Stock Code: 3583

SCIENTECH CORPORATION
and Subsidiaries

Consolidated Financial Statements and Independent Auditors' Report
2022 and 2021

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

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Declaration of Consolidated Financial Statements of Affiliated Companies

Considering that the companies to be included into the consolidated financial statements of affiliates under the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises ” were the same as those to be included into the consolidated financial statements of the parent and subsidiaries under IFRS 10 in 2022 (from January 1, 2022 to December 31, 2022) and the related information to be disclosed in the consolidated financial statements of affiliates were already disclosed in said consolidated financial statements of the parent and subsidiaries, no consolidated financial statements of affiliates were prepared separately.

In witness thereof, the Declaration is hereby presented.

Company Name: SCIENTECH CORPORATION

Chairman of the Board: HUNG-LIANG HSIEH

March 10, 2023

Independent Auditors’ Report

To SCIENTECH CORPORATION:

Audit opinion

We have audited the consolidated balance sheet of SCIENTECH CORPORATION and its subsidiaries (collectively referred to as the “Group” hereinafter) as of December 31, 2022 and 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flow for the period from January 1 through December 31, 2022 and 2021, and the notes to the consolidated financial statements (including the summary of significant accounting policies).

In our opinion, the said consolidated financial statements were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC interpretations, and SIC interpretations that were approved and promulgated by the Financial Supervisory Commission (FSC), and thus presented fairly, in all material aspects, the consolidated financial position of The Group as of December 31, 2022 and 2021, and the consolidated financial performance and cash flows for the period from January 1 through December 31, 2022 and 2021.

Basis of Audit Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Consolidated Financial Statements section of our report. We were independent of The Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China and fulfilled all other responsibilities thereunder. 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 refer to, based on our professional judgment, the most important matters for auditing the Group’s consolidated financial statements of 2022. 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 issues.

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2022 are stated as follows:

Revenue recognition

The Group’s 2022 operating revenue from manufacturing of machinery and from sale of machinery in the capacity of an agent is material to the overall presentation of the consolidated financial statements. Revenue from machinery should be recognized upon the fulfillment of obligations. Since the company might recognize product sale revenue when such revenue does not qualify for the recognition criteria, revenue recognition is thus listed as the key audit matter.

Our main audit procedures to address the said matter included testing the effectiveness of the design and implementation of the internal control system pertaining to the recognition of machinery sale and discussing with the management about whether the accounting policy for revenue recognition is appropriate and consistently adopted; we also sampled customer sales documents to verify the transaction terms on the order or sale contract and check the acceptance certificate signed off by customers, so as to assess the correctness of the recognized revenue.

Other Matters

SCIENTECH CORPORATION has prepared the parent company only financial statements for the years ended December 31, 2022 and 2021, for which we have issued an audit report containing an unqualified opinion for reference.

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

The management was responsible for fairly presenting these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC interpretations, and SIC interpretations that were approved and promulgated by the Financial Supervisory Commission, and for maintaining the necessary internal control related to the preparation of these consolidated financial statements to ensure that these consolidated financial statements were free of material misstatements, whether due to fraud or errors.

During preparation of these consolidated financial statements, the management was also responsible for evaluating The Group’s ability to continue as a going concern, disclosing going concern matters, and applying the going concern basis of accounting, unless the management intended either to liquidate The Group or to terminate its operations, or had no feasible alternatives but to do so.

The Group's governance body (including the Audit Committee) was responsible for supervising the financial reporting procedures.

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 on Auditing of the Republic of China will always detect a material misstatement when it exists in these consolidated financial statements. Misstatements can arise from fraud or error. Misstatements 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 exercised professional judgment and maintained professional skepticism throughout the audit. We also conduct the following tasks:

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 Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's 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 disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and 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 audit for the Group. 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 a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Group's consolidated financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte & Touche Taiwan

CPA: HUI-MIN HUANG	CPA: MING-HSIN CHO
Approval No. from the Financial Supervisory Commission Jin-Guan-Zheng-Shen-Zi No.1070323246	Approval No. from the Securities and Futures Commission Tai-Tsai-Cheng-Liu-Zi No. 0920123784

March 10, 2022

SCIENTECH CORPORATION and Subsidiaries

Consolidated Balance Sheets

As of December 31, 2022 and 2021

Unit: NT$ thousand

		December 31, 2022		December 31, 2021	
Code	Assets	Amount	%	Amount	%
	Current Assets				
1100	Cash and cash equivalents (Notes 4 and 6)	$ 4,081,951	28	$ 2,153,373	26
1170	Notes receivable and accounts receivable (Notes 4, 8, and 19)	854,546	6	1,004,674	12
1180	Accounts receivable - related parties (Notes 4, 8, 19, and 26)	5,152	-	55,711	1
130X	Inventories (Notes 4, 9, 23, and 26)	5,274,300	36	2,357,234	28
1410	Prepayments	1,807,348	13	582,388	7
1470	Other current assets (Notes 14 and 27)	189,441	1	93,000	1
11XX	Total current assets	12,212,738	84	6,246,380	75
	Non-current assets				
1517	Financial assets at fair value through other comprehensive income (Notes 4 and 7)	138,562	1	166,250	2
1550	Investments accounted for using equity method (Notes 4 and 11)	494,738	3	456,410	5
1600	Property, plant, and equipment (Notes 4, 12, and 23)	1,542,982	11	1,211,220	15
1755	Right-of-use assets (Notes 4 and 13)	68,436	-	79,040	1
1785	Patent right (Note 4)	1,212	-	1,471	-
1840	Deferred income tax assets (Notes 4 and 21)	110,147	1	92,314	1
1915	Prepayments for equipment (Note 12)	14,492	-	45,784	1
1975	Net defined benefit asset, non-current(Notes 4 and 17)	1,842	-	-	-
1990	Other non-current assets (Note 14)	34,720	-	28,948	-
15XX	Total non-current assets	2,407,131	16	2,081,437	25
1XXX	Total Assets	$ 14,619,869	100	$ 8,327,817	100
Code	Liabilities and Stockholders' Equity				
	Current liabilities				
2100	Short-term borrowings (Note 15)	$ 430,661	3	$ 244,642	3
2130	Contract liability (Notes 19 and 26)	7,718,760	53	3,168,045	38
2170	Notes payable and accounts payable	2,156,868	15	1,102,500	13
2219	Other payables (Notes 12 , 16, and 26)	348,394	3	356,389	4
2230	Current income tax liabilities (Notes 4 and 21)	177,324	1	138,421	2
2252	Short-term warranty provision (Note 4)	41,158	-	37,457	1
2280	Lease liability (Notes 4, 13, and 26)	7,323	-	12,059	-
2399	Other current liabilities	17,116	-	13,792	-
21XX	Total current liabilities	10,897,604	75	5,073,305	61
	Non-current liabilities				
2570	Deferred income tax liabilities (Notes 4 and 21)	76,185	1	56,418	-
2580	Lease liability (Notes 4, 13, and 26)	63,594	-	68,984	1
2640	Net defined benefit liability (Notes 4 and 17)	-	-	154	-
25XX	Total non-current liabilities	139,779	1	125,556	1
2XXX	Total liabilities	11,037,383	76	5,198,861	62
	Equity (Notes 4 and 18)				
3110	Capital stock	811,390	5	811,390	10
3200	Capital surplus	728,964	5	625,640	8
	Retained earnings				
3310	Legal reserve	318,368	2	276,341	3
3320	Special reserve	14,306	-	11,775	-
3350	Unappropriated earnings	1,793,497	12	1,468,775	18
3300	Total retained earnings	2,126,171	14	1,756,891	21
	Other equity				
3410	Exchange differences arising in the translation of foreign operations	2,415	-	(24,830)	-
3420	Unrealized valuation gains or losses on financial assets at fair value through other comprehensive income	(35,795)	-	10,524	-
3400	Total other equity interests	(33,380)	-	(14,306)	-
3500	Treasury stock	(50,659)	-	(50,659)	(1)
3XXX	Total stockholders' equity	3,582,486	24	3,128,956	38
	Total Liabilities and Equity	$ 14,619,869	100	$ 8,327,817	100

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

Chairman of the Board: HUNG-LIANG HSIEH Manager: MING-CHI HSU Accounting Manager: SHAO-CHE CHUANG

SCIENTECH CORPORATION and Subsidiaries

Consolidated Statement of Comprehensive Income

January 1 to December 31, 2022 and 2021

Unit: NT$ thousand; except earnings per share

		2022		2021	
Code		Amount	%	Amount	%
	Operating revenue (Notes 4, 19, and 26)				
4100	Goods sales revenue	$ 5,405,974	96	$ 4,450,223	95
4600	Services revenue	194,596	3	218,757	5
4800	Other operating revenue	49,416	1	14,807	-
4000	Total operating revenue	5,649,986	100	4,683,787	100
5000	Operating cost (Notes 9, 20, and 26)	3,559,735	63	2,976,583	63
5900	Operating gross profit	2,090,251	37	1,707,204	37
5910	Unrealized gains on transactions with associates (Note 4 and 11)	(5,965)	-	(40,187)	(1)
5950	Realized operating gross profit	2,084,286	37	1,667,017	36
	Operating expenses (Notes 8 , 20, and 26)				
6100	Marketing expenses	847,837	15	691,852	15
6200	General and administrative expenses	192,938	3	165,765	4
6300	R&D expenses	320,616	6	280,112	6
6450	Loss (Gain) on expected credit impairment	12,597	-	(25,957)	(1)
6000	Total operating expenses	1,373,988	24	1,111,772	24
6900	Operating Income	710,298	13	555,245	12
	Non-operating income and expenses				
7190	Other income (Notes 4, 7, and 26)	2,818	-	27,295	1

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Code		2022 Amount	2022 %	2021 Amount	2021 %
7050	Financial cost (Notes 4, 20, and 26)	($ 3,404)	-	($ 3,113)	-
7060	Share of profit or loss of associates accounted for using equity method (Notes 4 and 11)	(65,674)	-	(35,924)	(1)
7100	Income from interests	10,217	-	950	-
7020	Other gains and losses (Notes 4 and 20)	3,752	-	(3,475)	-
7270	Gains on reversal of impairment	-		25,800	
7630	Exchange gains or losses (Notes 4 and 29)	77,879	-	(42,833)	(1)
7000	Total non-operating income and expenses	25,588	-	(31,300)	(1)
7900	Net profits before tax	735,886	13	523,945	11
7950	Income tax expenses (Notes 4 and 21)	167,303	3	104,040	2
8200	Net profit in the current year	568,583	10	419,905	9
	Other comprehensive (Note 4)				
	Items that will not be reclassified to profit or loss				
8311	Re-measurements of defined benefit plans (Note 17)	1,896	-	451	-
8316	Unrealized valuation gains or losses on investment in equity instruments at fair value through other comprehensive income	(46,319)	(1)	10,524	-
8349	Income tax related to items that will not be reclassified (Note 21)	(379)	-	(90)	-
8310		(44,802)	(1)	10,885	-

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Code		2022 Amount	2022 %	2021 Amount	2021 %
	Items that will be reclassified to profit or loss				
8361	Exchange differences arising in the translation of foreign operations	$ 26,840	1	($ 12,509)	-
8370	Share of other comprehensive income of associates accounted for using the equity method (Note 11)	7,228	-	(3,812)	-
8399	Income tax related to items that might be reclassified (Note 21)	(6,823)	-	3,266	-
8360		27,245	1	(13,055)	-
8300	Other comprehensive income (net after tax)	(17,557)	-	(2,170)	-
8500	Total comprehensive income for the year	$ 551,026	10	$ 417,735	9
	Earnings per share (Note 22)				
9710	Basic	$ 7.08		$ 5.23	
9810	Diluted	$ 7.00		$ 5.19	

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

Chairman of the Board:	Manager:	Accounting Manager:
HUNG-LIANG HSIEH	MING-CHI HSU	SHAO-CHE CHUANG

SCIENTECH CORPORATION and Subsidiaries
Consolidated Statement of Changes in Equity
January 1 to December 31, 2022 and 2021

Unit: NT$ thousand

Code		Capital stock			Retained earnings			Other equity			
		Thousand shares	Amount	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences arising in the translation of foreign operations	Unrealized valuation gains or losses on investment in equity instruments at fair value through other comprehensive income	Treasury stock	Total stockholders' equity
A1	Balance January 1, 2021	81,139	811,390	611,983	245,683	13,083	1,226,465	(11,775)	-	(50,659)	2,846,170
M7	Changes in ownership interests in associates	-	-	13,657	-	-	-	-	-	-	13,657
	Earnings distribution for 2020										
B1	Legal reserve	-	-	-	30,658	-	(30,658)	-	-	-	-
B5	Cash dividends	-	-	-	-	-	(148,606)	-	-	-	-
B17	Reversal of special reserves	-	-	-	-	(1,308)	1,308	-	-	-	(148,606)
D1	2021 net income	-	-	-	-	-	419,905	-	-	-	419,905
D3	Other comprehensive income (loss) after tax for 2021	-	-	-	-	-	361	(13,055)	10,524	-	(2,170)
Z1	Balance December 31, 2021	81,139	811,390	625,640	276,341	11,775	1486,775	(24,830)	10,524	(50,659)	3,128,956
M7	Changes in ownership interests in associates	-	-	103,324	-	-	-	-	-	-	103,324
	Earnings distribution for 2021										
B1	Legal reserve	-	-	-	42,027	-	(42,027)	-	-	-	-
B3	Special reserve	-	-	-	-	2,531	(2,531)	-	-	-	-
B5	Cash dividends	-	-	-	-	-	(200,820)	-	-	-	(200,820)
D1	2022 net income	-	-	-	-	-	568,583	-	-	-	568,583
D3	Other comprehensive income (loss) after tax for 2022	-	-	-	-	-	1,517	27,245	(46,319)	-	(17,557)
Z1	Balance as of December 31, 2022	81,139	$ 811,390	$ 728,964	$ 318,368	$ 14,306	$ 1,793,497	$ 2,415	($ 35,795)	($ 50,659)	$ 3,582,486

