Stock Code: 3583

SCIENTECH CORPORATION

Parent Company Only 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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Independent Auditors' Report

To SCIENTECH CORPORATION:

Audit opinion

We have audited the parent company only balance sheet of SCIENTECH CORPORATION as of December 31, 2022 and 2021, and the parent company only statement of comprehensive income, parent company only statement of changes in equity and parent company only statement of cash flows for the period from January 1 through December 31, 2022 and 2021, and the notes to the parent company only financial statements (including the summary of significant accounting policies).

In our opinion, the parent company only financial statements were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and thus presented fairly, in all material aspects, the financial position of SCIENTECH CORPORATION as of December 31, 2022 and 2021, and its parent company only financial performance and cash flows for the period from January 1 through December 31, 2022 and 2021.

Basis for Opinions

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 Parent Company Only Financial Statements section of our report. We were independent of SCIENTECH CORPORATION 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 are those that, in our professional judgment, were of utmost significance in our audit of the parent company only financial statements of SCIENTECH CORPORATION for the year ended December 31, 2022. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these issues.

Key audit matters for SCIENTECH CORPORATION’s parent company only financial statements for the year ended December 31, 2022 are stated as follows:

Revenue recognition

SCIENTECH CORPORATION’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 parent company only 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.

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

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

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

Those charged with governance, including the audit committee, are responsible for overseeing SCIENTECH CORPORATION's financial reporting process.

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

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we 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 parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the SCIENTECH CORPORATION'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 SCIENTECH CORPORATION'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 parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the SCIENTECH CORPORATION to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures and whether or not the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within SCIENTECH CORPORATION to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision, and performance of the audit for SCIENTECH CORPORATION. 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 parent company only financial statements of SCIENTECH CORPORATION for the year ended December 31, 2021 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: MING-HSIN CHO

CPA: HUI-MIN HUANG

Approval No. from the Securities and Futures Commission
Tai-Tsai-Cheng-Liu-Zi No. 0920123784

Approval No. from the Financial Supervisory Commission
Jin-Guan-Zheng-Shen-Zi No. 1070323246

March 10, 2023

SCIENTECH CORPORATION

Parent Company Only Balance Sheet

As of December 31, 2022 and 2021

Unit: NT$ thousand

Code	Assets	December 31, 2022 Amount	%	December 31, 2021 Amount	%
	Current Assets				
1100	Cash (Notes 4 and 6)	$ 2,192,602	20	$ 1,309,045	19
1170	Notes receivable and accounts receivable (Notes 4, 8, and 18)	648,697	6	705,913	11
1180	Accounts receivable - related parties (Notes 4, 8, 18, and 25)	5,152	-	55,711	1
130X	Inventories (Notes 4, 9, 22, and 25)	3,710,856	34	1,778,265	26
1410	Prepayments (Notes 25)	1,480,388	13	445,894	7
1470	Other current assets (Notes 13, 25, and 26)	11,344	-	15,368	-
11XX	Total current assets	8,049,039	73	4,310,196	64
	Non-current assets				
1517	Financial assets at fair value through other comprehensive income (Notes 4 and 7)	138,562	1	166,250	3
1550	Investments accounted for using equity method (Notes 4 and 10)	1,048,879	10	883,534	13
1600	Property, plant, and equipment (Notes 4, 11, and 22)	1,495,749	14	1,161,372	17
1755	Right-of-use assets (Notes 4 and 12)	66,472	1	74,278	1
1785	Patent right (Note 4)	2,374	-	1,471	-
1840	Deferred income tax assets (Notes 4 and 20)	110,047	1	89,111	1
1915	Prepayments for equipment (Note 11)	14,492	-	45,784	1
1975	Net defined benefit assets, non-current (Note 4 and 16)	1,842	-	-	
1990	Other non-current assets (Note 13)	32,328	-	19,980	-
15XX	Total non-current assets	2,910,745	27	2,441,780	36
1XXX	Total Assets	$ 10,959,784	100	$ 6,751,976	100
Code	Liabilities and Stockholders’ Equity				
	Current liabilities				
2100	Short-term borrowings (Note 14)	$ 424,979	4	$ 244,642	4
2130	Lease liability (Notes 4, 18, and 25)	4,469,292	41	1,866,053	28
2170	Notes payable and accounts payable (Note 25)	1,784,239	16	887,000	13
2219	Other payables (Note 11, 15, and 25)	347,532	3	317,970	5
2230	Current income tax liabilities (Notes 4 and 20)	156,497	2	129,110	2
2252	Short-term warranty provision (Note 4)	32,560	-	31,646	-
2280	Lease liability (Notes 4, 12, and 25)	6,015	-	9,143	-
2399	Other current liabilities	17,105	-	13,779	-
21XX	Total current liabilities	7,238,219	66	3,499,343	52
	Non-current liabilities				
2570	Deferred income tax liabilities (Notes 4 and 20)	76,185	1	56,418	1
2580	Lease liability (Notes 4, 12, and 25)	62,894	-	67,096	1
2640	Net defined benefit liability (Notes 4 and 16)	-	-	154	-
2670	Other non-current liabilities (Notes 4 and 10)	-	-	9	-
25XX	Total non-current liabilities	139,079	1	123,677	2
2XXX	Total liabilities	7,377,298	67	3,623,020	54
	Equity (Notes 4 and 17)				
3110	Capital stock	811,390	7	811,390	12
3200	Capital surplus	728,964	7	625,640	9
	Retained earnings				
3310	Legal reserve	318,368	3	276,341	4
3320	Special reserve	14,306	-	11,775	-
3350	Unappropriated earnings	1,793,497	16	1,468,775	22
3300	Total retained earnings	2,126,171	19	1,756,891	26
	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	33	3,128,956	46
	Total Liabilities and Equity	$ 10,959,784	100	$ 6,751,976	100

