Stock Code: 6168

Harvatek Corporation

2021 Annual Report

Notice to readers

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

Taiwan Stock Exchange Market Observation Post System: http://newmops.twse.com.tw

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Printed on May 23, 2022

1.Spokesperson & Deputy Spokesperson：

Spokesperson	Deputy Spokesperson
Name：Yu Hui Su	Name：Chia Tzu Li
Title：Finance Dept. Deputy Director	Title：Administration Dept. Manager
Tel：886-3-5399889	Tel：886-3-5399889
E-mail：evasu@harvatek.com.tw	E-mail：cindy@harvatek.com.tw

2.Headquarters, Branches and Plant：

Headquarters

Address：No.18, Lane 522, Sec.5, Chung Hwa Road, Hsinchu City, Taiwan (R.O.C.)

Hsinchu Science Park Branch

Address：1F, No.7, Chuangxin 1st Rd., Baoshan Township, Hsinchu County, Taiwan (R.O.C.)

Tel：886-3-5399889

3. Common Share Transfer Agent and Registrar：

Company:：Horizon Securities Co., LTD.

Address：3F., No. 236, Sec. 4, Xinyi Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)

Tel：886-2-23268818

Website：www.honsec.com.tw

4. Auditors

Ernst & Young Global Limited

Auditors：Hans Chen、Hsin Min Hsu

Address：9F., No.333, Sec. 1, Keelung Rd., Xinyi Dist., Taipei City 110208, Taiwan (R.O.C.)

Tel：886-2-27578888

Website：www.ey.com

5.Overseas Securities Exchange：None。

6.Corporate Website：http://www.harvatek.com

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I. Letter to Shareholders

Dear Shareholders：

According to the Optoelectronics Research Office of TrendForce, in 2021, as the impact of COVID-19 gradually eases and various economic activities recover in an all-round way, the global LED market will reach US$17.65 billion (annual growth rate of 15.4%), and the growth rate is higher than expected. Looking forward to the future, with the gradual increase of Mini LED backlight and display, the continuous increase in the penetration rate of automotive LEDs, the continuous increase in high-end lighting demand, and the further expansion of display applications, it is estimated that the output value of the LED market in 2026 is expected to grow to USD 30.312 billion, with a compound growth rate of 11% from 2021 to 2026.

According to the analysis of each application market, the demand for Mini LED backlight and Mini LED direct display will increase significantly in 2021. Driven by leading manufacturers such as Apple and Samsung, more and more manufacturers will launch Mini LED related products. In the next few years, Mini LED It will be the application with the most growth momentum in the various segments of LED. With the dual growth momentum of the overall automotive market shipments and the penetration rate of LED lighting, the automotive LED market achieved rapid growth in the global automotive LED market in 2021. The trend of large-scale automotive displays will continue to promote automotive Growing demand for LEDs with display backlights. The display screen market has benefited from the obvious recovery of various sports events and business activities, and the global market demand has picked up. Although the market demand declined in the second half of 2021 due to factors such as rising overseas transportation costs and government budget reductions, as the whole, The annual display LED market scale is still growing significantly; in addition, the cross-border application scenarios of LED display screens are constantly being developed, such as meeting spaces, home theaters, cinemas, virtual shooting, etc., which will also be the next few years. The main driving force for the growth of the small-pitch display market. The applications of IR LED mainly include safety monitoring, 2.5D facial recognition, driving monitoring system and occupant monitoring system, eye tracking, etc. Benefiting from the stable market demand and price, the IR LED market scale will grow slightly in 2021. In the long run, although applications such as driving monitoring systems, occupant monitoring systems, and eye tracking are still in their infancy, the demand for IR LEDs will continue to grow in the future. The company continuously strives to improve its process capabilities and to meet customer needs in terms of product quality and delivery time. In addition to consumer applications, small-pitch display products and IR LEDs, business promotion is also actively expanding new application markets, such as wear Products with higher gross profit margins, such as smart home appliances and automotive markets, are also engaged in the

production and sales of Mini LEDs and IC packages. In 2021, the operating income increased by 19.67% compared with the previous year, and the net profit after tax was NT$388,348 thousand. We would like to report the 2021 business overview and 2022 business plan as follows:

1、2021 Business Report

(A) Implementation results of operating plan

Net operating revenue for 2021 was NT$3,000,490 thousand, representing a 19.67% increase from the previous year. Gross margin increased from 21.25% to 27.41% while operating expense ratio increased from 12.32% to 14.11%. Profit before income tax increased from NT$233,902 thousand to NT$398,977 thousand and net profit after tax was NT$388,348 thousand. Net profit attributable to the owners of the parent company was NT$370,318 thousand and earnings per share was NT$1.8 after tax

(B) Analysis on revenue and expense and profitability

The net cash inflow from operating activities of the consolidated subsidiaries of the company in 2021 is NT$ 454,694 thousand. After the increase (decrease) of investment, net cash inflow of financing activities and the impact of exchange rate changes, cash and cash equivalents increased by NT$ 123,262 thousand, and the balance of cash and cash equivalents at the end of the period was NT$ 1,582,771 thousand; the company in 2021 The annual profitability is better than the previous year, and the ratios are as follows:：

	2020	2021
Return on total assets (%)	3.84	9.01
Return on stockholders' equity (%)	5.05	11.9
Pre-tax income to paid-in capital (%)	8.94	22.16
Profit ratio (%)	5.73	12.94
Earnings per share (NT$)	0.70	1.8

(C) Research and Development

In terms of R&D, in addition to the original consumer and display products and IR LEDs, new products such as Mini LEDs, RGB+ICs and VCSELs were also developed in the product development this year. We are committed to improving the luminous efficiency, brightness and other functions of related products, and continue to invest in the development of process capability improvement and material cost reduction. In addition, the company has also stepped into the semiconductor field, applying LED packaging technology for IC

packaging to facilitate the expansion of new business field.

2、Summary of 2022 Operation Plan

We will continue to focus on improving product processes, reducing product costs, and improving equipment performance as well as product yield rate, so that our products can meet market demand. Externally, we will seek for stable partners to extend the outsourcing mechanism for manufacturing and sales and will act as a key strategic partner in the industry supply chain. Internally, we will optimize the product portfolio to improve the capacity utilization and gross margins to create greater benefits for shareholders.

Finally, on behalf of the management team of the Company, I would like to express our sincere gratitude to all shareholders for their support and care.

Sincerely,

Good health and prosperity.

HARVATEK CORPORATION

Chairman Wang, Ping-Lung

II. Company Profile

2.1 Date of Establishment:：March 21, 1995.

2.2 Company History

March 2005	The company was established with a paid-in capital of NT$ 5,000,000, engaged in the production of Surface Mount Device LED/SMD LED.
August 2005	Increase the capital by NT$ 5,000,000 to achieve the paid-in capital amounting to NT$ 10,000,000.
February 2006	The first set of automatic production equipment was set up, and trial production was carried out immediately.
March 2006	Increase the capital by NT$ 22,000,000 to achieve the paid-in capital amounting to NT$ 32,000,000.
July 2006	Officially entered the mass production stage.
January 1997	Increase the capital by NT$ 21,900,000 to achieve the paid-in capital amounting to NT$ 53,900,000.
May 1997	Increase the capital by NT$ 196,100,000 to achieve the paid-in capital amounting to NT$ 250,000,000；Purchase the land at the company's current site for plant expansion.
March 1998	Increase the capital by NT$ 110,000,000 to achieve the paid-in capital amounting to NT$ 360,000,000.
November 1998	Moved to the new factory at No. 18, Lane 522, Section 5, Zhonghua Road, Hsinchu City, expanding business.
July 1999	complete supplementary procedures for classification as a public company。
August 1999	Obtain ISO9002 Certification.
October 1999	Increase the capital by NT$ 100,000,000 to achieve the paid-in capital amounting to NT$ 460,000,000.
February 2000	Import electronic supply chain management system（ERP）。
April 2001	Officially mass-produced the world's smallest 0402 size SMD LED.
July 2001	Handle surplus to capital increase NT$ 76,827,710 and the paid-in capital amounting to NT$ 536,827,710.

March 2002	Passed QS9000 international certification. The stock is officially listed on the OTC.
August 2002	Increase the capital by NT$ 100,220,000 to achieve the paid-in capital amounting to NT$ 637,047,710.
September 2002	Handle surplus to capital increase NT$78,734,720、Capital reserve transferred to capital increase NT$ 26,834,13 and the paid-in capital amounting to NT$742,616,560.
July 2003	Offered the first domestic unsecured convertible corporate bonds in the amount of NT$ 339,000,000. Obtained ISO 14000 environmental system certification.
August 2003	Officially traded stock on TWSE.
September 2003	Handle surplus to capital increase NT$ 166,676,160、Capital reserve transferred to capital increase NT$37,130,820 and the paid-in capital amounting to NT$ 946,423,540.
December 2003	Total common equity equity converted from corporate bonds NT$ 45,205,340 and divided into 4,520,534 shares.
September 2004	Handle surplus to capital increase NT$ 228,325,770.
November 2004	Obtained OSRAM's white LED patent authorization.
December 2004	Conversion of corporate bonds into common stocks NT$ 8,298,730 and divided into 829,873 shares. As of the end of 2004, the paid-in capital was NT$ 1,228,253,380.
September 2005	Handle surplus to capital increase NT$ 44,565,070、Capital reserve transferred to capital increase NT$ 36,847,600.
December 2005	Conversion of corporate bonds into ordinary shares is NT$17,414,850 divided into 1,741,485 shares
February 2006	Acquired Sony Green Partner certification.
May 2006	The total share capital of common shares converted from corporate bonds amounts to NT$ 36,363,560, divided into 3,636,356 shares.
October 2006	Transformed surplus to capital increase of NT$ 134,437,280, conversion of corporate bonds into ordinary shares totaled NT$ 5,181,740. As of the end of 2006, the paid-in capital was NT$ 1,503,063,480

January 2007	Obtained ISO 9001: 2000 certification.
September 2007	Transform surplus into capital increase NT$ 140,245,070.
December 2007	Offered the second domestic unsecured conversion of corporate bonds，Total issuance NT$ 300,000,000. As of the end of 2007, the paid-in capital was NT$ 1,643,308,550
April 2008	Obtained ISO/TS16949: 2002 certification.
September 2008	Transform surplus into capital increase NT$ 112,165,420.
July 2009	Obtained ISO 9001:2008 certification.
September 2009	Processed surplus to capital increase NT$ 79,964,720.
February 2010	Hsinchu Science Park Branch of HARVATEK Technology Co., Ltd. was approved to be established.
May 2010	Total common equity converted from corporate bonds NT$ 13,573,800 and divided into 1,357,380 shares.
June 2010	Obtained ISO/TS16949:2009 certification. Offered the third domestic unsecured conversion of corporate bonds, with a total issuance of NT$ 10,000,000,000.
August 2010	Transform surplus into capital increase NT$ 55,470,370. Converting corporate bonds into ordinary shares totaling NT$ 13,951,870 and divided into 1,395,187 shares.
December 2010	Obtained OHSAS 18001:2007 certification.
January 2011	Converting corporate bonds into common shares total NT$ 67,986,460 and divided into 6,798,646 shares.
February 2011	Obtained TOSHMS: 2007 certification for occupational safety and health management system.
March 2011	The total share capital of common shares converted from corporate bonds is NT$3,956,770 and divided into 395,677 shares。
July 2011	The common share capital converted from corporate bonds amounts to NT$ 1,115,080, divided into 111,508 shares.
October 2011	Transformed surplus to capital increase NT$ 39,809,000.
October 2012	Transform surplus into capital increase NT$ 20,313,020.
July 2014	Offered the fourth domestic guaranteed conversion corporate bond, with a total issuance of NT$ 600,000,000.

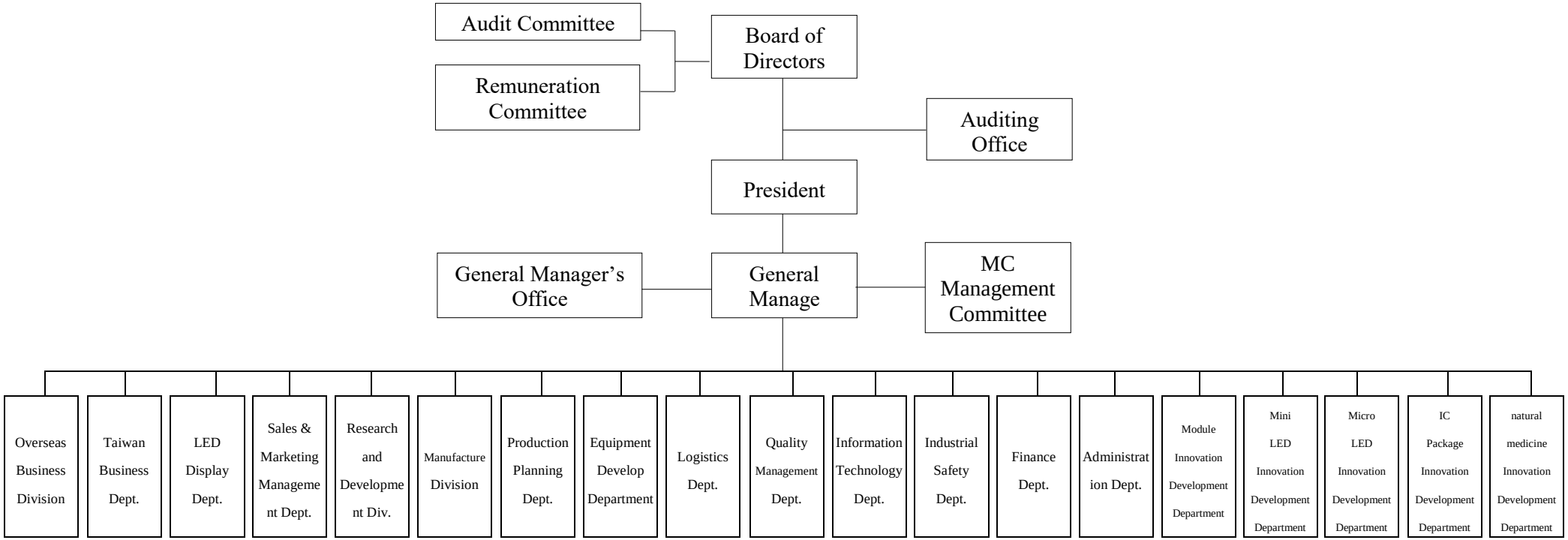
	The issuance of the third domestic unsecured conversion corporate bond in 2010 was changed to the third domestic secured conversion corporate bond.
October 2015	Transform surplus into capital increase NT$ 20,402,950.
November 2016	Obtained the silver medal in the TTQS assessment by the Labor Development Agency of the Ministry of Labor
April 2017	Cancellation of treasury shares and capital reduction NT$11,320,000.
June 2017	Won the "20th Outstanding Optoelectronic Product Award" and "Hsinchu Science Park Innovative Product Award".
August 2017	Obtained 106 breastfeeding room (extra premium) certification from the Ministry of Health and Welfare.
December 2017	Passed the TUV Rheinlandrevied and obtained the certification of "German Rhein Business Capability"
January 2018	Obtained the Health Startup Mark for Healthy Workplace Certification from the Ministry of Health and Welfare. Won the "Future Scientific Product Innovation Product Award" from the Ministry of Science and Technology. Obtained the certificate of 2 million non-disaster-free working hours (less than 400 people) from the Occupational Safety and Health Administration. Passed ISO 14001:2015 environmental management system certification.
July 2018	Passed ISO 9001:2015 quality management system certification. Passed the IATF 16949:2016 automotive industry quality management system certification. Won one gold and one silver medal at the 32nd Japan Innovation Genius Invention Exhibition.
November 2018	Won the gold medal of "TTQS Talent Development Quality Management System Assessment". Won the 20th Outstanding Optoelectronic Product Award.
April 2019	Obtained the non-disaster-free working hours record of the Industrial Safety and Health Association of the Republic of China.
December 2019	Won the honor of "Hsinchu Science Park Innovative Product Award"

February 2020	Passed ISO 14001:2015 environmental management system certification. Passed ISO 45001:2018 Occupational Safety and Health Management System Certification.
May 2020	Obtained the non-disaster-free working hours record of the Industrial Safety and Health Association of the Republic of China
August 2020	The Hsinchu Science Park branch obtained the Ministry of Health and Welfare's Healthy Workplace Certification and Healthy Start-up Mark Certification.

III. Corporate Governance Report

3.1 Organization System

3.1.1 Organization Chart



3.1.2 Major Corporate Functions

Department	Functions
General Manager's Office	1. In accordance with the orders of the general manager, responsible for the company's overall operations, organization, structure, the formulation of company policies and management guidelines, evaluation and planning, and other related matters. 2. Audit the internal operation of the company. 3. Manage company projects.
Auditing Office	1. According to corporate goals, formulate and implement the company's annual audit work, including the preparation of work papers, audit reports, post-event tracking, and file management. 2. Check and evaluate the control situation of the current operating rules and procedures. 3. Put forward audit reports and implementation results and improvement suggestions.
Natural Medicine Innovation Development Department	1. Plant factory project planning, plant lighting, plant cultivation and related equipment development. 2. Application for organic circulation certification, health food development and sales, pricing and shipping related matters. 3. LED phosphor production research and development/inspection/certification.
IC Package Innovation Development Department	1. IC product development. 2. IC customer technical support. 3. IC package design & process capability evaluation. 4. IC new product introduction packaging process evaluation. 5. IC packaging materials and process development.
Micro LED Innovation Development Department	1. Development of Micro LED products and determination of production process. 2. Establishment of Micro LED production process and production standards. 3. Micro LED production material BOM management, cost down of material 4. Continuous optimization of Micro LED mass products, support for client technical discussions.
Mini LED Innovation Development Department	1. Development and production process of Mini LED products. 2. Mini LED production process and establishment of production standards. 3. Mini LED production material BOM management, cost down of material. 4. Continuous optimization of Mini LED mass products, support for client technical discussions.

Module Innovation Development Department	1. Modular application of IC LED related products. 2. Customized module product design, development and OEM, customer technical support. 3. Analyze new products in the consumer product market and conduct modular evaluation. 4. Project management for sample delivery/tracking/recognition of modular products. 5. Module product cost analysis/processing flow review.
Administration Dept.	1. Execute the business of human resources organization and management system. 2. To study and revise various management rules and regulations related to personnel administration. 3. Handle the establishment and storage of employee salary, labor insurance, and health insurance data. 4. Handle employee education and training, review and related file storage. 5. Maintain the cleanliness and sanitation of the factory area, the procurement of office supplies, and the planning and management of official vehicles.
Finance Dept.	1. General accounting, reporting and processing of business income tax and business tax, preparation and analysis of financial statements. 2. Cost settlement and related analysis report preparation, inventory planning and execution. 3. The company's various fund-raising, capital scheduling management, stock affairs related operations. 4. Control and management of reinvestment business.
Industrial Safety Dept.	1. Plan and supervise the inspection, management and education and training of safety, hygiene and operating environment. 2. Supervise the investigation and statistical analysis of occupational disasters. 3. Responsible for contacting the competent authority and reporting safety and health related businesses. 4. Planning plant facilities, construction supervision, and acceptance.
Information Technology Dept.	1. Responsible for planning and maintaining the relevant software and hardware required by various departments in the company, and assisting in the promotion of computerized operations and system integration. 2. Information security policy implementation, database system maintenance. 3. Automate the production line and improve the process. 4. Collect production data and reports for electronation. 5. Promotion of maintenance and improvement of photoelectric testing operations.

Quality Management Dept.	1. Inspect the quality of incoming and outgoing materials, formulate various inspection specifications, track the improvement effects of quality abnormalities and customer complaints, audit the quality of third-party vendors, and analyze and improve abnormal statistics. 2. Responsible for planning the quality system, coordinating the maintenance and establishment of the quality system of each department. 3. Arrange annual external audits.
Logistics Dept.	1. Formulate annual purchasing strategy and purchasing plan. 2. Responsible for searching, investigating, selecting, appraising suppliers and setting purchasing methods. 3. Responsible for purchasing cost analysis and inventory planning of raw materials and general consumables. 4. Formulate supplier transaction rules, handle abnormal problems and evaluate and improve. 5. Seeking and evaluation of Second sauce. 6. Manage molds and fixtures loaned to suppliers.
Equipment Develop Department	1. Draw up a plan for improving the efficiency of production equipment and a plan for reducing the cost of equipment and consumables. 2. Cooperate with R&D and engineering to develop and integrate new equipment. 3. Cultivate the ability to develop and design automated production equipment.
Production Planning Dept.	1. Responsible for arranging production procedures, mastering the progress of outsourcing processing, arranging urgent orders, following up and controlling the delivery date. 2. Confirm and follow up the engineering experiment/sample production schedule. 3. Finished products and semi-finished products are reworked (electrical test or packaging is performed again). 4. Warehouse management operations.
Manufacturing Division	1. Responsible for supervising the quality, capacity and production progress of the production line employees, improving the production efficiency and product yield of the production staff, and responsible for the communication and coordination between the various departments of the company. 2. Establish the equipment maintenance plan, the calibration plan of the measuring instruments, and the operation specifications of the equipment at each station of the production process.

Research and Development Div.	Product research and development and improvement, customer technical support, product development, other cost reduction programs, and packaging specifications formulation. Responsible for establishing the operating standards of each station for process control. Process improvement. Establish standard working hours and manufacturing processes. Factory layout. Engineering changes and product trials. BOM management. Issue material approval.
Sales & Marketing Management Dept.	Responsible for order business, shipment arrangement, collection of business-related information, and production of performance reports.
LED Display Dept.	Responsible for sales of LED display, planning system integration, business information collection, market development and customer maintenance, reception and service, customer financial credit investigation.
Taiwan Business Dept.	According to the sales area of Taiwan, formulate the company's annual business target and annual plan. Product sales, promotion and execution, business information collection, market development, customer maintenance, reception and service, customer financial credit investigation.
Overseas Business Division	According to the sales area of Europe, America, Asia and OEM market, formulate the company's annual business target and annual plan. Product sales, promotion and execution, business information collection, market development, customer maintenance, reception and service, customer financial credit investigation.

3.2 Background Information on Directors, Supervisors, General Managers, Vice General, Managers, Assistant Managers and Heads of Various Departments and Branches

3.2.1 Directors

3.2.1.1Information about directors

May 1, 2022 Unit: Shares、%

Title	National ity	Name	Gender	Date Elected	Term (Year)	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience & Education	Current Positions at HARVATEK and Other Companies	Managers, directors or supervisors who are spouses or relatives within the second degree of kinship			Remark
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Chairman	R.O.C.	Wang, Ping-Lung	Male	2021.08.20	3	2005.03.03	13,680,237	6.63	13,680,237	6.63	4,895,995	2.37	-	-	Department of Shipping Technology, National Chiao Tung University Junior Officer of Wah Kwong Shipping Company Manager of UMC Factory Director of Unimicron The Fourth Chairman of Taiwan Optoelectronic Semiconductor Industry Association	Chairmanr&President of Harvatek Corporation Chairmanr of Youngtek Electronics Corp Chairmanr of Honor Light Ltd Chairmanr of Harvatek International (USA) Corp. Chairmanr of Harvatek (HK) Limited Chairmanr of Qunxin Venture Capital Co., Ltd. Director of Consentek Corporation	-	-	-	Notes 1
Director	R.O.C.	Hsun Chieh Investment Co., Ltd.	-	2021.08.20	3	2000.06.07	28,023,066	13.59	28,023,066	13.59	-	-	-	-	-	-	-	-	-	-
Director	R.O.C.	Hsun Chieh Investment Co., Ltd Representative: Tsai, Guo-Tsang	Male	2021.08.20	3	2018.06.21	-	-	-	-	-	-	-	-	Institute of Economics, National Taiwan University Manager of Investment Department of Mercuries Life Insurance Researcher, Research Department of Industrial Bank of Taiwan	Vice President of Swiftness Investment Co., Ltd.	-	-	-	-
Director	R.O.C.	Li-Chi Investment Co., Ltd.	-	2021.08.20	3	2009.06.10	3,506,491	1.70	3,506,491	1.70	-	-	-	-	-	-	-	-	-	-
Director	R.O.C.	Li-Chi Investment Co., Ltd. Representative: Wu, Ying-Chih	Male	2021.08.20	3	2012.06.18	-	-	-	-	24,482	0.01	-	-	Department of Physics, National Changhua University of Education. Vice President of UMC	Consultant of HARVATEK CORPORATION Director of Society of Manufacturing Engineers, SME Honorary Chairman of Association of Quality Manager, AQM Director of Professional Management Association of Hsinchu Director of Hsinchu Science Management Association	-	-	-	-

																Member of the Accreditation Council of the Institute of Engineering Education Taiwan Chairman of the Management Quality Committee of the Chinese Society for Quality Counselor for the Small Business Manpower Improvement Program of the Workforce Development Agency, Ministry of Labor Member of the the Taiwan-made Product MIT Smile logo Certification Review Committee				
Director	R.O.C.	Li-Chi Investment Co., Ltd. Representative: Chang, Yuan-Tsung	Male	2021.08.20	3	2009.06.10	-	-	-	-	-	-	-	-	Institute of Business Administration, National Chengchi University Planning Engineer,Planning Department of ITRI Assistant Manager of Strategic Planning, UMC	Consultant of HARVATEK CORPORATION	-	-	-	-
Independent Director	R.O.C.	Li, Yu-Cheng	Male	2021.08.20	3	2015.06.25	-	-	-	-	-	-	-	-	PhD, Institute of Industrial Engineering, National Tsing Hua University Dean, College of Management, Chung Hua University Consultant of ITRI Member of BSMI Quality Control National Standards Technical Committee	Chairman of SHENG,LIEN INC. Chief of Staff of Ever Fortune.AI CO., Ltd.	-	-	-	-
Independent Director	R.O.C.	Wu, Kuang-Yi	Male	2021.08.20	3	2018.06.21	-	-	-	-	-	-	-	-	Department of Electronic Engineering, National Chiao Tung University President of Acer Computer America Partner of InveStar Capital Chairman of Hua nan FINANCIAL Management Consulting Chairman of SPRING Foundation of NCTU	Chairman of SYU HUA Management Consulting Co., Ltd. Director of Novatek Technology Co., Ltd. Director of YODN Lighting Co., Ltd. Director of Antec Technology Co., Ltd. Independent Director of Gigastone Co., Ltd. Independent Director of Apacer Technology Co., Ltd.	-	-	-	-
Independent Director	R.O.C.	Liao, Ming-Cheng	Male	2021.08.20	3	2018.06.21	-	-	-	-	-	-	-	-	Department of Business Administration, Fu Jen Catholic University. General Manager of Focaltech Electronics Co., Ltd. Director of Finance and Accounting Department of SUNPLUS TECHNOLOGY CO., LTD. General Manager of Orise Technology Co., Ltd.	Chairman of Xiamen Xm-Plus Technology Ltd. Independent Director of CRYSTALWISE TECHNOLOGY INC.	-	-	-	-

NOTES：The chairman of the company also serves as the general manager because of the improvement of operating efficiency and decision-making execution. However, in order to strengthen the independence of the board of directors, the company has actively trained suitable candidates to take over as the general manager; In addition, the chairman and directors often communicate the company's operating status and planning guidelines to implement corporate governance. In the future, it also plans to increase the number of independent directors to enhance the board of directors and strengthen the supervision function. At present, the company has the following specific measures:

(1)The current three independent directors have expertise in the fields of financial accounting, information communication and biotechnology industry, and can provide sufficient and helpful operation management advice and effectively perform their supervisory functions.

(2)Every year, directors are arranged to participate in professional director courses of SFI and external organizations to enhance the operational effectiveness of directors.

(3)Independent directors can fully discuss and put forward suggestions in all functional committees for the reference of the board of directors to implement corporate governance.

(4)Among the members of the board of directors, more than half of the directors do not concurrently serve as employees or managers

3.2.1.2Major Shareholder of the institutional shareholder

May 1, 2022

Name of Institutional Shareholders	Major Shareholders
Hsun Chieh Investment Co., Ltd	Hsieh Yong Capital Co., Ltd. (63.51%) 、UMC (36.49%)
Li-Chi Investment Co., Ltd.	Wang, Ping-Lung (90%)、Wang Yu (10%)

3.2.1.3Major shareholders of the major shareholders that are juridical persons

May 1, 2022

Name of Institutional Shareholders	Major Shareholders
Hsieh Yong Capital Co., Ltd.	Unimicron Technology Corp. (16.67%); Silicon Integrated Systems Corp. (16.67%); Novatek Microelectronics Corp. (15.15%); Yanyuan Investment Company (12.20%); Faraday Technology Corporation (12.12%); King Yuan Electronics Co., Ltd. (7.58%)
UMC	American JPMorgan Chase escrows the special account of UMC's overseas depositary receipts (5.81); Hsun Chieh Investment (3.55%), Fubon Life Insurance (stock) Company (3.20%), New Labor Pension (2.41%); SiS Technology Co., Ltd. (2.3%); CTBC Bank is entrusted by UMC Holding Trust Account (1.57%),; Yanyuan Investment Company (1.4%), , Chase Custody Advanced Starlight Advanced Aggregate International Stock Index (1.08%), , Nanshan Life Insurance Co., Ltd. (1.06%); Yaohua Glass (Shares) Company Management Committee (0.88%)

3.1.2.3 Directors' Professional Qualifications and Independence Analysis:

Criteria/Name	Professional qualifications and experience	Independence situation	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Chairman Wang, Ping-Lung	With more than five years of work experience required for the company's business, he is the founder of the company, and currently serves as the chairman and general manager of the company. He was the chairman of the Taiwan Optoelectronic Semiconductor Industry Association. For the company's current optoelectronic industry and semiconductor industry development situation is well known. Not been a person of any conditions defined in Article 30 of the Company Act;	N/A	0
Hsun Chieh Investment Co., Ltd. Representative: Tsai, Guo-Tsang	With more than five years of work experience required by the company's business, he has worked in the financial industry and is good at research and analysis of investment. Not been a person of any conditions defined in Article 30 of the Company Act		0
Li-Chi Investment Co., Ltd. Representative: Wu, Ying-Chih	With more than five years of work experience required by the company's business, he has served as a senior executive of UMC, specializing in factory management and operational strategy planning. Not been a person of any conditions defined in Article 30 of the Company Act		1
Li-Chi Investment Co., Ltd. Representative: Chang, Yuan-Tsung	With more than five years of work experience required by the company's business, he has served as a senior executive of UMC, specializing in factory management and operational strategy planning. Not been a person of any conditions defined in Article 30 of the Company Act		0
Independent Director Li, Yu-Cheng	He has more than five years of lecturer and work experience in public and private colleges and universities in the relevant departments required by the company's business. He used to be the dean of the management school of the university and a member of the National Standards Technical Committee for Quality Control of the Bureau of Standards and Inspection of the Ministry of Economic Affairs. Currently serving as a senior executive of a biotechnology company, he is good at quality management and can also give professional advice on the development of the company's products towards the biotechnology industry. Not been a person of any conditions defined in Article 30 of the Company Act	1. Not an employee of the company or any of its affiliates; 2. Not a director or supervisor of the company or any of its affiliates (excluding independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent). 3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders; 4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under (1) or any of the persons listed in (2) and (3). 5. Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks	0
Independent Director Wu, Kuang-Yi	With more than five years of work experience required for corporate business, he has served as the president of Acer Computer USA and the chairman of the financial management consulting company Not been a person of any conditions defined in Article 30 of the Company Act		2

Independent Director Liao, Ming-Cheng	With more than five years of work experience required by the company's business, he used to be the chief financial officer of a semiconductor company, and has expertise in the field of financial accounting. Not been a person of any conditions defined in Article 30 of the Company Act	among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act (excluding independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent). 6. Not a director, supervisor, or employee of another company or institution if a majority of the company's director seats or voting shares and those of any other company are controlled by the same person (excluding independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent). 7. Not a director, supervisor, or employee of another company or institution where the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at the other company or institution are the same person or are spouses (excluding independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent). 8. Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. (excluding independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent, where the specified company or institution holds 20 percent or more and no more than 50 percent of the total number of issued shares of the public company). 9. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof; this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations. 10. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the company; 11. 11. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.	1

3.1.2.4 Board Diversity and Independence

(1) Diversity of the board of directors:

Article 20 of the Company's "Corporate Governance Code" stipulates the policy on diversity of board members. Regardless of gender, race or nationality, in addition to possessing the knowledge, skills and qualities necessary to perform their duties, in order to achieve the ideal goals of corporate governance, the board of directors as a whole should possess the following capabilities: 1. The ability to make operational judgments. 2. Accounting and financial analysis ability. 3. Operation and management ability. 4. Crisis handling capability. 5. Industrial knowledge. Sixth, the international market view. 7. Leadership. Eight, decision-making ability.

