023	\$(73,663)	\$(24,425)	\$(98,088)
Amortization	(12,628)	(3,289)	(15,917)
December 31, 2023	<u>\$(86,291)</u>	<u>\$(27,714)</u>	<u>\$(114,005)</u>
January 1, 2022	\$(61,035)	\$(22,169)	\$(83,204)
Amortization	(12,628)	(2,256)	(14,884)
December 31, 2022	<u>\$(73,663)</u>	<u>\$(24,425)</u>	<u>\$(98,088)</u>
Net carrying amount:			
	Patented technology	Computer software	Total
December 31, 2023	<u>\$39,989</u>	<u>\$8,090</u>	<u>\$48,079</u>
December 31, 2022	<u>\$52,617</u>	<u>\$3,756</u>	<u>\$56,373</u>

Amortization amounts of intangible assets are recognized as follows:

	For the years ended December 31	
	2023	2022
Operating costs	\$2,464	\$313
Selling and marketing expenses	-	14
General and administrative expenses	257	197
Research and development expenses	13,196	14,360
Total	<u>\$15,917</u>	<u>\$14,884</u>



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9. Other non-current assets

	December 31, 2023	December 31, 2022
Prepayment for equipment	\$18,331	\$39,683
Long-term receivables	136,987	136,987
Less: Loss allowance	(136,987)	(136,987)
Refundable deposits	810	827
Total	\$19,141	\$40,510

10. Long-term borrowings

The details of long-term debt payable as of December 31, 2023 and 2022 are described as follows:

Creditor	Type	December 31, 2023	Interest rate (%)	Repayment period and method
Bank of Taiwan	Secured loan	376,320	1.750	From September 2020 to September 2025, the first two and a half years is a grace period. When the grace period expires, it is repayable in 30 equal monthly instalments and the interest is paid monthly.
Subtotal		376,320		
Less: Current portion of long-term Borrowings		(215,040)		
Total		\$161,280		

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.
Subtotal		704,000		
Less: Current portion of long-term borrowings		(117,680)		
Total		\$526,320		

## 11. Post-employment Benefit Plans

### Defined contribution plan

The employees retirement regulations formulated by the Company in accordance with the “Labor Pension Act” is a definite provision plan. According to the Act, the Company shall pay an employee pension contribution rate not less than 6% of the employee’s monthly salary every month. The Company have already appropriated 6% of the employee’s salary to the individual pension account of the Bureau of Labor Insurance in compliance with the employees retirement regulations that is formulated according to the Act.

The expense amounts recognized by the Company for the years ended December 31, 2023 and 2022 of the defined contribution plans were NT\$19,258 thousand and NT\$20,507 thousand, respectively.

### Defined benefit plan

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

Asset allocation is carried out by the Ministry of Labor in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The fund invests under proprietary operation and entrusted operation, with both actively and passively managed medium and long-term investment strategies. In consideration of market, credit, liquidity, and other risks, the Ministry of Labor set up the fund risk limit and control plan to provide sufficient flexibility to achieve target returns and curb excessive risk taking. With regard to utilization of the Fund, the minimum earnings in the annual distributions on the final financial

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statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. In case that the deficit is still inadequate to cover the surplus, Treasury Funds can be used to cover the deficits after the approval of the competent authority. Because the Company has no right to participate in the operation and management of the fund, it cannot disclose the classification of the fair value of the plan assets in accordance with Paragraph 142 of IAS 19. As of December 31, 2023, the Company is expected to allocate NT\$1,674 thousand in the following year under the defined benefit plan.

As of December 31, 2023, the weighted average duration of the Company's defined benefit plan is 7 years.

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

	For the years ended December 31	
	2023	2022
Service cost for the current period	\$87	\$130
Net interest on the net defined benefit liability (asset)	683	560
Total	\$770	\$690

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

	December 31, 2023	December 31, 2022	January 1, 2022
Present value of the defined benefit obligation	\$133,630	\$142,765	\$159,482
Fair value of the plan assets	(87,448)	(87,243)	(78,597)
Other non-current liabilities – net defined benefit liability (asset)	\$416,182	\$55,522	\$80,885

Reconciliation of the net defined benefit liability (asset):

	Defined benefit Present value of obligation	Plan assets Fair value	Net defined benefit liability (asset)
January 1, 2022	\$159,482	\$(78,597)	\$80,885
Service cost for the current period	130	-	130
Interest expense (income)	1,083	(523)	560
Subtotal	160,695	(79,120)	81,575
Remeasurements of the defined benefit liability/asset:			
Actuarial gain or loss due to changes in	6	-	330

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	Defined benefit Present value of obligation	Plan assets Fair value	Net defined benefit liability (asset)
demographic assumptions			
Experience adjustments	(5,560)	-	(1,563)
Actuarial gain or loss due to changes in financial assumptions	(6,332)	-	(6,332)
Remeasurements of the defined benefit asset	-	(6,039)	(6,039)
Subtotal	148,839	(85,159)	87,449
Benefits paid	(6,074)	6,074	-
Employer contributions		(8,158)	(8,158)
December 31, 2022	\$142,765	\$(87,243)	\$55,522
Service cost for the current period	87	-	87
Interest expense (income)	1,750	(1,067)	683
Subtotal	144,602	(88,310)	56,292
Remeasurements of the defined benefit liability/asset:			
Actuarial gain or loss due to changes in demographic assumptions	11	-	11
Experience adjustments	(3,442)	-	(3,442)
Actuarial gain or loss due to changes in financial assumptions	488	-	488
Remeasurements of the defined benefit asset	-	(757)	(757)
Subtotal	141,659	(89,067)	52,592
Benefits paid	(8,029)	8,029	-
Employer contributions		(6,410)	(6,410)
December 31, 2023	\$133,630	\$(87,448)	\$46,182

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

	December 31, 2023	December 31, 2022
Discount rate	1.20%	1.25%
Expected salary increase rate	3.00%	3.00%

A sensitivity analysis for each significant actuarial assumption:

	For the years ended December 31			
	2023		2022	
	Increase in defined benefit obligation	Decrease in defined benefit obligation	Increase in defined benefit obligation	Decrease in defined benefit obligation
Discount rate increased by 0.25%	\$ -	\$(2,408)	\$ -	\$(2,736)
Discount rate decreased by 0.25%	2,482	-	2,824	-
Expected salary increased by 0.25%	2,432	-	2,768	-
Expected salary decreased by 0.25%	-	(2,373)	-	(2,697)

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

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

## 12. Equity

### (1) Capital

As of January 1, 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. There was no change as of December 31, 2023. The holders of shares shall be entitled to one vote for each share and the right to receive dividends.