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

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

SCIENTECH CORPORATION

Parent Company Only Statement of Comprehensive Income

January 1 to December 31, 2022 and 2021

Unit: NT$ thousand; except earnings per share

Code		2022 Amount	2022 %	2021 Amount	2021 %
	Operating revenue (Notes 4, 18, and 25)				
4100	Goods sales revenue	$ 3,947,769	96	$ 3,385,344	96
4600	Services revenue	133,126	3	147,070	4
4800	Other operating revenue	49,676	1	14,938	-
4000	Total operating revenue	4,130,571	100	3,547,352	100
5000	Operating cost (Notes 9, 19, and 25)	2,562,491	62	2,180,340	61
5900	Operating gross profit	1,568,080	38	1,367,012	39
5910	Unrealized gains on transactions with associates	(5,965)	-	(40,187)	(1)
5950	Realized operating gross profit	1,562,115	38	1,326,825	38
	Operating expenses (Notes 4, 8, 19, and 25)				
6100	Marketing expenses	536,504	13	433,376	12
6200	General and administrative expenses	143,291	4	111,582	3
6300	R&D expenses	283,858	7	260,201	8
6450	Loss (Gain) on expected credit impairment	5,503	-	(28,555)	(1)
6000	Total operating expenses	969,156	24	776,604	22
6900	Operating Income	592,959	14	550,221	16
	Non-operating income and expenses				
7010	Other income (Note 4, 7, and 25)	1,790	-	27,667	1
7020	Other gains and losses (Note 4)	(78)	-	(1,177)	-

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Code		2022 Amount	2022 %	2021 Amount	2021 %
7050	Financial cost (Notes 4, 19, and 25)	($ 3,263)	-	($ 3,029)	-
7070	Share of profit or loss of associates and subsidiaries accounted for using equity method (Notes 4 and 10)	34,511	1	(50,326)	(2)
7100	Interest income (Notes 4 and 25)	8,783	-	794	-
7630	Exchange gains or losses (Notes 4 and 28)	60,680	2	(37,615)	(1)
7670	Gains (losses) on reversal of impairment (Notes 4 and 11)		-	25,313	1
7000	Total non-operating income and expenses	102,423	3	(38,373)	(1)
7900	Net profits before tax	695,382	17	511,848	15
7950	Income tax expenses (Notes 4 and 20)	126,799	3	91,943	3
8200	Net profit in the current year	568,583	14	419,905	12
	Other comprehensive (Note 4)				
	Items that will not be reclassified to profit or loss				
8311	Re-measurements of defined benefit plans (Note 16)	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 20)	(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				
8380	Share of other comprehensive income of associates and subsidiaries accounted for using equity method (Note 10)	$ 34,068	-	($ 16,321)	-
8399	Income tax related to items that might be reclassified (Note 20)	(6,823)	-	3,266	-
8360		27,245	-	(13,055)	-
8300	Other comprehensive income (net after tax)	(17,557)	(1)	(2,170)	-
8500	Total comprehensive income for the year	$ 551,026	13	$ 417,735	12
	Earnings per share (Note 21)				
9710	Basic	$ 7.08		$ 5.23	
9810	Diluted	$ 7.00		$ 5.19	

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

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

SCIENTECH CORPORATION

Parent Company Only 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 reserves	Legal reserves	Special reserves	Undistributed 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)	-	-	-	(148,606)
B17	Reversal of special reserves	-	-	-	-	(1,308)	1,308	-	-	-	-
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	1,468,775	(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 reserves	-	-	-	-	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 parent company only financial statements.

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

SCIENTECH CORPORATION

Parent Company Only 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	$ 695,382	$ 511,848
A20010	Income expenses		
A20100	Depreciation	105,767	101,131
A20200	Amortization expenses	324	260
A20300	Loss (Gain) on expected credit impairment	5,503	(28,555)
A20900	Financial cost	3,263	3,029
A21200	Income from interests	(8,783)	(794)
A21300	Dividend Income	(800)	
A22300	Share of profit or loss of associates and subsidiaries accounted for using equity method	(34,511)	50,326
A23100	Gain on disposal of investments	(1,284)	
A23700	Impairment loss on non-financial assets	48,223	34,624
A23900	Unrealized gains on transactions with associates	5,965	40,187
A24100	Unrealized exchange loss (gain)	34,680	(7,350)
A29900	Defined benefit cost	-	(8,371)
A30000	Net changes in operating assets and liabilities		
A31150	Notes receivable and accounts receivable	52,675	(123,646)
A31160	Accounts receivable - related parties	52,501	(57,873)
A31200	Inventories	(1,989,646)	(1,038,548)
A31230	Prepayments	(1,034,494)	(372,191)
A31240	Other current assets	(986)	732
A32125	Contract liabilities	2,603,239	1,354,946
A32150	Notes receivable and accounts receivable	858,105	563,226
A32180	Other accounts payable	36,688	93,628
A32200	Short-term warranty provision	914	6,113
A32230	Other current liabilities	3,326	4,695
A32240	Net defined benefit liabilities	(100)	(5,454)
A33000	Cash flow from operating activities	1,435,951	1,121,963
A33100	Interest received	8,793	846
A33300	Interest paid	(3,227)	(3,081)
A33500	Income taxes paid	(107,783)	(60,767)
AAAA	Net cash generated by operating activities	1,333,734	1,058,961

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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)
B01900	Proceeds from disposal of investments accounted for using equity method	1,868	-
B02700	Acquisition of property, plant and equipment	(398,356)	(66,915)
B04100	Decrease in other accounts receivable - related parties	5,000	13,872
B04500	Acquisition of patent right	(1,227)	
B06700	Increase in other non-current assets	(12,348)	(3,285)
B07600	Dividends received	(800)	-
BBBB	Net cash used in investing activities	(422,894)	(212,054)
	Cash Flow from Financing Activities		
C00100	Increase in short-term borrowings	242,328	272,537
C00200	Decrease in short-term borrowings	(59,170)	(249,933)
C04020	Repayment of principal of lease liabilities	(9,621)	(9,275)
C04400	Decrease in other non-current liabilities	-	(34)
C04500	Cash dividends paid	(200,820)	(148,606)
CCCC	Net cash outflow from financing activities	(27,283)	(135,311)
EEEE	Net increase in cash	883,557	711,596
E00100	Opening Balance	1,309,045	597,449
E00200	Ending Balance	$ 2,192,602	$ 1,309,045

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

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

SCIENTECH CORPORATION

Notes to the Parent Company Only Financial Statements

January 1 to December 31, 2022 and 2021

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

1. Company History

The Company 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 parent company only 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 parent company only 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 Company'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 parent company only financial statements were approved and issued, the Company assessed the said amended standards and interpretations and found them to have no significant effects on the Company'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 parent company only financial statements, the Company 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. Summary of significant accounting policies

(I) Compliance statement

The parent company only financial statements were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(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 parent company only 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.

