



SIWARD Crystal Technology Co., Ltd.

2023 Annual Report

Prepared by SIWARD Crystal Technology Co., Ltd.

May 6, 2024

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Website: www.pscnet.com.tw
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Name of firm: EY Taiwan
Address: 26F., No. 186, Shizheng N. 7th Rd., Xitun Dist., Taichung, Taiwan, R.O.C.
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5. The name of any exchanges where the company's securities are traded offshore, and the method by which to access information on said offshore securities:
Not applicable.
6. The Company's website: www.siward.com

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One. Letter to Shareholders

I. 2023 Operating Results

(I) 2023 Operating Performance

The operation in 2023 was adversely affected by the inflation after Covid, customers' overstock, and low demand in the final markets. We expected it would take longer for the market to be back to pre-Covid level, and focused on enhancing our capabilities, improving production management, and developing new products. We believed these efforts would benefit our performance in the coming years.

The Company's 2023 operating results are stated as follows.

1. Standalone operating results and financial income, expenditures and profitability

Unit: NT\$ thousands

Item	2023	2022	Increase (Decrease) Amount	Increase (Decrease) %
Operating income	2,191,702	3,045,329	-853,627	-28.03%
Gross profit	572,458	1,181,502	-609,044	-51.55%
Operating profit	275,894	792,899	-517,005	-65.20%
Net income after taxes	260,988	768,276	-507,288	-66.03%

Item	2023 (%)	2022 (%)
Debt ratio	20.43	26.11
Current ratio	345.39	373.82
Quick ratio	208.95	245.88
Receivables turnover	3.89	4.57
Number of days of receivables collection	94	80
Inventory turnover (times)	1.79	2.19
Days sales in inventory	204	167
Return on assets	5.06	13.89
Return on equity	6.38	18.98
Profit margin	11.91	25.23
Earnings per share (NT\$)	1.64	4.82

2. Consolidated operating results and financial income, expenditures and profitability

Unit: NT\$ thousands

Item	2023	2022	Increase (Decrease) Amount	Increase (Decrease) %
Operating income	2,355,394	3,263,584	-908,190	-27.83%
Gross profit	646,361	1,250,672	-604,311	-48.32%
Operating profit	279,149	799,556	-520,407	-65.09%
Net income after taxes	260,742	768,073	-507,331	-66.05%

Item	2023 (%)	2022 (%)
Debt ratio	22.47	27.76
Current ratio	345.74	386.02
Quick ratio	221.60	258.63
Receivables turnover	3.86	4.45
Number of days of receivables collection	95	82
Inventory turnover (times)	1.82	2.28
Days sales in inventory	201	160
Return on assets	4.96	13.46
Return on equity	6.37	18.95
Profit margin	11.07	23.53

(II) Budget execution: The Company did not announce financial forecast in 2023.

(III) Technology and R&D Overview

1. R&D expenses for the year

The Company's R&D expenditure for 2023 totaled NT\$128,924 thousand, accounting for 5.47% of revenue.

2. Technologies or products successfully developed:

- A. Miniaturized wearable devices with high frequency, quartz crystal resonator (1.0x0.8mm²).
- B. Ultra-high-speed transmission converter system module (equipment/instrument), CML output (3.2x2.5mm²) development.
- C. Development of high fundamental frequency and ultra-low noise application for GNSS/GPS market with temperature compensated quartz crystal oscillator (1.6x1.2mm²).
- D. High precision and wide temperature range are used in Space X, and the development of temperature compensated quartz crystal oscillator (2.5x2.0mm²)
- E. AT-MESA 1612/1008 development.
- F. Tuning fork chip (TF) product low impedance design and development.
- G. New design and development of tuning fork type chip TF-1610 4 inches.

II. 2024 Business Plan Outline

In 2024, we will continue investing in our capacity to extend our products into applications in Wifi 7, EV, and medical equipment. We aim to reduce the sizes and increase the precision of our products further so as to increase the added value. We expect to have significant expansion of our capacity, have good performance in product development, and offer customers good product combinations.

The Company's proposed business policy, business objectives and production and sales policies:

I. Business Policy

1. Constant capital investment to improve operational performance in pursuit of smart production management.
2. Development of innovation and transformation of new products to increase profitability.
3. Expand new markets and seek strategic partners for cooperation.

II. Projected Sales Volume and Its Basis

The forecast of the Company's 2024 sales volume forecast of products takes into account the outcomes of factors such as historical data, the sensitivity of managers to the market, competitive market trends and the Company's increased production capacity.

Unit: In thousands	
Major product	Sales volume
Quartz element	845,000

III. Important production and marketing policies and future development strategies

1. Market strategies
 - (1) Apply front-end design certification work to seize opportunities.
 - (2) Increase the service value of business and technology and establish product marketing to expand new applications.
 - (3) Expand the markets in Europe and the U.S. to maintain profit margins.
 - (4) Develop miniature application industry and expand product sales.
2. Product R&D strategies:
 - (1) Improve the speed for product development while grasping costs and quality.
 - (2) Develop professional technical personnel to improve software and hardware technology power.
 - (3) To proactively develop 5G/Wi-Fi7 high-end communication technology applications.
 - (4) Accelerate development of chip and process technologies for small products (1.0x0.8 mm).
3. Production strategies:
 - (1) Provide customers with the most competitive products with the best quality.
 - (2) Move towards automation production management to increase production efficiency and yield.
 - (3) Control manufacturing expenses to reduce costs and improve profitability.
 - (4) Enhance process management capabilities and develop and introduce management talent.
4. Quality assurance strategies:
 - (1) Meet the reasonable demand of customers and put customers first.
 - (2) Optimize the management capability of process quality to provide stable products.
 - (3) Pursue zero customer complaints.
 - (4) In line with the quality management system and execution of automotive electronics applications

III. Impact from external environment, regulatory environment and general business environment

(I) Impact from external environment and regulatory environment

In terms of important domestic and international policies, standards of environmental laws and regulations have the greatest impact on our operations. As environmental laws and regulations are covering more aspects and becoming stricter, we have set up a unit to follow up and propose countermeasures accordingly at all times. In particular, our facilities and discharge outlets for waste and sewage treatment generated by processes are in line with the criteria set by the Environmental Protection Agency (EPA). For all products we make, we follow the WEEE and RoHS Directives based on the SONY SS-00269 system. We also coach our upstream material suppliers and ask them to follow the same standards. Moreover, we control and manage chemical composition in the process and have introduced ISO 14001 Environmental Management System, TS-16949 quality management standard for the automotive industry, QC080000 Hazardous Substance Process Management (HSPM), ISO 14064 Greenhouse Gas (GHG) Emission Verification, and ISO 45001 Occupational Safety and Health Management System. By doing so, we hope to reduce the impact on the environment while providing customers with products that are more competitive.

(II) Impact from general business environment

With quartz crystal components being extensively used in electronics, their applications in the market are wide and deep. However, under an environment where economic growth is slow, the innovation and development of technology has become common under the rapid application of knowledge. Due to this, the technological gap between peers has narrowed while the difficulty of product differential has increased, resulting in a shortened life cycle of the applied products. The key issues for the Company are to correctly determine the trend of product development, rapidly and effectively develop with customers, strengthen quality, reduce costs, and quickly respond to the trend. In addition, the factors that impact the Company's general business environment also include interest rates, foreign exchange rates and inflation. For the evaluation of risk management, please see p.90 this Annual Report.

Two. Company Profile

I. Date of Establishment

January 26, 1988

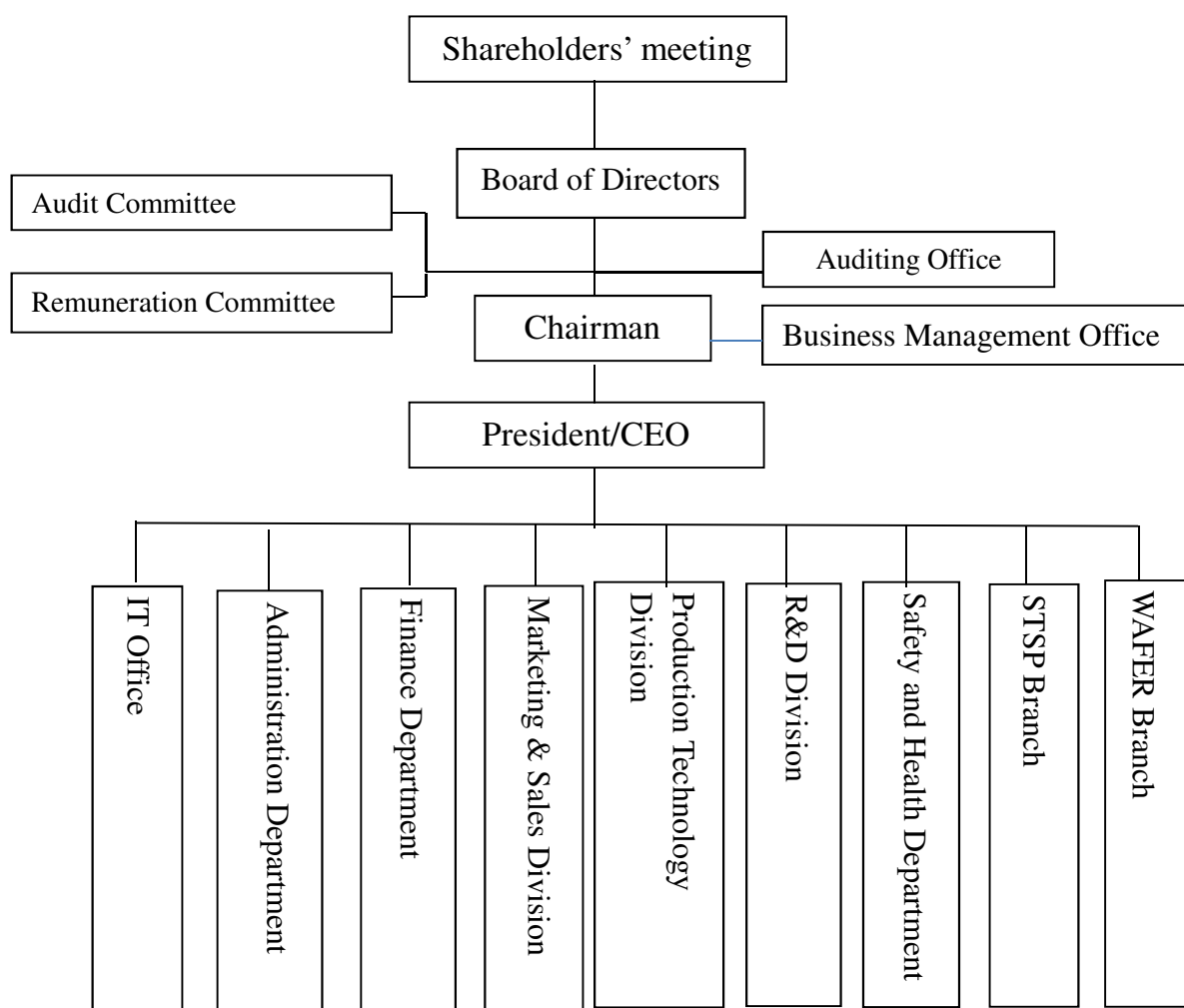
II. Company History

- 1997 • Issuance of company issues approved by the FSC
- 1999 • Company shares listed on TPEx approved by the FSC and TPEx
- 2000 • Merged Meidenko and established SIWARD Technology Co., Ltd., with 52% shareholding
 - Established SIWARD Technology (Wuxi) Co., Ltd.
 - Cash capital increase performed for buying land and machinery and building factories
- 2001 • Developed quartz optical components
 - Company shares listed on TWSE approved by the FSC and TWSE
- 2002 • New factory completed; the company relocated to No. 1-1, Lane 111, Sec. 3, Zhongshan Road, Tanzi District, Taichung,
- 2004 • Bought 48% shares of SIWARD Technology Co., Ltd. becoming a wholly owned subsidiary
- 2007 • Established SCT (USA) Inc., providing technical services to customers in the U.S.
- 2008 • Established WAFER MEMS Co., Ltd. in Zhunan Science Park for MEMS production
- 2010 • Established SIWARD Crystal Technology Co., Ltd. in Tainan Science Park for production of quartz rods
- 2011 • Bought 56.8% shares of subsidiary Apex Optech Corporation
 - Bought 15.73% shares of subsidiary Apex Optech Co.
- 2013 • Disposed of all shares of SIWARD Technology (Wuxi) Co., Ltd.
- 2014 • Invested in 30% shares of Taihua Electronic Tech. Co., Ltd.
- 2015 • Established SIWARD Crystal Technology (Shenzhen) Co., Ltd., providing services to customers in China
- 2017 • Acquired 16.6% shares of Rakon Limited (a listed company in New Zealand) for GPS and high-end TCXO market
- 2018 • Liquidized SIWARD Enterprise Inc.
- 2019 • Merged subsidiary WAFER MEMS Co., Ltd.
- 2020 • Passed ISO 45001 Environmental Safety and Health Management System certification
- 2021 • 30% shares held by the Company of Taihua Electronic Tech. Co., Ltd. disposed of
 - Liquidized Siward Crystal Technology(s) Pte Ltd.
 - Some shares held by the Company of Rakon Limited disposed of

Three. Corporate Governance Report

I. Organizational System

(I) The Company's organizational structure is shown in the following table:



(II) Businesses of each major department

1. Auditing Office: Responsible for auditing and evaluating the implementation and internal control of each department and providing suggestions.
2. Business Management Office: Responsible for the promotion of management systems, operating performance of evaluation and analysis of business performance, and planning of major investments.
3. IT Office: Responsible for planning, managing and maintaining company computer operating systems.
4. Administration Department: Responsible for general human resources, payroll and education and training.
5. Finance Department: Responsible for fund management, bank dealings, accounts processing, and preparation, analysis, budget creation and management of various financial statements.
6. Marketing & Sales Division: Responsible for sales market expansion, shipping document production, accounts receivable collection and order management.

7. Production Technology Division: Responsible for production of quartz components, manufacturing scheduling management control, raw material and finished product procurement and warehousing management, manufacturing of quartz components, education and training of engineering personnel, planning and implementation of production capacity, quality testing, and promotion of quality improvement activities.
8. R&D Division: Responsible for product R&D, improvement of production technology, product and process simulation and reliability verification.
9. Safety and Health Department: Responsible for the identification, evaluation and control of work environment and operational hazards, and establishment of safety and health operating standards.
10. STSP Branch: Responsible for the production of optical-grade quartz crystal rods and quartz components.
11. WAFER Branch: Responsible for producing MEMS.

II. Information on the company's directors, general manager, vice general manager, assistant general managers, and the heads of all the company's divisions and branch units:

(I) Directors:

1. Information of Directors

April 20, 2024

Title	Nationality or Place of Registration	Name	Gender Age	Date of Election	Term of Office	Date of First Election	Shareholding at the Time of Election		Current Shareholding		Current Shareholding of Spouses and Minor Children		Shareholding in the Name of Others		Principal Work Experience and Academic Qualifications	Position(s) Held Concurrently in the Company/in Any Other Company	Other Officers, Directors or Heads With Spouses, or Relatives Within the Second Degree of Kinship			Remark (Note 2)
							No. of Shares	Shareholding Ratio	No. of Shares	Shareholding Ratio	No. of Shares	Shareholding Ratio	No. of Shares	Shareholding Ratio			Title	Name	Relationship	
Chairman	Taiwan	Tseng Ying-Tang	Male 76	2023.6.19	2023.6.19–2026.6.18	1988.1.19	4,276,593	2.682%	4,276,593	2.682%	1,813	0.001%	-	-	Master of Science in Honors, National Taiwan University of Science and Technology Department of Electronics, Taichung Municipal Taichung Industrial High School	Director of SIWARD Technology Co., Ltd., director of Apex Optech Corporation, director of APEX OPTECH CO., director of Apex Optech Corporation (Wuxi Factory), chairman of SCT (USA) Inc., chairman of Securitag Assembly Group Co., Ltd., director of Rakon Limited, chairman of SIWARD Crystal Technology (Dongguan) Co., Ltd., independent director of Liton Technology Corp. Director of SIWARD Electronic Technology (Shenzhen) Inc.	Director	Tseng Jung-Meng	Brothers	None
Director	Taiwan	Tseng Jung-Meng	Male 72	2023.6.19	2023.6.19–2026.6.18	1988.1.19	3,585,983	2.249%	3,585,983	2.249%	302,662	0.190%	-	-	EMBA, Feng Chia University Department of Electronics, Taichung Municipal Taichung Industrial High School	The Company's President, representative, Director of SIWARD Technology Co., Ltd., Chairman of Apex Optech Corporation, Chairman of APEX OPTECH CO., Apex Optech Corporation (Wuxi Factory), Representative of corporate director of Securitag Assembly Group Co., Ltd., Representative director of SE JAPAN CO., LTD., Vice chairman of SIWARD Crystal Technology (Dongguan) Co., Ltd., Independent director and member of the Remuneration Committee of Sun Own Industrial Co., Ltd. Chairman of SIWARD Electronic Technology (Shenzhen) Inc.	Chairman	Tseng Ying-Tang	Brothers	None
Director	Taiwan	Liu Ping-Feng	Male 70	2023.6.19	2023.6.19–2026.6.18	1988.1.19	4,177,183	2.62%	4,177,183	2.62%	286	-	-	-	Department of Mechanical Engineering, Tamkang University	The Company's vice president, director of SIWARD Technology Co., Ltd., Director of Apex Optech Corporation, Director of Apex Optech Corporation (Wuxi Factory), general manager of SIWARD Crystal Technology (Dongguan) Co., Ltd., Director of SIWARD Electronic Technology (Shenzhen) Inc.	None	None	None	None
Director	Taiwan	Ku Chih-Yun	Male 68	2023.6.19	2023.6.19–2026.6.18	1998.4.11	2,002,473	1.256%	2,002,473	1.256%	49,708	0.031%	-	-	Department of Electronics, Ta Hwa University of Science and Technology	The Company's assistant vice president of the Production Technology Division Director of SIWARD Technology Co., Ltd. Supervisor of Apex Optech Corporation	None	None	None	None
Director	Taiwan	Liao Lu-Lee	Male 79	2023.6.19	2023.6.19–2026.6.18	2002.6.11	60,000	0.038%	60,000	0.038%	15,058	0.009%	-	-	Department of Electrical Engineering, Tatung University Chairman, Merry Electronics Co., Ltd.	Chairman of Merry Electronics Co., Ltd.,	None	None	None	None
Director	Taiwan	Chiang Hung-Yu	Male 60	2023.6.19	2023.6.19–2026.6.18	2011.6.15	-	-	-	-	-	-	-	-	M.S., Electrical Engineering, University of Southern California, USA	Director and CEO of Securitag Assembly Group Co., Ltd. Independent director of Excel Cell Electronic Co., Ltd.,	None	None	None	None
Director	Taiwan	Liao Pen-	Male	2023.6.19	2023.6.19–	Note 1	708	-	708	-	1,206	0.001%	-	-	M.A., Tulane	Chairman and CEO of Excel Cell Electronic	None	None	None	None

Title	Nationality or Place of Registration	Name	Gender Age	Date of Election	Term of Office	Date of First Election	Shareholding at the Time of Election		Current Shareholding		Current Shareholding of Spouses and Minor Children		Shareholding in the Name of Others		Principal Work Experience and Academic Qualifications	Position(s) Held Concurrently in the Company/in Any Other Company	Other Officers, Directors or Heads With Spouses, or Relatives Within the Second Degree of Kinship			Remark (Note 2)
							No. of Shares	Shareholding Ratio	No. of Shares	Shareholding Ratio	No. of Shares	Shareholding Ratio	No. of Shares	Shareholding Ratio			Title	Name	Relationship	
		Lin (Note 1)	73		2026.6.18									University, USA	Co., Ltd., director of KS Terminals, Inc., director of P-DUKE Technology Co., Ltd., director of Securitag Assembly Group Co., Ltd., director of Max Echo Technology Corporation, director of Fuzetec Technology Co., Ltd.					
Independent Director	Taiwan	Tien Chia-Sheng	Male 55	2023.6.19	2023.6.19–2026.6.18	2017.6.15	-	-	-	-	-	-	-	M.A., Business Administration, Chung Hsing University Bachelor, Science in Accounting, Tunghai University	Person in charge of Sunpower CPA Firm, person in charge of Yuan-Dong-Li Consulting Co., Ltd., independent director of Buima Group Inc., independent director of Intai Technology Corp. director of Genius Electronic Optical Co., Ltd.,	None	None	None	None	
Independent Director	Taiwan	Liu Chien-Cheng	Male 59	2023.6.19	2023.6.19–2026.6.18	2020.6.12	-	-	-	-	-	-	-	Law Department, Tunghai University	Managing Attorney, Liu Chien-Cheng Law Firm	None	None	None	None	
Independent Director	Taiwan	Lee, Shu-Min	Female 58	2023.6.19	2023.6.19–2026.6.18	2023.6.19	-	-	-	-	-	-	-	Master of Business Administration, National Chung Hsing University Vice President, Business Division, Capital Market Department, Taishin Financial Holdings	None	None	None	None		

Note 1: Liao Pen-Lin was first elected as the Company's supervisor on June 27, 2008 until June 6, 2014; he was first elected as the Company's director on June 6, 2014.

Note 2: Supplementary information on matters regarding the chairman of the board of directors and the general manager or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (e.g. additional seats of Independent Directors, no more than half of the seats of directors are serving concurrently as an employee or a manager, or other ways).

- (1) Information on the major shareholders of the corporate shareholder, if the director is a representative of a corporate shareholder: None.
- (2) If the director is a corporate shareholder's representative and the major shareholder of the corporate shareholder is the corporate shareholder's representative: None.

2. Information of Directors

(1) Disclosure of Professional Qualifications of Directors and Independence of Independent Directors

Name	Criteria	Professional Qualifications and Experience (Note 1)	State of Independence (Note 2)	Number of other public companies where the member also serves as an independent director
Tseng, Ying-Tang		Qualifications: A person with at least five years of working experience in a department of commerce or a department related to the business needs of the company and has not been involved in any of the circumstances in the subparagraphs of Article 30 of the Company Act. Experience: The Company's chairman, chairman of Securitag Assembly Group Co., Ltd., director of Rakon Limited, independent director of Liton Technology Corp.	Non-independent Director	1
Tseng, Jung-Meng		Qualifications: A person with at least five years of working experience in a department of commerce or a department related to the business needs of the company and has not been involved in any of the circumstances in the subparagraphs of Article 30 of the Company Act. Experience: The Company's president, independent director and member of the Remuneration Committee of Sun Own Industrial Co., Ltd.	Non-independent Director	1
Liu, Ping-Feng		Qualifications: A person with at least five years of working experience in a department of commerce or a department related to the business needs of the company and has not been involved in any of the circumstances in the subparagraphs of Article 30 of the Company Act. Experience: The Company's vice president	Non-independent Director	0
Ku, Chih-Yun		Qualifications: A person with at least five years of working experience in a department of commerce or a department related to the business needs of the company and has not been involved in any of the circumstances in the subparagraphs of Article 30 of the Company Act. Experience: The Company's assistant vice president of the Production Technology Division	Non-independent Director	0
Liao, Lu-Lee		Qualifications: A person with at least five years of working experience in a department of commerce or a department related to the business needs of the company and has not been involved in any of the circumstances in the subparagraphs of Article 30 of the Company Act. Experience: Chairman and CEO manager of Merry Electronics Co., Ltd.	Non-independent Director	0
Chiang, Hung-Yu		Qualifications: A person with at least five years of working experience in a	Non-independent Director	1

	department of commerce or a department related to the business needs of the company and has not been involved in any of the circumstances in the subparagraphs of Article 30 of the Company Act. Experience: Director and CEO of Securitag Assembly Group Co., Ltd.		
Liao, Pen-Lin	Qualifications: A person with at least five years of working experience in a department of commerce or a department related to the business needs of the company and has not been involved in any of the circumstances in the subparagraphs of Article 30 of the Company Act. Experience: Chairman and CEO, Excel Cell Electronic Co., Ltd.	Non-independent Director	0
Tien, Chia-Sheng	Qualifications: Professional specialist such as an accountant who has passed a national examination and been awarded a certificate and has not been involved in any of the circumstances in the subparagraphs of Article 30 of the Company Act. Experience: Person in charge of Sunpower CPA Firm, person in charge of Yuan-Dong-Li Consulting Co., Ltd. Independent director of Buima Group Inc., independent director of Intai Technology Corp. Director of Genius Electronic Optical Co., Ltd.,	Met all matters stated in Note 2.(1) to (4)	2
Liu, Chien-Cheng	Qualifications: Professional specialist such as an attorney who has passed a national examination and been awarded a certificate and has not been involved in any of the circumstances in the subparagraphs of Article 30 of the Company Act. Experience: Managing Attorney, Liu Chien-Cheng Law Firm	Met all matters stated in Note 2.(1) to (4)	0
Lee, Shu-Min	Qualifications: A person with at least five years of working experience in a department of commerce or a department related to the business needs of the company and has not been involved in any of the circumstances in the subparagraphs of Article 30 of the Company Act. Experience: Vice President, Business Division, Capital Market Department, Taishin Financial Holdings	Met all matters stated in Note 2.(1) to (4)	0

Note 1: Professional qualifications and experience: Specify the professional qualifications and experience of individual directors and supervisors. If the person is a member of the Audit Committee with accounting or financial expertise, their accounting or financial background and work experience shall be specified, **while stating whether this person has been involved in any of the circumstances in the subparagraphs of Article 30 of the Company Act.**

Note 2: For independent directors, their state of independence must be specified, including but not limited to whether they, their spouse, relatives within the second degree of kinship meet the following criteria (1) to (4)

- (1) This party himself/herself, their spouse, relatives within the second degree of kinship is not serving as a director, supervisor or employee of the Company or its affiliates;
- (2) This party himself/herself, their spouse, relatives within the second degree of kinship (or in the name of others) is not holding shares of the Company;
- (3) This party is not serving as a director, supervisor or an employee of a company with which the Company has a specific

- relationship (as referred to in Article 3, Paragraph 1, Subparagraphs 5-8 in the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies); and
- (4) This party did not provide business, legal, financial or accounting services to the Company or its affiliates in the past two years.

(2) Board Diversity and Independence:

A. Board Diversity:

At SIWARD, we promote and respect the board diversity policy. As we strive for enhancing corporate governance and promoting the comprehensive development of the composition and structure of the Board of Directors, we believe that the diversity policy will help improve the Company's overall performance. The appointment of the board members is based on the principle of using talent with a wide range of complementary competencies across industry sectors. The basic composition includes age, gender and nationality; the board members must also have their respective industry experience and related skills as well as capabilities for business judgement, business management, leadership in decision-making and crisis handling.

According to the "Code of Practice on Corporate Governance", the composition of the board of directors should consider diversity, and formulate an appropriate diversity policy based on its own operation, operation type and development needs. It should include but not limited to the following two standards:

1. Basic conditions and values: gender, age, nationality and culture, etc. Among them, female directors account for one-third of director seats.
2. Professional knowledge and skills: professional background (such as law, accounting, industry, finance, marketing or technology), professional skills and industry experience, etc.

The specific management objectives and achievement of the company's diversity policy are as follows:

Management Goals	Achievement
At least two female directors Achieved	There is currently only one female director and it is expected that one will be added to the next term board of directors.
Directors with professional background other than industrial experience, up to three director seats	Achieved

As a means to strengthen board functions and achieve the desired corporate governance objective, Article 20 of the Company's "Corporate Governance Rules" sets forth the competencies for the Board of Directors as a whole as follows:

1. Legal ability
 2. Accounting and financial analysis ability
 3. The ability to make judgments about operations
 4. Business management ability
 5. Crisis management ability
 6. Knowledge of the industry
 7. An international market perspective
 8. Leadership ability
 9. Decision-making ability.
- The Company's diversity policy of the current Board members and the implementation status are as follows:

Core Items for Diversity	Board member	Gender	Part-time employee of the Company	Age			Seniority of independent director	Legal ability	Accounting and financial analysis ability	The ability to make judgments about operations	Business management ability	Crisis management ability	Knowledge of the industry	An international market perspective	Leadership ability	Decision-making ability
				50-60	60-70	70-80										
	Tseng Ying-Tang	Male				V			V	V	V	V	V	V	V	V
	Tseng Jung-Meng	Male	V			V			V	V	V	V	V	V	V	V
	Liu Ping-Feng	Male	V		V					V		V	V	V	V	V
	Ku Chih-Yun	Male	V		V					V		V	V		V	
	Liao Lu-Lee	Male				V			V	V	V	V	V	V	V	V
	Chiang Hung-Yu	Male		V					V	V	V	V	V	V	V	V
	Liao Pen-Lin	Male				V			V	V	V	V	V	V	V	V
	Tien Chia-Sheng (Independent director)	Male		V			7		V	V		V				
	Liu Chien-Cheng (Independent director)	Male		V			4	V				V				
	Lee,Shu-Min (Independent director)	Female			V		1		V	V	V	V				

B. Independence of the Board of Directors: The number and proportion of independent directors must be specified; explain the independence of the Board of Directors; with details on matters stated in Article 26-3, Subparagraphs 3 and 4 of the Securities and Exchange Act; with a description provided where there is a spouse or second degree of kinship between directors or supervisors or between directors and supervisors.

- (1) Number and proportion of independent directors: We have 3 independent directors, accounting for 30% of all directors.
- (2) Independence of the Board of Directors:
Three board members also serve as part-time employees of the Company and account for 30% of all directors. None of the directors of the Company concurrently serve as employees of subsidiaries or sister companies.
Among the ten directors in the Board, only Tseng Ying-Tang and Tseng Jung-Meng are relatives within second degree of kingship, no more than half of the board seats, in line with Article 26-3, Paragraph 3 of the Securities and Exchange Act. For more details, please see p.8 of the Annual Report.
- (3) As the Company does not have supervisors, Article 26-3, Subparagraphs 4 of the Securities and Exchange Act does not apply.

(II) Information on the company's general manager, vice general manager, assistant general managers, and the heads of all the company's divisions and branch units:

April 20, 2024

Title	Nationality	Gender	Name	Date of Election	of Others		Current Shareholding of of Others		Shareholding in the Name		Shareholding in the Name of Others Work Experience and Academic Qualifications	Any position(s) concurrently held in other companies	A spouse or relative within the second degree of kinship of a manager			Remark
					No. of Shares	Shareholding Ratio	No. of Shares	Shareholding Ratio	No. of Shares	Shareholding Ratio			Title	Name	Relationship	
President	Taiwan	Male	Tseng Jung-Meng	1988.4.1	3,585,983	2.249%	302,662	0.190%	-	-	EMBA, Feng Chia University Department of Electronics, Taichung Municipal Taichung Industrial High School	Representative director of SIWARD Technology Co., Ltd., representative director of S.E JAPAN CO., chairman of Apex Optech Corporation, chairman of APEX OPTTECH CO., Apex Optech Corporation (Wuxi Factory), chairman of Apex Optech Corporation, vice chairman of SIWARD Electronic Technology (Shenzhen) Inc., representative of corporate director of Securitag Assembly Group Co., Ltd., independent director and member of the Remuneration Committee of Sun Own Industrial Co., Ltd.	Chairman	Tseng Ying-Tang	Brothers	None
Vice President	Taiwan	Male	Liu Ping-Feng	1988.4.1	4,177,183	2.620%	286	-	-	-	Department of Mechanical Engineering, Tamkang University	Director of SIWARD Technology Co., Ltd., director of Apex Optech Corporation, director of Apex Optech Corporation (Wuxi Factory), Director of SIWARD Electronic Technology (Shenzhen) Inc.	None	None	None	None
Production Technology Division Assistant Vice President	Taiwan	Male	Ku Chih-Yun	1991.4.8	2,002,473	1.256%	49,708	0.031%	-	-	Department of Electronics, Ta Hwa University of Science and Technology	Director of SIWARD Technology Co., Ltd. Supervisor of Apex Optech Corporation	None	None	None	None
Audit Office Assistant Vice President	Taiwan	Male	Lin Hsien-Ting	1988.7.11	90,000	0.056%	-	-	-	-	National Taipei Institute of Technology	None	None	None	None	None
R&D Department Assistant Vice President r	Taiwan	Male	Lai Chih-Cheng	1990.8.1	800,607	0.502%	-	-	-	-	MBA, Chaoyang University of Technology	None	None	None	None	None
Marketing Sales Division Vice President	Taiwan	Male	Chang Yu-An	2014.9.1	-	-	6,738	0.004%	-	-	Department of Electronic Engineering, Ocean University	None	None	None	None	None
Finance Department Assistant Vice President r	Taiwan	Female	Huang Ling-Ling	1996.9.2	14,092	0.009%	-	-	-	-	Master of Finance, EMBA, Chung Hsing University Taiwan CPA	None	None	None	None	None
Administration Department Manager	Taiwan	Female	Yu Shu-Chen	2007.7.2	-	-	-	-	-	-	Department of Foreign Languages, National Taiwan University	None	None	None	None	None

Note: Supplementary information on matters regarding the chairman of the board of directors and the general manager or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (e.g. additional seats of Independent Directors, no more than half of the seats of directors are serving concurrently as an employee or a manager, or other ways): None.