### (2) Additional paid-in capital

Item	December 31, 2023	December 31, 2022
Additional paid-in capital in excess of par- common stock	\$557,589	\$557,589
Conversion premium of the convertible bond	239,970	239,970
Change in the net equity of associates and joint ventures accounted for using the equity method	-	-
Others	4,914	4,914
Total	\$802,473	\$802,473

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.

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(3) Distributable earnings and dividend policy

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

Details of the 2023 and 2022 earnings distribution and dividends per share as approved and resolved by the Board of Directors' meeting and shareholders' meeting on February 29, 2024 and June 19, 2023, respectively, are as follows:

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	Appropriation of earnings		Dividend per share (NT\$)	
	2023	2022	2023	2022
Legal reserve	\$26,366	\$78,274		
Cash dividends on common stock	159,421	350,726	NT\$1	NT\$2.2
Total	<u>\$185,787</u>	<u>\$429,000</u>		

In addition to the above-mentioned cash dividend of NT\$1 per share distributed from appropriations of earnings for the years ended December 31, 2023, the company's board of directors proposed to distribute a cash dividend of 79,711 thousand from capital surplus, with a distribution of NT\$0.5 per share. Therefore, the total amount of cash distributed to shareholders was NT\$1.5 per share.

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

### 13. Operating revenue

	For the years ended December 31	
	2023	2022
Revenue from contracts with customers		
Revenue from goods sold	\$2,185,518	\$3,039,448
Other operating revenue	6,184	5,881
Total	<u>\$2,191,702</u>	<u>\$3,045,329</u>

For the years ended December 31, 2023 and 2022, the Company's revenue from contracts with customers were recognized at a point in time.

#### (1) Balance of contract

##### A. Contract assets – current

The Company had no contract assets for the years ended December 31, 2023 and 2022.

##### B. Contract liabilities – current

	December 31, 2023	December 31, 2022	January 1, 2022
Sale of goods	<u>\$8,160</u>	<u>\$17,917</u>	<u>\$27,372</u>

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The Company's balance of contract liabilities decreased for the years ended December 31, 2023 because most of the performance obligations were fulfilled and recognized as revenue in the current period, of which the beginning balance of NT\$6,115 thousand was recognized as revenue in the current period.

The Company's balance of contract liabilities decreased for the years ended December 31, 2022 because most of the performance obligations were fulfilled and recognized as revenue in the current period, of which the beginning balance of NT\$10,987 thousand was recognized as revenue in the current period.

(2) The transaction price allocated to the performance obligations

As of December 31, 2023 and 2022, the Company's customer contracts for the sale of goods are all shorter than one year, so it is not necessary to provide information on unfulfilled performance obligations.

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

None.

14. Expected credit losses

	For the years ended December 31	
	2023	2022
Operating expenses – expected credit losses		
Accounts receivable	\$-	\$6,034
Long-term receivables	-	20,000
Total	\$-	\$26,034

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

The loss allowance for the Company's receivables (including notes receivable, accounts receivable, and long-term receivables (accounting for other non-current assets)) are all measured by the amount of lifetime expected credit losses, considering counterparty credit risks and other factors and using the provision matrix. The relevant description of the assessment of the amount of the loss allowance as of December 31, 2023 and December 31, 2022 are described as follows:



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December 31, 2023

Group I: An Individual assessment for counterparties in some regions. The total carrying amount of long-term receivables was NT\$136,987 thousand and was accounted for as other non-current assets, all of which are overdue, and the amount of provision for loss allowance was 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	More than 91 days	
Gross carrying amount:	\$522,655	\$32,217	\$9,276	\$ -	\$6,775	\$570,923
Loss ratio	0.54%	9.81%	41.55%	-%	100%	
Lifetime expected credit losses	(2,832)	(3,159)	(3,854)		(6,775)	(16,620)
Total	\$519,823	\$29,058	\$5,422	\$ -	\$ -	\$554,303

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	More than 91 days	
Gross carrying amount:	\$577,290	\$2,650	\$1,589	\$325	\$7,021	\$588,875
Loss ratio	1.53%	5.77%	27.45%	53.85%	100%	
Lifetime expected credit losses	(8,835)	(153)	(436)	(175)	(7,021)	(16,620)
Total	\$568,455	\$2,497	\$1,153	\$150	\$ -	\$572,255

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

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The movement in the provision for impairment of note receivables and trade receivables during the years ended December 31, 2023 and 2022 are as follows:

	Notes receivable	Accounts receivable	Long-term receivables
January 1, 2023	\$ -	\$16,620	\$136,987
Addition/(reversal) for the current period	-	-	-
December 31, 2023	<u>\$ -</u>	<u>\$16,620</u>	<u>\$136,987</u>
January 1, 2022	\$ -	\$10,586	\$116,987
Addition/(reversal) for the current period	-	6,034	20,000
December 31, 2022	<u>\$ -</u>	<u>\$16,620</u>	<u>\$136,987</u>

#### 15. Leases

##### (1) The Company as a lessee

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

The Company's leases effect on the financial position, financial performance and cash flows are as follow:

The effects of leases on the Company'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

	December 31, 2023	December 31, 2022
Land	\$26,701	\$30,583
Buildings	4,175	8,351
Total	<u>\$30,876</u>	<u>\$38,934</u>

During the years ended December 31, 2023, the company did not increase the right-of-use assets; during the years ended December

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31, 2022, The Company's additions to right-of-use assets amounting to NT\$1,860 thousand.

(b) Lease liability

	December 31, 2023	December 31, 2022
Current	\$8,143	\$8,027
Non-current	23,768	31,912
Total	\$31,911	\$39,939

Please refer to Note VI.17(4) for the interest on lease liabilities recognized during the years ended December 31, 2023 and 2022 and refer to Note XII.5 liquidity risk management for the maturity analysis for lease liabilities as of December 31, 2023 and 2022.

B. Amount recognized in the statement of comprehensive income

Depreciation of right-of-use assets

	For the years ended December 31	
	2023	2022
Land	\$3,882	\$3,883
Buildings	4,176	4,175
Total	\$8,058	\$8,058

C. Income and costs relating to leasing activities

	For the years ended December 31	
	2023	2022
Expenses for short-term rentals	\$5,628	\$6,097

D. Cash outflow related to lessee and lease activity

During the years ended December 31, 2023 and 2022, The Company's total cash outflows for leases amounting to NT\$13,422 thousand and NT\$14,244 thousand, respectively.