When preparing the parent company only financial statements, the Group accounted for subsidiaries and associates using the equity method. To align the profit or loss, other comprehensive income, and equity in the parent company only financial statements with those attributable to owners of the Company stated in the consolidated financial statements, any differences resulting from the difference between parent company only basis and consolidated basis are adjusted through "Investment accounted for using equity method", "Share of profit or loss of associates and subsidiaries", "Share of other comprehensive income of subsidiaries and associates accounted for using equity method", and other related equity items.

(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 (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 moths 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) Foreign currency

When preparing the financial statements, the Company translated the transactions denominated in currencies other than its functional currency (i.e., foreign currencies) into its 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 parent company only 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 Company) 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.

(V) 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.

(VI) Investment in subsidiary

The Company accounted for investment in subsidiaries using the equity method. Subsidiaries are parent company only entities controlled by the Company.

Under the equity method, the investment 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 profits distributed and the Company’s shares of profit/loss and other comprehensive income in the subsidiaries. In addition, changes in subsidiaries’ other equity attributable to the Company are recognized according to the shareholding percentage.

(VII) Investment in associates

An associate refers to a company over which the Company has a significant influence and which is not a subsidiary or joint venture.

The Company 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 profits distributed and the Company’s shares of profit/loss and other comprehensive income in the associates and joint ventures. In addition, changes to the Group’s equity in the associates are recognized based on our shareholding ratio.

When the Company 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 Company accounts for such changes by adjusting capital reserves - 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 Company's shares of losses in the associates are equal to or exceed its 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 Company in the associate concerned) , the Company does not recognize further losses. The Company recognizes additional losses and liabilities only when any legal obligation or constructive obligation is incurred or the Company made payment on behalf of the associates.

For impairment evaluation, the Company 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 Company and the associates is recognized in the parent company only financial statements only when such profit or loss is irrelevant to the Company'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 Company 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 Company 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 Company 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 Company 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 parent company only balance sheet when the Company becomes a party to the 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 Company’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 Company'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 Company 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 Company’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 Company 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 Company 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 Company 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 Company’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 Company allocates the transaction price to each performance obligation and recognizes the allocated amount as revenue after each performance obligation is fulfilled. The Company’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 Company assesses whether the contract is, or contains, a lease.

1. The Company is a lessor.

All leases are operating leases.

Lease payments from an operating lease are recognized as revenue on a straight line basis over the lease term.

2. The Company is a lessee

When the Company 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 parent company only 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 Company re-measures the lease liabilities and adjusts 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 parent company only balance sheet.

(XV) Government grants

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

If the government grants are intended to make up for the expenses or losses that have occurred, or immediately finance the Company without incurring any future cost, such grants 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 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 Company 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 consequences on the balance sheet date arising from the method that the Company 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 Company 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 Company 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	$ 505	$ 405
Bank check and demand deposit	1,762,003	1,308,640
Cash equivalents		
Time deposit	430,094	-
	$ 2,192,602	$ 1,309,045

The annual interest rate for bank time deposits was 4.0% ~ 4.8% on December 31, 2022.

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

The Company 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 Company'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 Company 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	$ 4,079
Accounts receivable (including those due from related parties)	679,467	779,674
	681,371	783,753
Less: loss allowance	27,522	22,129
	$ 653,849	$ 761,624

The Company'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 Company 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 Company cannot estimate a reasonable recoverable amount, the Company 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 Company 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	$ 588,197	$ 24,088	$ 28,947	$ 27,860	$ 4,644	$ 7,635	$ 681,371
Loss allowance (lifetime ECL)	-	(1,204)	(2,895)	(12,537)	(3,251)	(7,635)	(27,522)
Amortized cost	$ 588,197	$ 22,884	$ 26,052	$ 15,323	$ 1,393	$ -	$ 653,849

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	$ 670,624	$ 51,279	$ 34,263	$ 20,731	$ 154	$ 6,702	$ 783,753
Loss allowance (lifetime ECL)	-	(2,564)	(3,426)	(9,329)	(108)	(6,702)	(22,129)
Amortized cost	$ 670,624	$ 48,715	$ 30,837	$ 11,402	$ 46	$ -	$ 761,624

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	$ 22,129	$ 50,684
Less: Impairment loss (reversed) in the year	5,503	(28,555)
	(110)	-
Balance - end of year	$ 27,522	$ 22,129

The Company 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 Company's total accounts receivable (including those due from related parties) are as follows:

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

9. Inventories

	December 31, 2022	December 31, 2021
Products	$ 2,635,721	$ 1,207,567
Finished-goods	162,397	100,902
Work-in-process	305,647	254,892
Raw materials	607,091	214,904
	$ 3,710,856	$ 1,778,265

	2022	2021
Cost of sales related to inventories	$ 2,562,491	$ 2,180,340
Loss on inventory devaluation	$ 48,223	$ 59,937

10. Investments accounted for using equity method

	December 31, 2022	December 31, 2021
Investment in subsidiary	$ 1,012,109	$ 841,560
Investment in associates	36,770	41,974
	$ 1,048,879	$ 883,534

(I) Investment in subsidiary

	December 31, 2022	December 31, 2021
Companies not listed on TWSE and TPEx		
SCIENTECH INVESTMENT CORP.	$ 536,864	$ 418,051
TRANSCEND CAPITAL CORP.	457,959	414,481
SCIENTECH GMBH	10,259	
ACROMASS TECHNOLOGIES, INC.	3,277	5,069
SCIENTECH MATERIALS CORPORATION	3,167	3,166
NATGEM INC.	583	793
	$ 1,012,109	$ 841,560

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 profit or loss of subsidiaries accounted for using the equity method for 2022 and 2021 was computed based on their financial statements for the same periods that were audited by CPAs. The management of the Company didn’t think that not having SCIENTECH MATERIALS's financial statements audited by CPAs would cause any material impact.

Below are the Company's ownership interests in subsidiaries and holding of voting shares in percentage terms on the balance sheet date:

	December 31, 2022	December 31, 2021
SCIENTECH INVESTMENT CORP.	100%	100%
TRANSCEND CAPITAL CORP.	100%	100%
SCIENTECH GMBH(Note 1)	100%	100%
ACROMASS TECHNOLOGIES, INC.	100%	100%
SCIENTECH MATERIALS CORPORATION (Note 2)	100%	100%
NATGEM INC.	100%	100%

Note 1: As of December 31, 2021, the Company recognized a loss on investment in SCIENTECH GMBH, resulting in a credit balance of NT$9 thousand on investment accounted for using the equity method; such credit balance was recognized under other non-current liabilities.