III. Remuneration to directors, president and vice presidents for the most recent fiscal year

(I) Remuneration to general directors and independent directors (disclose aggregate remuneration information)

December 31, 2023

Unit: NT\$ thousands

Title	Name	Remuneration to Directors								Sum of A, B, C, and D as a percentage of the net profits after tax (%)		Remuneration received as company's part-time employee								Sum of A, B, C, D, E, F and G, as a percentage of the net profits after tax (%)		Remuneration from investee enterprises other than subsidiaries or parent company
		Remuneration (A)		Severance and Pension (B) (Note 1)		Director Remuneration (C)		Expenses for Services Rendered (C)				Salaries, bonuses, special allowances, etc. (E)		Pension (F) (Note 2)		Employee Remuneration (G)						
		The Company	All the companies included in the financial statements	The Company	All the companies included in the financial statements	The Company	All the companies included in the financial statements	The Company	All the companies included in the financial statements	The Company	All the companies included in the financial statements	The Company	All the companies included in the financial statements	The Company	All the companies included in the financial statements	The Company		All the companies included in the financial statements		The Company	All the companies included in the financial statements	
Chairman	Tseng Ying-Tang																					
Director	Tseng Jung-Meng																					
Director	Liu Ping-Feng																					
Director	Ku Chih-Yun																					
Director	Liao Lu-Lee																					
Director	Chiang Hung-Yu																					
Director	Liao Pen-Lin	0	0	0	0	7,360	7,360	135	135	2.8718	2.8718	15,074	16,170	639	639	1,686	0	1,686	0	9.54	9.96	None
Independent Director	Tien Chia-Sheng																					
Independent Director(note4)	Chang Cheng-Chun																					
Independent Director	Liu Chien-Cheng																					
Independent Director(note5)	Lee,Shu-Min	1,567	1,567	0	0			63	63	0.6246	0.6246	0	0	0	0	0	0	0	0	0.62	0.62	None

Note 1: The Company does not have a pension system.

Note 2: Pension funds are contributions and there was no contribution this year.

Note 3: In addition to the disclosure in the above table, in the most recent fiscal year, remuneration received by directors (e.g. serving as a consultant for a non-employee): None.

Note 4: 2023.6.19 term expired 、Note 5:2023.6.19new appointment 。

(I-1) Range of Remuneration

Range of remuneration to each director	Name of director			
	Total remuneration (A+B+C+D)		Total remuneration (A+B+C+D+E+F+G)	
	The Company	All the companies included in the financial statements	The Company	All the companies included in the financial statements
Less than NT\$1,000,000 (exclusive)	Liao Lu-Lee, Liao Pen-Ling, Chiang Hung-Yu, Liu Ping-Feng, Ku Chih-Yun, Tien Chia-Sheng, Liu Chien-Cheng, Chang Cheng-Chun, Lee, Shu-Min	Liao Lu-Lee, Liao Pen-Ling, Chiang Hung-Yu, Liu Ping-Feng, Ku Chih-Yun, Tien Chia-Sheng, Liu Chien-Cheng, Chang Cheng-Chun, Lee, Shu-Min	Liao Lu-Lee, Liao Pen-Ling, Chiang Hung-Yu, Tien Chia-Sheng, Liu Chien-Cheng, Chang Cheng-Chun,	Liao Lu-Lee, Liao Pen-Ling, Chiang Hung-Yu, Tien Chia-Sheng, Liu Chien-Cheng, Chang Cheng-Chun,
NT\$1,000,000 (inclusive) – NT\$2,000,000 (exclusive)	Tseng Ying-Tang, Tseng Jung-Meng	Tseng Ying-Tang, Tseng Jung-Meng		
NT\$2,000,000 (inclusive) – NT\$3,500,000 (exclusive)				
NT\$3,500,000 (inclusive) – NT\$5,000,000 (exclusive)			Ku Chih-Yun	Ku Chih-Yun
NT\$5,000,000 (inclusive) – NT\$10,000,000 (exclusive)			Tseng Ying-Tang, Liu Ping-Feng, Tseng Jung-Meng	Tseng Ying-Tang, Liu Ping-Feng, Tseng Jung-Meng
NT\$10,000,000 (inclusive) – NT\$15,000,000 (exclusive)				
More than NT\$15,000,000 (inclusive)				

(II) Remuneration to President and Vice President

December 31, 2023

Unit: NT\$ thousands

Title	Name	Salary (A)		Pension (B)		Bonus and Special Allowances, etc. (C)		Amount of Employee Remuneration (D)				Sum of A, B, C, and D as a percentage of the net profits after tax (%)		Remuneration from investee enterprises other than subsidiaries or parent company
		The Company	All the companies included in the financial statements	The Company	All the companies included in the financial statements	The Company	All the companies included in the financial statements	The Company		All the companies included in the financial statements		The Company	All the companies included in the financial statements	
								Amount paid in cash	Amount paid in shares	Amount paid in cash	Amount paid in shares			
President	Tseng Jung-Meng	6,987	8,042	501	501	5,068	5,108	2,115	0	2,115	0	5.62	6.04	None
Vice President	Liu Ping-Feng													
Vice President	Chang Yu-An													

(II-1) Range of Remuneration

Range of remuneration to each director	Name of General Manager and Vice General Manager	
	The Company	All the companies included in the financial statements
NT\$1,000,000 (inclusive) – NT\$2,000,000 (exclusive)		
NT\$2,000,000 (inclusive) – NT\$3,500,000 (exclusive)		
NT\$3,500,000 (inclusive) – NT\$5,000,000 (exclusive)	Liu Ping-Feng, Chang Yu-An	Liu Ping-Feng, Chang Yu-An
NT\$5,000,000 (inclusive) – NT\$10,000,000 (exclusive)	Tseng Jung-Meng	Tseng Jung-Meng
NT\$10,000,000 (inclusive) – NT\$15,000,000 (exclusive)		
NT\$15,000,000 (inclusive) – NT\$30,000,000 (exclusive)		

(III) Remuneration for top-5 paid managers of the company: Not applicable.

1. The Company has no losses after tax for the past three years.
2. The Company was not listed on the TWSE/TPEX is ranked in the 2 lowest tier in the corporate governance evaluation for the most recent fiscal year; the Company did not have its securities placed under an altered trading method, suspended from trading, delisted from the TWSE/TPEX; the Corporate Governance Evaluation Committee did not resolve that the company shall be excluded from evaluation.

(IV) Names of the managers receiving employee remuneration and the distribution thereof

December 31, 2023

Unit: NT\$ thousands

	Title	Name	Amount in share bonus	Amount in cash bonus	Total	Ratio of total amount to profit after tax (%)
Manager (Note)	President	Tseng Jung-Meng	0	2,995	2,995	1.15
	Vice President	Liu Ping-Feng				
	Vice President	Chang Yu-An				
	Assistant Vice President	Ku Chih-Yun				
	Assistant Vice President	Lin Hsien-Ting				
	Assistant Vice President	Lai Chih-Cheng				
	Chief of the Finance and Accounting Department	Huang Ling-Ling				

Note: Pursuant to FSC Letter No. Tai-Cai-Zheng-3-0920001301 dated March 27, 2003; the role of manager covers the following positions:

1. President or other equivalent position
2. Vice president or other equivalent position
3. Assistant Vice President or other equivalent position
4. Chief finance officer
5. Chief accounting officer
6. Others with the right to manage affairs and sign for the Company

(V) Compare and describe total remuneration, as a percentage of net income stated in the parent company only financial report, as paid by this company and by each other company included in the consolidated financial statements during the past 2 fiscal years to directors, general manager and vice general manager, and analyze and describe remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to business performance and future risk exposure:

1. Analysis of remuneration paid to Directors, Supervisors, President and Vice President by the Company and all companies in the consolidated financial statements in the recent two years as a percentage of net income in the parent company only or individual financial statements:

Unit: NT\$ thousands

Item Title	The Company				All companies included in the consolidated statements			
	2022		2023		2022		2023	
	Total	As a percentage of net income after tax	Total	As a percentage of net income after tax	Total	As a percentage of net income after tax	Total	As a percentage of net income after tax
Remuneration to General Directors	45,517	5.92	24,894	9.54	46,614	6.06	25,990	9.96
Remuneration to Independent Directors	1,368	0.18	1,630	0.62	1,368	0.18	1,630	0.62
Remuneration to President and Vice President	21,773	2.83	14,671	5.62	22,870	2.98	15,766	6.04
Net income after tax	768,276	-	260,988	-	768,276	-	260,988	-

The total amount of remuneration to directors in 2023 decreased from 2022 due to the decrease in net income after tax. The total amount of remuneration to the president and vice president decreased from 2022 due to the decrease in net income after tax in 2023, resulting in the decrease in bonus payments and employee remuneration.

2. Remuneration policy, standards and composition, procedures and the correlation with operation performance and future risks:

(1) Remuneration policy, standards and composition:

- A. Remuneration to the Company's directors – according to Article 25 of the Articles of Incorporation, no more than 3% of the Company's profit for the year, if any, shall be allocated as remuneration to directors. Independent directors do not participate in the distribution of director remuneration. In accordance with the "Rules for Performance Evaluation of Board of Directors," the Company regularly evaluates director remuneration. The relevant performance appraisals and reasonableness of remuneration are reviewed by the Remuneration Committee and the Board of Directors.
- B. Remuneration (including bonuses) to the Company's president, vice president and other managers – remuneration is subject to standards of peers, as well as the title, rank, education, professional competence and duties; while bonuses are subject to the manager's performance evaluation covering the contribution to the achievement rate of the Company's revenue, profit before tax, profit after tax. The remuneration system of managers is examined at any time according to the actual business situation and applicable laws. In addition, 5% of the Company's profit of the current year, if any, will be allocated as remuneration to employees in accordance with Article 25 of the Articles of Incorporation. The above remuneration is reviewed and determined by the Remuneration Committee and the Board of Directors.
- C. The Company's package of remuneration is determined according to the Remuneration Committee Charter, covering 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”.

(2) Procedure for determining remuneration

- A. The results of the assessments performed in accordance with the Company’s “Rules for Performance Evaluation of Board of Directors” and the “Performance Management Measures” designed for managers and employees are used to regularly evaluate the remuneration to directors and managers. Reasonable remuneration is paid by taking account the Company’s overall operational performance, the industry’s future management risks and development trends, as well as the degree of contribution to the performance of the Company. Remuneration is reviewed by the Remuneration Committee and the Board of Directors and the system is examined in a timely manner according to the actual business situation and applicable laws and regulations
- B. The results of the self-assessments performed by the Board of Directors and Board members in 2023 were significantly above the standard. The Company’s assessment results for the annual business indicator have reached the highest standards.
- C. The Company’s performance assessment and remuneration reasonableness of directors and managers are subject to the annual regular evaluation and review of the Remuneration Committee and the Board of Directors. In addition to taking into account the individual’s performance achievement rate and the degree of their contribution to the Company, its overall operational performance, the industry’s future risks and development trends are also considered. The remuneration system is also promptly reviewed based on the business situation and applicable laws. After considering the current corporate governance trends, reasonable remuneration is paid in order to strike a balance between sustainable management and risk control of the Company. The actual amount of 2023 remuneration to directors and managers reviewed by the Remuneration Committee is submitted to the Board of Directors to be determined.

(3) Linkage to business performance and future risk exposure:

- A. The payment standards and system of the Company’s remuneration policy are mainly based on the Company’s overall operations. The payment standards are determined by taking into consideration the performance achievement rate and the degree of contribution of the Board of Directors and managers to improve the overall organizational team effectiveness. We also make reference to the industry’s salary standards in order to ensure remuneration to management is competitive to retain quality management talent.
- B. The Company’s performance objectives for managers are based on the results of the actual performance appraisal, linked to relevant human resources and remuneration policies. The important decisions of the Company’s management are subject to risk factors. The performance of the relevant decisions is reflected in the profitability of the Company and remuneration of the management is related to the performance of risk management

IV. State of Corporate Governance Implementation

(I) State of Operations of the Board of Directors

For the most recent fiscal year, 7 (A) meetings of the Board of Directors were held, the attendance of directors is as follows:

Title	Name	Actual Attendance (B)	Attendance by Proxy	Actual Attendance (%) [B/A]	Remark
Chairman	Tseng Ying-Tang	5	0	71	
Director	Tseng Jung-Meng	7	0	100	
Director	Liu Ping-Feng	7	0	100	
Director	Ku Chih-Yun	7	0	100	
Director	Liao Lu-Lee	7	0	100	
Director	Chiang Hung-Yu	6	1	86	
Director	Liao Pen-Lin	6	1	86	
Independent Director	Tien Chia-Sheng	7	0	100	
Independent Director	Chang Cheng-Chun	2	0	100	2023.6.19 term expired
Independent Director	Lee Shu-Min	5	0	100	2023.6.19 new appointment
Independent Director	Liu Chien-Cheng	7	0	100	

Other information required:

I. For board of directors meetings that meet any of the following descriptions, state the date, session, the discussed agenda, independent directors' opinions and how the company has responded to such opinions:

1. Matters listed in Article 14-3 of the Securities and Exchange Act:

Session of board meeting	Date of board meeting	Motion content	Independent directors' opinions and how the company has responded to such opinions:
20 th meeting of the 12 th term Board of Directors	2023.3.10	1. Motion for the replacement of CPAs and the professionalism and independence evaluation of CPAs.	Opinions of independent directors: None. How the Company responded to their opinions: None Resolution: Motion passed.
21 th meeting of the 12 th term Board of Directors	2023.5.4	1. Review of the list of director candidates for the Company's 2023 shareholders' meeting. 2. Motion for the fees of CPAs	Opinions of independent directors: None. How the Company responded to their opinions: None Resolution: Motion passed.
3 rd meeting of the 13 th term Board of Directors	2023.9.22	1. Motion for the remuneration to Independence Directors.	Opinions of independent directors: None. How the Company responded to their opinions: None Resolution: Motion passed.

2. Except for the preceding matters, any matter resolved by the Board of Directors with an independent director expressing an objection or reservation that has been included in records or stated in writing: None.

II. For the implementation and state of directors' recusal for conflicts of interest, the directors' name, topic discussed, reasons for the required recusal, and participation in the voting process:

- (I) Motion at the 21th meeting of the 12th term: Discussion of the motion for 2023 Dragon Boat Festival bonus of managers –four directors (Tseng Ying-Tang, Tseng Jung-Meng, Liu Ping-Feng, and Ku Chih-Yun) who were also part-time employees recused themselves due to conflict of interest and did not participate in the discussion and voting.
- (II) Motion at the 3rd meeting of the 13th term
1. Discussion of the motion for 2022 distribution of employee remuneration to managers –three directors (Tseng Jung-Meng, Liu Ping-Feng, and Ku Chih-Yun) who were also part-time employees recused themselves due to conflict of interest and did not participate in the discussion and voting.
 2. Discussion of the motion for 2023 Mid-Autumn Festival bonus of managers –four directors (Tseng Ying-Tang, Tseng Jung-Meng, Liu Ping-Feng, and Ku Chih-Yun) who were also part-time employees recused themselves due to conflict of interest and did not participate in the discussion and voting.
 3. Motion for remuneration to independent directors: three independent directors (Tien Chia-Sheng, Liu Chien-Cheng, and Lee Shu-Min) recused themselves due to conflict of interest and did not participate in the discussion and voting.

III. Information on the evaluation cycle and period, evaluation scope, method and evaluation content of self-assessment of the Board of Directors:

The Company's assessment of the Board of Directors has been implemented once a year since 2020 when "the Rules for Self-Assessment of Directors and the Board of Directors" were passed. Please see the following table for information on the self-assessment of the Board of Directors for 2023.

IV. Measures undertaken during the current year and past year in order to strengthen the functions of the board of directors:

1. To strengthen corporate governance, we perform internal self-evaluations of the Board of Directors, self-evaluations of the Board members and self-evaluations of the functional committees.
2. We take information transparency very seriously. We disclose our important information on the websites designated by the competent authorities as well as the Company's website. Meeting minutes of the Audit Committee and the Board of Directors are also fully disclosed on the Company's website to meet the requirements of information transparency.

Implementation of the Assessment of the Board of Directors

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method	Evaluation content
Once a year	January 1 to December 31, 2023	Performance evaluation of the Board of Directors, functional committees and Board members	Internal self-evaluation of the Board of Directors, self-evaluation of the Board members Internal self-evaluation of the Audit Committee Internal self-evaluation of the Remuneration Committee	Note 1

Note 1: The results of the 2023 assessment of the Board of Directors has been submitted to the Board meeting on January 25, 2024. The assessment content and results are summarized as follows:

1. Performance evaluation of the Board of Directors includes: Participation in the operation of the company, quality of the Board of Directors' decision-making, composition and structure of the Board of Directors, election and continuing education of the directors, and internal control. The results of the 2023 assessment of the Board of Directors are as follows:

Evaluation Items	Performance Evaluation Results
A. Participation in the operation of the company (11 indicators)	90.9%
B. Quality of the Board of Directors' decision making (12 indicators)	93.3%
C. Composition and structure of the Board of Directors (7 indicators)	97.1%
D. Election and continuing education of the directors (4 indicators)	90.0%
E. Internal control (7 indicators)	91.4%
Total	92.7%

2. Performance evaluation of individual board members includes: Alignment of the goals and missions of the company, awareness of the duties of a director, participation in the operation of the company, management of internal relationship and communication the director's professionalism and continuing education, and internal control. The results of the 2023 assessment of the Board of Directors are as follows:

Evaluation Items	Performance Evaluation Results
A. Alignment of the goals and missions of the company (3 indicators)	98.0%
B. Awareness of the duties of a director (3 indicators)	97.3%
C. Participation in the operation of the company (8 indicators)	94.8%
D. Management of internal relationship and communication	96.7%
E. The director's professionalism and continuing education (3 indicators)	95.3%
F. Internal control (3 indicators)	99.3%
Total	96.4%

3. Performance evaluation of the Audit Committee includes:

Evaluation Items	Performance Evaluation Results
A. Their degree of participation in the company's operations. (4 indicator)	100%
B. Their recognition of the duties of the functional committee. (5 indicator)	88.0%
C. Improvement in the quality of decision making by the functional committee. (7 indicator)	97.1%
D. The composition of the functional committee, and election and appointment of committee members (3 indicator)	100%
E. Internal control (3 indicator)	93.3%
Total	95.5%

4. Performance evaluation of the Remuneration Committee includes: :

Evaluation Items	Performance Evaluation Results
A. Their degree of participation in the company's operations. (4 indicator)	100%
B. Their recognition of the duties of the functional committee. (5 indicator)	88.0%
C. Improvement in the quality of decision making by the functional committee. (7 indicator)	97.1%
D. The composition of the functional committee, and election and appointment of committee members (3 indicator)	93.3%
E. Internal control (1 indicator)	100%
Total	95.0%

(II) State of Operations of the Audit Committee:

State of Operations of the Audit Committee

For the most recent fiscal year, 4 (A) Audit Committee meetings were held, the attendance of independent directors is as follows:

Title	Name	Actual Attendance (B)	Attendance by Proxy	Actual Attendance Rate (%) (B/A)	Remark
Independent Director	Tien Chia-Sheng	4	0	100	
Independent Director	Chang Cheng-Chun	2	0	100	2023.6.19 term expired
Independent Director	Lee Shu-Min	2	0	100	2023.6.19 new appointment
Independent Director	Liu Chien-Cheng	4	0	100	

Other information required:

I. Annual Operations of the Audit Committee

Session of Audit Committee meeting (date of meeting)	Motion content	Matters listed in Article 14-5 of the Securities and Exchange Act	Motions not passed by the Audit Committee but approved by more than two-thirds or more of all directors	Internal auditing officer and accountants were present for communication
13 th meeting of the 2 nd term (2023.3.10)	1. Motion for the review of the 2022 financial statements and business report	Yes	No	Accountants present the chief internal auditor present
	2. Motion for the 2022 earnings distribution	No	No	the chief internal auditor present
	3. Review of the self-evaluation report of the 2022 internal control system and the statement of internal control.	Yes	No	the chief internal auditor present
	4. Motion for the placement of CPAs and the professionalism and independence evaluation of CPAs.	Yes	No	the chief internal auditor present
	5. Motion for the "List of non-confidential services expected to be provided by accounting firms" in 2023	No	No	the chief internal auditor present
	Resolution of the Audit Committee: Passed by all members. The Company's handling of the opinions of the Audit Committee: Passed by all directors present at the meeting. Objections, reservations or major suggestions of the independent directors: None.			
14 th meeting of the 2 nd term (2023.5.4)	1. Motion for the review of the consolidated financial statements for the Company and subsidiaries for first quarter of 2023	No	No	None
	2. Review of the fees of CPAs	No	No	None

	Resolution of the Audit Committee: Passed by all members. The Company's handling of the opinions of the Audit Committee: Passed by all directors present at the meeting. Objections, reservations or major suggestions of the independent directors: None.			
1 st meeting of the 3 rd term (2023.8.4)	1. Motion for the review of the consolidated financial statements for the Company and subsidiaries for the second quarter of 2023	No	No	None
	Resolution of the Audit Committee: Passed by all members. The Company's handling of the opinions of the Audit Committee: Passed by all directors present at the meeting. Objections, reservations or major suggestions of the independent directors: None.			
2 nd meeting of the 3 rd term (2023.11.3)	1. Motion for the review of the consolidated financial statements for the Company and subsidiaries for the third quarter of 2023	No	No	the chief internal auditor present
	2. Review of the "2024 internal audit plan"	Yes	No	the chief internal auditor present
	3. Motion for the "List of non-confidential services expected to be provided by accounting firms" in 2024	No	No	the chief internal auditor present
	Resolution of the Audit Committee: Passed by all members. The Company's handling of the opinions of the Audit Committee: Passed by all directors present at the meeting. Objections, reservations or major suggestions of the independent directors: None.			

II. For the implementation and state of independent directors' recusal for conflicts of interest, the independent directors' name, topic discussed, reasons for the required recusal, and participation in the voting process:

III. State of communication between independent directors, internal auditing officer and accountants (such as significant matters, methods and results of communications on the Company's finances and business status)

1. State of communication between independent directors and accountants:

(1) The Audit Committee reviewed the annual financial statements in accordance with Article 14-5 of the Securities and Exchange Act and communicated the key audit matters. The accountants were present at the Audit Committee meeting to report the review methods and results of the financial statements. The participation status is described as the table above.

(2) As of November 3, 2023, Separate communication meeting between independent directors and accountants discussed about the consolidated financial statements for the Company and subsidiaries for the third quarter of 2023

2. State of communication between independent directors and internal auditing officer:

(1) The audit results of the Company's financial operations are regularly reported to the independent directors in writing. If the independent directors have opinions, the internal auditing officer present at the meeting will be requested for communication. There were no unusual circumstances in the most recent fiscal year.

(2) The annual audit plan and the internal control system effectiveness from the self-evaluation report of the internal control system is submitted to the Audit Committee meeting for review. The internal auditing officer was present at the meeting for communication. The participation status is described as the table above.

(3) As of November 3, 2023, Separate communication meeting between independent

directors and internal auditing officer discussed about internal audit execution status in the third quarter of 2023 and internal audit plan for 2024.

IV. The annual key points of the Audit Committee's work are as follows:

The Committee mainly monitors the following matters:

- (1) The fair presentation of the Company's financial statements.
- (2) The selection (dismissal) of CPAs as well as their independence and performance.
- (3) The effective implementation of the Company's internal control
- (4) The Company's compliance with applicable laws and regulations
- (5) The control of the Company's existing or potential risks.

The Committee is responsible for the following:

- (1) Adoption or amendment of an internal control system pursuant to Article 14-1.
- (2) Assessment of the effectiveness of the internal control system.
- (3) Adoption or amendment, pursuant to Article 36-1, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, or endorsements or guarantees for others.
- (4) A matter bearing on the personal interest of a director.
- (5) A material asset or derivative instrument transaction.
- (6) A material monetary loan, endorsement, or provision of guarantee.
- (7) The offering, issuance, or private placement of any equity-type securities.
- (8) The engagement or dismissal of an attesting CPA, or the remuneration given thereto.
- (9) The appointment or discharge of a financial, accounting, or internal auditing officer.
- (10) Annual financial reports.
- (11) Any other material matters so required by the company or the Competent Authority.

(III) State of corporate governance and any deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX-Listed Companies and the reason for such deviation

Evaluation Item	State of Operations (Note 1)			Deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX-Listed Companies and the reason for such deviation
	Yes	No	Summary	
I. Has the company established and disclosed its rules of corporate governance in accordance with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	V		We have formulated "Corporate Governance Best-Practice Principles," which are disclosed on the Company's website and the Market Observation Post System.	No difference
II. Equity structure and shareholders' equity (I) Has the company formulated internal procedures regulated to handle shareholders' proposals, doubts, disputes, and litigation matters and		V	Handled by the Company's spokesperson.	We have yet to establish operating procedures.

Evaluation Item	State of Operations (Note 1)			Deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX-Listed Companies and the reason for such deviation
	Yes	No	Summary	
have the procedures been implemented accordingly?				
(II) Does the company possess a list of the company's major shareholders and a list of the ultimate controllers of its major shareholders?	V		The Company has a list of its major shareholders and a list of the ultimate controllers of its major shareholders	No difference
(III) Has the company established and implemented the risk control and firewall mechanisms between the affiliates?	V		This is performed in accordance with subsidiary supervisory operations and "the Rules Governing financial and Business Matters Between this Corporation and its Affiliated Enterprises". The directors are required to obtain permission to lift the restriction of competitive activities when engaging in a competitive activity.	No difference
(IV) Has the company set up internal regulations to prohibit internal personnel from utilizing the undisclosed information to trade securities?	V		We have formulated "Procedures for Handling Material Inside Information," "Ethical Corporate Management Best-Practice Principles" and "Guidelines for the Adoption of Codes of Ethical Conduct." These are announced to employees in accordance with the Company's operating procedures and incorporated into the management system to prevent insider trading by the Company's employees and managers.	No difference
III. Composition and duties of the Board of Directors				
(I) Has the board formulated a diversity policy and specific management objectives, and have they been implemented?	V		Article 3 of the Company's "Corporate Governance Best-Practice Principles" regarding "enhancing board functions" sets forth a diversity policy on guidelines that the composition of the Board members should take into consideration of diversification. For the implementation of the diversification of the 13 th term Board of Directors, please see p.12 and p.13 of the Annual Report.	No difference

Evaluation Item	State of Operations (Note 1)			Deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX-Listed Companies and the reason for such deviation
	Yes	No	Summary	
(II) Apart from the remuneration committee and audit committee, has the company voluntarily established other functional committees?		V	We currently have no other functional committees and may establish one when necessary.	Will be established according to the operational needs; it does not differ from the provisions of the Principles.
(III) Has the company established Regulations Governing the Board Performance Evaluation and its evaluation methods, and does the company conduct a performance evaluation each year, submit the performance evaluation results to the Board of Directors and use them as a reference in determining remuneration for individual directors, and nomination for reappointment?	V		We have formulated Rules for Performance Evaluation of the Board of Directors. The 2023 performance evaluation results have been reported to the Board meeting held on January 25, 2024. For more information, please see p.21–p.22 of the Annual Report.	No difference
(IV) Does the company regularly assess the independence of its CPAs?	V		1. According to Article 28 of the Company's "Corporate Governance Best-Practice Principles," the Company shall periodically evaluate the suitability and independence of the CPAs and report to the Board of Directors each year, with the accounting firm issuing a letter of independent statement and an Audit Quality Index (AQI) information report for the reference of the company's board of directors. 2. The Company completed the evaluation of the suitability and independence of the CPAs for 2023. The evaluation of the suitability and independence of the CPAs was approved by the	No difference.

Evaluation Item	State of Operations (Note 1)			Deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX-Listed Companies and the reason for such deviation
	Yes	No	Summary	
			Audit Committee and the Board meeting held on March 10, 2023. For more details of the review, please refer to Note 2. 3. The Company completed the evaluation of the suitability and independence of the CPAs for 2024. The evaluation of the suitability and independence of the CPAs was approved by the Audit Committee and the Board meeting held on February 29, 2024. For more details of the review, please refer to Note 2.	
IV. Has the company designated an appropriate number of personnel that specializes (including but not limited to providing directors/supervisors with the information needed and assist directors and supervisors in complying with the laws and regulations to perform their duties, convention of board meetings and shareholders' meetings, and preparation of board meeting and shareholders' meeting minutes)?	V		The 21 th meeting of the 12 th term board of directors has appointed that the chief accounting officer concurrently serve as the chief corporate governance officer of the company.	No difference.
V. Has the company established channels for communication with the stakeholders (including but not limited to shareholders, employees, customers, and suppliers), and set up a section for stakeholders on the official website of the Company with a proper response to the concerns of the stakeholders on issues related to corporate social responsibility?	V		There is a contact and Q&A section on the Company's website (www.soward.com). We have also set up a section dedicated to stakeholders for the identity of stakeholders, issues of concern, communication outlets and response methods. Please see Note 3	No difference.

Evaluation Item	State of Operations (Note 1)			Deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX-Listed Companies and the reason for such deviation
	Yes	No	Summary	
VI. Does the company engage a professional stock transfer agency to handle affairs related to shareholders' meetings?	V		The Company's stock agency is the stock department of President Securities Corporation	
VII. Information Disclosure (1) Does the company have a website set up where its financial business, and corporate governance information is disclosed?	V		The Company's website: www.siward.com	No difference.
(2) Has the company adopted other information disclosure methods (e.g. establishing an English website, designating a responsible person for collecting and disclosing information of the Company, substantiating the spokesman system, and uploading the procedure of investors conference on its website)?	V		We have set up a website (www.siward.com) for information disclosure. The collection and disclosure of company information is overseen by the spokesperson and relevant personnel. Moreover, the process of an investor conference held by us will be disclosed on the website. However, we were only invited to investor conferences for the most recent fiscal year, and the information has been disclosed on the company website.	No difference.
(3) Has the company published and reported its annual financial report within two months after the end of a fiscal year, and published and reported its financial reports for the first, second, and third quarters, as well as its operating status for each month before the specified deadline?	V		The company has published and reported its annual financial report within two months after the end of a fiscal year(113.2.29), and published and reported its financial reports for the first, second, and third quarters, as well as its operating status for each month before the specified deadline	No difference.
VIII. Is there any further information (including, but not limited to, employee rights and interests, employee care, investor relations, supplier relations, stakeholder	V		Please see Note 4 provided below.	No difference.

Evaluation Item	State of Operations (Note 1)			Deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX-Listed Companies and the reason for such deviation
	Yes	No	Summary	
rights, continuing education of directors and supervisors, implementation of risk management policies and risk measurement standards, implementation of customer policies, and liability insurance for directors and supervisors) that is helpful in understanding the corporate governance operation of the company?				
IX. Please explain the improvements made, based on the latest Corporate Governance Evaluation results published by TWSE Corporate Governance Center, and propose enhancement items and measures for any issues that are yet to be improved. The Company conducted a report on self-evaluation on corporate governance according to the 2023 assessment indicators of the corporate governance system. Based on the results, the Company have not the main deficiencies and improvements plan.				

Note 1: Regardless of ticking “yes” or “no” for the state of operation, it should be explained in the summary field.

Note 2: Evaluation items for the independence and suitability of CPAs

- 1 Did the CPA serve in the Company 2 years prior to their practice?
- 2 Does the CPA hold shares in the Company?
- 3 Has the CPA taken a loan from the Company?
- 4 Does the CPA have a regular job with the Company and receive a fixed pay?
- 5 Is there is a joint investment or profit-sharing relationship with the Company?
- 6 Is the CPA is involved in the management function of the Company’s decision-making?
- 7 Is the CPA related to the Company’s directors or management as a spouse, direct blood relative, direct relative by marriage or a relative within the fourth degree of kinship?
- 8 Is the CPA’s name used by others to serve as the Company’s CPA?
- 9 Does the CPA exercise due diligence in keeping the Company’s business secrets confidential?
- 10 Is the remuneration of the succeeding CPA lower than that of the preceding CPA?
- 11 Does the CPA’s professional services meet the Company’s current needs?
- 12 Does the accounting firm issue an Audit Quality Index (AQI) information report for the reference of the company's board of directors?