In order to strengthen corporate governance and promote the sound development of the composition and structure of the board of directors, the company's "Corporate Governance Code", Article 20, Item 3, requires that the composition of the board of directors should be diversified, and directors who also serve as company managers should not exceed one-third of the number of directors. In addition, it should formulate an appropriate diversification policy based on its own operation, operation type and development needs, which should include but not limited to the following two standards:

1. Basic conditions and values: gender, age, nationality and culture, etc.

2. Professional knowledge and skills: professional background (such as law, accounting, industry, finance, marketing or technology), professional skills and industry experience, etc.

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

Management Goals	Achievement status
The number of independent directors exceeds one third of the number of directors	Achieve
The number of directors who also serve as managers of the company does not exceed one-third of the number of directors	Achieve
The term of independent directors has not exceeded 3 terms	Achieve
Adequate and diverse professional knowledge and skills	Achieve

The current board member diversity policy of the Company and its implementation are as follows:

Diversity / Core / Program / Name	Basic component										Industry experience				Professional ability			
	Nationality	Gender	Also an employee of the company	Age				Length of tenure of independent directors			Bank	Securities	Insurance	Asset Management	Accounting	Law	Information Technology	Risk Management
				41-50	51-60	61-70	71+	3ys less	3ys-9ys	9ys +								
Chairman Wang, Ping-Lung	R.O.C	M	V			V											V	V
Hsun Chieh Investment Co., Ltd. Representative: Tsai, Guo-Tsang	R.O.C	M		V								V		V				V
Li-Chi Investment Co., Ltd. Representative: Wu, Ying-Chih	R.O.C	M	V			V											V	V
Li-Chi Investment Co., Ltd. Representative: Chang, Yuan-Tsung	R.O.C	M	V				V										V	V
Independent Director Li, Yu-Cheng	R.O.C	M				V			V								V	V
Independent Director Wu, Kuang-Yi	R.O.C	M				V			V					V			V	V
Independent Director Liao, Ming-Cheng	R.O.C	M			V				V			V			V		V	V

(2) Board Independence:

Among the seven current directors of the Company, 42.86% are employees, and 42.86% are independent directors. The term of office of the three independent directors is 4 to 6 years. As of the end of 2021, all independent directors were in compliance with the regulations of the Securities and Futures Bureau of the Financial Supervisory Commission on independent directors, and there were no matters 3 and 4 stipulated in Article 26-3 of the Securities and Exchange Act between the directors and independent directors. The board of directors of the company Independent (see page 17-18 of this annual report - Disclosure of Professional Qualifications of Directors and Independent Directors' Independence Information), each director's educational background, gender and work experience (see page 14 of this annual report - Information of directors).

3.2.2 Information Regarding Management Team

May 1, 2022 Unit: TWD Thousand; Thousand Shares ;%

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		HARVATEK Shareholding by Nominee Arrangement		Experience & Education	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remark
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
President	R.O.C.	Wang, Ping-Lung	Male	2013.01.01	13,680,237	6.63	4,895,995	2.37	-	-	Department of Marine Transportation Technology, National Chiao Tung University Third Officer, Wah Kwong Marine Transportation Manager of UMC Plant Director, Unimicron Technology Corp. 4th Chairman,Taiwan Optoelectronic Semiconductor Industry Association (TOSIA)	Chairmanr&President of Harvatek Corporation Chairmanr of Youngtek Electronics Corp Chairmanr of Honor Light Ltd Chairmanr of Harvatek International (USA) Corp. Chairmanr of Harvatek (HK) Limited Chairmanr of Qunxin Venture Capital Co., Ltd. Director of Consentek Corporation	-	-	-	NOTES 1
Vice President	R.O.C.	Feng Hui Chuang	Male	2005.04.01	63,601	0.03	-	-	-	-	Department of Mechanical Engineering, Lunghwa University. Deputy Manager of EVERLIGHT ELECTRONICS CO., LTD	Supervisor of YoungTek Electronics Corp. Chairman of SYNTEK Co., Ltd. Director of Sleipnir LED Co., Ltd	-	-	-	-
Assistant Manager	R.O.C.	Tien Chien Chang	Male	2016.06.21	9,200	-	-	-	-	-	Master of Business Administration, University of Portland Director of Unimicron. Vice President of Jingzhun Precision Co., Ltd.	President of Harvatek International (USA) Corp	-	-	-	-
Assistant Manager	R.O.C.	His Ming Pan	Male	2018.03.01	9,200	-	-	-	-	-	Material Institute Master, National Cheng Kung University PhD, Institute of Materials, NCKU Section Manager, ELECTRONIC & OPTOELECTRONIC SYSTEM RESEARCHs, ITRI Vice President of R&D Center, Formosa Epitaxy Incorporation	-	-	-	-	-
Financial Manager	R.O.C.	Yu Hui Su	Female	2013.08.01	9,198	-	-	-	-	-	Department of Industrial Economics, Tamkang University Deputy Manager of Underwriting Department of Entrust Securities Deputy Manager of Underwriting Department of Capital Securities Corporation Manager of Underwriting Department of First Securities Inc. Audit Office Manager of TYNSOLAR CORPORATION	Supervisor of Sleipnir LED Co., Ltd Supervisor of Consentek Corporation Supervisor of Sleipnir LED Co., Ltd	-	-	-	-
Assistant Manager	R.O.C.	MING-KUEI Lin	Male	2021.04.13	9,198	-	-	-	-	-	Department of Physics, Fu Jen Catholic University Deputy Director of Quality Assurance Department of EVERLIGHT ELECTRONICS CO., LTD		-	-	-	-

NOTES：The chairman of the company also serves as the general manager because of the improvement of operating efficiency and decision-making execution. However, in order to strengthen the independence of the board of directors, the company has actively trained suitable candidates to take over as the general manager; In addition, the chairman and directors often communicate the company's operating status and planning guidelines to implement corporate governance. IN the future, it also plans to increase the number of independent directors to enhance the board of directors and strengthen the supervision function. At present, the company has the following specific measures:

1. The current three independent directors have expertise in the fields of financial accounting, information communication and biotechnology industry, and can provide sufficient and helpful operation management advice and effectively perform their supervisory functions.
2. Every year, directors are arranged to participate in professional director courses of SFI and external organizations to enhance the operational effectiveness of directors.
3. Independent directors can fully discuss and put forward suggestions in all functional committees for the reference of the board of directors to implement corporate governance.
4. Among the members of the board of directors, more than half of the directors do not concurrently serve as employees or managers.

3.3 Remunerations paid to directors, supervisors, general managers and vice general managers in recent years

3.3.1 Remuneration Paid to Directors

December 31, 2021 Unit: TWD Thousand; Thousand Shares

Title	Name	Director Remuneration								Total Remuneration (A+B+C+D) as a% of Net Loss after tax		Compensation Earned by a Director Who is an Employee of Harvatek or of Harvatek's Consolidated Entities								Total Compensatio n (A+B+C+D+E+F+G) as a% of Net Loss after tax		Remuneration received from investee companies outside of subsidiaries or from the parent company
		Base Compensation (A)		Severance Pay and Pensions (B)		Compensation to Directors (C)		Allowances (D)				Base Compensation Bonuses, and Allowances (E)		Severance Pay and Pensions (F)		Employees' Profits Sharing Bonus (G)						
																From Harvatek		From All Consolidated Entities				
		From Harvatek	All companies within the Financial Report	From Harvatek	All companies within the Financial Report	From Harvatek	All companies within the Financial Report	From Harvatek	All companies within the Financial Report	From Harvatek	All companies within the Financial Report	From Harvatek	All companies within the Financial eport	From Harvatek	All companies within the Financial eport	Cash	Stock (Fair Market Value)	Cash	Stock (Fair Market Value)	From Harvatek	All companies within the Financial Report s	
President	Li-Chi Investment Co., Ltd Representative: Wang, Ping-Lung (Date of dismissal: August 20, 2021).	-	-	-	-	-	-	15	15	-	-	-	-	-	-	-	-	-	-	-	-	None.
President	Wang, Ping-Lung (Date of inauguration: August 20,2021)	-	-	-	-	650	650	9	9	0.18	0.18	2,697	2,697	-	-	529	-	529	-	1.05	1.05	None.
Director	Hsun Chieh Investment Co., Ltd.	-	-	-	-	650	650	-	-	0.18	0.18	-	-	-	-	-	-	-	-	0.18	0.18	None.
Director	Hsun Chieh Investment Co., Ltd. Representative: Tsai, Guo-Tsang	-	-	-	-	-	-	21	21	0.01	0.01	-	-	-	-	-	-	-	-	0.01	0.01	None.
Director	Li-Chi Investment Co., Ltd.	-	-	-	-	1,300	1,300	-	-	0.35	0.35	-	-	-	-	-	-	-	-	0.35	0.35	None.
Director	Li-Chi Investment Co., Ltd. Representative: Wu, Ying-Chih	-	-	-	-	-	-	18	18	-	-	746	746	32	32	29	-	29	-	0.22	0.22	None.
Director	Li-Chi Investment Co., Ltd. Representative: Chang, Yuan-Tsung (Date of inauguration: August 20,2021)	-	-	-	-	-	-	9	9	-	-	105	105	6	6	9	-	9	-	0.0.	0.03	None.
Director	IN & OUT Bio Beauty Corp. (Date of dismissal: August 20, 2021).	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	None.
Director	IN & OUT Bio Beauty Corp. Representative: Chang, Yuan-Tsung (Date of dismissal: August 20, 2021).	-	-	-	-	-	-	9	9	-	-	-	-	-	-	-	-	-	-	-	-	None.
Independent Director	Li, Yu-Cheng	-	-	-	-	650	650	150	150	0.22	0.22	-	-	-	-	-	-	-	-	0.22	0.22	None.
Independent Director	Wu, Kuang-Yi	-	-	-	-	650	650	144	144	0.21	0.21	-	-	-	-	-	-	-	-	0.21	0.21	None.
Independent Director	Liao, Ming-Cheng	-	-	-	-	650	650	147	147	0.22	0.22	-	-	-	-	-	-	-	-	0.22	0.22	None.

1. Please state the policies, systems, standards and structure of independent directors' remuneration, and, according to the responsibilities, risks, time invested and other factors, describe the relevance to the remuneration amount: The remuneration of independent directors of the company is based on Article 18 of the Articles of Incorporation, authorizing the board of directors to determine the extent of their participation in the company's operations and the value of their contribution to the company's operations, with reference to the standards of the industry; The remuneration is based on the results of the director's performance evaluation. After the Compensation Committee's deliberation, it was submitted to the board of directors for resolution and approval in accordance with Article 29 of the Articles of Incorporation. In addition, on December 26, 2019, the company formulated the rules for the remuneration of directors and functional committee members, stipulating that independent directors will be paid a fixed remuneration according to their responsibilities, risks, and time invested as functional committee members.
2. Besides those disclosed in the above table, remunerations paid to directors in the most recent year for having provided services to all companies covered in the Financial Report (such as working as a consultant who is not an employee): None

3.3.2 Remuneration Paid to President and Vice Presidents

December 31, 2021 Unit: TWD Thousand; Thousand Shares

Title	Name	Salary (A)		Severance Pay and Pensions (B)		Bonuses and Allowances(C)		Employees' Profit Sharing Bonus (D)				Total Compensation as a % of 2019 Net Profit (A+B+C+D)		Any remuneration outside of subsidiaries from re-investment businesses or the parent company
								From Harvatek		From All Consolidated Entities				
		From Harvatek	From All Consolidated Entities	From Harvatek	From All Consolidated Entities	From Harvatek	From All Consolidated Entities	Cash	Stock (Fair Market Value)	Cash	Stock (Fair Market Value)	From Harvatek	From All Consolidated Entities	
President	Wang, Ping-Lung	1,530	1,530	-	-	302	302	351	-	351	-	0.59	0.59	None
Vice President	Chuang ,Feng -Hui	1,747	1,747	108	108	374	374	1,917	-	1,917	-	1.12	1.12	None

3.3.3 Individual compensation paid to the five highest-paid managerial officers：

The company does not have the following circumstances, so there is no need to disclose this information.

1. A company that has posted after-tax deficits in the parent company only financial reports or individual financial reports within the three most recent fiscal years.
2. A company is ranked in the lowest tier in the corporate governance evaluation for the most recent fiscal year, or in the most recent fiscal year or up to the date of publication of the annual report for that year, the company's securities have been placed under an altered trading method, suspended from trading, delisted from the TWSE or the TPEx, or the Corporate Governance Evaluation Committee has resolved that the company shall be excluded from evaluation.

3.3.4 The comparison analysis of the ratio of remuneration paid from the Company and from all consolidated entities in the most recent two (2) years to the Company's directors, general managers and deputy general managers to net income in the individual financial statement, and the illustration of remuneration policy, standards and packages, procedures of setting remuneration, and the linkage to operating performance and future risk exposure.

Comparison of Remuneration for Directors, Supervisors, President, and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Supervisors, President, and Vice Presidents

3.3.4.1 The ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, President and Vice Presidents of the Company, to the net loss & Profit.

	From HARVATE K				From All Consolidated Entities			
	2020		2021		2020		2021	
	Lump sum	Proportion to net profit after tax (%)	Lump sum	Proportion to net profit after tax (%)	Lump sum	Proportion to net profit after tax (%)	Lump sum	Proportion to net profit after tax (%)
Directors	2,464	1.72	5,072	1.37	2,464	1.72	5,072	1.37
President and Vice President	5,620	3.92	6,329	1.71	5,620	3.92	6,329	1.71
Net profit after tax	143,339	-	370,318	-	143,339	-	370,318	-
The increase in the remuneration of directors, general managers and deputy general managers of the Company in 2021 is due to the increase in the net tax profit in 2021.								

3.3.4.2 Policies, standards and combinations of remuneration payments, procedures for determining remuneration, and their relationship to business performance and future risks

According to Article 29 of the Articles of Association that if the Company records a profit in a year, the Company shall set aside no less than 6% of the profit for employee's remuneration, which shall be distributed in shares or cash by resolution of the Board of Directors and shall be distributed to employees of the Parent or subsidiaries of the Company who meet certain criteria; The Company may, by resolution of the board meeting, set aside no more than 1% of the said profit for directors' remuneration. Employees' and directors' remuneration. The Company's director (including independent directors) remuneration is based on the director's participation procedure in the Company's operation and the value of contribution, the performance evaluation includes the degree of participation in the company's operations, the improvement of the quality of board decisions, the composition structure and the selection of the board, and continuity of directors further education, internal control (please refer to the company's website for the results of the board's performance evaluation). The remuneration of the company's managers include salary and bonuses. The salary refers to the standard of the same industry and items such as title, rank, academic background, work experiences, professional ability and responsibilities. The bonus is a performance evaluation project that considers the manager's performance, including financial indicators (Such as the achievement rate of the company's revenue, operating net profit and net profit after tax) and non-financial indicators (such as significant deficiencies in compliance with laws and regulations and operational risks in the department under management), and according to the regulations of the company's salary and remuneration committee, it should be reviewed by the salary and remuneration committee and submitted to the board of directors for resolution.

3.4 Status of Corporate Governance

3.4.1. Board of Directors Meeting Status

A total of 6 meetings of the Board of Directors were held in 2021. The directors' attendance status is as follows.

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) B/A	Remarks
Chairman	Li-Chi Investment Co., Ltd.Representative: Wang, Ping-Lung	4	0	100.00	Date of dismissal: August 20, 2021
Chairman	Wang, Ping-Lung	2	0	100.00	Date of inauguration: August 20,2021
Director	Hsun Chieh Investment Co., Representative: Tsai, Guo-Tsang	6	0	100.00	
Director	Li-Chi Investment Co., Ltd.Representative: Wu, Ying-Chih	6	0	100.00	
Director	IN & OUT Bio Beauty Corp. Representative: Chang, Yuan-Tsung	3	0	75.00	Date of dismissal: August 20, 2021
Director	Li-Chi Investment Co., Representative: Chang, Yuan-Tsung	2	0	100.00	Date of inauguration: August 20,2021
Independent director	Li, Yu-Cheng	6	0	100.00	
Independent director	Wu, Kuang-Yi	6	0	100.00	

Independent director	Liao, Ming-Cheng	6	0	100.00	

Other special disclosure:

1. If the operation of the board of directors is in any of the following circumstances, the date, period, content of the proposal, all independent directors' opinions and the company's handling of independent directors' opinions shall be stated:

A、Matters listed in Article 14-3 of the Securities and Exchange Act

Term time Date	Contents of motion	Independent director's opinion
9-18 2021.02.04	1. Managers' 2019 employee bonus distribution and 2020 year-end bonus. 2. The salary and remuneration of the company's managers in 2021 3. Approved the total amount of the Company's fund which was lent to Harvatek (Guangzhou) Co, Ltd. 4. Appoint the company's certified accountants and decide their remuneration.	None.
9-19 2021.03.25	1. The company's 2020 director and employee compensation plan.	None.
9-22 2021.08.12	1. The company's 2020 annual director remuneration distribution. 2. Revised the company's internal control system "Financing Cycle" and enacter "Management Measures for the Preparation of Financial Statements".	None.

B、In addition to matters mentioned above, others that are opposed or reserved by the Independent Directors and have records or written statements： None.

2. Recusals of Directors due to conflicts of interests：

The manager of the company's 2019 employee bonus distribution and 2020 year-end bonus, above case, the director Wang, Ping-Lung in relation to the individual's interest conflicts, temporarily recused himself from the discussion and voting, and the proposal was passed without objection after discussion by other present directors and independent directors.

3. The execution status of evaluation on the Board of Directors：

Assessment period	Term of assessment	Scope of assessment	Assessment methodology	Content of assessment
Once every year	2021.01.01~2021.12.31	Including performance evaluation of the overall board of directors and individual directors	Internal self-evaluation of the board of directors and self-evaluation of directors	The performance evaluation of the overall board of directors includes the Participation in the company's operation, the Improvement on the quality of the board's decision making, Makeup and structure of the board of directors, Election of directors and continued knowledge development, internal control, etc.; the performance evaluation of individual directors includes the grasp of company goals and tasks, and directors' responsibilities awareness, participation in company operations, internal relationship management and communication, professional and continuous knowledge development of directors, internal control, etc.

4.Measures taken to strengthen the functionality of the Board:

(1) When the company's board of directors convenes, the general manager or relevant supervisors will report the current business status of the company for the directors to know, and prepare relevant materials for the directors' reference.

(2) The company took the initiative to provide information on director training courses, and encouraged directors to actively participate in various corporate governance courses, and arranged lecturers to teach in the company to strengthen the functions of board members. A total of 7 directors were trained in 2021, and the total number of training hours was 51 hours.
(3) The operation of the board of directors of the company is in accordance with the "Rules of Procedure of the Board of Directors", and the implementation is in good condition.
(4) The company insisted the principle of operational transparency, according to regulations, on the day after the end of the board meeting, it will release material information and disclose relevant information in accordance with the "Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities ".
(5) The Company has set up the Audit Committee and Remuneration Committee, each consisting of 3 independent directors. Both committees' chairpersons would report the committees' activities and actions to the Board of Directors periodically. The articles of association of the committee have been approved by the board of directors. All matters that must be approved by the committee according to laws and regulations are decided by the committee before being submitted to the board of directors for discussion.

2021 Director training:

Title	Name	Date Elected	Date		Organizer	Course Title	Training hours	Meet the requirements
			From	to				
Juristic person director representative	Wu, Ying-Chih	2018.06.21	2021.03.25	2021.03.25	Taiwan Corporate Governance Association	Key points for preparing a corporate social responsibility report	3	YES
			2021.03.25	2021.03.25	Taiwan Corporate Governance Association	Learn about the internal fraud prevention and investigation and improvement practices of directors and supervisors.	3	YES
Juristic person chairman representative	Wang, Ping-Lung	2018.06.21	2021.03.25	2021.03.25	Taiwan Corporate Governance Association	Key points for preparing a corporate social responsibility report	3	YES
			2021.03.25	2021.03.25	Taiwan Corporate Governance Association	Learn about the internal fraud prevention and investigation and improvement practices of directors and supervisors.	3	YES
Juristic person director representative	Tsai, Guo-Tsang	2018.08.16	2021.03.25	2021.03.25	Taiwan Corporate Governance Association	Key points for preparing a corporate social responsibility report	3	YES
			2021.03.25	2021.03.25	Taiwan Corporate Governance Association	Learn about the internal fraud prevention and investigation and improvement practices of directors and supervisors.	3	YES
Juristic person director representative	Chang, Yuan-Tsung	2018.06.21	2021.03.25	2021.03.25	Taiwan Corporate Governance Association	Key points for preparing a corporate social responsibility report	3	YES
			2021.03.25	2021.03.25	Taiwan Corporate Governance Association	Learn about the internal fraud prevention and investigation and improvement practices of directors and supervisors.	3	YES
Independent director	Wu, Kuang-Yi	2018.06.21	2021.03.25	2021.03.25	Taiwan Corporate Governance Association	Key points for preparing a corporate social responsibility report	3	YES
			2021.03.25	2021.03.25	Taiwan Corporate Governance Association	Learn about the internal fraud prevention and investigation and improvement practices of directors and supervisors.	3	YES
			2021.10.29	2021.10.29	Taiwan Corporate Governance Association	ESG trends and practical analysis	3	YES
			2021.10.29	2021.10.29	Taiwan Corporate Governance Association	Reflecting on how to build a high-performance board of directors and functional committees from the performance evaluation of the board of directors	3	YES
Independent director	Li, Yu-Cheng	2018.06.21	2021.03.25	2021.03.25	Taiwan Corporate Governance Association	Key points for preparing a corporate social responsibility report	3	YES
			2021.03.25	2021.03.25	Taiwan Corporate Governance Association	Learn about the internal fraud prevention and investigation and improvement practices of directors and supervisors.	3	YES
			2020.08.24	2020.08.24	Taiwan Corporate Governance Association	Insider Equity Transactions Should Be Noticed and Corporate Governance 3.0	3	YES
Independent director	Liao, Ming-Cheng	2018.06.21	2020.03.26	2020.03.26	Taiwan Corporate Governance Association	Key points for preparing a corporate social responsibility report	3	YES
			2020.03.26	2020.03.26	Taiwan Corporate Governance Association	Learn about the internal fraud prevention and investigation and improvement practices of directors and supervisors.	3	YES

3.4.2 Audit Committee Meeting Status

The annual routine work of the audit committee includes reviewing financial reports, assessing the effectiveness of the internal control system, etc. Non-routine work includes reviewing and amending the acquisition or disposal of assets, engaging in derivative commodity transactions, lending funds to others. Procedures for handling major financial business activities that provide guarantees, major asset or derivative commodity transactions, a material monetary loan, endorsement, or provision of guarantee, etc.

A total of 6 Audit Committee meetings were held in 2020.The independent directors' attendance status is as follows.

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) B/A_	Remarks
Independent Director	Li, Yu-Cheng	6	-	100.00	
Independent Director	Wu, Kuang-Yi	6	-	100.00	
Independent Director	Liao, Ming-Cheng	6	-	100.00	

Other special disclosure:

1. Where the Audit Committee's operation meets any of the following circumstances, please clearly state the directors' meeting date, term, contents of motions, and resolution of the Audit Committee, and the Company's handling of the Audit Committee's opinions:

   A. Resolutions related to Securities and Exchange Act §14-5 and its implementation:

Term Date	Contents of motion	Resolution of Audit Committee	the Company's (the board of directors') handling of Audit Committee's opinion
1-15 2021.02.04	1. Appoint the company's certified accountants and decide their remuneration. 2. The company's capital loan Harvatek (Guangzhou) Co, Ltd.	The motion was approved unanimously.	The motion was approved by all present directors unanimously, and submitted to the general shareholders' meeting for discussion.
1-16 2021.03.25	1. Assessment of the effectiveness of the company's internal control system in 2020.	The motion was approved unanimously	The motion was approved by all present directors unanimously, and submitted to the general shareholders' meeting for discussion.
1-18 2021.08.12	1. The Company's consolidated financial statements for the second quarter of 2021. 2. Revised the company's internal control system "Financing Cycle" and enacter "Management Measures for the Preparation of Financial Statements".	The motion was approved unanimously	The motion was approved by all present directors unanimously, and submitted to the general shareholders' meeting for discussion.

   B. There were no other resolutions that were not approved by the Audit Committee but were approved by two thirds of all directors in 2021.

2. There were recusals of independent directors due to conflicts of interests in 2021: None.
3. Descriptions of the communications between the independent directors, the internal auditors, and the independent auditors:

A、Summary of the communication between independent directors and internal audit officer.

The Company's independent directors had fair communication about status and result of the audit affairs. The communication in 2021 was outlined as following:

Date	Points of communication	Communication result
2021.03.25	October 2020 ~ December 2020 Internal Audit Business Execution Report.	The motion was passed without objection
2021.05.13	January 2021 ~ March 2021 Internal Audit Business Execution Report.	The motion was passed without objection
2021.08.12	April 2021 ~ June 2021 Internal Audit Business Execution Report.	The motion was passed without objection
2021.11.11	1.July 2020 ~ September 2020 Internal Audit Business Execution Report. 2.2022 annual audit work plan. 3.Symposium between independent directors and internal audit supervisors	1&2.The motion was passed without objection. 3. The independent directors suggest that the audited unit's response report should be included in the audit report of the board of directors for reference

B、The audit committee of the company is composed of all independent directors.

Accountants report to the independent directors at least once a year on the financial status, the financial status of domestic and overseas subsidiaries, the overall operation status, and the review of internal control. And fully communicate whether there are major adjustments or legal amendments that affect the accounting situation. The communication in 2021 was outlined as following:

Date	Points of communication	Communication result
2021.3.25	1. The accountant explained the company's 2020 financial report and major profit and loss review and adjustment; reported on the scope, methods and findings of the internal control inspection and evaluation.	The financial statements have been passed by the Audit Committee, submitted to the Board of Directors for approval, and made public as scheduled and reported to the competent authority.
	2. The accountant discusses and communicates with the questions raised by the participants.	
	3. Communication of key audit matters in the audit report.	
	4. Description of the impact of recent important amendments to laws and regulations and the application of the new bulletin.	