Note 2: 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.

(II) Investment in associates

	December 31, 2022	December 31, 2021
Individually insignificant associate	$ 36,770	$ 41,974

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

The said investment accounted for using equity method, and the Company'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 Company did not think that not having the financial statements audited by CPAs would cause any material impact.

Summary information on individually insignificant associates

	2022	2021
The Company's share		
Net profit (loss) for the year	($ 4574)	$ 1,530
Other comprehensive income	(46)	9
Total comprehensive income	($ 4,620)	$ 1,539

11. 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	$ 934,710	$ 441,281	$ 32,281	$ -	$ 1,688,334
Increase	302,200	39,719	46,972	12,588	19,736	421,215
Decrease	-	(21,918)	(12,485)	(4,285)	-	(38,688)
Reclassification	-	-	7,320	285	-	7,605
Balance as of December 31, 2022	$ 582,262	$ 952,511	$ 483,088	$ 40,869	$ 19,736	$ 2,078,466
Accumulated depreciation and impairment						
Balance as of January 1, 2022		$ 353,147	$ 162,832	$ 10,983	$ -	$ 526,962
Depreciation		30,446	57,582	7,642	-	95,670
Decrease		(21,918)	(12,485)	(4,285)	-	(38,688)
Reclassification		-	(1,227)	-	-	(1,227)
Balance as of December 31, 2022		$ 361,675	$ 206,702	$ 14,340	$ -	$ 582,717
Net amount on December 31, 2022	$ 582,262	$ 590,836	$ 276,386	$ 26,529	$ 19,736	$ 1,495,749
Cost						
Balance January 1, 2021	$ 280,062	$ 935,942	$ 589,971	$ 21,636	$ -	$ 1,827,611
Increase	-	9,983	17,007	13,482	-	40,472
Decrease	-	(11,215)	(98,875)	(2,837)	-	(112,927)
Reclassification	-	-	(66,822)	-	-	(66,822)
Balance December 31, 2021	$ 280,062	$ 934,710	$ 441,281	$ 32,281	$ -	$ 1,688,334
Accumulated depreciation and impairment						
Balance January 1, 2021		$ 336,989	$ 241,535	$ 8,126	$ -	$ 586,650
Impairment loss recognized		-	(25,313)	-	-	(25,313)
Depreciation		27,373	58,209	5,694	-	91,276
Decrease		(11,215)	(98,875)	(2,837)	-	(112,927)
Reclassification		-	(12,724)	-	-	(12,724)
Balance December 31, 2021		$ 353,147	$ 162,832	$ 10,983	$ -	$ 526,962
Net amount on December 31, 2021	$ 280,062	$ 581,563	$ 278,449	$ 21,298	$ -	$ 1,161,372

Since the Company sold the machinery and equipment for which an impairment loss had been recognized, the Company recognized an impairment loss reversal gain of 25,313 thousand in 2021.

The Company'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	50 years
Electrical, plumbing & air conditioning equipment	3–10 years
Machinery and equipment	5–10 years
Other facilities	3–5 years

The Company 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	$ 421,215	$ 40,472
Increase (decrease) in prepayments for equipment	(31,292)	45,056
Decrease (Increase) in equipment payables (presented under other payables)	8,433	(18,613)
	$ 398,356	$ 66,915

12. 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	987	4,507
Other facilities	901	2,940
	$ 66,472	$ 74,278

	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	4,116	4,086
Other facilities	2,039	2,039
	$ 10,097	$ 9,855

(II) Lease liabilities

	December 31, 2022	December 31, 2021
Book value of lease liabilities		
Current	$ 6,015	$ 9,143
Non-current	$ 62,894	$ 67,096

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%–0.98%	0.88%–1.03%
Other facilities	0.92%	0.92%–1.04%

(III) Material lease activities and terms

The Company 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 Company the option right to rent and buy the buildings. The Company 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	$ 4,838	$ 3,594
Total cash outflow from leases	$ 15,853	$ 14,366

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

13. Other assets

	December 31, 2022	December 31, 2021
Long-term prepayments	$ 27,128	$ 13,210
Restricted assets	3,683	3,683
Guarantee deposits paid	3,367	4,936
Other receivables	-	5,282
Others	9,494	8,237
	$ 43,672	$ 35,348
Current	$ 11,344	$ 15,368
Non-current	32,328	19,980
	$ 43,672	$ 35,348

14. Short-term borrowings

	December 31, 2022	December 31, 2021
Unsecured loans		
Loans against letter of credits	$ 224,979	$ 44,642
Credit loans	200,000	200,000
	$ 424,979	$ 244,642
Annual interest rate	0.50%–1.40%	0.70%–0.75%

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

15. Other accounts payable

	December 31, 2022	December 31, 2021
Salary and bonus payable	$ 122,825	$ 109,407
Remuneration payable to employees and directors	66,000	55,000
Equipment payable	16,055	24,488
Others	142,652	129,075
	$ 347,532	$ 317,970

16. Post-employment benefit plan

(I) Defined contribution plan

The pension system that is specified in the "Labor Pension Act" and adopted by the Company is 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.

(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 parent company only 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
Balance as of January 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 gain - experience adjustment	(120)	-	(120)
Recognized in other comprehensive income	(261)	(1,635)	(1,896)
Contribution by employer	-	(100)	(100)
Balance as of December 31, 2022	$ 5,103	($ 6,945)	($ 1,842)
Balance January 1, 2021	$ 42,967	($ 28,537)	$ 14,430
Service cost			
Previous service cost and settlement gains	(8,426)	-	(8,426)
Recognized in profit or loss - interest expense (income)	170	(115)	55
Recognized in profit or loss	(8,256)	(115)	(8,371)

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
Remeasurements			
Return on plan assets (excluding the amount included in net interest)	-	(357)	(357)
Actuarial gain - change in financial assumption	(1,002)	-	(1,002)
Actuarial loss - change in demographic assumption	140	-	140
Actuarial loss - experience adjustment	768	-	768
Recognized in other comprehensive income	(94)	(357)	(451)
Contribution by employer	-	(928)	(928)
Payment of benefits	(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 Company'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

17 Equity

(I) Common Stock

	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 NTD10 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 investees as a result of the Company's falling to subscribe to or dispose of investees' shares, or the adjustments of capital reserves of investees 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 19(4) 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 25% of the total paid-in capital 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	$148,606
Cash dividends per share (NT$)	$ 2.50	$ 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 March 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.