Note 3: Identity of stakeholders, issues of concern, communication outlets and response methods

Stakeholder	Issues of Concern	Communication Outlets and Response Methods
Shareholders and investors	1. Corporate governance 2. Risk management 3. Business performance 4. Shareholder engagement	Release major news Convene a shareholders' meeting and publish an annual report Participate in investor conferences Establish contacts for stock affairs and investor relations to facilitate two-way communication Manager Cheng, Spokesperson: irene@siward.com
Customers	1. Customer management and communication 2. Service quality	Email: sales@siward.com
Suppliers	1. Supplier management 2. Corporate image	Assistant Manager Lin: Email: stg211@siward.com
Employees	1. Employee benefits 2. Employee appraisal performance 3. Labor-management relations	We have intranet and personal email in place to keep employees updated on relevant rules, measures and announcements. Manager Yu: catherine@siward.com

Note 4:

1. We follow all laws and regulations when it comes to employee rights and interests. We do not lay off employees lightly as we regard them as members of our family. Information on employee benefits is disclosed on the company website and available to all employees. For more details, please refer to p.74 of the Annual Report.
 2. The information associated with investors and stakeholders disclosed on the company website is transparent. We also have a contact and Q&A functions available on the website at www.siward.com.tw to provide investors and stakeholders with contact and grievance outlets.
 3. Further education of directors for 2023: In addition to directors seeking professional courses depending on their expertise, the Company also provides courses organized by the competent authorities for directors.
 - (1) Directors who completed six hours of further education as required in the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE/TPEX Listed Companies": Directors Tseng Ying-Tang, Tseng Jung-Meng, Chiang Hung-Yu, Liao Pen-Lin, Ku Chih-Yun, Liu Ping-Feng, Liao Lu-Li, and independent directors Tien Chia-Sheng, Liu Chien-Cheng, Lee Shu-Min. All directors completed six and twelve hours of courses.
 4. For the implementation of the risk management policy and risk measurement standards, please refer to p.90 of the Annual Report.
 5. The Company's directors are covered by liability insurance and information related to the coverage and insurance rate has been reported at the Board meeting held on June 19, 2023.
- (IV) If the company has established a Remuneration Committee or Nomination Committee, their composition, duties and state of operation shall be disclosed:
1. The Company does not have a Nomination Committee.
 2. The Company has formed a Remuneration Committee; its composition, duties and state of operation are as follows:

(1) Information on Remuneration Committee Members

Criteria Identity Name		Professional Qualifications and Experience	State of Independence	Number of other companies where the member is also a member of their remuneration committees
Independent Director	Tien Chia-Sheng	Qualifications: Professional specialist such as an accountant who has passed a national examination and been awarded a certificate and has not been involved in any of the circumstances in the subparagraphs of Article 30 of the Company Act. Experience: Person in charge of Sunpower CPA Firm, person in charge of Yuan-Dong-Li Consulting Co., Ltd. independent director of Buima Group Inc., independent director of Intai Technology Corp. Director at Genius Electronic Optical Co., Ltd.	Met all matters stated in Note (1) to (4)	2
Independent Director	Liu Chien-Cheng	Qualifications: Professional specialist such as an attorney who has passed a national examination and been awarded a certificate and has not been involved in any of the circumstances in the subparagraphs of Article 30 of the Company Act. Experience: Managing Attorney, Liu Chien-Cheng Law Firm	Met all matters stated in Note (1) to (4)	0
Independent Director	Lee Shu-Min	Qualifications: A person with at least five years of working experience in a department of commerce or a department related to the business needs of the company and has not been involved in any of the circumstances in the subparagraphs of Article 30 of the Company Act. Experience: Vice President, Business Division, Capital Market Department, Taishin Financial Holdings	Met all matters stated in Note (1) to (4)	0

Note : For Remuneration Committee members, their state of independence must be specified, including but not limited to whether they, their spouse, relatives within the second degree of kinship meet the following criteria (1) to (4)

- (1) This party himself/herself, their spouse, relatives within the second degree of kinship is not serving as a director, supervisor or employee of the Company or its affiliates;
- (2) This party himself/herself, their spouse, relatives within the second degree of kinship (or in the name of others) is not holding shares of the Company;
- (3) This party is not serving as a director, supervisor or an employee of a company with which the Company has a specific relationship (as referred to in Article 3, Paragraph 1, Subparagraphs 5-8 in the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies); and
- (4) This party did not provide business, legal, financial or accounting services to the Company or its affiliates in the past two years.

(2) State of Operations of the Remuneration Committee

1. The Company's Remuneration Committee is made up of 3 persons.
2. Term of this Committee: June 19, 2023 to June 18, 2026
3. The Remuneration Committee had 2 meetings (A) in the most recent fiscal year. The qualifications of members and attendance are as follows:

Title	Name	Actual Attendance (B)	Attendance by Proxy	Actual Attendance Rate (%) (B/A)	Remark
Convener/ Independent Director	Tien Chia-Sheng	2	0	100	
Member/ Independent Director	Liu Chien-Cheng	2	0	100	
Member/ Independent Director	Chang Cheng-Chun	1	0	100	2023.6.19 term expired
Member/ Independent Director	Lee Shu-Min	1	0	100	2023.6.19 new appointment

Other information required:

State of Annual Operations of the Remuneration Committee

Session of Remuneration Committee meeting	Election	Motion content	For the resolution of the remuneration committee, has a member expressed any objection or reservation, either by recorded statement or in writing and all members' opinions and handling of members' opinions	If the board of directors declines to adopt or modify a recommendation of the remuneration committee, the handling of the situation and the difference and reasons of the board of directors.
9 th meeting of the 4 th term	2023.5.4	1. Motion for the 2022 distribution of director remuneration 2. 2023 distribution of Dragon Boat Festival bonus to managers. 3. Appointment of Chief of Corporate Governance officer of Company	1. Opinions of the members: None. 2. Handling of the opinions by all members: None. 3. Resolution: Motion passed and submitted to the Board meeting for resolution.	Resolution of the 21 th meeting of the 12 th term: Motion passed.
1 st meeting of the 5 th term	2023.9.22	1. Motion for 2022 distribution of employee remuneration to managers. 2. Motion for distribution of 2023 Mid-Autumn Festival bonus to managers	1. Opinions of the members: None. 2. Handling of the opinions by all members: None. 3. Resolution: Motion passed and submitted to the Board meeting for resolution.	Resolution of the 3 rd meeting of the 13 th term: Motion passed.

II. The annual key points of the Remuneration Committee's work are as follows:

The Committee faithfully exercises the following duties with the duty of care of a good manager and submits its recommendations to the Board of Directors for discussion. However, remuneration to independent directors is resolved by the Board of Directors as required in Article 21 of the Articles of Incorporation.

- (1) These Procedures are periodically reviewed and recommendations proposed for modification.

- (2) The performance evaluation criteria, annual and long-term performance targets for the Company's directors as well as the remuneration policy, system, standards and structure are established and regularly reviewed.
- (3) The achievement of the performance objectives of the Company's directors and managers are regularly evaluated. The contents and amount of each individual's remuneration is determined based on the evaluation results of the performance evaluation criteria.

(V) State of the company's promotion of sustainable development, any deviation from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies, and the reason for such deviation

Evaluation Item	State of Operations (Note 1)			Deviation from the Sustainable Development Best-Practice Principles for TWSE/TPEX-Listed Companies and the reason for such deviation
	Yes	No	Summary	
I. Has the company established a governance structure to promote sustainable development and set up a special (part-time) unit to promote sustainable development which is authorized by the board of directors to be handled by senior management and supervised by the board of directors?	V		Structure: Administration Department is in charge of the environmental management of operations, labor safety, hygiene and health issues. The HR Department is in charge of the establishment, implementation and maintenance of the awareness system the code of ethical conduct among all employees. Execution: Administration Department as the part-time unit reported the implementation results at the Board meeting held on November 3, 2023.	No difference.
II. Has the company conducted risk assessments of environmental, social and corporate governance issues pertaining to company operation in accordance with the materiality principle and established the relevant risk management policy or strategy? (Note 2)	V		The Company has conducted risk assessments of environmental, social and corporate governance issues and established the relevant risk management policy as follows: Environment: We passed ISO 14001 environmental management system certification in 2003. By upholding the principle of "pollution prevention and continuous improvement," the output of our business waste has gradually reduced while the reuse rate of waste has gradually increased year by year. All emission inspection data are in line with the requirements of government regulations. Moreover, we control the use of	No difference.

Evaluation Item	State of Operations (Note 1)			Deviation from the Sustainable Development Best-Practice Principles for TWSE/TPEX-Listed Companies and the reason for such deviation
	Yes	No	Summary	
			raw materials and ban environmentally hazardous substances, in line with the major international manufacturers' requirements of green production and green products Meanwhile, we have passed the Sony Green Partner certification in 2004. Social: 1. occupational safety: We have set up a Safety and Health Department responsible for the identification, evaluation and control of the working environment and operational hazards while preventing work injuries. In a bid to provide workers with a safe and healthy working environment as required by the system, we passed OHSAS18001 in December 2008 and ISO 45001 occupational safety and health management system verification in December 2020 (the current valid date is 2023/12–2026/12). 2. product safety: As a means to reduce hazardous substances contained in our products in line with the requirements of RoHS, we have formulated and adopted the requirements of green design management and green procurement management so that processes meet RoHS standards. As well as this, we have also engaged in communications and promotion with suppliers and our current products are fully in compliance with the RoHS requirements. Corporate governance: 1. Social economy and compliance with laws and	

Evaluation Item	State of Operations (Note 1)			Deviation from the Sustainable Development Best-Practice Principles for TWSE/TPEX-Listed Companies and the reason for such deviation
	Yes	No	Summary	
			regulations: through the establishment and implementation of internal control mechanisms to ensure that the company's personnel and operations do comply with relevant laws and regulations. 2. Strengthen the functions of directors: plan training topics for directors and provide the latest regulations. Take out liability insurance for directors to protect them from lawsuits or claims. 3. Stakeholder communication: establish various communication channels and actively communicate. The investor mailbox is set up and the spokesperson is responsible for responding.	
III. Environmental Issues (I) Does the company have an appropriate environmental management system established in accordance with its industrial characteristics?	V		We passed ISO 14001 environmental management system certification in 2003 (the current valid date is 2021/11–2024/11).	No difference
(II) Is the company committed to enhancing the utilization efficiency of resources and using renewable materials that have low impact on the environment?	V		By upholding the principle of “pollution prevention and continuous improvement,” the output of our business waste has gradually reduced while the reuse rate of waste has gradually increased year by year. All emission inspection data are in line with the requirements of government regulations. Moreover, we control the use of raw materials and ban environmentally hazardous substances, in line with the major international manufacturers’ requirements of green production and green products. Meanwhile, we have passed the Sony Green Partner certification in 2004.	
(III) Does the company assess the	V		According to the letter from the	No difference

Evaluation Item	State of Operations (Note 1)			Deviation from the Sustainable Development Best-Practice Principles for TWSE/TPEX-Listed Companies and the reason for such deviation												
	Yes	No	Summary													
present and future potential risk and opportunities of climate change and adopt countermeasures related to climate issues?			FSC, the part-time unit is set as the Administration department, and the President is the top responsible supervisor. Set a detailed promotion schedule for each project, and the Board of Directors will supervise and control the phased goals. Its content mainly draws up personnel training, internal verification and external verification planning, greenhouse gas inventory and report planning content, etc. The interrogation procedure should at least cover the following key points: 1. Set the inspection boundary, identify the emission source and identify the scope of disclosure. 2. Complete the emissions inventory. 3. Production, distribution and file preservation management of the first inventory report. 4. Conduct verification procedures (including internal verification and external verification). 5. Internal auditors track and check whether the relevant operations are actually completed according to the plan. 6. Complete the establishment of relevant information systems.													
(IV) Has the company prepared statistics on greenhouse gas emissions, water consumption and total volume of waste for the past two years, and formulated policies for to save energy saving and reduce carbon, greenhouse gas, water use, or other waste management?	V		1. greenhouse gas emissions, water consumption and total volume of waste <table><tr><td></td><td>2023</td><td>2022</td></tr><tr><td>greenhouse gas emissions</td><td>14,596 tons</td><td>15,347 tons</td></tr><tr><td>water consumption</td><td>67,939 tons</td><td>76,704 tons</td></tr><tr><td>total volume of waste</td><td>123 tons</td><td>119 tons</td></tr></table> 2. Establish a strategy for energy		2023	2022	greenhouse gas emissions	14,596 tons	15,347 tons	water consumption	67,939 tons	76,704 tons	total volume of waste	123 tons	119 tons	No difference
	2023	2022														
greenhouse gas emissions	14,596 tons	15,347 tons														
water consumption	67,939 tons	76,704 tons														
total volume of waste	123 tons	119 tons														

Evaluation Item	State of Operations (Note 1)			Deviation from the Sustainable Development Best-Practice Principles for TWSE/TPEX-Listed Companies and the reason for such deviation
	Yes	No	Summary	
			conservation and carbon and greenhouse gas (GHG) reduction: As the industry that the Company is in does not consume high volumes of water, water bills only account for a minimal ratio of approximately 0.03% of the manufacturing costs. Hence, the reduction of electricity use will be our central aim and two major directions have been set up (1) Full replacement of LED lighting equipment. (2) Install solar power panels on the roofs of the Company's two factories The above two projects were completed by the end of 2018, reducing carbon emissions by 170 metric tons per year.	
IV. Social Issues				
(I) Does the company have the relevant management policies and procedures stipulated in accordance with the applicable laws and regulations and international conventions on human rights?	V		At SIWARD, we follow the Labor Standards Act and emphasize the legal rights and interests of employees. As well as this, we have various operating procedures in place in line with the requirements of applicable labor laws and regulations for all employees to follow.	No difference. No difference
(II) Has the company established and implemented reasonable measures for employee benefits (including remuneration, holidays and other benefits) that appropriately reflects the business performance or achievements in the employee remuneration?	V		1. For more information on the Company's employee benefits, please refer to p.74 of the Annual Report. 2. Our management performance or achievements are adequately reflected in the remuneration to employees: In accordance with Article 25 of the Company's "Articles of Incorporation": 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	No difference.

Evaluation Item	State of Operations (Note 1)			Deviation from the Sustainable Development Best-Practice Principles for TWSE/TPEX-Listed Companies and the reason for such deviation
	Yes	No	Summary	
(III) Has the company provided employees with a safe and healthy work environment and regularly provided safety and health education to employees?	V		directors. However, if the Company has accumulated losses, profit shall be set aside in advance to make up for losses. 1. Each employee is regularly provided with a health checkup and we also organize periodic safety and health seminars and recreational activities. In December 2020, we passed ISO 45001 occupational safety and health management system verification in an attempt to provide workers with a safe and healthy working environment as required by the system. The certification is valid from December 2023 to December 2026. 2. In 2023, the company had no occupational accidents. 3. In 2023, the company had no fire accidents.	No difference.
(IV) Has the company established an effective career development training program for its employees?	V		We provide general training courses to newcomers on a regular basis. As well as this, we also request that the conduct of all employees must meet the requirements of our principles. For information on employee education and training, please refer to p.75 of the Annual Report.	No difference.
(V) Does the company comply with laws and international standards with respect to customer health, safety and privacy, marketing and labeling in all products and services offered, and have the company implemented consumer protection policies and complaint procedures?	V		There is a contact and Q&A section on the Company's website (www.siwat.com). We have assigned personnel in charge of matters associated with various types of stakeholders. The section on our website dedicated to stakeholders is independently labeled.	No difference.
(VI) Has the company implemented a supplier management policy that		V	The company actively engages in the construction and management	No difference

Evaluation Item	State of Operations (Note 1)			Deviation from the Sustainable Development Best-Practice Principles for TWSE/TPEX-Listed Companies and the reason for such deviation
	Yes	No	Summary	
regulates suppliers' conduct with respect to environmental protection, occupational safety and health or work rights/human rights issues, and does the company track suppliers' performance on a regular basis?			of ethical supply chains, actively invites suppliers to participate in the "Supplier Ethical Code of Conduct Agreement" commitment, and cultivates a consensus on CSR with supplier senior managers.	
V. Has the company prepared a sustainability report or a report on non-financial information with reference to internationally accepted standards or guidelines? Are these reports supported by the assurance or opinion of a third-party verification entity?	V		The "ESG Report" was prepared with reference to internationally accepted standards or guidelines and is available on the company website at http://www.soward.com.tw/tw/csr and the MOPS. However, the CSR Report has not yet been supported by the assurance or opinion of a third-party verification entity.	No difference.
VI. If the company has formulated its own Sustainable Development Best-Practice Principles in accordance with the "Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies," please describe the differences between its operation and the Principles: We have formulated our own "Sustainable Development Best-Practice Principles," which are disclosed on the Company's website and the Market Observation Post System. The contents are not different from the "Sustainable Development Best-Practice Principles for TWSE/TPEX-Listed Companies."				
VII. Other important information to help understand the promotion of sustainable development implementation: - Protection measures for the working environment and safety of employees and their actual implementation: We have set up a Safety and Health Department responsible for the identification, evaluation and control of the working environment and operational hazards while preventing work injuries. In a bid to provide workers with a safe and healthy working environment as required by the system, we passed OHSAS18001 occupational safety and health management system verification in December 2008 and ISO 45001 occupational safety and health management system verification (valid from December 2023 to December 2026) in December 2020. - Specific plans to promote sustainable development in 2023 and their implementation results: (1) Donation-Social Service Donation-Jieren Association NT40,000 (2) Donation - 2023 Love Project Sponsorship - Juheng.com NT60,000 (3) Donation-Sow the seeds of reading-Give children a big future public welfare book donation activity-Foresight NT100,000 (4) Medical development donation-Puji Medical NTD 20,000 (5) Donation- Happy Workplace Charity -Private Huiming Correctional Home for the Visually Impaired NTD7,500 (6) Taiwan Good Air Education Futian Stops Rice Stalk Burning Action Donation - Native Restoration Association NTD50,000 (7) 2023 Charity Fundraising Concert Donation-Holy Island Charity Foundation NTD20,000 (8) Donation to promote visual arts teaching plan in 2023-Hina Balan Elementary School NTD50,000 (9) Cooperate with the Eden Welfare Foundation for the company's Mother's Day event NT181,200				

Note 1: If "Yes" is selected for the implementation, please explain the key policies, strategies and measures taken and their implementation; if "No" is selected for the implementation,

please provide the difference and reason for “difference from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof” column, and explain any policy, strategy and measure planned for the future.

Note 2: “Materiality principle” refers to environmental, social and corporate governance issues that are of material impact to the Company’s investors and stakeholders.

Climate related information Implementation of climate-related information

Item	Implementation
1. Describe the board and management’s oversight and governance of climate-related risks and opportunities. 2. Describe how the identified climate risks and opportunities affect the company's business, strategy and finance (short-term, medium-term, long-term). 3. Describe the financial impact of extreme climate events and transition actions. 4. Describe how climate risk identification, assessment and management processes are integrated into the overall risk management system. 5. If scenario analysis is used to assess resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors and main financial impacts used should be explained. 6. If there is a transformation plan to manage climate-related risks, describe the content of the plan, and the indicators and targets used to identify and manage physical risks and transformation risks. 7. If internal carbon pricing is used as a planning tool, the basis for setting the price should be stated. 8. If climate-related goals are set, information such as the greenhouse gas emission scope, planning schedule, annual achievement progress, etc. should be explained; if carbon offsets or renewable energy certificates (RECs) are used to achieve relevant goals, information such as Explain the source and quantity of carbon reduction credits or the quantity of renewable energy certificates (RECs) being redeemed. 9. Greenhouse gas inventory and confirmation, reduction goals, strategies and specific action plans.	1. Climate risk impact and scenario analysis and response strategies: None. 2. Greenhouse gas inventory: The board of directors supervises the implementation of the greenhouse gas inventory team and currently conduct inventory training for greenhouse gas inventory team members.

(VI) State of ethical corporate management and deviations from Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof

Evaluation Items	State of Operations			Deviation from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and the reason for such deviation
	Yes	No	Summary	
I. Establishment of the ethical corporate management policy and integrity management policies and action plans (I) Has the company established an ethical corporate management policy approved by the board of directors? Does the policy clearly specify in its rules and external documents the ethical corporate management policies, and the commitment of the board of directors and the senior management to proactively implement the management policy?	V		The Company has formulated its “Ethical Corporate Management Best-Practice Principles” with reference to the “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies.”	No difference.

Evaluation Items	State of Operations			Deviation from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and the reason for such deviation
	Yes	No	Summary	
(II) Has the company established a risk assessment mechanism against unethical acts, analyzed and assessed business activities within their business scope regularly that are at a higher risk of being involved in unethical acts, and established prevention programs covering at least the preventive measures specified in Paragraph 2, Article 7 “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”?	V		The Company has formulated “Procedures for Ethical Management and Guidelines for Conduct” with reference to its “Ethical Corporate Management Best-Practice Principles.”	No difference.
(III) Has the company clearly provided the operating procedures, conduct guidelines, disciplines for violations and a grievance system in its program to prevent unethical acts and have these been implemented, and has the formally disclosed program been regularly reviewed and amended?	V		Prevention measures have been established in the “Procedures for Ethical Management and Guidelines for Conduct” and relevant matters handled in accordance with the “Measures for Handling of Reports of Illegal/Unethical/Dishonest Conduct.”	No difference.
II. Implementation of ethical corporate management		V		
(I) Has the company evaluated the integrity of all counterparties it has business relationships with? Are there any integrity clauses in the agreements entered into with business partners?			Although the Company evaluates the integrity of all counterparties it has business relationships with, it does not specify any integrity clauses in the agreements entered into with business partners.	Same as provided at left.
(II) Has the company set up a dedicated unit to promote ethical corporate management under the board of directors, and has such unit reported to the Board of Directors its execution in terms of ethical management policy and preventive programs against unethical conducts and the supervision status on a regular basis (at least once a year)?	V		The “Procedures for Ethical Management and Guidelines for Conduct” clearly specify that the Management Department is the part-time unit that promotes ethical corporate management. We regularly report to the Board of Directors on the unit’s ethical management policy and prevention plan of unethical practices as well as monitoring the implementation. The matters were reported at the 4th meeting of the 13 th term Board on November 3, 2023.	No difference.

Evaluation Items	State of Operations			Deviation from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and the reason for such deviation
	Yes	No	Summary	
(III) Has the company formulated a policy that prevents conflicts of interest and a channel that facilitates the reporting of conflicting interests?	V		These are provided for in the “Procedures for Ethical Management and Guidelines for Conduct” and the “Guidelines for the Adoption of Codes of Ethical Conduct.”	No difference.
(IV) Has the company established an effective accounting system and internal control system in order to implement ethical management, and proposed relevant audit plans according to the assessment results of the risks of unethical conducts, and reviewed the compliance of the prevention of unethical conducts, or entrusted an accountant to carry out the review?	V		The process of the Company’s operating items of the “accounting system” and “internal control system” is designed based on the ethical management principle. Regular audits are performed by the internal auditing unit while the CPAs perform an annual audit of the “internal control system.”	No difference.
(V) Has the company organized internal or external training on a regular basis to maintain ethical management?	V		The directors take part in external training on ethical management and the Company provides general training courses to newcomers on a regular basis. For information on education and training, please refer to p.75 of the Annual Report.	No difference.
III. State of operations of the company’s reporting system	V			
(I) Has the company set up a specific reporting and incentive system, and established a channel to facilitate reporting and assigned dedicated personnel to receive reports?	V		Precautionary measures have been established in the “Procedures and Conduct Guidelines for Integrity Management” and the “Handling of Reports of Illegal/Unethical/Dishonest Conduct” to handle related matters.	No difference.
(II) Has the company implemented any standard operating procedures and/or subsequent measures after carrying out an investigation or confidentiality measures for handling reported misconducts?	V		We have formulated “Measures for Handling of Reports of Illegal/Unethical/Dishonest Conduct.”	No difference.
(III) Has the company taken appropriate measures to protect the whistleblower from improper treatment as a result of whistleblowing?	V		This has been provided in the “Procedures and Conduct Guidelines for Integrity Management” and the	No difference.

Evaluation Items	State of Operations			Deviation from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and the reason for such deviation
	Yes	No	Summary	
			“Handling of Reports of Illegal/Unethical/Dishonest Conduct.”	
IV. Information Disclosure Strengthening (I) Has the company disclosed the content of its ethical corporate management Best-Practice principles and the results of implementation on its official website and the MOPS?	V		The Company’s “Ethical Corporate Management Best-Practice Principles,” “Procedures for Ethical Management and Guidelines for Conduct,” and “Measures for Handling of Reports of Illegal/Unethical/Dishonest Conduct” have been disclosed on the company website and the MOPS.	No difference.
V. For companies that have established Ethical Corporate Management Best-Practice Principles in accordance with the “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies,” please describe the current practice and any deviations from the code of conduct: There is no difference between the Company’s “Ethical Corporate Management Best-Practice Principles” and the “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies.				
VI. Any other important information that may help understanding the performance of ethical corporate management better: (e.g. review of and amendment to its Ethical Corporate Management Best-Practice Principles) The Company’s Board meeting held on November 1, 2019 passed amendments to some provisions of the Company’s “Ethical Corporate Management Best-Practice Principles.”				

(VII) If the company has adopted corporate governance best-practice principles or related bylaws, disclose how these are to be searched:

1. The MOPS: [mops.twse.com.tw/corporate governance](https://mops.twse.com.tw/corporate%20governance)
2. The Company’s website: https://www.soward.com.tw/en/investors/corporate-governance/Articles_of_Association_and_the_Laws_and_Regulations

(VIII) Other significant information that will provide a better understanding of the state of the company’s implementation of corporate governance:

The Company has formulated “Procedures for Handling Material Inside Information” passed by the Board of Directors. These Procedures are announced to employees in accordance with the Company’s operating procedures and incorporated into the management system to prevent insider trading by the Company’s employees and managers.

(IX) Implementation of the company's internal control system:

1. Statement on Internal Control

SIWARD Crystal Technology Co., Ltd.
Statement on Internal Control

Date: February 29, 2024

The Company declares the following concerning its internal control system during the fiscal year 2023, based on the findings of a self-assessment:

- I. The Company acknowledges that the establishment, implementation and maintenance of the internal control system are the responsibilities of the Board of Directors and Managers of the Company. As such, the Company has established the aforementioned system. Its objectives are to provide reasonable assurance for the effectiveness and efficiency of its operations (including profitability, performance, and the guarantee of assets safety); reliable, timely and transparent reporting; and conformity to applicable rules, regulations, and laws.
- II. The internal control system has its inherent limitations. Regardless of how exhaustive the design is, an effective internal control system can only provide reasonable assurance for the achievement of the aforementioned three objectives. Further, due to changes in the environment or circumstances, the effectiveness of the internal control system may vary accordingly. Nevertheless, the Company's internal control system has set up a self-supervision mechanism. Once a deficiency has been identified, the Company will take the remedial actions immediately.
- III. In accordance with the determining criteria for the effectiveness of the internal control system prescribed in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (hereafter the "Regulations"), the Company evaluated the effectiveness of the design and execution for its internal control system. The determining criteria of the internal control system prescribed in the "Regulations" are based on the process of management control, dividing the internal control system into five composite factors: 1. Control of the environment, 2. Risk evaluation, 3. Control of operations, 4. Information and communication, and 5. Supervision. The composition of each element also includes several items. Please refer to the "Regulations" for the aforesaid items.
- IV. The Company has adopted the aforementioned determining criteria of the internal control system to evaluate the effectiveness of design and execution for its own internal control system.
- V. Based on the evaluation result of the preceding paragraph, the Company believes that its internal control system (including the supervision and management of its subsidiaries) as of December 31, 2023, including understanding the achievement for the objectives of effectiveness and efficiency of its operations, reliability, timeliness and transparency of its reporting and compliance with the applicable law and regulations, was effective in design and execution, and can be reasonably assured of the achievement of the aforementioned objectives.
- VI. This Statement will serve as the main content of the Company's annual report and prospectus and will be made available to the public. If the aforesaid public content has any illegal events including falseness or concealment, etc., it shall be liable to the legal liabilities stipulated in Article 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. This Statement has been passed by the Board of Directors Meeting of the Company held on February 29, 2024, where none of the attending Directors expressed dissenting opinions, and the remainder all affirmed the content of this Statement.

SIWARD Crystal Technology Co., Ltd.

Chairman: Tseng Ying-Tang Signature

President: Tseng Jung-Meng Signature

2. CPA audit report, where a CPA was engaged to carry out a special audit of the internal control system: None.

(X) If there has been any legal penalty against the company or its internal personnel, or any disciplinary penalty by the company against its internal personnel for violation of the internal control system, during the most recent fiscal year or up to the publication date of the annual report, where the result of such penalty could have a material effect on shareholder equity or securities prices, the annual report shall disclose the penalty, the main shortcomings, and condition of improvement: None.

(XI) Important resolutions of a shareholders' meeting or a board of directors meeting during the most recent fiscal year or up to the date of publication of the annual report:

1. Resolution of the Shareholders' Meeting and Implementation Status

Resolutions of the 2023 Shareholders' Meeting	Implementation Status and Review
1. Ratification of the Company's 2022 financial statements.	Implementation status: Completed.
2. Ratification of the motion for the 2022 earnings distribution – distribution of cash dividends for NT\$2.2 per share.	Implementation status: Resolution of the Board meeting on August 4, 2023: The shareholders' meeting resolved to distribute cash dividends of NT\$2.2 per share. September 5, 2023 was set as the ex-dividend date and September 28, 2023 was the cash dividend payment date. Completed.
3. Motion for Elections for the Company's 13 th Board	Implementation status: Completed.
4. Motion for remove the restriction of non-compete agreement of newly elected directors.	Implementation status: Completed.

2. Important resolutions of the Board of Directors:

Election	Name of Meeting	Important Resolution
2023.3.10	20 th meeting of the 12 th term	1. Review of the Company's 2022 financial statements and business report 2. Motion for the 2022 earnings distribution 3. Review of the self-evaluation of the internal control system and the statement on internal control. 4. Motion for the election of directors. 5. Motion to agree to lift the restriction of competition for the Company's newly elected directors. 6. Method to distribute 2022 employee remuneration. 7. Motion for the convening of a shareholders' meeting. 8. Review of the replacement of CPAs and the professionalism and independence evaluation of CPAs. 9. Motion for bank's short-term financing facility.
2023.5.4	21 th meeting of the 12 th	1. Review of the Company's financial

Election	Name of Meeting	Important Resolution
	term	statements for Q1 2023. 2. Motion for bank's short-term financing facility and the renewal of the credit facility of derivative instruments. 3. Motion for the 2022 distribution of director remuneration 4. 2023 distribution of Dragon Boat Festival bonus of managers. 5. Review of the list of director candidates for the Company's 2023 shareholders' meeting. 6. Review of the fees of CPAs 7. Appointment of Chief of Corporate Governance officer of Company
2023.6.19	1 st meeting of the 13 th term	1. Elections for the Chairman of 13th Board 2. Appointment of the member of Remuneration Committee
2023.8.4	2 nd meeting of the 13 th term	1. Review of the Company's financial statements for the first half of 2023. 2. Setting of an ex-dividend date. 3. Motion for bank's short-term AR financing facility.
2023.9.22	3 rd meeting of the 13 th term	1. Motion for 2022 distribution of employee remuneration to managers. 2. Motion for 2023 distribution of Mid-Autumn Festival bonus for managers. 3. Motion for salary of member of Remuneration Committee.
2023.11.3	4 th meeting of the 13 th term	1. Review of the Company's financial statements for the first three quarters of 2023. 2. Review of the "2024 audit plan"
2023.12.28	5 th meeting of the 13 th term	1. 2024 business plan. 2. Motion for amendments to some provisions of the "Rules for Performance Evaluation of Board of Directors" 3. Amendments to some provisions of the Company's "Corporate Governance Best-Practice Principles." 4. Motion for amendments to some provisions of the "Rules Governing Financial and Business Matters Between this Corporation and its Affiliated Enterprises".
2024.1.25	6 th meeting of the 13 th term	1. Motion for the bank's short-term financing facility. 2. Motion for the establishment of the distribution rate of the 2023 remuneration to directors. 3. Motion for distribution of 2023 year-end bonus of managers.
2024.2.29	7 th meeting of the 13 th term	1. Review of the Company's 2023 financial statements and business report 2. Motion for the 2023 earnings distribution.

Election	Name of Meeting	Important Resolution
		3. Motion for cash allotment from capital surplus. 4. Method to distribute 2023 employee remuneration. 5. Motion for amendments to some provisions of the Company's "Articles of Incorporation". 6. Motion for the convening of a shareholders' meeting. 7. Review of the self-evaluation of the internal control system and the statement on internal control. 8. Amendment of the "2024 audit plan" 9. Motion for the replacement of CPAs and the professionalism and independence evaluation of CPAs.
2024.5.6	8 th meeting of the 13 th term	1. Review of the Company's financial statements for the first quarter of 2024. 2. Change to the chief internal auditor of the company 3. Review of the fees of CPAs. 4. Appointment to the CSO of the company 5. Motion for amendments to some provisions of the Company's "Articles of Incorporation". 6. Motion for bank's short-term financing facility and the renewal of the credit facility of derivative instruments. 7. Motion for the 2023 distribution of director remuneration 8. 2024 distribution of Dragon Boat Festival bonus of managers.

(XII) Where, during the most recent fiscal year or up to the date of publication of the annual report, a director has expressed a dissenting opinion with respect to an important resolution passed by the board of directors, and said dissenting opinion has been recorded or prepared as a written declaration, disclose the principal content thereof:

During the most recent fiscal year or up to the date of publication of the annual report, no directors expressed a dissenting opinion with respect to an important resolution passed by the board of directors.

(XIII) A summary of resignations and dismissals, during the most recent fiscal year or up to the date of publication of the annual report, of the company's chairman, president, chief accounting officer, chief financial officer, chief internal auditor, chief corporate governance officer, and chief R&D officer:

Summary table of resignation and dismissal of relevant persons in the company

Date of board resolution: May 6, 2024

Title	Name	Date of appointment	Date of dismissal	Reason for resignation or dismissal
the chief internal auditor	Lin Xian-ting	2006.2.5	Effective date: 113.6.26	Retired

V. Information on the professional fees of the CPAs

- (I) The company shall disclose the amounts of the audit fees and non-audit fees paid to the CPAs and to the accounting firm to which they belong and to any affiliated enterprises as well as the details of non-audit services.

Amount unit: NT\$ thousands

Name of accounting firm	Name of accountant	Audit period	Audit fee	Non-audit fee					Remark
				Tax certification	Production of report of transfer pricing	Business registration	Other	Subtotal	
EY Taiwan	Tu, Chin-Yuan	2023.01.01–2023.12.31	3,360	250	350	-	-	600	
	Huang Yu-Ting	2023.01.01–2023.12.31							

Note 1: Where the company has changed the CPAs or the accounting firm, please indicate the audit period separately, and explain the reason for the replacement in the Remarks field and disclose the audit and non-audit professional fees and other information.

Note 2: Non-audit fees should be separately listed. "Other" for non-audit fees shall be disclosed in the Remarks field.

- (II) Audit fee for the change of accounting firms paid in the year is less than the previous year, the decreased amount, percentage and reason of the audit fee shall be disclosed: None.
- (III) Over 10% decrease in audit fee on a year-to-year basis, the decreased amount, percentage and reason of the audit fee shall be disclosed: None.