E. Other information related to leasing activities

(a) Variable lease payments

Part of the Company's real estate lease agreements include the terms of variable lease payments with respect to the changes in

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

(b) Options to extend or terminate the lease

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

(c) Residual value guarantee: None.

(2) The Company as a lessor

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

	<u>For the years ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Lease income on operating leases		
Income related to fixed lease payments and variable lease payments that depend on an index or a rate	\$1,383	\$1,284
Income related to variable lease payments that do not depend on an index or a rate	-	-
Total	<u>\$1,383</u>	<u>\$1,284</u>

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

Type of function Type of nature	For the years ended December 31, 2023			For the years ended December 31, 2022		
	Related to operating costs	Related to operating costs	Total	Related to operating costs	Related to operating costs	Total
Employee benefit expenses						
Payroll expenses	\$321,398	\$134,398	\$455,796	\$361,866	\$180,013	\$541,879
Labor/Health insurance expenses	35,930	12,113	48,043	37,829	11,093	48,922
Pension expense	14,906	5,122	20,028	16,045	5,152	21,197
Directors remuneration	-	9,125	9,125	-	22,592	22,592
Other employee benefit expenses	19,814	4,525	24,339	21,828	4,780	26,608
Depreciation expenses	186,162	13,881	200,043	192,889	13,433	206,322
Amortization expenses	2,464	13,453	15,917	313	14,571	14,884

Respectively, The number of employees of the Company as of December 31, 2023 and 2022 were 729 and 770, of which the number of directors who are not concurrently employees were 6.

For the years ended December 31, 2023 and 2022, the average of employees benefit expenses of Company were NT\$758 thousand and NT\$836 thousand, respectively.

For the years ended December 31, 2023 and 2022, the average of employees salaries of the Company were NT\$630 thousand and NT\$709 thousand, respectively.

The Company's average salary expense adjustment for the year ended December 31, 2023 decreased by 11.1%.

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

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

Where there is a profit for the current year, the Company shall distribute 5% of the profit as remuneration to employees and not more than 3% of the profit as remuneration to directors. However, if the Company has accumulated losses, profit shall be set aside in advance to make up for the losses. Profit refers to the net income before deducting remuneration to employees and remuneration to directors. Performance evaluation and

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remuneration of directors and managers in addition to considering the usual level of payment in the industry, personal performance and contribution, the company's operating performance and the reasonableness of the relationship between future risks, and the results of the director's performance evaluation are also considered, and the reasonableness of the relevant salary is reported. The remuneration committee and the board of directors approve the application, and review the remuneration system in a timely manner based on the actual operating conditions and relevant laws and regulations, in order to strike a balance between the company's sustainable operation and risk control.

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

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

Based on profit of December 31, 2023, the Company estimated employees' compensation and remuneration to directors at 5% and 2%, respectively. During the years ended December 31, 2023, employees' compensation and remuneration to directors recognized were NT\$18,403 thousand and NT\$7,361 thousand, respectively. During the years ended December 31, 2022, employees' compensation and remuneration to directors recognized were NT\$52,685 thousand and NT\$21,074 thousand, respectively. The basis for estimating the distribution were the profit status for the year. The above-mentioned amounts are accounted for under payroll expenses.

The Company's employees' compensation and remuneration to directors for the years ended December 31, 2023 were paid in cash at NT\$18,403 thousand and NT\$7,361 thousand, respectively, by a resolution adopted by the board of directors on February 29, 2024. There were no material differences in the recognized amount for the years ended December 31, 2023 financial statements.

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No material differences exist between the recognized amount and the actual distribution of the employee bonuses and remuneration to directors for the year ended December 31, 2022.

17. Non-operating income and expenses

(1) Interest revenue

	For the years ended December 31	
	2023	2022
Interest revenue		
Financial assets measured at amortized cost	\$16,585	\$6,073

(2) Other income

	For the years ended December 31	
	2023	2022
Rental income	\$4,987	\$5,244
Dividend income	8,199	202
Other income	8,457	14,437
Total	\$21,643	\$19,883

(3) Other gains and losses

	For the years ended December 31	
	2023	2022
Gains (losses) on disposal of property, plant, and equipment	\$174	\$(361)
Foreign exchange gains (losses), net	6,822	142,450
Other losses	(5)	(215)
Total	\$6,991	\$141,874

(4) Financial costs

	For the years ended December 31	
	2023	2022
Interest on bank loans	\$(10,520)	\$(10,208)
Interest on lease liabilities	(523)	(638)
Total financial costs	\$(11,043)	\$(10,846)

18. Components of other comprehensive income

- (1) The components of other comprehensive income for the years ended December 31, 2023 are as follows:

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	Occurred in the current year	Reclassification adjustments in the current period	Other comprehensive income	Tax income (expense)	After-tax amount
Items that will not be reclassified to profit or loss:					
Remeasurements of the defined benefit plan	\$3,700	\$ -	\$3,700	\$(740)	\$2,960
Gains or losses on valuation of investment in equity instruments at fair value through other comprehensive income	116,025	-	116,025	(23,273)	92,752
Share of other comprehensive Income of subsidiaries, associates, and joint ventures	53	-	53	-	53
Items that will be reclassified to profit or loss:					
The exchange differences on translating the financial statements of foreign operations	(23,945)	-	(23,945)	4,779	(19,166)
Share of other comprehensive Income of subsidiaries, associates, and joint ventures	(21)	-	(21)	-	(21)
Total other comprehensive income for the period	<u>\$95,812</u>	<u>\$ -</u>	<u>\$95,812</u>	<u>\$(19,234)</u>	<u>\$76,578</u>

(2) The components of other comprehensive income for the years ended December 31, 2022 are as follows:

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



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19. Income Tax

The major components of income tax expense are as follows:

A. Income tax recognized in profit or loss

	For the years ended December 31	
	2023	2022
Tax expense for the current period:		
Income tax payable	\$82,892	\$196,409
Adjustments recognized in the current period in relation to the current tax of prior years	(995)	(1,362)
deferred tax expenses:		
Deferred tax expenses relating to origination and reversal of temporary differences	(588)	16,610
Income tax expense	\$81,309	\$211,657

B. Income tax recognized in other comprehensive income

	For the years ended December 31	
	2023	2022
Deferred tax income (expense):		
Remeasurements of the defined benefit plan	\$(740)	\$(3,579)
Equity instruments measured at fair value through other comprehensive income	(23,273)	109,196
The exchange differences on translating the financial statements of foreign operations	4,779	2,050
Income tax relating to components of other comprehensive income	\$19,234	\$107,667

C. Income tax recognized directly in equity

None.