18. Revenue

	2022	2021
Goods sales revenue		
Manufacturing	$ 2,014,840	$ 1,834,077
Sale in the capacity of an agent	1,932,929	1,551,267
	3,947,769	3,385,344
Services revenue		
Commission	91,094	124,695
Maintenance	34,256	18,215
Others	7,776	4,160
	133,126	147,070
Other operating revenue	49,676	14,938
	$ 4,130,571	$ 3,547,352

Contract balance

	December 31, 2022	December 31, 2021	January 1, 2021
Notes receivable and accounts receivable (including those due from related parties) (Notes 8 and 25)	$ 653,849	$ 761,624	$ 549,045
Contract liabilities	$ 4,469,292	$ 1,866,053	$ 511,107

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	$ 981,414	$ 326,463

19. Net profit

(I) Financial cost

	2022	2021
Interest on bank borrowings	$ 1,869	$ 1,532
Interest on lease liabilities	1,394	1,497
	$ 3,263	$ 3,029

(II) Depreciation and amortization

	2022	2021
Property, plant and equipment	$ 95,670	$ 91,276
Right-of-use assets	10,097	9,855
	$ 105,767	$ 101,131
Summary of depreciation expenses by function		
Operating cost	$ 30,800	$ 29,651
Operating expenses	74,967	71,480
	$ 105,767	$ 101,131
Summary of amortization by function		
General and administrative expenses	$ 324	$ 260

(III) Employee benefit expenses

	2022	2021
Short-term employee benefits	$ 724,168	$ 610,499
Post-employment benefit		
Defined contribution plan	25,462	21,475
Defined benefit plan	-	(8,371)
	25,462	13,104
	$ 749,630	$ 623,603
Summary by function		
Operating cost	$ 227,859	$ 199,318
Operating expenses	521,771	424,285
	$ 749,630	$ 623,603

(IV) 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 parent company only 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年度	
	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).

20. 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	$ 157,275	$ 129,144
Adjustments for the previous year	(22,105)	(21,622)
	135,170	107,522
Deferred income tax		
Tax incurred in the year	(8,371)	(15,579)
Adjustments for the previous year	-	-
	(8,371)	(15,579)
Income tax expenses recognized in profit or loss	$ 126,799	$ 91,943

Reconciliation of accounting income and income tax is as follows:

	2022	2021
Net profits before tax	$ 695,382	$ 511,848
Income tax expense derived from applying the pre-tax profit to the statutory tax rate	$ 139,076	$ 102,370
Expense and loss not deductible from tax	25	-
Tax exempt income	1,058	4,764
Additional levy on undistributed earnings	8,745	6,431
Adjustments for the previous year	(22,105)	(21,622)
Income tax expenses recognized in profit or loss	$ 126,799	$ 91,943

(II) Income tax 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	$ 159,497	$ 129,110

(IV) Deferred income tax assets and liabilities

Changes in deferred income tax assets and liabilities are as follows:

	2022			
	Balance - beginning of period	Recognized in profit or loss	Recognized in other comprehensive income	Balance - end of year
Deferred income tax assets				
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
Unrealized exchange losses	3,959	4,304	-	8,263
Allowance for doubtful accounts	2,875	1,284	-	4,159
Others	6,262	(20)	(379)	5,863
	$ 89,111	$ 27,448	($ 6,512)	$ 110,047
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	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	15,952
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	9,117	(2,765)	(90)	6,262
	$ 69,757	$ 17,113	$ 2,241	$ 89,111
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 parent company only balance sheet

	December 31, 2022	December 31, 2021
Deductible temporary differences	$ 7,000	$ 7,000

(VI) Authorization of income tax

The Company's profit-seeking business income tax filings have been approved by the tax authority through 2018.

21. 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

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 Company may elect to distribute employee remuneration in shares or in cash, when calculating the diluted EPS, the Company 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.

22. Non-cash transactions

In 2022 and 2021, the Company transferred property, plant, and equipment in the amount of 1,850 thousand and 79,420 thousand, respectively, to inventory costs, with an accumulated depreciation of 1,227 thousand and 12,724 thousand, respectively. In 2022 and 2021, the Company transferred 9,455 thousand and 12,598 thousand, respectively, from inventories to own-use property, plant, and equipment (refer to Note 11).

23. Capital risk management

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

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

The key management of the Company 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 Company will balance its capital structure by paying dividends and issuing new debts or paying existing debts.

24. Financial instruments

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

Management of the Company 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 and 2021.

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	Financial assets at fair value through other comprehensive income
	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)	$ 2,853,501	$ 2,084,570
Financial assets at fair value through other comprehensive income	138,562	166,250
Financial liabilities		
Financial liabilities at amortized cost (Note 2)	2,556,750	1,449,612

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), 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, other payables, and guarantee deposits received (presented under other non-current liability).

(IV) Financial risk management purpose and policy

The Company's financial instruments mainly comprise equity investment, receivables, payables, borrowings, and lease liabilities. The financial management department of the Company provides services for each type of business and supervises and manages the financial risks incidental to the Company'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 of the Company quarterly to reduce risk exposure.

The Company did not adopt hedge accounting.

1. Market risk

(1) Exchange rate risk

The Company is engaged in sales and purchase denominated in foreign currency, and thus is exposed to the exchange rate fluctuation risk.

For the book value of the Company's monetary assets and monetary liabilities denominated in a currency other than the functional currency on the balance sheet date, refer to Note 28.

Sensitivity analysis

The Company 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 TWD appreciates/depreciates by 1% against the USD, the effects on the pre-tax net profit stated in the parent company only financial statements for 2022 and 2021 will be NT$2,043 thousand and NT$7,153 thousand, respectively.

The exchange rate fluctuation mainly affects the Company'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 Company mainly comes from the Company's floating-rate bank deposits.

The book value of the financial assets and liabilities of the Company 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	$ 1,762,003	$ 1,308,640
- Financial liabilities	200,000	200,000
With fair value interest rate risk		
- Financial assets	430,094	-
- Financial liabilities	224,979	44,642
-Lease liabilities	68,909	76,239

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 Company's pre-tax profit in the parent company only financial statements for 2022 and 2021 will change by NT$15,620 thousand and NT$11,086 thousand, respectively.