VI. Information on replacement of certified public accountants

If the company has replaced its certified public accountant within the last 2 fiscal years or any subsequent interim period, it shall disclose the relevant information: The Company did not replace its CPAs.

(I) Regarding the former accountants

Date of change	The 20 th meeting of the 12 th term Board of Directors on March 10, 2023 The 7 th meeting of the 13 th term Board of Directors on February 29, 2024		
Reasons and explanations of change	EY internal job transfer		
Explanation whether it was the appointer or the accountant who called for termination or declined the appointment	The parties situation	accountant	appointer
	Proactively terminate the appointment	None	None
	Declined (discontinued) the appointment	None	None
Any issuance of audit report with reserved opinions within the past two years and the reasons thereof.	None		
Any different opinion with the issuer?	Yes		Accounting the principle or practice
			Disclosure of financial statements
			Scope or steps of audit
			Other

	No	✓
	Explanation: None	
Other disclosures (matters to be disclosed pursuant to Sub-paragraph 1.4 to 1.7 Paragraph 6. Section 10 of the Guidelines)	None	

(II) Regarding the new accountant

Name of the firm	Ernst & Young	
Accountant name	Tu, Chin-Yuan	Hunag, Ching-Ya
Appointment date	March 10, 2023	February 29, 2024
Pre-appointment consultations regarding the accounting treatment or accounting principles for specific transactions and opinions on the possible issuance of financial reports and the results thereof.	None	None
Written opinions of new accountant stating different opinions to that of the previous accountants	None	None

(III) Former accountant's reply to the matters stated in Sub-paragraph 1 and 2.3, Paragraph 6, Section 10 of the Guidelines: None.

VII. Where the company's chairman, general manager, or any manager in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm: None.

VIII. Any transfer of equity interests and/or pledge of or change in equity interests (during the most recent fiscal year or up to the date of publication of the annual report) by a director, supervisor, manager, or shareholder with a stake of more than 10 percent.

(I) Transfer of equity interests and/or pledge of or change in equity interests by a director, supervisor, manager, or major shareholder with a stake of more than 10 percent

Title	Name	2023		Current year up to April 30 2024	
		Shareholding Increase (decrease) number	Pledged shares Increase (decrease) number	Shareholding Increase (decrease) number	Pledged shares Increase (decrease) number
Chairman	Tseng Ying-Tang	-	-	-	-
Director (President)	Tseng Jung-Meng	-	-	-	-
Director (Vice President)	Liu Ping-Feng	-	-	-	-
Director (Assistant VP)	Ku Chih-Yun	-	-	-	-
Director	Liao Lu-Lee	-	-	-	-

Title	Name	2023		Current year up to April 30 2024	
		Shareholding Increase (decrease) number	Pledged shares Increase (decrease) number	Shareholding Increase (decrease) number	Pledged shares Increase (decrease) number
Director	Chiang Hung-Yu	-	-	-	-
Director	Liao Pen-Lin	-	-	-	-
Independent Director	Tien Chia-Sheng	-	-	-	-
Independent Director	Liu Chien-Cheng	-	-	-	-
Independent Director	Lee Shu-Min	-	-	-	-
Vice President	Chang Yu-An	-	-	-	-
Assistant VP	Lin Hsien-Ting	-	-	-	-
Assistant VP	Lai Chih-Cheng	-	-	-	-
Chief financial and Accounting officer	Huang Ling-Ling	-	-	-	-

(II) Information on equity transfer counterparties who are related parties: None.

(II) Information on equity pledge counterparties who are related parties: None.

IX. Relationship information, if among the company's 10 largest shareholders any one is a related party of another

Name	Number of Others		Shareholding by spouse and minor children		Shareholding in the name of others		Names and relationships between the top ten shareholders including spouses, second degree of kinship of another.		Remark
	No. of Shares	Shareholding Ratio (%)	No. of Shares	Shareholding Ratio (%)	No. of Shares	Shareholding Ratio (%)	Name	Relationship	
Tseng Ying-Tang	4,276,593	2.682	1,813	0.001	-	-	Tseng Jung-Meng Tseng Yu-Hua Tseng Yu-Wei	Brothers Father-daughter Father-son	-
Liu Ping-Feng	4,177,183	2.620	286	-	-	-	-	-	-
Tseng Jung-Meng	3,585,983	2.249	302,662	0.190	-	-	Tseng Ying-Tang Tseng Yen-Hao Tseng Yu-Kai	Brothers Father-son Father-son	-
Deutsche Bank Custodianship Account of Jia Qu Kuo Zi Co., Ltd.	3,200,000	2.007	-	-	-	-	-	-	-
Ku Chih-Yun	2,002,473	1.256	49,708	0.031	-	-	-	-	-
Tseng Yu-Wei	1,203,124	0.754	-	-	-	-	Tseng Ying-Tang	Father-son	-
Citi (Taiwan) Custody DFA Diversified Emerging Investment Account	1,159,705	0.727	-	-	-	-	-	-	-
Tseng Yen-Hao	1,125,000	0.705	-	-	-	-	Tseng Jung-Meng	Father-son	-

Name	Number of Others		Shareholding by spouse and minor children		Shareholding in the name of others		Names and relationships between the top ten shareholders including spouses, second degree of kinship of another.		Remark
	No. of Shares	Shareholding Ratio (%)	No. of Shares	Shareholding Ratio (%)	No. of Shares	Shareholding Ratio (%)	Name	Relationship	
Tseng Yu-Kai	1,125,000	0.705	-	-	-	-	Tseng Jung-Meng	Father-son	-
Tseng Yu-Hua	1,062,796	0.666	-	-	-	-	Tseng Ying-Tang	Father-daughter	

Note 1: List the top 10 shareholders. If they are corporate shareholders, list the names of the corporate shareholders and their representatives separately.

Note 2: The calculation of the percentage of shareholding refers to the calculation of the percentage of shareholding in the name of the shareholder themselves, spouse, minor children or of another party.

Note 3: The aforementioned shareholders for disclosure shall include corporate shareholders and natural persons, with the relationships between the shareholders disclosed as required by the Criteria for the Compilation of Financial Statements by Securities Issuers.

X. The total number of shares and total equity stake held in any single enterprise by the company, its directors and managers, and any companies controlled either directly or indirectly by the company.

December 31, 2023

Investment business (Note)	The Company's investment		Investment by directors, managers and any companies controlled either directly or indirectly by the company		Comprehensive investment	
	No. of Shares	Shareholding ratio	No. of Shares	Shareholding ratio	No. of Shares	Shareholding ratio
Securitag Assembly Group Co., Ltd.	5,761,280	13.63%	2,238,699	5.46%	8,029,979	19.09%

Note: The Company's long-term investment accounted for using the equity method

Four. Capital Raising Overview

I. Capital and issuance of shares

(I) Source of capital stock

Year/month	Issue price	Authorized capital stock		Paid-up capital		Remark		
		Number of shares	Amount	Number of shares	Amount	Source of capital stock	Offset by any property other than cash	Other
2010.1	10	230,000,000	2,300,000,000	143,119,134	1,431,191,340	Conversion of stock options NT\$62,500	None	Note 1
2010.11	10	230,000,000	2,300,000,000	154,721,816	1,547,218,160	Convertible bonds conversion of NT\$116,026,820	None	Note 2
2011.1	10	230,000,000	2,300,000,000	155,718,448	1,557,184,480	Convertible bonds conversion of NT\$9,966,320	None	Note 2
2011.7	10	230,000,000	2,300,000,000	157,449,086	1,574,490,860	Convertible bonds conversion of NT\$17,306,380	None	Note 2
2011.10	10	230,000,000	2,300,000,000	157,476,022	1,574,760,220	Convertible bonds conversion of NT\$269,360	None	Note 2
2014.6	10	230,000,000	2,300,000,000	157,506,022	1,575,060,220	Conversion of stock options NT\$300,000	None	Note 3
2014.9	10	230,000,000	2,300,000,000	157,546,022	1,575,460,220	Conversion of stock options NT\$400,000	None	Note 3
2014.11	10	230,000,000	2,300,000,000	158,021,022	1,580,210,220	Conversion of stock options NT\$4,750,000	None	Note 3
2015.1	10	230,000,000	2,300,000,000	159,421,022	1,594,210,220	Conversion of stock options NT\$14,000,000	None	Note 3

Note 1: On April 15, 2003, employee stock options were approved by Letter No. Tai-Cai-Zheng(1)-0920112370; changes in capital were registered each quarter during the execution period.

Note 2: On January 3, 2008, convertible bonds were approved by Letter No. Jin-Guan-Zheng(1)0960072385; changes in capital were registered each quarter during the execution period.

Note 3: On November 8, 2007, employee stock options were approved by Letter No. Tai-Cai-Zheng(1)-0960062091; changes in capital were registered each quarter during the execution period.

April 20, 2024

Type of shares	Approved shares			Remark
	Outstanding shares (listed)	Unissued shares	Total	
Common stock	159,421,022	70,578,978	230,000,000	The above unissued shares include 18,900,000 convertible shares of convertible bonds and 8,000,000 stock options

(II) Shareholder structure:

April 20, 2024

Shareholder structure	Government agencies	Financial institutions	Other entities	Individuals	Foreign institutions and foreigners	Total
Number of people	-	-	196	58,434	73	58,703
Number of shares held	-	-	2,079,912	147,131,587	10,209,523	159,421,022
Shareholding ratio	-	-	1.3	92.3	6.4	100
Shareholding ratio of Chinese investors: 0%						

Note: All companies listing for the first time on TWSE/TPEX are required to disclose Chinese investors' holding interests. A Chinese investor refers to an individual, corporation, organization, or institution of Mainland origin, or any company owned by the above party in a foreign location, as defined in Article 3 of the "Regulations Governing Mainland Residents' Investment in Taiwan."

(III) Dispersion of Equity Ownership

April 20, 2024

Shareholding classification	Number of shareholders	Shareholding	Shareholding ratio (%)
1 – 999	35,781	838,444	0.526
1,000 – 5,000	18,021	38,311,553	24.032
5,001 – 10,000	2,832	23,208,726	14.558
10,001 – 15,000	697	8,985,174	5.636
15,001 – 20,000	479	9,064,095	5.686
20,001 – 30,000	351	9,100,705	5.709
30,001 – 40,000	156	5,672,325	3.558
40,001 – 50,000	107	5,070,234	3.18
50,001 – 100,000	169	12,198,487	7.652
100,001 – 200,000	69	9,974,955	6.257
200,001 – 400,000	15	4,422,299	2.774
400,001 – 600,000	10	4,755,747	2.983
600,001 – 800,000	2	1,335,290	0.838
800,001 – 1,000,000	4	3,565,131	2.236
Over 1,000,001	10	22,917,857	14.376
Total	58,703	159,421,022	100

(IV) List of Major Shareholders

April 20, 2024

Shares Name on major shareholders	Shareholding	Shareholding ratio (%)
Tseng Ying-Tang	4,276,593	2.682
Liu Ping-Feng	4,177,183	2.620
Tseng Jung-Meng	3,585,983	2.249
Deutsche Bank Custodianship Account of Jia Qu Kuo Zi Co., Ltd.	3,200,000	2.007
Ku Chih-Yun	2,002,473	1.256
Tseng Yu-Wei	1,203,124	0.754
Citi (Taiwan) Custody DFA Diversified Emerging Investment Account	1,159,705	0.727
Tseng Yen-Hao	1,125,000	0.705
Tseng Yu-Kai	1,125,000	0.705
Tseng Yu-Hua	1,062,796	0.666

(V) Share prices for the past 2 fiscal years, together with the company's net worth per share, earnings per share, dividends per share, and related information

Item			2022	2023	Current year up to April 30, 2024 (Note 8)
Each share price (Note 1)	Highest		43.60	40.65	37.40
	Lowest		28.80	29.20	31.05
	Average		35.36	34.69	34.97
Not worth per share (Note 2)	Before distribution		25.70	25.61	25.62
	After distribution		23.50	Not yet distributed	Not yet distributed
Each share per share	Weighted average number of shares		159,421,022	159,421,022	159,421,022
	Earnings per share (Note 3)	Before adjustment	4.82	1.64	0.24
		After adjustment	4.82	Not yet distributed	Not yet distributed
Each share per share	Cash dividends		2.2	Not yet distributed	Not yet distributed
	Stock dividend distribution	Stock dividend from retained earnings	-	Not yet distributed	Not yet distributed
		Stock dividend from capital reserve	-	Not yet distributed	Not yet distributed
	Accumulated unpaid dividends (Note 4)		-	-	-
Rate of return analysis	P/E ratio (Note 5)		7.34	21.15	145.71
	P/D ratio (Note 6)		16.07	Not yet distributed	Not yet distributed
	Cash dividend yield (Note 7)		6.22%	Not yet distributed	Not yet distributed

*If shares are distributed in connection with a capital increase out of earnings or capital reserve, further disclose information on market prices and cash dividends retroactively adjusted based on the number of shares after distribution.

Note 1: The table lists the highest and lowest market price of common stocks for each year, and the annual average market price was calculated in accordance with the annual trading value and volume of each year.

Note 2: Please fill in the number of shares issued at the end of the year and the distribution according to the resolution by the Board of Directors or general meeting of shareholders the following year.

Note 3: If there is a retroactive adjustment from distribution of bonus shares, the pre-adjustment and adjusted surplus per share shall be listed.

Note 4: Dividends that have not been issued in the current year are accrued to the issuer of the annual surplus; the accumulated undistributed dividends of the current year should be disclosed separately.

Note 5: P/E ratio = Average closing price per share in current year/earnings per share.

Note 6: P/D ratio = Average closing price per share in current year/cash dividend per share.

Note 7: Cash dividend yield = Cash dividend per share/average closing price per share in current year.

Note 8: The data of net worth per share and earnings per share shall be based on the most recent quarter numbers audited by CPAs as of the printed date of the annual report; the remaining columns shall fill in the current year's data as of the publication date of the annual report.

(VI) The Company's dividend policy and its current implementation status

1. Dividend policy as defined in the articles of incorporation :

As we are in a volatile industry, the dividend policy must take into account the Company's future capital requirements and long-term business planning, while at the same time fulfilling shareholders' needs for cash inflows. 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, and then 10% of the said profits shall be set aside as legal reserves, as required by law or the competent authority. After that, no less than 10% of the total cash dividends may be paid 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.

When the Company provides special surplus reserves in accordance with the law, the insufficient amounts in "net increase in fair value of investment property accumulated in prior periods" and "net decrease in other equity accumulated in prior periods" shall be provided by the same amount from special reserve of prior years' undistributed earnings prior to the distribution of earnings.

Specific dividend policy:

Although the company's articles of association do not specify the distribution ratio of the dividends of the shareholders, the ratio of the distribution of the surplus of the

preceding paragraph may be adjusted according to the relevant factors such as the actual pre-tax profit, capital budget and capital status of the year, and shall be handled after the resolution of the shareholders' meeting.

Estimated dividend distribution policy for the next three years:

The total dividend is based on more than 50% of the current year's profit (net of statutory surplus reserve) or not less than 10% of the total distributable surplus, and the cash dividend shall not be less than 10% of the total cash dividend and stock dividend.

2. Implementation status: The Company's proposed distribution of dividends for the year is as follows

The meeting of Board of Directors held on February 29, 2024 approved the motion for earnings distribution for 2023, distributing cash dividends to shareholders of NT\$159,421,022 and allocating cash from capital surplus of NT\$ 79,710,511; however, it is pending resolution by the shareholders' meeting.

- (VII) Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting.

- (VIII) Remuneration of employees, directors, and supervisors:

1. The percentages or ranges with respect to employee, director, and supervisor remuneration, as set forth in the company's Articles of Incorporation:

In accordance with Article 25 of the Company's "Articles of Incorporation": 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 directors. However, if the Company has accumulated losses, profit shall be set aside in advance to make up for losses.

The "profit" as defined in the previous paragraph is income before income taxes less net of remuneration to employees and directors.

2. The basis for estimating the amount of employee, director, and supervisor remuneration, for calculating the number of shares to be distributed as employee remuneration, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:

- (1) The basis for estimating the amount of employee, director, and supervisor remuneration is subject to the clauses provided in the Articles of Incorporation and the distribution rate of remuneration to directors resolved by the Board of Directors. The calculation of the number of employees' bonus shares is based on the closing price on the date before the resolution of the Board meeting.

- (2) Accounting treatment of the discrepancy between the actual distributed amount and the estimated figure:

Any discrepancy between the actual distributed amount and the estimated figure is recorded as profit or loss for the following year.

3. Information on any approval by the board of directors of distribution of remuneration:

- (1) The amount of any employee remuneration distributed in cash or stocks and remuneration for directors:

The Board of Directors approved the distribution of NT\$7,361,221 in cash as remuneration to directors and NT\$18,403,053 in cash as remuneration to employees. There were no material differences in the recognized amount for the years ended December 31, 2023 financial report.

- (2) The amount of any employee remuneration distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income and total employee compensation stated in the parent company only financial reports for the current period:

There is no employee compensation distributed in the form of stocks during this period.

4. The actual distribution of employee, director compensation for the previous fiscal year, and, if there is any discrepancy between the actual distribution and the recognized employee, director, or supervisor compensation, additionally the discrepancy, cause, and how it is treated:

Distribution of NT\$21,073,828 in cash as remuneration to directors and NT\$52,684,570 in cash as remuneration to employees. There were no material differences in the recognized amount for the years ended December 31, 2022 financial report.

(IX) Status of the company buying back its own shares: None.

II. Issuance of corporate bonds: None.

III. Issuance of preferred shares: None.

IV. Issuance of global depository receipts: None.

V. Issuance of employee stock warrants, new restricted employee shares: None.

VI. Merger and acquisition activities (including mergers, acquisitions, and demergers): None.

VII. Status of implementation of capital allocation plans: None.

Five. An Overview of Operations

I. A description of the business:

(I) Scope of business:

The Company's business is to research, develop, design, manufacture, and sell quartz components, as well as providing after-sales services. Our products include quartz crystals and quartz oscillators, mainly applied in computer information products and communication equipment for basic signal generation and transmission.

1. Major lines of business:

- (1) Manufacturing and processing of quartz components.
- (2) Manufacturing and processing of quartz raw materials.
- (3) Import and export trading business.

2. Major lines of business and relative weight of current products:

Name of product	Weight (%)
Quartz components	89
Other	11
Total	100

3. New products planned for development

- (1) Miniaturized automotive audio and video systems, quartz crystal resonator (1.2x1.0mm²) development.
- (2) Development of vehicle-mounted Sensor system module and Differential output (3.2x2.5mm²).
- (3) Development of miniaturized automotive TPMS and quartz crystal resonator (1.6x1.2mm²).
- (4) Miniaturized high fundamental frequency differential dual output is used in optical communications and eCPRI, quartz crystal oscillator (2.0x1.6mm²) development.
- (5) TF-1610 4-inch mass production and introduction.
- (6) Mass production and introduction of TF low-impedance products.
- (7) AT-MESA 1612 mass production and introduction.
- (8) AT-MESA 1008 high frequency design and development.

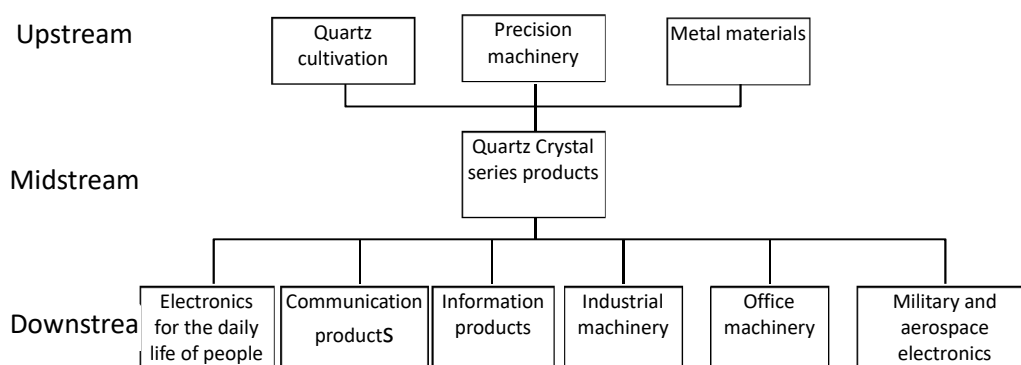
(II) An overview of the industry

1. Current status and development of the industry

Thanks to the low sensitivity of quartz components to temperature, the frequency drift caused by temperature is less. Due to this advantage, quartz components are more accurate and stable compared to other oscillators, and are particularly suitable for communication products that require high frequency accuracy, making them important for communication products. The product specifications of quartz components are usually distinguished by frequency (HZ), accuracy (ppm), and packaging methods and can be applied extensively, divided into the following categories:

Product	Function	Application
Quartz Crystal	Using piezoelectricity of quartz, quartz blanks are produced through the first stage process of cutting and grinding of quartz rods; then quartz crystals are made through electrode vaporization and packaging and capping in the second stage of the process. The main function of quartz crystal is to generate stable frequency, the basic element of quartz crystal series products.	I. Information products peripheral product .PC, NB, CD-R, CD-RW, DVD-R, DVD-RW, CRT monitor, TFT-LCD monitor, W-LAN, Bluetooth, and other related peripheral products. II. Communication industry 1. Fixed communication Cable phone, cordless phone, PAGER, etc. 2. Mobile communication GSM, PHS, CDMA, W-CDMA, and Bluetooth. 3. Satellite communication GPS, navigation radio, V-SAT optical and carrier communication PCM, etc. III. Machines for use in daily life AV-related machines: CTV, VCR and camera, clock.
Quartz oscillator	Circuits or devices that generate continuous or discontinuous waveforms such as sine waves or pulse waves can be divided into TCXO, VCXO, VC-TCXO, etc.	

2. Links between the upstream, midstream, and downstream segments of the industry supply chain



As the main raw materials in the quartz component industry are quartz, base and cover materials, the industry's upstream are quartz cultivation, precision machinery and metal material industries. These industries primarily process the above raw materials into electronic components, including quartz crystals and quartz oscillators manufactured into electronics, communication products and information products widely used

by downstream industries.

3. Development trends for the company's products

Quartz parts and components are mainly used in information, communication and consumer electronic products. Their development trends are linked closely to end products and the development directions are described as follows:

- (1) Miniaturization: As the trends for downstream 3C products are light, thin, small products, quartz products must also develop towards miniaturization.
- (2) SMD: To meet the characteristics of the thin and light internal space of communication equipment and downstream customers' SMT product lines, SMD quartz crystals must be developed to increase competitiveness.
- (3) High frequency: The wireless communication industry is developing towards high frequency, allowing ample growing room for high-frequency components. Due to this, the related parts and components must keep up the pace.
- (4) High-frequency component modules: Making high-frequency components into modules for processes and providing customers specifications is the future trend.

4. Competition for the company's products

The global production value of quartz components is relatively small compared to other industries, such as the IC industry and the technology level is not as good as the IC industry. While Japan has a complete basic structure for its production equipment for parts and raw materials, the country is the world leader in production technology with a large domestic demand market. Despite all advantages, Japan's overall costs are higher and it has lower organizational flexibility. In terms of China, as technology for low-end products is competitive in the market and there is significant growth in domestic demand, the production value increases year by year. As for Taiwan, although its overall technology is behind Japan and personnel costs are higher than those of manufacturers in China, the process flexibility and cost competition are more likely to meet customer demand. As long as Taiwan's production technology keeps improving in order to narrow down the gap to the leading country Japan, the overall market share will continue to expand.

(III) An overview of the company's technologies

1. R&D expenditures during the most recent fiscal year or up to the date of publication of the annual report

The Company's R&D expenditures for 2023 totaled NT\$128,924 thousand, accounting for 5.47% of revenue.

2. Technologies or products successfully developed:

- A. Miniaturized wearable devices with high frequency, quartz crystal resonator (1.0x0.8mm²).
- B. Ultra-high-speed Transmission converter system module (equipment

/instrument), CML output (3.2x2.5mm²) development.

- C. Development of high fundamental frequency and ultra-low noise application for GNSS/GPS market with temperature compensated quartz crystal oscillator (1.6x1.2mm²).
- D. High precision and wide temperature range were used in Space X, and the development of temperature compensated quartz crystal oscillator (2.5x2.0mm²).
- E. AT-MESA 1612/1008 development.
- F. Tuning fork chip (TF) product low impedance design and development.
- G. New design and development of tuning fork type chip TF-1610 4 inches.

(IV) Long- and short-term business development plans

1. Short-term plans

(1) Marketing strategy

- ① As a means to disperse market and exchange risks, we control the ratio of domestic and foreign sales and the global sales according to the characteristics of the market and customer.
- ② We lower production costs to give back to customers, while at the same time strictly controlling and improving product quality. This way, we are able to provide prompt and friendly services to customers that give them peace of mind.
- ③ We establish agents and distribution bases according to the market demand potential to facilitate the development of customers and expand the market.

(2) Production policy

- ① We introduce advanced process and precision automated equipment to increase efficiency and enhance product levels. At the same time, we enhance information speed and management timeliness with the company's intranet for rapid and accurate information flows.
- ② We strive for improving and transforming processes to increase yields while focusing on small wafer design and production.

(3) Product development

- ① Develop new MEMS products and process modification, and proactively carry out technology exchange and transfer with Japan to improve the overall technology standards.
- ② We allocate around 4% of our annual revenue to train technical personnel. We work closely with Taiwan's academia and technical units and recruit highly educated technical researchers to develop high frequency components for future market demands.

(4) Scale of operations and financing direction

Taking into account the growth over the years and the projected volume of business, the Company may plan to support its finances with working capital and bank financing.

2. Long-term plans

(1) Marketing strategy

- ① Make a proactive approach to build up the automotive market to expand sales.
- ② Provide OEM and ODM services to attract major manufacturers in Europe, the Americas and Japan.
- ③ Reinforce the sales channels of cell phones, internet, 3C products and GPS in the Greater China region.

(2) Production policy

- ① Introduce advanced technology and equipment and improve engineering technology capabilities.
- ② Keep abreast of materials through technology transfer and expanding production bases to supply electronic and optical grade wafer materials. This way, the Company is able to sufficiently supply its own raw materials.
- ③ Small wafer design and production are carried out in the factory.

(3) Product development:

- ① Expand product capability and market share.
- ② Provide a variety of products to meet customer demand.
- ③ Develop new MEMS products and process modification.

(4) Scale of operations and financing

Through listing our shares, we in turn have enhanced the company image and visibility in an attempt to attract more talent. Moreover, we have expanded our R&D production scale and strengthened marketing channels by utilizing the financing channels of the capital market. The results delivered by the Company are shared with its employees and shareholders to increase the employees' commitment to the Company and maximize shareholders' interests.

II. An analysis of the market as well as the production and marketing situation, including:

(1) Market analysis

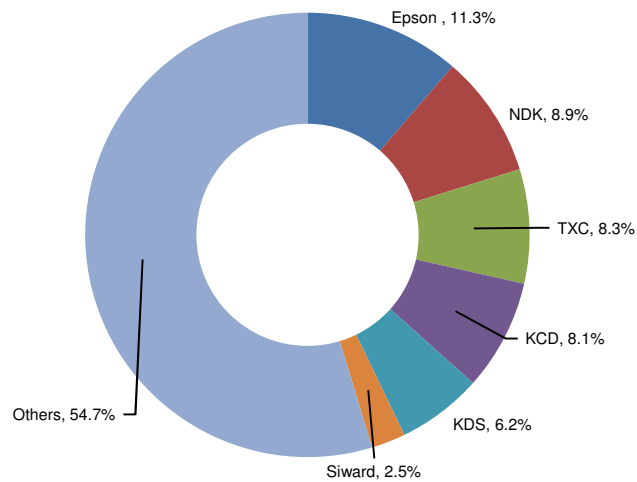
1. The geographic areas where the main products (services) of the company are provided (supplied)

Unit: NT\$ thousands

Year Region	2021		2022		2023	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
Taiwan	452,040	14.01	415,910	12.74	366,156	15.55
Europe	544,378	16.87	753,086	23.08	403,501	17.13
Asia	1,937,522	60.06	1,656,419	50.75	1,346,995	57.19
Americas	292,260	9.06	438,169	13.43	238,742	10.13
Total	3,226,200	100	3,263,584	100	2,355,394	100

2. Market share

2023 Global Crystal & Oscillator Market Share



Reference Source: CS&A 2024 updated

The CS&A 2024 updates show that the global market share of SIWARD in 2023 was approximately 2.5%. Also, according to the 2023 revenue data announced by six public companies (TXC, SIWARD Crystal, Harmony Electronics, Tai-Saw Technology, TAITIEN Electronics, Aker Technology) in Taiwan, SIWARD accounted for 12% of the total production value of Taiwan's listed crystal companies.

3. Supply conditions for the market in the future, the market's growth potential
As one of the vital cores of electronic and communication related products, quartz frequency components are regarded as the heart of electronics. Thanks to the characteristics of high precision and stable clock and low phase noise, quartz frequency components are difficult replace. With the development of various applications such as 5G / WiFi7 / Automotive / miniaturized products... it is expected that market demand will gradually recover. The quartz component market application status and growth are as follows:

A. Rapid growth of 5G applications

With the development of mobile communication applications, the demand of high-speed internet by consumers is increasing, accelerating the development of 5G. Possessing high speed, low latency, multi-connection and other advantages, the applications of 5G will cover mobile phones, IoT, base stations and C-V2X, meaning there will be strong demand for quartz

components.

Not only will there be demand for large base stations, 5G also uses the Sub-6GHz and mmWave frequency bands. When the frequency is higher, and the wavelength is shorter, the signal is more susceptible to interference and signal degradation, especially in the mmWave frequency band. To address the issue of signal degradation, we will accelerate the construction of small cell and CPE (customer premise equipment) customer terminal equipment. These devices will largely increase the use of high-end quartz components.

In recent years, enterprises have promoted 5G private networks, small base stations and 5G FWA equipment upgrades. According to the study, the 5G market will have an annual growth rate of 80% in the next 5 years, with 5G small cells accounting for 15% of the total 5G market. The market scale of 5G small cells by 2025 is estimated to reach USD3.5 billion.

B. Mobile phones (5G driving people to change their phones)

With the evolution of smart phones, the market began to welcome the idea of stronger smartphone signals after Apple launched the 5G-enabled iPhone 12 in 2020. Following this trend, more large brands launched 5G phones with more features to drive consumers to change their phones.

According to IDC's latest report, the global smartphone shipments in 2023 are revised down to 1.16 billion units. Although it is 3.2% lower than last year, IDC expects that the global smartphone market will truly recover in 2024 and all sectors are optimistic about the market.

C. Wi-Fi device

According to the latest data of the STPI, Wi-Fi technology is becoming more widely applied in the home. The IDC suggested that the global shipping volume of Wi-Fi devices will grow from 3.87 billion units in 2019 to 5 billion units in 2024.

Among them, Wi-Fi 7 is developing rapidly. Compared with previous generations, Wi-Fi 7 has twice the 320MHz channel of previous generations, which can greatly increase the transmission speed. Among them, Wi-Fi 7 uses multi-connection mode (Multi-Link Operation) allows devices to send and receive data simultaneously in different frequency bands and channels, greatly increasing the overall data transmission volume and reducing latency. According to IDC's January 2024 report, it

is estimated that 230 million Wi-Fi 7 devices will enter the market in 2024, growing to 2.1 billion in 2028.

The COVID-19 pandemic also sped up the need for market automation. Strategy Analytics predicts that the next key application that drives Wi-Fi into the home is smart family devices. With Wi-Fi transforming from Wi-Fi 6E (802.11ax) to Wi-Fi 7 (802.11be), it is without a doubt clear that Wi-Fi devices will be in demand in the next few years. By 2030, Wi-Fi devices used worldwide will grow to 17 billion. This will be a great help for social distance, remote work, distance learning and telemedicine in the workplace.

D. Wearables

With COVID-19 becoming the norm and the fact that more and more people are working from home, people's demand for healthcare and monitoring has increased. Due to this, the tracking functions of heartbeat, heart rhythm, blood pressure, sleep quality, body temperature and blood sugar concentration in wearables are becoming more and more common. Subsequently, more companies that have incorporated COVID-19 symptom self-tracking in the wearable have driven their substantial growth. In recent years, wearable device payment has emerged, which can provide fast and convenient payment. According to Trend Force data research, the shipment volume of smart watches in 2022 will be 127 million units. It is estimated that the shipment volume of smart watches in 2024 will Reaching 131 million units, it can be said to be a very considerable market.

E. Booming automation of cars

V2X that emerged in recent years has largely increased road safety. An ADAS in V2X can alleviate traffic jams and realize the automation of cars with the making ADAS requiring a large amount of quartz components. As well as ADAS, tire pressure detector is also basic equipment for V2X, further driving the use of quartz components.

Given the increase in environmental awareness, many countries across the globe have introduced policies to reduce carbon emissions in order to achieve energy conservation; one such policy is banning on the sale of fossil fuel cars, driving people to replace their fuel cars with electric cars. In 2023, a total of 14.22 million electric vehicles will be sold, up 40% from

2022. It is estimated that global electric vehicle sales will reach 23 million units by 2025, with an average electric vehicle using 60-90 quartz components, their percentage in the electronic car market will largely increase.

F. Smart medical care

Owing to the advancement of technology, the integration of technologies including AI, big data and IoT with medical care has rapidly developed in recent years. The development has been accelerated by COVID-19, making the concept of “remote” more popular. Moreover, technology can help people’s lives and work, while also increasing the importance of safety, such as video robots for negative-pressure isolation wards, wireless physiological measurement devices, telemedicine, online collaboration, Brain Navi Biotechnology’s Nasal Swab Robot and TCI’s QVS-96 robotic arms that accelerate the qPCR process. As these medical technologies show the importance of smart medical care, the demand for quartz components will increase.