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

Chairman of the Board: HUNG-LIANG HSIEH　　Manager: MING-CHI HSU　　Accounting Manager: SHAO-CHE CHUANG

SCIENTECH CORPORATION and Subsidiaries
Consolidated Statement of Cash Flows
January 1 to December 31, 2022 and 2021

Unit: NT$ thousand

Code		2022	2021
	Cash flow from operating activities		
A10000	Net profits before tax	$ 735,886	$ 523,945
A20010	Income expenses		
A20100	Depreciation	113,603	109,199
A20200	Amortization expense	259	260
A20300	Loss (Gain) on expected credit impairment	12,597	(25,957)
A20900	Financial cost	3,404	3,113
A21200	Income from interests	(10,217)	(950)
A21300	Dividend Income	(800)	-
A22300	Share of profit or loss of associates accounted for using equity method	65,674	35,924
A22500	(Gain) loss on disposal and retirement of property, plant, and equipment	(90)	103
A23100	Gain on disposal of investments	(6,710)	(909)
A23700	Impairment loss on non-financial assets	50,784	38,340
A23900	Unrealized gains on transactions with associates	5,965	40,187
A24100	Unrealized exchange loss (gain)	27,596	(6,299)
A29900	Defined benefit cost	-	(8,371)
A30000	Net changes in operating assets and liabilities		
A31150	Notes receivable and accounts receivable	152,356	(202,022)
A31160	Accounts receivable - related parties	52,501	(57,873)
A31200	Inventories	(2,951,720)	(1,498,411)
A31230	Prepayments	(1,218,427)	(482,082)
A31240	Other current assets	(95,175)	(14,246)
A32125	Contract liabilities	4,495,207	2,498,067
A32150	Notes receivable and accounts receivable	1,009,163	582,383
A32180	Other accounts payable	(2,398)	103,406
A32200	Short-term warranty provision	3,482	6,993
A32230	Other current liabilities	3,324	4,495
A32240	Net defined benefit liabilities	(100)	(5,454)
A33000	Cash flow from operating activities	2,446,164	1,643,841
A33100	Interest received	10,217	950
A33300	Interest paid	(3,368)	(3,165)
A33500	Income taxes paid	(133,726)	(67,911)
AAAA	Net cash generated by operating activities	2,319,287	1,573,715

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Code		2022	2021
	Cash Flow from Investing Activities		
B00010	Acquisition of financial assets at fair value through other comprehensive income	($ 18,631)	($ 155,726)
B01800	Acquisition of long-term equity investments under equity method	1,868	-
B02700	Acquisition of property, plant and equipment	(410,082)	(70,025)
B02800	Proceeds from disposal or property, plant and equipment	1,058	122
B06700	Increase in other non-current assets	(5,646)	(2,502)
B07600	Dividends received	800	-
BBBB	Net cash used in investing activities	(421,633)	(228,131)
	Cash Flow from Financing Activities		
C00100	Increase in short-term borrowings	248,044	272,537
C00200	Decrease in short-term borrowings	(59,170)	(249,933)
C01600	Increase in long-term borrowings	200,000	-
C01700	Repayment of long-term borrowings	(200,000)	-
C04020	Repayment of principal of lease liabilities	(12,714)	(12,248)
C04500	Cash dividends paid	(200,820)	(148,606)
CCCC	Net cash outflow from financing activities	(24,660)	(138,250)
DDDD	Effects of exchange rate changes on cash and cash equivalents	55,584	(11,810)
EEEE	Increase in cash and cash equivalents	1,928,578	1,195,524
E00100	Cash and cash equivalents - beginning of year	2,153,373	957,849
E00200	Cash and cash equivalents - end of year	$ 4,081,951	$ 2,153,373

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

Chairman of the Board:	Manager:	Accounting Manager:
HUNG-LIANG HSIEH	MING-CHI HSU	SHAO-CHE CHUANG

SCIENTECH CORPORATION and Subsidiaries

Notes to the Consolidated Financial Statements

January 1 to December 31, 2022 and 2021

(All amounts are in NT$ thousand unless otherwise specified)

1. Company History

SCIENTECH CORPORATION (the "Company" hereinafter) was incorporated in October 1979. Mainly engaged in the research and development, production, sales, and maintenance of process equipment for semiconductors, liquid crystal displays (LCDs), light-emitting diodes (LEDs), and solar power generation; wafer reclaim; and general import and export, the Company was listed on the Taiwan Stock Exchange (TWSE) in March 2013.

The consolidated financial statements are stated in the functional currency of the Company, which is New Taiwan Dollars.

2. Date and procedures of approval of the financial statements

The consolidated financial statements were approved at the Board meeting on March 10, 2023.

3. Application of New Standards, Amendments, and Interpretations

(I) First-time application of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC interpretations (IFRIC), and SIC interpretations (SIC) (hereinafter collectively referred to as "IFRSs") approved and promulgated by the Financial Supervisory Commission (hereinafter referred to as "FSC") won't cause any material changes to the Group's accounting policies.

(II) Application of the FSC-endorsed IFRSs in 2023

Application of New Standards, Amendments, and Interpretations	Effective Date Announced by IASB
Amendments to IAS 1, "Disclosure of Accounting Policies"	January 1, 2023 (Note 1)
Amendments to IAS 8, "Definition of Accounting Estimates"	January 1, 2023 (Note 2)
Amendments to IAS 12, "Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction"	January 1, 2023 (Note 3)

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

Note 2: The amendments shall apply to the changes to the accounting estimates or policies occurring during the annual reporting period beginning on or after January 1, 2023.

Note 3: This amendment requires entities to recognize a deferred tax liability for the temporary difference associated with lease and decommissioning obligations that arise on January 1, 2022 and is applicable to all transactions occurred after such date.

As of the date when the consolidated financial statements were approved and issued, the Group assessed the said amended standards and interpretations and found them to have no significant effects on the Group's financial position and financial performance.

(III) IFRSs issued by the IASB but not yet approved and promulgated by the FSC

Application of New Standards, Amendments, and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28, "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined
Amendments to IFRS 16, Lease Liability in a Sale and Leaseback	January 1, 2024 (Note 2)
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendment to IFRS 17, "Initial Application of IFRS 17 and IFRS 9—Comparative Information"	January 1, 2023
Amendments to IAS 1, "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1, Non-current Liabilities with Covenants	January 1, 2024

Note 1: Unless otherwise specified, the above-mentioned new/ amended/ revised standards or interpretation shall become effective in the annual reporting periods beginning on or after each effective date.

Note 2: A seller-lessee is required to apply the amendments to IFRS 16 to any leaseback transactions arsing after the date of initial application of IFRS 16.

Up to the release date of the consolidated financial statements, the Group assessed the effects of the said amendments to the standards and interpretations on the financial position and performance on a continuous basis. The relevant effects will be disclosed after the assessment.

4. <u>Summary of significant accounting policies</u>

(I) Compliance statement

The consolidated financial statements are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs approved and promulgated by the FSC.

(II) Basis of preparation

Except for the financial instruments measured at fair value and the net defined benefit liabilities recognized at the present value of defined benefit obligations less the fair value of the plan assets, the consolidated financial statements were prepared on the basis of historical cost.

Fair value measurements are classified into Level 1, 2, and 3 based on the degree to which an input is observable and the significance of the input:

1. Level 1 inputs: The quoted price in an active market for identical assets or liabilities that is accessible on the measurement date (before adjustment).
2. Level 2 inputs: Other than quoted prices included in Level 1, the inputs that are observable for assets or liabilities directly (i.e. the price) or indirectly (i.e. inferred from the price).
3. Level 3 inputs: The inputs that are not observable for assets or liabilities.

(III) Criteria for classification of assets and liabilities as current or non-current

Current assets include:

1. Assets that are held mainly for trading purposes;
2. assets expected to be realized within 12 months after the balance sheet date; and
3. cash or cash equivalents (excluding those that are restricted for being used for exchange or settlement of liabilities within 12 months after the balance sheet date).

Current liabilities include:

1. Liabilities that are held mainly for trading purposes;
2. liabilities that will be settled within 12 months after the balance sheet date; and
3. liabilities whose due date cannot be unconditionally extended to more than 12 months after the balance sheet date.

Assets or liabilities that are not the above-mentioned current assets or current liabilities are classified as non-current assets or non-current liabilities.

(IV) Basis of consolidation

Entities covered by the consolidated financial statements include the Company and the entities controlled by the Company (i.e., subsidiaries). The financial statements of the subsidiaries are adjusted to have their accounting policies be consistent with those of Group. All the transactions, account balances, profits, and expenses/losses between entities are eliminated during preparation of the consolidated financial statements.

For details of subsidiaries, shareholding percentage in them, and their business activities, refer to Note 10 and Appendix Tables 5 and 6.

(V) Foreign currency

Entities preparing their own financial statements translated the transactions denominated in currencies other than their functional currency (i.e., foreign currencies) into their functional currency by applying the exchange rate prevailing on the transaction date.

Monetary items in foreign currencies are translated at the closing exchange rate on each balance sheet date. Exchange differences arising from settlement or translation of the monetary items are recognized in the profit or loss of the period.

Non-monetary items in foreign currencies measured at fair value are translated at the exchange rate prevailing on the date the fair value was determined. The exchange differences resulting therefrom are recognized in profit or loss of the period, or in other comprehensive income when changes in fair value of such items were designated to be recognized in other comprehensive income.

Non-monetary items in foreign currencies measured at historical cost are translated at the exchange rate on the date of transaction and are not retranslated.

During preparation of the consolidated financial statements, the assets and liabilities of the Company's foreign operations (including the subsidiaries, associates, or branch companies of which the countries they operate or the currencies they use are different from those of the Group) are translated into NTD at the exchange rate prevailing on each balance sheet date. The income and expense items are translated at the average exchange rate of the period, and the exchange differences resulting therefrom are recognized in other comprehensive income.

(VI) Inventories

Inventories include raw materials, work-in-progress, finished goods, and products. Inventories are measured at the lower of cost and net realizable value. Cost and net realizable values are compared on an item by item basis, except inventories of the same category. Net realizable value refers to the estimated selling price in a normal situation less the estimated cost needed to complete the work and the estimated cost needed to complete the sale. The weighted average method is used to calculate the inventory cost.

(VII) Investment in associates

An associate refers to a company over which the Group has a significant influence, but it is not a subsidiary or joint venture.

The Group accounts for its equity in an associate using the equity method.

Under the equity method, the investment in associates is initially recognized at its costs and the amount of increase or decrease in the carrying amount of such investment after the date of acquisition depends on the Group’s shares of profit/loss and other comprehensive income in the associates and joint ventures and the distributed profits. In addition, changes to the Group’s equity in the associates are recognized based on our shareholding ratio.

When the Group does not subscribe to new shares issued by associates based on its shareholding ratio, resulting in changes in the shareholding ratio and consequently to the net equity value of investment, the Group accounts for such changes by adjusting capital reserve - changes in the net equity of associates recognized under the equity method and investments under equity method. However, if subscription or acquisition of the shares is not based on the shareholding ratio, leading to a decrease in the Group’s ownership equity in the associates, the amounts related to the associate in other comprehensive income are reclassified according to the percentage of such decrease and treated with the same accounting treatment basis as the one which the associates' direct disposal of relevant assets or liabilities shall be in accordance with. If the said adjustment shall be debited to capital reserves, and the balance of capital reserves arising from investment under equity method is insufficient to be offset, the difference is debited to retained earnings.

When the Group’s shares of losses in the associates are equal to or exceeded our equity in the associates (including the carrying amount of investment in the associate under the equity method and other long-term equities that in nature are part of the net investment portfolio made by the consolidated company in the associate concerned), the Group does not recognize further losses. The Group recognizes additional losses and liabilities only when any legal obligation or constructive obligation is incurred or the Group made payment on behalf of the associates.

For impairment evaluation, the Group tests the entire investment book value for impairment as a single asset by comparing the recoverable amount and book value of the investment. Any recognized impairment loss is also part of the investment book value. Any reversal of the impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increased.

The profit or loss generated from the upstream, downstream, and side stream transactions between the Group and the associates is recognized in the consolidated financial statements only when such profit or loss is irrelevant to the Group’s equity in the associates.

(VIII) Property, plant and equipment

Property, plant, and equipment are initially recognized at cost and subsequently at cost net of accumulated depreciation and accumulated impairment.

Each significant part of the property, plants, and equipment is separately depreciated on the straight-line basis over their useful life. The Group reviews the estimated useful life, residual value, and method of depreciation at least once before the end of each year and prospectively recognizes the effect from changes in accounting estimates.

When property, plant, and equipment is disposed of, the difference between the net disposal proceeds and the asset book value is recognized in profit or loss.

(IX) Patent right

Patent rights acquired separately are initially measured in accordance with the cost and subsequently based on the cost net of accumulated amortization and impairment losses. Patent rights are amortized on the straight-line basis over their useful life. The Group reviews the estimated useful life, residual value, and method of amortization at least once before the end of each year and prospectively recognizes the effects of changes in accounting estimates.

(X) Impairments of property, plant, and equipment, right-of-use assets, and intangible assets

The Group assesses whether there are any signs indicating that any property, plant, and equipment, right-of-use assets, or intangible assets might be impaired on each balance sheet date. If any such indication exists, then the asset’s recoverable amount is estimated. When the recoverable amount of individual assets cannot be estimated, the Group estimates the recoverable amount of the cash-generating unit to which the assets belong. Corporate assets are allocated on a reasonable and consistent basis to the smallest group of cash-generating units

The recoverable amount is the higher of the fair value less costs of sale and the value in use. When the recoverable amount of any individual assets or cash-generating units is less than the book value, the book value of the individual assets or cash-generating units is adjusted down to the recoverable amount, and the impairment loss is recognized in profit or loss.

When the impairment loss is reversed subsequently, the book value of the asset or cash-generating unit is adjusted up to the revised recoverable amount. However, the increased book value shall not exceed the book value that would have been determined (net of amortization or depreciation) had no impairment loss been recognized in prior years. The reversal of the impairment loss is recognized in profit or loss.