2. Credit risk

The credit risk means the risk of causing financial loss to the Company because the trading counterparty defaults on contractual obligations. As of the balance sheet date, the Company'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 in the parent company only balance sheet.

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

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

3. Liquidity risk

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

Bank loans are one of the Company's important sources of liquidity. For the bank financing facility that the Company 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	$ 2,336,833	$ 19,917	$ -
Floating rate	200,396	-	-
Lease liabilities	1,977	5,348	73,260
	$ 2,539,206	$ 25,265	$ 73,260

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	$ 7,325	$ 18,920	$ 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	$ 1,241,435	$ 8,177	$ -
Floating rate	200,341	-	-
Lease liabilities	2,693	7,829	78,734
	$ 1,444,469	$ 16,006	$ 78,734

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	$ 10,522	$ 19,834	$ 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

25. Related Party Transactions

In addition to those disclosed in other notes, transactions between the Company and related parties are described as follows.

(I) Name and relationship of related party

Name of related party	Relationship with the Company
SCIENTECH MATERIALS CORPORATION (SCIENTECH MATERIALS)	Subsidiary
ACROMASS TECHNOLOGIES, INC. (ACROMASS)	Subsidiary
NATGEM INC.	Subsidiary
SCIENTECH GMBH (SC GMBH)	Subsidiary
SCIENTECH ENGINEERING USA CORP. (SCU)	Subsidiary
TRANSCEND CAPTTAL CORP.	Subsidiary
SCIENTECH ENGINEERING CORP. (SHANGHAI)	Subsidiary
SCIENTECH ENGINEERING (HONG KONG) LIMITED	Subsidiary
HUNG-LIANG HSIEH	Chairperson
FORWARD SCIENCE CORPORATION	Associate
XTEK SEMICONDUCTOR (HUANGSHI) CO., LTD. (XTEK SEMICONDUCTOR)	Associate
FORWARD SCIENCE PTE.LTD.	Associate
HONG LUN CULTRUAL CREATIVITY FUNDATION	Same key management

(II) Operating revenue

General ledger account	Name and type of related party	2022	2021
Goods sales revenue	Subsidiary		
	Others	$ 17,085	$ 242
	Associate	68,826	303,493
		$ 85,911	$ 303,735
Other operating revenue	Subsidiary		
	Others	$ 259	$ 137
	Associate	22,824	810
		$ 23,083	$ 947

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

(III) Purchase

Name and type of related party	2022	2021
Subsidiary		
SCU	$ 167,145	$ 95,887
Others	5,437	4,392
	172,582	100,279
Associate		2,780
	$ 172,582	$ 103,059

The price and payment terms for a purchase transaction between the Company 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 due from related parties (excluding funds loaned to related parties)

General ledger account	Name and type of related party	December 31, 2022	December 31, 2021
Accounts receivable	Associate		
	XTEK SEMICONDUCTOR	$ 5,152	$ 55,711
Other receivable (presented under other current assets)	Subsidiary		
	ACROMASS	$ -	$ 256
	Others	18	-
		$ 18	$ 256

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 due to related parties

General ledger account	Name and type of related party	December 31, 2022	December 31, 2021
Payables due to related parties (presented under notes payable and accounts payable)	Subsidiary		
	SCU	$ 3,858	$ 22,137
	Others	176	-
		$ 4,034	$ 22,137
Other accounts payable	Subsidiary		
	Others	$ 5,002	$ 3,336
	Associate	230	-
		$ 5,232	$ 3,336

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

(VII) Prepayments

Name and type of related party	December 31, 2022	December 31, 2021
Subsidiary		
Others	$ -	$ 1,429

(VIII) Lease agreements

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

General ledger account	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 Company and related parties was negotiated upon by referencing the market price; the payment term was the same as a general payment term.

(IX) Funds loaned to related parties

General ledger account	Name and type of related party	December 31, 2022	December 31, 2021
Other receivable (presented under other current assets)	Subsidiary ACROMASS	$ -	$ 5,000

Income from interests

Name and type of related party	2022	2021
Subsidiary	$ 18	$ 164

Loans between the Company and subsidiaries are unsecured loans with an interest rate close to the market interest rate. Such loans are expected to be repaid in full within one year. Through an assessment, there are not expected credit losses.

(X) Others

General ledger account	Type of related party	2022	2021
Rental income (presented under other income)	Subsidiary		
	ACROMASS	$ -	$ 702
	SCIENTECH MATERIALS	-	183
	Others	36	36
	Same key management	24	-
		$ 60	$ 921
Maintenance and repair (presented under operating cost)	Subsidiary		
	Others	$ -	$ 148
	Associate	-	1,512
		$ -	$ 1,660
Operating expenses	Subsidiary	$ 21,190	$ 8,930

(XI) Remuneration to key management

	2022	2021
Short-term employee benefits	$ 55,086	$ 52,908
Post-employment benefit	889	1,322
	$ 55,975	$ 54,230

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

26. 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)	$ 3,683	$ 3,683

27. Significant Commitments

The Company'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$1,482 thousand and NT$2,230 thousand as of December 31, 2022 and 2021, respectively.

28. Significant Assets and Liabilities Denominated in foreign currencies

The Groups' significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies, and the related exchange rates between foreign currencies and respective functional currencies, 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
EUR	11,278	32.72	(EUR:TWD)	369,011
JPY	103,517	0.232	(JPY:TWD)	24,057
Non-monetary items				
Subsidiaries accounted for using the equity method				
USD	33,897	30.71	(USD:TWD)	1,040,975

	Foreign currency	Exchange rate		Book value
Foreign currency liabilities				
Monetary items				
USD	52,090	30.71	(USD:TWD)	1,599,684
JPY	258,135	0.232	(JPY:TWD)	59,991
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
EUR	7,231	31.32	(EUR:TWD)	226,476
JPY	68,391	0.241	(JPY:TWD)	16,448
Non-monetary items				
Subsidiaries accounted for using the equity method				
USD	31,529	27.68	(USD:TWD)	872,719
Foreign currency liabilities				
Monetary items				
USD	20,246	27.68	(USD:TWD)	560,397
EUR	1,835	31.32	(EUR:TWD)	57,466
JPY	98,227	0.241	(JPY:TWD)	23,624

The realized and unrealized foreign currency exchange losses of the Company in 2022 and 2021 were NT$60,680 thousand and NT$(37,165) 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 varied.