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

	For the years ended December 31	
	2023	2022
Net income from continuing operations	\$342,297	\$979,933
Income tax calculated at the statutory tax rate of parent company	\$68,459	\$195,986
Tax effects of gains on tax exemption	(4,515)	(42)
Tax effects of non-deductible expenses on tax return	2,526	15,394
Tax effects of deferred tax assets/liabilities	-	-

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	For the years ended December 31	
	2023	2022
Additional 5% of income tax levied on the undistributed surplus earnings	15,834	1,681
Adjustments recognized in the current year in relation to the current tax of prior years	(995)	(1,362)
Total tax expenses recognized in profit or loss	\$81,309	\$211,657

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

For the years ended December 31, 2023

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Directly recognized in Equity	Ending balance
Temporary differences					
Unrealized foreign exchange losses	\$1,248	\$2,776	\$ -	\$ -	\$4,024
Unrealized foreign exchange gains	(246)	(431)	-	-	(677)
Arising from the recognition of estimated commissions expense	1,284	(557)	-	-	727
Allowance for bad debts exceeding the limit	2,134	9	-	-	2,143
Impairment loss on property, plant and equipment	2,208	-	-	-	2,208
Allowance to reduce inventory to market	12,049	1,863	-	-	13,912
Net defined benefit liability – non-current	11,292	(1,128)	-	-	10,164
Remeasurements of the defined benefit plan	86	-	(740)	-	(654)
Investment loss (gain) accounted for under the equity method	(34,186)	(1,944)	-	-	(36,130)
Impairment loss – under the equity method of accounting for long-term investments	713	-	-	-	713
Impairment loss – under the cost method of accounting for long-term investments	2,662	-	-	-	2,662
Cumulative translation adjustments	431	-	4,779	-	5,210
Losses on valuation of investment in equity instruments at fair value through other comprehensive income	(80,965)	-	(23,273)	-	(104,238)
Deferred tax income/(expense):		\$588	\$(19,234)	\$-	
Deferred tax assets/(liabilities), net	\$(81,290)				\$(99,936)
The information presented in the balance sheet is as follows:					
Deferred tax assets	\$34,107				\$41,763
Deferred tax liabilities	\$(115,397)				\$(141,699)

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For the years ended December 31, 2022

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

F. The assessment of income tax returns

As of December 31, 2023, the Company's income tax returns through 2021 have been assessed and approved by the tax authority

20. Earnings per share

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

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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.

	For the years ended December 31	
	2023	2022
(1) Basic earnings per share		
The net profit for the period attributable to ordinary equity holders of the parent (in thousand NTD)	\$260,988	\$768,276
The weighted average number of ordinary shares for EPS (in thousands of shares)	159,421	159,421
Basic earnings per share (NT\$)	\$1.64	\$4.82
(2) Diluted earnings per share		
The net profit for the period attributable to ordinary equity holders of the parent (in thousand NTD)	\$260,988	\$768,276
The net profit for the period attributable to ordinary equity holders of the parent after adjusting for the dilution effect (in thousand NTD)	\$260,988	768,276
The weighted average number of ordinary shares for EPS (in thousands of shares)	159,421	159,421
Dilution effect		
Employee bonus – share (in thousands of shares)	819	1,732
The weighted average number of ordinary shares after adjusting for the dilution effect (in thousands of shares)	160,240	161,153
Diluted earnings per share (NT\$)	\$1.63	\$4.77

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

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VII. Information on related party transactions

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

Names of related parties and description of relationship

<u>Names of related parties</u>	<u>The relationship with the Group</u>
Siward Technology Co., Ltd	The Company's subsidiary
SCT USA Inc.	The Company's subsidiary
SE Japan CO.	The Company's subsidiary
Apex Optech Corproation	The Company's subsidiary
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

	<u>For the years ended December 31</u>	
	<u>2023</u>	<u>2022</u>
The Company's subsidiary		
Siward Technology Co., Ltd	\$37,475	\$47,045
Other	3,006	8,257
The Company's associate		
Securitag Assembly Group Co., Ltd.	-	50
Substantive related party		
Rakon Limited	80,879	216,627
Others	8,532	11,615
Total	<u>\$129,892</u>	<u>\$283,594</u>

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

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2. Purchases

	<u>For the years ended December 31</u>	
	<u>2023</u>	<u>2022</u>
The Company's subsidiary		
Siward Technology Co., Ltd	\$401,554	\$635,386
Other	4,118	2,847
The Company's associate		
Securitag Assembly Group Co., Ltd.	-	490
Substantive related party		
Rakon Limited	10,209	16,036
Total	<u>\$415,881</u>	<u>\$654,759</u>

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

3. Accounts receivable – related party

	<u>December 31,</u>	<u>December 31,</u>
	<u>2023</u>	<u>2022</u>
The Company's subsidiary		
Siward Technology Co., Ltd	\$11,159	\$15,320
Other	428	431
Substantive related party		
Rakon Limited	17,592	45,352
Others	1,108	594
Total	<u>\$30,287</u>	<u>\$61,697</u>

4. Accounts payable – related party

	<u>December 31,</u>	<u>December 31,</u>
	<u>2023</u>	<u>2022</u>
The Company's subsidiary		
Siward Technology Co., Ltd	\$63,742	\$86,447
Other	2,674	2,083
Substantive related party		
Rakon Limited	-	1,385
Total	<u>\$66,416</u>	<u>\$89,945</u>

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5. Other accounts payable	December 31, 2023	December 31, 2022
The Company's subsidiary	<u>\$22,907</u>	<u>\$19,439</u>
6. Commission expense	<u>For the years ended December 31</u>	
	2023	2022
The Company's subsidiary	<u>\$9,476</u>	<u>\$15,864</u>
7. Other expense	<u>For the years ended December 31</u>	
	2023	2022
The Company's subsidiary	<u>\$12,962</u>	<u>\$11,044</u>
8. Technical support expense	<u>For the years ended December 31</u>	
	2023	2022
The Company's subsidiary	<u>\$2,543</u>	<u>\$2,590</u>
9. Service expense	<u>For the years ended December 31</u>	
	2023	2022
The Company's subsidiary	<u>\$13,086</u>	<u>\$12,577</u>
10. Other income	<u>For the years ended December 31</u>	
	2023	2022
The Company's subsidiary	\$587	\$738
The Company's associate	689	358
Substantive related party	187	1,677
Total	<u>\$1,463</u>	<u>\$2,773</u>
11. Rewards of the Group's key management personnel	<u>For the years ended December 31</u>	
	2023	2022
Short-term employee benefits	\$25,885	\$46,467
Post-employment benefits	639	418
Total	<u>\$26,524</u>	<u>\$46,885</u>