3.4.3 Status of corporate governance, departures from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons for such departures

Assessment Item	Implementation Status (Note1)			Departures from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons for such departures
	YES	NO	Explanation	
1. Does the Company follow "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" to establish and disclose its corporate governance principles?	∨		The company has established "Corporate Governance Practice Regulations", and all operations are handled in accordance with the regulations. So far, there are no major differences.	None
2. Shareholding Structure & Shareholders' Rights				
(1) Does Company have Internal Operation Procedures for handling shareholders' suggestions, concerns, disputes and litigation matters. If yes, has these procedures been implemented accordingly?	∨		(1) For the shareholders' suggestions or questions, the company has spokespersons and deputy spokespersons responsible for handling relevant issues.	None
(2) Does Company possess a list of major shareholders and beneficial owners of these major shareholders?	∨		(2) The company's stock affairs operations are handled by professional stock affairs agencies, and supervisor of Shareholder Service to handle related matters, and have a good relationship with major shareholders	None

Assessment Item	Implementation Status (Note1)			Departures from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons for such departures
	YES	NO	Explanation	
			and can contact them at any time.	
(3) Has the Company built and executed a risk management system and "firewall" between the Company and its affiliates?	V		(3) The business and financial transactions between the company and related companies have been formulated in accordance with the regulations of the competent authority and the "Measures for the Management of Transactions with Related Persons" shall be implemented in accordance with this method.	None
(4) Has the company have internal regulations that prohibit company insiders from using undisclosed information on the market to buy and sell securities?	V		(4) In order to maintain the fairness of the securities trading market, The Company has formulated "Operating Procedures for Preventing Insider Trading," "Ethical Corporate Management Principles," and "Procedures for Ethical Management and Guidelines for Conduct.	None
3. The organization of Board of Directors and its duties				
(1) Does the Board of Directors have diversified policies regulated and implemented substantively according to the composition of the members?	V		(1) 1. Article 20 of the Company's "Corporate Governance Regulations" stipulates a diversification policy for the composition of board members. The nomination and selection of members of the company's board of directors is in compliance with the company's articles of association and adopts a candidate nomination system. In addition to assessing the qualifications of each candidate, and referring to the opinions of interested parties, it complies with the "Director Election Method" and "Corporate Governance Requirements" to ensure the diversity and independence of directors. 2. Please refer to pages 17-18 of this annual report for the diversity policy, specific management objectives and implementation of the board of directors.	None
(2) Whether the company, in addition to establishing the Compensation Committee and Audit Committee, pursuant to laws, is willing to establish any other functional committees voluntarily?	V		(2) The company has established a salary and remuneration committee and an audit committee in accordance with the law, and has not yet established other functional committees. In the future, other functional committees will be set up according to laws and regulations or practical needs.	None
(3) Does the company establish a standard to measure the performance of the Board, implement it annually and submit the results to the board of Directors as reference for the remuneration of individual Directors and the nomination of candidates?	V		(3) The company has formulated a performance evaluation method for the board of directors, clearly specifying the scope and method of evaluation, and it is conducted regularly every year. The performance evaluation results should be completed before the end of the first quarter of the next year and submitted to the board of directors; the results of the performance evaluation of the board of directors should be used as a reference when selecting or nominating directors.The performance evaluation results of individual directors are used as the reference basis for determining their individual salary and remuneration.	None
(4) Are external auditors' independence assessed on a regular basis?	V		(4) According to Article 29 of the company's corporate governance regulations, the company shall regularly (once a year) evaluate the independence of the certified public accountant, and submit it to the board of directors for review and approval on March 25, 2021. The company's certified public accountants are Ernst & Young Global Limited. Certified Public Accountants are Hans Chen and Hsin Min Hsu. The internal finance department of the company has assessed the independence of the certified public accountant in terms of financial benefits, financing and guarantees, business relationships, family and personal relationships, employment relationships, gifts and special offers, rotation of certified public accountants and non-audit business, etc. The company has not noticed that it may affect the independence of certified public accountants.	None

Assessment Item	Implementation Status (Note1)			Departures from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons for such departures
	YES	NO	Explanation	
4. Does the TWSE/TPEx listed company have a dedicated unit/staff member in charge of the Company' corporate governance affairs (including but not limited to providing information required for director/supervisor's operations, convening board/shareholder meetings in compliance with the law, apply for/change company registry, and producing meeting minutes of board/shareholder meetings)?	∨		In order to strengthen corporate governance and enhance the effectiveness of the board of directors, the company refers to the relevant provisions of the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and the "Operation Directions for Compliance with the Establishment of Board of Directors by TWSE Listed Companies and the Board's Exercise of Powers. The company's board of directors has passed a resolution on June 25, 2019 that the current financial director, Manager Yu Hui Su, shall serve as the head of corporate governance. Manager Su had the qualifications for more than three years to be in charge of financial units in public offering companies regulated by the above-mentioned laws. As the top executive responsible for corporate governance-related matters, corporate governance-related matters include handling matters related to the board of directors and shareholders meeting in accordance with the law, preparing the minutes of the board of directors and shareholders meeting, assisting directors in their appointment and continuing knowledge, providing directors with information needed to perform their business, Assist directors to comply with laws and regulations, other matters stipulated in the company's articles of association or contract, etc. 2021 Corporate Governance Executive Training Status: Head of Corporate Governance Manager Yu Hui Su, Study Date: May 7, 2021 Organizer: Securities and Futures Market Development Foundation of the Republic of China Course name: 2021 Insider Trading Prevention Promotion Conference Study hours: 3 hours. Study Date: October 28, 2021 Organizer: Securities and Futures Market Development Foundation of the Republic of China Course name: 2021 Insider Equity Transaction Legal Compliance Publicity Session Study hours: 3 hours. Date of further study: November 05, 2021 Organizer: Securities and Futures Market Development Foundation of the Republic of China Course name: 2021 Insider Trading Prevention Promotion Conference Study hours: 3 hours. Date of further study: December 05, 2021 Organizer: Taiwan Stock Exchange Course name: 2021 Cathay Pacific Sustainable Finance and Climate Change Summit Forum hours: 3 hours. The key points of business execution in 2021 are as follows: 1. Handle the board of directors and audit committee meeting affairs, including consolidating the meeting agenda and convening by Deming. Since seven days before the meeting, the convening notice will be sent to all directors and members, and sufficient meeting materials will be provided so that the participants can understand the relevant information of the proposal. ; When the meeting issues are related to the interests of the directors themselves or their representatives, they are also reminded to avoid involving, and the minutes of the proceedings will be sent to the directors and members for retention within 20 days after the meeting. 2. Handle the pre-registration of the date of the shareholders meeting in accordance with the law. Prepare and declare meeting notice, proceedings	None

Assessment Item	Implementation Status (Note1)			Departures from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons for such departures
	YES	NO	Explanation	
			handbook and proceedings record within the deadline. 3. Handle the change registration of the company's various operations. 4. In order to strengthen the operational efficiency of the board of directors, an internal performance evaluation of the overall operation of the board of directors in the previous year is conducted every year, and the results are reported to the latest board of directors. 5. Purchase of "Directors & officers liability insurance" with appropriate insured amount and report the underwriting content to the board of directors. 6. Provide directors with relevant training information from time to time, and assist them in training and complete relevant declarations in accordance with the stipulated hours of the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies". 7. Review the compliance status of the corporate governance evaluation indicators one by one every year, and propose improvements and corresponding measures for the indicators that have not scored. 8. Review the level of confidentiality of relevant information and provide company information required by directors to maintain communication and exchanges between directors and business executives. 9. Assist independent directors in arranging relevant meetings in accordance with corporate governance practices, especially when there is an individual meeting with the internal audit supervisor or certified accountant to understand the company's financial business needs.	
5. Does the Company have established a communication channel for the stakeholders (including but not limited to stockholders, employees, customers and suppliers), set the stakeholder section on the Company's website, and responded to the stakeholders regarding their concerns over corporate social responsibilities?	V		The company has a stakeholder page on the company website to handle and respond to the important corporate social responsibilities of the stakeholder's concerns; and has a spokesperson and deputy spokesperson responsible for the company's external communications.	None
6. Does the Company have commissioned a professional stock service agent to handle shareholders affairs?	V		The company has entrusted a professional stock affairs agency "Horizon Securities Corp." to handle shareholders' meetings and stock affairs related matters.	None
7. Information disclosure (1) Has the company established a website that discloses financial, business, and corporate governance-related information?	V		(1) The company has a website (www.harvatek.com.tw) to disclose financial business and corporate governance information, which is updated from time to time for investors to search and read.	None
(2) Has the company adopted other means to disclose information (e.g. English website, assignment of specific personnel to collect and disclose corporate information, implementation of a spokesperson system, broadcasting of investor conferences via the company website)?	V		(2) The company has a spokesperson and deputy spokesperson system, and exposes company information to MOPS, so that shareholders or investors can obtain necessary company information at a suitable time.	None
(3) Does the company announce and report the annual financial statement within two months after the end of the fiscal year, and announce and report the first, second, and third quarter financial statements and monthly operations reports within the prescribed period of time?		V	(3) The company's annual, first, second, and third quarter financial reports and monthly operating status announcements are all declared within the deadline.	The financial report cannot be announced in advance.

Assessment Item	Implementation Status (Note1)			Departures from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons for such departures
	YES	NO	Explanation	
8. Does the Company have other information that enables a better understanding of the Company's corporate governance practices (including but not limited to, employee rights, employee care, investor relations, supplier relations, stakeholders' interests, continuing education of Directors, implementation of risk management policies and risk measurements, implementation of customer policy, and maintenance of liability insurance for the Company's Directors and supervisors)?	V		(1) Employee rights and employee care: Please refer to the labor relations chapter of this annual report and the company's website. (2) Investor relations: The company has set up a spokesperson and deputy spokesperson to maintain relations with investors. (3) Stakeholder rights: The company has set up a special page on the website for stakeholders and investor information, including customers, suppliers, employees, investors, etc., and you can contact the company or make suggestions and appeals through various communication channels. (4) Directors' training situation: The company does not require directors to take professional courses, but actively encourages directors to participate. For information on directors and training hours, courses and organizers in 2021, please refer to the chapter on the operation of the board of directors in this annual report. (5) Implementation of risk management policies and risk measurement standards: The company has always adopted preventive policies for risk management. In addition to formulating an internal control system in accordance with the law and checking the implementation by internal audits at regular and irregular intervals, it also purchases relevant insurance such as property insurance, export cargo insurance. (6) Implementation of customer policy: The company has obtained the ISO90001 certificate. The company's quality policy seeks to provide customers with safe and high-quality products, and to provide complete and correct product information. After product sales, regular customer satisfaction surveys are conducted to meet customer needs. (7) Circumstances in which the company purchases liability insurance for directors and supervisors: The company has purchased liability insurance for all directors and managers of USD 5 million.	None

9. The improvement status for the result of Corporate Governance Evaluation announced by Taiwan Stock Exchange:

(1) The improved situation in 2021 is as follows:

1. The company's annual report discloses a specific dividend policy.
2. Encourage directors to attend the board of directors, so that the actual board attendance rate of all directors in the evaluation year is over 85%.
3. Enacted a policy for the diversity of board members, and disclose the specific management objectives and implementation of the diversity policy on the company's website and annual report.
4. All members of the Compensation Committee should attend at least twice a year.
5. The company formulates an intellectual property management plan linked to its operational goals, discloses the implementation status on the company's website, and reports to the board of directors on 2021/11/11.
6. The company has set up an Ethical corporate management promotion team and regularly reports to the board of directors.

(2) The priorities for strengthening in 2022 are as follows:

1. It is expected to set up an information security committee.
2. Among the members of the board of directors, the number of employees who are employees of the company, parent, son or brother company is less than (including) one-third of the board seats.

3.4.4 Remuneration Committee：

1. Remuneration Committee Members' Professional Qualifications and Independent Analysis

Identity	Conditions / Name	Professional qualifications and experience	Independence	Number of members who are concurrently members of the compensation and remuneration committees of other public offering companies
Independent Director	Wu, Kuang-Yi	Please refer to page 17 of this annual report for information disclosure of directors' professional qualifications and independent directors' independence	Please refer to page 17 of this annual report for information disclosure of directors' professional qualifications and independent directors' independence	2
Independent Director	Li, Yu-Cheng	Please refer to page 17 of this annual report for information disclosure of directors' professional qualifications and independent directors' independence	Please refer to page 17 of this annual report for information disclosure of directors' professional qualifications and independent directors' independence	0
Independent Director	Liao, Ming-Cheng	Please refer to page 18 of this annual report for information disclosure of directors' professional qualifications and independent directors' independence	Please refer to page 18 of this annual report for information disclosure of directors' professional qualifications and independent directors' independence	1

2. Remuneration Committee Meeting Status

(1) The Company's Remuneration Committee consists of 3 members for the time being, who are all independent directors.

(2) The term of office of the current members: August 20, 2021 to August 20, 2024.
The 2021 Salary and Compensation Committee will meet three times. The qualifications and attendance of the members are as follows：

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate in Person (%)(B/A)	Note
Convener	Wu, Kuang-Yi	3	-	100	
Committee member	Liao, Ming-Cheng	3	-	100	
Committee member	Li, Yu-Cheng	3	-	100	

Other details to be documented:

(I) If the Board of Directors does not accept or modifies suggestions provided by the Remuneration Committee, the date of the Board of Directors' meeting, the session number, contents of the proposal, decisions made by the Board of Directors and management of opinions from the Remuneration Committee by the Company should be stated (If the compensation and rewards approved by the Board of Directors are superior to those advised by the Remuneration Committee, there should be descriptions of the differences and reasons considered).

(II) For decisions made by the Remuneration Committee, as long as there are members objecting or having their reservations that are recorded or stated in writing, the date of the Remuneration Committee meeting, the session number, contents of the proposal, and how opinions from all members and from opposing members are handled should be described.

3. Important resolutions and status thereof

Date	Term	Contents of motion	Independent director’s opinion	the Company’s handling of independent director’s opinion
2021.02.04	4-9	1. Managers' 2019 employee bonus distribution and 2020 year-end bonus. 2.The annual salary and remuneration of company's directors in 2021	The motion was passed without objection	Proposals was passed without objection after discussion by other present directors and independent directors.
2021.03.25	4-10	1. Remuneration of directors and employees of the company for 2020 2. The salary and remuneration of the company's managers and management team in 2021	The motion was passed without objection	Proposals was passed without objection after discussion by other present directors and independent directors.
2021.08.12	4-11	The Company directors' remuneration distribution proposal for 2020	The motion was passed without objection	Proposals was passed without objection after discussion by other present directors and independent directors.

3.4.5 Status of corporate social responsibility and any variance from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies and the reasons for any such variance

Assessment Item	Implementation Status			Departures from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies and reasons for such departures
	YES	NO	Summary	
1. Has the company establish a governance structure to promote sustainable development, and set up a dedicated (part-time) unit to promote sustainable development, and the board of directors authorizes senior management to handle and supervise the situation to the board of directors?	V		The company's administrative department also serves as the unit to promote sustainable development. It continuously reviews the effectiveness of sustainable development and follows the " Sustainable Development Best Practice Principles". It also strives to strengthen publicity and implement it in the company's daily operations. When the company is in danger of being seriously damaged, it will immediately make a report, notify the independent directors in writing, and report it to the latest audit committee and board of directors.	None
2. Does the company conduct risk assessments on environmental, social and corporate governance issues related to company operations in accordance with the principle of materiality, and formulate relevant risk management policies or strategies?	V		The company's materiality principle for sustainable development, carry out risk assessments related to important issues, and formulate risk management policies or strategies, risk assessment projects cover environmental protection and ecological conservation, social issues, etc. Please refer to the Company's website (https://www.harvatek.com/zh-tw/a4-1508-3443/social responsibility.html) for relevant disclosure information.	None
3. Environmentally (1) Has the Company set an Environmental management system designed to industry characteristics?	V		(1) The company establishes an environmental management system in accordance with ISO14001, and monitors and improves it to reduce environmental impact and continue to pass third-party verification. The latest certificate is valid from 2020.02.20 to 2023.02.19. At present, it is actively conducting ISO14064-1 greenhouse gas inventory, and it is expected to obtain ISO14064-1 certification in 2022.	None
(2) Is the Company committed to improving resource efficiency and to the use of renewable materials with low environmental impact?	V		(2) The company actively promotes various energy reduction measures, selects equipment with high energy efficiency and energy-saving design, reduces the energy consumption of enterprises and products, and expands the use of renewable energy to optimize energy efficiency. The company uses raw materials that comply with the EU's RoHS, REACH, and halogen-free specifications, which has a low impact on the environment, and is committed	None

Assessment Item	Implementation Status			Departures from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies and reasons for such departures
	YES	NO	Summary	
			to reducing material waste and saving projects. In 2021, manufacturers recycled about 15 tons of cartons and paper reels and provide Buddhist Compassion Relief Tzu Chi Foundation with various recyclable items for free, so as to contribute to environmental protection.	
(3) Has the Company conducted an assessment potential risks and opportunities from climate change on the business now and in the future, and adopted measures in response to climate-related issues?	∨		(3) Risk situations such as extreme weather affecting plant facilities and negative feedback from stakeholders, It is estimated that operating costs, revenue and brand value may be negatively affected by financial data; However, climate change also brings business opportunities, and actively invest in energy-efficient products. Cooperate with policy incentives, invest in high-efficiency machinery and equipment, and apply for relevant energy-saving subsidies.	None
(4) Has the Company calculated its greenhouse gas emissions, water consumption and total amount of waste in the past two years, and formulated policies on energy conservation and carbon reduction, greenhouse gas reduction, as well as the reduction of water consumption and other wastes?	∨		(4) The company's website sets up a corporate governance page and reveals CSR related information, covering the past two years' greenhouse gas emissions, water consumption and total weight of waste, annual emissions of carbon dioxide or other greenhouse gases, energy saving, carbon reduction and reduction water consumption and waste reduction management policies. Please refer to (https://www.harvatek.com/zh-tw/a4-1508-3443/social responsibility.html).	None
4. Society (1) Does the Company set policies and procedures in compliance with regulations and internationally recognized human rights principles?	∨		(1) The company respects and supports internationally recognized human rights norms and principles, including the "United Nations Universal Declaration of Human Rights", "United Nations Global Covenant" and "International Labour Convention". "The personnel rules and human rights and ethics manuals formulated by the company are implemented in accordance with the "work rules" to protect the rights and interests of employees. Special personnel will handle the work of employees. Please refer to the company's website	None

Assessment Item	Implementation Status			Departures from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies and reasons for such departures
	YES	NO	Summary	
			(https://www.harvatek.com/zh-tw/a4-1508-5382/human rights-policy.html).	
(2) Has the Company established and implemented reasonable employee benefits (including remuneration, leave and other benefits), and is business performance or results appropriately reflected in employee remuneration?	V		(2) The company regularly adjusts salary levels based on general price level, market supply and demand, inter-industry salary standards and local legal requirements and other relevant factors, and issues various employee bonuses and reward systems. Provide employees with reasonable salary, attract and retain outstanding talents. Employee remuneration is calculated according to the company's articles of association, and the company's profit in the current year is not less than 6%. Employee Benefits The company has set up an employee welfare committee, and the company allocates employee welfare funds every year to plan and provide high-quality benefits for employees, such as: employee travel subsidies, living and cultural courses subsidies, birthday gift certificates, marriage allowances, maternity allowances, funeral allowances, etc. In addition, a free health check-up plan for employees is also provided, please refer to the company's website (https://www.harvatek.com/zh-tw/a4-1499-3422/employee_benefits.html).	None
(3) Does the Company provide employees with a safe and healthy working environment, with regular safety and health training?	V		(3) In order to prevent occupational safety accidents, provide a friendly working environment, and ensure the safety of employees and contractor employees, the company has introduced occupational safety and health management system since 2000. In 2011, it obtained the international certification of TOSHMS Taiwan occupational safety and health management system, and obtained AFAQ certification Certificate, the company's occupational safety	None

Assessment Item	Implementation Status			Departures from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies and reasons for such departures
	YES	NO	Summary	
			and health management work has officially moved towards systematic management. Since then, the company has passed the CNS 15506:2011 (formerly TOSHMS) occupational safety and health management system transfer audit in the next year, obtained the AFAQ certificate, and completed the conversion in 109 to obtain the ISO 45001:2018 certificate. The current validity period is February 20, 2020. until November 30, 2022. In 2021, there will be no incapacitating injury incidents for employees of the head office and branch offices, and the total injury index will be zero. Provide a health check cycle that is superior to the regulations, and all regular employees provide a free health check service every year. Set up full-time factory nurses, and specially appoint professional specialists to provide clinic health services every month. The company obtained the Hsinchu City Government Breastfeeding Room Certification Premium Mark in 2017, the head office obtained the Ministry of Health and Welfare Health Workplace Certification-Healthy Startup Mark Certification in 2018, and the branch obtained the Ministry of Health and Welfare Healthy Workplace Certification-Healthy Startup Label in 2020 The seal certification is valid from January 1, 2021 to December 31, 2023. In 2022, the head office will obtain 4.8 million disaster-free working hours, and the branch will obtain 2.1 million disaster-free working hours. The company conducts fire evacuation drills for all employees and occupational safety and health training seminars for all employees every year. The implementation of the company's 2021 industrial safety	

<table>
<tr><th rowspan="2">Assessment Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Departures from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies and reasons for such departures</th></tr>
<tr><th>YES</th><th>NO</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td>education, training and publicity is as follows:
<table><tr><td>Year</td><td>People</td><td>Hours</td></tr><tr><td>2021</td><td>629</td><td>1,486.5</td></tr></table></td><td></td></tr>
<tr><td>(4) Has the Company established effective career development training plans?</td><td>V</td><td></td><td>(4) The company believes that only perseverance and continuous learning and training can improve employee functions, and then achieve company goals, meet the expectations of customers, employees and shareholders, establish a learning organization, and improve human quality and product competitiveness. That becomes a new benchmark in the industry.
The training development policy is as follows:
A. Develop a learning organization, seek innovative and diversified teaching methods, and find the best decision to solve problems.
B. Assist employees in training and strengthen existing advantages, improve human development planning, maximize human capital, and enhance workplace competitiveness.
C. Provide complete and effective training to employees, meet the company's demand for human resources, instill quality concepts, teaching skills, and cultivate various human resources of the company to improve skills and literacy to enhance productivity.
D. Enabling each employee to face the rapidly changing environment, quickly adjust the ability to respond to work, and consider improving the physical and mental health of employees, so as to successfully meet various challenges.</td><td>None</td></tr>
<tr><td>(5) Does the Company comply with the relevant regulations and international standards on customer health and</td><td>V</td><td></td><td>(5) The company's products have been marked in compliance with relevant laws and international</td><td>None</td></tr>
</table>

Assessment Item	Implementation Status			Departures from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies and reasons for such departures
	YES	NO	Summary	
safety, customer privacy, marketing and labeling for its products and services? Has it established a consumer protection policy and complaints procedure?			standards, and comprehensive communication procedures are provided to protect consumers' rights. The company masters and controls the value chain of commodities, from raw materials, logistics to warehouses, sets up a management mechanism, and continuously tracks commodity safety information and improves the internal reporting mechanism to implement the commitment to commodity safety. The company has set up a quality customer service department, which proactively checks and confirms the implementation of various customer policies from time to time, accepts and handles customer complaints, and assists front-line business colleagues to handle customer complaints and do a good job in safeguarding customer rights and interests.	
(6) Has the Company defined a supplier management policy that requires suppliers to comply with the relevant guidelines on environmental protection, occupational health and safety, and human rights issues? How is the policy being implemented?	v		(6) 1.The company has "Contractor Management Measures". Before the project procurement is issued, the contractor shall provide the "Contractor Management Measures" to the purchase contract and require the manufacturer to sign and agree to the "Contractor Environmental Safety and Health Regulations Guarantee ", and re-evaluate the contractor every two years. 2.The company has established "Supplier Management Operating Procedures". Suppliers need to fill in the manufacturer's basic data sheet and sign the social responsibility form to confirm whether the supplier meets the requirements of SA8000 (Social Accountability8000) social responsibility standards or human rights ethics guidelines. Suppliers who fail to comply with or violate the foregoing regulations must take all necessary corrective measures within a reasonable period to	None

Assessment Item	Implementation Status			Departures from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies and reasons for such departures
	YES	NO	Summary	
			improve the situation; if they fail to meet our standards within a reasonable period, we will terminate the business relationship with the supplier. 3.The company regularly conducts hazardous substance control audits on suppliers to confirm that suppliers can meet international standards.	
5. Did the company refer to the internationally accepted reporting standards or guidelines to prepare reports that disclose non-financial information of the company, such as sustainability reports? Did the aforementioned report obtain an assurance or guarantee statement issued by a third-party certification body?		V	The company has not yet prepared a sustainability report, but has formulated the "Sustainable Development Code of Practice" and abides by the relevant norms of this code.	If there are laws or regulations or actually necessary considerations, they will be handled in accordance with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies " and related laws and regulations.

6. If a company has its own sustainable development code of practice in accordance with the "Code of Practice for Sustainable Development of Listed OTC Companies", please describe the differences between its operation and the established code: In March 2015, the board of directors of the company approved the "Code of Practice for Corporate Social Responsibility", and in March 2017 and March 2019, the board of directors approved amendments to the code, and in January 2022, it was renamed the "Code of Practice for Sustainable Development" "Amended by the Board of Directors to strengthen the implementation of sustainable development. The company regularly reviews the implementation of this code and makes improvements accordingly. So far, there is no discrepancy in implementation.

7. Other important information to facilitate better understanding of the Company's implementation of Corporate Sustainable Development：

ITEM	CONTENT
Environmental protection	1. The written document is changed to the electronic system for signing and replacing paper, and the other side of the obsolete document is usually used for printing. 2. The indoor lighting of the factory is gradually adopting the company's self-made LED lighting fixtures that are more energy-efficient. 3. Waste classification management and resource recovery. 4. Disposable chopsticks are prohibited in the company, and all employees and visitors use eco-friendly chopsticks during meals.
Community Involvement	1. Zhaoshan Community Development Association respects the elderly and encourages the elderly to exercise more. The company sponsors NT$ 20,000 in cash for activities. 2. Sponsorship fees NT$ 2,000 fee for community temples every year, which will be used as funds for temple activities and other activities.
Social Contributions	1. Continue to develop light source products that meet environmental protection and energy saving applications. 2. Support disabled people to help develop their potential, subscribe to hand-made products from disabled friends,, the annual purchase are around NT$ 250,000
Consumer Rights	Sales service staff serve customers.

Assessment Item		Implementation Status			Departures from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies and reasons for such departures
		YES	NO	Summary	
Human rights (employee related rights)	1. The company has established “work rules” for employees in accordance with the Labor Standards Act and related laws and regulations, and has provisions for safeguarding the rights and obligations of employees and applicants. In addition, the company has also established complaints about “Sexual Harassment Prevention Measures and Disciplinary Measures and Punishment regulations" to protect employees' right to work. 2. The company's education and training include internal training and external training. In accordance with the work needs and career planning of employees, various training courses such as management training, professional skills and self-development are provided to employees with adequate education and training. With the concept of "valuing employees and cultivating talents" as the company's philosophy, each employee can actively learn and develop himself in the favorable environment provided by the company, develop learning anytime and anywhere, and enrich his habit to become a learning organization helps the company achieve performance goals and enhance the capabilities and quality of employees. 3. The employees of the company can put forward their opinions in the weekly or monthly departmental meetings, or fully reflect their opinions through the quarterly labor-management meetings; in addition, the company also has a human resources department and an audit department. If it is inconvenient for employees to directly report to the supervisor, they can also reflect his opinions through this channel. 4. The company has an employee suggestion box, which provides channels for employees to reflect their opinions. 5. In order to increase good two-way communication to improve work and administrative efficiency, the company regularly organizes employee forum every three months. 6. Employees can inquire about employee rights and related regulations in the company's internal database to protect their rights. 7. New employees will be trained on the day of registration, so that they can understand the current work regulations to protect the rights of employees.				

3.4.6 Status of corporate integrity management, and any variance from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies and the reasons for any such variance

Assessment Item	Implementation Status			Departures from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies and reasons for such departures
	YES	NO	Summary	
1.Establishment of Corporate Conduct and Ethics Policy and Implementation Measures (1) Has the Company established an ethical management policy approved by the Board, declared its ethical corporate management policies and procedures in its guidelines and external guidelines, as well as the commitment from its board and senior management to implement the policies?	V		(1) The company's board of directors approved the "Integrity Management Regulations" on March 20, 2015, which have been disclosed on MOPS and the company's website, and are clearly stipulated in the company's "Employee Handbook" and "Human Rights and Ethics Manual" Policies and practices for honest management. Board members also uphold the principle of integrity in performing their duties.	None
(2) Has the Company established a mechanism for evaluating the risk of unethical behavior? Do business activities with a higher risk of unethical behavior undergo regular analysis and assessments so that measures for the prevention of unethical behavior can be formulated, including at a minimum the behaviors defined under Article 7, Paragraph 2 of the “Ethical Corporate Management Best Practice Principles”?	V		(2) The company clearly stipulates the preventive measures for various behaviors in the "Integrity Operation Procedures and Behavior Guide", and conducts education and training for new employees and publicizes the "Employee Handbook" and "Human Rights and Ethics Handbook" to make them fully understand the company's determination, policies, preventive plans and the consequences of violating dishonest behaviors.	None
(3)Does the Company establish relevant policies that are duly enforced to prevent unethical conduct and provide implementation procedures, guidelines, and consequences of violation, complaint procedures in such policies and with the aforementioned measures reviewed and updated on a regular basis?	V		(3) In addition to the "Integrity Management Code" and the "Integrity Management Procedures and Behavior Guidelines", the company also has a "Code of Ethical Conduct" and "Reporting Cases of Illegal and Immoral or Dishonest Behavior" approved by the Board of Directors. In accordance with this, the relevant procedures and operating rules for implementing the integrity management policy, the basis for punishment for violations and the appeal system are implemented, and the "integrity management promotion team" affiliated to the board of directors holds regular meetings to review and revise the pre-release standard.	None
2.Ethic Management Practice (1) Does the Company assess the ethics records of whom it has business relationship with and include business conduct and ethics related clauses in the	V		(1) According to the "Integrity Management Regulations", when signing a contract with others, the content of the contract should include compliance with the integrity management policy. If dishonest	None

	business contracts?			behavior is involved, the contract may be terminated or rescinded at any time. Both parties should sign a letter of commitment of integrity, and confidentiality in accordance with the "Supplier Regulations of Conduct".	
(2)	Has the Company established a dedicated unit supervised by the Board of Directors for the promotion of ethical corporate management that regularly (at least once a year) reports to the Board of Directors on its ethical management policy, precautions against unethical behavior, and implementation of oversight?		V	(2) In accordance with the provisions of Article 17 of the "Integrity Management Code", the company has set up a "Integrity Management Promotion Team" under the Board of Directors. Regarding the promotion of the company's integrity management policy, it reports to the Board of Directors at least once a year, and follows the opinions and suggestions of the Board of Directors. , and continue to take various corrections and improvement measures. Regarding the promotion and operation of the Company's integrity management in 2021, it has been reported to the Board of Directors on November 11, 2021.	None
(3)	Does the Company establishe policies to prevent conflict of interests, provide appropriate communication and complaint channels and implement such policies properly?	V		(3) The company has formulated the "Integrity Management Regulations" and "Integrity Management Operation Procedures and Behavior Guidelines", which have clearly defined policies to prevent conflicts of interest, and require all departments to implement them; The Company has established illegal and unethical or dishonest behavior reporting channels on the company's website to provide reports.	None
(4)	Has the Company established effective systems for both accounting and internal control to facilitate ethical corporate management? Do internal auditors devise and carry out audit plans based on risk assessments of unethical behavior to investigate non-compliance, or have CPAs been retained to conduct such audits?	V		(4) In order to ensure the implementation of honest operation, the company establishes an effective accounting system and internal control system, and internal auditors regularly check the compliance with the system.	None
(5)	Does the Company provide internal and external ethical conduct training programs on a regular basis?	V		(5)The company continues to educate employees on the concept of honesty and integrity through various forms such as internal websites and emails, and regularly organizes education and training on honesty and integrity policies, so as to deepen employees' awareness of business ethics and compliance with laws and regulations. Also make employees understand the company's determination to implement the integrity management policy, prevention plans and the consequences of violating integrity.	None

3.Implementation of Complaint Procedures				
(1) Does the Company establish specific complaint and reward procedures, set up conveniently accessible complaint channels, and designate responsible individuals to handle the complaint received?	V		(1) Article 3 of the Company's "Measures for Handling Cases of Reporting Illegal and Immoral or Dishonest Behaviors" has specified the designated personnel to accept the reported cases, and has set up an open and independent reporting mailbox (integrity@harvatek.com) for internal and external personnel to use This channel reports any behavior that violates integrity; at the same time, in order to encourage internal and external personnel to report behaviors that violate the company's integrity management policy, the company's "Integrity Management Procedures and Behavior Guidelines" stipulates incentive measures in Article 21	None
(2) Has the Company established standard operating procedures for the investigation of complaints, what follow-up actions to take once an investigation is complete, and the relevant confidentiality mechanisms?	V		(2) The company's "Reporting of Illegal and Immoral or Dishonest Conduct Cases" has clearly defined the standard operating procedures for accepting and investigating reported cases and the follow-up measures to be taken. At the same time, there is a relevant confidentiality mechanism in Article 5 of these regulations, so that the identity of the whistleblower and the content of the report are fully guaranteed.	None
(3) Does the Company adopt proper measures to prevent a complainant from retaliation for his/her filing a complaint?	V		(3) The company's "Measures for the Report on Illegal, Immoral and Dishonest Acts" Article 5, Item 3 clearly specifies the following measures.	None
4.Information Disclosure Does the Company disclose its guidelines on business ethics as well as information about implementation of such guidelines on its website and Market Observation Post System ("MOPS")?	V		The "Integrity Management Regulations" have been disclosed on the company's website and MOPS, and the "Prevention of Insider Trading Page" has been set up on the company's internal website for all employees to browse. The content includes insider trading regulations and the company's "Procedures for the Prevention of Insider Trading ", the cumulative number of views reached 603 as of November 30, 2021. In 2021, the number of suppliers who signed the "Integrity, Integrity and Confidentiality Commitment" and declared that they abide by the integrity management philosophy when dealing with the company reached 36 person-times, and the signing rate was 100%. company website.	None
5. If the Company has established corporate governance policies based on "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies," please describe any discrepancy between the policies and their implementation: None.				
6.Other important information to facilitate better understanding of the Company's corporate conduct and ethics compliance practices (e.g., review the company's corporate conduct and ethics policy): The company complies with the Company Law, Securities Exchange Law, Commercial Accounting Law, Rules related to listing on the OTC or other laws and regulations related to business practices. In addition, establishing integrity management regulations as the basis for implementing integrity management.				