29. Supplementary Disclosures

Except those disclosed in Appendix Table 1 through 8, there were no required disclosures.

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.

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, 2022.

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 6 and 7.

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

SCIENTECH CORPORATION and Subsidiaries

Name and Territory of Investees and Other Relevant Information

2022

Appendix Table 6

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, 2021	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	—
	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)	—
	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 and 2)
	NATGEM INC.	Taipei City	Sale of food and supplies	33,000	33,000	800,000	100	583	(210)	(210)	—
	SCIENTECH GMBH	Austria	International trade	1,163	1,163	-	100	10,259	9,840	9,840	—
	TRANSCEND CAPITAL CORP.	British Virgin Islands	Investment	416,829	416,829	14,275,006	100	457,959	(55,528)	(55,528)	—
	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)	—
	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)	—
SCIENTECH ENGINEERING CORP.(SHANGHAI)	SCIENTECH ENGINEERING (HONG KONG) LIMITED	Hong Kong	International trade	5,968 (CNY1,354 thousand)	5,968 (CNY1,354 thousand)	-	100	302,418 (CNY68,608 thousand)	37,928 (CNY8,577 thousand)	37,928 (CNY8,577 thousand)	—

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.

SCIENTECH CORPORATION and Subsidiaries

Information on Investments in Mainland China

2022

Appendix Table 7

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 year (Note 2)	The Company's shareholding of direct or indirect investment (%)	Investment gains of losses recognized in the year (Note 2)	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	100	$ 78,893	$ 505,948	$ -
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.

SCIENTECH CORPORATION

Information on Major Shareholders

December 31, 2022

Appendix Table 8

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 parent company only 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.

§ Schedule of Major Accounts §

SCIENTECH CORPORATION

Schedule of Cash and Cash Equivalents

December 31, 2022

Table 1 Unit: NT$ thousand unless otherwise specified

Item	Maturity Date	Annual Interest Rate	Amount
Cash			
Cash on hand and working capital			$ 505
Bank check and demand deposit(Note 1)			1,762,003
			1,762,508
Cash Equivalents			
Bank time deposit whose initial maturity date will be due within 3 months (Note 2)	112.1.26-112.3.21	4.0%-4.8%	430,094
			$ 2,192,602

Note 1: Including JPY100,577 thousand, USD30,370 thousand, and EUR10,995 thousand, which were converted at the exchange rates of JPY$1＝$0.232, US$1＝$30.71, and EUR$1＝$32.72, respectively.

Note 2: Including USD14,005 thousand, which were converted at the exchange rates of US$1＝$30.71.

SCIENTECH CORPORATION

Schedule of Notes Receivables and Accounts Receivables

December 31, 2022

Table 2 Unit: NT$ thousand

Customer name	Amount
Notes receivable (Note)	$ 1,904
Accounts receivable	
Company A	142,654
Company C	43,406
Company D	42,752
Company E	39,102
Others (Note)	406,024
	673,938
Receivables due from related parties	5,529
Less: Allowance for doubtful accounts	27,522
	$ 653,849

Note: The balance of each individual customer did not exceed 5% of this account.

SCIENTECH CORPORATION

Schedule of Inventories

December 31, 2022

Table 3 Unit: NT$ thousand

Item	Amount	
	Cost	Net realizable value
Products	$ 2,724,793	$ 3,352,013
Finished-goods	197,052	262,060
Work-in-process	398,073	478,349
Raw materials	667,648	1,002,213
	3,987,566	$ 5,094,635
Less: Allowance for devaluation loss (Note)	276,710	
	$ 3,710,856	

Note: The allowance for devaluation loss cover the allowance for products in the amount of NT$89,072 thousand, for finished-goods in the amount of NT$34,655 thousand, for work-in-process in the amount of NT$92,426 thousand, and for raw materials in the amount of NT$60,557 thousand.

SCIENTECH CORPORATION

Schedule of Investments Accounted for Using Equity Method

2022

Table 4

Unit: NT$ thousand; unless, otherwise stated

Investee	Balance - beginning of period		Dispose of investment	Share of profit or loss of associates and subsidiaries accounted for using equity method	Capital surplus	Exchange differences arising from the translation of financial statements	Others	Balance - end of year			Remarks
	Shares	Amount						Shares	Shareholding %	Amount	
Investment in subsidiary											
SCIENTECH INVESTMENT CORP.	5,540,000	$ 418,051	$ -	$ 86,774	$ -	$ 32,039	$ -	5,540,000	100	$ 536,864	
TRANSCEND CAPITAL CORP.	14,275,006	414,481	-	(55,528)	103,324	1,647	(5,965)	14,275,006	100	457,959	(Note 2)
SCIENTECH GMBH	-	(9)	-	9,840	-	428	-	-	100	10,259	
ACROMASS TECHNOLOGIES, INC.	27,000,000	5,069	-	(1,792)	-	-	-	27,000,000	100	3,277	
SCIENTECH MATERIALS CORPORATION	1,400,000	3,166	$ -	1	-	-	-	1,400,000	100	3,167	(Note 1)
NATGEM INC.	800,000	793	-	(210)	-	-	-	800,000	100	583	
		841,551	-	39,085	103,324	34,114	(5,965)			1,012,109	
Investment in associates											
FORWARD SCIENCE CORPORATION	2,000,000	32,004	(584)	(2,813)	-	(46)	-	1,960,000	6	28,561	(Note 1)
RENORIGIN INNOVATION INSTITUTE CO., LTD.	1,121,000	9,970	-	(1,761)	-	-	-	1,121,000	22	8,209	(Note 1)
FORWARD SCIENCE PTE. LTD.	500,000	-	-	-	-	-	-	500,000	21	-	(Note 1)
		41,974	(584)	(4,574)	-	(46)	-			36,770	
Investments accounted for using equity method		$ 883,525	($ 584)	$ 34,511	$ 103,324	$ 34,068	($ 5,965)			$ 1,048,879	

Note 1: It was calculated based on financial statements in the same period that were not audited by CPAs.

Note 2: The increase in capital surplus was the adjustment for the effects arising from failure to subscribe to an associate's follow-on offering; others were the unrealized gains from downstream transactions in the year.