(XI) Financial instruments

Financial assets and financial liabilities are initially recognized in the balance sheet when the Group becomes a party to the financial instrument contract.

Financial assets or financial liabilities other than those measured at fair value through profit or loss are initially recognized at the fair value plus the transaction costs that can be directly attributed to acquisition or issuance of such financial assets or liabilities. Any transaction cost directly attributable to the acquisition or issuance of the financial assets or financial liabilities measured at fair value through profit or loss is immediately recognized in profit or loss.

1. Financial assets

The arms-length transactions of financial assets are recognized and derecognized using the transaction date accounting method.

(1) Type of measurement

The Group’s financial assets include financial assets measured at fair value through profit or loss, financial assets measured at amortized cost, and investment in equity instrument measured at fair value through other comprehensive income.

A. Financial assets at fair value through profit or loss

Financial assets measured at fair value through profit or loss refer to those designated to be measured at fair value through profit and loss.

Financial assets are designated to be measured at fair value through profit or loss upon initially recognition if such designation could eliminate or materially reduce inconsistency in measurement or recognition.

Financial assets measured at fair value through profit or loss are measured at fair value; the dividends and interest derived therefrom are recognized in other income and interest income, respectively. Gains or losses from re-measurement are recognized in other gains and losses.

B. Financial assets at amortized cost

When the Group's invested financial assets meet both of the following two conditions, they are classified as financial assets measured at amortized cost:

a. The financial assets are held within a business model whose objective is collecting contractual cash flows; and
b. The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After the initial recognition, the financial assets measured at amortized cost (including cash and cash equivalents and receivables [including those due from related party]) are measured at the amortized cost equal to the total book value determined under the effective interest method less any impairment losses, and any gain or loss from foreign currency translation is recognized in profit or loss.

Interest income is calculated as the effective interest rate times the total book value of financial assets, except under the following two circumstances:

a. For purchased or originated credit-impaired financial assets, the interest income is calculated as the credit-adjusted effective interest rate times the amortized cost of the financial assets.

b. For financial assets that are not purchased or originated credit-impaired but subsequently become credit-impaired, the interest income is calculated as the effective interest rate times the amortized cost of the financial assets, in all subsequent periods following the period in which the impairment occurred.

Financial assets are deemed to be credit-impaired upon the occurrence of significant financial difficulties confronting the issuer or debtor; default; or the circumstance that the debtor is likely to file for bankruptcy or other financial reorganization.

Cash equivalents include time deposits that are highly liquid, readily convertible to known amounts of cash, and subject to an insignificant risk of changes in value, and that mature within three months after the acquisition date; cash equivalents are used to meet short-term cash commitments.

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

At initial recognition, the Group may make an irrevocable election to measure the investment in equity instruments that are held not for trading, that are not recognized by the acquirer in a business merger, and that have no consideration, at fair value through other comprehensive income.

Investment in equity instruments measured at fair value through other comprehensive income is measured at fair value. Subsequent changes in the fair value are recognized in other comprehensive income and accumulated in other equity.

The dividends derived investment in equity instruments measured at fair value through other comprehensive income are recognized in profit or loss when the Group’s right to receive dividends is determined, except under the circumstance that such dividends apparently represent a partial return of the investment cost.

(2) Impairment of financial assets

The Group assesses impairment losses on the financial assets (including accounts receivable [including those due from related parties]) measured at amortized cost based on the expected credit losses on each balance sheet date.

Loss allowance for accounts receivable is recognized based on the lifetime expected credit losses. The Group first assess whether the credit risk on other financial assets significantly has increased after the initial recognition. When the increase is not significant, the loss allowance for the financial assets is recognized at the 12-month expected credit losses; when the increase is significant, the loss allowance is recognized at the lifetime expected credit losses.

Expected credit losses are the weighted average credit losses with the probability of default ('PD') as the weight. 12-month expected credit losses represent the expected credit losses on financial instruments from any potential default within 12 months after the reporting date. Lifetime expected credit losses represent the expected credit losses on financial instruments from any potential default during the expected lifetime.

For the purpose of internal credit risk management, financial assets are deemed to be defaulted when any of the following circumstance occurs, without consideration of the collaterals held:

A. Any internal or external information indicates that a debtor is impossible to pay off the debts.

B. Any contractual payment is overdue, unless any reasonable and supportable information demonstrates that a more lagging default criterion is more appropriate.

The impairment loss on all financial assets is deducted from the book value of the financial assets through their allowance account.

(3) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred to other entities.

For derecognition of the entire financial assets measured at amortized cost, the differences between the book value and the received consideration are recognized in profit or loss. For derecognition of the entire investments in equity instruments measured at fair value through other comprehensive income, the cumulative gain or loss is directly transferred to retained earnings and not reclassified as profit or loss.

2. Equity instruments

Equity instruments issued by the Group are recognized as the amount of consideration received, less the direct cost of issuance.

When a reacquired equity instrument is originally owned by the Company, the re-acquisition is recognized as a deduction to equity. Purchase, sale, issuance, or cancellation of the equity instruments owned by the Company are not recognized in profit or loss.

3. Financial liabilities

(1) Subsequent measurement

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

(2) Derecognition of financial liabilities

For derecognition of financial liabilities, the differences between the book value and the consideration paid are recognized in profit or loss.

(XII) Short-term warranty provision

The warranty obligation that ensures agreement between products and agreed specifications is management's best estimate of the expenditure to settle the Group's obligations, and is recognized at the time when revenue is recognized for underlying products.

(XIII) Revenue recognition

After identifying the performance obligations under a contract with customers, the Group allocates the transaction price to each performance obligation and recognizes the allocated amount as revenue after each performance obligation is fulfilled. The Group's revenue comes from equipment trading and wafer reclamation, and is recognized when products are accepted by customers; or when they are shipped or delivered to the place designated by customers, depending on the contractual terms. Before being recognized as revenue, advance receipts are recognized as contract liability.

(XIV) Lease

At inception of a contract, the Group assesses whether the contract is, or contains, a lease.

When the Group is a lessee, the lease payment from the leases of low-value underlying assets to which the exemption of recognition is applied and short-term lease is recognized in expenses on the straight-line basis over the lease term, while right-of-use assets and lease liabilities with respect to other leases are recognized on the lease commencement date.

The right-of-use assets are initially measured at cost(including the initial recognized amount of lease liabilities), and subsequently measured at the cost net of accumulated depreciation and accumulated impairment losses, adjusted for remeasurements of lease liabilities. Right-of-use assets are separately presented in the consolidated balance sheet.

Right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use assets or the end of the lease term.

Lease liabilities is initially measured at the present value of lease payment (fixed payments). If the interest rate implicit in a lease can be readily determined, the lease payments are discounted at the interest rate. When such interest rate cannot be readily determined, the lessee's incremental borrowing rate of interest is used.

Subsequently, the lease liabilities are measured at amortized cost under the effective interest method, and the interest expenses are amortized over the lease term. When future lease payments change as a result of a change in the lease term, the Group re-measures the lease liabilities and adjust the right-of-use assets accordingly. However, the residual remeasurements are recognized in profit or loss when the book value of right-of-use assets is reduced to zero. Lease liabilities are separately presented in the consolidated balance sheet.

(XV) Government grants

Government grants may be recognized only when it is reasonable to ensure that the Group will comply with the conditions incidental to the government grants and the subsidies may be received affirmatively.

Government grants related to any gains are recognized in other income on a systematic basis within the period when the costs to be subsidized by the government are recognized in expenses by the Group. Government grants with a condition by which the Group is required to acquire non-current assets through acquisition, construction, or by other means are initially recognized as deferred revenue and subsequently transferred to profit or loss on a reasonable and systematic basis over the useful live of the underlying assets.

If the government grants are intended to make up the expenses or losses that have occurred, or immediately finance the Group without incurring any future cost, such subsidies are recognized in profit or loss during the period when they can be received.

(XVI) Employee benefits

1. Short-term employee benefits

Short-term employee benefits are measured at non-discounted amount expected to be paid in exchange for the services to be provided by the employees.

2. Post-employment benefit

The pension contributed under the Defined Contribution Pension Plan is recognized in expenses during the period when employees provide services.

Defined benefit cost under the Defined Benefit Pension Plan is calculated actuarially using the projected unit credit method. Service costs and net interest on net defined benefit liabilities are recognized as employee benefit expenses when they are incurred. Remeasurements are recognized in other comprehensive income and presented in retained earnings when they occurred, and are not reclassified to profit or loss in subsequent periods.

(XVII) Income tax

Tax expenses are the total of current income tax and deferred income tax.

1. Current income tax

The Group determines the income (loss) for the current period in accordance with the laws and regulations prevailing in each taxation jurisdiction and, based this, calculates the income tax payable (recoverable).

The additional income tax on undistributed earnings that is calculated according to the Income Tax Act of the Republic of China is recognized in the year when the related resolution is made at the shareholders' meeting.

The adjustments to the income tax payable in the previous year are recognized in the current income tax.

2. Deferred income tax

Deferred income tax is calculated based on the temporary difference between the book value of assets and liabilities and the tax basis for calculation of taxable income.

Deferred income tax liabilities are generally recognized based on all taxable temporary differences; deferred income tax assets are recognized when taxable income sufficiently enough to offset the deductible temporary differences and loss carryforwards is highly likely in the future.

Taxable temporary differences related to investment in subsidiaries and associates are recognized in deferred income tax liabilities except that the Group can control the timing of reversal of the taxable temporary differences and that such differences are not likely to be reversed in the foreseeable future. A deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized in the foreseeable future.

The book value of deferred income tax assets is reviewed at each balance sheet date. When any of the deferred income tax assets is not likely to have adequate taxable income necessary for the recovery of all or part of the assets anymore, the book value thereof is reduced. Those that are not originally recognized in deferred income tax assets are reviewed at each balance sheet date. When any of those is likely to generate taxable income necessary for the recovery of all or part of the assets in the future, the book value thereof is increased.

Deferred income tax assets and liabilities are measured at the tax rate of the period in which the liabilities or assets are expected to be settled or realized. The tax rate is subject to the tax rate and tax law legislated or substantively legislated on the balance sheet date. The deferred income tax liabilities and assets are measured to reflect the tax consequence on the balance sheet date arising from the method that the Group expects to use to recover or settle the book value of the liabilities and assets.

3. Current and deferred income taxes

Current and deferred income taxes are recognized in profit or loss, or in other comprehensive income if they are related to the current and deferred income taxes designated to be recognized in other comprehensive income.

5. Significant Accounting Judgments, Assumptions, and Major Sources of Estimation Uncertainty

For adoption of the accounting policies, the management, based on historical experience and other relevant factors, must make judgments, estimates and assumptions related to the information that cannot be readily acquired from other sources. The actual results may differ from those estimates.

The Group takes into account the development of the COVID-19 pandemic and its effect on the Taiwan economy when making significant accounting estimates for cash flows, growth rate, discount rate, and profitability. The management will continue to review the estimates and basic assumptions. When the changes in the estimates only affect the current period, they are recognized in the period in which they are made; when the changes in the estimates affect the current and future periods at the same time, they are recognized in the period in which they are made and in future periods.

Through an assessment, the management of the Group does not think an uncertainty exists in material accounting judgments, estimates, or assumptions.

6. Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand and working capital	$ 570	$ 468
Bank check and demand deposit	3,638,016	2,140,979
Cash equivalents		
Time deposit whose initial maturity date will be due within 3 months	443,365	11,926
	$ 4,081,951	$ 2,153,373

The annual interest rate for bank time deposits was 3.55% ~ 4.80% and 0.17% on December 31, 2022 and 2021, respectively.

7. Financial assets at fair value through other comprehensive income

	December 31, 2022	December 31, 2021
Investment in equity instruments measured at fair value through other comprehensive income		
Domestic investments		
Shares of TWSE-listed companies through private placement		
SPIROX CORP.	$ 89,205	$ 112,237
Overseas investments		

	December 31, 2022	December 31, 2021
Shares not traded on an exchange or OTC		
INFINITESIMA LIMITED	49,357	54,013
	$ 138,562	$ 166,250

The Group invested in the common shares of the aforementioned companies according to its medium-term and long-term strategies, and expected to gain profits through long-term investment. Since the Group's management deemed that the recognition of short-term changes in the investment’s fair value in profit or loss was not consistent with the said long-term investment plan, they opted to have the investment measured at fair value through other comprehensive income.

The dividend income of NT$800 thousand (recognized under other income) by the Group in 2022 had to do with the shares held as of December 31, 2022.

8. Notes receivable and accounts receivable (including those due from related parties)

	December 31, 2022	December 31, 2021
Notes receivable	$ 1,904	$ 5,296
Accounts receivable (including those due from related parties)	912,410	1,096,919
	914,314	1,102,215
Less: Allowance for doubtful accounts	54,616	41,830
	$ 859,698	$ 1,060,385

The Group’s average credit period for sales of goods is 120 days on average. Accounts receivable paid within 60 days after the invoice date or the sale date won’t be charged any interest. If accounts receivable are not paid within 60 days, the Group will assess the credit status of each individual transaction party on a business month to measure possible gains or losses and reduce possible losses.

The Group recognizes the loss allowance for notes receivable and accounts receivable (including those due from related parties) based on the lifetime expected credit losses. The lifetime expected credit losses are calculated by considering the customer’s default record and current financial position, and the industrial and economic conditions. When there is any evidence showing that the trading counterparty is facing serious financial difficulties and the Group cannot estimate a reasonable recoverable amount, the Group directly writes off related notes receivable and accounts receivable, but will continue recourse activities. Any recovered amount through the recourse activities is recognized in profit or loss.