4. The company’s competitive niche, positive and negative factors for future development, and the company’s response to such factors

(1). Strength

The trend of market demand growth and transformation will continue to pose positive factors to the Company’s product positioning and market competitiveness. As we produce our own high-end quartz crystal rods, we are able to fully grasp raw material supply to make investments and perform R&D with a vertical integration approach. The Company’s future product development, market positioning and capacity deployment will focus on ultra-miniature, high-frequency and high-precision SMD products.

We will make an effort to continue to strengthen 5G and AIoT application deployment in order to improve their market share. Moreover, we are in the process of capacity expansion in response to the growth in demand and the investment scale will double compared to the previous year. TSX products of MediaTek and Qualcomm will continue to be manufactured in Taiwan, while TSX products of Ableplus Precision will be manufactured by allied companies in China. Through the investment in our strategic allied partner Rakon in Oceania, we have been certified as the global communication base station leader. As well as this, we have been shipping TCXO products mainly supplying 5G base station installations and satellite positioning devices.

A. Vertical integration

A1. We have mastered the production technology of synthetic quartz

bars, making ourselves self-sufficient for supply and not having to rely on others.

- A2. We ensure the supply of high quality crystal rods while fully keeping abreast of production capacity and delivery schedules.
- A3. The QMEMS process enables Tuning Fork products to gain a major foothold in the market.

B. Horizontal integration

- B1. Our product lines are more complete and diverse than other manufacturers, fully providing products that meet customer demand.
- B2. Tuning Fork and TSX thermal products are gradually being launched to enrich the product line.

C. Core technology

- C1. With the demand for high stability for miniature coupled with high precision and high stability demand for frequency control products, the core technology is focused on the design and mass production yields of miniature wafers.
- C2. As one of the most advanced Japanese manufacturers, our subsidiary (Siward Technology Co, Ltd.) has a strong R&D team with advanced technology and decades of extensive experience in miniature, high precision and stable wafer design.
- C3. Quartz MEMS is the only factory in Taiwan that produces Tuning Fork Wafers. Other products can also be derived from this photographic processing, benefitting vertical/horizontal product development.
- C4. With Rakon's technology transfer, we are more confident for high precision TCXO temperature compensated oscillators.
- C5. Complete product lines: We provide one-stop services that meet customer demand covering Xtal, OSC, TCXO, VCTCXO and MEMS products Tuning Fork 32.768KHz, as well as thermal products.

D. Competitive production

- D1. We have invested in factories in Taiwan for production of high and medium-end products, fully exerting the advantages of mass production to reduce production costs. This way, we are able to offer competitive prices for products.
- D2. We have mastered upstream long crystal technology and are able to integrate upstream and downstream resources to build point-to-point process, meeting the highest product quality.
- D3. We make every effort to continue to expand product lines to

strengthen market competitiveness.

(2). Weakness

Although overall capacity has improved, mass production scale is still behind Japan's largest manufacturers.

- A. Key raw materials such as ceramic packages and ICs used by OSCs are in the hands of major Japanese factories. With the prices, quantities and delivery schedules being determined by suppliers and raw materials controlled in Japan, we have yet to find effective solutions.
- B. Due to external market changes, product demand categories are prone to being concentrated, resulting in a constant decline in prices. Coupled with the expansion of factories by peers and the entry of Chinese suppliers, the existing oversupply situation of the market will worsen.
- C. The speed of technology development for high frequency and precision products needs to be improved.
- D. The current customer market is too concentrated and should develop other markets.
- E. There are few large customers and revenue contributed by them is not high.
- F. Chinese crystal suppliers are beginning to make a name for themselves, making the market more competitive with lower product prices.

(3). Opportunities

A. In terms of the market

- A1. As quartz crystal components are known as the heart of electronics. They are widely applied in an array of electronic and communication products.
- A2. There is an ongoing demand for SMD products in the market and the proportion of crystal and TSX thermal crystals continues to increase; however, there is a slight decrease in oscillators. The Company's past product development, market positioning and capacity deployment focused on SMD products. The mega trend for the market demand transition in the above markets will continue to have favorable factors to the Company's subsequent product positioning and market competitiveness.
- A3. SIWARD tuning fork products were launched to deepen product segmentation and the opportunity was taken to once again establish awareness and expand market share.
- A4. So long as the abovementioned major and emerging industries continue to grow, demand for frequency control components will also grow.

B. In terms of peer competition

- B1. Given that the production of peers in Europe and the Americas is less competitive, some manufacturers have been withdrawn or merged. Even some Japanese manufacturers with a long history and scale have had to seek merger opportunities or withdrawn from some markets due to lack of competitiveness.
- B2. Even though there are many Chinese manufacturers, their technology and product levels are lower with unstable quality, and their international marketing channels are weaker. Although the strategy of Chinese manufacturers is to offer lower prices, the application level is not high. Considering some large manufacturers in China began to invest in SMD product lines, they are, however, limited to larger-size products. There are only a few manufacturers in China that make SMD oscillators.

C. In terms of products

- C1. SMD miniature products are launched for a wide range of 32.768KHz applications. The new products include CSF-2012(2.0 X 1.2mm) 、SX-1210 、SXT-1210 SMD Crystal, and 2016 (2.0 X 1.6mm) SMD Oscillators.
- C2. The abovementioned products can be used in nearly all electronics, especially in wearables that have been thriving in recent years, particularly miniature SMD products.

(4) Threats

A. Peer threats

- A1. As SMD miniature frequency control components require production equipment that is more sophisticated, the demand for automation also increases, resulting in a larger amount of investment in production equipment. With market prices continuing to decline, return on investment is lowered.
- A2. Chinese manufacturers continue to offer low prices in an attempt to compete in the single low-end product market. Moreover, with the advantage of raising capital locally, Chinese manufacturers have been deploying their SMD production capacity and established the design and mass production capability of low-end SMD products. This has gradually posed threats to Taiwanese crystal manufacturers. This situation will be ongoing in the next few years and is expected to pressure low-end SMD product prices. As for demand for high-end products including mobile phones and satellite positioning, peers in Japan will continue to maintain their comparative advantage with respect to brands and channels.
- A3. The result from vicious competition among peers is a price war in the market and cost factors have put pressure on the Company's overall operation. Due to this, we will make every effort to increase yields and production equipment. Prices have

continued to decline since the rise of Chinese competitors. As a result of this price war, many manufactures are finding it difficult to survive through this challenge and have started to seek mergers, eventually eliminating poor quality competitors.

A4. With technology and production scale advantages, major Japanese manufacturers are leading their strong main SMD products to miniature products of 1612 (1.6 x 1.2mm) 及 2016(2.0 x 1.6 mm). These Japanese manufacturers create a niche market through their leading technologies and larger mass production scales, further widening the gap with competitors.

B. Other threats

B1. Due to the pandemic, customers have requested large quantities of products in a short period of time, which has resulted in a shortage of some materials. In the long run, large consumer countries in Europe and the Americas may suffer from economic recession.

B2. The serious shortage of IC and raw materials has caused the price of materials to rise and the delivery time to be longer, which has also caused the material preparation cycle and cost to continue to increase.

(5) Countermeasures

The Company will continue to accelerate the implementation of the following necessary countermeasures:

- A. Continue to invest R&D manpower and resources to proactively develop ultra-miniature, high-frequency and high value-added products. Break through the conventional framework, seek innovation opportunities, and enhance the stability and timeliness of product development.
- B. Keep a close eye on the impact on the economy and customer needs from changes and quickly make arrangements to the deployment and monitoring of raw materials and production capacity.
- C. Keep abreast of quality, performance, cost and delivery advantages, and continue to expand the scale to widen the competition gap with peers, creating a more favorable competitive advantage.
- D. Make flexible adjustments to the product portfolios of the factories in both Taiwan and China and seek dynamic production competitiveness according to market characteristics and needs.
- E. Establish and keep sound partnerships with suppliers; take a proactive approach to explore new supplier sources for key materials.
- F. Strengthen the cooperation and strategic alliances with peers and with leading technology manufacturers, from aspects of technology, product, production, market, to pursue maximum complementarity.

- G. Make an effort to incorporate our design in products by reinforcing the deployment of the international marketing network and carefully selecting strategic marketing partners, hoping to grasp and create more international customers in Europe and the Americas.

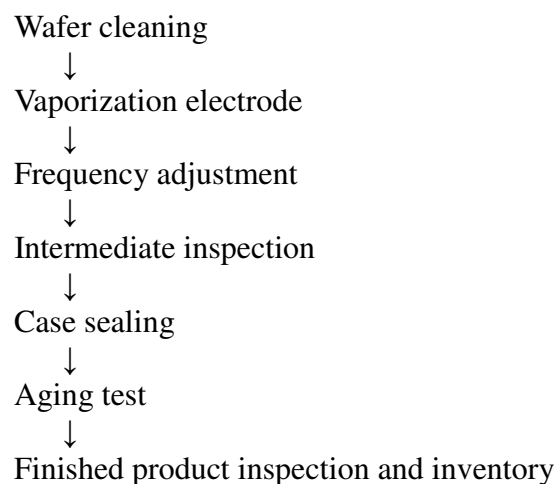
(II) Usage and manufacturing processes of the company's main products.

1. Important usage of products

Product	Usage
Quartz Crystal	Used in computers, remote control toys, TV games, and cordless phones, and are divided into 49U, LP, SMD, etc., according to external sizes.
Quartz oscillator	Used in cordless phones, mobile phones, satellite navigation receivers, and fax machines, and are divided into TCXO, VCXO, VC-TCXO, etc., according to functions.

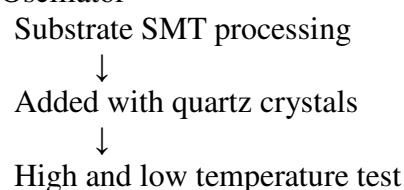
2. Manufacturing processes of products

(1) Quartz Crystal



After cleaning, the wafer is placed in the vacuum vaporizing machine and plated with silver electrode surface according to the design. The frequency adjustment machine is then used to achieve the frequency set with the volume of silver plating. After an intermediate inspection is performed, the base and shell are sealed through welding. After a standard aging experiment is performed, the automatic inspection machines will check the specifications required by the customer. After confirmation by the Quality Control Department, the product will be put into inventory.

(2) Quartz Oscillator



↓
Shipment

According to the compensation circuit design, necessary parts and components are assembled by SMT, then connected to quartz crystals. A high and low temperature test will be performed according to the specifications of the customer. Each oscillator will have a complete test report.

(3) Supply situation for the company's major raw materials

Name of raw material	Name of major supplier
Chip	Hunan Kexintai Electrical, Chengdu Timemaker
IC, base	Kyocera, NGK, JRC, Zenitron, KANEMATSU
Quartz Crystal	Taihua Electronics, ZHE JIANG HUILONG

(IV) A list of any suppliers and clients accounting for 10 percent or more of the company's total procurement (sales) amount in the 2 most recent fiscal years, the amounts bought from (sold to) each, the percentage of total procurement (sales) accounted for by each, and an explanation of the reason for increases or decreases in the above figures:

1. List of major importers in the 2 most recent fiscal years

Unit: NT\$ thousands

Ranking	2022				2023				2024 up to the previous quarter			
	Company name	Amount	As a percentage of net procurement for the year (%)	Relations with the Company	Company name	Amount	As a percentage of net procurement for the year (%)	Relations with the Company	Company name	Amount	As a percentage of net procurement for the year (%)	Relations with the Company
1	Kyocera	531,135	40.92	None	Kyocera	309,980	34.98	None	Kyocera	85,518	33.85	None
2	Taihua Electronics	156,322	12.04	None	Taihua Electronics	71,623	8.08	None	Taihua Electronics	17,829	7.06	None
	Other	610,635	47.04	-	Other	504,486	56.94	-	Other	149,296	59.09	-
	Net procurement	1,298,092	100		Net procurement	886,089	100		Net procurement	252,643	100	

Reason for increase/decrease: : No significant difference.

Note: A list of any suppliers and clients accounting for 10 percent or more of the company's total procurement amount in either of the 2 most recent fiscal years. Where the company is prohibited by contract from revealing the name of a client, or where a trading counterpart is an individual person who is not a related party, it may use a code in place of the actual name

2. List of major sales clients in the 2 most recent fiscal years

Unit: NT\$ thousands

Ranking	2022				2023				2024 up to the previous quarter			
	Company name	Amount	As a percentage of net sales for the year (%)	Relations with the Company	Company name	Amount	As a percentage of net sales for the year (%)	Relations with the Company	Company name	Amount	As a percentage of net sales for the year (%)	Relations with the Company
1	Company A	401,349	12.3	None	Company A	260,216	11.05	None	Company B	56,510	10.82	None
2	Company B	171,937	5.3	None	Company B	203,823	8.65	None	Company A	21,596	4.14	None
	Other	2,690,298	82.4	-	Other	1,891,355	80.3	-	Other	444,086	85.04	-
	Net sales	3,263,584	100	-	Net sales	2,355,394	100	-	Net sales	522,192	100	-

Reason for change in increase/decrease: No significant difference.

Note: A list of any suppliers and clients accounting for 10 percent or more of the company's total sales amount in either of the 2 most recent fiscal years. Where the company is prohibited by contract from revealing the name of a client, or where a trading counterpart is an individual person who is not a related party, it may use a code in place of the actual name

(V) An indication of the production volume for the 2 most recent fiscal years

Unit: Thousands/NT\$ thousands

Year	2022			2023		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Quartz components	720,000	691,742	1,627,931	720,000	599,003	1,361,720

(VI) An indication of the volume of units sold for the 2 most recent fiscal years

Unit: Thousands/NT\$ thousands

Year	2022				2023			
	Domestic sales		Overseas sales		Domestic sales		Overseas sales	
Main product	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Quartz components	135,584	404,268	738,879	2,859,316	129,084	357,314	743,856	1,998,080

III. Number of employees employed

Year		2022	2023	Current year up to March 31, 2024
Number of employee	Production personnel	503	503	495
	Management personnel	204	204	191
	R&D personnel	70	70	66
	Total	777	777	752
Average age		39	39	40
Average years of service		8.45	8.45	9.61
Education distribution rate (%)	PhD	0.25	0.26	0.27
	Master	3.6	3.8	3.9
	College	42.98	44.96	42.33
	Senior high school	49.53	47.97	50.4
	Below senior high school	3.64	3.01	3.1

IV. Disbursements for environmental protection

1. Disbursements for environmental protection: any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incidents and disclosing an estimate of possible expenses

that could be incurred currently and in the future, and measures being or to be taken:
None.

2. As a means to reduce hazardous substances contained in our products in line with the requirements of RoHS, we have formulated and adopted the requirements of green design management and green procurement management so that processes meet RoHS standards. As well as this, we have also engaged in communications and promotion with suppliers and our current products are fully in compliance with the RoHS requirements.
3. We passed ISO 14001 environmental management system certification in 2003. By upholding the principle of “pollution prevention and continuous improvement,” the output of our business waste has gradually reduced while the reuse rate of waste has gradually increased year by year. All emission inspection data are in line with the requirements of government regulations. Moreover, we control the use of raw materials and ban environmentally hazardous substances, in line with the major international manufacturers’ requirements of green production and green products. Meanwhile, we have passed the Sony Green Partner certification in 2004.

V. Labor–management relations

- (I) List any employee benefit plans, further education, training, retirement systems, and the status of their implementation, and the status of labor–management agreements and measures for preserving employees’ rights and interests
 1. Employee benefits
 - ① Medical/Insurance
 - a. Labor insurance
 - b. National health insurance
 - c. Employee group benefit insurance: The premium is fully covered by the Company with the insured and beneficiary being employees.
 - ② Employee benefits

To improve employee welfare and increase employee benefits, the Company and the Welfare Committee make every effort to promote various benefits and activities as follows:

 - a. Year-end bonus and year-end luck of the draw.
 - b. Employee wedding, funeral, childbirth and birthday celebration.
 - c. Recreational activities:

To encourage employees to engage in activities that help them stay healthy and relieve their stress from work, we provide an annual subsidy of NT\$6,000 per person for them to participate in a variety of recreational activities organized by the Company.
 - d. Emergency relief and incentives:

With the spirit of helping one another, the Company and the Welfare Committee express our concerns in the event of an emergency. We have also established “Emergency Relief and Incentive Measures” for fatal injuries and injuries.

2. Further education, training

At SIWARD, we have set up employee training measures. Pre-employment training is provided to newcomers while regular employees are dispatched to take part in on-the-job training outside the factory according to their work requirements. We also hire educational institutions to perform training in the factory or internal education and training provided by our education and training seed personnel from each department. In 2023, we spent NT\$2,793,650 on employee education and training, accounting for 0.1186% of the current year's operating revenue. A detailed education and training table is provided as follows:

Training category	No. of courses	Hours of training	Number of attendees	Instructor and application fee	Person/hour fee	Total fees
General course training	43	386	425	82,600	276,320	358,920
Professional skills training	322	1,460	4,737	124,300	839,784	964,084
Ethical management regulatory compliance (including courses related to accounting systems and internal controls)	150	590	1,582	163,500	639,496	802,996
Project training	17	59	110	619,250	48,400	667,650
Total	532	2,495	6,854	989,650	1,804,000	2,793,650

3. Retirement system and its implementation status

(1) We formed a Labor Fund Supervisory Committee in accordance with provisions of the Labor Standards Act at the end of 1996. We contribute a certain percentage of our employees' monthly wages to be deposited to the pension account of the Bank of Taiwan. This is applicable to employees who meet the requirements stipulated in the "Labor Standards Act" on July 1, 2005 or those who opt for the pension system in the Labor Pension Act and retain the years of service prior to the Act. We also review whether the balance of the pension account meets the regulatory requirements at the end of each year and any shortfall is made up by the end of March of the following year. The accumulated balance of the labor pension account on December 31, 2023 was NT\$86,489 thousands.

(2) In accordance with the Labor Pension Act, the Company has adopted a defined contribution plan from July 2005. For employees applicable to the Act, the Company contributes 6% of the employees' monthly wage to be deposited to the pension account of the Bureau of Labor Insurance. In 2023, a total of NT\$20,675 thousands was allocated.

4. Agreement between labor and management and measures to protect the rights and interests of employees

Regarding labor-management interaction issues, the Company always communicates and coordinates with employees to reach a consensus. Employees may also directly express their views to their supervisors to achieve the effectiveness of communication. Furthermore, we hold a labor-management meeting on a regular basis, enabling both parties to speak their minds to promote harmonious labor-management relations. There has been no labor dispute to date.

5. Protection measures for the workplace and employees' safety

We have set up a Safety and Health Department responsible for the identification, evaluation and control of the working environment and operational hazards while preventing work injuries. In a bid to provide workers with a safe and healthy working environment as required by the system, we passed OHSAS18001 in December 2008 and ISO 45001 occupational safety and health management system verification in December 2020.

(II) List any losses suffered by the company in the most recent 2 fiscal years and up to the annual report publication date due to labor disputes, and disclosing an estimate of possible expenses that could be incurred currently and in the future, and measures being or to be taken: None.

VI. Cyber security management:

(I) Describe the cyber security risk management framework, cyber security policies, concrete management programs, and investments in resources for cyber security management.

1. Risk management organizational structure:

The company has established an information security committee to promote information security management in 2023 and the general manager serves as the direct supervision. This term is responsible for the promotion, coordination, supervision and review of information security management matters related to information security. The internal audit unit shall conduct information security internal audit and tracking at least once a year based on the internal audit plan.2.

Information security policy: We have formulated relevant regulations and conduct internal self-assessments and audits each year.

2.Information security policy:

- (1) Implement information security publicity and education training for company colleagues to improve information security awareness and reduce the probability of information security incidents.
- (2) Ensure compliance with various information security management measures to ensure the security of computer hardware, software, peripherals and network systems used and the correctness and effectiveness of information operations.
- (3) The confidentiality and integrity of the company's sensitive information and information systems are protected from unauthorized access, tampering and destruction.

3. Information security and network risk evaluation:

At SIWARD, we have established a set of comprehensive network and computer security protection systems to control and maintain the Company's manufacturing and accounting operations as well as other important functions for the Company to operate. However, we cannot guarantee that our computer systems are completely immune to network attacks from any third-party paralyzed systems. These cyber attacks can illegally intrude into the Company's internal network system and damage the Company's operations and reputation.

Cyber attacks may also attempt to steal the Company's business secrets, other intellectual property and confidential information; for example, proprietary information of customers or other stakeholders as well as personal information of employees. Malicious hackers are able to incorporate computer viruses, destructive software or ransomware into the Company's network system. In this way, they can interfere with company operations and regain control of the computer system in an attempt to blackmail the Company or spy on confidential information.

These attacks may result in the Company suffering from losses through paying compensation to customers due to delayed or disrupted orders or the Company may be required to pay a large sum to implement remedial and improvement measures to strengthen the Company's network security systems. Furthermore, these attacks may result in the Company being exposed to legal liability or regulatory investigations arising from leaks of information of customers or third parties to whom the Company has confidentiality obligations.

In order to ensure information security and prevent the above-mentioned risks, we regularly supervise the implementation and implementation of information security operating procedures by various departments, convey information security-related publicity through information security publicity activities and supervisor meetings, and promote employee information security. Awareness

and strengthening of their understanding of relevant responsibilities.

4. Investment resources

- (1) With the rapid development and advancement of information technology, the company continues to strengthen the planning of off-site data backup and information system backup, improve the anti-hacking function of the network firewall, improve the performance of the spam filtering system, optimize the functions of computer anti-virus software, etc. and network security management mechanisms.
- (2) Carry out social engineering drills and conduct information security education and promotion for users to enhance employees' personal information security awareness and effectively reduce the information security risks of hacker intrusions and malicious network attacks.
- (3) Establish an information security team and set up an information security supervisors and a staff in response to the requirements of the Financial Supervisory Commission.
- (4) Information security insurance arrangements: These are currently being planned.

(II) List any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to significant cyber security incidents, the possible impacts therefrom, and measures being or to be taken.

1. In 2023 and up to the annual report publication date, there were no significant cyber security incidents that had or may have material or adverse impact on the Company's business or operations. The Company did not involve in related legal cases or regulatory investigations.
2. Measures taken to avoid losses from cyber security incidents:
Our current information system framework is equipped with an off-site backup and data backup management mechanism to ensure uninterrupted service, and the backup media is sent to an off-site facility for storage. As well as this, we also strengthen various simulation tests in the server room and conduct recovery drills each year to ensure normal operations and information security of the information system. By doing so, we are able to reduce the risk of system interruption caused by unexpected disasters and human negligence, ensuring expected system recovery time is met.

VII. Important contracts

Contract nature	Counterparty	Start and end dates of the contract	Main contents	Restrictive clause
Facility contract	KGI Bank	March 2022 to March 2025	The loan was NT\$600 million for enriching working capital	Note 1
Facility contract – Special loans for overseas Taiwanese businesses to return to invest in Taiwan	Bank of Taiwan	September 2020 to September 2025	The loan was NT\$614.4 million for purchasing machinery and equipment as well as working capital for operations and R&D	Note 2

Note 1: During the loan period, the Company shall maintain a current ratio of 120% or more, a debt ratio (total debt/total net worth) of less than 100% and a ratio of interest expense, income tax, depreciation and amortization to interest expense of at greater than or equal to 3 (the above

calculation of financial ratios and restrictions are based on the figures in the annual consolidated financial report certified by accountants and semi-annual consolidated financial report reviewed by accountants). The net worth of the Company shall not be lower than NT\$2 billion. If the Company fails to meet the financial limits on the above financial ratios, the Company must repay the loans in advance according to the agreement.

Note 2: Carried out according to the “Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan” and “Key Points for Special Loans for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan.”

Six. Overview of Financial Status

I. Condensed balance sheets and statements of comprehensive income for the past 5 fiscal years, showing the name of the certified public accountant and the auditor's opinion given thereby

(1) Condensed balance sheets and statements of comprehensive income

Condensed balance sheets – Consolidated Financial Statements

Unit: NT\$ thousands

Item \ Year		Financial Information for the past 5 fiscal years					Financial Information of the Current Year Up to March 31, 2024
		2019	2020	2021	2022	2023	
Current assets		1,838,470	1,910,202	2,586,533	2,928,580	2,584,960	2,554,202
Property, plant and equipment		1,080,645	1,330,241	1,578,109	1,641,924	1,508,063	1,463,008
Intangible assets		96,206	81,335	67,778	58,603	49,916	46,031
Other assets		917,397	1,277,780	1,663,670	1,050,357	1,131,746	1,097,163
Total assets		3,932,718	4,599,558	5,896,090	5,679,464	5,274,685	5,160,404
Current liabilities	Before distribution	442,274	622,806	735,968	758,651	747,655	700,383
	After distribution	593,724	782,227	975,099	1,109,377	Not yet distributed	Not yet distributed
Non-current liabilities		550,464	837,172	1,155,521	817,715	437,352	370,008
Total liabilities	Before distribution	992,738	1,459,978	1,891,489	1,576,366	1,185,007	1,070,391
	After distribution	1,144,188	1,619,399	2,130,620	Not yet distributed	Not yet distributed	Not yet distributed
Equity attributable to owners of the parent company		2,932,525	3,132,292	3,997,715	4,096,392	4,083,232	4,083,596
Capital stock		1,594,210	1,594,210	1,594,210	1,594,210	1,594,210	1,594,210
Capital surplus		888,466	888,466	802,473	802,473	802,473	802,473
Retained earnings	Before distribution	524,466	531,174	937,735	1,481,340	1,394,278	1,433,256
	After distribution	373,016	451,463	698,604	Not yet distributed	Not yet distributed	Not yet distributed
Other equity		-74,617	118,442	663,297	218,369	292,271	253,657
Treasury shares		-	-	-	-	-	-
Non-controlling interests		7,455	7,288	6,886	6,706	6,446	6,417
Equity Total	Before distribution	2,939,980	3,139,580	4,004,601	4,103,098	4,089,678	4,090,013

Item \ Year	Financial Information for the past 5 fiscal years					Financial Information of the Current Year Up to March 31, 2024
	2019	2020	2021	2022	2023	
After distribution	2,788,530	2,980,159	3,765,470	3,765,470	Not yet distributed	Not yet distributed

1. The Company has separately prepared a parent company only condensed balance sheet and statement of comprehensive income for the past 5 fiscal years.
2. The above financial information has been certified or reviewed by accountants.
3. The above figures for after distribution are filled in according to the resolutions to be adopted by the shareholders' meeting the following year.

Condensed Statement of Comprehensive Income – Consolidated Financial Statements

Unit: NT\$ thousands

Item \ Year	Financial Information for the past 5 fiscal years					Financial Information of the Current Year Up to March 31, 2024
	2019	2020	2021	2022	2023	
Operating income	2,298,489	2,590,872	3,226,200	3,263,584	2,355,394	522,192
Gross profit	461,732	532,342	923,421	1,250,672	646,361	90,048
Operating income (loss)	137,031	201,628	514,452	799,556	279,148	4,563
Non-operating income and expenses	15,123	4,395	4,610	183,786	64,209	36,933
Profit before tax	152,154	206,023	519,062	983,342	343,357	41,496
Continuing operations						
Net income for the period	121,346	161,803	405,283	768,073	260,742	38,935
Loss from discontinued operations	-	-	-	-	-	-
Net income (loss) for the period	121,346	161,803	405,283	768,073	260,742	38,935
Other comprehensive income for the period (net after tax)	-25,380	189,247	648,698	-430,445	76,564	-38,600
Total comprehensive income for the period	95,966	351,050	1,053,981	337,628	337,306	335
Net income attributable to owners of the parent company	121,377	161,984	405,678	768,276	260,988	38,978
Net income attributable to non-controlling interests	-31	-181	-395	-203	-246	-43
Total comprehensive income attributable to owners of the parent company	96,067	351,217	1,054,383	337,808	337,566	364
Total comprehensive income attributable to non-controlling interests	-101	-167	-402	-180	-260	-29

Year Item	Financial Information for the past 5 fiscal years					Financial Information of the Current Year Up to March 31, 2024
	2019	2020	2021	2022	2023	
Earnings per share (NT\$)	0.76	1.02	2.54	4.82	1.64	0.24

1. The Company has separately prepared a parent company only condensed balance sheet and statement of comprehensive income for the past 5 fiscal years.
2. The above financial information has been certified or reviewed by accountants.
3. Earnings per share are calculated using the weighted-average method for the number of common shares outstanding. The increase in shares arising from the transfer of earnings or capital surplus to capital is calculated by retroactive adjustment.

Condensed Balance Sheets – Parent Company Only Financial Statements

Unit: NT\$ thousands

Item \ Year		Financial Information for the past 5 fiscal years				
		2019	2020	2021	2022	2023
Current assets		1,495,000	1,514,163	2,207,904	2,684,198	2,310,051
Property, plant and equipment		1,025,520	1,276,352	1,481,789	1,494,533	1,376,123
Intangible assets		96,206	81,335	67,087	56,373	48,079
Other assets		1,204,910	1,583,352	1,886,192	1,308,544	1,397,072
Total assets		3,821,636	4,455,202	5,642,972	5,543,648	5,131,325
Current liabilities	Before distribution	343,430	503,243	578,575	718,050	668,815
	After distribution	494,880	662,664	817,706	1,068,776	Not yet distributed
Non-current liabilities		545,681	819,667	1,066,682	729,206	379,278
Total liabilities	Before distribution	889,111	1,322,910	1,645,257	1,447,256	1,048,093
	After distribution	1,040,561	1,482,331	1,884,388	Not yet distributed	Not yet distributed
Capital stock		1,594,210	1,594,210	1,594,210	1,594,210	1,594,210
Capital surplus		888,466	888,466	802,473	802,473	802,473
Retained earnings	Before distribution	524,466	531,174	937,735	1,481,340	1,394,278
	After distribution	373,016	451,463	698,604	Not yet distributed	Not yet distributed
Other equity		-74,617	118,442	663,297	218,369	292,271
Treasury shares		-	-	-	-	-
Rights and interests	Before distribution	2,932,525	3,132,292	3,997,715	4,096,392	4,083,232

Item \ Year		Financial Information for the past 5 fiscal years				
		2019	2020	2021	2022	2023
Total	After distribution	2,781,075	2,972,871	3,758,584	3,745,666	Not yet distributed

Condensed Balance Sheets – Parent Company Only Financial Statements

Unit: NT\$ thousands

Item \ Year		Financial Information for the past 5 fiscal years				
		2019	2020	2021	2022	2023
Operating income		1,934,732	2,233,031	2,819,590	3,045,329	2,191,702
Gross profit		414,013	480,341	857,289	1,181,502	572,458
Operating income (loss)		139,067	182,005	494,131	729,899	275,894
Non-operating income and expenses		10,435	22,668	20,468	187,034	66,403
Profit before tax		149,502	204,673	514,599	979,933	342,297
Continuing operations						
Net income for the period		121,377	161,984	405,678	768,276	260,988
Loss from discontinued operations		-	-	-	-	-
Net income (loss) for the period		121,377	161,984	405,678	768,276	260,988
Other comprehensive income for the period (net after tax)		-25,310	189,233	648,705	-430,468	76,578
Total comprehensive income for the period		96,067	351,217	1,054,383	337,808	337,566
Earnings per share (NT\$)		0.76	1.02	2.54	4.82	1.64

(2) Name of the certified public accountant and the auditor's opinion given thereby:

	2019	2020	2021	2022	2023	Q1 2024
Certified Public Accountant	Chen Ming-Hong Yen Wen-Bi	Chen Ming-Hong Huang Yu-Ting	Chen Ming-Hong Huang Yu-Ting	Chen Ming-Hong Huang Yu-Ting	Tu, Chin-Yuan Huang Yu-Ting	Hunag, Ching-Ya Tu, Chin-Yuan
Audit Opinion	Unqualified opinion	Unqualified opinion	Unqualified opinion	Unqualified opinion	Unqualified opinion	Review report with a qualified conclusion

II. Financial Analyses for the Past 5 Fiscal Years

Year Analysis Item		Financial analysis for the past 5 fiscal years					Number of employees employed for the current year up to March 31, 2024
		2019	2020	2021	2022	2023	
Financial structure (%)	Ratio of liabilities to assets	25.24	31.74	32.08	27.76	22.47	20.74
	Ratio of long-term capital to property, plant and equipment	304.37	279.19	299.97	282.24	282.02	287.01
Solvency %	Current ratio %	415.69	306.71	351.45	386.02	345.74	364.69
	Quick ratio %	294.80	194.97	239.52	258.63	221.60	227.69
	Times interest earned	25.51	37.82	58.44	72.84	26.67	18.67
Operating capabilities	Accounts receivable turnover ratio (times)	3.32	3.49	4.03	4.45	3.86	3.51
	Average collection days	110	105	91	82	95	104
	Inventory turnover (times)	3.41	3.44	3.11	2.28	1.82	1.85
	Accounts payable turnover ratio (times)	8.23	7.60	7.29	8.77	9.71	8.68
	Average sales days	107	106	118	160	201	197
	Property, plant and equipment turnover (times)	2.05	2.15	2.22	2.03	1.50	1.41
	Total asset turnover ratio (times)	0.57	0.61	0.61	0.56	0.43	0.40
Profitability	Return on assets ratio (%)	3.14	3.90	7.86	13.46	22.47	0.78
	Return on equity ratio (%)	4.03	5.32	11.35	18.95	4.96	0.95
	Ratio of pre-tax income to paid-in capital (%)	9.54	12.92	32.56	61.68	6.37	2.60
	Net profit margin ratio (%)	5.28	6.25	12.56	23.53	21.54	7.46
	EPS (NT\$)	0.76	1.02	2.54	4.82	11.07	0.24
Cash flow	Cash flow ratio (%)	71.64	28.57	68.26	135.73	1.64	8.96
	Cash flow adequacy ratio (%)	101.64	70.03	64.02	90.50	61.61	91.51
	Cash reinvestment ratio (%)	1.43	0.40	4.31	10	86.60	0.82
Leverage	Operating leverage	3.36	2.18	1.61	1.46	1.43	20.12

Year Analysis Item	Financial analysis for the past 5 fiscal years					Number of employees employed for the current year up to March 31, 2024
	2019	2020	2021	2022	2023	
Financial leverage	1.05	1.03	1.02	1.02	2.90	2.06

Reasons for changes in financial ratios by more than 20% over the past 2 fiscal years:

1. The inventory turnover rate and average sales days has changed by more than 20%, which is due to the slow removal of inventory after the epidemic:-
2. The decrease of more than 20% in times interest earned, property, plant and equipment turnover, total asset turnover ratio, return on assets, return on equity ratio, ratio of pre-tax income to paid-in capital, profit margin, EPS and operating leverage compared to 2022 was due to the reduce in revenue and decrease in profitability.
3. The decrease of more than 20% in cash flow ratio, cash flow adequacy ratio and cash reinvestment ratio in 2023 was due to the decrease in cash inflows from operating activities in 2023 compared to 2022, resulting in a significant change in cash flow ratio.