3.4.7 If the Company has formulated Corporate Governance Principles and relevant regulations and articles, it shall disclose inquiry methods.

Yes; please refer to the section of corporate governance on the company website and MOPS.

3.4.8 Other important information that is enough to enhance the understanding of the operation of corporate governance shall be disclosed together：

1. In addition to being disclosed on the corporate governance page of MOPS, the relevant operating conditions of corporate governance are also disclosed to investors in the form of significant information in a timely manner based on the significance.
2. The company regularly holds legal person briefings, and the relevant information of the legal person briefings are published in MOPS

3.4.9 Execution status of internal control system

1. Statement of internal control:

Harvatek Corporation

Statement of Declaration on Internal Control System

Date: March 24, 2022

Based on the findings of the self-auditing, the Company states the following with regard to its internal control system during the year 2021:

I. The Company knows that the board and the management are responsible for establishing, implementing, and maintaining the internal control system. The Company has established the system. It aims at providing reasonable assurance regarding the achievement of objectives in the effectiveness and efficiency of operations (including profitability, performance, and the safeguard of assets), reliability, timeliness and transparency of reporting, and compliance with all the applicable laws and regulations.

II. The internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its above 3 stated objectives. Moreover, the effectiveness of the internal control system may change due to changes in the environment and situations. Nevertheless, the internal control system of the Company contains self-monitoring mechanisms, and corrective action is taken whenever a deficiency is identified.

III. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the “Regulations Governing the Establishment of Internal Control Systems of Public Companies” (herein below, the Regulations). The criteria adopted by the “Regulations” identify five components of internal control based on the process of management control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring. Each component further contains several items. Please refer to the “Regulations” for details.

IV. The Company has evaluated the design and operating effectiveness of its internal control system according to the above-mentioned Regulations.

V. Based on the findings of the evaluation mentioned above, the Company believes that, on December 31, 2021, its internal control system (including the supervision on and management of subsidiaries), as well as the design and operations of internal control systems for understanding its operational effectiveness and efficiency, the achievement level of objectives, reliability, timeliness, transparency and regulatory compliance in reporting, and compliance with the applicable laws and regulations, were effective, and the

Company can provide reasonable assurance that the above-stated objectives would be achieved.

VI. This Statement is an integral part of the Company's annual report and prospectus and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.

VII. This statement was passed by the Company's board in their meeting held on March 24, 2022, with none of the 7 attending directors expressing dissenting opinions, and all of them affirming the content of this Statement.

Harvatek Corp.

President： Wang, Ping-Lung

General manager： Wang, Ping-Lung

2. While entrusting an accountant to review the internal control system on project basis, the review report shall be disclosed: None.

3.4.10 In the most recent year, up to the publication date of the annual report, where legal punishment imposed on the Company and its internal personnel, or the punishment imposed by the Company on its internal personnel due to violation of internal control regulations, which would affect the shareholders' interests and 36 the share price significantly, should have the content of the punishments, the main wrongdoings and improvements thereafter disclosed: None

3.4.11 Important resolutions of board meetings and shareholders' meetings and the execution status of the resolved matters of shareholders' meetings in the most recent year and up to the publication date of the annual report.

1. Important decision reached in shareholders' meetings and made by the Board of Directors in the latest year as of the date of printing of Annual Report.
Shareholders' Meeting on August 20, 2021:：

Major Resolutions	Review on status
The 2020 Business Report and Financial Statement were recognized.	Operating income in 2020 is NT$ 2,507,351,000, net profit attributable to the parent company is NT$ 143,339,000, and profit per ordinary share is NT$ 0.7
The 2020 earnings distribution form of the Company was recognized	The company's 2020 earnings distribution, with a cash dividend of NT$144,248,861. The ex-dividend base date is scheduled on September 4, 2020, and the cash dividend will be distributed on September 24, 2021.
Revised the Company's "Articles.	The amendments are disclosed and executed thereafter.

Revised the Agenda of the Company’s Meeting of Shareholders	The amendments are disclosed and executed thereafter.
Revised the Company's "Method for Election of the Board of Directors"	The amendments are disclosed and executed thereafter.
Re-elected seven seats of the tenth board of directors of the company	The list of the tenth new directors and independent directors is as follows: Directors：Wang, Ping-Lung、Hsun Chieh Investment Co., Representative: Tsai, Guo-Tsang、Li-Chi Investment Co., Ltd. Representative: Wu, Ying-Chih、Li-Chi Investment Co., Representative: Chang, Yuan-Tsung Independent directors：Li, Yu-Cheng、Wu, Kuang-Yi、Liao, Ming-Cheng
The case of lifting the non-compete restriction on new directors of the company	Execute according to the result of the resolution

2.Board meetings

Date	Resolution matters
2021.02.04	Approved the company's manager's 2019 employee bonus distribution and 2020 year-end bonus
	Approved the 2021 salary and remuneration of the company's directors
	Approved the revision of the company's "Salary and Compensation Committee Organization Rules"
	Approved the total amount of the Company's fund which was lent to Harvatek (Guangzhou) Co., Ltd.
	Approved the company's 2021 operating target and budget
	Approved the appointment of the company's CPA and decide its remuneration
	Approved application for change in land category for the parking lot of the company's Xiangshan plant.
2021.03.25	Approved the company's 2020 director and employee compensation
	Approved the company's 2020 final accounts and business report
	Approved the company's 2020 earnings distribution proposal
	Approved the company's 2020 internal control system statement
	Approved the Amendments to the Articles of Association;
	Approved revision of the Agenda of the Company’s Meeting of Shareholders;
	Approved the revision of the company's "Director election method"
	Approved amendment of rules of Board meetings
	Approved the revision of the company's "Ethical Conduct Regulations"
	Approved the Amendments of the Organic Rules for Audit Committee
	Approval of the company's 2021 annual general meeting of shareholders and acceptance of shareholder proposals
	Approved review the results of the independence assessment of the CPA

	Approved the company's 2021 annual shareholder meeting agenda
	Approved the company's accounts receivable as of December 31, 2020 transfer the amount of funds loaned to others
2021.05.13	Approved the review of the company's directors (including independent directors) nominees qualifications and confirmation of the list of candidates
	Approved the company's accounts receivable as of March 31, 2021 transfer the amount of funds loaned to others
2021.07.29	Approved changing the date of the 2021 shareholders meeting
2021.08.12	Approved the company's 2021 director's remuneration distribution
	Approved the ex-dividend base date for the distribution of cash dividends and related matters
	Approved the revision of the company's internal control system "financing cycle" and the formulation of "financial statement preparation process management methods"
	Approved the company's accounts receivable as of June 30, 2021 transfer the amount of funds loaned to others
2021.08.20	Approved the election of the chairman of the company
2021.11.11	Approved the revision of the company's "Integrity Management Code"
	Approved the company's "Integrity Management Operating Procedures and Behavior Guidelines"
	Approved the appointed as a member of the 5th Compensation Committee of the Company
	Approved the company's 2022 audit plan
	Approved the company's accounts receivable as of Sep. 30, 2021 transfer the amount of funds loaned to others
2022.01.26	Approved the company's managers' 2020 employee bonus distribution and 2021 year-end bonus
	Approved the 2022 annual salary remuneration of the company's directors
	Approved appointing the company's certified accountants and deciding their remuneration
	Approved the total amount of the Company's fund which was lent to Harvatek (Guangzhou) Co., Ltd..
	Approved revising the Company's "Sustainable Development Code of Practice"
	Approved the revision of the Company's "Code of Corporate Governance"
	Approved the revision of the Company's "Measures for the Performance Evaluation of the Board of Directors"
2022.03.24	Approved the company's 2021 director and employee compensation
	Approved the company's 2021 final accounts and business report
	Approved the company's 2021 earnings distribution proposal
	Approved the 2022 annual salary and remuneration of the company's managers
	Approved issuing the company's 2021 internal control system statement
	Approved the Amendments to the Articles of Association;

	Approved revision of the Agenda of the Company's Meeting of Shareholders;
	Approved the revising the company's "Acquisition or Disposal of Assets Handling Procedures"
	Approved review the results of the independence assessment of the CPA
	Approval of the company's 2021 annual general meeting of shareholders and acceptance of shareholder proposals
	Approved the company's 2022 annual shareholder meeting agenda
	Approved the company's accounts receivable as of December 31, 2021 transfer the amount of funds loaned to others

3.4.12 Recorded or written statements made by any director who specified dissent to important resolutions passed by the Board of Directors during the most recent year and up to the date of publication of the annual report: None.

3.4.13 A summary of the resignation status of Chairman, General Manager, Accounting Supervisor, Financial Supervisor, Internal Audit Supervisor, managing supervisors and R&D Supervisor in the most recent year, up to the publication date of the annual report: None.

3.5 Public Expenditure on CPAs

Unit: NT$ thousand

Accounting Firm	Name of CPA	Audit Period	Audit Fee	Non-Audit Fee	Sum	note
Ernst & Young Global Limited	Hans Chen	2021	2,790	410	3,200	tax visa
	Hsin Min Hsu					
	George Chou	2021	-	130	130	Transfer pricing
Total fee			2,790	540	3,330	

3.5.1 Those with non-audit fee paid to CPAs, their subjected and other affiliated firms accounts for more than one-fourth of the audit fee: None.

3.5.2 When the Company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons shall be disclosed: NA

3.5.3 When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10% or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefore shall be disclosed: NA

3.6 Information on Replacement of Accountants：NA

3.7 Disclosure of Name, Position and Duration of Service at Firms or Their Associated Enterprises within the Past Year of Chairman, General Manager, and Managers in Charge of Financial or Accounting Affairs: None.

3.8 Transfer of Stock Options and Changes in Equity Pledge of Directors, Supervisors, Managers and Shareholders Holding More Than 10% of Shares in the Latest Year and as of the Date of Printing of the Annual Report

Changes in Shareholding of Directors, Supervisors, Managers, and Major Shareholders

Title	Name	2021		Till March 30, 2022		note
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change In Shareholding	Net Change in Shares Pledged	
Chairman	Li-Chi Investment Co., Ltd	-	-	-	-	2021.08.20 Dismissal
President of Juridical Person Representative	Wang, Ping-Lung	-	-	-	-	2021.08.20 Dismissal
Chairman	Wang, Ping-Lung	-	-	-	-	2021.08.20 Appointment
General manager	Wang, Ping-Lung	-	-	-	-	
Vice President	Feng Hui Chuang	27,192	-	-	-	
Financial Manager	Yu Hui Su	9,198	-	-	-	
Director	Cheng Chihsio Hsiao	4,600	-	-	-	2021.05.11 Dismissal
Assistant Manager	Tien Chien Chang	4,600	-	-	-	
Assistant Manager	His Ming Pan	9,200	-	-	-	
Assistant Manager	MING-KUEI Lin	4,599	-	-	-	
Director	Hsun Chieh Investment Co., Ltd.	-	-	-	-	
Director of Juridical Person Representative	Tsai, Guo-Tsang	-	-	-	-	
Director	Li-Chi Investment Co., Ltd	-	-	-	-	
Director of Juridical Person Representative	Wu, Ying-Chih	-	-	-	-	
Director of Juridical Person Representative	Chang, Yuan-Tsung	-	-	-	-	2021.08.20 Appointment
Director	IN & OUT Bio Beauty Corp.	-	-	-	-	2021.08.20 Dismissal
Director of Juridical Person Representative	Chang, Yuan-Tsung	-	-	-	-	2021.08.20 Dismissal
Independent Director	Li, Yu-Cheng	-	-	-	-	
Independent Director	Liao, Ming-Cheng	-	-	-	-	
Independent Director	Wu, Kuang-Yi	-	-	-	-	

Stock Traded with Related Party

Name	Reason for Transfer	Date of Transaction	Transferee	Relationship between the trading counterpart and the Company, director, and shareholder with more than 10% shareholding	Shares	Trading Price (NT$)
None	-	-	-	-	-	-

Stock Pledged with Related Party

Name	Reason for Pledge	Date of Transaction	Transferee	Relationship between the trading counterpart and the Company, director, and shareholder with more than 10% shareholding	Shares	Shares holding %	Shares Pledged %	Pledged Amount
None	-	-	-	-	-	-	-	-

3.9 Information of Relationship among Top 10 Shareholders Who Are Related, Spouses, or Relatives within the Second Degree of Kinship

May 1, 2022 Unit: Share

Name	Current Shareholding		Spouse and Minor Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between Harvatek's Shareholders		note
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Hsun Chieh Investment Co., Ltd Representative: Guan Jun	28,023,066	13.59	-	-	-	-	None	None	
Wang, Ping-Lung	13,680,237	6.63	4,895,995	2.37	-	-	JING-RU Li	Spouse	
							Wang Yu	relatives within two generations	
							Li-Chi Investment Co., Ltd.	Company representative is relatives within two generations	
							Li Yang Investment Co., Ltd.	Company director is relatives within two generations	
Li Yang Investment Co., Ltd. Representative : TSUI-FANG TSAI	13,053,214	6.33	-	-	-	-	Wang, Ping-Lung	It is a relative within the second class of the director of this company	
							JING-RU Li	It is a relative within the second class of the director of this company	
							Wang Yu	Company director	
YoungTek Electronics Corporation Representative: Wang, Ping-Lung	10,230,336	4.96	-	-	-	-	Li Yang Investment Co., Ltd.	Its company supervisor	
							Wang Yu	It is a relative within the second class of the director of this company	
							JING-RU Li	As the spouse of the company representative	
Li Fa Investment Co., Ltd. Representative: Pei shi Chen	6,646,735	3.23	-	-	-	-	Li Yang Investment Co., Ltd.	As a major shareholder	
JING-RU Li	4,895,995	2.37	13,680,237	6.63	-	-	Wang, Ping-Lung	Spouse	
							Wang Yu	relatives within two generations	
Li-Chi Investment Co., Ltd. Representative : Wang Yu	3,506,491	1.70	-	-	-	-	Wang, Ping-Lung	It is a relative within the second class of the director of this company	
							JING-RU Li	It is a relative within the second class of the director of this company	
Wang Yu	3,334,710	1.62	-	-	-	-	Wang, Ping-Lung	relatives within two generations	
							JING-RU Li	relatives within two generations	
							Li-Chi Investment Co., Ltd.	Company representative	
							Li Yang Investment Co., Ltd.	Company director	
Taishin International Commercial Bank is entrusted with HARVATEK Employee Stock Ownership Trust	1,683,050	0.82	-	-	-	-	None	None	
IN & OUT Bio Beauty Corp. Representative : Wang Yu	1,140,011	0.55	-	-	-	-	Wang, Ping-Lung	relatives within two generations	
							JING-RU Li	relatives within two generations	
							Li-Chi Investment Co., Ltd.	Company representative	
							Li Yang Investment Co., Ltd.	Company director	

3.10 Shares Held by the Company, Directors, Supervisors, Managers of the Company and Businesses Controlled Directly or Indirectly by the Company of the Same Reinvestment Business and the Consolidated Calculation of the Comprehensive Shareholding Ratio

December 31, 2021 Unit: Thousand shares

Long-term Investment	Ownership by		Ownership by Directors, Managers And Directly/Indirectly Owned Subsidiaries		Total Ownership	
	Shares	%	Shares	%	Shares	%
Hong Zheng Investment Co., Ltd.	2,500	41.60	-	-	2,500	41.60
Harvatek (Hong Kong) Trading	4,800	80.00	300	5.00	5,100	85.00
Hong-Rui Investment Co., Ltd.	414	35.29	-	-	414	35.29
Harvatek International (USA) Corp.	1,000	100.00	-	-	1,000	100.00
HONOR LIGHT LIMITED	19,522	100.00	-	-	19,522	100.00
Sleipnir LED Co., Ltd.	1,000	66.67	-	-	1,000	66.67
SYNTEK CORPORATION LIMITED	700	70.00	-	-	700	70.00
Consentek Corporation	5,510	84.77	2,820	31.33	8,330	92.55
Starlight Display Corporation	1,200	80.00	-	-	1,200	80.00
iReach Corporation	-	-	10,909	50.24	10,909	50.24

Note: Harvaek’s long-term investment using the equity method.

IV. Fundraising

4.1 Capital and Shares

4.1.1 Capitalization

April 30, 2022: Unit: Share; NT$

Month/ Year	Issue Price (Per Share)	Authorized Share Capital		Capital Stock		Remark		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increase by Assets Other than Cash	Other (Note)
2011.01	29.1	300,000,000	3,000,000,000	195,984,349	1,959,843,490	Convertible bonds into common stock NT$ 41,408,760	-	Note 1
2011.01	27.8	300,000,000	3,000,000,000	197,761,306	1,977,613,060	Convertible bonds into common stock NT$ 17,769,570	-	Note 1
2011.01	34.4	300,000,000	3,000,000,000	198,642,119	1,986,421,190	Convertible bonds into common stock NT$ 8,808,130	-	Note 2
2011.03	27.8	300,000,000	3,000,000,000	199,037,796	1,990,377,960	Convertible bonds into common stock NT$ 3,956,770	-	Note 1
2011.07	27.8	300,000,000	3,000,000,000	199,149,304	1,991,493,040	Convertible bonds into common stock NT$ 1,115,080	-	Note 1
2011.01	10	300,000,000	3,000,000,000	203,130,204	2,031,302,040	Stock dividends of Common Stock NT$ 39,809,000	-	Note 3
2012.09	10	300,000,000	3,000,000,000	205,161,506	2,051,615,060	Stock dividends of Common Stock NT$ 20,313,020	-	Note 4
2015.01	10	300,000,000	3,000,000,000	207,201,801	2,072,021,010	Stock dividends of Common Stock NT$ 20,402,950	-	Note 5
2017.04	10	300,000,000	3,000,000,000	206,069,801	2,060,698,010	Buyback shares and cancel NT$ 11,320,000	-	Note 6

Note 1: Financial-Supervisory-Securities-First-09600664961 letter approved on December 3, 2007.

Note 2: Approved by Financial-Supervisory-Securities-Corporate-0990024919 on May 24, 2010.

Note 3: Financial-Supervisory-Securities-Corporate-1000035337 approved on July 28, 2011.

Note 4: Financial-Supervisory-Securities-Corporate-10101201920 letter approved on September 28, 2012.

Note 5: Financial-Supervisory-Securities-Corporate-1040029481 letter approved on August 4, 2015.

Note 6: Approved by Financial-Supervisory-Securities-Corporate-1030001883 letter on January 21, 2014; and approved by the Ministry of Economic Affairs by the Ministry of Economic Affairs in the letter No. 1060104480 to change registration on April 2, 2017.

May 1, 2022 Unit: share

Type of Stock	Authorized Share Capital			Remark
	Outstanding shares	Unissued Shares	Total	
Common Stock	206,069,801	93,930,199	300,000,000	Listed Stock

4.1.2 Composition of Shareholders

May 1, 2022 Unit: Share、%

Type of hareholders	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions and Natural Persons	Total
Number of Shareholders	1	1	152	33,283	83	33,520
Shareholding	386	151,738	65,906,502	135,887,295	4,123,880	206,069,801
Holding Percentage (%)	0.00	0.02	32.93	63.55	3.50	100.00

4.1.3 Distribution Profile of Share Ownership

May 1, 2022 Per Share Issue Price is NT$10

Shareholder Ownership (Unit: Share)	Number of Shareholders	Ownership	Ownership (%)
1~999	13,146	958,667	0.46
1,000~5,000	15,964	32,931,145	15.97
5,001~10,000	2,427	18,953,398	9.2
10,001~15,000	715	8,988,695	4.36
15,001~20,000	425	7,842,638	3.81
20,001~30,000	343	8,667,281	4.21
30,001~40,000	146	5,184,081	2.52
40,001~50,000	94	4,360,616	2.12
50,001~100,000	155	11,072,906	5.37
100,001~200,000	63	8,737,441	4.24
200,001~400,000	20	5,187,674	2.52
400,001~600,000	8	4,247,660	2.06
600,001~800,000	4	2,743,754	1.33
800,001~1,000,000	-	-	-
1,000,001or over	10	86,193,845	41.83
Total	33,520	206,069,801	100.00

4.1.4 Major Shareholders

May 1, 2022

Shareholders	Total Shares Owned	Ownership (%)
Hsun Chieh Investment Co., Ltd	28,023,066	13.59
Wang, Ping-Lung	13,680,237	6.63
Li Yang Investment Co., Ltd.	13,053,214	6.33
YoungTek Electronics Corporation	10,230,336	4.96
Li Fa Investment Co., Ltd.	6,646,735	3.23
JING-RU Li	4,895,995	2.37
Li-Chi Investment Co., Ltd.	3,506,491	1.70
Wang Yu	3,334,710	1.62
Taishin International Commercial Bank is entrusted with HARVATEK Employee Stock Ownership Trust	1,683,050	0.82
IN & OUT Bio Beauty Corp.	1,140,011	0.55
Total	86,899,568	42.16

4.1.5 Market Price, Net Worth, Earnings, and Dividends per Share

Unit: NT$

Item \ Year			2020	2021	March 31, 2022
Market Price Per Share	Highest Market Price		17.65	36.75	27.65
	Lowest Market Price		8.94	16.00	22.05
	Average Market Price		13.30	23.48	25.55
Net Worth Per Share	Before Distribution		14.34	16.20	14.84
	After Distribution		13.94	-	-
Earnings Per Share	Weighted Average Shares (thousand shares)		205,674,681	205,813,689	205,993,753
	EPS	Before retroactive adjustment	0.7	1.8	0.56
		After retroactive adjustment	0.7	-	-
Dividends Per Share	Cash Dividends		0.7	1.50	-
	Stock Dividends	Share Dividend	-	-	-
		Capital Surplus stock dividend	-	-	-
	Accumulated Undistributed Dividend		-	-	-
Return on Investment	Price/Earnings Ratio		19.00	13.04	-
	Price/Dividend Ratio		19.00	15.65	-
	Cash Dividend Yield (%)		0.05	0.06	-

4.1.6 Dividend Policy and Implementation Status

4.1.6.1 Dividend Policy

If there is a surplus in the company's annual final accounts, tax shall be paid in accordance with the law, and after making up for the accumulated losses, another 10% shall be allocated as the statutory surplus reserve. If there is a balance, and the accumulated undistributed surplus shall be allocated at least 50% Distribution of dividends to shareholders, but when the aforementioned balance is less than 3% of the paid-in capital, it may not be distributed. The distribution of dividends to shareholders is planned by the board of directors. When it is distributed in cash, it is decided by the board of directors. When it is used to issue new shares, it must be decided by the shareholders meeting. When the dividends distributed to shareholders in the preceding paragraph are paid in cash, the board of directors must be present with more than two-thirds of the directors, and more than half of the directors present must agree, and report to the shareholders meeting. The company's dividend policy is based on the current and future development plans, considering the investment environment, capital needs and domestic and foreign competition, and taking into account the interests of shareholders. When dividends are distributed to shareholders, it can be done in cash or stocks, among which cash dividends not less than 20% of the total dividend.

4.1.6.2 Proposed Distribution of Dividend:

The company's 2021 earnings distribution, distribution of shareholder dividend NT$ 309,104,702, and NT$ 1.5 cash dividend per share. The distribution was approved by the company's board of directors on March 24, 2022, and reported to the shareholders meeting.

4.1.7 Impact to 2020 Business Performance and EPS Resulting from Stock Dividend Distribution: Not applicable.

4.1.8 Remuneration to Directors and Profit Sharing Bonus to Employees

4.1.8.1 In accordance with the Company's Articles of Incorporation, the Company shall set aside no less than 6% of the Company's profit for the year as employee remuneration, which shall be distributed in shares or cash by resolution of the Board of Directors. The remuneration shall also be distributed to the employees of parents or subsidiaries of the Company who meet certain specific requirements. The Company may set aside not more than 1% of the above-mentioned profits as remuneration to directors by resolution of the Board of Directors. However, if the Company has accumulated loss, the loss shall be covered first, and the remuneration to employees and directors shall be set aside by the aforementioned proportion. The distribution of employees' and directors' remuneration is authorized to be determined by the Board of Directors with the presence of at least two-thirds of the directors and by a resolution of a majority of the directors present, and reported to the shareholders' meeting.

4.1.8.2 The company estimates NT$ 35,450,000 for employees and NT$ 4,550,000 for directors in 2021. The board of directors of the company decided on March 24, 2022 to pay employee compensation and director compensation in cash at NT$ 35,450,00and NT$ 4,550,000, respectively, and there is no significant difference with the estimated amount in the accounts.

4.1.9 Buyback of Treasury Stock: None.

4.2 Corporate Bonds, Special Stock, Special Shares, Global Depositary Receipts, Employee Stock Option Certificates, Restricted Employee Shares and M&A and Implementation of Capital Utilization Plan

4.2.1 Issuance of Corporate Bonds: None.

4.2.2 Preferred Shares: None.

4.2.3 Issuance of Overseas Depositary Shares: None.

4.2.4 Status of Employee Stock Option Plan: None.

4.2.5 Status of New Restricted Employee Shares: None.

4.2.6 Status of New Shares Issuance in Connection with Mergers and Acquisitions: None.

4.2.7 Financing Plans and Implementation: None.

V、Operational Status

5.1 Business Activities

5.1.1Business scope

5.1.1.1 Major Business

(1) Semi-conductor chips、LED packaging R&D、Design、Manufacture、testing

(2)Above the product import and export trade service。

5.1.1.2 Operating proportion

Unit: NT$ thousands

Major Product	2021	
	Sales amount	Sales percentage (%)
Surface-Mounted Device(SMD LED)	2,986,271	99.53%
Others	14,219	0.47%
Total	3,000,490	100.00%

5.1.1.3Current product categories

The company currently sells mainly surface-mount light-emitting diodes (SMD LEDs). In recent years, due to the rapid growth of the personal communication and consumer markets, it has made the surface-mount with features such as small size, power saving, long life cycle time and compression resistance. Adhesive light-emitting diodes have been widely used. For example, smart phones, smart home appliances, notebook computers, Gaming applications, small-pitch displays, wearable applications and automotive markets have been widely used.

5.1.1.4 New products (services) planned to be developed

The new products and services that the company plans to develop still focus on surface-mount packaging technology, and focus on derivatives, improvements, or even integrated products of existing products. The content includes circuit components, components, and second-level modules and subsystems.

(1) Circuit components:

a. Ultra-thin, ultra-small SMD LED

b. RGB+IC control components

c. All-in-one full-color components

d. Light-emitting and light-receiving components_ IR/PD/PT/ITR, all kinds of SMD/PLCC Type Package

e. ALS (Light Environment Sensing) components

f. Heartbeat blood oxygen sensing application, compact light-emitting element (infrared and visible light integrated package)

g. Proximity sensor package components VCSEL/PS (proximity sensor)

h. photo coupler

i.TOF components

(2) Modular type and sub-system type：

a. IR Receiver Module

b. Three-in-one proximity + light environment sensing module

c. Small pitch display module

d. COB full color display module

e. Colorful and full-color LED light-emitting modules

f. Smart display board module

g. High-brightness commercial display

h. Mini LED dynamic backlight module

i. Car display backlight module

j. RGB+IC module

5.1.2Industry Overview

5.1.2.1 Industry status and development

Light Emitting Diode (Light Emitting Diode; LED for short) is a light-emitting element composed of Ⅲ - Ⅴ compound semiconductor materials (arsenic, gallium, indium, aluminum, phosphorous) and element structure changes. It is a fine solid-state light source. The principle of luminescence is mainly based on applying voltage to compound semiconductor crystals such as AlGaAs (aluminum gallium arsenide), AlGaInP (aluminum indium gallium phosphide), and GaInN (indium gallium nitride). The combination of electrons and holes releases energy to emit light. Energy other than heat is used to directly stimulate the phosphor to absorb and emit light. It has no thermal energy, so it is also called "cold light." Because its light-emitting principle and structure are different from traditional tungsten light bulbs, and LEDs have the characteristics of long life cycle time, low power consumption, good luminous efficiency, adjustable temperature and small size, they are environmentally friendly lighting. In recent years, with the sharp decline in the price of high-brightness LED products and the improvement in their luminous brightness and lifespan, the application of LEDs in household lighting, automotive light sources, traffic signs, outdoor display boards, and light source modules has rapidly expanded. Countries actively encourage the development of industries.

5.1.2.2 Relevance of the industry's upper, middle and lower stream

The development of the light-emitting diode (LED) industry in Taiwan has a history of 20 years. The industrial structure of the upper, middle and lower streams is gradually complete. The main upstream products are single-chip and epi-chips. Single-chips are the substrates of raw materials, and most of them are Binary III-V compound semiconductor materials, such as gallium arsenide (GaAs) or gallium phosphide (GaP), etc.; epitaxial wafers grow multi-layer single crystal thin films of multiple materials with different thicknesses on a single crystal substrate are commonly used technology. There are liquid phase epitaxy (LPE) and metal organic vapor phase epitaxy (MOVPE). According to the requirements of the device structure, the midstream industry first etches and fabricates electrodes on the epitaxial wafer, and then cuts them into fine LED dies. The process technologies used are: photo mask, dry or wet etching, vacuum evaporation and crystal Particle cutting, etc.; downstream is the packaging industry, and according to different packaging technologies, lamps, digital display, dot matrix, or surface mount products have been developed.