The Group recognizes the loss allowance for notes receivable and accounts receivable (including those due from related parties) as follows:

December 31, 2022

	0–180 days	181–273 days	274–365 days	366–540 days	541–730 days	More than 731 days	Total
ECL rate	-	5%	10%	45%	70%	100%	
Total book value	$ 755,004	$ 31,767	$ 39,241	$ 66,726	$ 8,330	$ 13,246	$ 914,314
Loss allowance (lifetime ECL)	-	(1,588)	(3,924)	(30,027)	(5,831)	(13,246)	(54,616)
Amortized cost	$ 755,004	$ 30,179	$ 35,317	$ 36,699	$ 2,499	$ -	$ 859,698

December 31, 2021

	0–180 days	181–273 days	274–365 days	366–540 days	541–730 days	More than 731 days	Total
ECL rate	-	5%	10%	45%	70%	100%	
Total book value	$ 951,494	$ 55,007	$ 43,332	$ 28,645	$ 6,270	$ 17,467	$1,102,215
Loss allowance (lifetime ECL)	-	(2,750)	(4,333)	(12,891)	(4,389)	(17,467)	(41,830)
Amortized cost	$ 951,494	$ 52,257	$ 38,999	$ 15,754	$ 1,881	$ -	$1,060,385

Changes in the loss allowance for notes receivable and accounts receivable (including those due from related parties) are as follows:

	2022	2021
Balance - beginning of period	$ 41,830	$ 67,955
Less:Impairment loss (reversed) in the year	12,597	(25,957)
Less: Actual amount written off in the year	(110)	(29)
Differences from translation of foreign currencies	299	(139)
Balance - end of year	$ 54,616	$ 41,830

The Group did not hold any collateral against the balance of notes receivables and accounts receivables (including those due from related parties).

Customers who individually account for 10% of the Group’s total accounts receivable (including those due from related parties) are as follows:

December 31, 2022	December 31, 2021
Company A	Company C
-	Company A

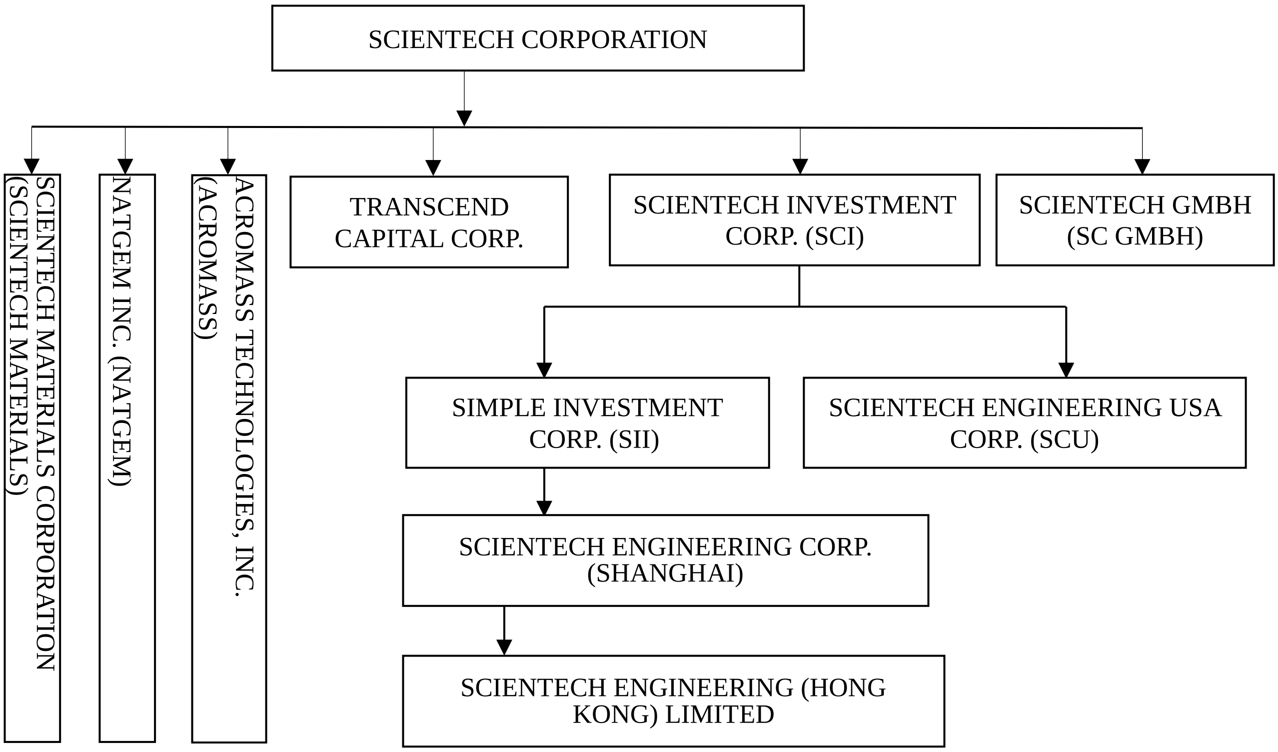
9. Inventories

	December 31, 2022	December 31, 2021
Products	$ 4,199,165	$ 1,786,536
Finished-goods	162,397	100,902
Work-in-process	305,647	254,892
Raw materials	607,091	214,904
	$ 5,274,300	$ 2,357,234

	2022	2021
Cost of sales related to inventories	$ 3,559,735	$ 2,976,583
Loss on inventory devaluation	$ 50,784	$ 64,140

10. Subsidiary

Entities in the consolidated financial statements are as follows:



Name of investor	Name of subsidiary	Main business activities	Shareholding ratio December 31, 2022	Shareholding ratio December 31, 2021	Description
SCIENTECH CORPORATION	SCI	Investment	100	100	
SCIENTECH CORPORATION	ACROMASS	General instrument and precision instrument manufacturing	100	100	
SCIENTECH CORPORATION	NATGEM	Sale of food and supplies	100	100	
SCIENTECH CORPORATION	SCIENTECH MATERIALS	Manufacturing and sale of energy-efficient products	100	100	(Notes 1 and 2)
SCIENTECH CORPORATION	SC GMBH	International trade	100	100	

Name of investor	Name of subsidiary	Main business activities	Shareholding ratio December 31, 2022	Shareholding ratio December 31, 2021	Description
SCIENTECH CORPORATION	TRANSCEND CAPITAL CORP.	Investment	100	100	
SCI	SII	Investment	100	100	
SCI	SCU	Trading of semiconductor equipment and peripherals	100	100	
SII	SCIENTECH ENGINEERING SHANGHAI	Trading and maintenance of semiconductor equipment and peripherals	100	100	
SCIENTECH ENGINEERING SHANGHAI	SCIENTECH ENGINEERING HONG KONG	International trade	100	100	

Note 1: SCIENTECH MATERIALS was dissolved through a resolution reached at the Board of Directors meeting dated August 30, 2021. As of December 31, 2022, the liquidation process was not yet completed.

Note 2: The profit or loss of SCIENTECH MATERIALS for 2022 and 2021 was computed based on the financial statements for the same period that were not audited by CPAs. The management of the Group didn't think that not having SCIENTECH MATERIALS' financial statements audited by CPAs would cause any material impact.

11. Investments accounted for using equity method

	December 31, 2022	December 31, 2021
Significant associate		
XTEK SEMICONDUCTOR (HUANGSHI) CO., LTD.	$ 457,968	$ 414,436
Individually insignificant associate	36,770	41,974
	$ 494,738	$ 456,410

(I) Significant associate

Company name	Main business activities	Main business premises	Proportion of Shareholding and Voting Right December 31, 2022	Proportion of Shareholding and Voting Right December 31, 2021
XTEK SEMICONDUCTOR (HUANGSHI) CO., LTD.	Manufacturing and sale of semiconductor equipment and peripherals	China	17.21%	22.36%

The Group's share of profits/ losses and other comprehensive income in associates under the equity method were recognized based on the financial statements for the same period that were audited by CPAs.

The following financial information summary is prepared based on the associates' IFRS-based individual financial statements, and has reflected the adjustments required for adoption of the equity method.

XTEK SEMICONDUCTOR (HUANGSHI) CO., LTD.

	December 31, 2022	December 31, 2021
Current assets	$ 1,630,138	$ 845,158
Non-current assets	2,800,076	2,019,303
Current liabilities	(265,517)	(211,200)
Non-current liabilities	(1,218,321)	(628,454)
Equity	$ 2,916,376	$ 2,024,807
The Group's shareholding ratio	17.21%	22.36%
The Group's equity	$ 502,039	$ 452,747
Unrealized gains on downstream transactions	(46,152)	(40,187)
Others	2,081	1,876
Investment book value	$ 457,968	$ 414,436

	2022	2021
Net loss in the current year	($ 318,577)	($ 167,680)
Other comprehensive income	-	-
Total comprehensive income	($ 318,577)	($ 167,680)

Although the Group's shareholding in the significant associate did not reach 50%, the Group was individually the largest shareholder. After considering the number and dispersion of voting shares held by other shareholders, the Group found the shareholdings are not diffuse. As a result, the Group is not yet able to direct the company's relevant activities and thus does not have control over it. The Group thinks that it has only significant influence over the company and thus regards the company as an associate accounted for using the equity method.

XTEK SEMICONDUCTOR (HUANGSHI) CO., LTD. launched a series follow-on offerings during March and June 2022. Failing to subscribe to the follow-on offering in proportion to its shareholding percentage, the Group saw its consolidated shareholding in XTEK SEMICONDUCTOR (HUANGSHI) CO., LTD. dropped from 22.36% to 17.21%. Therefore, the Group reclassified the amount already recognized in other comprehensive income proportionally, and recognized gains on disposal of investments in the amount of NT$5,426 thousand. In addition, since the net equity value of the investee increased, capital reserves - associates accounted for using equity method were adjusted by NT$103,324 thousand. Hence, although the Group held less than 20% stake in XTEK SEMICONDUCTOR (HUANGSHI) CO., LTD. the Group still wielded significant influence over it because the Group had a representative on its board of directors. Therefor, XTEK SEMICONDUCTOR (HUANGSHI) CO., LTD. was accounted for using the equity method.

For the main business activities, main business premises, and company registration information of the said associates, refer to Appendix Table 6 Investment in Mainland China.

(II) Summary information on individually insignificant associates

	2022	2021
The Group's share		
Net profit (loss) for the year	($ 4,574)	$ 1,530
Other comprehensive income	(46)	9
Total comprehensive income	($ 4,620)	$ 1,539

Although holding less than 20% of the shares of some individually insignificant associates, the Group has a representative in their board of directors and thus has significant influence over them.

The said investees accounted for using equity method, and the Group's share of profit or loss and other comprehensive income in them were computed based on the financial statements not audited by CPAs. However, the management of the Group did not think that not having the financial statements audited by CPAs would cause any material impact.

12. Property, plant and equipment

	Land	Buildings and structures	Machinery and equipment	Other facilities	Unfinished construction	Total
Cost						
Balance as of January 1, 2022	$ 280,062	$ 997,978	$ 442,300	$ 47,212	$ -	$1,767,552
Increase	302,200	39,719	46,972	15,315	19,736	423,942
Decrease	-	(21,918)	(12,520)	(6,146)	-	(40,584)
Reclassification	-	-	6,337	250	-	6,587
Net exchange differences	-	932	-	223	-	1,115
Balance as of December 31, 2022	$ 582,262	$1,016,711	$ 483,089	$ 56,854	$ 19,736	$2,158,652
Accumulated depreciation						
Balance as of January 1, 2022		$ 374,026	$ 163,350	$ 18,956	$ -	$ 556,332
Depreciation		33,345	57,610	9,459	-	100,414
Decrease		(21,918)	(12,517)	(5,181)	-	(39,616)
Reclassification		-	(1,741)	(28)	-	(1,769)
Net exchange differences		298	-	11		309
Balance as of December 31, 2022		$ 385,751	$ 206,702	$ 23,217	$ -	$ 615,670
Net amount on December 31, 2022	$ 582,262	$ 630,960	$ 276,387	$ 33,637	$ 19,736	$1,542,982

	Land	Buildings and structures	Machinery and equipment	Other facilities	Unfinished construction	Total
Cost						
Balance January 1, 2021	$ 280,062	$ 999,690	$ 598,969	$ 34,762	$ -	$1,913,483
Increase	-	9,983	17,007	16,592	-	43,582
Decrease	-	(11,215)	(106,854)	(3,880)	-	(121,949)
Reclassification	-	-	(66,822)	-	-	(66,822)
Net exchange differences	-	(480)	-	(262)		(742)
Balance December 31, 2021	$ 280,062	$ 997,978	$ 442,300	$ 47,212	$ -	$1,767,552
Accumulated depreciation and impairment						
Balance as of January 1, 2021		$ 355,158	$ 249,797	$ 15,482	$ -	$ 620,437
Impairment loss reversed		-	(25,800)	-	-	(25,800)
Depreciation		30,218	58,810	7,327	-	96,355
Decrease		(11,215)	(106,733)	(3,776)	-	(121,724)
Reclassification		-	(12,724)	-	-	(12,724)
Net exchange differences		(135)	-	(77)		(212)
Balance as of December 31, 2021		$ 374,026	$ 163,350	$ 18,956	$ -	$ 556,332
Net amonut on December 31, 2021	$ 280,062	$ 623,952	$ 278,950	$ 28,256	$ -	$1,211,220

Since the Group sold the machinery and equipment for which an impairment loss had been recognized, the Group recognized an impairment loss reversal gain of 25,800 thousand in 2021.

The Group's property, plant, and equipment is solely for own use.

Depreciation is provided on a straight line basis over the following useful lives:

Buildings and structures	
Plant and main structures	20–50 years
Electrical, plumbing & air conditioning equipment	3–10 years
Machinery and equipment	5–10 years
Other facilities	3–5 years

The Group assessed the useful life of each significant component of property, plant , and equipment, and depreciated them individually.