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VIII. Pledged assets

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

Item	Carrying amount		Collateralized debt
	December 31, 2023	December 31, 2022	
Property, plant and equipment – land	\$300,991	\$300,991	Long-/short-term borrowing
Property, plant and equipment – buildings	151,314	155,847	Long-/short-term borrowing
Property, plant and equipment – machinery equipment	421,505	488,440	Long-term debt borrowing
Property, plant and equipment – other equipment	253	346	Long-term borrowing
Total	\$874,063	\$945,624	

IX. Material contingent liabilities and unrecognized contractual commitments

1. As of December 31, 2023 and 2022, the guaranteed notes issued by the Company due to bank loans were NT\$1,263,110 thousand and NT\$1,263,110 thousand, respectively.
2. The Company and its subsidiaries provide endorsements or guarantees for related parties. For details please refer to Note XIII. 1. (2).

X. Losses due to major disasters

No such matter.

XI. Significant subsequent events

No such matter.



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XII. Others

(I) Financial instruments

1. Types of financial instruments

Financial assets

	December 31, 2023	December 31, 2022
Financial instruments measured at fair value through other comprehensive income	\$678,696	\$562,334
Financial assets measured at amortized cost		
Cash and cash equivalents (exclusive of cash on hand)	842,478	1,192,853
Financial assets measured at amortized cost	-	-
Notes receivable and accounts receivable	554,303	572,255
Other receivables	6,711	7,102
Subtotal	1,403,492	1,772,210
Total	\$2,082,188	\$2,334,544

Financial liabilities

	December 31, 2023	December 31, 2022
Financial liabilities measured at amortized cost		
Payables	\$150,142	\$143,882
Other payables	195,769	250,876
Less: Long-term borrowing (including current portion)	376,320	704,000
Lease liability	31,911	39,939
Total	\$754,142	\$1,138,697

2. Financial risk management objectives and policies

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

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

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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 Company should strictly comply with the relevant regulations for financial risk management it formulated.

3. Market risk

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

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

Foreign exchange risk

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

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

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

When New Taiwan dollar appreciates/depreciates by 1% against the

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US dollar, the profit and loss of the Company for the years ended December 31, 2023 and 2022 will decrease/increase by NT\$6,557 thousand and NT\$14,367 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 Company's risk of changes in interest rates mainly arises from borrowings with floating interest rates and fixed interest rates. However, the Company had no risks of cash flows with significant changes in interest rates for the years ended December 31, 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\$6,715 thousand and NT\$5,560 thousand on the equity attributable to the Company for the years ended December 31, 2023 and 2022, respectively.

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

4. Credit risk management

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

Each business unit manages customer credit risk in compliance with

SIWARD Crystal Technology Co., Ltd.

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

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

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

5. Liquidity risk management

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

Non-derivative financial liabilities

	<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, 2023					
Payables	\$150,142	-	-	-	\$150,142
Other payables	195,769	-	-	-	195,769
Long-term borrowing– bank	218,803	163,397	-	-	382,200
Lease liability	8,550	7,958	7,958	8,953	33,416

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	Less than a year	2 to 3 years	4 to 5 years	over 5 years	Total
December 31, 2022					
Payables	\$143,882	-	-	-	\$143,882
Other payables	250,876	-	-	-	250,876
Long-term borrowing– bank	180,583	535,525	-	-	716,108
Lease liability	8,550	12,529	7,958	12,932	41,969

Derivative financial liabilities

None

6. Reconciliation of liabilities arising from financing activities

Information on the reconciliation of liabilities during the years ended December 31, 2023:

	Long-term borrowing (including the current portion)	Lease liability	Total liabilities arising from financing activities
January 1, 2023	\$704,000	\$39,939	\$743,939
Cash flows	(327,680)	(8,028)	(335,708)
Others	-	-	-
December 31, 2023	<u>\$376,320</u>	<u>\$31,911</u>	<u>\$408,231</u>

Information on the reconciliation of liabilities during the years ended December 31, 2022:

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

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

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assumptions used by the Company 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 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

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

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

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

8. Derivative Instruments

As of December 31, 2023 and 2022, the Company did not hold any derivative instruments that did not qualify for hedge accounting and had not yet expired.

9. Fair value hierarchy

- (1) Definition of fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in fair value are categorized in the fair value hierarchy to which they belong based on the lowest level inputs that are significant to the overall fair value measurement. The inputs for each level are as follows:

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

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

Level 3: Unobservable inputs for assets or liabilities

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

- (2) Information on the fair value measurement and hierarchy

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

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December 31, 2023:

	Level 1	Level 2	Level 3	Total
Assets measured at the fair value: Measured at fair value through other comprehensive income				
Stock	\$671,512	\$ -	\$7,184	\$678,696

December 31, 2021:

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

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

During the years ended December 31, 2023 and 2022, there was no transfer between Level 1 and Level 2 of the fair value hierarchy of the Company's assets and liabilities measured at fair value on a recurring basis.

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

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

	Assets	
	Financial instruments measured at fair value through other comprehensive income	
	Stock	
	<u>2023</u>	<u>2022</u>
Beginning balance	\$6,347	\$7,505
Total profit (loss) recognized from January 1 to December 31:		
Recognized in profit or loss (presented in "other gains or losses")	-	-
Recognized in other comprehensive income (presented in "gains or Losses on Valuation of Investment in equity instruments at fair value through other comprehensive income")	837	(1,158)
Dispose/settle	-	-
Ending balance	<u>\$7,184</u>	<u>\$6,347</u>



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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 Company's 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 December 31, 2023:

Valuation technique	Significant unobservable input	Quantitative information	Relationship between input value and fair value	Sensitivity analysis on value relationship between input value and fair value
Financial assets: Measured at fair value through other comprehensive income Stock	Market approach	Discount for lack of liquidity	30%	The higher the level of lack of liquidity, the lower the fair value estimate As the level of lack of liquidity increases (decreases) by 1%, the equity in the Company decreases /increases by NT\$72 thousand.