The correlation between the upstream, middle and downstream of my country's LED industry is shown in the following table:：

Industry	Main material	Source of material	Product	Major supplier
Upstream	Single-chip	100% Foreign import	Crystal growth, slicing, epitaxy	Wafer work Corp.、SAS Wafer 、ACME.
Midstream	Epi-Chips	98% above Foreign import	Dies	Opto、TYNTek、Epistar、Genesis photonics、Xuming Corp.、HPO、Epileds、Cree、Sanan-e、Hcsemitek、Changelight...etc
Down stream	Dies	Domestic, Foreign supplies	Bulb type LED, digital display LED, dot matrix display	Liteon、Everlight、Harvatek、Lextar、Kingbright、Ledtek、BRT Led、Ligitek、AoT...etc supplies
	Resin lead frame, mold	Domestic, Foreign supplies		
	Au wires、Silver glue	Foreign supplies		
Application	Lamp、Digital display、Surface Mount、Dot Matrix),etc	Domestic supplies	Display screens, brake lights, traffic signs, infrared application products, infrared transmission application products	Edison Opto、Radiant、Everlight、Delta WW、Coretronic、InnoLux

5.1.2.3 Product development trend

5.1.2.3.1 High brightness LED

Because high-brightness LEDs are used in outdoor billboards, traffic signs, automotive lamps and some backlight applications, they have the advantages that traditional LEDs cannot achieve. The key lies in whether they can break through the technical bottleneck and expand the new application market. White light LEDs will replace light sources such as general tungsten bulbs and fluorescent lamps, and fluorescent tubes will be replaced by white light LEDs. This will expand the product application areas to outdoor large-scale signage, automotive lighting, mobile phone backlights, full-color backlight modules, etc. Due to its two major competitive advantages in brightness and power saving, the market for LEDs has a very large room for growth.

5.1.2.3.2 Blue light LED

Japan’s Nichia Chemical was the first manufacturer to use sapphire wafers to invent blue LEDs. It has obtained a number of blue LED technology patents and insisted not to provide external authorizations, resulting in a monopoly of the market and affecting the development of domestic LED downstream products. However, with changes in the environment, after Nichia Chemical gradually opened up patent authorization, global

LED manufacturers have turned towards the development of blue light technology. Driven by the market demand for mobile phone backlights, outdoor large signage, traffic signs, automobiles and lighting, blue LEDs Demand has increased significantly. Although the mainstream market has been replaced by white LEDs, it still accounts for a certain proportion.

5.1.2.3.3 White light LED

White light LED has many advantages such as small size, low heat generation, long light-emitting life, not easy to break, high luminous efficiency, no thermal radiation, no mercury, etc. The white light LED that has just entered the popularization stage is mainly used in mobile phone backlights, flash lights, etc. With the continuous reduction in prices and the gradual increase in brightness, the products are expected to be extended to the backlight of LCD panels and automotive applications. In the future, they are expected to replace traditional incandescent lamps and fluorescent lamps to become the mainstream of the lighting market.

5.1.2.3.4 SMD LED

With the advent of the era of smart mobile communications, various electronic products are developing towards light, thin, short, and small trends. SMD LEDs, which have the advantages of small size, suitable for automated production and easy assembly, are widely used in smart home appliances, indicator lights, Portable products such as smart phones, sports bracelets, wearable devices and luminous clothing, and applications such as smart control of home lighting also make infrared light-emitting diode packaging quite potential, and the demand for components is gradually moving towards miniaturization and modularization With development, SMD LED products with modularization will become the future development trend. This will not only increase the added value of products and reduce costs, but also save assembly space and time.

5.1.2.4. Market competition

With the rise of mainland Chinese manufacturers, its government policy support and the huge domestic demand market are the biggest competitive advantages of mainland capital. It is not easy to compete with it and they become a competitor that cannot be ignored. Since the establishment of the Harvatek Company, new packaging technology has continued to evolve and low-cost manufacturing Technology is still the focus of attention. With the increasing luminous efficiency of LEDs, it is still necessary to pay attention to products that meet the direction of application market demand:

- SMD is still the mainstream in the short term, so it is actively looking for ways to reduce costs
-Mini LED technology improvement and looking for ways to reduce costs
-LED technology continues to evolve, providing different products according to the characteristics of different application markets
-Master customers/channels, economies of scale and low cost technology

The company’s LED strategy to get rid of price competition; strengthen research and development, improve the brightness, stability, heat dissipation technology and design capabilities of LEDs, lay out LED-related technology patents, and increase product added-value (application). The technology is a leading enterprise compared to Mainland and can meet customer needs for competitive demand.

5.1.3 Technology and R&D Overview

5.1.3.1 R&D expenses and successfully developed technologies or products invested in the most recent year and as of the publication date of the annual report

(1) Ongoing research and development projects and expenses

Unit: NT$ thousands

Item \ Year	2021	March 31,2022
Research and Development Expenses	137,978	49,877

(2) Successfully developed technologies or products

Year	Research achievements
2019	1.Development of B4911PD/B4951PD infrared sensor components, mainly used in blood oxygen sensing wearable applications. 2.Development of B4192/T4642 ITR (photo interrupter) component, which integrates infrared emission and reception into an integrated package and miniaturization design, which is used for object detection and paper detection such as printers and fax machines. 3.Flip chip (Flip chip) process research and development, the package size is mainly 0.5*0.5mm, applied to the display screen market, the brightness can be increased by more than twice than the traditional wire bonding chip. 4.VCSEL (surface-emitting laser) product development, medium and high power use PLCC or ceramic substrate, low power in 0402 package, can be used in security control or mobile phone proximity sensing 5.Apply ODCSP product technology to TV backlight screens, which can improve screen brightness and contrast, and can customize the design and development of backlight modules. 6.T36K3 RGB reverse SMT product development, applied to gaming keyboards. 7.The development of light sensing products, for general ambient light or infrared light sensing applications, packaged into the size required by customers according to customized requirements, and can be applied to mobile phones, tablets or wearable products. 8.The development of B38R3 RGB products can derive a variety of colors by using three kinds of chips to match each other. At present, it is widely used in smart light boxes. 9.0805 side-emitting white light development, using the technology of two pressure and two cutting, the product volume is smaller than the original PLCC, and it is applied to the indication function of consumer/home appliances.
2020	1. Mini LED development: 1.1 To meet the needs of notebook computers and gaming screen backlights, use COB with QD film and local dimming circuit design to improve screen contrast and high NTSC. 1.2 For gaming keyboard and display applications, RGB CSP products are developed to meet the needs of customers with light and thin, power saving and high brightness, so that the Flip chip does not need to be wired and the brightness is more than 3 times brighter than the original wired chip. 1.3 The market trend of electric vehicles and the demand for using Mini LEDs in vehicle backlights is also the future trend. The use of 1616/1010 packages with Flip chips has also been launched for sample verification. 2. Infrared product development:

	2.1 The development of VCSEL products, from low-power 0402 packages to high-power 3535 ceramic substrate packages have been mass-produced, and the application requirements for mobile phones and vehicles will gradually grow. 2.2 The demand for gaming AR/VR, the development of 0805/0603 infrared 850nm products, has been officially mass-produced and continues to be shipped. 2.3 Sensing sensors including Ambient light sensor and Color sensor have been developed and successfully introduced into the market in cooperation with customers. 3. UVC module: 3.1 Development of UVC lamp panels for air purifiers. Customized design and development of UVC lamp panel modules are handed over to customers to assemble in air purifiers. This machine is currently on sale in the market. 3.2 Customized UVC sterilization light bar modules are mainly used for portable surface sterilization and installation sterilization applications.
2021	1. Mini LED products will be officially mass-produced in 2021 and will be shipped in a stable volume. Later products will focus on the development of RGB display panels and strips. Mini LED display can greatly improve display contrast and reduce power consumption. The product development direction is P1.2/0.9/0.7mm light board development. 2. ARGB products are also developed from the traditional wire bonding method to Flip chip. In addition to RGB chips, to meet the needs of transparent display applications, the driver IC also develops Flip chip packaging, and RGB and IC are co-packaged in the 0909 package. It is expected that 2022/Q2 mass production. 3. Infrared products are mainly developed for wearable applications. In the infrared emission part from 2 in 1 to 4 in 1, new products have been developed and mass-produced, and the infrared receiving part is developed according to the emission requirements. Infrared product revenue doubled from the previous year. 4. Modular products, in addition to continuing to cooperate with customized design and development of e-sports products, are also being promoted and sold in the market one after another. Automotive HUD modules have also begun to be launched in the market. Due to the high brightness and large-scale light-emitting area requirements, high-power CSPs are used to match customer module requirements. The related products have been mass-produced in 2021/Q4 and applied to high-end automotive HUD displays.

5.1.4 Long- term and Short-term Business Development Plans

5.1.4.1 Short-term business development plans

(1)Marketing strategy

a. Maintain a complete product line to meet the needs of different customer levels; at the same time, step up research and development for new products required by the market to maintain customer relationships and expand new customers.

b. Consolidate existing marketing channels and VIP customer project team services to achieve monthly and quarterly established business goals.

c. Strengthen the expansion of new channels and customer base, and strengthen business cooperation with distributors and agents in various regions in order to maintain market share.

d. Increase the sales proportion of high-unit-price products and develop new application markets in order to increase the average sales unit price and profit.

(2)Production strategy

a. Maintain a complete product line to meet the needs of the business, and speed up the mass production of new products and shorten the time to market.

b. In the short term, adopt a mixed production method of planning and order. For models with high monthly demand, use planned production; for products with small quantities or high unit prices, order-to-order production is adopted to ensure the most economical inventory and meet the needs of the business demand.

(3)Research & Development strategy

a. To meet the application requirements of customers' products, develop products that meet the needs.

b. Develop products with high current resistance, high heat dissipation, long life and high reliability.

c. Actively develop related products for vehicles, and improve the common derivatives of products.

d. Infrared sensing application components, mainly for consumer applications, combined with sensing IC requirements, to develop products with corresponding specifications.

e. Light sensor/proximity sensing is used in the development of 3C/mobile device components.

f. Development of related application components for heartbeat and blood oxygen.

(4)Business and management strategy

a. Promote enterprise resource integration computer system to strengthen the overall operating efficiency of the company.

b. Actively expand the market and strengthen the relationship with customers.

c. Increase production capacity to meet customer needs and expand the scale of operations.

d. Actively recruit excellent talents and improve the overall quality of personnel.

e. KPI management, strengthen internal training to meet company standards.

5.1.4.2 Long- term business development plans

(1) Marketing strategy

Gradually adjust the product structure and application areas, lower the proportion of consumer product sales, and increase the proportion of new products and high-margin sales to avoid excessive fluctuations in turnover that are affected by economic prosperity.

(2) Production strategy

a. Increase the economic scale of mass production of products to reduce the unit production cost of products.

b. Use a flexible production system to increase the output of niche products and shorten the production cycle, and to meet the needs of business development.

c. Gradually establish a global supply chain to provide the best and most timely delivery service for the business.

(3) Research & Development strategy

With the four major application industries of the communications electronics industry, the automotive industry, the consumer entertainment industry, and the color display module industry as the R&D main axis, the development of the above-

mentioned high-end products based on its own technology is the R&D-oriented, in order to expand the relationship with other industries. The product gap is toward the mass production of Mini LEDs and the development of advanced technologies such as Chip on board. In addition, in the sensing application part, it seeks strategic cooperation with sensor module manufacturers to develop light source modules

(4) Business and management strategy

Increase new products to diversify the company's business risks.

5.2 Overview of Marketing and Production/Distribution

5.2.1Market Analysis

5.2.1.1 Major sales (service) region and marketing share ratio

(1)Major sales (service) region

Unit: NT$ thousands

Year / Sales Region		2020		2021	
		Sales amount	Sales percentage (%)	Sales amount	Sales percentage (%)
Export Sales	Europe	64,636	2.58	97,649	3.25
	America	16,270	0.65	25,030	0.83
	Asia	1,839,964	73.38	2,175,470	772.5
	Others	67,263	2.68	72,539	2.42
	Subtotal	1,988,133	79.29	2,370,688	79.01
Domestic Sales		519,218	20.71	629,802	20.99
Total		2,507,351	100.00	3,000,490	100.00

(2)Market share

The company is mainly engaged in the research, development, design, manufacturing and testing of surface mount light emitting diodes (SMD LED), which belongs to the LED downstream packaging industry. At present, the main competitors include Japan's Nichia, Citizen, Rohm, etc. There are mainly more than ten domestic manufacturers such as Everlight, Lite-On, Lextar, Brtled. and Kingbright, and the company has always occupied a pivotal position in the domestic LED packaging industry.

5.2.1.2 The future supply and demand situation and growth of the market

The development of light-emitting diodes has been more than 20 years. Because of their small size, fast speed, good shock resistance, long life and other characteristics, they were early used in consumer indicator lights, smart phones, and medium and large-sized backs. However, with technology advancement of its products, the application fields of its products have been expanded to small-pitch full-color display billboards, wearable applications and automotive markets. In recent years, as the price of high-brightness LED products has fallen sharply, the scale of related application markets will surely grow rapidly in the future. In recent years, the market demand for new applications has continued to grow, including UV, infrared, Mini LED, Flip chip, RGB+IC applications, etc.

5.2.1.3 Competitive niche

(1) Complete and novel product line

The company is specialized, dedicated, and emphasized on the development and manufacturing of SMD LEDs, supplemented by a complete SMD LED product projects, providing customers with all the choices of one stop shopping, and the forward-looking and novelty of new product launches, comparable to world-class leaders.

(2) Rapid R&D capability

Since 1995, the company has immediately invested in the research and development of SMD LEDs. It is the first company in the country to invest in this product field. After years of research and development, it has accumulated solid know-how of its own technology, so it can use the most streamlined manpower and the most with effective resources and the lowest cost, new products are developed and mass-

produced with an average product development time of 3 months, and new products can be adopted by customers in the first time and launched on the market, leading the new design trend of downstream application products.

(3) Strictly controlled product quality

With the top quality control requirements and cooperation of two major international OEM customers, Avago and OSRAM, the products can quickly occupy the world market with the best quality and the most economical cost.

(4) Strong surrounding team support

Through strategic alliances and industry series cooperation, from the acquisition of important upstream raw materials (such as InGaN blue, green light chips, ultra-thin PCB), packaging and testing (cutting, photoelectric testing, LED chip classification), to finished product application design (such as LED Small-pitch displays, e-sports peripheral displays, and photoelectric IC integration) all have close partners to increase the success rate of market promotion, reduce the risk of new product introduction, and enhance overall competitiveness.

(5) Sound capital and shareholder structure

The company's financial and capital structure is sound and can flexibly respond to market changes; a strong shareholder lineup gives the company's management team the most powerful support.

5.2.1.4 Advantages and disadvantages of development prospects and countermeasures

(1) Advantage factors

a. The company's products are widely used in automotive, Netcom, e-sports, consumer, industrial instrumentation, display billboards, smart home appliances, wearable applications, UV sterilization applications and other fields. With the continuous development of new technologies and new products, the overall industry growth is still optimistic.

b. Diversified and complete product lines that can provide customers One Stop Shopping choices

c. The company has invested in the SMD LED field for many years and has accumulated solid R&D technology.

d. Long-term stable supply of raw materials, scattered sources of purchases, and maintaining good cooperative relations with suppliers to ensure that the supply is safe.

e. Has obtained ISO 9001, IATF16949, Sony GP, ISO14001 and OHSAS18001 international certifications, and the product quality has been affirmed by international manufacturers.

(2) Disadvantages factors

a. Competitors continue to join in market, and competition for product price cuts is fierce, resulting in a rapid decline in the price of old products and lower gross profit.

b. In the face of competition from major international manufacturers, brand awareness needs to be improved, and market share still lags behind major international manufacturers.

c. Well-known international competitors all have the production capacity of upstream materials, so they can grasp the source of raw materials and reduce production costs.

(3) Coping Strategy

a. Actively research and develop new products and technologies, and continuously

improve production processes to effectively reduce production costs.

b. Continue to develop high-value-added, high-margin and special-purpose products, and strictly control product quality to make products competitive in the market.

c. Keep abreast of the overall industry trends and market trends, understand customer needs and future product development trends, so as to produce products that meet customer needs.

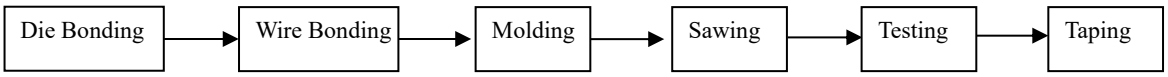
d. Actively expand the Asia-Pacific, European and American markets, and cooperate with major international manufacturers to improve the company's overall corporate image and brand awareness.

e. Disperse the source of procurement, reduce the risk of centralized procurement, and keep abreast of the dynamic information of the raw material market to control the cost of raw materials.

5.2.2 Important Applications and Process of Main Products

Surface mount light emitting diodes are widely used in various products such as communication industry, information appliance industry, computer industry, automobile industry, security industry, optoelectronic industry, etc. The main purpose is display light source and signal light source, such as smart phone flash and panel display light source , LCD backlight, automotive dashboard backlight, OA product panel light source, Netcom product signal display light source, information smart home appliance product panel signal light source, photoelectric industry light source product, indoor and outdoor signage display light source, etc.

SMD LED manufacturing process



5.2.3 Supply Status of Major Raw Materials

The main raw materials used by the company are LED DICE and printed circuit boards. Light-emitting diode chips and printed circuit boards are both mature industries. There are many domestic and foreign manufacturers, so they have sufficient supply and have cooperated with raw material suppliers for many years. The quality and delivery time are extremely stable, and there is no shortage of concerns.

5.2.4 Suppliers and Clients who have more than 10% of Total Purchases and Sales in any of the most Last Two years

5.2.4.1Major Supplier

Unit: NT$ thousa

Item	2020				2021				March 31,2022			
	Supplier	Procurement Amount	As % of 2020Total Net Procurement	Relation to HARVATEK	Supplier	Procurement Amount	As % of 2021Total Net Procurement	Relation to HARVATEK	Supplier	Procurement Amount	As % of March 31,2022Total Net Procurement	Relation to HARVATEK
1	SUBTRON TECHNOLOGY CO.,LTD	273,528	22.05	None	SUBTRON TECHNOLOGY CO.,LTD	292,038	19.80	None	Osram Opto Semiconductors Asia Limited	37,642	14.69	None
2	EPISTAR	154,104	12.42	None	Osram Opto Semiconductors Asia Limited	186,746	12.66	None	SUBTRON TECHNOLOGY CO.,LTD	37,580	14.66	None
3	Tanaka Kikinzoku Kogyo	112,605	9.08	None	EPISTAR	180,446	12.23	None	Stanley Electric (Asia Pacific) Ltd	35,544	13.87	None
4	Osram Opto Semiconductors Asia Limited	110,267	8.89	None	Stanley Electric (Asia Pacific) Ltd	111,192	7.54	None	EPISTAR	25,024	9.76	None
5	Others	590,050	47.56	-	Others	704,538	47.77	-	Others	120,488	47.02	-
-	Total Net Procurement	1,240,554	100.00	-	Total Net Procurement	1,474,960	100.00	-	Total Net Procurement	256,278	100.00	-

5.2.4.2Major Clients

Unit: NT$ thousands

Item	2020				2021				March 31,2022			
	Customer	Net Revenue	As % of 2020 Total Net Revenue〔%〕	Relation to HARVATEK	Customer	Net Revenue	As % of 2021 Total Net Revenue〔%〕	Relation to HARVATEK	Customer	Net Revenue	As % of March 31,2022 Total Net Revenue〔%〕	Relation to HARVATEK
1	A	556,766	22.21	None	A	802,769	26.75	None	A	183,224	26.53	None
2	B	260,679	10.40	None	B	130,076	4.34	None	-	-	-	None
3	Others	1,689,906	67.40	-	Others	2,067,645	68.91	-	Others	507,489	73.47	-
-	Total Net Revenue	2,507,351	100.00	-	Total Net Revenue	3,000,490	100.00	-	Total Net Revenue	690,713	100.00	-

5.2.5 Production Capacity/Output Value in the Last Two Years

Unit: thousand pieces; NT$ thousand

Year / Output	2020			2021		
Major Products	Capacity	Output	Amount	Capacity	Output	Amount
SMD LED	9,666,500	5,831,483	2,492,094	10,103,814	5,454,543	2,601,959
Total	9,666,500	5,831,483	2,492,094	10,103,814	5,454,543	2,601,959

5.2.6 Consolidated Shipments and Net Revenue in the Last Two Years

Unit: thousand pieces; NT$ thousand

Year	2020				2021			
Sales	Local		Export		Local		Export	
Major Products	Quantity	Net Revenue	Quantity	Net Revenue	Quantity	Net Revenue	Quantity	Net Revenue
SMD LED	437,961	451,472	5,699,777	1,988,133	743,801	592,349	5,156,331	2,371,092
Others(Note.1)	-	67,746	-	-	-	36,974	-	75
Total	437,961	519,218	5,699,777	1,988,133	796,655	629,323	5,156,331	2,371,167

5.3 Information of Employees

Information of employees in the most recent two years and as of the publication date of the annual report

Year		2020	2021	March 31,2022
Number of Employees	Management	171	162	173
	R&D and Technician	163	182	163
	Direct	234	219	211
	Total	568	563	547
Average Age		37.5	38.4	38.4
Average Years of Service		8.2	8.6	8.6
Education	Ph.D.	0.4	0.5	1.1
	Masters	9.3	8.6	15.0
	Bachelor’s Degree	46.7	46.4	42.4
	Senior High School	23.1	23.8	21.4
	Below Senior High School	20.6	20.7	20.1

5.4 Information on Environmental Protection Expenditure

5.4.1 Since its establishment, the company has been committed to industrial waste reduction and pollution prevention.

5.4.1.1Water pollution prevention and control

The domestic sewage and industrial wastewater derived from the production process of the company are properly treated, and the water pollution prevention and control measures are reported to the local environmental protection bureau or management bureau for verification and verification (head office: government document number: No. 1080026807 No.), (Branch: Administration Document No. 1080017622), the waste water produced is treated by chemical methods to reduce organic pollutants and nutrients in the water, thereby reducing the environmental pollution of sewage.

Item	Plant	Validity period	Approval number
Water Pollution Prevention and Control Permit	Xiangshan plant	2023.09.01	Hsinchu Environmental Protection Water Bureau item No.00280-10
	Chuangxin Plant	2024.05.20	Hsinchu Environmental Protection Bureau item No JS048-04

5.4.1.2 Waste management

The general and hazardous industrial wastes derived from the company's production process are properly classified and stored, and a clean-up plan is submitted to the local environmental protection bureau or management bureau for verification and completion (Head Office: Government Document Number:No.1090154544), (Branch Office: Administration Document No.1110006436), all the wastes produced are handled by professional legal cleaning companies, so that the produced wastes are stable and harmless , the reduction target..

Professionals: a total of two Grade-A waste disposal specialists

Item	Plant	Validity period	Approval number
Business waste disposal plan book	Xiangshan plant	2025.10.08	The government grants item No. 1090154544
	Chuangxin Plant	2026.04.13	Hsinchu Environmental Protection Bureau item No.1110006436
Business waste disposal plan book	Xiangshan plant	Qualified login	The government grants item (109) No. HA300031
	Chuangxin Plant	Qualified login	The government grants item (111) No. HA080042

5.4.1.3. Industrial waste reduction

The company cooperates with the government's industrial waste reduction policy and advocates resource classification and recycling. In addition to instilling the concept of correct recycling and classification of resources in the company, the company has also formulated relevant management methods to accurately classify waste in production lines and convert valuable resources. The materials are sold and handed over to qualified processing manufacturers for resource reuse, so as to implement the effective use of resources.

5.4.2 Losses (including compensation) or punishment due to environmental pollution in the most recent year and up to the date of publication of the annual report: None.

5.4.3 Estimated amount and countermeasures that may occur at present and in the future

The impact of the current pollution situation and its improvement measures on the company's earnings, competitive position and capital expenditures and its projected major environmental protection capital expenditures in the next two years: None.

5.5 Employer-employee Relations

5.5.1 The company's various employee welfare measures, further education, training, and retirement systems and their implementation, as well as the agreements between labor and management and various employee rights protection measures:

Employee welfare measures:

1. Bonus system
   (1) Allowance: Full attendance allowance
   (2) Bonuses: Incentive bonuses (season bonuses, year-end bonuses, long-term bonuses, retention bonuses, etc.) are issued according to operating conditions
   (3) Annual salary adjustment based on personal performance
   (4) Appropriate surplus dividends
2. Insurance system
   (1) Labor insurance
   (2) Health insurance
   (3) Labor pension (according to the law, 6% of the salary of colleagues is allocated as a pension)
   (4) Group insurance: including life insurance, accident insurance, medical insurance, and cancer prevention insurance
   (5) Family group insurance: targets include spouses and children
   (6)Overseas travel safety insurance: When colleagues travel overseas on business, the company provides overseas travel safety insurance
3. Other welfares
   (1) Provide regular free health check (blood/urine/x-ray/bone density) and long-term night work check-ups for half a year
   (2) Organize lectures on physical and mental health: quit smoking, weight loss, meridian health lectures, stress relief lectures... etc.
   (3) The company has an AED, and offers professional courses to teach colleagues how to use it in case of emergency
   (4) Professional doctors visit the factory regularly for consultation, and professional nurses stay in the factory
   (5) Gift certificates and gifts for the Spring Festival, Dragon Boat Festival, Mid-Autumn Festival, etc., employee birthday gifts, May Day gifts and gifts
   (6) Provide subsidy of wedding payment, funeral subsidy, childbirth subsidy, and hospitalization subsidy for injury and illness
   (7) Full subsidy for education and training, and irregular dinner subsidy for department

(8) All kinds of competition activities or parent-child activities connect with colleagues (barbecue activities, hot pot dinner activities, sightseeing tours, singing competitions, parent-child days... etc.)
(9) Preferential discounts in many special stores
(10) Provide free coffee for employees to enjoy
(11) Hanging paintings and literary works in each factory area for colleagues to enjoy
(12) Distribution company POLO shirt and windproof jacket
(13) Payroll account transfer discount, factory ATM and discount machine
(14) The service of purchasing all kinds of tickets (superstore gift vouchers and movie ticket vouchers)
(15) Year-End dinner party and lottery
(16) Free parking for cars and motorcycles and reserved parking spaces for pregnant women
(17) Set up a comfortable and warm breastfeeding room

Employee retirement system:

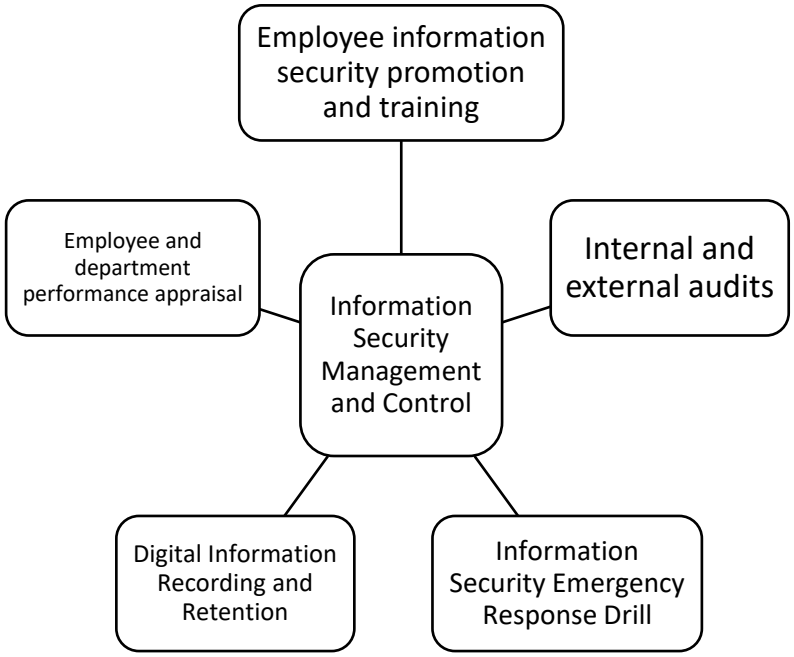
In line with the laws and regulations, since July 1, 2005, for new employees and existing employees who choose to apply the new pension regulations, 6% of their monthly wages will be paid to the special pension account of the Labor Insurance Bureau, and the old system will continue to be applied. For the existing employees of the retirement pension scheme and the existing employees who choose the new pension scheme, the old system retains their seniority, and the appropriate retirement reserve is calculated according to the retirement pension payment standard of the original employee's retirement scheme to the special account of the Bank of Taiwan. For colleagues who are assigned by the organization and transferred to affiliated companies, their seniority will be renewed, providing colleagues with more protection to achieve the purpose of the group's talent circulation.

5.5.2 From the most recent year to the date of publication of the annual report, the company suffered losses due to labor disputes, and disclosed the estimated amount and corresponding measures that may occur at present and in the future: None.

5.6 Cyber Security Management Strategy and Framework:

5.6.1 Cyber Security Management structure

Cyber Security Management Risk Structure



5.6.2 Information Security Policy

5.6.2.1. Review the applicability and protection measures of the information security policy from time to time, and review and implement the effectiveness. The "planning stage" focuses on enterprise information security risk management, reduces the enterprise from information security threats and hazards from the system, technical and procedural levels, and establishes confidential information protection and services that meet customer needs and high standards. The "implementation stage" continues to review, construct information security protection measures and solutions, and gradually introduce innovative information security defense technologies, and integrate and build information security control mechanisms into software and hardware maintenance and information security management. Information security management operations and systematic monitoring of information security to maintain the confidentiality, integrity and availability of the company's important assets. "Inspection phase" actively monitors the effectiveness of information security management, conducts information security index measurement and quantitative analysis based on the audit results, and conducts information security maturity assessment through regular simulation exercises of information security attacks. The "action stage" focuses on review and continuous improvement, and implements supervision and audit to ensure the continued effectiveness of information security standards. Regular quarterly information security simulation exercises, information security education and training courses for new colleagues, and annual information security training are held. The annual information security education and training is a compulsory course for the company's employees. It strengthens the employees' awareness of information security, information security publicity and other improvement actions, so as to ensure that the company's important confidential information is not leaked and reduce the risk of information security hazards.

5.6.2.2 Specific management plan structure

- The server host of the company's information system and the computer information equipment used by employees are all equipped with anti-virus software, and a virus protection and control system is built to regularly schedule virus scanning and virus pattern updates.
- Scan and correct the weaknesses of the server host system and computer operating system from time to time, and schedule system updates from time to time to prevent information security risks caused by virus infection and operating system vulnerabilities.
- External network communication system, e-mail transmission has built-in e-mail security protection system to prevent spam, malicious e-mail attacks, viruses entrained in e-mails, and suspicious URLs to prevent blocking.
- The import and export end of the Internet connection gateway is monitored and controlled through the firewall device, and the network packet is managed through the intrusion detection device to prevent the Internet from connecting to the company's internal network service and monitor abnormal behavior. Packet for information security protection.
- Web browsing security monitoring, employees connect to the Internet to browse web pages to monitor web information security, scan suspicious websites for viruses and virus programs, and prevent computer browsing web page poisoning.
- Holding computer equipment operation and information security education and training for employees from time to time to enhance employees' awareness of information security protection, and implement the most secure, rigorous and meticulous information security protection.