Proceeds for acquisition of property, plant, and equipment include prepayments for equipment and equipment payables; Below is the reconciliation:

	2022	2021
Increase in property, plant and equipment	$ 423,942	$ 43,582
Increase (decrease) in prepayments for equipment	(31,292)	45,056
Decrease (increase) in equipment payables (presented under other payables)	8,432	(18,613)
	$ 401,082	$ 70,025

13. Lease agreement

(I) Right-of-use assets

	December 31, 2022	December 31, 2021
Right-of-use assets, net		
Land	$ 64,584	$ 66,831
Buildings and structures	2,951	9,269
Other facilities	901	2,940
	$ 68,436	$ 79,040

	2022	2021
Increase in right-of-use assets	$ 2,291	$ 1,166
Depreciation expenses - Right-of-use assets		
Land	$ 3,942	$ 3,730
Buildings and structures	7,208	7,075
Other facilities	2,039	2,039
	$ 13,189	$ 12,844

(II) Lease liabilities

	December 31, 2022	December 31, 2021
Book value of lease liabilities		
Current	$ 7,323	$ 12,059
Non-current	$ 63,594	$ 68,984

The range of discount rates for lease liabilities is as follows:

	December 31, 2022	December 31, 2021
Land	2.00%-3.00%	2.00%
Buildings and structures	0.78%–3.00%	0.88%–3.00%
Other facilities	0.92%	0.92%–1.04%

(III) Material lease activities and terms

The Group leased land from Chairman HUNG-LIANG HSIEH to construct buildings as offices under a lease contract that has a lease term of 5 years, will automatically renew upon expiration of a lease term, and gives the Group the option right to rent and buy the buildings. The Group may not sublease or consign the underlying assets of the lease, in whole or in part, unless otherwise agreed by the Lessor.

(IV) Other lease information

	2022	2021
Short-term lease expense	$ 11,576	$ 9,647
Total cash outflow from leases	$ 25,828	$ 23,476

For property, plant, and equipment leases which qualify as a short-term lease, the Group elected to apply the recognition exemption to them and thus did not recognize right-of-use assets and lease liabilities for them.

14. Other assets

	December 31, 2022	December 31, 2021
Restricted assets	$ 171,926	$ 81,243
Long-term prepayments	28,208	20,943
Guarantee deposits paid	4,659	6,095
Other receivables	7,835	3,886
Others	11,533	9,781
	$ 224,161	$ 121,948
Current	$ 189,441	$ 93,000
Non-current	34,720	28,948
	$ 224,161	$ 121,948

15. Short-term borrowings

	December 31, 2022	December 31, 2021
Unsecured loans		
Loans against letter of credits	$ 230,661	$ 44,642
Credit loans	200,000	200,000
	$ 430,661	$ 244,642
Annual interest rate	0.50%–1.40%	0.70%–0.75%

The terms pertaining to the credit limits of some of the Group's bank borrowings mentioned above stipulate financial restrictions, with which the Group fully complied.

16. Other accounts payable

	December 31, 2022	December 31, 2021
Salary and bonus payable	$ 123,321	$ 132,970
Remuneration payable to employees and directors	66,000	55,000
Equipment payable	16,056	24,488
Others	143,017	143,931
	$ 348,934	$ 356,389

17. Post-employment benefit plan

(I) Defined contribution plan

The retirement scheme under the "Labor Pension Act" to which the Company and all subsidiaries in the territory of the Republic of China apply are the defined contribution pension plan managed by the government. A pension equal to 6% of employee's monthly wage shall be contributed to the personal labor pension account with the Bureau of Labor Insurance.

Employees of subsidiaries in China are members of the retirement benefit plan managed by the Chinese local government. Such subsidiaries are required to fund the retirement benefit plan by contributing a certain percentage of salary cost to the plan. The Group's obligation under such a government-run retirement benefit plan is limited to contributing a certain monetary amount.

(II) Defined benefit plan

The pension system adopted by the Company according to the "Labor Standards Act" is the defined benefit pension plan managed by the government. The years of service rendered and the average wage of six months prior to the approved retirement date shall be the reference for calculation of the pension to be paid to the employee.

The Company appropriates 3% of the total monthly wage of an employee as the pension and remits the amount to the Labor Pension Fund Supervisory Committee, which will deposit the amount in a dedicated account under its name with the Bank of Taiwan. Before the end of each year, if the assessed balance in the account is inadequate to make a full payment of pensions to the employees who may meet the retirement conditions in the next year, the Company will make up the difference in one appropriation before the end of March in the following year. The account is managed by the Bureau of Labor Funds, Ministry of Labor, so the Company does not have the right to influence the investment management strategies.

The amounts of the defined benefit plan included in the consolidated balance sheet are listed as follows:

	December 31, 2022	December 31, 2021
Present value of defined benefit obligations	$ 5,103	$ 5,333
Fair value of plan assets	(6,945)	(5,179)
Net defined benefit liabilities (assets)	($ 1,842)	$ 154

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

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities(assets)
Balance January 1, 2022	$ 5,333	($ 5,179)	$ 154
Financial cost			
Recognized in profit or loss - interest expense (income)	31	(31)	-
Remeasurements			
Return on plan assets (excluding the amount included in net interest)	-	(1,635)	(1,635)
Actuarial gain - change in financial assumption	(141)	-	(141)
Actuarial loss - experience adjustment	(120)	-	(120)
Recognized in other comprehensive income	(261)	(1,635)	(1,896)
Contribution by employer	-	(100)	(100)
Balance December 31, 2022	$ 5,103	($ 6,945)	($ 1,842)
Balance January 1, 2021	$ 42,967	($ 28,537)	$ 14,430
Previous service cost and settlement gains	(8,426)	-	(8,426)

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities(assets)
Recognized in profit or loss - interest expense (income)	170	(115)	55
Remeasurements	(8,256)	(115)	(8371)
Return on plan assets (excluding the amount included in net interest)	-	(357)	(357)
Actuarial loss - change in financial assumption	(1,002)	-	(1,002)
Actuarial gain - change in demographic assumption	140	-	140
Actuarial gain - experience adjustment	768	-	768
Recognized in other comprehensive income	(94)	(357)	(451)
Contribution by employer	-	(928)	(928)
Settlement	(29,284)	24,758	(4,526)
Balance December 31, 2021	$ 5,333	($ 5,179)	$ 154

The Company is exposed to the following risks due to the pension system under the "Labor Standards Act":

1. Investment risk: The Bureau of Labor Funds, Ministry of Labor separately has invested the labor pension fund in domestic (foreign) equity and debt securities, and bank deposits. The investment is conducted at the discretion of the Bureau or under the mandated management. However, the profit generated from the Group's plan assets shall be calculated with an interest rate not below the interest rate for a 2-year time deposit with local banks.
2. Interest rate risk: A decrease in the interest rates of government bonds leads to an increase in the present value of the defined benefit obligation, and the return on debt investment of the plan assets will be increased accordingly. The net defined benefit liabilities may be partially offset by both increases.
3. Salary risk: The present value of the defined benefit obligation is calculated with reference to the future salary of the plan participants. Therefore, the present value of the defined benefit obligation would be increased by an increase in the plan participants' salary.

The Company's present value of the defined benefit obligation was calculated actuarially by a qualified actuary. The major assumptions on the date of measurement are as follows:

	December 31, 2022	December 31, 2021
Discount rate	1.15%	0.60%
Rate of expected salary increase	3.00%	3.00%

If there was any reasonably possible change to the major actuarial assumptions separately, the resulting increase (decrease) in the present value of the defined benefit obligation in the situation where all the other assumptions remained the same is as follows:

	December 31, 2022	December 31, 2021
Discount rate		
Increase by 0.25%	($ 62)	($ 76)
Decrease by 0.25%	$ 63	$ 78
Rate of expected salary increase		
Increase by 0.25%	$ 56	$ 69
Decrease by 0.25%	($ 55)	($ 68)

Since the actuarial assumptions might be correlated to each other and it is unlikely that a single assumption changes alone, the aforesaid sensitivity analysis might not reflect the actual changes in the present value of the defined benefit obligation.

	December 31, 2022	December 31, 2021
Expected contribution within 1 year	$ 101	$ 101
Average maturity of defined benefit obligations	4 years	5 years

18. Equity

(I) Common shares

	December 31, 2022	December 31, 2021
Number of authorized shares (thousand shares)	100,000	100,000
Authorized capital	$ 1,000,000	$ 1,000,000
Number of issued shares fully paid (thousand shares)	81,139	81,139
Issued capital	$ 811,390	$ 811,390

A share of issued common stock had a par value of NTD 10 and was entitled to one voting right and dividends.

(II) Capital surplus

	December 31, 2022	December 31, 2021
1. Available for makeup of loss, distribution of cash dividends, or transfer into capital		
Additional paid-in capital	$ 468,714	$ 468,714
Consolidation excess	29,831	29,831
Treasury stock transactions	25,617	25,617
	524,162	524,162
2. Only available for makeup of loss		
Changes in equity of associates recognized under equity method	204,802	101,478
	$ 728,964	$ 625,640

1. These capital reserves may be used to make up losses, to distribute cash dividends, or to be transferred into the capital if the Company is not in the red. However, the amount of the transfer into the capital shall be limited to a certain percentage of the paid-in capital in every year.
2. Such capital reserves are either the effects of equity transactions recognized for changes in ownership interest in associates as a result of the Company’s falling to subscribe to or dispose of associates’ shares, or the adjustments of capital reserves of associates accounted for under the equity method.

(III) Retained earnings and dividend policy

According to the dividend policy prescribed in the Company’s Articles of Incorporation, in the event of surplus earnings after closing of annual accounts, due taxes shall be paid in accordance with the law, and losses incurred in previous years shall be compensated for. Upon completion of the preceding actions, 10% of the remainder surplus shall be allocated as legal reserves. However, in the event that the accumulated legal reserves are equivalent to or exceed the Company's total paid-in capital, such allocation may be exempted. The remainder may be set aside as special reserves, or the previous recognized special reserves may be reversed, in accordance with laws and regulations. If there is remainder surplus, the Board of Directors shall draft a surplus distribution proposal regarding the remainder of the surplus as well as accumulated undistributed surplus, shall decide whether to distribute the distributable dividends and bonus in cash or in shares, in whole or in part, by a supermajority resolution at a Board of Directors, and shall report its decision to the Shareholders' Meeting. However, dividend distribution in the form of new shares shall be subject to a resolution of the Shareholders' Meeting.

For the distribution policy governing employee and director remuneration that is prescribed in the Company's Articles of Incorporation, please refer to Note 20(5).

(V) Remuneration to employees and directors

The Company’s dividend policy considers the environment it is in and the growth stage it is at. To cope with future capital requirements and long-term financial planning while maintaining shareholder interests and a balanced dividend policy, shareholder dividends will be distributed in shares or in cash, as appropriate, based on future capital expenditure requirements and the extent of dilution effect on earnings per share. Of the shareholder dividends distributed, no less than 10% shall be in cash. The actual distribution percentage shall be determined by the Board of Directors by considering the Company’s business planning, investment plan, capital planning, and the changes in internal and external environment.

Legal reserves may be used to make up for losses. Where the Company does not sustain loss, the part of the legal reserves that exceeds the total paid-in capital by no greater than 25% may be appropriated as capital or distributed in cash.

The Company provided or reversed special reserves by FSC’s official letter titled Jin-Guan-Zheng-Fa-Zi No.1010012865, and by Jin-Guan-Zheng-Fa-Zi No.1090150022 on or after the distribution of earnings for 2021.

The earnings distribution proposals for 2021 and 2020 are as follows:

	2021	2020
Legal reserve	$ 42,027	$ 30,658
Special reserves provided (reversed)	$ 2,531	($ 1,308)
Cash dividends	$ 200,820	$ 148,606
Cash dividends per share (NT$)	$ 2.5	$ 1.85

Proposals on the said cash dividends had been approved for distribution through a resolution at the Board of Directors meetings in March 2022 and February 2021. Other earnings distribution items had been approved through a resolution at the Board of Directors meetings in June 2022 and July 2021.

The earnings distribution proposal for 2022 drafted at the Board of Directors meeting dated March 10, 2023 is as follows:

	2022
Legal reserve	$ 57,010
Special reserve provision	$ 19,074
Cash dividends	$ 289,181
Cash dividends per share (NT$)	$ 3.60

The said cash dividends had been approved through a resolution at a Board of Directors meeting. Other distribution items are still pending a resolution at the Shareholders' Meeting to be held in June 2023.

(IV) Treasury stock

Through a resolution at the Board of Directors meeting in September 2018, the Company decided to buy back 811 thousand treasury shares to transfer them to employees. The buyback was completed in October 2018, with an average buyback price of 62.47 dollars. As of December 31, 2022, such shares had yet to be transferred to employees.

According to the Securities and Exchange Act, the treasury shares held by the Company may not be pledged; nor may they be entitled to dividend distribution or voting rights.

19. Revenue

	2022	2021
Goods sales revenue		
Sale in the capacity of an agent	$ 3,392,333	$ 2,615,945
Manufacturing	2,013,641	1,834,278
	5,405,974	4,450,223
Services revenue		
Commission	100,006	162,196
Maintenance	80,701	52,401
Others	13,889	4,160
	194,596	218,757
Other operating revenue	49,416	14,807
	$ 5,649,986	$ 4,683,787

Contract balance

	December 31, 2022	December 31, 2021	January 1, 2021
otes receivable and accounts receivable (including those due from related parties) (Notes 8 and 26)	$ 859,698	$ 1,060,385	$ 774,527
Contract liabilities	$ 7,718,760	$ 3,168,045	$ 674,235

Changes in contract liabilities mainly come from the difference between the points in time when the Company fulfills obligations and when customers make payments.