1. The Company has separately prepared a parent company only financial ratio analysis.
2. The above financial information has been certified or reviewed by CPA.
3. Earnings per share are calculated using the weighted-average method for the number of common shares outstanding. The increase in shares arising from the transfer of earnings or capital surplus to capital is calculated by retroactive adjustment.

Year Analysis Item		Financial Analyses for the Past 5 Fiscal Years – Parent Company Only Statements				
		2019	2020	2021	2022	2023
Financial structure (%)	Ratio of liabilities to assets	23.27	29.69	29.16	26.11	20.43
	Ratio of long-term capital to property, plant and equipment	320.01	289.50	318.50	309.31	308.44
Solvency %	Current ratio %	435.31	300.88	381.61	373.82	345.39
	Quick ratio %	299.2	169.61	241.77	245.88	208.95
	Times interest earned	27.47	39.65	61.03	91.35	32
Operating capabilities	Accounts receivable turnover ratio (times)	3.37	3.64	4.16	4.57	3.89
	Average collection days	108	100	88	80	94
	Inventory turnover (times)	3.30	3.21	2.74	2.19	1.79
	Accounts payable turnover ratio (times)	11.92	9.41	9.72	11.56	11.01
	Average sales days	111	114	133	167	204
	Property, plant and equipment turnover (times)	1.83	1.94	2.04	2.05	1.53

Analysis Item \ Year		Financial Analyses for the Past 5 Fiscal Years – Parent Company Only Statements				
		2019	2020	2021	2022	2023
	Total asset turnover ratio (times)	0.50	0.54	0.56	0.54	0.41
Profitability	Return on assets ratio (%)	3.25	4.02	8.17	13.89	5.06
	Return on equity ratio (%)	4.05	5.34	11.38	18.98	6.38
	Ratio of pre-tax income to paid-in capital (%)	9.38	12.84	32.28	61.47	21.47
	Net profit margin ratio (%)	6.27	7.25	14.39	25.23	11.91
	EPS (NT\$)	0.76	1.02	2.54	4.82	1.64
Amount paid Cash flow	Cash flow ratio (%)	108.40	22.55	70.61	148.41	59.38
	Cash flow adequacy ratio (%)	104.82	68.22	60.95	87.98	82.99
	Cash reinvestment ratio (%)	2.45	-0.60	3.28	10.95	0.63
Leverage	Operating leverage	2.96	2.25	1.55	1.39	1.97
	Financial leverage	1.04	1.03	1.02	1.01	1.04
Reasons for changes in financial ratios by more than 20% over the past 2 fiscal years:						
1. The inventory turnover rate, Average sales days has changed by more than 20%, which is due to the slow removal of inventory after the epidemic. 2. The decrease of more than 20% in times interest earned, property, plant and equipment turnover, total asset turnover ratio, return on assets, return on equity ratio, ratio of pre-tax income to paid-in capital, profit margin, EPS and operating leverage in 2023 compared to 2022 was due to the reduce in revenue and decrease in profitability. 3. The decrease of more than 20% in cash flow ratio, cash flow adequacy ratio and cash reinvestment ratio in 2023 was due to the increase in cash inflows from operating activities in 2023 compared to 2022, resulting in a significant change in cash flow ratio. 4. Ratio of liabilities to assets has changed by more than 20%, which is due to reduce the borrowings in 2023.						

III. Audit committee's review report on the most recent annual financial report:

Please refer to p.100 the Annual Report.

IV. Financial Report for the most recent fiscal year: Please refer to p.101 the Annual Report.

V. Parent only company financial report for the most recent fiscal year audited by the accountants: Please refer to p.193 of the Annual Report.

VI. If the company or its affiliates have experienced financial difficulties in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: None.

Seven. A Review and Analysis of the Company's Financial Position and Financial Performance, and Risk Management

I. Financial position

Comparative Analysis of Financial Position

Unit: NT\$ thousands

Item \ Year	2023	2022	Increase (Decrease) Difference	
			Amount	%
Current assets	2,584,960	2,928,580	(343,620)	-11.73%
Property, plant and equipment	1,508,063	1,641,924	(133,861)	-8.15%
Intangible assets	49,916	58,603	(8,687)	-14.82%
Other assets	1,131,746	1,050,357	81,389	7.75%
Total assets	5,274,685	5,679,464	(404,779)	-7.13%
Current liabilities	747,655	758,651	(10,996)	-1.45%
Non-current liabilities	437,352	817,715	(380,363)	-46.52%
Total liabilities	1,185,007	1,576,366	(391,359)	-24.83%
Capital stock	1,594,210	1,594,210	-	0.00%
Capital surplus	802,473	802,473	-	0.00%
Retained earnings	1,394,278	1,481,340	(87,062)	-5.88%
Other equity	292,271	218,369	73,902	33.84%
Total equity	4,083,232	4,096,392	(13,160)	-0.32%
Non-controlling interests	6,446	6,706	(260)	-3.88%
Reason for significant changes, the effect and measures taken in response to the above items: Significant change:				
1. The decrease in non-current liabilities was due to the decrease in long-term borrowings. 2. The increase in other equity was mainly due to the increase in unrealized valuation gains on investments with equipment instruments measured at fair value in other comprehensive income.				

II. Financial Performance

- (I) The annual report shall list the main reasons for any material change in operating revenues, operating income, or income before tax during the past 2 fiscal years

Unit: NT\$ thousands

Item \ Year	2023	2022	Increase (Decrease) Difference	
			Amount	%
Operating revenue	2,355,394	3,263,584	(908,190)	-27.83%
Gross profit	646,361	1,250,672	(604,311)	-48.32%
Operating income	279,148	799,556	(520,408)	-65.09%
Non-operating income and expenses	64,209	183,786	(119,577)	-65.06%
Profit before tax	343,357	983,342	(639,985)	-65.08%
Net income for the period	260,742	768,073	(507,331)	-66.05%
Other comprehensive income for the period (net after tax)	76,564	-430,628	507,192	-117.78%
Total comprehensive income for the period	337,306	337,628	(322)	-0.10%
Net income attributable to owners of the parent company	260,988	768,276	(507,288)	-66.03%
Analysis of changes in increase or decrease:				
1. The decrease in operating revenue, operating profit and operation income was mainly due to the decrease in product sales and price decrease.				
2. The decrease in non-operating income and expenses was mainly due to the decrease in foreign exchange gains (losses), net.				

- (II) Sales volume forecast and the basis, and describe the effect upon the company's financial operations as well as measures to be taken in response.

The forecast of the Company's 2024 sales volume forecast of products takes into account the outcomes of factors such as historical data, the sensitivity of managers to the market, competitive market trends and the Company's increased production capacity. There is no significant effect on upon future financial operations as the Company's current production capacity is able to cope with the situation. The Company's forecasted sales volume is detailed as follows:

Unit: kpcs

Major product	Sales volume
Quartz components	845,000

III. Cash flows

(I) An analysis of cash flow changes for the most recent fiscal year:

Condensed Statement of Cash Flows

Unit: NT\$ thousands

Item	2023	2022	Increase (Decrease) Amount	Change ratio (%)
Cash inflows from operating activities	460,657	1,029,750	(569,093)	-55.27%
Cash outflows from investing activities	(60,905)	(153,524)	(92,619)	-60.33%
Cash outflows from financing activities	(709,563)	(303,930)	(405,633)	133.46%

1. The decrease in net inflows from operating activities was due to reduce in operations.
2. The decrease in net cash outflows from investing activities was due to the decrease in capital expenditures in 2023.
3. The increase in cash outflows from financing activities was due to the increase in cash dividends paid and repayments of long-term borrowings in 2023 compared to 2022.
4. For cash flow ratio, please refer to p.84 of the Annual Report.

(II) Liquidity analysis for the coming year:

Cash flow analysis

Unit: NT\$ thousands

Opening cash balance (1)	Projected full-year net cash flows from operating activities (2)	Projected full-year cash outflows (3)	Projected cash surplus (shortfall) amount (1)+(2)-(3)	Remedies for projected cash shortfalls to maintain a comparable cash balance	
				Investment plan	Financial plan
1,005,700	478,508	461,053	1,023,155	-	-

IV. The annual report shall describe the effect upon financial operations of any major capital expenditures during the most recent fiscal year: None.

V. Reinvestment policy for the most recent fiscal year, the main reasons for the profits/losses generated thereby, the plan for improving re-investment profitability, and investment plans for the coming year

Unit: NT\$ thousands

Description Item	Investment profit and loss recognized for the period	Policy	Main reason for profit or loss	Plan for improvement	Other investment plans for the coming year
Securitag Assembly Group Co., Ltd.	23,138	RFID Manufacturing	-	None	None

VI. Matters Analyzed and Evaluated for Risk Management

- (I) The effect upon the company's profits (losses) of interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future.

1. Interest changes:

Effect on the Company

The Company's interest expenses in 2023 only accounted for 0.57% of its revenue. With weighted average cost of capital interest rate for long-term loans for 2024 estimated at approximately 2%, assuming other circumstances remain unchanged, 10% interest rate fluctuation is expected to affect profit before tax by approximately NT\$762 thousands, which is not significant to the Company's profit or loss.

Measures taken in response:

The Company mainly borrows in Taiwan dollars. With the general economic factors in Taiwan, there is no significant increase in the coming year, hence the risk of interest rate changes have little impact on the Company.

2. Exchange rate changes

Effect on the Company

- (1) The Company's foreign procurement of raw materials, semi-finished and finished products is denominated in JPY and USD. In 2023, the exchange fluctuations of JPY and USD against TWD were in the range of 0.21 to 0.22 and 32.2 to 30, respectively, and is expected to be in the range of 0.21 to 0.22 and 32.5 to 30.5, respectively in 2024. If the Company's external procurement in 2024 is ¥1,930,000 thousands and USD16,600 thousands, with other circumstances remain unchanged, a 1% change in the exchange rate would affect profit before tax by approximately NT\$9,846 thousands.
- (2) The Company's foreign sales are mainly denominated in USD and JPY. In 2023, the exchange rates of USD and JPY against TWD were in the range of 32.2 to 30 and 0.22 to 0.21, respectively, and is expected to be in the range of 32.5 to 30.5 and 0.21 to 0.22, respectively in 2024. If the Company's foreign sales revenue is approximately USD70,000 thousands and ¥190,000 thousands, with other circumstances remain unchanged, a 1% change in the exchange rate would affect profit before tax by

approximately NT\$20,453 thousands.

Measures taken in response:

As a means to reduce exchange rate risk, we regularly check the liability positions of foreign currencies and consider using foreign exchange-related derivative instruments for appropriate hedging.

3. Inflation:

Effect on the Company:

The recent continuous salary increase and the price of raw materials have put pressure on the Company. As salary adjustment is underway according to plan in 2024, the increase in material prices and production costs is inevitable.

Measures taken in response: Improve production capacity with automation to reduce unit production costs.

(II) Policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivative instrument transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future

1. High-risk investments: The Company is not engaged in high-risk investments.
2. Highly leveraged investments: The Company is not engaged in highly leveraged investments.
3. Loans to other parties: None.
4. Endorsement/Guarantees:
 - (1) The Company only provides endorsements/guarantees to its subsidiaries. All procedures are carried out in accordance with the Company's "Regulations Governing Endorsements/Guarantees." For endorsements/guarantees provided in 2023, please refer to p.274 of the Annual Report.
 - (2) Main reason for profit or loss: None.
 - (3) Measures taken in response: Not applicable.
5. Derivative instrument transaction
 - (1) The Company's engagement in derivative instrument transactions is carried out in accordance with Article 10 of the "Regulations Governing the Acquisition and Disposal of Assets" regarding regulations governing the acquisition and disposal of derivatives. Moreover, the Company engages in derivative instrument transactions for the purpose of hedging. The selection of transaction products takes into account hedging the risk arising from the Company's business.
 - (2) Main reason for profit or loss: None.
 - (3) Measures taken in response:

As gains and losses arising from changes in exchange rates of derivative instruments are offset against the gains and losses of the hedged items, market price risks do not have material impact on the Company's financial operations.
 - (4) Objective and methods of adopting hedge accounting: Not applicable as the Company does not use hedge accounting.

(III) R&D work to be carried out in the future, and further expenditures expected for R&D work

1. R&D work to be carried out in the future:

- (1) Miniaturized automotive audio and video systems, quartz crystal resonator (1.2x1.0mm²) development.
- (2) Development of vehicle-mounted Sensor system module and Differential output (3.2x2.5mm²).
- (3) Development of miniaturized automotive TPMS and quartz crystal resonator (1.6x1.2mm²).
- (4) Miniaturized high fundamental frequency differential dual output is used in optical communications and eCPRI, quartz crystal oscillator (2.0x1.6mm²) development.
- (5) TF-1610 4-inch mass production and introduction.
- (6) Mass production and introduction of TF low-impedance products.
- (7) AT-MESA 1612 mass production and introduction.
- (8) AT-MESA 1008 high frequency design and development.

2. Further expenditures expected for R&D work

The Company is expected to invest NT\$140,000 thousands in R&D in 2024.

3. Main factors affecting the success of future R&D

- (1) The ability to develop miniature products at the same pace as peers in Japan.
- (2) The ability to jointly develop customers' applied products and front-end IC design.
- (3) The ability for product differentiation.

(IV) Effect on the company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response.

Effect on the company's financial operations of important policies adopted:

In terms of important domestic and international policies, standards of environmental laws and regulations have the greatest impact on our operations. As environmental laws and regulations are covering more aspects and becoming stricter, we have set up a unit to follow up and propose countermeasures accordingly at all times.

Measures taken in response:

Moreover, our facilities and discharge outlets for waste and sewage treatment generated by processes are in line with the criteria set by the Environmental Protection Agency (EPA). For all products we make, we follow the WEEE and RoHS Directives based on the SONY SS-00269 system. We also coach our upstream material suppliers and ask them to follow the same standards. We will

properly control and manage chemical composition in the manufacturing process, while introducing ISO 14001 and ISO 45001 systems to provide customers with products that are more competitive, striving for more business opportunities for the Company.

- (V) Effect on the company's financial operations of developments in science and technology (including cyber security risks) as well as industrial change, and measures to be taken in response

Effect on the company's financial operations:

Under an environment where economic growth is slow, the innovation and development of technology has become common under the rapid application of knowledge. Due to this, the technological gap between peers has narrowed while the difficulty of product differential has increased, resulting in a shortened life cycle of the applied products. The key issues for the Company are to correctly determine the trend of product development, rapidly and effectively develop with customers, strengthen quality, reduce costs, and quickly respond to the trend.

Measures taken in response:

1. Integrate the Group's R&D teams in both Japan and Taiwan to provide timely services to customers' new product development, while working closely with customers on design and strengthen the partnership with EMS factories to keep abreast of the development trends of products.
2. Hire Japanese consultants for product development direction and products that are different from other peers to ensure technological leadership
3. Form a strategic alliance with peers in New Zealand to improve the Company's technical capability; create a win-win situation through division of work and cooperation in products and market strategies.
4. In terms of cyber security risk control, the Company has set up dedicated cyber security manager and personnel in 2023. At present, the measures taken by the Company in response to cyber security risk management is to establish an off-site backup and data back management mechanisms. By doing this, we are able to ensure uninterrupted service, and the backup media is sent to an off-site facility for storage. As well as this, we also strengthen various simulation tests in the server room and conduct recovery drills each year to ensure normal operations and information security of the information system. By doing so, we are able to reduce the risk of system interruption caused by unwarned disasters and human negligence, ensuring expected system recovery time is met.

- (VI) Effect on the company's crisis management of changes in the company's corporate image, and measures to be taken in response.

Effect on the Company:

There were no corporate crisis management changes in the Company's corporate image in the most recent year.

Measures taken in response:

It is our responsibility to comply with laws and regulations, emphasize the

importance of the rights and interests of employees and shareholders, while also fulfilling social responsibilities. In the event of an unforeseen situation, we quickly form a crisis handling team with a senior executive serving as the convener. As of now, no significant incidents occurred that affected the Company's corporate image.

- (VII) Expected benefits and possible risks associated with any merger and acquisitions, and mitigation measures being or to be taken: None.
- (VIII) Expected benefits and possible risks associated with any plant expansion, and mitigation measures being or to be taken: None.
- (IX) Risks associated with any consolidation of sales or purchasing operations: None.
- (X) Effect upon and risk to the company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the company has been transferred or has otherwise changed hands: None.
- (XI) Effect upon and risk to company associated with any change in top management: None.
- (XII) Litigious and non-litigious matters. List major litigious, non-litigious or administrative disputes that: (1) involve the company and/or any company director, any company supervisor, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the company; and (2) have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report: None.
- (XIII) Other important risks, and mitigation measures being or to be taken: None.

VII. Other important matters: None.

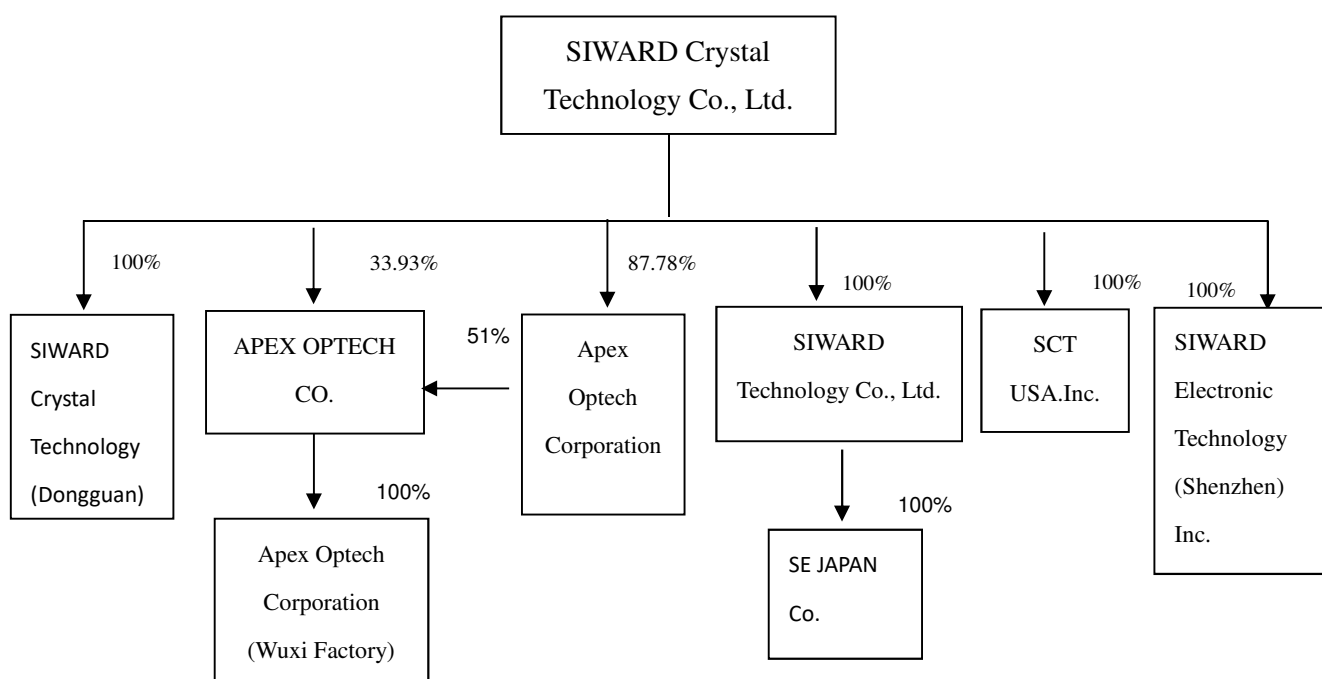
Eight. Special items to be included

I. Information Related to the Company's Affiliates

(I) The Consolidated Business Report of Affiliates

1. Overview of Affiliates

(1) Organizational Chart of Affiliates



(2) Name, date of establishment, address, paid-in capital and major business items of each affiliate

Name of company	Date of establishment	Address	Paid-in capital	Main business or production item
SIWARD Technology Co., Ltd.	2000.3.29	1-1-37 Tohrimachi Yonezawa City, Yamagata-Pref. JAPAN 992-0025	JPY 90 million	Engage in and sale of quartz crystals, miniature temperature-compensated oscillators, and surface acoustic wave filters
SE JAPAN Co.	2005.9.2	1-3-8 Asahigaoka, Nerima-ku, Tokyo	JPY 20 million	Trading of electronic parts and components.
Apex Optech Corporation	1997.5.27	2F, No. 1-1, Lane 111, Sec. 3, Zhongshan Road, Tanzi District, Taichung City	NT\$25 million	Wafer coating
Apex Optech Corporation	2000.10.5	British Virgin Islands	USD 8.5 million	Financial investment
Apex Optech Corporation (Wuxi Factory)	2001.1.8	Room 207, Block A, Building A, No. 8 Xintai Road, Xinwu District, Wuxi City, Jiangsu Province, China	RMB 65.78 million	Trading of quartz rods and blanks
SIWARD Electronic Technology (Shenzhen) Inc.	2015.7	Room 2315, Block A, Tianan Digital Times Building, Futian District, Shenzhen	RMB 3 million	Providing consultation and after-sales services
SCT USA, Inc.	2007.7.1	100 Canal Points Blvd. Suite 10B, Princeton, New Jersey	USD 100,000	Providing consultation and after-sales services
SIWARD Crystal Technology (Dongguan) Co., Ltd.	1998.4.12	Closed	RMB 18.2 million	Closed

(3) Shareholders presumed to have control and subordinate relationship and personnel-related information: None.

(4) Business dealings and division of work between each affiliate

Name of affiliate	Business dealings and division of work
SIWARD Technology Co., Ltd.	This is a subsidiary with independent production and sales capabilities, mainly operated in Japan.
SE JAPAN Co.	This is a subsidiary with independent sales capabilities, mainly operated in Japan.
SIWARD Crystal Technology (Shenzhen) Co., Ltd.	This subsidiary provides consultation and after-sales services to customers in China.

Name of affiliate	Business dealings and division of work
Apex Optech Corporation (Wuxi Factory)	This is a subsidiary with independent production and sales capabilities.
Apex Optech Corporation	A holding company established in a third place to invest in Apex Optech Corporation (Wuxi Factory).
Apex Optech Corporation	This is a subsidiary with independent sales capabilities.
SCT USA.Inc.	This subsidiary provides consultation and after-sales services to customers in the U.S.
SIWARD Crystal Technology (Dongguan) Co., Ltd.	Closed.

- (5) The names of the directors, supervisors, and general manager of each affiliate and the details of their shareholding or capital contribution in such affiliate:

Name of affiliate	Title	Name of representative	of Others	
			No. of Shares	Shareholding ratio
SIWARD Technology Co., Ltd.	Representative	Tseng Jung-Meng	0	0%
	Director	Liu Ping-Feng	0	0%
	Director	Tseng Ying-Tang	0	0%
	Supervisor	Ku Chih-Yun	0	0%
SE JAPAN Co.	Representative	Tseng Jung-Meng	0	0%
	Director	Shoji Kaji	0	0%
	Supervisor	Mizuya Tanaka	0	0%
SCT (USA) INC.	Chairman	Tseng Ying-Tang	0	0%
SIWARD Electronic Technology (Shenzhen) Inc.	Legal Representative	Tseng Jung-Meng	0	0%
	Director	Tseng Ying-Tang	0	0%
	Director	Liu Ping-Feng	0	0%
Apex Optech Corporation	Chairman	Tseng Jung-Meng (the Company's representative)	2,194,476	87.78%
	Director	Tseng Ying-Tang (the Company's representative)	2,194,476	87.78%
	Director	Liu Ping-Feng	0	0%
	Supervisor	Ku Chih-Yun	0	0%
Apex Optech Corporation	Chairman	Tseng Jung-Meng	0	0%
	Director	Tseng Ying-Tang	0	0%

Name of affiliate	Title	Name of representative	of Others	
			No. of Shares	Shareholding ratio
	Director	Liu Ping-Feng	0	0%
Apex Optech Corporation (Wuxi Factory)	Legal Representative	Tseng Jung-Meng	0	0%
	Director	Tseng Ying-Tang	0	0%
	Director	Liu Ping-Feng	0	0%
SIWARD Crystal Technology (Dongguan) Co., Ltd.	Chairman	Tseng Ying-Tang	0	0%
	Vice Chairman	Tseng Jung-Meng	0	0%

2. Overview of Operations.

Financial position and results of operations of affiliates

Unit: NT\$ thousands

Name of company	Amount of Capital	Total Assets	Total Liabilities	Total Equity	Operating Income	Operating Profit	Net Profit for the year	EPS (NT\$)
SIWARD Technology Co., Ltd.	23,868	553,203	208,625	344,578	569,187	- 5,631	5,074	-
SE Japan Co.	5,304	37,858	24,116	13,742	50,422	3,935	3,783	-
SCT USA Inc.	3,285	17,195	3,448	13,747	7,478	1,762	1,762	
Apex Optech Corporation	25,000	44,011	1,726	42,285	12,960	183	-125	-0.05
Apex Optech Corporation	288,141	3,024	7,112	- 4,088	-	-	-1,532	-
Apex Optech Corporation (Wuxi Factory)	237,516	3,393	368	3,025	1,727	- 1,686	-1,532	-
SIWARD Crystal Technology (Shenzhen) Co., Ltd.	14,528	10,510	1,742	8,768	4,846	-881	-864	-
SIWARD Crystal Technology (Dongguan) Co., Ltd.	93,058	0	0	0	0	0	0	-

(I) Consolidated Financial Statements of Affiliates:

Considering that the companies to be included into the consolidated financial statements of affiliates were the same as those included in the consolidated financial statements of the parent and subsidiaries under International Accounting Standards 10, and the related information to be disclosed in the consolidated financial statements of affiliates has already disclosed in said consolidated financial statements of the parent and subsidiaries, no consolidated financial statements of affiliates were prepared separately.

- II. Where the company has carried out a private placement of securities during the most recent fiscal year or up to the date of publication of the annual report: None.
- III. Holding or disposal of shares in the company by the company's subsidiaries during the most recent fiscal year or up to the date of publication of the annual report: None.
- IV. Other matters that require additional description: None.

Nine. If any of the situations listed in Article 36, paragraph 2, subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the company's securities, has occurred during the most recent fiscal year or up to the date of publication of the annual report: None.

Review Report of the Audit Committee

The Board of Directors submitted the Company's 2023 business report, financial statements and earnings distribution table. The 2023 financial statements have been audited by accountants Tu, Chin-Yuan and Huang, Yu-Ting of EY Taiwan with an audit report issued. The business report, financial statements and earnings distribution table have been reviewed by the Audit Committee and found to be in conformity with Article 14-4 of the Securities and Exchange Act and Article 219 of the Securities and Exchange Act. A report has been respectfully submitted for your approval.

To
the 2024 Annual Shareholders' Meeting

SIWARD Crystal Technology Co.,
Ltd.
Audit Committee convener:
Tien, Chia-Sheng

February 29, 2024

SIWARD Crystal Technology Co., Ltd.

Statement

The entities that are required to be included in the consolidated financial statements of the Company as of and for the year ended December 31, 2023 (from January 1, 2023 to December 31, 2023), under the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, “Consolidated Financial Statements.” In addition, the information required to be disclosed in the consolidated financial statements of affiliates is included in the consolidated financial statements of the above-mentioned parent and subsidiary companies. Consequently, we do not prepare a separate set of consolidated financial statements of affiliates.

Hereby declared

SIWARD Crystal Technology Co., Ltd.

Responsible Person: Tseng, Ying-Tang

February 29, 2024

Independent Auditor’s Report Translated from Chinese

To SIWARD Crystal Technology Co., Ltd.:

Opinion

We have audited the accompanying consolidated financial statements of SIWARD Crystal Technology Co., Ltd. and its subsidiaries (the “Group”), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and related consolidated statements of comprehensive income, changes in equity, cash flows, and notes to consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022 and their consolidated 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 and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Shanding Interpretations Committee as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

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 Consolidated Financial Statements section of our report. We are independent of the Group 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 consolidated financial statements of the Group for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of accounts receivable

As of December 31, 2023, the carrying amounts of the accounts receivable and loss allowance of the Group were NT\$644,657 thousand and NT\$26,058 thousand, respectively. The net accounts receivable account for 12% of the total assets, which have significant influence over the Group. 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 consolidated financial statements.

Inventory valuation

As of December 31, 2023, the carrying amounts of inventories was NT\$921,261 thousand, with net inventories accounting for 18% of the total assets, which have significant influence over the Group, 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 consolidated financial statements.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the requirements of Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Shanding Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material 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 of 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 consolidated 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 consolidated 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 the internal control of the Group.

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 Group. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, and whether the consolidated 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 Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. 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 consolidated financial statements of the Group 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.

Others

We have audited and expressed an unqualified opinion on the parent company only financial statements of SIWARD Crystal Technology Co., Ltd. As of and for the years ended December 31, 2023 and 2022.