5.6.2.3 Invest the resources and promote the results of Cyber Security management:

5.6.2.3.1 Import of internal network endpoint protection equipment: View the internal network behavior monitoring and protection analysis of the internal information equipment of the enterprise.

5.6.2.3.2 Antivirus software update and replacement: strengthen computer endpoint virus, email security protection and peripheral USB flash drive access control measures.

5.6.2.3.3 Backup strategy improvement: Amend the access authority of the backup system, restricting only two administrator computers to access the backup host, and the security control rules for backing up to disk D2D, restricting only the two administrators of the backup host and the information department to be able to access.

5.6.2.3.4 The company's 2021 annual information security publicity announcement has a total of 5 items, a total of 5 education and training courses (459 people trained, 459 hours of training), and 2 information security social engineering drills.

5.6.3 In the most recent year and as of the date of publication of the annual report, losses, possible impacts and countermeasures due to major information security incidents: Up to now, there has been no loss to the company due to the occurrence of cyber security incidents.

5.7 Important Contract

Contract Type	Party	Contract Term	Subject Matter of Contract	Restrictive Condition
Sales Contract	OSRAM	July 22,1998～	Sales Surface-Mounted Device	N/A
Sales Contract	Avago	June 15,1999～	Sales Surface-Mounted Device	N/A
License Agreement	OSRAM	November 18,2004～until the expiration of the licensed patent	WLED Patent License	Confidential
License Agreement	Toyoda Gosei Co., Ltd., (TG)	2014.05.01～until the expiration of the licensed paten	LED Related Patent License	Confidential
Settlement and License Agreement	CREE	2016.04.28~ until the expiration of the licensed paten	WLED and Package Patent License	Confidential

VI. **Financial Status**

6.1 Brief Balance Sheet and Income Statement for the Past Five Years

6.1.1 Condensed Balance Sheet (consolidated entities)

Unit: NT$ thousands

Item \ Year		Five-Year Financial Summary and last Q1 Financial Summary (Note.1)					March 31,2022 (Note.1)
		2017	2018	2019	2020	2021	
Current Asset		2,915,969	2,691,360	2,228,236	2,586,319	2,931,466	2,937,622
Property, plant and equipment		473,279	466,116	657,048	587,067	586,701	574,894
Intangible Assets		34,464	15,733	1,617	1,618	34,291	32,928
Other Assets		508,214	676,363	704,535	879,584	1,055,391	976,388
Total Assets		3,931,926	3,849,572	3,591,436	4,054,588	4,607,849	4,535,645
Current Liabilities	Before Distribution	904,085	686,693	616,987	948,743	1,006,058	1,209,633
	After Distribution	1,110,154	892,763	616,987	Note2	1,315,163 (Note2)	-
Non-Current Liabilities		243,560	338,932	304,595	88,038	91,500	93,863
Total Liabilities	Before Distribution	1,147,645	1,025,625	921,583	1,036,781	1,097,558	1,303,496
	After Distribution	1,353,714	1,231,695	921,583	1,181,030	1,406,663 (Note2)	-
Equity Attributable to	Owners of the Parent	2,771,478	2,790,174	2,630,975	2,954,214	3,337,775	3,058,852
Share Capital		2,060,698	2,060,698	2,060,698	2,060,698	2,060,698	2,060,698
Capital Surplus		483,098	483,309	483,483	484,034	494,531	494,587
Retained Earnings	Before Distribution	226,472	281,802	100,048	244,104	472,964	279,612
	After Distribution	24,524	75,732	100,048	99,765	163,859 (Note2)	-
Other equity Interest		29,763	(25,579)	(6,397)	172,325	310,899	225,275
Treasury Stock		(28,553)	(10,056)	(6,857)	(6857)	(1,320)	(1,320)
Non-Controlling Interest		12,803	33,773	38,879	63,593	172,516	173,297
Total Equity	Before Distribution	2,784,281	2,823,947	2,669,854	3,017,807	3,510,291	3,232,149
	After Distribution	2,578,212	2,617,877	2,669,854	Note2	3,201,186 (Note2)	-

Note.1: The information on the 2017-2021 financial statements has been verified by the CPA; the information on the financial statements for the first quarter of 2022 has been approved by the CPA.

Note.2: Approved by amount of Board Resolution on March 24, 2022.

6.1.2 Condensed Balance Sheet (individual entity)

Unit: NT$ thousands

Item \ Year		Five-Year Financial Summary (Note.1)				
		2017	2018	2019	2020	2021
Current Asset		2,667,710	2,297,669	1,801,522	2,101,920	2,255,917
Property, plant and equipment		311,262	418,042	630,243	564,795	542,050
Intangible Assets		32,575	14,683	1,167	1,618	2,763
Other Assets		710,787	1,063,663	1,094,729	1,309,385	1,527,745
Total Assets		3,722,334	3,794,057	3,527,661	3,977,718	4,328,475
Current Liabilities	Before Distribution	707,412	665,071	597,427	939,982	912,899
	After Distribution	913,481	871,141	597,427	1,084,231	1,222,004 (Note2)
Non-Current Liabilities		243,444	338,812	299,259	83,522	77,801
Total Liabilities	Before Distribution	950,856	1,003,883	896,686	1,023,504	990,700
	After Distribution	1,156,925	1,209,953	896,686	1,167,753	1,229,805 (Note2)
Equity Attributable to Owners of the Parent		-	-	-	-	-
Share Capital		2,060,698	2,060,698	2,060,698	2,060,698	2,060,698
Capital Surplus		483,098	483,309	483,483	484,034	494,534
Retained Earnings	Before Distribution	226,472	281,802	100,048	244,014	472,964
	After Distribution	24,524	75,732	100,048	99,765	163,859 (Note2)
Other equity Interest		29,763	(25,579)	(6,397)	172,325	310,899
Treasury Stock		(28,553)	(10,056)	(6,857)	(6,857)	(1320)
Non-Controlling Interest		-	-	-	-	-
Total Equity	Before Distribution	2,771,478	2,790,174	2,630,975	2,954,214	3,337,775
	After Distribution	2,565,409	2,584,104	2,630,975	2,809,965	3,028,670 (Note2)

Note.1 All the documents on the above list have been verified by CPA.
Note.2: Approved by amount of Board Resolution on March 24, 2022.

6.1.3Condensed Statement of Comprehensive Income/Statement of Income (Consolidated entities)

Unit: NT$ thousands (Except EPS: NT$)

Item \ Year	Five-Year Financial Summary and last Q1 Financial Summary (NOTE)					
	2017	2018	2019	2020	2021	March 31,2022
Operating Revenue	3,013,603	2,923,669	2,163,869	2,507,351	3,000,490	690,713
Gross Profit from Operations	662,708	564,862	403,931	532,725	822,286	200,324
Net operating income(loss)	292,824	48,809	45,420	223,902	398,977	78,026
Non-Operating Income and Expense	(30,684)	206,153	(22,611)	(39,694)	57,721	74,081
Income (Loss) before Tax	262,140	254,962	22,809	184,208	456,698	152,107
Income (Loss) for Continued Operations	234,494	233,685	14,621	143,646	388,348	125,246
Income(Loss)on discontinued operations	-	-	-	-	-	-
Net Income (Loss)	234,494	233,685	14,621	143,646	388,348	125,246
Other Comprehensive Income (Income after Tax)	82,465	(31,357)	40,629	201,164	175,676	(94,336)
Total Comprehensive Income	316,959	202,328	55,250	344,810	564,024	30,910
Net Income Attributable to Owners of the Parent	226,550	235,902	15,081	143,339	370,318	115,753
Net Income Attributable to Non-Controlling Interest	7,944	(2,217)	(460)	307	18,030	9,493
Comprehensive Income Attributable to Owners of the Parent	237,593	210,536	46,276	326,313	514,717	30,129
Comprehensive Income Attributable to Non-Controlling Interest	79,366	(8,208)	8,974	18,497	49,307	781
Earnings (Loss) Per Share	1.12	1.15	0.07	0.70	1.80	0.56

Note.1 The information on the 2017-2021 financial statements has been verified by the CPA; the information on the financial statements for the first quarter of 2021 has been approved by the CPA.

6.1.4Condensed Statement of Comprehensive Income/Statement of Income (individual entity)

Unit: NT$ thousands (Except EPS: NT$)

Item \ Year	Five-Year Financial Summary				
	2017	2018	2019	2020	2021
Operating Revenue	2,765,072	2,607,097	2,129,210	2,487,778	2,845,992
Gross Profit from Operations	638,385	610,317	409,869	523,820	735,899
Net operating income(loss)	297,083	139,310	89,034	222,312	377,450
Non-Operating Income and Expense	(45,111)	117,869	(67,143)	(39,019)	59,998
Income (Loss) before Tax	251,972	257,179	21,891	183,293	437,448
Income (Loss) for Continued Operations	226,550	235,902	15,081	143,339	370,318
Income(Loss)on discontinued operations	-	-	-	-	-
Net Income (Loss)	226,550	235,902	15,081	143,339	370,318
Other Comprehensive Income (Income after Tax)	11,043	(25,366)	31,195	182,974	144,399
Total Comprehensive Income	237,593	210,536	46,276	326,313	514,717
Net Income Attributable to Owners of the Parent	-	-	-	-	-
Net Income Attributable to Non-Controlling Interest	-	-	-	-	-
Comprehensive Income Attributable to Owners of the Parent	-	-	-	-	-
Comprehensive Income Attributable to Non-Controlling Interest	-	-	-	-	-
Earnings (Loss) Per Share	1.12	1.15	0.07	0.70	1.80

Note.1 All the documents on the above list have been verified by CPA. .

6.1.5 Auditors' Opinions from 2016 to 2020

Year	Accounting Firm	CPA	Audit Opinion
2017	Ernst&Young	Hans Chen Yihui Huang	Unqualified Opinion
2018	Ernst&Young	Hans Chen Yihui Huang	Unqualified Opinion
2019	Ernst&Young	Hans Chen Yihui Huang	Unqualified Opinion
2020	Ernst&Young	Hans Chen Hsin Min Hsu	Unqualified Opinion
2021	Ernst&Young	Hans Chen Hsin Min Hsu	Unqualified Opinion

6.2 Financial Analysis of the Past Five Years

6.2.1. Five-Year Financial Analysis (consolidated entities)

Item \ Year		Five-Year Financial Analysis					
		2017	2018	2019	2020	2021	March 31,2022
Capital Structure (%)	Debts Ratio (%)	29.19	26.64	25.66	25.57	23.82	28.74
	Long-term Fund to Property, Plant and Equipment (%)	639.76	678.56	452.70	529.04	613.91	578.54
Solvency (%)	Current Ratio	322.53	391.93	361.15	272.60	291.38	242.85
	Quick Ratio	267.78	320.60	288.90	231.32	243.14	204.45
	Times Interest Earned	37.56	46.86	9.39	48.16	187.18	265.07
Operating Performance	Average Collection Turnover (Count)	3.41	3.29	3.00	4.25	4.81	4.27
	Days Sales Outstanding	107.00	111.00	122.00	86.00	76.00	85.00
	Average Inventory Turnover (Count)	5.01	5.49	4.08	5.03	5.16	4.26
	Average Payment Turnover (Count)	4.16	5.28	5.06	5.17	5.02	4.73
	Average Inventory Turnover Days	73.00	66.00	89.00	73.00	71.00	86.00
	Property, Plant and Equipment Turnover (Count)	5.90	6.22	3.85	4.03	5.11	4.76
	Total Assets Turnover (Count)	0.77	0.75	0.58	0.66	0.69	0.60
Profitability	Return on Total Assets (%)	6.15	6.12	0.45	3.84	9.01	11.00
	Return on Equity (%)	8.95	8.33	0.53	5.05	11.90	14.86
	Pre-tax Income to Paid-in Capital Ratio(%)	12.72	12.37	1.11	8.94	22.16	29.53
	Net Margin (%)	7.78	7.99	0.68	5.73	12.94	18.13
	Earnings Per Share (NT$)	1.12	1.15	0.07	0.70	1.80	0.56
Cash flow	Cash Flow Ratio (%)	43.85	21.18	71.27	45.77	45.20	4.02
	Cash Flow Adequacy Ratio (%)	163.21	110.42	91.83	112.68	116.36	100.97
	Cash Flow Reinvestment Ratio (%)	6.58	(1.00)	4.23	7.61	4.98	0.81
Leverage	Operating Leverage	4.54	16.13	4.57	2.38	1.91	3.75
	Financial Leverage	1.03	1.13	1.06	1.02	1.01	1.01

Descriptions of changes in the financial ratios: (If the increase or decrease does not reach 20%, the analysis can be waived.):

1. Increase in interest protection multiples: Mainly due to the increase in net profit before tax.
2. PPE asset turnover rate (times) increased: mainly due to revenue growth.
3. Increase in return on assets: Mainly due to Increase in net profit after tax and decrease in interest expense
4. Return on equity increased: Mainly due to Increase in net profit after tax.
5. The ratio of net profit before tax to paid-in capital increased: Mainly due to Increase in net profit before tax
6. Net profit increase: Mainly due to Increase in net profit after tax.
7. EPS increase: Mainly due to Increase in net profit after tax.
8. decrease in cash reinvestment ratio: Mainly due to the distribution of cash dividends in 2021

6.2.2. Five-Year Financial Analysis (individual entity)

Item \ Year		Five-Year Financial Analysis				
		2017	2018	2019	2020	2021
Capital Structure (%)	Debts Ratio (%)	25.54	26.46	25.42	25.73	22.89
	Long-term Fund to Property, Plant and Equipment (%)	968.61	748.49	464.94	537.85	630.12
Solvency (%)	Current Ratio	377.11	345.48	301.55	223.61	247.12
	Quick Ratio	321.33	273.88	227.12	182.19	197.22
	Times Interest Earned	38.99	55.96	10.40	49.40	197.08
Operating Performance	Average Collection Turnover (Count)	3.14	2.95	2.99	4.27	4.90
	Days Sales Outstanding	116.00	124.00	122.00	85.00	74.00
	Average Inventory Turnover (Count)	5.27	5.20	4.60	5.02	5.16
	Average Payment Turnover (Count)	4.87	5.35	5.11	5.20	5.18
	Average Inventory Turnover Days	69.00	70.00	79.00	73.00	71.00
	Property, Plant and Equipment Turnover (Count)	8.12	7.15	4.06	4.16	5.14
	Total Assets Turnover (Count)	0.74	0.69	0.58	0.66	0.69
Profitability	Return on Total Assets (%)	6.21	6.38	0.46	3.9	8.96
	Return on Equity (%)	8.60	8.48	0.56	5.13	11.77
	Pre-tax Income to Paid-in Capital Ratio (%)	12.23	12.48	1.06	8.89	21.23
	Net Margin (%)	8.19	9.05	0.71	5.76	13.01
	Earnings Per Share (NT$)	1.12	1.15	0.07	0.7	1.80
Cash flow	Cash Flow Ratio (%)	58.00	39.17	75.11	46.08	50.23
	Cash Flow Adequacy Ratio (%)	201.37	161.66	130.07	137.52	136.46
	Cash Flow Reinvestment Ratio (%)	6.98	0.91	4.44	7.70	5.21
Leverage	Operating Leverage	4.40	6.47	6.59	3.77	2.51
	Financial Leverage	1.02	1.03	1.03	1.02	1.01

Descriptions of changes in the financial ratios: (If the increase or decrease does not reach 20%, the analysis can be waived):

1. Increase in interest protection multiples: Mainly due to the increase in net profit before tax.
2. PPE asset turnover rate (times) increased: mainly due to revenue growth.
3. Increase in return on assets: Mainly due to Increase in net profit after tax and decrease in interest expense
4. Return on equity increased: Mainly due to Increase in net profit after tax.
5. The ratio of net profit before tax to paid-in capital increased: Mainly due to Increase in net profit before tax
6. Net profit increase: Mainly due to Increase in net profit after tax.
7. EPS increase: Mainly due to Increase in net profit after tax.
8. decrease in cash reinvestment ratio: Mainly due to the distribution of cash dividends in 2021

Note.1：The financial information in the above table has been audited/reviewed by our CPAs

Note.2：Calculation formula for financial analysis as follows:

1. Capital Structure Analysis
   (1) Debt Ratio = Total Liabilities / Total Assets
   (2) Long-term Fund to Property, Plant and Equipment Ratio = (Shareholders' Equity + Noncurrent Liabilities)/ Net Property, Plant and Equipment
2. Liquidity Analysis
   (1) Current Ratio = Current Assets / Current Liabilities
   (2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities

(3) Times Interest Earned = Earnings before Interest and Taxes / Interest Expenses

3. Operating Performance Analysis
   (1) Average Collection Turnover = Net Sales / Average Trade Receivables
   (2) Days Sales Outstanding = 365 / Average Collection Turnover
   (3) Average Inventory Turnover = Cost of Sales / Average Inventory
   (4) Average Payment Turnover = Cost of Sales / Average Trade Payables
   (5) Average Inventory Turnover Days = 365 / Average Inventory Turnover
   (6) Property, Plant and Equipment Turnover = Net Sales / Average Net Property, Plant and Equipment
   (7) Total Assets Turnover = Net Sales / Average Total Assets
4. Profitability Analysis
   (1) Return on Total Assets = (Net Income + Interest Expenses * (1 - Effective Tax Rate))/Average Total Assets
   (2) Return on Equity = Net Income / Average Equity
   (3) Net Margin = Net Income / Net Sales
   (4) Earnings Per Share = (Net Income - Preferred Stock Dividend) /Weighted Average Number of Shares Outstanding(Note.3）
5. Cash Flow
   (1) Cash Flow Ratio = Net Cash Provided by Operating Activities / Current Liabilities
   (2) Cash Flow Adequacy Ratio = Five-year Sum of Cash from Operations / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend
   (3) Cash Flow Reinvestment Ratio = (Cash Provided by Operating Activities - Cash Dividends)/(Gross Property, Plant and Equipment + Long-term Investments + Other Noncurrent Assets + Working Capital)(Note.4)
6. Leverage
   (1) Operating Leverage = (Net Sales - Variable Cost) / Income from Operations (Note.5)
   (2) Financial Leverage = Income from Operations / (Income from Operations – Interest Expenses)

Note.3: Calculation of earnings per share has taken the following factors into account:
1. The weighted average quantity of outstanding common shares shall be used as the standard, not the quantity of outstanding shares at the end of the year.
2 .In case of raising capital through issuing new shares or transactions of treasury stocks, calculate also the weighted average quantity of outstanding shares in the period of circulation.
3. In case of capitalization of retained earnings or capitalization of capital surplus into new shares, adjustment shall be made in retrospect to the size of capitalization for each instance when calculating the earnings per shares annually or semi-annually. The time of issuance can be neglected.
4. If the preferred shares are non-convertible accumulated preferred shares, the dividend declared in current period (whether paid or unpaid) shall be deducted from corporate earnings or as addition to earnings after taxation. If the accumulated preferred shares

Note.4：Cash flow analyses have taken the following factors into account:
1. Net cash flow from operating activities refers to net cash inflow from operating activities as stated in the Statement of Cash Flow.
2. Capital expenditure refers to the amount of annual cash outflow spent on capital investments.
3. The increase in inventory is included only when the balance at the ending is more than that at beginning. If the inventory decreases at the end of the year, it shall be calculated as “zero”.
4. Cash Dividends include the dividends in cash paid to holders of common shares and preferred shares.
5. Gross property, plant and equipment refer to the amount before deducting accumulated depreciation.

Note.5: The Company, as a securities issuer, is required to classify operating costs and expenses between fixed and variable portions; any estimate or subjective judgment used in the classification needs to be reasonable and consistent.

Note.6: The ratio of paid-in capital to foreign companies previously opened will be calculated based on the ratio of net worth.

6.3 Audit Committee Review Report of the most recent annual financial report ：See Appendix (Page 84)

6.4 Financial Statements for the Most Recent Year (including the consolidated financial statements of the parent and subsidiaries): See Appendix (Page 85~188)

6.5 The Latest Individual Auditor’s Report and Financial Statements Audited and Certified by CPA: See Appendix (Page 189~306)

6.6 The Company or its affiliates have experienced financial difficulties in the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report: None.

HARVATEK CORPORATION

Audit Committee's Review Report

The Board of Directors prepared the Company's 2021 Business Report, Entity and Consolidated Financial Statements and earnings distribution proposal. The Entity and Consolidated Financial Statements, in particular, were already inspected by CPA of Ernst & Young Global Limited and the Inspection Report is presented. The said Business Report, Entity and Consolidated Financial Statements and earnings distribution proposal have been reviewed by the Audit Committee and found to have no discrepancy. In accordance with the provisions of Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, a report is prepared you're your review.

To

The company's 2022 Shareholders' Meeting

HARVATEK CORPORATION

Convener of the Audit Committee: Wu, Kuang-Yi

March 24, 2022

Harvatek Corporation and Subsidiaries
Independent Auditor's Report

To Harvatek Corporation:

Opinion

We have audited the accompanying consolidated balance sheets of Harvatek Corporation (the "Company") and its subsidiaries as of 31 December, 2021 and 2020, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the period of 1 January to 31 December in 2021 and 2020, and notes to the consolidated financial statements (including the summary of significant accounting policies).

In our opinion, based on our audits and the audit reports of other independent auditors (please refer to the "Others" paragraph), the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of 31 December 2021, and 2020, in conformity with the requirements of the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and "International Financial Reporting Standards", "International Accounting Standards", "Interpretations developed by the International Financial Reporting Interpretations Committee" and "SIC interpretations" endorsed and issued into effect by the Financial Supervisory Commission.

Basis for Opinion

We conducted the audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statement by Certified Public Accountants and auditing standards generally accepted. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of Harvatek Corporation, Ltd. and its subsidiaries in accordance with the Norms of Professional Ethics for Certified Public Accountants (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the audit reports of other independent auditors, 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 the most significance in our audits of the 2021 consolidated financial statements of Harvatek Corporation and its subsidiaries. These matters were addressed in the context of our audits of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

The main revenue sources of Harvatek Corporation and its subsidiaries in 2021 are revenue from sales of goods. Since the revenue is recognized when Harvatek Corporation and its subsidiaries transfer the promised products or integrated services to customers to fulfill the performance obligations, and trade terms of the products or integrated services agreed in the contracts are different, resulting in different points in time for fulfilling the performance obligations, and thus these performance obligations and the points in time for fulfilling them need to be judged and determined. Accordingly, we have determined this as a key audit matter.

Our procedures for auditing operating revenue included but were not limited to: Understanding and assessing the internal control system established by management over operating revenue and testing it against critical control points; assessing the appropriateness of revenue recognition accounting policies, analyzing product-specific gross margins and selecting certain samples of operating revenue to perform transaction-specific tests; reviewing the significant transaction terms in the contracts to identify whether the conditions for revenue recognition have met the performance obligations, and selecting samples to review the transaction certificates for a period around the balance sheet date to confirm the appropriateness of the point of revenue recognition; selecting samples of sales returns and discounts to verify the contents and amounts within related documents; and reviewing the post period sales returns and discounts situation. We also considered the appropriateness of the accounting policies and disclosures in Note 4 and Note 6 of the consolidated financial statements regarding the recognition of operating revenue.

Evaluation of allowance for uncollectable accounts receivable

As of December 31, 2021, the net accounts receivable (including related parties) of Harvatek Corporation and subsidiaries amounted to NT$649,853 thousand, representing 14% of total consolidated assets. The allowance for uncollectable accounts receivable is evaluated by the expected credit losses over the durations. The evaluation process requires categorizing accounts receivable into appropriate groups, and judging and analyzing by relevant assumptions, including consideration of historical experience, current collection status of accounts receivable and projections of future economic conditions. Since the evaluation of expected credit losses involves judgment, analysis and estimates, we have identified this as a key audit matter.

Our procedures for auditing operating revenue included but were not limited to: Understanding the internal control related to the allowance for uncollectable accounts through inquiries, assessing the assumptions and judgments used by management in determining the allowance for uncollectable accounts and the reasonableness of the basis for the allowance for uncollectable accounts. In addition, we analyzed the appropriateness of the receivables grouping method to evaluate whether customers with significantly different loss patterns were appropriately grouped. We also tested the allowance matrix adopted by Harvatek Corporation and its subsidiaries, including analyzing the range of receivable ages and their changes, testing the correctness of the aging analysis of accounts receivable provided by management, identifying and analyzing the causes of overdue accounts, and selecting samples for accounts receivable bank confirmations and post-period collection tests to assess the collectability of accounts receivable. We also considered the appropriateness of the policies and disclosures in Notes 4, 5 and 6 of the consolidated financial statements regarding the accounts receivable and the relevant risks.

Other Matters - Audit Reports of Other Independent Audits

The financial statements of certain invested companies included in the consolidated financial statements of Harvatek Corporation and subsidiaries were not audited by us but by other auditors instead. Hence, in our opinion on the above-mentioned consolidated financial statements, the amounts listed in the financial statements of those invested companies mentioned are based on the audit reports of other independent auditors. The investments accounted for using equity method in these indirect investees amounted to

NT$133,554 thousand and NT$126,038 thousand as of December 31, 2021 and 2020, respectively, representing 2.90% and 3.11% of total assets, respectively. For the periods from January 1 to December 31 of 2021 and 2020, share of gain of associates accounted for using the equity method amounted to NT$6,822 thousand and NT$(6,461) thousand, representing 1.49% and (3.51)% of the net income before income taxes, respectively. Share of other comprehensive gain of associates accounted for using the equity method amounted to NT$695 thousand and NT$(50) thousand, representing 0.40% and (0.02)% of the other comprehensive net income, respectively.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the ability of Harvatek Corporation and its subsidiaries 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 Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 auditing standards generally accepted will always detect a material misstatement when it

exists in the consolidated financial statements. Misstatements can arise from fraud or error. They can be considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements

As part of an audit in accordance with auditing standards generally accepted, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiaries.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company and its subsidiaries to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements (including the accompanying notes and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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 (including 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 2021 consolidated financial statements and are therefore 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 could reasonably be expected to outweigh the public interest benefits of such communication.

Other

Harvatek Corporation has prepared its financial statements for 2021 and 2020, and we have issued audit reports for both with unqualified opinion remarked in other matters, for reference.

Ernst & Young, Taiwan
Approved by the competent authority to process financial reports for public companies
Order No.: (104) Jin-Guan-Zheng-Shen-Zi No. 1040030902
(96) Jin-Guan-Zheng-(6) No. 0960002720

Chen, Chih-Chung

Accountant:

Hsu, Hsin-Min

March 24, 2022

Harvatek Corporation and Subsidiaries
Consolidated Balance Sheet
As of December 31 of 2021 and 2020

Unit: NT$ thousand

Assets			As of December 31, 2021		As of 31 December 2020	
Code	Account name	Note	Amount	%	Amount	%
	Current assets					
1100	Cash and cash equivalents	IV and VI.1	$ 1,582,771	35	$ 1,459,509	36
1120	Financial assets at fair value through other comprehensive income - current	IV and VI.3	191,033	4	121,947	3
1150	Net notes receivable	IV, VI.4 and VI.15	655	-	225	-
1170	Net accounts receivable	IV, VI.5 and VI.15	649,853	14	597,216	15
1200	Other receivables		12,291	-	15,612	-
1210	Other receivables - related parties	VII	135	-	86	-
130x	Inventories	IV and VI.6	474,094	11	370,245	9
1410	Prepayments		11,247	-	21,479	1
1470	Other current assets		943	-	-	-
1482	Cost to fulfill contracts - current	IV and VI.14	8,444	-	-	-
11xx	Total current assets		2,931,466	64	2,586,319	64
	Noncurrent assets					
1510	Financial assets at fair value through profit or loss - noncurrent	IV and VI.2	82,383	2	80,340	2
1517	Financial assets at fair value through other comprehensive income - noncurrent	IV and VI.3	565,082	12	444,274	11
1550	Investment accounted for using the equity method	IV and VI.7	135,801	3	126,038	3
1600	Property, plant and equipment	IV, VI.8 and VII	586,701	13	587,067	14
1755	Right-of-use assets	IV and VI.16	60,344	1	55,088	1
1760	Net investment property	IV and VI.9	71,193	2	74,188	2
1780	Intangible assets	IV, VI.10 and VI.22	34,291	1	1,618	-
1840	Deferred income tax assets	IV and VI.20	70,136	1	67,418	2
1900	Other noncurrent assets	VII	54,136	1	16,679	1
1920	Refundable deposits		1,434	-	720	-
1980	Other financial assets - noncurrent	VIII	14,882	-	14,839	-
15xx	Total noncurrent assets		1,676,383	36	1,468,269	36
1xxx	Total assets		$ 4,607,849	100	$ 4,054,588	100

(Please refer to notes to the consolidated financial statements.)

Chairman: Wang, Ping-Lung Manager: Wang, Ping-Lung Accounting Supervisor: Su, Yu-Hui

Harvatek Corporation and Subsidiaries

Consolidated Balance Sheet (Continued)

As of December 31 of 2021 and 2020

Unit: NT$ thousand

Liabilities and Equity			As of December 31, 2021		As of 31 December 2020	
Code	Account name	Note	Amount	%	Amount	%
	Current liabilities					
2100	Short-term loans	IV and VI.11	$ 209,332	5	$ 323,143	8
2130	Contract liability - current	IV and VI.14	46,975	1	4,912	-
2170	Accounts payable		415,616	9	404,980	10
2180	Accounts payable - related parties	VII	26,531	1	21,024	1
2200	Other payables		218,088	5	134,091	3
2213	Payables to equipment suppliers		11,833	-	7,047	-
2230	Income tax payable in the period	IV and VI.20	59,318	1	38,332	1
2280	Lease liabilities - current	IV and VI.16	5,138	-	3,527	-
2300	Other current liabilities		13,227	-	11,687	-
21xx	Total current liabilities		1,006,058	22	948,743	23
	Noncurrent liabilities					
2570	Deferred income tax liabilities	IV and VI.20	4,821	-	1,114	-
2580	Lease liabilities - noncurrent	IV and VI.16	56,678	1	52,452	1
2640	Net defined benefit liability - noncurrent	IV and VI.12	26,353	1	32,320	1
2645	Guarantee deposits		3,648	-	2,152	-
25xx	Total noncurrent liabilities		91,500	2	88,038	2
2xxx	Total liabilities		1,097,558	24	1,036,781	25
31xx	Equity attributable to owners of parent					
3100	Capital stock	VI.13				
3110	Common stock		2,060,698	45	2,060,698	51
3200	Capital surplus	VI.13	494,534	10	484,034	12
3300	Retained earnings	VI.13				
3310	Legal reserve		63,073	1	48,677	1
3320	Special reserve		-	-	6,397	-
3350	Undistributed earnings		409,891	9	188,940	5
3400	Other equity		310,899	7	172,325	4
3500	Treasury stock	IV and VI.13	-1,320	-	-6,857	-
	Equity attributable to owners of parent		3,337,775	72	2,954,214	73
36xx	Non-controlling interests	IV and VI.13	172,516	4	63,593	2
3xxx	Total equity		3,510,291	76	3,017,807	75
	Total liabilities and equity		$ 4,607,849	100	$ 4,054,588	100

(Please refer to notes to the consolidated financial statements.)