The amount that comes from the contract liabilities at the beginning of the year and the amount that comes from the revenue recognized in the year in which performance obligations were fulfilled are as follows:

	2022	2021
Goods sales	$1,377,075	$ 480,425

20. Net profit

(I) Other gains and losses

	2022	2021
Gain on disposal of investments	$ 6,710	$ 909
Dividend income	800	-
Gain (Loss) on disposal and retirement of property, plant, and equipment	90	(103)
Service fee expense	(4,036)	(2,537)
Others	188	(1,744)
	$ 3,752	($ 3,475)

(II) Financial cost

	2022	2021
Interest on bank borrowings	$ 1,866	$ 1,532
Interest on lease liabilities	1,538	1,581
	$ 3,404	$ 3,113

(III) Depreciation and amortization

	2022	2021
Property, plant and equipment	$ 100,414	$ 96,355
Right-of-use assets	13,189	12,844
	$ 113,603	$ 109,199

	2022	2021
Summary of depreciation expenses by function		
Operating cost	$ 30,800	$ 29,651
Operating expenses	82,803	79,548
	$ 113,603	$ 109,199
Summary of amortization by function		
General and administrative expenses	$ 259	$ 260

(IV) Employee benefit expenses

	2022	2021
Short-term employee benefits	$ 935,829	$ 769,544
Post-employment benefit		
Defined contribution plan	38,897	33,746
Defined benefit plan	-	(8,371)
	38,897	25,375
	$ 974,726	$ 794,919

	2022	2021
Summary by function		
Operating cost	$ 227,859	$ 200,112
Operating expenses	746,867	594,807
	$ 974,726	$ 794,919

(V) Remuneration to employees and directors

According to its Articles of Incorporations, the Company shall take the pre-tax profits inclusive of employee remuneration and director remuneration and allocate 5% – 15% of such profits as employee remuneration and another 2% or less as director remuneration. The Board of Directors meetings in March 2023 and 2022 resolved on the employee remuneration and director remuneration estimated for 2022 and 2021, respectively - shown as follows:

Amount

	2022	2021
Employee remuneration	$ 58,000	$ 49,000
Directors' remuneration	8,000	6,000

Any amount that changes after the approval and publication date of the annual consolidated financial statements is accounted for as changes in accounting estimates, and will be adjusted and recognized in the following year.

The actually distributed amount of employee remuneration and director remuneration for 2021 tallied with the amount recognized in the consolidated financial statements for 2021.

The actually distributed amount of employee remuneration and director remuneration for 2020 does not agree with the amount recognized in the parent company only financial statements for 2020 ; the resulting differences are recognized in the profit of loss of 2021.

	2020	
	Employee remuneration	Directors' remuneration
Amount actually distributed	$ 41,500	$ 4,873
Amount recognized on the annual financial statements	$ 41,500	$ 5,000

The information about remuneration to employees and directors determined by the Board of Directors may be viewed at TWSE's Market Observation Post System (MOPS).

21. Income tax

(I) Income tax recognized in profit or loss

Major components of income tax expenses:

	2022	2021
Current income tax		
Tax incurred in the year	$ 193,890	$ 140,011
Adjustments for the previous year	(21,567)	(20,405)
	172,323	119,606
Deferred income tax		
Tax incurred in the year	(7,370)	(15,579)
Adjustments for the previous year	2,350	13
	(5,020)	(15,566)
Income tax expenses recognized in profit or loss	$ 167,303	$ 104,040

Reconciliation of accounting income and income tax expenses is as follows:

	2022	2021
Net profits before tax	$ 735,886	$ 523,945

	2022	2021
Income tax expense derived from applying the pre-tax profit to the statutory tax rate	$ 172,938	$ 101,476
Expense and loss not deductible from tax	866	1,385
Tax exempt income	792	8,843
Additional levy on undistributed earnings	8,745	6,431
Unrecognized deductible temporary difference and loss carryforwards	3,179	6,274
Adjustments for the previous year	(19,217)	(20,392)
Others	-	23
Income tax expenses recognized in profit or loss	$ 167,303	$ 104,040

(II) Income tax benefits (expenses) recognized in other comprehensive income

	2022	2021
Deferred income tax		
Tax incurred in the year		
—Translation from foreign operations	($ 6,823)	$ 3,266
—Re-measurements of defined benefit plans	(379)	(90)
	($ 7,202)	$ 3,176

(III) Current income tax liabilities

	December 31, 2022	December 31, 2021
Current income tax liabilities		
Income tax payable	$ 177,324	$ 138,421

(IV) Deferred income tax assets and liabilities

	2022				
Deferred income tax assets	Balance - beginning of period	Recognized in profit or loss	Recognized in other comprehensive income	Exchange differences	Balance - end of year
Temporary differences					
Allowance for inventory write-down	$ 45,697	$ 9,644	$ -	$ -	$ 55,341
Undistributed earnings of subsidiaries	15,952	10,860	(6,133)	-	20,679
Unrealized gains on transactions with associates	8,037	1,193	-	-	9,230
Provisions	6,329	183	-	-	6,512

	2022				
	Balance - beginning of period	Recognized in profit or loss	Recognized in other comprehensive income	Exchange differences	Balance - end of year
Unrealized exchange losses	3,959	4,304	-	-	8,263
Allowance for doubtful accounts	2,875	1,284	-	-	4,159
Others	6,364	(32)	(379)	10	5,963
	89,213	27,436	(6,512)	10	110,147
Loss carryforwards	3,101	(3,339)	-	238	-
	$ 92,314	$ 24,097	($ 6,512)	$ 248	$ 110,147
Deferred income tax liabilities					
Temporary differences					
Undistributed earnings of subsidiaries	$ 56,418	$ 19,077	$ 690	$ -	$ 76,185

	2021				
	Balance - beginning of period	Recognized in profit or loss	Recognized in other comprehensive income	Exchange differences	Balance - end of year
Deferred income tax assets					
Temporary differences					
Allowance for inventory write-down	$ 33,710	$ 11,987	$ -	$ -	$ 45,697
Undistributed earnings of subsidiaries	6,785	6,836	2,331	-	15,592
Unrealized gains on transactions with associates	-	8,037	-	-	8,037
Provisions	5,106	1,223	-	-	6,329
Unrealized exchange losses	1,021	2,938	-	-	3,959
Allowance for doubtful accounts	8,955	(6,080)	-	-	2,875
Impairment loss	5,063	(5,063)	-	-	-
Others	9,145	(2,690)	(90)	(1)	6,364
	69,785	17,188	2,241	(1)	89,213
Loss carryforwards	3,281	(88)	-	(92)	3,101
	$ 73,066	$ 17,100	$ 2,241	($ 93)	$ 92,314
Deferred income tax liabilities					
Temporary differences					
Undistributed earnings of subsidiaries	$ 55,819	$ 1,534	($ 935)	$ -	$ 56,418

(V) Amount of deductible temporary difference and loss carryforwards of deferred income tax assets unrecognized in the consolidated balance sheet

	December 31, 2022	December 31, 2021
Loss carryforwards		
Expire in 2022	-	25,449
Expire in 2023	33,046	33,046
Expire in 2024	74,222	74,222
Expire in 2025	94,847	94,847
Expire in 2026	49,417	49,417
Expire in 2027	42,286	42,286
Expire in 2028	30,687	30,687
Expire in 2029	30,093	30,093
Expire in 2030	24,190	24,190
Expire in 2031	21,778	21,778
Expire in 2032	33,450	-
	$ 434,016	$ 426,015
Deductible temporary differences	$ 90,082	$ 77,567

(VI) Information on unused loss carryforwards

The information on the loss carryforwards of the Group , up to December 31, 2022 is as follows:

Unused balance	Expiration year
$ 33,046	2023
74,222	2024
94,847	2025
49,417	2026
42,286	2027
30,687	2028
30,093	2029
24,190	2030
21,778	2031
33,450	2032
$434,016	

(VII) Authorization of income tax

The Company's and subsidiaries' profit-seeking business income tax filings have been approved by the tax authority through the year specified as follows:

Company name	Latest year of approval
The Company	2020
ACROMASS	2020
NATGEM	2020
SCIENTECH MATERIALS	2020

22. Earnings per share

Unit: NT$

	2022	2021
Basic earnings per share	$ 7.08	$ 5.23
Diluted earnings per share	$ 7.00	$ 5.19

Net profit in the current year

	2022	2021
Net profit of the Company	$ 568,583	$ 419,905

Shares

Unit: Thousand shares

	2022	2021
Weighted average number of common shares used for calculating basic earnings per share	80,328	80,328
Effect of potential diluted common shares:		
Employee remuneration	895	570
Weighted average number of common shares used for calculating diluted earnings per share	81,223	80,898

Where the Group may elect to distribute employee remuneration in shares or in cash, when calculating the diluted EPS, the Group assumes that all employee remuneration is distributed in shares and counts the potentially dilutive common shares - when deemed dilutive - in the weighted average number of shares outstanding. The Group continues to consider the dilutive effect of such potentially delusive common shares when calculating the dilutive EPS before the number of share dividends is to be resolved on in the following year.

23. Non-cash transactions

In 2022 and 2021, the Group transferred property, plant, and equipment in the amount of 2,868 thousand and 79,420 thousand, respectively, to inventory costs, with an accumulated depreciation of 1,769 thousand and 12,724 thousand, respectively. In 2022 and 2021, the Group transferred 9,455 thousand and 12,598 thousand, respectively, from inventories to own-use property, plant, and equipment (refer to Note 12).

24. Capital risk management

The Group conducts capital management to ensure the Group can continue as a going concern while maximizing shareholders’ return by optimizing the liability and equity balances.

The Group’s capital structure is composed of its net debt and its equity.

The key management of the Group reviews its capital structure every year in terms of the cost and risks of each capital category. Based on the recommendation of the key management, the Group will balance its capital structure by paying dividends and issuing new debts or paying existing debts.

25. Financial instruments

(I) Fair value information－financial instruments not measured at fair value

Management of the Group thinks that financial assets and financial liabilities not measured at fair value have a book value approximate to their fair value.

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

1. Fair value hierarchy

December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income				
Investment in equity instruments				
Shares of TWSE-listed companies through private placement	$ -	$ 89,205	$ -	$ 89,205
Foreign shares not traded on an exchange or OTC	-	-	49,357	49,357
	$ -	$ 89,205	$ 49,357	$ 138,562

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income				
Investment in equity instruments				
Shares of TWSE-listed companies through private placement	$ -	$ 112,237	$ -	$ 112,237
Foreign shares not traded on an exchange or OTC	-	-	54,013	54,013
	$ -	$ 112,237	$ 54,013	$ 166,250

There was no transfer of fair value measurements between Level 1 and Level 2 in 2022.

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

2022

	Financial assets at fair value through other comprehensive income
Financial assets	Equity instruments
Balance - beginning of period	$ 54,013
Purchase	18,631
Recognized in other comprehensive income	(23,287)
Balance - end of year	$ 49,357

2021

	Financial assets at fair value through other comprehensive income
Financial assets	Equity instruments
Balance - beginning of period	$ -
Purchase	59,726
Recognized in other comprehensive income	(5,713)
Balance - end of year	$ 54,013

3. Level 2 fair value valuation techniques and inputs

If there is no quoted price for the common shares issued by domestic TWSE-listed companies through a private placement, such common shares are evaluated by using valuation techniques. The assumptions and estimates used by the Group for the valuation techniques are the same as the assumptions and estimates accessible to the Company that are used by market participants for quoting a price for financial products.

The valuation technique the Group used for measuring the fair value is the Black-Scholes pricing model.

4. Level 3 fair value valuation techniques and inputs

When valuing the foreign shares not traded on an exchange or OTC, the Group used the income approach by which the present value of benefits expected to be derived from such investment is calculated by discounting the cash flows. Significant unobservable inputs are as follows. When liquidity discount decreases, the fair value of such investment will increase.

	December 31, 2022	December 31, 2021
Liquidity discount	32.24%	32.28%

If the following inputs are changed to reflect reasonably possible alternative assumptions while other inputs are held constant, the amount of the fair value of equity investment will increase (decrease) by:

	December 31, 2022	December 31, 2021
Liquidity discount		
Increase by 1%	($ 728)	($ 798)
Decrease by 1%	$ 728	$ 798

(III) Type of financial instruments

	December 31, 2022	December 31, 2021
Financial assets		
Financial assets at amortized cost (Note 1)	$ 5,126,069	$ 3,304,982
Financial assets at fair value through other comprehensive income	138,562	166,250
Financial liabilities		
Financial liabilities at amortized cost (Note 2)	2,935,923	1,703,531

Note 1: The balance included financial assets measured at amortized cost such as cash and cash equivalents, notes receivable and accounts receivable (including those due from related parties), other receivables (presented under other current assets), restricted assets (presented under other current assets), other financial assets (presented under other current assets), and guarantee deposits paid (presented under other non-current assets).

Note 2: The balance included the financial liabilities measured at amortized cost such as short-term borrowings, notes payable and accounts payable, and other payables.

(III) Financial risk management purpose and policy

The Group's financial instruments mainly comprise equity investment, receivables, payables, borrowings, and lease liabilities. The financial management department of the Group provides services for each type of business and supervises and manages the financial risks incidental to the Group's operations by referencing the internal risk report in which risk exposure is analyzed based on the extent and extensiveness of risks. Such risks include market risk, credit risk, and liquidity risk.

The financial management department provides a report to the key management quarterly to reduce risk exposure.

The Group did not adopt hedge accounting.

1. Market risk

(1) Exchange rate risk

Some subsidiaries of Group are engaged in sales and purchase denominated in foreign currency, thus exposing the Group to the exchange rate fluctuation risk.

For the book value of the Group's monetary assets and monetary liabilities denominated in a currency other than the functional currency on the balance sheet date, refer to Note 29.

<u>Sensitivity analysis</u>

The Group is affected primarily by fluctuation in the exchange rate of USD.

The sensitivity analysis includes only the foreign currency monetary items outstanding, which are translated at the end of year by using an exchange rate that could be adjusted by a maximum of 1%. When the functional currency appreciates/depreciates by 1% against the USD, the effects on the pre-tax net profit stated in the consolidated financial statements for 2022 and 2021 will be NT$16,329 thousand and NT$14,562 thousand, respectively.

The exchange rate fluctuation mainly affects the Group's bank deposits, as well as the payables and receivables denominated in USD that were still outstanding and were not hedged with a cash flow hedge on the balance sheet date.

(2) Interest rate risk

The interest rate risk facing the Group mainly comes from the Group's floating-rate bank deposits.