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

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

SIWARD Crystal Technology Co., Ltd. and Subsidiaries
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars)

	2023		2022	
	Amount	%	Amount	%
ASSETS				
Current assets				
Cash and cash equivalents (Notes IV and VI.1)	\$1,005,700	19	\$1,330,202	24
Current financial assets at amortised cost(Notes IV and VI.2)	17,000	-	17,000	-
Notes receivable, net (Notes IV)	104	-	4,230	-
Accounts receivable, net (Notes IV and VI.3)	599,899	12	552,346	10
Accounts receivable due from related parties, net (Notes IV and VI.3 and VII.3)	18,700	-	45,946	1
Other receivables (Notes IV)	14,074	-	12,360	-
Current tax assets	1,336	-	-	-
Inventories (Notes IV and VI.4)	921,261	18	958,171	17
Prepayments	4,442	-	4,987	-
Other current assets	2,444	-	3,338	-
Total current assets	2,584,960	49	2,928,580	52
Non-current assets				
Non-current financial assets at fair value through other comprehensive income (Notes IV and VI.5)	678,696	13	563,031	10
Investments accounted for using equity method (Notes IV and VI.6)	205,747	4	195,252	3
Property, plant and equipment (Notes IV and VI.7 and VIII)	1,508,063	28	1,641,924	29
Right-of-use assets (Notes IV and VI.16)	107,845	2	135,013	2
Investment property, net (Notes IV and VI.8)	51,852	1	53,560	1
Intangible assets (Notes IV and VI.9)	49,916	1	58,603	1
Deferred tax assets (Notes IV and VI.20)	45,035	1	37,862	1
Other non-current assets (Notes IV and VI.10)	42,571	1	65,639	1
Total non-current assets	2,689,725	51	2,750,884	48
Total assets	\$5,274,685	100	\$5,679,464	100
LIABILITIES AND EQUITY				
Current liabilities				
Current contract liabilities (Notes VI.14)	\$8,292	-	\$18,058	-
Notes payable	6,404	-	9,602	-
Accounts payable	192,446	4	142,111	3
Accounts payable to related parties (Notes VII.4)	-	-	1,426	-
Other payables	193,522	4	246,699	4
Current tax liabilities	87,568	2	119,973	2
Current lease liabilities (Notes IV and VI.16)	28,978	-	29,737	1
Other current liabilities	13,058	-	10,855	-
Current portion of long-term borrowings (Notes VI.11)	217,387	4	180,190	3
Total current liabilities	747,655	14	758,651	13
Non-current liabilities				
Long-term borrowings (Notes IV and VI.11)	163,399	3	531,096	10
Deferred tax liabilities (Notes IV and VI.20)	141,699	3	115,397	2
Non-current lease liabilities (Notes IV and VI.16)	75,746	1	109,784	2
Defined benefit liabilities, net (Notes IV and VI.12)	50,105	1	61,325	1
Other non-current liabilities	6,403	-	113	-
Total non-current liabilities	437,352	8	817,715	15
Total liabilities	1,185,007	22	1,576,366	28
Equity attributable to owners of parent (Note IV.13)				
Share capital				
Ordinary share	1,594,210	30	1,594,210	28
Capital surplus	802,473	15	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	22
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 attributable to owners of parent	4,083,232	78	4,096,392	72
Non-controlling interests (Note VI.13)	6,706	-	6,706	-
Total equity	4,089,938	78	4,103,098	72
Total liabilities and equity	\$5,274,945	100	\$5,679,464	100

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

SIWARD Crystal Technology Co., Ltd. and Subsidiaries
**CONSOLIDATED 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.14)	\$2,355,394	100	\$3,263,584	100
COST OF GOODS SOLD (Note VI.4 and VI.17)	(1,709,033)	(73)	(2,012,912)	(62)
GROSS PROFIT	646,361	27	1,250,672	38
OPERATING EXPENSES (Note VI.17)				
Selling and marketing expenses	(99,798)	(4)	(107,932)	(3)
General and administrative expenses	(138,703)	(6)	(183,101)	(6)
Research and development expenses	(128,924)	(5)	(134,061)	(4)
Expected credit loss reversed on trade receivables (Note VI.15)	212	-	(26,022)	(1)
Total operating expenses	(367,213)	(15)	(451,116)	(14)
PROFIT FROM OPERATIONS	279,148	12	799,556	24
NON-OPERATING INCOME AND EXPENSES (Note IV, VI.18)				
Interest income	17,023	1	6,297	-
Other income	31,081	1	23,446	1
Other gains and losses	6,342	-	141,779	4
Finance costs	(13,375)	-	(13,687)	-
Share of profits of associates and joint ventures (Note VI.6)	23,138	1	25,951	1
Total non-operating income and expenses	64,209	3	183,786	6
PROFIT BEFORE INCOME TAX	343,357	15	983,342	30
INCOME TAX EXPENSE (Note IV and VI.20)	(82,615)	(4)	(215,269)	(7)
NET PROFIT FOR THE YEAR	260,742	11	768,073	23
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)	(17)
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	(23,959)	(1)	(10,142)	-
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.19)	76,564	3	(430,445)	(13)
Total comprehensive income	\$337,306	14	\$337,628	10
Profit (loss), attributable to:				
Owners of parent	\$260,988		\$768,276	
Non-controlling interests	(246)		(203)	
	\$260,742		\$768,073	
Comprehensive income, attributable to:				
Owners of parent	\$337,566		\$337,808	
Non-controlling interests	(260)		(180)	
	\$337,306		\$337,628	
Earnings per share				
Basic earnings per share	\$1.64		\$4.82	
Diluted earnings per share	\$1.63		\$4.77	

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

SIWARD Crystal Technology Co., Ltd. and Subsidiaries
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)**

	Total equity attributable to owners of parent								Non-controlling interests	Total equity
	Retained earnings					Other				
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealised gains (losses) on financial assets measured at fair value through other comprehensive income	Total equity attributable to owners of parent		
BALANCE AT JANUARY 1,2022	\$1,594,210	\$802,473	\$164,010	\$ -	\$773,725	\$(96,704)	\$760,001	\$3,997,913	\$6,886	\$4,004,799
Appropriation of 2021 earnings										
Legal reserve appropriated			48,627		(48,627)			-		-
Special reserve appropriated/Reversal of special reserve				0	0			-		-
Net profit (loss) for the year ended December 31,2022					768,276			768,276	(203)	768,073
Other comprehensive income for the year ended December 31,2022					14,460	(8,144)	(436,784)	(430,468)	23	(430,445)
Total comprehensive income					782,736	(8,144)	(436,784)	337,808	(180)	337,628
Disposal of investments in equity instruments designated at fair value through other comprehensive income					0		0	-		
BALANCE AT DECEMBER 31,2022	\$1,594,210	\$802,473	\$212,637	\$ -	\$1,268,703	\$(104,848)	\$323,217	\$4,096,590	\$6,706	\$4,103,296
BALANCE AT JANUARY 1,2023	\$1,594,210	\$802,473	\$212,637	\$0	\$1,268,703	\$(104,848)	\$323,217	\$4,096,590	\$6,706	\$4,103,296
Appropriation of 2022 earnings										
Legal reserve appropriated			78,274		(78,274)			-		-
Cash dividends of ordinary share					(350,726)			(350,726)		(350,726)
Net profit (loss) for the year ended December 31,2023					260,988			260,988	(246)	260,742
Other comprehensive income for the year ended December 31, 2023					3,013	(19,187)	92,752	76,578	(14)	76,564
Total comprehensive income					264,001	(19,187)	92,752	337,566	(260)	337,306
Disposal of investments in equity instruments designated at fair value through other comprehensive income					(337)		337	-		
BALANCE AT DECEMBER 31,2023	\$1,594,210	\$802,473	\$290,911	\$ -	\$1,103,367	\$(124,035)	\$416,306	\$4,083,430	\$6,446	\$4,089,876

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

SIWARD Crystal Technology Co., Ltd. and Subsidiaries

CONSOLIDATED 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 before tax	\$343,357	\$983,342
Adjustments for :		
Depreciation expense	221,392	226,931
Amortization expense	16,289	15,100
Expected credit loss recognized on trade receivables	(212)	26,022
Interest expense	13,375	13,687
Interest income	(17,023)	(6,297)
Share of profit of associates and joint ventures accounted for using equity method	(23,138)	(25,951)
Dividend income	(8,199)	(202)
Loss on disposal of property, plan and equipment	(231)	350
Write-down of inventories	9,312	409
Changes in operating assets and liabilities		
Decrease in notes receivable	4,126	407
Decrease (increase) in accounts receivable	(47,341)	214,364
Decrease in accounts receivable due from related parties	27,246	39,818
Decrease (increase) in other receivable	(1,714)	23,037
Decrease (increase) in inventories	27,598	(149,244)
Decrease in prepayments	545	144
Decrease in other current assets	894	5,951
Increase in contract liabilities	(3,472)	(11,055)
Increase in notes payable	(3,198)	(6,096)
Decrease (increase) in accounts payable	50,335	(142,124)
Decrease in accounts payable to related parties	(1,426)	(4,315)
Decrease (increase) in other payable	(50,512)	34,328
Increase in other current liabilities	2,203	3,741
Decrease in net defined benefit liability	(7,520)	(7,797)
Cash inflow generated from operations	552,686	1,234,550
Interest received	17,023	6,297
Dividends received	20,874	8,844
Interest paid	(13,465)	(13,537)
Income taxes paid	(116,461)	(206,404)
Net cash flows from operating activities	460,657	1,029,750

(Continued)

SIWARD Crystal Technology Co., Ltd. and Subsidiaries

CONSOLIDATED 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 fair value through other comprehensive income	353	-
Proceeds from disposal of financial assets at amortised cost	-	86,812
Acquisition of property, plant and equipment	(58,027)	(235,623)
Proceeds from disposal of property, plant and equipment	334	11
Acquisition of intangible assets	(5,282)	(5,261)
Decrease in other non-current assets	1,717	537
Net cash used in investing activities	(60,905)	(153,524)
Cash flows from (used in) financing activities :		
Proceeds from long-term borrowings	-	32,260
Repayments of long-term borrowings	(330,077)	(69,399)
Payments of lease liabilities	(28,756)	(27,658)
Decrease in other non-current liabilities	(4)	(2)
Cash dividends paid	(350,726)	(239,131)
Net cash used in financing activities	(709,563)	(303,930)
Effect of exchange rate changes on cash and cash equivalents	(14,691)	(5,333)
Net increase in cash and cash equivalents	(324,502)	566,963
Cash and cash equivalents at beginning of period	1,330,202	763,239
Cash and cash equivalents at end of period (Note IV.1)	\$1,005,700	\$1,330,202

(Concluded)

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

SIWARD Crystal Technology Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2023 and 2022

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

I. History and organization

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

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

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

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

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

The consolidated financial statements of the Company and its subsidiaries (hereinafter referred to as the “Group”) for the year 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 Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning

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

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

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 Group 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.

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 1 January 2024. Apart from item explained below, the remaining standards and interpretations have no material impact on the Group.

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

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

Item No.	Newly issued/revised/amended standards and interpretations	Effective date 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 IFRS 3 between an investor and its associate or joint venture is recognized in full.

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

- (2) IFRS 17 “Insurance Contracts”

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

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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 IFRS 17 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 1 January 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 1 January 2025.

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

IV. A summary of significant accounting policies

1. Statement of Compliance

The consolidated financial statements of the Group 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") and International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee, which are endorsed by FSC.

2. Basis of Preparation

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

3. Overview of Consolidation

A. Preparation principle of the consolidated financial statements

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

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

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

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

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

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

Changes in the shareholdings of subsidiaries that do not result in the company losing control over the subsidiaries are accounted for as equity transactions.

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

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

- (1) derecognize the assets (including any goodwill) and liabilities of

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

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

Name of Investor	Name of Subsidiary	Main Business	Percentage of ownership	
			December 31, 2023	December 31, 2022
The Company	Siward Crystal Technology (Dongguan) Co., Ltd.	Manufacture and sale of quartz crystals, crystal oscillators, and crystal filters	100.00%	100.00%
	Siward Technology Co.Ltd.	Manufacture and sale of quartz crystals, miniature temperature-compensated oscillators, and surface acoustic wave filters	100.00%	100.00%
	SCT USA, Inc.	Providing after-sales services	100.00%	100.00%
	Siward electronic tech.(Shenzhen) Inc.	Wholesale and related supporting business of electromechanical equipment, electronic components, and accessories	100.00%	100.00%
	Apex Optech Corporation	Engaged in the manufacture of electronic components, wholesale and retail of electronic materials, and product design and international trade business	87.78%	87.78%
	Apex Optech Co.	A holding company invests in the Mainland Area, holding 100% equity of Apex Optech Corporation (Wuxi Factory)	78.70%	78.70%
	Apex Optech Corporation (Wuxi Factory)	Engaged in the manufacture and sale of quartz crystals and chips	78.70%	78.70%
	SE Japan Co.	Engaged in the manufacture and sale of optical materials, optical lenses, and other series products	100.00%	100.00%

4. Foreign Currency Transactions

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

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

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

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

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

5. Translation of Foreign Currency Financial Statements

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

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financial assets of a foreign operating operation, accounted for as disposal.

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

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

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

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

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

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

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

7. Cash and Cash Equivalents

Cash and cash equivalents refer to cash on hand, demand deposits, and short-term, highly liquid time deposits (including ones that have maturity within 3

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months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

8. Financial Instruments

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

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

(1) Recognition and Measurement of Financial Assets

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

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

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

Financial assets at amortized cost

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

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

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

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recognized in profit or loss on derecognition or amortization or impairment.

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

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

Financial assets at fair value through other comprehensive income

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

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

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

- 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

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effective interest rate by the amortized cost of the financial asset.

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

Financial assets at fair value through profit or loss

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

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

(2) Impairment of Financial Assets

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

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

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

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

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

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

(3) Derecognition of Financial Assets

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

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

- On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or

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receivable plus any cumulative gain or loss recognized in other comprehensive income is recognized in profit or loss.

(4) Financial Liabilities and Equity Instruments

Classification of liabilities or equity

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

Equity instrument

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

Compound instrument

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

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

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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.

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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 measured at amortized cost

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

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

Derecognition of financial liabilities

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

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

(5) Offsetting Financial Assets and Financial Liabilities

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

9. Derivative Instruments

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

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

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

10. Fair Value Measurement

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

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

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

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

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

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

11. Inventories

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

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

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

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

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

12. Investments Accounted for Using the Equity Method

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

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

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

When an associate or a joint venture issues additional shares, the Group does not subscribe according to the shareholding ratio, resulting in changes in the investment ratio, which causes an increasing or decrease in the Group's share of the net assets of the associate or joint venture, the increase or decrease is adjusted by "additional paid-in capital" and "Investment accounted for using the equity method." When the change in the investment ratio is a decrease, the

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related items previously recognized in other comprehensive income should be reclassified to profit or loss or other appropriate accounts according to the decrease ratio. The additional paid-in capital recognized as mentioned above should be transferred to profit or loss according to the proportion of disposal in the subsequent disposal of associates or joint ventures.

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

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

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

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

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

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13. Property, Plant and Equipment

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

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

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

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

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

14. Investment Properties

The investment properties owned by the Group are measured initially at cost including the transaction costs paid to acquire the asset. The carrying amount of the investment property includes, under the conditions that the costs can be recognized, the costs incurred in repairing or adding existing investment

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

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

15. Leases

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

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

When a contract is (or contains) a lease, the Group accounts for each lease component as a lease separately from non-lease components of the contract. When a lease contract contains one lease component and one or more additional lease or non-lease components, the Group allocates the contract consideration to each lease component on the basis of the relative stand-alone

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price of each lease component and the aggregate stand-alone prices of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge for that component, or a similar component, separately. If observable stand-alone price is not readily available, the Group shall estimate the stand-alone price, maximizing the use of observable information.

The Group as a lessee

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

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

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

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

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

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

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restoring the underlying asset to the condition required by the terms and conditions of the lease.

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

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

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

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

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

The Group as a lessor

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

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

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

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16. Intangible Assets

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

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

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

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

17. Impairment of Non-financial Assets

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

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

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

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

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

18. Provisions

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

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19. Revenue Recognition

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

Sale of goods

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

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

20. Borrowing Costs

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

21. Government Grants

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

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

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assistance obtained from the government or related institution are regarded as additional government grants.

22. Post-employment Benefit Plans

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

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

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

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

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

23. Share-based Payment

The cost of the share-based payment transactions of the equity settlement

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between the Group and employees is measured at the fair value of the equity instrument at the grant date. Fair value is determined using an appropriate pricing model.

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

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

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

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

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

When issuing restricted employee shares, payroll expenses and the corresponding increase in equity are recognized in the vesting period on the basis of the fair value of the equity instrument given at the grant date. The Group recognizes unearned remuneration of employees at the grant date. Unearned remuneration of employees is a transitional item, which is deducted

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from equity in the consolidated balance sheet and transferred to payroll expenses over the passage of time.

24. Income Tax

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

Current tax

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

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

Deferred tax

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

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

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

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

- (1) Relating to the deductible temporary differences arising from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit (loss);

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- (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.

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.

25. Business Combinations and Goodwill

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

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

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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 groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated shall represent the lowest level within the entity at which the goodwill is monitored for internal management purposes, and not be larger than an operating segment.

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

V. Significant accounting judgments, estimations, and assumptions

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

1. Judgments

In the process of applying the Group's accounting policies, management has

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made the following judgments which have the most significant effect in the amounts recognized in the consolidated financial statements:

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

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

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

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

2. Estimations and Assumptions

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

(1) Income Tax

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

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companies in the Group.

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

(3) Inventories

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

VI. Content of significant accounts

1. Cash and Cash Equivalents

	December 31, 2023	December 31, 2022
Cash on hand	\$829	\$734
Demand deposits	749,533	1,215,293
Time deposits	255,338	114,175
Total	<u>\$1,005,700</u>	<u>\$1,330,202</u>

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2. Current financial assets at amortized cost

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

Current financial assets at amortized cost were not pledged. Please refer to Note XII for more details on credit risk management.

3. Accounts Receivable and Accounts Receivable – Related Party

	December 31, 2023	December 31, 2022
Accounts receivable	\$625,957	\$578,806
Less: Loss allowance	(26,058)	(26,460)
Subtotal	<u>599,899</u>	<u>552,346</u>
Accounts receivable – related party	18,700	45,946
Less: Loss allowance	-	-
Subtotal	<u>18,700</u>	<u>45,946</u>
Total	<u>\$618,599</u>	<u>\$598,292</u>

Accounts receivables were not pledged.

The Group provides a credit term of 30–180 days usually to its customers. The total carrying amounts on December 31, 2023 and 2022 were NT\$644,657 thousand and NT\$624,752 thousand, respectively. Please refer to Note VI. 15 for more details on loss allowances and Note XII for more details on credit risk management.

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.

4. Inventories

	December 31, 2023	December 31, 2022
Raw materials	\$313,884	\$330,994
Supplies	168,540	166,817
Work in process	127,718	142,717
Semi-finished goods	100,235	82,328
finished goods (including merchandies)	<u>192,884</u>	<u>235,315</u>
Net value	<u>\$921,261</u>	<u>\$958,171</u>

The cost of inventories recognized as an expense by the Group for the years

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ended December 31, 2023 was NT\$1,709,033 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 Group for the years ended December 31, 2022 was NT\$2,012,912 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.

5. Financial Assets 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	7,044
Total	<u>\$678,696</u>	<u>\$563,031</u>

The Group's financial assets at fair value through other comprehensive income were not pledged.

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

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

6. Investments Accounted for Using the Equity Method

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

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Name of invested company	December 31, 2023		December 31, 2022	
	Amount	Shareholding ratio	Amount	Shareholding ratio
Investments in associates:				
Securitag Assembly Group Co., Ltd	<u>\$205,747</u>	13.63	<u>\$195,252</u>	13.63

- (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
Securitag Assembly Group Co., Ltd.	<u>\$23,138</u>	<u>\$25,951</u>

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

- (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 are as follows:

	For the years ended December 31	
	2023	2022
Securitag Assembly Group Co., Ltd.	<u>\$(21)</u>	<u>\$(29)</u>

- (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 Group 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 Group 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.

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7. 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	\$407,143	\$622,378	\$3,099,609	\$15,063	\$2,541	\$6,550	\$515,477	\$4,668,761
Addition	-	402	11,241	638	-	-	19,426	31,707
Reduction	-	(33)	(2,065)	(349)	-	-	(2,960)	(5,407)
Reclassification (Note 1)	-	120	38,924	-	-	-	3,592	42,636
The effects of changes in foreign exchange rates	(6,503)	(11,009)	(6,851)	(2)	(15)	-	(2,333)	(26,713)
December 31, 2023	<u>\$400,640</u>	<u>\$611,858</u>	<u>\$3,140,858</u>	<u>\$15,350</u>	<u>\$2,526</u>	<u>\$6,550</u>	<u>\$533,202</u>	<u>\$4,710,984</u>
<u>Depreciation and impairment:</u>								
January 1, 2023	\$(12,261)	\$(410,753)	\$(2,153,143)	\$(14,001)	\$(2,541)	\$(6,342)	\$(427,796)	\$(3,026,837)
Depreciation	-	(11,082)	(153,452)	(554)	-	(45)	(33,670)	(198,803)
Reduction	-	33	1,964	349	-	-	2,958	5,304
The effects of changes in foreign exchange rates	797	9,251	5,744	-	15	-	1,608	17,415
December 31, 2023	<u>\$(11,464)</u>	<u>\$(412,551)</u>	<u>\$(2,298,887)</u>	<u>\$(14,206)</u>	<u>\$(2,526)</u>	<u>\$(6,387)</u>	<u>\$(456,900)</u>	<u>\$(3,202,921)</u>
	Land and land improvements	Buildings	Machinery equipment	Office equipment	Transportation equipment	Lased assets	Other equipment	Total
<u>Cost:</u>								
January 1, 2022	\$356,645	\$627,979	\$2,935,981	\$14,184	\$2,549	\$6,550	\$496,052	\$4,439,940
Addition	-	377	109,825	1,015	-	-	22,311	133,528
Reduction	-	-	(27,510)	(137)	-	-	(3,466)	(31,113)
Reclassification (Note 1)	50,909	-	84,812	-	-	-	1,301	137,022
The effects of changes in foreign exchange rates	(411)	(5,978)	(3,499)	1	(8)	-	(721)	(10,616)
December 31, 2022	<u>\$407,143</u>	<u>\$622,378</u>	<u>\$3,099,609</u>	<u>\$15,063</u>	<u>\$2,541</u>	<u>\$6,550</u>	<u>\$515,477</u>	<u>\$4,668,761</u>
<u>Depreciation and impairment:</u>								
January 1, 2022	\$(12,693)	\$(403,212)	\$(2,025,643)	\$(13,645)	\$(2,549)	\$(6,296)	\$(397,793)	\$(2,861,831)
Depreciation	-	(12,398)	(157,591)	(493)	-	(46)	(34,111)	(204,639)
Reduction	-	-	27,228	137	-	-	3,387	30,752
The effects of changes in foreign exchange rates	432	4,857	2,863	-	8	-	721	8,881
December 31, 2022	<u>\$(12,261)</u>	<u>\$(410,753)</u>	<u>\$(2,153,143)</u>	<u>\$(14,001)</u>	<u>\$(2,541)</u>	<u>\$(6,342)</u>	<u>\$(427,796)</u>	<u>\$(3,026,837)</u>
<u>Net carrying amount:</u>								
December 31, 2023	<u>\$389,176</u>	<u>\$199,307</u>	<u>\$841,971</u>	<u>\$1,144</u>	<u>\$ -</u>	<u>\$163</u>	<u>\$76,302</u>	<u>\$1,508,063</u>
December 31, 2022	<u>\$394,882</u>	<u>\$211,625</u>	<u>\$946,466</u>	<u>\$1,062</u>	<u>\$ -</u>	<u>\$208</u>	<u>\$87,681</u>	<u>\$1,641,924</u>

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.

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- (1) The major components of the Group's buildings are principally the main building and air-conditioning equipment, which are depreciated over the useful lives of 50 years and 15 years, respectively.
- (2) For more information on the Group's property, plant and equipment that are provided for as 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.

8. Investment Properties

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

	Land	Buildings	Total
Cost:			
January 1, 2023	\$4,756	\$85,571	\$90,327
Addition	-	-	-
Reduce	-	(1,524)	(1,524)
The effects of changes in foreign exchange rates	(308)	(1,941)	(2,249)
December 31, 2023	<u>\$4,448</u>	<u>\$82,106</u>	<u>\$86,554</u>
January 1, 2022	\$58,955	\$86,642	\$145,597
Addition	-	-	-
Reclassification	(50,909)	-	(50,909)
The effects of changes in foreign exchange rates	(3,290)	(1,071)	(4,361)
December 31, 2022	<u>\$4,756</u>	<u>\$85,571</u>	<u>\$90,327</u>
Depreciation and impairment:			
January 1, 2023	\$ -	\$(36,767)	\$(36,767)
Depreciation for the current year	-	(1,392)	(1,392)
Reduce	-	1,524	1,524
The effects of changes in foreign exchange rates	-	1,933	1,933
December 31, 2023	<u>\$ -</u>	<u>\$(34,702)</u>	<u>\$(34,702)</u>

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	Land	Buildings	Total
January 1, 2022	\$ -	\$(36,438)	\$(36,438)
Depreciation for the current year	-	(1,395)	(1,395)
The effects of changes in foreign exchange rates	-	1,066	1,066
December 31, 2022	<u>\$ -</u>	<u>\$(36,767)</u>	<u>\$(36,767)</u>
Net carrying amount:			
December 31, 2023	<u>\$4,448</u>	<u>\$47,404</u>	<u>\$51,852</u>
December 31, 2022	<u>\$4,756</u>	<u>\$48,804</u>	<u>\$53,560</u>

	For the years ended December 31	
	2023	2022
Rental income from investment properties	\$3,966	\$3,991
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	<u>\$3,966</u>	<u>\$3,991</u>

The Group's investment properties were not pledged.

The investment properties held by the Group are not measured at fair value, and only the information on their fair value is disclosed, which are classified within level 3 of the fair value hierarchy. The fair values of the investment properties held by the Group as of December 31, 2023 and December 31, 2022 were NT\$89,752 thousand and NT\$92,566 thousand, respectively. The investment properties of the Group are recorded mainly based on the published price of the local real estate and 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.

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9. Intangible Assets

	Patented technology	Computer software	Total
Cost:			
January 1, 2023	\$126,280	\$30,927	\$157,207
Addition – separately acquired	-	5,282	5,282
Reclassification	-	2,460	2,460
Difference in exchange rates	-	(169)	(169)
December 31, 2023	<u>\$126,280</u>	<u>\$38,500</u>	<u>\$164,780</u>
January 1, 2022	\$126,280	\$25,000	\$151,280
Addition – separately acquired	-	5,261	5,261
Reclassification	-	649	649
Difference in exchange rates	-	17	17
December 31, 2022	<u>\$126,280</u>	<u>\$30,927</u>	<u>\$157,207</u>
Amortization and impairment:			
January 1, 2023	\$(73,663)	\$(24,941)	\$(98,604)
Amortization	(12,628)	(3,661)	(16,289)
Difference in exchange rates	-	29	29
December 31, 2023	<u>\$(86,291)</u>	<u>\$(28,573)</u>	<u>\$(114,864)</u>
January 1, 2022	\$(61,035)	\$(22,467)	\$(83,502)
Amortization	(12,628)	(2,472)	(15,100)
Difference in exchange rates	-	(2)	(2)
December 31, 2022	<u>\$(73,663)</u>	<u>\$(24,941)</u>	<u>\$(98,604)</u>
Net carrying amount:	Patented technology	Computer software	Total
December 31, 2023	<u>\$39,989</u>	<u>\$9,927</u>	<u>\$49,916</u>
December 31, 2022	<u>\$52,617</u>	<u>\$5,986</u>	<u>\$58,603</u>

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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	-	15
General and administrative expenses	629	412
Research and development expenses	13,196	14,360
Total	<u>\$16,289</u>	<u>\$15,100</u>

10. 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: allowance for impairment loss	(136,987)	(136,987)
Refundable deposits	24,165	25,854
Others	75	102
Total	<u>\$42,571</u>	<u>\$65,639</u>

11. Long-term borrowings

The details of long-term borrowings 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.
Mega International Commercial Bank	Secured loan (JPY20,552,000)	4,466	1.800	From December 2020 to November 2025, repayable in 59 equal monthly instalments and the interest is paid monthly.
Subtotal		<u>380,786</u>		
Less: Current portion of long-term borrowing		<u>(217,387)</u>		
Total		<u>\$163,399</u>		

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Creditor	Type	December 31, 2022	Interest rate (%)	Repayment period and method
Bank of Taiwan	Secured loan	537,600	1.625	From September 2020 to September 2025, the first two and a half years is a grace period. When the grace period expires, it is repayable in 30 equal monthly instalments and the interest is paid monthly.
KGI Bank	Secured loan	\$150,000	2.060	From March 2022 to March 2025, the interest is paid once a month and the principal will not be repaid until maturity.
Mega International Commercial Bank	Secured loan	16,400	1.721	From October 2018 to October 2023, repayable in 20 equal quarterly instalments and the interest is paid monthly.
Mega International Commercial Bank	Secured loan (JPY31,352,000)	7,286	1.800	From December 2020 to November 2025, repayable in 59 equal monthly instalments and the interest is paid monthly.
Subtotal		744,286		
Less: Current portion of long-term borrowings		(180,190)		
Total		<u>\$531,096</u>		

12. Retirement Benefit Plans

Defined contribution plan

The employees retirement regulations formulated by the Company and its domestic subsidiaries in accordance with the “Labor Pension Act” is a definite provision plan. According to the Act, the Company and its domestic subsidiaries shall pay an employee pension contribution rate not less than 6% of the employee’s monthly salary every month. The Company and its domestic subsidiaries 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.

Subsidiaries in mainland China shall, in accordance with the regulations of the local government, appropriate a certain percentage of the employees’ total salary for old-age insurance, pay the relevant government departments, and making deposits in the designated and separate account of each employee.

The Group’s other foreign subsidiaries and branches shall appropriate labor retirement reserve funds to relevant pension management businesses in accordance with local laws and regulations.

The expense amounts recognized by the Group for the years ended December 31, 2023 and 2022 of the defined contribution plans were NT\$20,675 thousand and NT\$23,229 thousand, respectively.

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Defined benefit plan

The employees pension regulations formulated by the Company and its domestic subsidiaries 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 and its domestic subsidiaries 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 and its domestic subsidiaries 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 and its domestic subsidiaries are required to make up the difference in one appropriation before the end of March the following year.

Asset allocation is carried out by the Ministry of Labor in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The fund invests under proprietary operation and entrusted operation, with both actively and passively managed medium and long-term investment strategies. In consideration of market, credit, liquidity, and other risks, the Ministry of Labor set up the fund risk limit and control plan to provide sufficient flexibility to achieve target returns and curb excessive risk taking. With regard to utilization of the Fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. In case that the deficit is still inadequate to cover the surplus, Treasury Funds can be used to cover the deficits after the approval of the competent authority. Because the Group 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 Group 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 Group’s defined benefit plan is 7 years.

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

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	For the years ended December 31	
	2023	2022
Service cost for the current period	\$187	\$130
Net interest on the net defined benefit liability (asset)	683	560
Total	<u>\$770</u>	<u>\$690</u>

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)
Subtotal	46182	55,522	80,885
Others	3,923	5,803	6,132
Other non-current liabilities – net defined benefit liability (asset)	<u>\$50,105</u>	<u>\$61,325</u>	<u>\$87,017</u>

Reconciliation of the net defined benefit liability (asset):

	Present value of Defined benefit obligation	Fair value of Plan assets	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 demographic assumptions	6	-	6
Experience adjustments	(5,530)	-	(5,530)
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)	63,680
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:			

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	Present value of Defined benefit obligation	Fair value of Plan assets	Net 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	<u>\$133,630</u>	<u>\$(87,448)</u>	<u>\$46,182</u>

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 rate of salary increase	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)

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

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

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13. 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
Others	4,914	4,914
Total	<u>\$802,473</u>	<u>\$802,473</u>

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

(3) Distributable earnings and dividend policy

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

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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 31 March 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:

	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 (17).

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(4) Non-controlling interests

	For the years ended December 31	
	2023	2022
Beginning balance	\$6,706	\$6,886
Net loss attributable to non-controlling interests	(246)	(203)
Other comprehensive income attributable to non-controlling interests		
The exchange differences on translating the financial statements of foreign operations	(14)	23
Ending balance	<u>\$6,446</u>	<u>\$6,706</u>

14. Operating revenue

	For the years ended December 31	
	2023	2022
Revenue from contracts with customers		
Revenue from goods sold	\$2,349,310	\$3,257,798
Other operating revenue	6,084	5,786
Total	<u>\$2,355,394</u>	<u>\$3,263,584</u>

Analysis of the Group's revenue from contracts with customers for the years ended December 31, 2023 and 2022 are as follows:

(1) Breakdown of revenue

For the years ended December 31, 2023

	Siward Crystal Technology (Taiwan)	Siward Crystal Technology (Japan)	Apex Optech Corporation	Others	Total
Sale of goods	\$2,145,137	\$193,640	\$10,533	\$ -	\$2,349,310
Other operating revenue	6,084	-	-	-	6,084
Total	<u>\$2,151,221</u>	<u>\$193,640</u>	<u>\$10,533</u>	<u>\$ -</u>	<u>\$2,355,394</u>

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For the years ended December 31, 2022

	Siward Crystal Technology (Taiwan)	Siward Crystal Technology (Japan)	Apex Optech Corporation	Others	Total
Sale of goods	\$2,984,241	\$258,495	\$15,062	\$ -	\$3,257,798
Other operating revenue	5,786	-	-	-	5,786
Total	<u>\$2,990,027</u>	<u>\$258,495</u>	<u>\$15,062</u>	<u>\$ -</u>	<u>\$3,263,584</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.

(2) Balance of contract

A. Contract assets – current

The Group 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>\$8,292</u>	<u>\$18,058</u>	<u>\$29,113</u>

The Group'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\$6,256 thousand was recognized as revenue in the current period.

The Group'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\$12,728 thousand was recognized as revenue in the current period.

(3) The transaction price allocated to the performance obligations

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

(4) Assets recognized from costs to obtain or fulfill a contract with a customer : None.

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15. Expected credit (gains) losses

	For the years ended December 31	
	2023	2022
Operating expenses – expected credit (gains) losses		
Accounts receivable	\$(212)	\$6,022
Long-term receivables	-	20,000
Total	<u>\$(212)</u>	<u>\$26,022</u>

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

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

December 31, 2023

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

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

	Not overdue (Note)	Number of days overdue				
		Within 30 days	31–60 days	61–90 days	More than 91 days	Total
Gross carrying amount:	\$586,922	\$32,337	\$9,286	\$4	\$16,612	\$644,761
Loss ratio	0.48%	9.77%	41.51%	100%	100%	
Lifetime expected credit losses	(2,828)	(3,159)	(3,855)	(4)	(16,612)	(26,058)
Subtotal	<u>\$598,722</u>	<u>\$2,497</u>	<u>\$1,153</u>	<u>\$-</u>	<u>\$-</u>	<u>\$618,703</u>

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

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

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

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

	Notes receivable	Accounts receivable	Long-term receivables
January 1, 2023	\$ -	\$26,460	\$136,987
Addition/(reversal) for the current period	-	(212)	-
Exchange rate difference	-	(190)	-
December 31, 2023	\$ -	\$26,058	\$136,987
January 1, 2022	\$ -	\$20,275	\$116,987
Addition/(reversal) for the current period	-	6,022	20,000
Exchange rate difference	-	163	-
December 31, 2022	\$ -	\$26,460	\$136,987

16. Leases

(1) The Group as a lessee

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

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

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A. Amount recognized in the balance sheet

(a) Right-of-use asset

Carrying amount of right-of-use assets

	December 31, 2023	December 31, 2022
Land	\$26,701	\$30,583
Buildings	4,175	8,351
Machinery equipment	76,969	96,079
Total	<u>\$107,845</u>	<u>\$135,013</u>

During the years ended December 31, 2023, the Group did not increase the right-of-use assets; during the years ended December 31, 2022, The Group's additions to right-of-use assets amounting to NT\$29,930 thousand.

(b) Lease liability

	December 31, 2023	December 31, 2022
Current	\$28,978	\$29,737
Non-current	75,746	109,784
Total	<u>\$104,724</u>	<u>\$139,521</u>

Please refer to Note VI.18(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
Machinery equipment	13,139	12,839
Total	<u>\$21,197</u>	<u>\$20,897</u>

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C. Income and costs relating to leasing activities

	For the years ended December 31	
	2023	2022
Expenses for short-term rentals	\$7,425	\$8,039

D. Cash outflow related to lessee and lease activity

During the years ended December 31, 2023 and 2022, The Group's total cash outflows for leases amounting to NT\$35,947 thousand and NT\$35,931 thousand, respectively.