As of December 31, 2022

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

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

As of December 31, 2023

	Level 1	Level 2	Level 3	Total
Assets with fair value disclosure only:				
Investment properties (For details, please refer to Note VI.)	\$ -	\$ -	\$54,892	\$54,892
Investments accounted for using the equity method (For details, please refer to Note VI.)	616,457	-	-	616,457

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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.)	\$ -	\$ -	\$55,284	\$55,284
Investments accounted for using the equity method (For details, please refer to Note VI.)	502,384	-	-	502,384

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

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

	December 31, 2023			Expressed in thousand December 31, 2022		
	Foreign currency	Exchange rate	New Taiwan dollar	Foreign currency	Exchange rate	New Taiwan dollar
<u>Financial assets</u>						
Monetary items:						
USD	\$24,382	30.7350	\$749,381	\$48,574	30.7080	\$1,491,610
JPY	333,028	0.2173	72,367	342,654	0.2324	79,633
RMB	16,192	4.3338	70,173	17,329	4.4175	76,551
<u>Financial liabilities</u>						
Monetary items:						
USD	3,049	30.7350	93,711	1,789	30.7080	54,937
JPY	355,985	0.2173	77,356	427,020	0.2324	99,239

The above information is disclosed based on the foreign-currency-denominated carrying amounts (translated into functional currencies). There are a wide variety of functional currencies of the entities in the Company; therefore, it is not possible to disclose the information on the foreign exchange gains and losses on the monetary financial assets and financial liabilities by foreign currencies that have significant influence. The Company's foreign exchange gains for the years ended December 31, 2023 and 2022 were NT\$6,822 thousand and NT\$142,450 thousand, respectively.

11. Capital management

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

SIWARD Crystal Technology Co., Ltd.

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Company manages and adjusts the capital structure according to economic conditions, and may achieve the purpose of maintaining and adjusting the capital structure by adjusting dividend payments, returning capital, or issuing new shares.

**XIII. Information disclosed in the notes**

**1. Information on significant transactions**

(1) Loans to other parties: None.

(2) Endorsements/guarantees for others

No. (Note 1)	Company making the endorsement/guarantee (company name)	Counterparty of the endorsement/guarantee		The maximum amount of endorsements/guarantees permitted for a single enterprise (Note 3)	The maximum balance of endorsements/guarantees in the current period (Note 4)	Ending balance of endorsements/guarantees in the current period (Note 5)	Actual drawdown amount (Note 6)	The amount of an endorsement/guarantee with property as security	The percentage of the cumulative amount of endorsements/guarantees accounted for the net worth as stated in its latest financial statement	The maximum amount of endorsements/guarantees (Note 3)	The amount that the Company makes endorsements/guarantees for its subsidiaries (Note 7)	The amount that its subsidiaries makes endorsements/guarantees for the Company (Note 7)	The amount of endorsements/guarantees in the Mainland Area (Note 7)
		Company name	Relationship (Note 2)										
0	SIWARD Crystal Technology Co., Ltd.	SIWARD TECHNOLOGY CO., LTD.	2	\$612,485 (Note 8)	\$118,000	\$118,000	\$75,8794	\$ -	2.89%	\$1,633,293 (Note 9)	Y	N	N

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

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

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

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

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

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

Note 5: The amount approved by the board of directors should be provided. However, if the board of

SIWARD Crystal Technology Co., Ltd.

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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\$4,083,232 thousand as audited by accountants on December 31, 2023.
- Note 9: The maximum aggregate amount is calculated based on 40% of the Company’s net value of NT\$4,083,232 thousand as audited by accountants on December 31, 2023.

(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 Electornic CO., Ltd.	Non-related party	Financial assets at fair value through other comprehensive income – non-current	525,000	-	3.00%	-
		Vision Display Symstem 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	1,970	0.95%	1,970
		Iglant Optics CO.,Ltd.	Non-related party	Financial assets at fair value through other comprehensive income – non-current	9,000	221	0.03%	221
		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	5,214	19.32%	5,214

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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
	Rakon Limited	Related party	Financial assets at fair value through other comprehensive income – non-current	28,016,681	671,291	12.23%	671,291
				Total	\$678,696		

- (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	\$401,554	48.68%	60 days	No general transaction price is available for comparison.	-	\$(63,742)	(42.45)%	

- (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 (I).8 to the Financial Statements.

2. Information on investees

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

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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.	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%	\$315,282	\$5,074 (JPY22,866,760)	\$8,829 (including unrealized gains on transactions of associates \$3,755)	Subsidiary
SIWARD Crystal Technology Co., Ltd.	SCT USA INC.	U.S.A.	Providing after-sales services	\$3,285 (USD100,000)	\$3,285 (USD100,000)	200	100%	\$13,747	\$1,761 (USD56,541)	\$1,761	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%	\$2,178	\$(1,669)	\$(520)	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%	\$37,118	\$394	\$(110)	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%	\$205,547	\$169,776	\$23,138	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%	\$13,742 (JPY63,238,774)	\$3,783 (JPY17,047,299)	Not applicable	Sub-subsidiary
Apex Optech Corporation	APEX OPTECH CO.	British Virgin Islands	Financial investment	\$129,935 (USD3,825,000)	\$129,935 (USD3,825,000)	4,335,000	51%	\$(2,085)	\$(1,532)	Not applicable	Sub-subsidiary

### 3. Information on investments in the Mainland Area

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

Name of the investee company Company name	Principal business activities and influence on the company operations	Paid-in capital	Method of investment	End of the current period The accumulated investment amount remitted from Taiwan at the beginning of the current period	The investment amount remitted or recovered in the current period		The accumulated investment amount remitted from Taiwan at the end of the current period	Profit or loss during the period of the investee company	Shareholding ratio of the Company's direct or indirect investments	Gain or loss on investments recognized in the current period (Note 5)	Carrying amount of the investment at the end of the period	Repatriated investment gains as of the current period
					Outward remittance	Recovery						
SIWARD Crystal Technology (Dongguan) Co., Ltd. (Note 1)	Manufacture and sale of quartz crystals, crystal oscillators, and crystal filters	RMB 18,202,104	Direct investments in the companies in the Mainland Area	\$63,848 (USD2,131,815)	-	-	\$63,848 (USD2,131,815)	\$ - (USD0)	100%	\$ -	\$ -	-
Apex Optech Corporation (Wuxi Factory) (Note 1)	Manufacture and sale of quartz chips and crystal rods	RMB 65,788,141	Reinvest in the company in the Mainland Area through the company invested and established in a third area	\$50,102 (USD1,672,858)	-	-	\$50,102 (USD1,672,858)	\$(1,532) (RMB348,222)	78.70%	Included in the subsidiary	\$2,380	-
SIWARD Electronic Technology (Shenzhen) INC..	Wholesale and related supporting business of electromechanical equipment, electronic components, and accessories	RMB 3,000,000	Direct investments in the companies in the Mainland Area	\$14,529 (USD462,600)	-	-	\$14,529 (USD462,600)	\$(864) (RMB196,432)	100%	\$(864)	\$8,768	-