The book value of the financial assets and liabilities of the Group that were exposed to the interest rate risk on the balance sheet date is as follows:

	December 31, 2022	December 31, 2021
With cash flow interest rate risk		
- Financial assets	$ 3,638,016	$ 2,140,979
- Financial liabilities	200,000	200,000
With fair value interest rate risk		
- Financial assets	443,365	11,926
- Financial liabilities	230,661	44,642
- Lease liabilities	70,917	81,043

Sensitivity analysis

The following sensitivity analysis is based on the interest risk exposure of non-derivatives on the balance sheet date. Floating-rate liabilities are analyzed based on the assumption that the liability amount outstanding on the balance sheet date remains outstanding throughout the reporting period.

If interest rate increases/decreases by 1%, held other variables constant, the Group’s pre-tax profit in the consolidated financial statements for 2022 and 2021 will change by NT$34,380 thousand and NT$19,410 thousand, respectively.

2. Credit risk

The credit risk means the risk of causing financial loss to the Group because the trading counterparty defaults on contractual obligations. As of the balance sheet date, the Group’s maximum credit exposure to the financial loss caused by a trading counterparty’s defaulting on his/her performance obligations mainly lies in the book value of the financial assets recognized on the consolidated balance sheet.

According to its policy, the Group only trades with reputational counterparties and requires provision of collateral where necessary to reduce the risk of financial loss due to default.

The Group exposes to the credit risk, which mainly comes from the customers who individually account for 10% or more of the Group’s total accounts receivables. Refer to Note 8 for details.

3. Liquidity risk

The Group manages and maintains sufficient cash to support business operations and reduce the effect of the fluctuating cash flow. The management of the Group monitors the use of bank financing facilities and ensures compliance with the terms of the loan contract.

Bank loans are one of the Group’s important sources of liquidity. For the bank financing facility that the Group has not used, refer to relevant descriptions in (2) below.

(1) Liquidity and interest rate risks of non-derivative financial liabilities

The maturity analysis of other non-derivative financial liabilities is compiled based on the agreed repayment date.

December 31, 2022

	1–3 months	4 months – 1 year	More than 1 year
Non-derivative financial liabilities			
Non-interest bearing debt	$ 2,716,006	$ 19,917	$ -
Instruments with a floating rate	200,396	-	-
Lease liabilities	2,790	5,856	73,936
	$ 2,919,192	$ 25,773	$ 73,936

More information on the maturity analysis of lease liabilities:

	Less than 1 year	2–5 years	6–10 years	11–15 years	16–20 years
Lease liabilities	$ 8,646	$ 19,596	$ 22,800	$ 22,800	$ 8,740

December 31, 2021

	1–3 months	4 months – 1 year	More than 1 year
Non-derivative financial liabilities			
Non-interest bearing debt	$ 1,495,354	$ 8,177	$ -
Instruments with a floating rate	200,341	-	-
Lease liabilities	3,462	10,181	80,771
	$ 1,699,157	$ 18,358	$ 80,771

More information on the maturity analysis of lease liabilities:

	Less than 1 year	2–5 years	6–10 years	11–15 years	16–20 years
Lease liabilities	$ 13,643	$ 21,871	$ 22,800	$ 22,800	$ 13,300

(2) Credit limit of financing facilities

	December 31, 2022	December 31, 2021
Unsecured bank loan limit (extendable upon mutual agreement)		
- Employed capital	$ 426,461	$ 246,872
- Unemployed capital	853,539	1,233,128
	$ 1,280,000	$ 1,480,000

26. Related Party Transactions

All the transactions between the Company and subsidiaries, account balances, profits, and expenses/losses are eliminated during consolidation and thus not disclosed in this note. In addition to those disclosed in other notes, transactions between the Group and other related parties are described as follows.

(I) Name and relationship of related party

Name of related party	Relationship with the Company
HUNG-LIANG HSIEH	Chairperson
FORWARD SCIENCE CORPORATION	Associate
XTEK SEMICONDUCTOR (HUANGSHI) CO., LTD. (XTEK SEMICONDUCTOR)	Associate
HONG LUN CULTURAL CREATIVITY FOUNDATION	Same key management

(II) Operating revenue

General ledger account	Name and type of related party	2022	2021
Goods sales revenue	Associate	$ 68,826	$ 303,493
Other operating revenue	Associate	$ 22,824	$ 810

The price and payment terms for a sale transaction between the Group and related parties are determined based on the terms mutually agreed upon.

(III) Purchase

Name and type of related party	2022	2021
Associate	$ -	$ 2,780

The price and payment terms for a purchase transaction between the Group and related parties are determined based on the terms mutually agreed upon.

(IV) Contract liabilities

Name and type of related party	December 31, 2022	December 31, 2021
Associate		
XTEK SEMICONDUCTOR	$ 54,246	$ 51,570

(V) Receivables

General ledger account	Name and type of related party	December 31, 2022	December 31, 2021
Accounts receivable - related parties	Associate XTEK SEMICONDUCTOR	$ 5,152	$ 55,711

No guarantee was requested for the outstanding receivables due from related parties. The balance of the allowance for receivables due from related parties as of December 31, 2022 and 2021 were NT$377 thousand and NT$1,485 thousand, respectively. The allowance for receivables due from related parties that was provided (reversed) in 2022 and 2021 amounted to NT$(1,108) thousand and NT$1,485 thousand, respectively.

(VI) Payables

General ledger account	Name and type of related party	December 31, 2022	December 31, 2021
Other payables	Associate	$ 230	$ -

The outstanding balance of the payables due to related parties was not secured against collateral.

(VII) Lease agreements

General ledger account	Name and type of related party	December 31, 2022	December 31, 2021
Lease liabilities	Chairperson	$ 65,509	$ 68,731

Name and type of related party	2022	2021
Interest expenses (presented under financial cost)		
Chairperson	$ 1,338	$ 1,401

The rent charged for lease contracts signed between the Group and related parties was negotiated upon by referencing the market price; the payment term was the same as a general payment term.

(VIII) Others

Name and type of related party	2022	2021
Maintenance and repair (presented under operating cost)		
Associate	$ -	$ 1,512
Rental income (presented under other income)		
Associate	$ 24	$ -

(IX) Remuneration to key management

	2022	2021
Short-term employee benefits	$ 75,486	$ 60,601
Post-employment benefit	933	1,322
	$ 76,419	$ 61,923

The remuneration to directors and other key management was decided by the Remuneration Committee according to personal performance and market trends.

27. Pledged and Mortgaged Assets

The following assets were provided to the Custom Office as collateral against the bonded goods and the payments and performance obligation of manufacturers.

	December 31, 2022	December 31, 2021
Pledged certificates of deposits (presented under other current assets)	$ 171,926	$ 81,243

28. Significant Commitments

The Group’s letter of credits issued but not used that were intended for purchase of goods and machinery and equipment, and for performance guarantee were NT$169,725 thousand and NT$79,789 thousand as of December 31, 2022 and 2021, respectively.

29. Information on foreign currency assets and liabilities with significant effects

The following information is summarized and stated based on the foreign currencies other than the functional currency of the Group's parent company only entities. The disclosed exchange rate represents the exchange rate of such foreign currency against the functional currency. Foreign currency assets and liabilities with significant effects are as follows:

December 31, 2022

	Foreign currency	Exchange rate		Book value
Foreign currency assets				
Monetary items				
USD	$ 58,744	30.71	(USD:TWD)	$ 1,804,032
USD	35,286	6.967	(USD:CNY)	1,083,642
USD	22,182	7.798	(USD: HKD)	681,200
EUR	11,278	32.72	(EUR:TWD)	369,011
EUR	1,869	7.423	(EUR:CNY)	61,167
JPY	103,157	0.232	(JPY:TWD)	24,057
Non-monetary items				
Associates accounted for using equity method				
CNY	113,893	4.408	(CNY:TWD)	502,039
Foreign currency liabilities				
Monetary items				
USD	52,090	30.71	(USD:TWD)	1,599,684
USD	9,233	6.967	(USD:CNY)	283,543
JPY	258,135	0.232	(JPY:TWD)	59,991
USD	1,722	7.798	(USD:HKD)	52,885
EUR	723	8.309	(EUR:HKD)	23,658
EUR	698	32.72	(EUR:TWD)	22,845

December 31, 2021

	Foreign currency	Exchange rate		Book value
Foreign currency assets				
Monetary items				
USD	$ 46,087	27.68	(USD:TWD)	$ 1,275,694
USD	21,980	6.372	(USD:CNY)	608,404
USD	12,951	7.799	(USD: HKD)	358,484
EUR	7,231	31.32	(EUR:TWD)	226,476
JPY	68,391	0.241	(JPY:TWD)	16,448
JPY	52,810	0.055	(JPY:CNY)	12,701
JPY	44,542	0.068	(JPY: HKD)	10,712
Non-monetary items				
Associates accounted for using equity method				
CNY	104,224	4.344	(CNY:TWD)	452,747
Foreign currency liabilities				
Monetary items				
USD	20,246	27.68	(USD:TWD)	560,397
USD	7,594	6,372	(USD:CNY)	210,206
USD	1,835	31.32	(EUR:TWD)	57,466
JPY	98,227	0.241	(JPY:TWD)	23,624
EUR	571	7.799	(USD:HKD)	15,814

The realized and unrealized foreign currency exchange gains (losses) of the Group in 2022 and 2021 were NT$77,879 thousand and NT$(42,833) thousand, respectively. However, it was not feasible to disclose the exchange loss and gain of each significant foreign currency because the number of foreign currencies involved in foreign currency transactions as well as the number of functional currencies of entities within the Group varied.

30. Supplementary Disclosures

Except those disclosed in Appendix Table 1 through 9, there were no required disclosures.

31. Segment Information

Information provided for the operating decision makers to allocate resources and evaluate segment performance focuses on the type of products or services delivered or provided. The reportable segments of the Group are as follows:

(I) Segment revenue and operating outcome

The revenue and operation outcome of the Group are analyzed by reportable segment as follows:

	Segment revenue		Segment profit or loss	
	2022	2021	2022	2021
Sale in the capacity of an agent	$ 3,786,913	$ 2,942,368	$ 443,388	$ 360,647
Manufacturing	2,078,843	1,855,724	429,994	322,542
Reportable segments - total	5,865,756	4,798,092	873,382	683,189
Headquarters				
Administrative costs and non-operating income and expenses	-	-	(137,496)	(159,244)
Subtotal	5,865,756	4,798,092		
Inter-segment sales revenue	(215,770)	(114,305)		
Net sales revenue	$ 5,649,986	$ 4,683,787		
Net profits before tax			$ 735,886	$ 523,945

Segment profits mean the profits earned by each segment, excluding the following items that should be allocated among them: administrative cost of the headquarters, director remuneration, non-operating income and expenses, and income tax expenses. Such measurements serve as a basis for main operational decision makers to allocate resources to segments and evaluate their performance.

(II) Segment assets and liabilities

The Group disclosed the measurements of total assets and liabilities of reportable segments as a whole instead of individually because the measurements of assets and liabilities had yet to be provided to the operational decision makers.

(III) Geographic information

The Group mainly operates in the two regions: Taiwan and China.

(IV) Information on major customers

Of the operating revenue in 2022 and 2021, NT$967,799 thousand and NT$745,710 thousand, respectively, came from customers who individually account for 10% or more of the Group’s consolidated revenue; except for such customers, there were no other customers who individually account for 10% or more of the Group’s consolidated revenue.

SCIENTECH CORPORATION and Subsidiaries

Loans to others

2022

Appendix Table 1

Unit: NT$ thousand unless otherwise specified

No.	Lending company	Borrowing company	Financial account	Whether a related party or not	Highest amount in the year (Note 3)	Balance - end of year (Note 3)	Drawdown (Note 3)	Interest rate range (%)	Nature of loaning of funds	Business transaction amount	Reasons for the need of short-term financing	Appropriated allowance for bad debt	Collateral		Limit of loans to a single borrower (Notes 1 and 3)	Limit of total loaning of funds (Notes 2 and 3)
													Name	Value		
0	The Company	SCIENTECH MATERIALS CORPORATION	Other receivables — Related party	Yes	$ 7,000	$ -	$ -	1.7	Short-term financing	$ -	Working capital	$ -	—	$ -	$ 358,249	$ 1,432,994
		NATGEM INC.	Other receivables — Related party	Yes	2,000	2,000	-	1.2	Short-term financing	-	Working capital	-	—	-	358,249	1,432,994
		ACROMASS TECHNOLOGIES,INC.	Other receivables — Related party	Yes	15,000	8,000	-	1.2	Short-term financing	-	Working capital	-	—	-	358,249	1,432,994
1	SCIENTECH ENGINEERING (HONG KONG) LIMITED	SCIENTECH ENGINEERING CORP.(SHANGHAI)	Other receivables — Related party	Yes	24,568 (US$800 thousand)	24,568 (US$800 thousand)	-	1.7	Short-term financing	-	Working capital	-	—	-	24,568 (US$800 thousand)	241,934 (HKD61,436 thousand)
		SCIENTECH ENGINEERING USA CORP.	Other receivables — Related party	Yes	30,710 (US$1,000 thousand)	30,710 (US$1,000 thousand)	6,142 (US$200 thousand)	1.2	Short-term financing	-	Working capital	-	—	-	30,710 (US$1,000 thousand)	241,934 (HKD61,436 thousand)
		SCIENTECH GMBH	Other receivables — Related party	Yes	30,710 (US$1,000 thousand)	30,710 (US$1,000 thousand)	-	1.2	Short-term financing	-	Working capital	-	—	-	30,710 (US$1,000 thousand)	241,934 (HKD61,436 thousand)

Note 1: The limit of loans to a single borrower is as follows:

1. The limit of loaning of funds to a single party with business relationship with Company should not exceed the total transactions amount between it and the Company. The said “Transaction amount” means the higher of purchase or sales therebetween.
2. Limit of loaning of funds to a company in need of short-term financing should not exceed 10% of the Company’s net worth.
3. Limit of loaning of funds to a foreign operation whose voting shares are fully held by the Company, either directly or indirectly, should exceed neither the amount approved by the Board of Directors nor the amount equal to 80% of the lending company’s net worth.