SCIENTECH CORPORATION

Schedule of Notes Receivables and Accounts Receivables

December 31, 2022

Table 5 Unit: NT$ thousand

Name of manufacturer	Amount
Accounts payable	
Company A	$ 1,001,496
Company B	173,679
Others (Note)	605,030
	1,780,205
Payables due to related parties (Note)	4,034
Total	$ 1,784,239

Note: The balance of each individual customer did not exceed 5% of this account.

SCIENTECH CORPORATION

Schedule of Short-term Borrowings

December 31, 2022

Table 6 Unit: NT$ thousand

Name	Borrowing period	Balance	Credit limit of financing facilities	Pledged or collateralized	Remarks
Bank loans against a letter of credit					
Bank SinoPac	2022.06.02-2024.06.30	$ 216,383	$ 300,000	None	
CTBC Bank	2022.08.22-2023.08.31	8,596	680,000	None	Note 2
		$ 224,979	$ 980,000		
Bank credit loans					
DBS Bank Limited	2022.10.03-2023.10.02	$ 200,000	$ 300,000	None	

Note 1: The interest rate range is between 0.50 and 1.40%.

Note 2: The credit limit of CTBC Bank credit loans and CTBC Bank loans against a letter of credit is accumulative, and amounted to NT$680,000 thousand.

SCIENTECH CORPORATION

Schedule of Net Operating Income

2022

Table 7

Unit: NT$ thousand

Name	Quantity	Amount
Manufacturing	2,243,526	$ 2,014,840
Sale in the capacity of an agent	33,011	1,932,929
Commission		91,094
Maintenance		34,256
Others		57,452
		$ 4,130,571

SCIENTECH CORPORATION

Schedule of Operating Costs

2022

Table 8 Unit: NT$ thousand

Name	Amount
Cost to manufacture and cost of goods sold	
Raw materials - beginning balance	$ 273,023
Plus: material purchase	1,182,527
Work-in-process transferred in	676,750
Finished-goods transferred in	389,260
Others	57,508
Less: raw materials - ending balance	667,648
Transferred to products	35,975
Pick-up for R&D use	146,461
Direct raw material consumption	1,728,984
Direct labor	175,343
Manufacturing overheads	389,493
Manufacturing expenses	2,293,820
Add: work-in-process - beginning balance	342,187
Less: work-in-process - ending balance	398,073
Transferred to raw materials	676,750
Cost of finished-goods	1,561,184
Add: finished-goods - beginning balance	134,997
Others	4,699
Less: finished-goods - ending balance	197,052
Transferred to raw materials	389,260
Others	30,153
	1,084,415
Cost of goods sold	
Products - beginning balance	1,256,545
Add: products purchased in the year	2,918,934
Raw materials transferred to products	35,975
Less: products - ending balance	2,724,793
Others	60,404
	1,426,257
Add: Allowance for inventory devaluation loss	48,223
Add: Retirement of inventories	3,467
Add: Inventory shortage	129
	$ 2,562,491

SCIENTECH CORPORATION

Schedule of Operating Expenses

January 1 through December 31, 2022

Table 9 Unit: NT$ thousand

Item	Marketing expenses	General and administrative expenses	R&D expenses	Gains on expected credit impairment	Total
Salary expenses	$ 220,562	$ 92,928	$ 142,288	$ -	$ 455,778
Commission	77,552	-	-	-	77,552
Depreciation	19,318	6,151	49,498	-	74,967
Freight charges	62,882	442	163	-	63,487
Material cost	22,955	-	23,952	-	46,907
Insurance premium	19,217	6,566	11,264	-	37,047
Service expenses	12,312	5,353	7,112	-	24,777
Travel expenses	11,365	171	2,302	-	13,838
Others (Note)	90,341	31,680	47,279	5,503	174,803
	$ 536,504	$ 143,291	$ 283,858	$ 5,503	$ 969,156

Note: No amount individually exceeds 5% of this account.

SCIENTECH CORPORATION

Summary Table by Function of Employee Benefits, Depreciation, and Amortization Incurred in the Year

2022 and 2021

Table 10

Unit: NT$ thousand

	2022			2021		
	Attributable to operating costs	Attributable to operating expenses	Total	Attributable to operating costs	Attributable to operating expenses	Total
Employee benefit expenses						
Salary expenses	$ 187,656	$ 446,688	$ 634,344	$ 163,688	$ 366,805	$ 530,493
Labor insurance and health insurance expenses	18,936	32,285	51,221	16,710	28,310	45,020
Pension expenses	5,878	19,584	25,462	5,500	7,604	13,104
Directors' remuneration	-	9,090	9,090	-	7,048	7,048
Other employee benefit expenses	15,389	14,124	29,513	13,420	14,518	27,938
	$ 227,859	$ 521,771	$ 749,630	$ 199,318	$ 424,285	$ 623,603
Depreciation	$ 30,800	$ 74,967	$ 105,767	$ 29,651	$ 71,480	$ 101,131
Amortization expenses	$ -	$ 324	$ 324	$ -	$ 260	$ 260

Note 1: The number of the Company's employees in 2022 and 2021 is 634 and 583, respectively, of whom the number of directors not concurrently serving as an employee is both 6.

Note 2: (1) The average employee benefit expenses in 2022 and 2021 were NT$1,179 thousand and NT$1,069 thousand, respectively.

(2) The average employee salary expenses in 2022 and 2021 were NT$1,010 thousand and NT$919 thousand, respectively.

(3) The extent of average employee salary adjustment was 9.9%.

Note 3: There were no supervisor remuneration because the Company did not have supervisors in 2022 and 2021.

Note 4: The Company's independent directors are entitled to a fixed amount of remuneration. Other directors are entitled to no compensation other than the reimbursement of transportation expenses required for attending a Board meeting. In addition, according to Article 20 of the Company's Articles of Incorporation, no less than 2% of the annual earnings may be allocated as directors' remuneration. Such remuneration is firstly proposed to the Remuneration Committee in accordance with the Company's remuneration distribution principles; if the committee gives the approval, such remuneration proposal is then summited to the Board of Directors and, if approved, implemented.

Note 5: The salary structure of the Company's employees and managers mainly comprises base salary, job pay differentials, bonus, and monetary perks. The salary adjustment, year-end bonus, and bonus distribution therefor are determined based on the "Employee Promotion Regulations" and "Employee Bonus Distribution Principles", and are firstly proposed by the management executives with consideration given to personal performance and the Company's operational performance, then approved by the executives with the authority, then submitted to the Remuneration Committee for consideration, and, if approved, implemented.