Chairman: Wang, Ping-Lung Manager: Wang, Ping-Lung Accounting Supervisor: Su, Yu-Hui

Harvatek Corporation and Subsidiaries
Consolidated Statement of Comprehensive Income
January 1 to December 31, 2021 and 2020

Unit: NT$ thousand

Code	Account name	Note	2021		2020	
			Amount	%	Amount	%
4000	Revenue from operations	IV, VI.14 and VII	$ 3,000,490	100	$ 2,507,351	100
5000	Operating costs	IV, VI.6, VI.10, VI.17 and VII	-2,178,204	(73)	-1,974,626	(79)
5900	Gross operating profit		822,286	27	532,725	21
6000	Operating expenses	VI.10, VI.15, VI.17 and VII				
6100	Marketing expenses		-170,725	(6)	-132,799	(5)
6200	General and administration expenses		-126,648	(4)	-97,545	(4)
6300	R&D expenses		-137,978	(4)	-103,170	(4)
6450	Reversal of expected credit losses		12,042	-	24,691	1
	Total operating expenses		-423,309	(14)	-308,823	(12)
6900	Operating gains		398,977	13	223,902	9
7000	Non-operating income and expenses	IV, VI.3, VI.7, VI.18and VII				
7100	Interest income		10,981	1	9,512	-
7010	Other income		57,773	2	35,566	1
7020	Other gains and losses		-17,717	(1)	-74,405	(3)
7050	Finance costs		-2,453	-	-3,906	-
7060	Share of profit or loss of associates and joint ventures accounted for using equity method		9,137	-	-6,461	-
	Total non-operating income and expenses		57,721	2	-39,694	(2)
7900	Profit before tax		456,698	15	184,208	7
7950	Income tax expense	IV and VI.20	-68,350	(2)	-40,562	(1)
8200	Net profit of the period		388,348	13	143,646	6
8300	Other comprehensive income	IV and VI.19				
8310	Items that will not be reclassified subsequently to profit or loss					
8311	Remeasurement of defined benefit plans		4,355	-	1,510	-
8316	Unrealized gains on investments in equity instruments at fair value through other comprehensive income		171,829	6	201,295	8
8349	Income taxes related to items that will not be reclassified subsequently		-871	-	-302	-
8360	Items that may be reclassified subsequently to profit or loss					
8361	Exchange differences arising from translation of foreign operations		363	-	-1,339	-
	Other comprehensive income for the year (net of income tax)		175,676	6	201,164	8
8500	Total comprehensive income for the period		$ 564,024	19	$ 344,810	14
8600	Net profit attributable to:					
8610	Owners of parent		$ 370,318		$ 143,339	
8620	Non-controlling interests		18,030		307	
			$ 388,348		$ 143,646	
8700	Total comprehensive income attributable to:					
8710	Owners of parent		$ 514,717		$ 326,313	
8720	Non-controlling interests		49,307		18,497	
			$ 564,024		$ 344,810	
	Earnings per share (NT$)					
9750	Basic earnings per share	IV and VI.21				
9710	Net profit of the period		$ 1.80		$ 0.70	
9850	Diluted earnings per share					
9810	Net profit of the period		$ 1.79		$ 0.69	

(Please refer to notes to the consolidated financial statements.)

Chairman: Wang, Ping-Lung Manager: Wang, Ping-Lung Accounting Supervisor: Su, Yu-Hui

Harvatek Corporation and Subsidiaries

Consolidated Statement of Changes in Equity

January 1 to December 31, 2021 and 2020

Unit: NT$ thousand

Code	Item	Equity attributable to owners of parent									Non-controlling interests	Total equity
				Retained earnings			Other equity					
		Capital stock	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Exchange differences arising from translation of foreign operations	Unrealized gains or losses on equity instruments at fair value through other comprehensive income	Treasury stock	Total		
		3100	3200	3310	3320	3350	3410	3420	3500	31XX	36XX	3XXX
A1	Balance on January 1, 2020	$ 2,060,698	$ 483,483	$ 46,245	$ 25,579	$ 28,224	$ (4,886)	$ (1,511)	$ (6,857)	$ 2,630,975	$ 38,879	$ 2,669,854
	Distribution of 2019 earnings:											
B1	Legal reserve	-	-	2,432	-	(2,432)	-	-	-	-	-	-
B2	Special reserve	-	-	-	(19,182)	19,182	-	-	-	-	-	-
	Other changes in capital surplus											
C3	From donations	-	551	-	-	-	-	-	-	551	-	551
D1	Net profit from January 1 to December 31, 2020	-	-	-	-	143,339	-	-	-	143,339	307	143,646
D3	Other comprehensive income from January 1 to December 31, 2020	-	-	-	-	1,208	(1,367)	183,133	-	182,974	18,190	201,164
D5	Total comprehensive income for the period	-	-	-	-	144,547	(1,367)	183,133	-	326,313	18,497	344,810
M7	Changes in equities of subsidiaries	-	-	-	-	(3,625)	-	-	-	(3,625)	3,625	-
O1	Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	2,592	2,592
Q1	Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	3,044	-	(3,044)	-	-	-	-
Z1	Balance on December 31, 2020	$ 2,060,698	$ 484,034	$ 48,677	$ 6,397	$ 188,940	$ (6,253)	$ 178,578	$ (6,857)	$ 2,954,214	$ 63,593	$ 3,017,807
A1	Balance on January 1, 2021	$ 2,060,698	$ 484,034	$ 48,677	$ 6,397	$ 188,940	$ (6,253)	$ 178,578	$ (6,857)	$ 2,954,214	$ 63,593	$ 3,017,807
	Distribution of 2020 earnings:											
B1	Legal reserve	-	-	14,396	-	(14,396)	-	-	-	-	-	-
B2	Special reserve (reversal))	-	-	-	(6,397)	6,397	-	-	-	-	-	-
B5	Cash dividends of common stock	-	-	-	-	(144,249)	-	-	-	(144,249)	-	(144,249)
D1	Net profit from January 1 to December 31, 2021	-	-	-	-	370,318	-	-	-	370,318	18,030	388,348
D3	Other comprehensive income from January 1 to December 31, 2021	-	-	-	-	3,484	338	140,577	-	144,399	31,277	175,676
D5	Total comprehensive income for the period	-	-	-	-	373,802	338	140,577	-	514,717	49,307	564,024
C7	Changes of profit or loss of associates and joint ventures accounted for using equity method	-	-	-	-	(69)	-	-	-	(69)	-	(69)
L7	Disposal of parent company's shares by a subsidiary has been treated as a treasury stock tran	-	4,285	-	-	-	-	-	5,537	9,822	-	9,822
M1	Issuance of dividends to subsidiaries to adjust capital surplus	-	53	-	-	-	-	-	-	53	-	53
M7	Changes in equities of subsidiaries	-	6,162	-	-	(2,875)	-	-	-	3,287	(3,287)	-
O1	Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	62,903	62,903
Q1	Disposal of investments in equity instruments at fair value through other comprehensive incor	-	-	-	-	2,341	-	(2,341)	-	-	-	-
Z1	Balance on December 31, 2021	$ 2,060,698	$ 494,534	$ 63,073	$ -	$ 409,891	$ (5,915)	$ 316,814	$ (1,320)	$ 3,337,775	$ 172,516	$ 3,510,291

(Please refer to notes to the consolidated financial statements.)

Chairman: Wang, Ping-Lung Manager: Wang, Ping-Lung Accounting Supervisor: Su, Yu-Hui

Harvatek Corporation and Subsidiaries

Consolidated Statement of Cash Flows

January 1 to December 31, 2021 and 2020

Unit: NT$ thousand

Code	Item	2021 Amount	2020 Amount	Code	Item	2021 Amount	2020 Amount
AAAA	Cash flows from operating activities:			BBBB	Cash flows from investing activities:		
A00010	Profit before tax in the period	$ 456,698	$ 184,208	B00010	Acquisition of financial assets at fair value through other comprehensive income	$ (29,124)	$ (85,313)
A20000	Adjustments:			B00020	Disposal of financial assets at fair value through other comprehensive income	11,059	33,791
A20010	Income and other adjustments with no cash flow effects:			B00100	Acquisition of financial assets at fair value through profit or loss	(390,000)	(150,000)
A20100	Depreciation expenses	102,608	109,453	B00200	Disposal of financial assets at fair value through profit or loss	390,175	150,192
A20200	Amortization expenses	9,908	9,631	B02700	Acquisition of property, plant and equipment	(68,795)	(35,736)
A20300	Reversal of expected credit losses	(12,042)	(24,691)	B02800	Disposal of property, plant and equipment	914	-
A20400	Gains (losses) on financial assets and liabilities at fair value through profit or loss	(2,218)	12,274	B03800	Decrease in refundable deposits	840	-
A20900	Interest expenses	2,453	3,906	B04500	Acquisition of intangible assets	(7,587)	(3,543)
A21200	Interest income	(10,981)	(9,512)	B05000	Net cash inflow from acquiring the subsidiary	13,017	-
A21300	Dividend income	(27,875)	(9,432)	B06500	Other financial assets(increase)decrease	(43)	4,577
A22300	Share of profit or loss of associates and joint ventures accounted for using equity method	(9,137)	6,461	B06700	Increase in other noncurrent assets	(34,958)	(8,568)
A22500	Gains on disposal and retirement of property, plant and equipment	(712)	-	B07600	Dividends received	27,875	9,432
A24100	Unrealized foreign exchange losses	5,760	368	BBBB	Cash outflow from investing activities	(86,627)	(85,168)
A30000	Changes in operating assets / liabilities:						
A31130	Notes receivable	(430)	3				
A31150	Accounts receivable	(32,516)	7,082				
A31180	Other receivables	4,402	3,052	CCCC	Cash flows from financing activities:		
A31190	Other receivables - related parties	(49)	1,550	C00100	Increase in short-term debts	887,841	303,183
A31200	Inventories	(89,784)	45,246	C00200	Short-term loans decrease	(1,007,385)	-
A31230	Prepayments	10,775	9,731	C01700	Repayment of long-term loans	-	(300,000)
A31240	Other current assets	(943)	-	C03000	Increase in guarantee deposits	1,496	2,035
A31280	Cost to fulfill contracts	(8,444)	16,733	C04020	Repayment of lease principal	(4,527)	(3,605)
A32125	Contract liabilities	42,063	(19,039)	C04500	Cash dividends	(144,196)	-
A32130	Notes payable	-	(1)	C05000	Disposal of treasury stock	9,822	-
A32150	Accounts payable	(24,396)	88,982	C05800	Changes in non-controlling interests	12,048	2,592
A32160	Accounts payable - related parties	-	(743)	C09900	From donations	-	551
A32180	Other payables	84,313	14,664	CCCC	Net cash inflow (outflow) generated from financing activities	(244,901)	4,756
A32230	Other current liabilities	1,399	8,602	DDDD	Effect of exchange rate changes on cash and cash equivalents	96	(280)
A32240	Net defined benefit liability	(1,612)	(1,362)	EEEE	Increase in cash and cash equivalents	123,262	353,579
A33000	Cash generated from operations	499,240	457,166	E00100	Cash and cash equivalents, beginning of period	1,459,509	1,105,930
A33100	Interest received	9,900	9,591	E00200	Cash and cash equivalents, end of period	$ 1,582,771	$ 1,459,509
A33300	Interest paid	(2,769)	(4,060)				
A33500	Income taxes paid	(51,677)	(28,426)				
AAAA	Net cash inflow from operating activities	454,694	434,271				

(Please refer to notes to the consolidated financial statements.)

Chairman: Wang, Ping-Lung Manager: Wang, Ping-Lung Accounting Supervisor: Su, Yu-Hui

Harvatek Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
2021 & 2020
(Amounts are in NT$ thousand unless otherwise stated)

I. Company History

Harvatek Corporation (hereinafter referred to as the Company) was founded on March 21, 1995. Its main business is the research, development, design, manufacture and testing of LED packaging, as well as the import and export of these products.

The Company is listed on the Taiwan Stock Exchange. Its registered office and primary operating site is located at No. 18, Lane 522, Sec. 5, Zhonghua Road, Hsinchu City.

II. Date and Procedure for Approval of Financial Statements

The years 2021 and 2020 consolidated financial statements of the Company and its subsidiaries (herein after referred as the Group) were published upon the Board of Directors' approval on March 24, 2022.

III. Application of Newly Issued and Revised Standards and Interpretations

1. Changes in accounting policies arising from adopting IFRS for the first time

The Group has adopted IFRS, IAS, IFRS interpretations or interpretative pronouncements that are endorsed by the Financial Supervisory Commission (FSC) and are applicable for fiscal years beginning after January 1, 2021. First-time applications of new standards and amendments have no material impact on the Group.

2. The Group has not applied the following newly issued, revised and amended standards or interpretations that had been issued by the IASB and endorsed by the FSC:

Item	Newly issued/amended/revised standards and interpretations	Effective Date of IASB Issuance
1	Package of narrow-scope amendments to IFRSs, including amendments to IFRS 3, IAS 16 and IAS 37 as well as annual improvements	January 1, 2022

(1) Package of narrow-scope amendments to IFRS Standards, including amendments to IFRS 3, IAS 16 and IAS 37 as well as annual improvements

A. Update the reference to conceptual framework (amendments to IFRS 3)
The amendments updated IFRS 3 by replacing the old reference to the conceptual framework for financial reporting with the latest version of the reference issued in March 2018. It also adds an exception to the recognition principle to avoid the "day 2" gains or losses arising for liabilities and contingent liabilities. Additionally, it clarifies existing guidance for contingent assets that would not be affected by replacing the reference to the framework.

B. Property, plant and equipment: Proceeds before Intended Use (amendments to IAS 16)
These amendments prohibited enterprises from deducting from the cost of an item of property, plant and equipment, any sales proceeds earned before the asset is ready for its intended use; instead, entities shall recognize the sales proceeds and the related costs in profit and loss.

C. Onerous contracts - cost of fulfilling a contract (amendments to IAS 37)
The amendments clarified the costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

D. Improvements to IFRS during 2018–2020

Amendments to IFRS 1
The amendment simplified the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.

Amendments to IFRS 9 "Financial Instruments"
The amendments clarified the fees included when an entity assesses whether the terms of a new or revised contract for a financial liability are materially different from the original financial liability.

Amendments to IFRS 16 "Leases" Illustrative Example
This is an amendment to lease incentives related to the improvement of lessee's interest of IE13 .

Amendments to IAS 41

These amendments removed a requirement to exclude cash flows from taxation when measuring fair value, thereby aligning the fair value measurement requirements in IAS 41 with those in other IFRS Standards.

The above newly issued, revised, and amended standards or interpretations that had been issued by the IASB, endorsed by the FSC, and had become applicable since the fiscal year beginning after January 1, 2022, do not have a material impact on the Group.

3. As of the date of the financial statements published, the Group has not applied the following newly issued, revised and amended standards or interpretations that have been issued by the IASB but not yet endorsed by the FSC:

Item	Newly issued/amended/revised standards and interpretations	Effective Date of IASB Issuance
1	Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates or Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Pending the decision of the IASB
2	IFRS 17 "Insurance Contracts"	January 1, 2023
3	Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	January 1, 2023
4	Disclosure of Accounting Policies (Amendments to IAS 1)	January 1, 2023
5	Definition of Accounting Estimates (Amendments to IAS 8)	January 1, 2023
6	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12)	January 1, 2023

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

This project addresses an acknowledged inconsistency between the requirements in IFRS 10 "Consolidated Financial Statements" and those in IAS 28 "Investments in Associates or Joint Ventures", in dealing with the sale or contribution of assets between an investor and its associate or joint venture. IAS 28 requires that when a non-monetary asset is contributed in exchange for the equity of an associate or joint venture, the share of gain or loss arising from the investment should be eliminated in a manner of

downstream transactions; whereas IFRS 10 requires to recognize all gains or losses on the loss of control over a subsidiary. This amendment restricts the aforementioned provisions of IAS 28 so that when a sale or contribution of a business asset as defined in IFRS 3 is made, the resulting gain or loss shall be recognized in full.

The amendment also amends IFRS 10 so that gains or losses arising from the sale or contribution of a subsidiary that does not constitute a business as defined by IFRS 3 between an investor and its associates or joint ventures shall be recognized only to the extent those are not attributable to the investor's share.

(2) IFRS 17 "Insurance Contracts"

The standard provides a comprehensive model of insurance contracts that includes all relevant accounting principles (recognition, measurement, presentation and disclosure principles). The core of the standard is a general model under which the group of insurance contracts is measured in terms of the aggregate of fulfilment cash flows and contractual service margins; the carrying amount at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

In addition to general models, there also provided specific approach for insurance contracts with direct participation features (variable fee approach); and simplified approach for short-term contracts (premium allocation approach).

This standard was issued in May 2017 and amended in June 2020. In addition to extending the effective date by two years (i.e., from January 1, 2021 to January 1, 2023) and providing additional exemptions in the transitional provisions, the amendment reduces the cost of adopting the standard by simplifying some of the requirements and modifies some of the requirements to make them easier to interpret in some cases. This standard will replace the transitional standard (i.e., IFRS 4 "Insurance Contract") upon going into effect.

(3) Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

This is an amendment to the classification of liabilities as current or noncurrent in paragraphs 69 to 76 of IAS 1, "Presentation of Financial Statements".

(4) Disclosure of Accounting Policies (Amendments to IAS 1)

These amendments improved accounting policy disclosures so that they provide more useful information to investors and other primary users of the financial statements.

(5) Definition of Accounting Estimates (Amendments to IAS 8)

These amendments introduced the definition of accounting estimates and included other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies.

(6) Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12)

The amendments narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The above are standards or interpretations that have been issued by the IASB but have not yet been endorsed by the FSC, and their effective dates of application are subject to the FSC's regulations. The aforementioned newly issued or amended standards or interpretations have no material impact on the Group.

IV. Summary of Significant Accounting Policies

1. Statement of compliance

The consolidated financial statements of the Group for the years 2021 and 2020 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the interpretations of IFRS, IAS, IFRS as endorsed by the FSC.

2. Basis of preparation

The accompanying consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values. Amounts are in NT$ thousand unless otherwise stated.

3. Basis of consolidation

The basis for the consolidated financial statements

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has the following three elements of control:

(1) Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
(2) Exposure, or rights, to variable returns from its involvement with the investee, and
(3) The ability to use its power over the investee to affect the investee's returns

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(1) The contractual arrangement with the other vote holders of the investee
(2) Rights arising from other contractual arrangements
(3) Voting rights and potential voting rights

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date (being the date on which the Group obtains control) and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Company loses control of a subsidiary, it:

(1) Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
(2) Derecognizes the carrying amount of any non-controlling interest;
(3) Recognizes the fair value of the consideration received;
(4) Recognizes the fair value of any investment retained;
(5) Recognizes any surplus or deficit in profit or loss;
(6) Reclassifies the parent company's share of components previously recognized in other comprehensive income to profit or loss.

The consolidated entities are listed as follows:

Name of Investor	Name of Investee	Main Businesses	Percentage of Ownership	
			2021.12.31	2020.12.31
The Company	Harvatek International (USA) Corp.	Sales of electronics components	100.00	100.00
	HONOR LIGHT LIMITED	Investment	100.00	100.00
	Hong-Cheng Investment Co., Ltd. (Note 1)	Investment	41.60	41.60
	Harvatek (Hong Kong) Trading Limited	Investment	80.00	80.00
	Syntek Corporation Limited	Manufacturing and sales of electronics components	70.00	70.00
	Sleipnir LED Co., Ltd.	Manufacturing and sales of electronics components	66.67	66.67
	Consentek Corporation (Note 2)	Manufacturing and sales of electronics components	61.22	84.77
	Starlight Display Corporation (Note 3)	Manufacturing and sales of electronics components	80.00	-
Hong-Cheng Investment Co., Ltd.	Harvatek (Hong Kong) Trading Limited	Investment	5.00	5.00
	Consentek Corporation (Note 2)	Manufacturing and sales of electronics components	31.33	4.92
HONOR LIGHT LIMITED	Harvatek（HK） Limited	Investment	100.00	100.00
	Harvatek Europe GmbH	Sales of electronics components	51.00	51.00
	Guangzhou Hongqi Electronics Limited	Manufacturing and sales of electronics components	100.00	100.00
	Guangzhou Jiu Hong Qi Trading Limited	Sales of electronics components	100.00	100.00
Harvatek (Hong Kong) Trading Limited	Wuxi Hongqi Optoelectronics Limited (Note 4)	Manufacturing and sales of electronics components	-	100.00
Consentek Corporation	iReach Corporation (Note 5)	Manufacturing and sales of electronics components	50.24	-

Note1: The Group holds 2,500,000 preferred shares of Hong-Cheng Investment Co., Ltd, representing 100% of all its issued preferred shares. The preferred shareholders have the same voting and election rights as the common shareholders in the general shareholders' meeting and have the right to be elected as directors and supervisors. The percentage of voting rights of the preferred shares converted into common shares is 41.60%, so the Group has substantial control over this company.

Note2: As of June 2020, the Group's consolidated direct and indirect shareholding in the newly established Consentek Corporation is 14% and has acquired over half of the seats of directors. Therefore, the Company has gained control of the company and its operations will be fully controlled by the Group. Based on the aforementioned facts and circumstances, the management believes that the Group substantially controls this enterprise and therefore has included it in the consolidated financial statements.

In August 2020, the Group also participated in the capital increase of Consentek Corporation, and its consolidated percentage of direct and indirect shareholding reached 86.8%.

In May 2021, the Group also participated in the capital increase of Consentek Corporation, and its consolidated percentage of direct and indirect shareholding reached 74.3%.

Note3: In September 2021, the Group founded Starlight Display Corporation and obtained 80% of the shares and a majority of the directorships, so the Company gained control over it.

Note4: In March 2021, the Group has completed the liquidation procedures for Wuxi Hongqi Optoelectronics Limited.

Note5: In May 2021, the Group obtained 50.24% of the shares and a majority of the directorships of iReach Corporation, so the Group gained control over it.

4. Foreign currency transactions

The Group's consolidated financial statements are presented in NT$, which is also the Group's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

(1) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
(2) Foreign currency items within the scope of IFRS 9 "Financial Instruments" are accounted for based on the accounting policy for financial instruments.
(3) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

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

5. Translation of financial statements in foreign currency

When preparing the consolidate financial statements, the assets and liabilities of foreign operations are translated into NT$ at the closing rate of exchange prevailing at the balance sheet date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. When the partial disposal involves the loss of control of a subsidiary that includes a foreign operation, and the retained interest after the partial disposal of an interest in a joint arrangement or a partial disposal of an interest in an associate that includes a foreign operation is a financial asset that includes a foreign operation, it is also handled as disposal.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or joint arrangement that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising from the Group's acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

6. Classification of Current and Noncurrent Assets and Liabilities

Assets with any one of the following situations are classified as current, and assets that are not classified as current are noncurrent assets:

(1) Assets held for trading purposes and assets expected to be converted to cash, sold or consumed in their normal operating cycle.
(2) Assets that are held primarily for trading purposes.
(3) Asset that are expected to be realized within 12 months of the reporting period.
(4) Cash or cash equivalents, except assets that are restricted from being exchanged or used to settle liabilities for at least 12 months after the reporting period.

Liabilities with any one of the following situations are classified as current, and liabilities that are not classified as current are noncurrent liabilities:

(1) Liabilities that are expected to be settled in their normal operating cycle.
(2) Liabilities that are held primarily for trading purposes.
(3) Liability that are expected to be settled when due within 12 months of the reporting period.
(4) Liabilities that cannot be unconditionally deferred until at least 12 months after the reporting period. The terms of the liabilities, under which the liability may be settled by the issuance of equity instruments at the choice of the counterparty, do not affect their classification.

7. Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid time deposits or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (including time deposits with less than 12-month tenors).

8. Financial instruments

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

Financial assets and financial liabilities within the scope of IFRS 9 "Financial Instruments" are recognized initially at fair value. Transaction costs of acquisition or issuance that directly attributable to the financial assets and financial liabilities (except for the FVTPL financial assets and liabilities) are added or subtracted from the fair value of the financial assets and financial liabilities.

(1) Recognition and measurement of financial assets

The Group uses trade date accounting for the recognition and derecognition of all customary trading financial assets.

The Group classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

A. Business model for managing the financial assets
B. The contractual cash flow characteristics of the financial asset

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as notes receivable, accounts receivable, financial assets measured at amortized cost and other receivables, etc., on the balance sheet:

A. Business model for managing the financial assets: Holding financial assets in order to collect contractual cash flows
B. The contractual cash flow characteristics of the financial asset: Cash flows are solely payments of principal and interest on the principal amount outstanding

Such financial assets (excluding those involving hedging relationships) are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization of any difference between the initial amount and the maturity amount,using the effective interest method, and adjusted for any loss allowance). A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

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

A. For purchased or originated credit-impaired financial assets, multiply the credit-adjusted effective interest rate by the amortized cost of the financial assets
B. For financial assets that do not belong to the previous types but have subsequently become credit-impaired, multiply the effective interest rate by the amortized cost of the financial asset

Financial assets measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income and recognized as a financial asset at fair value through other comprehensive income in the balance sheet, if both of the following conditions are met:

A. Business model for managing the financial assets: Collect contractual cash flows and selling financial assets
B. The contractual cash flow characteristics of the financial asset: Cash flows are solely payments of principal and interest on the principal amount outstanding

Recognition of gain or loss of this type of financial asset is described as below:

A. Before the financial asset is derecognized or reclassified, its gains or losses are recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses
B. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment
C. Interest calculated by the effective interest method (multiplying the effective interest rate by the total gross carrying amount of the financial asset) or by using the following is recognized in profit or loss:
   (1) For purchased or originated credit-impaired financial assets, multiply the credit-adjusted effective interest rate by the amortized cost of the financial assets
   (2) For financial assets that do not belong to the previous types but have subsequently become credit-impaired, multiply the effective interest rate by the amortized cost of the financial asset

In addition, for the equity instruments within the scope of application of IFRS 9 "Financial Instruments" which are neither held for trading nor does the contingent consideration recognized by the acquirer in IFRS 3 "Business Combinations" apply, an irrevocable choice can be made at initial recognition to recognize subsequent changes in fair value in other comprehensive income. The amount recognized in other comprehensive income should not be subsequently transferred to profit or loss (the accumulated amount included in the other equity items should be transferred to retained earnings directly upon the disposal of such equity instruments), but should be presented as financial assets at fair value through other comprehensive income in the balance sheet. Dividends on investments are recognized in profit or loss unless the dividends clearly represent a recovery of part of the investment costs.

Loss on financial assets (liabilities) at fair value

All financial assets are measured at fair value through profit or loss except for the aforementioned ones that meet specific criteria and are measured at amortized cost or at fair value through other comprehensive income, and presented as financial assets at fair value through profit or loss in the balance sheet.

Such financial assets are measured at fair value with profit and loss from remeasurement recognized in profit or loss. Any dividends or interests of such financial assets are

recognized in profit or loss.

(2) Impairment of financial assets

For investments in debt instruments at fair value through other comprehensive income and financial assets at amortized cost, the Group recognizes and measures their allowance for losses as expected credit losses. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income, and the carrying amount of these investments is not reduced.

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

1. An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes
2. The time value of money
3. Reasonable and supportable information that is available about past events, current conditions and forecasts of future economic conditions (without undue cost or effort at the balance sheet date)

The loss allowance is measured as follows:

A. Measured at an amount equal to 12-month expected credit losses: Including the financial assets for which credit risk has not increased significantly since initial recognition or is determined to have low credit risk at the balance sheet date. In addition, it also includes those whose loss allowance was measured at lifetime expected credit losses in the previous reporting period, but do not meet the condition that the credit risk on a financial asset has increased significantly since initial recognition at the current balance sheet date.
B. Measured at an amount equal to the lifetime expected credit losses: Including financial assets for which the credit risk has increased significantly since initial recognition or which are purchased or originated with credit impairment.
C. For accounts receivable or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

At each balance sheet date, the Group needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the default risk at the balance sheet date and the initial recognition date. Please refer to Note XII for further details on credit risk.

(3) Derecognition of financial assets

Financial assets held by the Group are derecognized when they meet one of the following conditions:

1. The rights to receive cash flows from the asset have expired.
2. The asset has been transferred and substantially all the risks and rewards of the asset have been transferred to others.
3. The risks and rewards of the asset have neither been transferred nor substantially retained, but control of the asset has been transferred.

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

(4) Financial liabilities and equity instruments

Classification between liabilities or equity

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument.

Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the acquisition price less direct issue costs.

Compound instruments

The Group recognizes the components of financial liabilities and equity in accordance with the contractual terms of the convertible bonds it issued. Furthermore, it is assessed whether the economic characteristics and risks of the put and call options contained in the convertible bonds are closely related to the host contract before separating the equity component.

For the liability component excluding the derivatives, its fair value is determined based on the rate of interest applied at that time by the market to instruments of comparable credit status. The liability component is classified as a financial liability measured at amortized cost before the instrument is converted or settled. For the embedded derivative that is not closely related to the host contract (for example, if the exercise price of the embedded call or put option is not approximately equal on each exercise date to the amortized cost of the host debt instrument), it is classified as a liability component and subsequently measured at fair value through profit or loss unless it qualifies for an equity component. The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. Its carrying amount is not remeasured in the subsequent accounting periods. If the convertible bond issued does not have an equity component, it is accounted for as a hybrid instrument in accordance with the compound instrument requirements under IFRS 9.

Transaction costs are apportioned between the liability and equity components of the convertible bond based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized.

On conversion of a convertible bond before maturity, the carrying amount of the liability component being the amortized cost at the date of conversion is transferred to equity.

Financial liabilities

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

Financial liabilities at fair value through profit or loss

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

A financial liability is classified as held for trading if it meets one of the following conditions:

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

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

A. It eliminates or significantly reduces a measurement or recognition inconsistency; or
B. A group of financial liabilities or a group of financial assets and financial liabilities, its performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information on this portfolio provided internally to management of the consolidated companies is also on a fair value basis.