Note 2: The limit of total funds loaned to others is as follows:

1. Should not exceed 40% of the Company’s net worth.
2. The limit of total funds loaned by a foreign operation of which all the voting shares are directly or indirectly held by the Company should not exceed 80% of the foreign operation’s net worth.

Note 3: Converted at the exchange rate of US$1 against NT$30.71 and HKD$1 against NT$3.938 on December 31, 2022.

Note 4: The said transactions had been eliminated during the preparation of the consolidated financial statements.

SCIENTECH CORPORATION and Subsidiaries

Making endorsements/guarantees for others

2022

Appendix Table 2

Unit: NT$ thousand unless otherwise specified

No.	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsement/ guarantees provided for a single party (Notes 1 and 2)	Maximum balance for the period (Note 2)	Ending balance (Note 2)	Drawdown (Note 2)	Amount of endorsement/ guarantees collateralized by properties (Note 2)	Ratio of accumulated endorsement/ guarantee to net equity per latest financial statement (%)	Limit of endorsement/ guarantees collateralized by properties (Notes 2 and 3)	Guarantee provided by parent company to subsidiary	Guarantee provided by subsidiary to a parent company	Guarantee provided to entities in Mainland China
		Company name	Relationship										
0	The Company	SCIENTECH ENGINEERING (HONG KONG) LIMITED	Subsidiary	$ 1,791,243	$ 30,710 (US$1,000 thousand)	$ 30,710 (US$1,000 thousand)	$ -	$ -	0.9%	$ 3,582,486	Y	N	N
1	SCIENTECH ENGINEERING (HONG KONG) LIMITED	SCIENTECH ENGINEERING CORP.(SHANGHAI)	Parent company	151,209 (HKD38,397 thousand)	3,071 (US$100 thousand)	3,071 (US$100 thousand)	3,071 (US$100 thousand)	3,071 (US$100 thousand)	1.0%	302,418 (HKD76,795 thousand)	N	Y	Y

Note 1: The limit of endorsement and guarantee made by the Company or subsidiaries to a single entity should not exceed 50% of the entity’s net worth.

Note 2: Converted at the exchange rate of US$1 against NT$30.71 and HKD$1 against NT$3.938 on December 31, 2021.

Note 3: Should not exceed 100% of the Company’s or a subsidiary’s net worth stated on the financial statements.

SCIENTECH CORPORATION and Subsidiaries

Marketable Securities Held at the End of Period

December 31, 2022

Appendix Table 3

Unit: NT$ thousand

Investor	Type and name of marketable securities	Relationship with the securities issuer	General ledger account	End of year				
				Shares	Book value	Shareholding Percentage (%)	Fair value	Remarks
SCIENTECH CORPORATION	Shares							
	HITEKCORPS CO., LTD.	—	Financial assets at fair value through profit or loss	225,000	$ -	3.19	$ -	—
	AUENTER TECHNOLOGY CORP.	—	Financial assets at fair value through profit or loss	600,000	-	13	-	—
	AMCHAEL-GRAPHICS CORP.	—	Financial assets at fair value through profit or loss	700,000	-	33	-	—
	PROMOS TECHNOLOGIES INC.	—	Financial assets at fair value through profit or loss	4,662	-	-	-	—
	INFINITESIMA LIMITED	—	Financial assets at fair value through other comprehensive income - non-current	6,111,111	49,357	9.30	49,357	—
	SPIROX CORP.	—	Financial assets at fair value through other comprehensive income - non-current	4,000,000	89,205	3.40	89,205	—
SCIENTECH INVESTMENT CORP.	Shares							
	SIGLAZ	—	Financial assets at fair value through profit or loss	1,100,000	-	15.80	-	—

Note: For information on investment in subsidiaries and associates, refer to Appendix Tables 7 and 8.

SCIENTECH CORPORATION and Subsidiaries

Acquisition of real property reaching NT$300 million or 20% of paid-in capital or more

2022

Appendix Table 4

Unit: NT$1,000

Real property buyer	Property name	Fact occurrence date	Transaction amount	Proceeds payment progress	Counter-party	Relationship	Information on the previous transfer of property where the counter-party is a related party				Pricing reference	Acquisition purpose and state of use	Other covenants
							Owner	Relationship with the issuer	Transfer date	Amount			
SCIENTECH CORPORATION	Land and structures	2022/1/7	$ 313,255	Progressing in line with contractual terms	ThAI CHENG TANNERY CO., LTD.	Non - related party	—	—	—	$ -	HONG BANG REAL ESTATE APPRAISER	For use as a factory to satisfy operating needs	None

Note: The Company's Board of Directors meeting dated January 7, 2022 resolved to purchase the factory and the land in Anding District of Tainan City; earnest money was paid upon execution of the contract on January 11, 2022, and the rest of the payment was fully made in March 2022, in which ownership was also transferred.

SCIENTECH CORPORATION and Subsidiaries

Purchase or sale of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more

2022

Appendix Table 5

Unit: NT$ thousand

Purchase from (sale to)	Transaction counterparty	Relationship	Transaction details				Occurrence of transaction terms other than those for an arms-length transaction and reasons therefor		Notes/Accounts receivable (payable)		Remarks
			Purchase (sales)	Amount	Ratio to total purchase (sales) (%) (Note)	Credit period	Unit price	Credit period	Balance	Ratio to total notes and accounts receivable (payable) (%)	
SCIENTECH CORPORATION	SCIENTECH ENGINEERING USA CORP.	Subsidiary	Purchase	$ 167,145	4.1	Net30	$ -	—	($ 3,858)	(0.2)	
SCIENTECH ENGINEERING USA CORP.	SCIENTECH CORPORATION	Parent company	Sales	($ 167,145)	(86.9)	Net30	$ -	—	$ 3,858	67.1	

Note 1: Refers to the ratio to total purchase (sales), or to total receivables or payables, of an individual company.

Note 2: The said transactions had been eliminated during the preparation of the consolidated financial statements.

SCIENTECH CORPORATION and Subsidiaries

The Business Relationship and Major Transactions between the Parent Company and Its Subsidiaries and among Subsidiaries and the Amounts thereof

2022

Appendix Table 6

Unit: NT$ thousand

No.	Company name	Counterparty	Relationship with the company	Transaction details			
				General ledger account	Amount	Transaction terms	Ratio to consolidated total operating revenues or total assets (%)
0	SCIENTECH CORPORATION	SCIENTECH ENGINEERING USA CORP.	1	Sales cost	$ 167,145	Same as that of an arms-length transaction	2.96

Note 1: The said transactions had been eliminated during the preparation of the consolidated financial statements.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories:

1. Parent company to subsidiary.

Note 3: This table presents only the significant transactions whose value accounts for 1% or more of the total consolidated revenue or total assets.

SCIENTECH CORPORATION and Subsidiaries

Name and Territory of Investees and Other Relevant Information

2022

Appendix Table 7

Unit: NT$ thousand unless otherwise specified

Name of investor	Investee	Region	Main business line	Original investment amount		Shares held at the period-end			Profit or loss of investee in the period	Investment gains of losses recognized in the period	Remarks
				December 31, 2022	January 1, 2022	Shares	Percentage	Book value			
SCIENTECH CORPORATION	SCIENTECH INVESTMENT CORP.	Mauritius	Investment	$ 171,775	$ 171,775	5,540,000	100	$ 536,864	$ 86,774	$ 86,774	(Note 4)
	ACROMASS TECHNOLOGIES,INC.	Taipei City	General instrument and precision instrument manufacturing	270,000	270,000	27,000,000	100	3,277	(1,792)	(1,792)	(Note 4)
	SCIENTECH MATERIALS CORPORATION	Taipei City	Manufacturing and sale of energy-efficient products	205,000	205,000	1,400,000	100	3,167	1	1	(Notes 1, 2, and 4)
	NATGEM INC.	Taipei City	Sale of food and supplies	33,000	33,000	800,000	100	583	(210)	(210)	(Note 4)
	SCIENTECH GMBH	Austria	International trade	1,163	1,163	-	100	10,259	9,840	9,840	(Note 4)
	TRANSCEND CAPITAL CORP.	British Virgin Islands	Investment	416,829	416,829	14,275,006	100	457,959	(55,528)	(55,528)	(Note 4)
	FORWARD SCIENCE CORPORATION	Miaoli County	Maintenance service	19,600	20,000	1,960,000	6	28,561	(52,350)	(2,813)	(Note 2)
	RENORIGIN INNOVATION INSTITUTE CO., LTD.	Taipei City	Sale of biotech products	14,030	14,030	1,121,000	20	8,209	(8,100)	(1,761)	(Note 2)
	FORWARD SCIENCE PTE. LTD.	Singapore	Trading and maintenance of semiconductor equipment and peripherals	11,944	11,944	500,000	21	-	-	-	(Note 2)
SCIENTECH INVESTMENT CORP.	SIMPLE INVESTMENT CORP.	Mauritius	Investment	150,663 (US$4,906 thousand)	150,663 (US$4,906 thousand)	4,905,500	100	505,380 (US$16,457 thousand)	78,881 (US$2,647 thousand)	78,881 (US$2,647 thousand)	(Note 3 and 4)
	SCIENTECH ENGINEERING USA CORP.	California, US	Trading of semiconductor equipment and peripherals	9,213 (US$300 thousand)	9,213 (US$300 thousand)	300,000	100	28,926 (US$942 thousand	7,901 (US$265 thousand)	7,901 (US$265 thousand)	(Note 3 and 4)
SCIENTECH ENGINEERING CORP.(SHANGHAI)	SCIENTECH ENGINEERING (HONG KONG) LIMITED	Hong Kong	International trade	5,968 (CNY$1,354 thousand)	5,968 (CNY$1,354 thousand)	-	100	302,418 (CNY$68,608 thousand)	37,928 (CNY$8,577 thousand)	37,928 (CNY$8,577 thousand)	(Note 3 and 4)

Note 1: SCIENTECH MATERIALS was dissolved through a resolution reached at the Board of Directors meeting dated August 31, 2021. As of December 31, 2022, the liquidation process was not yet completed.

Note 2: It was calculated based on financial statements in the same period that were not audited by CPAs.

Note 3:The amount was converted using the exchange rate of US$1＝$30.71 and RMB$1＝$4.408 on December 31, 2022. Investment gains or losses were converted using the average exchange rate of US$1=29.805 and RMB$1=4.422 during January 1, 2022 and December 31, 2022.

Note 4: It is a subsidiary. The said transactions between it and the Company had been eliminated during the preparation of the consolidated financial statements.

SCIENTECH CORPORATION and Subsidiaries

Information on Investments in Mainland China

2022

Appendix Table 8

Unit: NT$ thousand unless otherwise specified

Investee in Mainland China	Main business line	Paid-in Capital (Note 1)	Method of investment	Accumulated amount of investments from Taiwan at the beginning of current year (Note 1)	Amount of investments remitted or recovered in current year		Accumulated amount of investments from Taiwan at the end of current year (Note 1)	Profit or loss of investee in the period (Note 2)	The Company's shareholding of direct or indirect investment (%)	Investment gains of losses recognized in the year	Investment book value at the end of the year (Note 2)	Profit received from investments as of the end of current year
					Remitted	Recovered						
SCIENTECH ENGINEERING CORP. (SHANGHAI)	Trading and maintenance of semiconductor equipment and peripherals	$ 149,558 (US$4,870 thousand)	Invested in a China investee through another investee in a third region (Note 3)	$ 149,558 (US$4,870 thousand)	$ -	$ -	$ 149,558 (US$4,870 thousand)	$ 78,893 (Notes 6)	100	$ 78,893 (Notes 6)	$ 505,948 (Notes 6)	$ -
XTEK SEMICONDUCTOR (HUANGSHI) CO., LTD.	Trading of semiconductor equipment and peripherals	2,545,431 (US$82,886 thousand)	Invested in a China investee through another investee in a third region (Note 4)	438,182 (US$14,268 thousand)	-	-	438,182 (US$14,268 thousand)	(318,577)	17.21	(61,100)	457,968	-

Accumulated amount of investments from Taiwan to Mainland China at the end of current period (Note 1)	Investment amount approved by the Investment Commission, MOEA (Note 1)	Limit on the amount of investments in Mainland China specified by the Investment Commission, MOEA
$587,740(US$19,138 thousand)	$587,740(US$19,138 thousand)	$2,149,492

Note 1: Converted at the exchange rate of US$1 against NT$30.71 on December 31, 2022.

Note 2: It was calculated based on financial statements in the same period that were audited by CPAs.

Note 3: Investment in SCIENTECH ENGINEERING CORP. (SHANGHAI) via SIMPLE INVESTMENT CORP.

Note 4: Investment in XTEK SEMICONDUCTOR (HUANGSHI) CO., LTD. via TRANSCEND CAPITAL CORP.

Note 5: The balance of unrealized gains as of December 31, 2022 in the amount of NT$46,152 thousand was arising from sale of machinery and equipment and provision of services to XTEK SEMICONDUCTOR (HUANGSHI) CO., LTD. Realized gross profit during January 1, 2022 and December 31, 2022 was NT$3,590 thousand.

Note 6: The said transactions had been eliminated during the preparation of the consolidated financial statements.

SCIENTECH CORPORATION

Information on Major Shareholders

December 31, 2022

Appendix Table 9

Name of major shareholder	Shares	
	Number of shares held (shares)	Ownership
HUNG-LIANG HSIEH	7,943,455	9.79%
FEN-CHING HSIEH-CHIU	6,095,072	7.51%
FULLWAY INVESTMENT CORPORATION	5,600,292	6.90%
PARADIGM INVESTMENT CORP.	4,892,721	6.03%

Note: The information on major shareholders are acquired from the data of the Taiwan Depository & Clearing Corporation with respect to the shareholders holding aggregately 5% or more of the common and preferred stocks of the Company that have been registered and delivered in dematerialized form on the last business day at the end of the current quarter. The share capital stated in the consolidated financial statements of the Company may be different from the number of shares that have been actually registered and delivered in dematerialized form due to different bases of compilation and calculation.