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The accumulated investment amount remitted from Taiwan to the Mainland Area at the end of the current period	The investment amount approved by the Investment Board, Ministry of Economic Affairs (Note 6)	The limit on the amount of the Company's investment in the Mainland Area
		Net worth * 60%
NT\$128,479 thousand (US\$4,267,273)	US\$17,268,532.19	NT\$2,449,939 thousand (Note 4)

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

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

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

(2) The significant transactions with investee companies in the Mainland Area, either directly or indirectly through a third area: None.

4. Information on major shareholders

As of December 31, 2023, the Company had no shareholders who hold 5 percent or more of the issuer's equity.

## SIWARD CRYSTAL TECHNOLOGY CO., LTD.

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STATEMENT 1

**SIWARD CRYSTAL TECHNOLOGY CO., LTD**

**CASH AND CAHS EQUIVALENTS**

**DECEMBER 31, 2023**

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

Item	Explanation	Amount	Note
Cash on hand		\$465	
Cash in banks			
Demand deposits		425,844	
Time deposits	Including	245,338	
	TWD 202,000 thousand		
	RMB 10,000 thousand		
Foreign-currency deposits	Including	171,296	
	USD 2,560 thousand		
	RMB 6,154 thousand		
	JPD 278,033 thousand		
Total		<u>\$843,156</u>	

## SIWARD CRYSTAL TECHNOLOGY CO., LTD

## STATEMENT OF ACCOUNT RECEIVABLES

DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

Item	Explanation	Amount	
		Subtotal	Total
Related parties		\$30,287	
Less : Allowance for impairment loss			\$ -
Subtotal			30,287
Third parties			
A Company		69,843	
B Company		61,286	
C Company		36,577	
Others		392,293	
Less : Allowance for impairment loss			(16,620)
Add : Allowance for foreign exchange loss			(19,363)
Subtotal			524,016
Total			\$554,303

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

STATEMENT 3

SIWARD CRYSTAL TECHNOLOGY CO., LTD

STATEMENT OF INVENTORIES

DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

Item	Cost	Market Value
Raw materials	\$313,884	\$353,735
Supplies and spare parts	186,540	188,706
Work in process	127,718	127,718
Semi-finished goods	100,235	103,988
Finished goods(including purchased components)	173,822	187,148
Total	<u>\$902,199</u>	<u>\$961,295</u>

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

## SIWARD CRYSTAL TECHNOLOGY CO., LTD

CHANGES IN FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME-NON-CURRENT  
FOR THE YEARS ENDED DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

Name of securities	Beginning Balance		Increase		Decrease		Re-measure	Ending Balance		Pledge or security
	Shares	Amount	Shares	Amount	Shares	Amount		Shares	Amount	
Hua Chung Venture Capital Co., Ltd.	12,036	\$ -	-	\$ -	-	\$ -	\$ -	12,036	\$ -	-
Fong Han Electronic CO., Ltd.	525,000	-	-	-	-	-	-	525,000	-	-
Vision Display System Co., Ltd.	53,600	-	-	-	-	-	-	53,600	-	-
Branchy Technology Co., Ltd.	134,601	-	-	-	-	-	-	134,601	-	-
Imagic Technology Co., Ltd.	6,375	-	-	-	-	-	-	6,375	-	-
Fujiter Semiconductor Co., Ltd.	206,374	1,310	-	-	-	-	660	206,374	1,970	-
Iglant Optics CO.,Ltd.	9,000	450	-	-	-	-	(229)	9,000	221	-
Ledray Technology Co., Ltd.	360,000	-	-	-	-	-	-	360,000	-	-
Axel Biotechnology Inc.	425,000	5,037	-	-	-	-	177	425,000	5,214	-
Rakon Limited	28,016,681	55,537	-	-	-	-	115,754	28,016,681	671,291	-
TOTAL		\$562,334		\$ -		\$-	\$116,362		\$678,696	

**SIWARD CRYSTAL TECHNOLOGY CO., LTD**  
**CHANGES IN INVESTEMENTS ACCOUNTED FOR BY THE EQUITY METHOD**  
**FOR THE YEARS ENDED DECEMBER 31.2023**  
(In Thousands of New Taiwan Dollars)

Name of invested company	Beginning Balance		Increase		Decrease		Equity in Investees Gain(Loss )	Ending Balance			Market Price or Net Asset Value		Pledge or Security
	Shares	Amount	Shares	Amount	Shares	Amount		Share	% of Ownership	Amount	Unit Price	Amount	
Siward Technology Co.Ltd.	9,300,000	\$330,498	-		-	(15,216) (Note 1)		9,300,000	100%	\$315,282		\$315,282	-
Apex Optech Co.	2,884,541	2,720	-		-	(542) (Note 2)		2,884,541	33.93%	2,178		2,178	-
Apex Optech Corporation.	2,194,476	37,257	-	-	-	(139) (Note3)		2,194,476	87.78%	37,118		37,118	-
SCT USA, Inc.	200	11,999	-	1,748 (Note 4)	-	-		200	100%	13,747		13,747	-
Securitag Assembly Group Co., Ltd.	5,761,280	195,252	-	10,495 (Note5)	-	-		5,761,280	13.63%	205,747		616,457	-
SIWARD Electronic Technology (Shenzhen) Inc.	-	9,805	-		-	(1,037) (Note 6)		-	100%	8,768		8,767	-
Subtotal		587,531		12,243		(16,934)				582,840			
Less: cumulative impairment		(3,566)								(3,566)			
Total		\$583,965		\$12,243		\$(16,934)				\$579,274		\$993,550	

Note 1: Including investment gains 5,074 thousand, unrealized gains (losses) on transactions of associates 3,755 thousand, exchange differences on translating the financial statements of foreign operating (11,438) thousand and disposal of investments in equity instruments designated at fair value through other comprehensive income 337 thousand.