E. Other information related to leasing activities

(a) Variable lease payments

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

(b) Options to extend or terminate the lease

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

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(2) The Group as a lessor

For the disclosure of the Group's own investment properties, please refer to Note VI. 8. 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.

	For the years ended December 31	
	2023	2022
Lease income on operating leases		
Income related to fixed lease payments and variable lease payments that depend on an index or a rate	\$3,966	\$3,991
Income related to variable lease payments that do not depend on an index or a rate	-	-
Total	<u>\$3,966</u>	<u>\$3,991</u>

17. 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	\$322,799	\$166,549	\$489,348	\$363,248	\$226,079	\$589,327
Labor/Health insurance expenses	36,064	13,158	49,222	38,016	12,183	50,199
Pension expense	14,906	6,539	21,445	16,045	7,874	23,919
Other employee benefit expenses	19,822	8,023	27,845	22,024	8,257	30,281
Depreciation expenses	186,163	35,229	221,392	192,889	34,042	226,931
Amortization expenses	2,464	13,825	16,289	313	14,787	15,100

The number of employees of the Group as of December 31, 2023 and 2022 were 763 and 777, respectively.

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

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shareholders' meeting. For more information on employees' compensation and remuneration to directors approved by the board of directors, please visit the "Market Observation Post System" of the Taiwan Stock Exchange.

Based on profit of December 31, 2023, the Group 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 Group'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 report.

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.

18. operating income and expenses

(1) Interest revenue

	For the years ended December 31	
	2023	2022
Interest revenue		
Financial assets measured at amortized cost	\$17,023	\$6,297

(2) Other income

	For the years ended December 31	
	2023	2022
Rental income	\$7,571	\$7,951
Dividend income	8,199	202
Other income	15,311	15,293
Total	\$31,081	\$23,446

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(3) Other gains and losses

	For the years ended December 31	
	2023	2022
Gains (losses) on disposal of property, plant, and equipment	\$231	\$(350)
Foreign exchange gains, net	7,022	143,100
Other losses	(911)	(971)
Total	<u>\$6,342</u>	<u>\$141,779</u>

(4) Financial costs

	For the years ended December 31	
	2023	2022
Interest on bank loans	\$(10,626)	\$(10,364)
Interest on lease liabilities	(2,749)	(3,323)
Total financial costs	<u>\$(13,375)</u>	<u>\$(13,687)</u>

19. Components of other comprehensive income

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

	Occurred in the current year	Reclassification adjustments in the current period	Other comprehensive income	Tax income (expense)	After-tax amount
Items that will not be reclassified to profit or loss:					
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	(23,959)	-	(23,959)	4,779	(19,180)
Share of other comprehensive Income of subsidiaries, associates, and joint ventures	(21)	-	(21)	-	(21)
Total other comprehensive income for the period	<u>\$95,798</u>	<u>\$ -</u>	<u>\$95,798</u>	<u>\$(19,234)</u>	<u>\$76,564</u>

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(2) The components of other comprehensive income for the year 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	(10,142)	-	(10,142)	2,050	(8,092)
Share of other comprehensive Income of subsidiaries, associates, and joint ventures	(29)	-	(29)	-	(29)
Total other comprehensive income for the period	<u>\$538,112</u>	<u>\$ -</u>	<u>\$538,112</u>	<u>\$107,667</u>	<u>\$(430,445)</u>

20. 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	\$83,953	\$200,426
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	(343)	16,205
Income tax expense	<u>\$82,615</u>	<u>\$215,269</u>

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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 of unrealized gains or losses on valuation of investments	(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	<u>\$(19,234)</u>	<u>\$107,667</u>

C. Income tax recognized directly in equity

There is no income tax recognized directly in equity during the period.

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	<u>\$343,357</u>	<u>\$983,342</u>
Income tax calculated at the statutory tax rate of parent company	68,671	196,668
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 entities operating in other tax jurisdictions applying different tax rates	1,217	3,182
Tax effects of deferred tax assets/liabilities	(141)	(252)
Additional 5% of income tax levied on the undistributed surplus earnings	15,852	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	<u>\$82,615</u>	<u>\$215,269</u>

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

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	Beginning balance	Recognized in profit or loss	Recognized in other comprehen sive income	Directly recognized in Equity	Exchange differences	Ending balance
Temporary differences						
Unrealized foreign exchange losses	\$1,252	\$2,784	\$ -	\$ -	\$ -	\$4,036
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	2,791	(547)		-	(32)	2,212
Allowance to reduce inventory to market	12,049	1,863	-	-	-	13,912
Net defined benefit liability – non-current	12,742	(1,140)	-	-	(94)	11,508
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
Impairment loss on property, plant and equipment	2,208	-	-	-	-	2,208
Other impairment losses	398	-	-	-	(26)	372
Tax loss carryforward	1,194	336	-	-	(84)	1,446
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)
Others	52	(21)	-	-	(2)	29
Deferred tax income/(expense):		\$343	\$ (19,234)	\$ -	\$ (238)	
Deferred tax assets/(liabilities), net	<u>\$ (77,535)</u>					<u>\$ (96,664)</u>
The information presented in the balance sheet is as follows:						
Deferred tax assets	<u>\$37,862</u>					<u>\$45,035</u>
Deferred tax liabilities	<u>\$ (115,397)</u>					<u>\$ (141,699)</u>

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For the years ended December 31, 2022

	Beginning balance	Recognized in profit or loss	Recognized in other comprehen sive income	Directly recognized in Equity	Exchange differences	Ending balance
Temporary differences						
Unrealized foreign exchange losses	\$3,766	\$(2,514)	\$ -	\$ -	\$ -	\$1,252
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	15,167	(12,358)			(18)	2,791
Allowance to reduce inventory to market	11,968	81	-	-	-	12,049
Net defined benefit liability – non-current	13,043	(1,673)	-	-	(63)	11,307
Remeasurements of the defined benefit plan	5,100	-	(3,579)	-	-	1,521
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
Impairment loss on property, plant and equipment	2,208	-	-	-	-	2,208
Other impairment losses	412	-	-	-	(14)	398
Tax loss carryforward	725	482	-	-	(13)	1,194
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)
Others	14	36			2	52
Deferred tax income/(expense):		<u>\$(16,205)</u>	<u>\$107,667</u>	<u>\$ -</u>	<u>\$(106)</u>	
Deferred tax assets/(liabilities), net	<u>\$(168,891)</u>					<u>\$(77,535)</u>
The information presented in the balance sheet is as follows:						
Deferred tax assets	<u>\$56,843</u>					<u>\$37,862</u>
Deferred tax liabilities	<u>\$(225,734)</u>					<u>\$(115,397)</u>

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F. Unrecognized deferred tax assets

As of December 31, 2023 and December 31, 2022, the total amounts of unrecognized deferred tax assets of the Group were NT\$12,539 thousand and NT\$7,469 thousand, respectively.

G. The assessment of income tax return

As of December 31, 2023, the filing and assessment of income tax return of the Company and its subsidiaries is as follows:

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

21. 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 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	\$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	\$260,988	\$768,276
The net profit for the period attributable to ordinary equity holders of the parent after adjusting for the dilution effect	260,988	768,276
The weighted average number of ordinary shares for EPS (in thousands of shares)	159,421	159,421

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	For the years ended December 31	
	2023	2022
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.

VII. Information on related party transactions

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

Names of related parties and description of relationship

Names of related parties	The relationship with the Group
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

	For the years ended December 31	
	2023	2022
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	\$89,411	\$228,292

The prices at which the Group sells goods to a related party are by reference

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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.

2. Purchases

	For the years ended December 31	
	2023	2022
The Company's associate		
SAG Japan Co., Ltd	\$340	\$365
Other	-	490
Substantive related party		
Rakon Limited	10,209	16,036
Total	<u>\$10,549</u>	<u>\$16,891</u>

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

3. Accounts receivable – related party

	December 31, 2023	December 31, 2022
Substantive related party		
Rakon Limited	\$17,592	\$45,352
Others	1,108	594
Total	<u>\$18,700</u>	<u>\$45,946</u>

4. Accounts payable – related party

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

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5. Other income

	For the years ended December 31	
	2023	2022
The Company's associate		
Securitag Assembly Group Co., Ltd.	\$689	\$358
Substantive related party		
Rakon Limited	187	1,677
Total	<u>\$876</u>	<u>\$2,035</u>

6. Rewards of the Group's key management personnel

	For the years ended December 31	
	2023	2022
Short-term employee benefits	\$26,981	\$47,564
Post-employment benefits	639	418
Total	<u>\$27,620</u>	<u>\$47,982</u>

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	\$313,761	\$314,649	Long-/short-term borrowings
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 borrowing
Property, plant and equipment – other equipment	253	346	Long-term borrowing
Total	<u>\$886,833</u>	<u>\$959,282</u>	

IX. Material contingent liabilities and unrecognized contractual commitments

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

X. Losses due to major disasters

No such matter.

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XI. Significant subsequent events

No such matter.

XII. Others

(I) Financial instruments

1. Types of financial instruments

Financial assets		
	December 31,	December 31,
	2023	2022
Financial instruments measured at fair value through other comprehensive income	\$678,696	\$563,031
Financial assets measured at amortized cost		
Cash and cash equivalents (exclusive of cash on hand)	1,004,871	1,329,588
Financial assets measured at amortized cost	17,000	17,000
Notes receivable and accounts receivable	618,703	602,522
Other receivables	14,074	12,360
Subtotal	1,654,648	1,961,470
Total	\$2,333,344	\$2,524,501
<u>Financial liabilities</u>		
	December 31,	December 31,
	2023	2022
Financial liabilities measured at amortized cost		
Payables	\$198,850	\$153,139
Other payables	193,522	246,699
Less: Long-term borrowings (including current portion)	380,786	711,286
Lease liability	104,724	139,521
Total	\$877,882	\$1,250,645

2. Financial risk management objectives and policies

The Group's financial risk management objectives are primarily to manage market risk, credit risk, and liquidity risk related to operating activities. The Group identifies, measures, and manages the above-

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mentioned risks in accordance with the Group's policies and risk preference.

The Group has established appropriate policies, procedures, and internal controls for the above-mentioned financial risk management in accordance with relevant regulations, and important financial activities should be reviewed by the Board of Directors and the Audit Committee in accordance with relevant regulations and internal control systems. During the execution of financial management activities, the Group should strictly comply with the relevant regulations for financial risk management it formulated.

3. Market risk

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

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

Foreign exchange risk

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

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

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

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dollar exchange rate. The information on the sensitivity analysis is shown as follows:

When New Taiwan dollar appreciates/depreciates by 1% against the US dollar, the profit and loss of the Group for the years ended December 31, 2023 and 2022 will decrease/increase by NT\$6,838 thousand and NT\$14,643 thousand, respectively.

Interest rate risk

Interest rate risk is the risk of fluctuations in the fair value or future cash flows of financial instruments as a result of changes in market interest rates. The Group's risk of changes in interest rates mainly arises from borrowings with floating interest rates and fixed interest rates. However, the Group had no risks of cash flows with significant changes in interest rates 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 Group's credit risk arises from operating activities (mainly accounts receivable and notes) and financial activities (mainly

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cash in banks and various financial instruments).

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

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

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

5. Liquidity risk management

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

Non-derivative financial liabilities

	Less than a year	2 to 3 years	4 to 5 years	over 5 years	Total
December 31, 2023					
Payables	\$198,850	\$-	\$-	-	\$198,850
Other payables	193,522	-	-	-	193,522
Long-term borrowings	221,230	165,554	-	-	386,784
Lease liability	31,029	58,202	11,295	8,953	109,479

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	Less than a year	2 to 3 years	4 to 5 years	over 5 years	Total
December 31, 2022					
Payables	\$153,139	\$-	\$-	-	\$153,139
Other payables	246,699	-	-	-	246,699
Long-term borrowings – bank	186,314	540,387	-	-	726,701
Lease liability	32,592	60,613	41,220	12,932	147,357

Derivative financial liabilities

None

6. Reconciliation of liabilities arising from financing activities

Information on the reconciliation of liabilities in the year 2023:

	Long-term borrowings (including the current portion)	Lease liability	Total liabilities arising from financing activities
January 1, 2023	\$711,286	\$139,521	\$850,807
Cash flows	(330,077)	(28,756)	(358,833)
Exchange rate changes	(423)	(6,041)	(6,464)
December 31, 2023	\$380,786	\$104,724	\$485,510

Information on the reconciliation of liabilities in the year 2022:

	Long-term borrowings (including the current portion)	Lease liability	Total liabilities arising from financing activities
January 1, 2022	\$748,281	\$137,305	\$885,586
Cash flows	(37,139)	(27,658)	(64,797)
Others	-	32,707	32,707
Exchange rate changes	144	(2,833)	(2,689)
December 31, 2022	\$711,286	\$139,521	\$850,807

7. Fair value of financial instruments

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

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

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- 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

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

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(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 December 31, 2022, the Group did not hold any derivative instruments that did not qualify for hedge accounting and had not yet expired.

9. Fair value hierarchy

(1) Definition of fair value hierarchy

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

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

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

Level 3: Unobservable inputs for assets or liabilities

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

(2) Information on the fair value measurement and hierarchy

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

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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, 2022:

	Level 1	Level 2	Level 3	Total
Assets measured at the fair value: Measured at fair value through other comprehensive income				
Stock	\$555,987	\$ -	\$7,044	\$563,031

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 Group'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 Groups' assets and liabilities measured at fair value on a recurring basis categorized in Level 3 of the fair value hierarchy is listed as follows:

	Assets	
	Financial instruments measured at fair value through other comprehensive income	
	Stock	
	<u>2023</u>	<u>2022</u>
Beginning balance	\$7,044	\$8,227
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")	500	(1,158)
Dispose/settle	(353)	-
The effects of changes in foreign exchange rates	(7)	(25)
Ending balance	<u>\$7,184</u>	<u>\$7,044</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 Groups' assets and liabilities measured at fair value on a recurring basis categorized in Level 3 of the fair value hierarchy are listed as the following:

As of 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 Group 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 Group decreases/increases by NT\$70 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.)	\$ -	\$ -	\$89,752	\$89,752
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.)	\$ -	\$ -	\$92,566	\$92,566
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 Group'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
Financial assets						
Monetary items:						
USD	\$24,477	30.7350	\$752,301	\$48,779	30.7080	\$1,497,906
JPY	1,205,289	0.2173	261,909	866,156	0.2324	201,295
Financial liabilities						
Monetary items:						
USD	2,228	30.7350	68,478	1,093	30.7080	33,564
JPY	624,273	0.2173	135,655	516,258	0.2324	119,978

The above information is disclosed based on the foreign-currency-denominated carrying amounts (translated into functional currencies). There are a wide variety of functional currencies of the entities in the Group; therefore, it is not possible to disclose the information on the foreign exchange gains and losses on the monetary financial assets and financial liabilities by foreign currencies that have significant influence. The Group's foreign exchange gains for the years ended December 31, 2023 and 2022 were NT\$7,022 thousand and NT\$143,100 thousand, respectively.

11. Capital management

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

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XIII. Information disclosed in the notes

1. Information on significant transactions

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

A. The Company: None.

B. Subsidiary

No.	Lending company	Counterparty of the loan	Transaction account	A related party or not	The maximum balance in the current period	Ending balance	Actual drawdown Amount	Interest rate collars	Nature of loan	Business transaction amount	Reason for the necessity of short-term financing facility	Amount of provision for bad debts	Collateral		The maximum amount permitted to a single borrower (Note 1)	The aggregate amount of loans (Note 1)
													Name	Value		
1	SIWARD TECHNOLOGY CO., LTD.	SE JAPAN CO., LTD.	Other receivables	Yes	JPY 45,312,500	JPY 41,562,500	JPY 41,562,500	0.5%	Short-term financing facility is necessary	\$ -	Business turnover	\$ -	-	\$ -	JPY 634,290,360	JPY 634,290,360

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

(2) Endorsements/guarantees for others

A. The Company

No. (Note 1)	Company making the endorsement/guarantee (company name)	Counterparty of the endorsement/guarantee		The maximum amount of endorsements/guarantees permitted for a single enterprise (Note 3)	The maximum balance of endorsements/guarantees in the current period (Note 4)	Ending balance of endorsements/guarantees in the current period (Note 5)	Actual drawdown amount (Note 6)	The amount of an endorsement/guarantee with property as security	The percentage of the cumulative amount of endorsements/guarantees accounted for the net worth as stated in its latest financial statement	The maximum amount of endorsements/guarantees (Note 3)	The amount that the Company makes endorsements/guarantees for its subsidiaries (Note 7)	The amount that its subsidiaries makes endorsements/guarantees for the Company (Note 7)	The amount of endorsements/guarantees in the Mainland Area (Note 7)
		Company name	Relationship (Note 2)										
0	SIWARD Crystal Technology Co., Ltd.	SIWARD TECHNOLOGY CO., LTD.	2	\$612,485 (Note 8)	\$118,000	\$118,000	\$75,879	\$ -	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

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for purposes of undertaking a construction project

(6) A company where all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages

(7) Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other

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

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

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

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

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

Note 8: The maximum amount of endorsements/guarantees permitted for a single entity is calculated based on 15% of the Company's net worth of NT\$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.

B. Subsidiary

None.

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

Holding company	Type and name of securities		Relationship with the issuer of securities	Accounting for	End of the period			
					Number of units/shares	Carrying amount:	Ratio (%)	Fair value
SIWARD Crystal Technology Co., Ltd.	Stock	DBS Bank	Non-related party	Financial assets at fair value through profit or loss – current	42,637	\$ -	- %	\$ -
		Hua Chung Venture Capital Co., Ltd.	Non-related party	Financial assets at fair value through other comprehensive income – non-current	12,036	-	6.66%	-
		Fong Han 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%	-

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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
	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
	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		<u>\$678,696</u>		

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

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

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

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

The company making purchases (sales)	Counterparty	Relationship	Transaction condition				Transaction terms differ from general transaction terms and the reason		Notes and accounts receivables (payables)		Remark
			Purchases (sales)	Amount	Percentage of total purchases (sale)	Credit term	Unit price	Credit term	Balance	Percentage of of total bills receivable (payable) and accounts	
SIWARD Crystal Technology Co., Ltd.	SIWARD TECHNOLOGY CO., LTD.	Parent company and subsidiary	Purchases	\$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.

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

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

No. Note 1:	Name of the company conducting a transaction	Counterparty	Relationship with the company	Circumstances of transactions			
				Accounting for	Amount	Transaction terms	Percentage of the total consolidated revenue or total assets (Note 3)
0	SIWARD Crystal Technology Co., Ltd.	SIWARD TECHNOLOGY CO., LTD.	1	Purchases	\$401,554	No general transaction price is available for comparison.	17.05%
0	SIWARD Crystal Technology Co., Ltd.	SIWARD TECHNOLOGY CO., LTD.	1	Accounts payable	\$63,742	No general transaction price is available for comparison.	1.21%

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

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

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

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

2. Information on investees

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

Name of Investor	Name of invested company	Location	Principal business activities	Original investment amount		Held by the Company			Profit or loss for the period of the invested company	Gain or loss on investments recognized by the Company	Remark
				End of the current period	End of the previous year	Number of shares	Ratio	Carrying amount:			
SIWARD Crystal Technology Co., Ltd.	SIWARD TECHNOLOGY CO., LTD.	Japan	Engaged in the manufacture and sale of quartz crystals, miniature temperature-compensated oscillators, and surface acoustic wave filters	\$711,144 (JPY2,397,200,000)	\$711,144 (JPY2,397,200,000)	9,300,000	100%	\$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 (USD56541)	\$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	\$(1,532)	\$(520)	Subsidiary

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

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.	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	\$(125)	\$(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%	\$205,747	\$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	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	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 Crystal Technology (Shenzhen) Co., Ltd.	Wholesale and related supporting business of electromechanical equipment, electronic components, and accessories	RMB 3,000,000	Direct investments in the companies in the Mainland Area	\$14,529 (USD462,600)	-	-	\$14,529 (USD462,600)	\$(864) (RMB196,432)	100%	\$(864)	\$8,768	-

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

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

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.

XIV. Segment information

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

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

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

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

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

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

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

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

1. Information on profit or loss for each reportable segment

(1) For the years ended December 31, 2023

	Siward Crystal Technology (Taiwan)	Siward Crystal Technology (Japan)	Apex Optech Corporation	Others (Note 1)	Adjustment and cancellation	Total
Revenue						
Revenue from external customers	\$2,151,221	\$193,640	\$10,533	\$ -	\$ -	\$2,355,394
Intersegment revenue	40,481	425,970	4,118	12,323	(482,892)	-
Total revenue	<u>\$2,191,702</u>	<u>\$619,610</u>	<u>\$14,651</u>	<u>\$12,323</u>	<u>\$(482,892)</u>	<u>\$2,355,394</u>
Interest expense	11,043	2,332	-	-	-	13,375
Depreciation and amortization	215,960	21,067	-	654	-	237,681
Gain (loss) on investments	32,234	-	-	-	(9,096)	23,138
Segment profit or loss	<u>333,200</u>	<u>6,371</u>	<u>(866)</u>	<u>897</u>	<u>3,755</u>	<u>343,357</u>
Assets						
Investments Accounted for Using the Equity Method	579,274	-	-	-	(373,527)	205,747
Segment assets	<u>\$5,131,325</u>	<u>\$568,288</u>	<u>\$49,488</u>	<u>\$27,705</u>	<u>\$(502,121)</u>	<u>\$5,274,685</u>
Segment liabilities	<u>\$1,048,093</u>	<u>\$223,710</u>	<u>\$9,206</u>	<u>\$5,190</u>	<u>\$(101,192)</u>	<u>\$1,185,007</u>

(2) For the years ended December 31, 2022

	Siward Crystal Technology (Taiwan)	Siward Crystal Technology (Japan)	Apex Optech Corporation	Others (Note 1)	Adjustment and cancellation	Total
Revenue						
Revenue from external customers	\$2,990,027	\$258,495	\$15,062	\$ -	\$ -	\$3,263,584
Intersegment revenue	55,302	653,046	2,889	10,570	(721,807)	-
Total revenue	<u>\$3,045,329</u>	<u>\$911,541</u>	<u>\$17,951</u>	<u>\$10,570</u>	<u>\$(721,807)</u>	<u>\$3,263,584</u>
Interest expense	10,846	2,841	-	-	-	13,687
Depreciation and amortization	221,206	20,168	-	657	-	242,031
Gain (loss) on investments	30,050	-	-	-	(4,099)	25,951
Segment profit or loss	<u>975,834</u>	<u>26,272</u>	<u>(428)</u>	<u>896</u>	<u>(19,232)</u>	<u>983,342</u>
Assets						
Investments Accounted for Using the Equity Method	583,965	-	-	-	(388,713)	195,252
Segment assets	<u>\$5,543,648</u>	<u>\$600,996</u>	<u>\$51,944</u>	<u>\$25,930</u>	<u>\$(543,054)</u>	<u>\$5,679,464</u>
Segment liabilities	<u>\$1,447,256</u>	<u>\$237,447</u>	<u>\$10,722</u>	<u>\$4,126</u>	<u>\$(123,185)</u>	<u>\$1,576,366</u>

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

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

2. For the years ended December 31, 2023 and 2022, the Company did not have any reconciliation related to revenue, and gains and losses, assets, liabilities, and other major items.

3. Information on regions

(1) Revenue from external customers:

	For the years ended December 31	
	2023	2022
Mainland China (HK)	\$869,560	\$1,019,756
Japan	477,435	635,641
Europe	403,501	753,086
Taiwan	366,156	415,910
Others	238,742	439,191
Total	<u>\$2,355,394</u>	<u>\$3,263,584</u>

Revenue is categorized based on the country where the customer is located.

(2) Non-current assets

	December 31, 2023	December 31, 2022
Taiwan	\$2,474,374	\$2,499,518
Mainland China	2,643	3,351
Japan	212,708	248,015
Total	<u>\$2,689,725</u>	<u>\$2,750,884</u>

4. Important customer information

For the years ended December 31, 2023 and 2022, the Company's sales revenue from a single customer accounted for more than 10% of the net operating revenue as follows:

A. For the years ended December 31, 2023

Customer name	Net sales	Percentage
Company A	<u>\$260,216</u>	<u>11.05%</u>

B. For the years ended December 31, 2022

Customer name	Net sales	Percentage
Company A	<u>\$401,349</u>	<u>12.30%</u>

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	%
ASSETS				
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	2,310,051	45	2,684,198	48
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	2,821,274	55	2,859,450	52
TOTAL ASSETS	\$5,131,325	100	\$5,543,648	100
LIABILITIES AND EQUITY				
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	668,815	13	718,050	13
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	379,278	7	729,206	13
Total liabilities	1,048,093	20	1,447,256	26
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	4,083,232	80	4,096,392	74
TOTAL LIABILITIES AND EQUITY	\$5,131,325	100	\$5,543,648	100

(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	572,458	26	1,181,502	39
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	(296,564)	(13)	(388,603)	(13)
PROFIT FROM OPERATIONS	275,894	13	792,899	26
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	66,403	3	187,034	6
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	260,988	12	768,276	25
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)	76,578	3	(430,468)	(14)
Total comprehensive income	\$337,566	15	\$337,808	11
Earnings per share (Note IV and VI.20)				
Basic earnings per share	\$1.64		\$4.82	
Diluted earnings per share	\$1.63		\$4.77	

(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	<u>\$1,594,210</u>	<u>\$802,473</u>	<u>\$212,637</u>	<u>\$1,268,703</u>	<u>\$(104,848)</u>	<u>\$323,217</u>	<u>\$4,096,392</u>
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	<u>\$1,594,210</u>	<u>\$802,473</u>	<u>\$290,911</u>	<u>\$1,103,367</u>	<u>\$(124,035)</u>	<u>\$416,306</u>	<u>\$4,083,232</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 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, plant 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	(60,858)	(142,676)
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	(350,726)	(239,131)
Net cash used in financing activities	(686,434)	(281,183)
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	\$843,186	\$1,193,318

(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

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.)

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

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.)

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

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.)

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:

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.)

- (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

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 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

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.)

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

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

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

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.)

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 (the is, the ability to direct the use of, and obtain substantially all of the remaining benefits from, the goods).

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

19. Borrowing Costs

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

20. Government Grants

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

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

21. Post-employment Benefit Plans

The employees retirement regulations are applicable to all officially appointed employees of the Company. The employee retirement fund is fully managed by the 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-base payment expenses that have not been recognized should be immediately recognized, which includes the awards plans not satisfying the non-vesting conditions within the control of the entity or employee. If the previously cancelled awards are replaced by the new awards plan, and which is confirmed to replace the cancelled awards plan at the grant date, the cancellation and the new awards plan should be regarded as a modification to the original rewards plan.

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

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

23. Income Tax

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

Current tax

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

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	<u>\$(23,966)</u>	<u>\$(10,194)</u>

- (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	<u>\$307,049</u>	<u>\$453,464</u>	<u>\$3,037,402</u>	<u>\$15,297</u>	<u>\$2,312</u>	<u>\$6,550</u>	<u>\$499,973</u>	<u>\$4,322,047</u>

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	Land and land improvements	Buildings	Machinery equipment	Office equipment	Transportation equipment	Lased assets	Other equipment	Total
<u>Depreciation and impairment:</u>								
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)
<u>Cost:</u>								
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
<u>Depreciation and impairment:</u>								
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)
<u>Net carrying amount:</u>								
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.

	<u>Buildings</u>	
Cost:		
January 1, 2023	\$55,210	
Addition	-	
December 31, 2023	<u>\$55,210</u>	
January 1, 2022	\$55,210	
Addition	-	
December 31, 2022	<u>\$55,210</u>	
Depreciation and impairment:		
January 1, 2023	\$6,516	
Depreciation for the current year	1,372	
December 31, 2023	<u>\$7,888</u>	
January 1, 2022	\$5,114	
Depreciation for the current year	1,372	
December 31, 2022	<u>\$6,516</u>	
Net carrying amount:		
December 31, 2023	<u>\$48,694</u>	
December 31, 2022	<u>\$48,694</u>	
	<u>For the years ended December 31</u>	
	<u>2023</u>	<u>2022</u>
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	<u>\$1,383</u>	<u>\$1,284</u>

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 NT\$4,892 thousand and NT\$5,284 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	<u>\$19,141</u>	<u>\$40,510</u>

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		<u>376,320</u>		
Less: Current portion of long-term Borrowings		(215,040)		
Total		<u>\$161,280</u>		

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		<u>704,000</u>		
Less: Current portion of long-term borrowings		(117,680)		
Total		<u>\$526,320</u>		

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	<u>\$770</u>	<u>\$690</u>

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)	<u>\$416,182</u>	<u>\$55,522</u>	<u>\$80,885</u>

Reconciliation of the net defined benefit liability (asset):

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

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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	<u>\$802,473</u>	<u>\$802,473</u>

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

(3) Distributable earnings and dividend policy

According to its Articles of Incorporation, the Company's earnings, if any, in its annual final account shall be first used to pay income taxes and make up for its accumulated losses in previous years and then 10% of the said profits should be set aside as a legal reserve first and a special reserve may be appropriated or reversed as required by law or the competent authority. Where there is surplus, dividends may be paid to shareholders. Among them, cash dividends shall be no less than 10% of the total dividends to shareholders. The Board of Directors shall prepare a distribution proposal based on the actual profit and capital for the year. The proposal is submitted to the shareholders' meeting for resolution. If there is a reduction in accumulated shareholders' equity in the current year but there is not sufficient net income, a special reserve of the same amount should be set aside from the accumulated undistributed earnings of the previous year and deducted 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	<u>\$-</u>	<u>\$26,034</u>

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	<u>\$31,911</u>	<u>\$39,939</u>

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	<u>\$8,058</u>	<u>\$8,058</u>

C. Income and costs relating to leasing activities

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

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.

	For the years ended December 31	
	2023	2022
Lease income on operating leases		
Income related to fixed lease payments and variable lease payments that depend on an index or a rate	\$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	<u>\$81,309</u>	<u>\$211,657</u>

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	<u>\$19,234</u>	<u>\$107,667</u>

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	<u>\$342,297</u>	<u>\$979,933</u>
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	<u>\$81,309</u>	<u>\$211,657</u>

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):		<u>\$588</u>	<u>\$(19,234)</u>	<u>\$-</u>	
Deferred tax assets/(liabilities), net	<u>\$(81,290)</u>				<u>\$(99,936)</u>
The information presented in the balance sheet is as follows:					
Deferred tax assets	<u>\$34,107</u>				<u>\$41,763</u>
Deferred tax liabilities	<u>\$(115,397)</u>				<u>\$(141,699)</u>

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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

	For the years ended December 31	
	2023	2022
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

	December 31, 2023	December 31, 2022
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

	December 31, 2023	December 31, 2022
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	\$22,907	\$19,439

6. Commission expense

	For the years ended December 31 2023	2022
The Company's subsidiary	\$9,476	\$15,864

7. Other expense

	For the years ended December 31 2023	2022
The Company's subsidiary	\$12,962	\$11,044

8. Technical support expense

	For the years ended December 31 2023	2022
The Company's subsidiary	\$2,543	\$2,590

9. Service expense

	For the years ended December 31 2023	2022
The Company's subsidiary	\$13,086	\$12,577

10. Other income

	For the years ended December 31 2023	2022
The Company's subsidiary	\$587	\$738
The Company's associate	689	358
Substantive related party	187	1,677
Total	\$1,463	\$2,773

11. Rewards of the Group's key management personnel

	For the years ended December 31 2023	2022
Short-term employee benefits	\$25,885	\$46,467
Post-employment benefits	639	418
Total	\$26,524	\$46,885

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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	<u>\$874,063</u>	<u>\$945,624</u>	

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	<u>\$2,082,188</u>	<u>\$2,334,544</u>

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	<u>\$754,142</u>	<u>\$1,138,697</u>

2. Financial risk management objectives and policies

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

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

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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

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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

	Less than a year	2 to 3 years	4 to 5 years	over 5 years	Total
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	\$376,320	\$31,911	\$408,231

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	\$704,000	\$39,939	\$743,939

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	
	2023	2022
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	\$7,184	\$6,347

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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
Financial assets						
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
Financial liabilities						
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

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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

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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

SIWARD Crystal Technology Co., Ltd.
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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	<u>\$678,696</u>		

- (4) Aggregate purchases or sales of the same securities in the current period reaching NT\$300 million or 20 percent of paid-in capital or more: None.
- (5) Acquisition of real estate reaching NT\$300 million or 20 percent of paid-in capital or more : None.
- (6) Disposal of real estate reaching NT\$300 million or 20 percent of paid-in capital or more: None.
- (7) Purchases or sales of goods from or to related parties reaching NT\$100 million or 20 percent of paid-in capital or more

The company making purchases (sales)	Counterparty	Relationship	Transaction condition				Transaction terms differ from general transaction terms and the reason		Notes and accounts receivables (payables)		Remark
			Purchases (sales)	Amount	Percentage of total purchases (sale)	Credit term	Unit price	Credit term	Balance	Percentage of of total bills receivable (payable) and accounts	
SIWARD Crystal Technology Co., Ltd.	SIWARD TECHNOLOGY CO., LTD.	Parent company and subsidiary	Purchases	\$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	-

SIWARD Crystal Technology Co., Ltd.

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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.