Note 2: Including investment losses (520) thousand and exchange differences on translating the financial statements of foreign operating (22) thousand.

Note 3: Including investment losses (110) thousand and exchange differences on translating the financial statements of foreign operating (29) thousand.

Note 4: Including investment gains 1,761 thousand and exchange differences on translating the financial statements of foreign operating (13) thousand.

Note 5: Including cash dividend (12,675) thousand, investment gains 23,138 thousand, exchange differences on translating the financial statements of foreign operating (21) thousand and Re-measurements of the defined benefit plan 53 thousand.

Note 6: Including investment losses (864) thousand and exchange differences on translating the financial statements of foreign operating (173) thousand.

## SIWARD CRYSTAL TECHNOLOGY CO., LTD

STATEMENT OF CHANGES IN RIGHT-OF-USE ASSET AND CHANGES IN  
ACCUMULATED DEPRECIATION OF RIGHT-OF-USE ASSET

FOR THE YEARS ENDED DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Cost :			
January 1, 2023	\$45,137	\$20,877	\$66,014
Addition	-	-	-
December 31, 2023	<u>\$45,137</u>	<u>\$20,877</u>	<u>\$66,014</u>
Depreciation and impairment :			
January 1, 2023	\$14,554	\$12,526	\$27,080
Depreciation for the current year	3,882	4,176	8,058
December 31, 2023	<u>\$18,436</u>	<u>\$16,702</u>	<u>\$35,138</u>
Net carrying amount :			
December 31, 2023	<u>\$26,701</u>	<u>\$4,175</u>	<u>\$30,876</u>

STATEMENT 7

SIWARD CRYSTAL TECHNOLOGY CO., LTD

STATEMENT OF ACCOUNT PAYABLE

DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

Item	Explanation	Amount	
		Subtotal	Subtotal
<u>Related parties</u>			
SIWARD TECHNOLOGY CO., LTD.		\$63,742	
Others		2,674	\$66,416
Add : Allowance for foreign exchange loss			-
			66,416
<u>Third parties</u>			
A Company		21,502	
B Company		21,285	
C Company		15,074	
Others		25,918	83,779
Add : Allowance for foreign exchange loss			(2,183)
			81,596
Total			\$148,012

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

SIWARD CRYSTAL TECHNOLOGY CO., LTD

STATEMENT OF OTHER PAYABLES

DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

Item	Amount
Payable salary and bonus	\$79,628
Employees' compensation payable	18,403
Directors' remuneration payable	11,472
Others	86,266
Total	<u>\$195,769</u>

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



STATEMENT 9

SIWARD CRYSTAL TECHNOLOGY CO., LTD

STATEMENT OF LEASE LIABILITY

DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

Item	Explanation	Rental period	Discount rate	Ending balance
Land	Tainan Science Park land	From April 17, 2023 to March 31, 2031	1.44%	\$27,377
	Hsinchu Science Park land	From January 1, 2020 to December 31, 2024	1.445%	238
Building	Hsinchu Science Park building	From January 1, 2020 to December 31, 2024	1.445%	4,296
				<u>\$31,911</u>
			Current	8,143
			Non-current	23,768
Total				<u>\$31,911</u>

SIWARD CRYSTAL TECHNOLOGY CO., LTD

OPERATING REVENUE

FOR THE YEARS ENDED DECEMBER 31.2023

(In thousands of New Taiwan Dollars, and thousands of pcs)

Item	Quantity	Amount
Quartz crystal products	710,828	\$2,090,106
Others	162,113	101,596
Total	872,941	\$2,191,702

## SIWARD CRYSTAL TECHNOLOGY CO., LTD

STATEMENT OF COST GOODS SOLD  
FOR THE YEARS ENDED DECEMBER 31, 2023

(In thousands of New Taiwan Dollars)

Item	Amount	Note
1. Production cost		
Direct material :		
Beginning commodity	\$251	
Add : Commodity purchase	4,118	
Less : Ending commodity	(251)	
Purchase cost	4,118	
Beginning material	375,481	
Add : Material purchase	410,640	
Work in process transferred to materials	109,061	
Others	62,167	
Less: Ending material	(354,053)	
Cost of material sold	(68,003)	
Others	(1,977)	
Direct materials	533,316	
Direct labor	225,483	
Overhead	552,507	
Manufacturing cost	1,311,306	
Add: Beginning work in process	142,717	
Beginning Semi-finished products	88,712	
Purchases	143,571	
Finished product input	1,055,835	
Others	3,717	
Less: Ending work in process	(127,718)	
Ending Semi-finished products	(109,556)	
Work in process transferred to materials	(109,061)	
Semi-finished products sold	(2,555)	
Others	(7,776)	
Finished goods cost	2,389,192	
Add: Beginning finished goods	192,133	
Purchases	146,884	
Less: Ending finished goods	(192,244)	
Others	(5,025)	
Production cost	1,475,105	
2. Cost of material sold	68,003	
3. Cost of semi-finished goods sold	2,555	
4. Cost of Supplies sold	3,448	
5. Cost of other goods sold	3,735	
6. Waste recovery cost	(4,429)	
7. Unfavorable cost variance	57,352	
8. Loss on physical inventory	9,357	
Total	\$1,619,244	

## SIWARD CRYSTAL TECHNOLOGY CO., LTD

## STATEMENT OF MANUFACTURING EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 2023

(In thousands of New Taiwan Dollars)

Item	Amount	Note
Indirect labor	\$138,779	
Maintenance fee	186,162	
Utilities	69,405	
Depreciation	41,875	
Indirect materials	31,625	
Others	142,013	Each of the accounts was less than 5% of the total account balance.
Subtotal	609,859	
Less : Unallocated fixed manufacturing overhead transferred to cost of goods sold	(57,352)	
Total	552,507	

STATEMENT 13

SIWARD CRYSTAL TECHNOLOGY CO., LTD

STATEMENT OF OPERATING EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2023

(In thousands of New Taiwan Dollars)

Item	Selling and Marketing	General and Administration	Research and Development	Expected credit losses	Total	Note
Salary	\$36,125	\$64,039	\$43,161	\$ -	\$143,325	Each of the accounts was less than 5% of the total account balance.
Others	55,247	48,668	49,324	-	153,239	
Total	<u>\$91,372</u>	<u>\$112,707</u>	<u>\$92,485</u>	<u>\$-</u>	<u>\$296,564</u>	