Gains or losses arising from the remeasurement of such financial liabilities are recognized in profit or loss, and such gains or losses recognized in profit or loss include any interest paid on the financial liabilities.

Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost include payables and borrowings and are subsequently measured using the effective interest rate method after initial recognition. When financial liabilities are derecognized and amortized through the effective interest method, the related gain or loss and amortization are recognized in profit or loss.

Amortized cost is calculated by taking into account any discount or premium on acquisition and transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires.

When the Group exchanges an existing financial liability containing substantially different terms with the lender, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid or payable (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(5) Offsetting of financial instruments

Financial assets and financial liabilities are offset and reported in the balance sheet in net amount if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

9. Derivative instruments

Derivative instruments held or issued by the Group are to hedge its foreign currency risks and interest rate risks. Of these, those designated as effective hedges are reported as financial assets or liabilities for hedging in the balance sheet; the remaining that are not designated as effective hedges are reported in the balance sheet as financial assets or liabilities at fair value

through profit or loss.

Derivative instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value. Derivative instruments are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Changes in the fair value of derivative instruments are recognized directly in profit or loss, except for those engaged in hedging and designated as an effective hedge, which are recognized in profit or loss or equity depending on the type of hedge.

If the host contract is neither a financial asset nor a financial liability, the embedded derivative should be treated as a separate derivative when the economic characteristics and risks of the derivative embedded in the host contract are not closely related to those of the host contract and the host contract is not measured at fair value through profit or loss.

10. Fair value measurement

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

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

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

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

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

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

inputs and minimizing the use of unobservable inputs.

11. Inventories

Inventories are evaluated at the lower of cost or net realizable value on an item-by-item basis.

Cost refers to the cost incurred to bring inventories to a saleable or production-ready condition and location:

(1) Raw materials - calculated by the weighted-average method using actual purchase costs.
(2) Finished goods and works in process - including direct raw materials, labor and fixed manufacturing costs allocated according to normal production capacity, excluding borrowing costs.

Net realizable value refers to the estimated selling price less costs and selling expenses to be incurred to completion under normal circumstances.

The provision of labor service is accounted for in accordance with IFRS 15 and is not part of inventories.

12. Investment accounted for using the equity method

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

Under the equity method, investment in an associate or joint venture is recorded in the balance sheet at acquisition cost plus changes in net assets of the associate or joint venture recognized by the Group in proportion to the Group's equity in the associate or joint venture after acquisition. After the carrying amount of the investment in an associate or a joint venture and other related long-term interests are reduced to zero using the equity method, additional losses and liabilities are recognized to the extent that legal obligations, constructive obligations or payments on behalf of the associate have been incurred. Unrealized gains and losses resulting from transactions between the Group and the associate

or joint venture are eliminated to the extent of the Group's related interest in the associate or joint venture.

When changes in the net assets of an associate or joint venture did not result from items of profit or loss or other comprehensive income and do not affect the Group's percentage of ownership interests in the associate or joint venture, the Group recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss on a pro rata basis at the time of disposing the associate or joint venture.

When the associate or joint venture issues new stock, and the Group's interest in an associate or a joint venture is reduced or increased as the Group fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in "capital surplus" and "investment accounted for using the equity method". If the interest is reduced, the relevant items previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items in proportion to the reduction. The aforementioned capital surplus recognized will be reclassified to profit or loss on a pro rata basis at the time of disposing the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 "Investments in Associates and Joint Ventures". If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the share of profit or loss of an associate or joint venture in the statement of comprehensive income in accordance with IAS 36 "Impairment of Assets". Where the aforementioned recoverable amount adopts the value in use of the investment, in determining the value in use of the investment, the Group estimates:

(1) The Group's share of the present value of the estimated future cash flows expected to

be generated by the associate or joint venture, including the cash flows from the operations of the associate or joint venture and the proceeds on the ultimate disposal of the investment; or

(2) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing of goodwill in IAS 36 "Impairment of Assets".

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

13. Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced regularly, the Group recognizes such parts as individual assets with specific useful lives and depreciation separately. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 "Property, plant and equipment". When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

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

Land improvements	4–5 years
Buildings and structures	4–51 years
Machinery equipment	1–6 years
Transportation equipment	3–6 years
Office equipment	2–4 years
Testing equipment	3–6 years
Other equipment	1–11 years
Leasehold improvements	3–6 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each fiscal year end. If the estimates are different from previous ones, the changes will be treated as changes in accounting estimates.

14. Investment property

The Group's own investment properties are measured initially at cost, including transaction costs for acquiring the assets. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met, but the costs of day-to-day servicing of an investment property are excluded. After initial recognition, investment property is measured using the cost model in accordance with IAS 16 "Property, Plant and Equipment", except for those that meet the criteria for classification as held for sale (or are included in a subgroup classified as held for sale) under IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". However, if it is held by a lessee as a right-of-use asset and is not held for sale under IFRS 5, it is accounted for under IFRS 16.

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

Buildings and structures	30 years

Investment property is derecognized and recognized in profit or loss when it is disposed of or permanently ceases to be used, and no future economic benefits are expected to be derived from the disposal.

The Group recognizes or derecognizes investment property based on the actual use of the assets.

The Company reclassifies property as investment property or removes it from investment property when it meets or no longer meets the definition of investment property and there is evidence of a change in its use.

15. Leasehold

If the Group transfers control over the use of a recognized asset for a period of time in exchange for consideration, the contract is (or contains) a lease. In order to assess whether a contract transfers control over the use of an identified asset for a period of time, the Group assesses whether it has both of the following throughout the period of use.

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

For contracts that are classified as (or contain) leases, the Group shall account for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor (or a similar supplier) would charge an entity for that component (or a similar component) separately. If an observable stand-alone price is not readily available, the Group shall

estimate the stand-alone price, maximizing the use of observable information.

The Group as a lessee

When the Group is the lessee of lease contracts, it recognizes all leases as right-of-use assets or lease liabilities, except for short-term leases or leases for which the underlying asset is of low value.

The Group measures the lease liability at the commencement date at the present value of the lease benefits outstanding at that date. If the interest rate implicit in a lease can be readily determined, lease payments are discounted using the rate. If that rate cannot be readily determined, the lessee uses the incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

i. Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
ii. Variable lease payments that depend on an index or a rate (initially measured using the index or rate as at the commencement date);
iii. Amounts expected to be payable by the lessee under residual value guarantees;
iv. The exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
v. Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Group measures its lease liabilities on an amortized cost basis and uses the effective interest method to increase the carrying amount of the lease liabilities to reflect interest on the lease liabilities; payments of a lease decrease the carrying amount of the lease liabilities.

The Group measures right-of-use assets at cost at the commencement date. The cost of right-of-use assets comprises:

(1) The amount of the initial measurement of the lease liability;
(2) Any lease payments made to the lessor at or before the commencement date, less any lease incentives received from the lessor;
(3) Any initial direct costs incurred by the lessee; and

(4) An estimate of the costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which the underlying asset is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

A lessee shall measure the right-of-use asset at cost and less any accumulated depreciation and any accumulated impairment losses, i.e., measure the right-of-use asset by applying a cost model. The Group's right-of-use assets are depreciated over their estimated useful lives of 2 to 30 years.

If ownership of the underlying asset is transferred to the Group at the end of the lease term, or if the cost of the right-of-use asset reflects the purchase option to be exercised by the Group, the right-of-use asset is depreciated from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the expiration of the useful life of the right-of-use asset or the expiration of the lease term.

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

The Group reports right-of-use assets and lease liabilities in the balance sheet and depreciation expenses and interest expenses related to leases in the consolidated income statement separately, except for short-term leases or leases for which the underlying asset is of low value.

The Group chooses to recognize lease payments relating to short-term leases and leases of low-value underlying assets on a straight-line basis or another systematic basis as an expense over the lease period.

The Group as a lessor

The Group classifies each of its leases as operating leases or finance leases at the contract inception date. Leases in which all the risks and benefits of ownership of the asset are substantially transferred are classified as finance leases; those that are not transferred are operating leases. At the commencement date, the Group recognizes assets held under finance leases in the balance sheet and expresses them as finance lease receivables based on the net investment in the leases.

For contracts containing lease components and non-lease components, the Group applies the IFRS 15 requirement to allocate the contract consideration.

The Group recognizes lease payments from operating leases as rental income on a straight-line basis or another systematic basis. Variable lease payments that do not depend on an index or a rate are recognized as rental income as incurred.

16. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired through business combinations is the fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets that do not meet the recognition criteria are not capitalized but recognized in profit or loss as incurred.

The useful lives of intangible assets are divided into either finite or indefinite.

Intangible assets with finite useful lives are amortized over their useful lives and are tested for impairment whenever there is an indication of impairment. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each fiscal year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.
Gains or losses arising from derecognition of an intangible asset are recognized in profit or loss.

The Group's intangible assets are amortized on a straight-line basis over the useful lives estimated as follows:

Patent and technology	7 years
Customer relation	5 years
Computer software	1–3 years

The Group's accounting policies for intangible assets are summarized as follows:

	Patent and technology	Customer relation	Computer software
Useful life	Finite	Finite	Finite
Amortization method used	Amortized by straight-line method over the patent period	Amortized on a straight-line basis over the patent period	Amortized on a straight-line basis over the patent period
Internally generated or externally acquired	Externally acquired	Externally acquired	Externally acquired

17. Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset within the scope of IAS 36 "Impairment of Assets" may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group would test individual assets or the cash-generating units to which the assets belong. If the impairment assessment indicates that the carrying amount of the asset or the cash-generating unit to which the asset belongs exceeds its recoverable amount, it is recognized as an impairment loss. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value and its value in use.

The Group assesses at the end of each reporting period the assets other than goodwill, whether there is any indication that a previously recognized impairment loss may no longer exist or may have decreased. If such indication exists, the Group estimates the recoverable amount of the asset or cash-generating unit. If the recoverable amount increases due to changes in the estimated service potential of the asset, the impairment loss is reversed. However, the carrying amount after reversal shall not exceed the carrying amount that would

have been determined had no impairment loss been recognized for the asset, net of depreciation or amortization.

The impairment loss for the continuing business unit and reversal are recognized in profit or loss.

18. Treasury stock

When the Group acquires the parent company's stock (treasury stock), it is recognized as a deduction from equity at acquisition cost, and when subsidiaries receive dividends from the parent company, it is recognized under equity. Any difference between the carrying amount and the consideration is recognized in equity.

19. Revenue recognition

The Group's contract revenue from customers mainly consists of sales of goods and provision of labor services, which are accounted for as follows:

Sales of goods

The Group manufactures and sells goods and recognizes revenue when the promised goods are delivered to the customer and the customer obtains control (i.e., the customer's ability to direct the use of the goods and obtain substantially all of the residual benefits of the goods). The Group primarily manufactures LED products, for which revenue is recognized based on the contracted price.

The open account period for the Group's sale of goods transactions ranges from 30 days to 120 days. Accounts receivable are recognized for most contracts when control of the goods is transferred and there is an unconditional right to collect consideration. These receivables are usually short term and do not have a significant financial component.

Engineering revenue

The Group's engineering revenue is mainly from the provision of product integration services commissioned by customers. The contractual content integrates the goods sold by

the Group with hardware equipment engineering and software services. Since the engineering work is limited by hardware specifications and on-site conditions, such goods, software and hardware integration services are highly interrelated and the Group cannot fulfill its commitments by transferring each of these goods or services independently. Therefore, all goods and services promised in the contract are treated as a single performance obligation. As for the contractual obligation to provide a warranty for the quality of work performed within a certain period, the Group recognizes a provision for the liability in accordance with IAS 37.

The Group recognizes accounts receivable when the construction is completed and accepted and control of the goods is transferred and there is an unconditional right to collect consideration. These receivables are usually short term and do not have a significant financial component. For contracts for which the Company has received partial consideration from customers for the construction contract and is obligated to provide goods or services in the future, a contract liability is recognized and recognized as income when the obligation to fulfill the contract is satisfied in the future. When a portion of the costs incurred under a contract is directly related to the contract, can be used to strengthen future resources to satisfy the contract performance obligation and is expected to be recoverable, the Group recognizes such performance costs as costs of performing the contract under assets and recognizes revenue and costs when the performance obligation is satisfied by the transfer of control to the customer.

Provision of labor services

The labor services provided by the Group mainly consist of product processing services commissioned by customers. According to the contractual agreement, the ownership of the work-in-progress belongs to the customer. The Group strengthens the work-in-progress during processing, and the customer has the control of the work-in-progress at the time of strengthening, which is a labor income that satisfies the contractual obligations gradually over time.

Most of the Group’s contracts are settled in accordance with the payment terms stipulated in the contracts. A contract asset is recognized when there is a transfer of services to the customer but the right to collect the consideration unconditionally is not yet available. Contract assets are also subject to an allowance for impairment in accordance with IFRS 9 based on the expected credit loss over the duration of the contract. However, some contracts

are recognized as contract liabilities because the Group is obligated to provide services to the customers subsequently as part of the consideration received upon signing the contracts.

The period in which the Group's contract liabilities are recognized as income does not normally exceed one year and does not result in a significant financial component.

20. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the asset. Other borrowing costs are recognized as an expense as incurred. Borrowing costs consist of interest and other costs incurred in connection with the borrowing of funds.

21. Government grants

Government grants are not recognized until there is reasonable assurance that the Group complies with the conditions attached to them and that the economic benefits of the grants will be received. When government grants relate to assets, they are recognized as deferred income and are recognized into income over the expected useful lives of the related assets. When they relate to expenses, government grants are recognized as income using a reasonable and systematic method and in line with the expected period of incurrence of the related costs over the expected useful life of the related asset.

22. Retirement benefit plans

All regular employees of the Company and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore fund assets are not included in the consolidated financial statements. Pension benefits for employees of overseas subsidiaries and branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company and domestic subsidiaries appropriate a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The appropriation amounts are recognized as expenses for the same period. The overseas subsidiaries and branches make contributions to the plan based on the requirements of local regulations.

The post-employment benefit plan classified as a defined benefit plan uses the projected unit credit method to measure its obligations and costs based on actuarial assumptions. Remeasurement of the net defined benefit liability (asset) is comprised of the return on plan assets and changes in the effect of the asset ceiling, net of amounts included in net interest on the net defined benefit liability (asset), and actuarial gains and losses. The remeasurement of the net defined benefit liability (asset) is classified in other comprehensive income as incurred and is recognized immediately in retained earnings. Past service cost is the change in a defined benefit obligation in prior periods, arising as a result of changes to plan arrangements in the current period and is recognized as an expense on the earlier of the following two dates:

(1) The date when a plan amendment or curtailment occurs; and
(2) The date when the Group recognizes any termination benefits or related restructuring costs.

Net interest on the net defined benefit liability (asset) is determined by multiplying the net defined benefit liability (asset) by the discount rate. Both are determined at the beginning of the annual reporting period, taking into account any changes in the net defined benefit liability (asset) arising from contributions and benefit payments during that period.

23. Share-based payment transactions

The cost of equity-settled share-based payment transactions between the Group and its employee is measured based on the fair value of the equity instruments granted. The fair value of the equity instruments is determined by using an appropriate pricing model.

The cost of equity-settled share-based payment transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group’s best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the

movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction or is otherwise beneficial to the employee.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award.

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

24. Income taxes

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

Income tax of the current period

Income tax liabilities (assets) for the current and prior periods are measured at the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax related to items recognized in other comprehensive income or directly in equity is respectively recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings is recognized as income tax expense on the date the distribution proposal is approved by the shareholders' meeting.

Deferred income tax

Deferred income tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except for:

(1) Initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

(2) Taxable temporary differences resulting from investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

(1) Where the deferred tax asset related to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

(2) In respect to deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax related to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

V. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require material adjustments to the carrying amounts of assets or liabilities affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(1) Fair value of financial instruments

Where the fair value of financial instruments cannot be derived from an active market or a quoted price, it is determined using a valuation technique, including earning value method (such as discounted cash flow model) or market method. The assumptions which are used in applying valuation techniques will have impacts on the fair value of the financial instruments. Please refer to Note XII for details.

(2) Receivables - estimation of impairment losses

When there is objective evidence of impairment, the consolidated entities, considering the estimated future cash flows, measure the amount of the impairment loss as the difference between the carrying amount of the asset and the present value of its estimated future cash flows (excluding future credit losses not yet incurred) discounted at the financial asset's original effective interest rate. However, since the discounting effect on short-term receivables is not significant, the impairment loss is measured as the difference between the asset's carrying amount and the undiscounted estimated future cash flows. If the actual future cash flows are less than expected, a significant impairment loss may occur, please refer to Note 6.

VI. Contents of Significant Accounts

1. Cash and cash equivalents

	2021.12.31	2020.12.31
Cash	$143	$166
Check and current deposit	389,723	465,440
Time deposit	1,192,905	765,740
Cash equivalent - repo bills	-	228,163
Total	$1,582,771	$1,459,509

The Group does not provide cash and cash equivalents as collaterals.

2. Loss on financial assets (liabilities) at fair value

	2021.12.31	2020.12.31
Mandatorily measured at fair value through profit or loss:		
Stocks	$82,383	$80,340

	2021.12.31	2020.12.31
Non-current	$82,383	$80,340

The Group does not provide financial assets measured at fair value through profit or loss as collaterals.

3. Financial assets measured at fair value through other comprehensive income

	2021.12.31	2020.12.31
Investments of equity instruments at fair value through other comprehensive income:		
Stocks of listed companies	$352,912	$255,612
Stocks of unlisted companies	403,203	310,609
Total	$756,115	$566,221

	2021.12.31	2020.12.31
Current	$191,033	$121,947
Non-current	565,082	444,274
Total	$756,115	$566,221

The Group does not provide financial assets measured at fair value through other comprehensive income as collaterals.

Information regarding dividend income from the Group's investments in equity instruments at fair value through other comprehensive income for 2021 and 2020 is as follows:

	2021	2020
Related to investments still held at the balance sheet date	$17,656	$5,149
Related to investments derecognized in the current period	148	46
Dividend income recognized in the current period	$17,804	$5,195

The Group, considering its investment strategies, sells and derecognizes part of the investments in equity instruments at fair value through other comprehensive income. Information regarding the sale and derecognition in 2021 and 2020 is as follows:

	2021	2020
Fair value at the derecognition date	$11,059	$33,791
Accumulated gain on disposal of retained earnings transferred from other equity	$2,341	$3,044

4. Notes receivable

	2021.12.31	2020.12.31
Notes receivable - generated from operating	$655	$225
Less: loss allowance	-	-
Total	$655	$225

The Group does not provide notes receivable as collaterals.

For information related to the Group's loss allowance for losses for 2021 and 2020, please refer to Note VI.15, and for information related to credit risk, please refer to Note XII.

5. Accounts receivable

	2021.12.31	2020.12.31
Accounts receivable	$709,848	$671,532
Less: loss allowance	(59,995)	(74,316)
Total	$649,853	$597,216

The Group does not provide accounts receivable as collaterals.
The Group's open account period to customers normally ranges from 30 days to 120 days. Total carrying amounts (including notes and accounts receivable) as of December 31, 2021 and 2020, were NT$710,503 thousand and NT$671,757 thousand, respectively. Please refer to Note VI.15 for information on the Group's loss allowance for 2021 and 2020 and Note XII for information on credit risk.

6. Inventories

	2021.12.31	2020.12.31
Materials	$105,967	$68,292
Supplies	21,951	18,948
Work in process	90,916	68,454
Finished goods	255,260	214,551
Total	$474,094	$370,245

(1) The Group's cost of inventories recognized as expenses in 2021 and 2020 were NT$2,178,204 thousand and NT$1,974,626 thousand; the reduce inventory to market recognized in 2021 and 2020 were NT$14,036 thousand and NT$45,621 thousand, respectively. In addition, inventory obsolescence losses of NT$2,434 thousand and NT$108 thousand were recognized in 2021 and 2020, respectively.

(2) The aforementioned inventories were not provided as collaterals.

7. Investment accounted for using the equity method

Details of the Group's investments using the equity method are as follows:

Name of investee	2021.12.31		2020.12.31	
	Amount	Shareholding ratio	Amount	Shareholding ratio
Invested associates:				
Hong-Ruei Investment Co., Ltd.	$2,247	35%	$-(Note)	35%
Yangzhou YoungTek Electronics Ltd.	133,554	40%	126,038	40%
Total	$135,801		$126,038	

Note: The Group's share of profit or loss on the valuation of Hong-Ruei Investment under equity method recognized is used to offset the equity-method investments and advances to the receivables recorded in the accounts until they reach zero.

(1) The Group's investment in the aforementioned associate is not material and the aggregated financial information, based on the shares held, is as presented below:

	2021	2020
Net profit (loss) for the period of the units in continued business operation	$9,137	$(6,461)
Other comprehensive income for the period (net of income tax)	695	(50)
Total comprehensive income for the period	$9,832	$(6,511)

(2) Information related to investment in Yangzhou Youngtek Electronics Ltd.:

Nature of relations: The Group invested in this enterprise in consideration of expanding its business in Mainland China and new product markets.

Principle place of business (registration country): Mainland China

Aggregate financial information and reconciliation to the carrying amount of the investment are as follows:

	2021.12.31	2020.12.31
Current assets	$367,344	$271,703
Noncurrent assets	171,614	189,267
Current liabilities	(204,560)	(145,875)
Noncurrent liabilities	(513)	-
Equity	333,885	315,095
The Group's shareholding ratio	40%	40%
Carrying amount of the investment	$133,554	$126,038

	2021	2020
Revenue from operations	$425,749	$315,184
Net profit for the period of the units in continued business operation	$17,055	$(16,153)
Other comprehensive income	-	-
Comprehensive income for the period	$17,055	$(16,153)

(3) The aforementioned invested associates had no contingent liabilities or capital commitments as of December 31, 2021 and 2020, and no guarantees have been provided.

8. Property, plant and equipment

	2021.12.31	2020.12.31
Property, plant and equipment for own use	$586,701	$587,067

	Land and land improvements	Building structures	Machinery equipment	Testing equipment	Transportation equipment	Other equipment	Leasehold improvements	Unfinished construction	Total
Costs:									
Balance on January 1, 2021	$102,402	$506,366	$2,233,758	$51,384	$2,537	$235,270	$52,540	$-	$3,184,257
Increase	-	592	53,125	5,851	-	14,013	-	-	73,581
Business combination	-	-	12,973	-	-	619	8,509	-	22,101
Reclassified	-	-	-	-	-	(1,196)	-	-	(1,196)
Disposal	-	-	(24,276)	(6,422)	(526)	(29,212)	-	-	(60,436)
Effect of exchange rate changes	(362)	(172)	85	-	-	-	-	-	(449)
Balance on December 31, 2021	$102,040	$506,786	$2,275,665	$50,813	$2,011	$219,494	$61,049	$-	$3,217,858
Balance on January 1, 2020	$103,115	$483,618	$2,274,591	$52,407	$2,537	$243,677	$52,540	$-	$3,212,485
Increase	-	25,839	3,796	-	-	7,409	-	-	37,044
Reclassified	-	(2,750)	-	(993)	-	-	-	-	(3,743)
Disposal	-	-	(44,607)	(30)	-	(15,835)	-	-	(60,472)
Effect of exchange rate changes	(713)	(341)	(22)	-	-	19	-	-	(1,057)
Balance on December 31, 2020	$102,402	$506,366	$2,233,758	$51,384	$2,537	$235,270	$52,540	$-	$3,184,257
Depreciation and impairment:									
Balance on January 1, 2021	$1,130	$246,923	$2,031,275	$43,976	$2,537	$219,933	$51,416	$-	$2,597,190
Depreciation	-	10,897	64,971	7,042	-	10,805	1,012	-	94,727
Reclassified	-	-	-	-	-	(454)	-	-	(454)
Disposal	-	-	(24,276)	(6,421)	(526)	(29,011)	-	-	(60,234)
Effect of exchange rate changes	-	(123)	53	-	-	(2)	-	-	(72)
Balance on December 31, 2021	$1,130	$257,697	$2,072,023	$44,597	$2,011	$201,271	$52,428	$-	$2,631,157
Balance on January 1, 2020	$1,130	$236,431	$2,003,897	$35,849	$2,363	$226,128	$49,639	$-	$2,555,437
Depreciation	-	10,747	71,944	8,240	174	9,643	1,777	-	102,525
Reclassified	-	(23)	-	(83)	-	-	-	-	(106)
Disposal	-	-	(44,607)	(30)	-	(15,835)	-	-	(60,472)
Effect of exchange rate changes	-	(232)	41	-	-	(3)	-	-	(194)
Balance on December 31, 2020	$1,130	$246,923	$2,031,275	$43,976	$2,537	$219,933	$51,416	$-	$2,597,190
Net carrying amount:									
2021.12.31	$100,910	$249,089	$203,642	$6,216	$-	$18,223	$8,621	$-	$586,701
2020.12.31	$101,272	$259,443	$202,483	$7,408	$-	$15,337	$1,124	$-	$587,067

(1) Significant components of the Group's buildings are mainly the main buildings, air-conditioning equipment and renovation works. Depreciation is provided over their useful lives of 51 years, 6 to 21 years and 6 to 21 years, respectively.

(2) The Group has not provided its property, plant and equipment as guarantee or pledge.

9. Investment property

Investment property is the Group's own investment property. The Group's own investment properties were leased under commercial property leases in November 2019 for the period from 2019 to 2024.

	Building
Costs:	
2021.01.01	$83,358
Effect of exchange rate changes	(259)
2021.12.31	$83,099
2020.01.01	$81,119
Transferred from property, plant and equipment	2,750
Effect of exchange rate changes	(511)
2020.12.31	$83,358
Depreciation and impairment:	
2021.01.01	$9,170
Current depreciation	2,921
Effect of exchange rate changes	(185)
2021.12.31	$11,906
2020.01.01	$6,639
Current depreciation	2,854
Transferred from property, plant and equipment	23
Effect of exchange rate changes	(346)
2020.12.31	$9,170

Net carrying amount:	
2021.12.31	$71,193
2020.12.31	$74,188

	2021	2020
Rental income from the investment property	$12,825	$12,288
Less: Direct operating expenses incurred on investment properties that generate rental income for the period	(2,921)	(2,877)
Total	$9,904	$9,411

The Group does not measure its investment property at fair value, but only discloses information on its fair value. The fair value hierarchy is level 3. The fair value of investment properties held by the Group amounted to NT$79,577 thousand and NT$78,203 thousand as of December 31, 2021 and 2020, respectively. The aforementioned fair value was evaluated by an independent external appraiser. The valuation method used for the buildings is the income approach, in which the main input values used and their quantitative information are as follows:

	2021.12.31	2020.12.31
Long-term operating income	$122,728	$119,015
Capitalization rate	7.50%	7.50%

10. Intangible assets

	Patent and technology	Customer relation	Computer software	Goodwill	Total
Costs:					
Balance on January 1, 2021	$238,351	$-	$91,955	$-	$330,306
Increase - acquired	-	-	7,587	-	7,587

	Patent and technology	Customer relation	Computer software	Goodwill	Total
alone					
Business combination	11,000	12,000	75	8,660	31,735
Reclassification	-	-	725	-	725
Balance on December 31, 2021	$249,351	$12,000	$100,342	$8,660	$370,353
Balance on January 1, 2020	$238,351	$-	$88,412	$-	$326,763
Increase - acquired alone	-	-	3,543	-	3,543
Balance on December 31, 2020	$238,351	$-	$91,955	$-	$330,306
Amortization and impairment:					
Balance on January 1, 2021	$238,351	$-	$90,337	$-	$328,688
Amortization	918	1,400	4,506	-	6,824
Reclassification	-	-	550	-	550
Balance on December 31, 2021	$239,269	$1,400	$95,393	$-	$336,062
Balance on January 1, 2020	$237,901	$-	$87,245	$-	$325,146
Amortization	450	-	3,092	-	3,542
Balance on December 31, 2020	$238,351	$-	$90,337	$-	$328,688
Net carrying amount:					
2021.12.31	$10,082	$10,600	$4,949	$8,660	$34,291
2020.12.31	$-	$-	$1,618	$-	$1,618

Recognized amount of amortization for intangible assets is as follows:

	2021	2020
Operating costs	$431	$60
General and administration expenses	6,393	3,301
R&D expenses	-	181
Total	$6,824	$3,542

Goodwill arising from business combination amounted to NT$8,660 thousand. Please refer to Note VI.22.

11. Short-term loans

	2021.12.31	2020.12.31
Unsecured borrowings	$209,332	$323,143
Interest range	0%-0.63%	0%-0.8%

The Group's unused short-term borrowing facilities as of December 31, 2021 and 2020, were NT$754,660 thousand and NT$587,856 thousand, respectively.

12. Retirement benefit plans

Defined contribution plans

The employee retirement plan of the Company and its domestic subsidiaries formulated in accordance with the "Labor Pension Act" is a defined contribution plan. Under the Labor Pension Act, the Company and its domestic subsidiaries will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company and its domestic subsidiaries have made monthly contributions of 6% of each individual employee's wages to employees' pension accounts in accordance with the employee retirement plan formulated in the Act.
Pension benefits for employees of the Group's overseas subsidiaries and branches are provided in accordance with the local regulations.

Expenses under the defined contribution plan recognized by the Group for the years ended

31 December, 2021 and 2020, are NT$20,065, thousand and NT$18,377 thousand respectively.

Defined benefit plans

The Company adopts a defined benefit plan in accordance with the "Labor Standards Act". The pension benefits are disbursed based on the units of service years and the average salaries in one month upon the approval of retirement. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company contributes an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company assesses the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company will make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house and under mandate, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate flexibility to achieve the targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover deficits with the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the categorization of fair value of the plan assets could be made in accordance with IAS 19. The Group expects to contribute $1,879 thousand to its defined benefit plan during the 12 months beginning after 31 December, 2021.

As of December 31, 2021 and 2020, the weighted-average duration of the Company's defined benefit obligations was 16 and 17 years, respectively.

Summary of defined benefit plan costs recognized in profit or loss:

	2021	2020
Current period service costs	$128	$130
Interest from net defined benefit liability (asset)	139	299
Total	$267	$429

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

	2021.12.31	2020.12.31	2020.01.01
Defined benefit obligations	$48,351	$52,095	$52,446
Fair value of the plan assets	(21,998)	(19,775)	(17,254)
Net defined benefit liability	$26,353	$32,320	$35,192

Reconciliation of liability (asset) of the defined benefit plan:

	Present value of defined benefit obligations	Fair value of the plan assets	Net defined benefit liability (asset)
Balance on January 1, 2020	$52,446	$(17,254)	$35,192
Current period service costs	130	-	130
Interest expenses (income)	446	(147)	299
Subtotal	53,022	(17,401)	35,621
Remeasurement of defined benefit liability/asset:			
Arising from changes in demographic assumptions	(434)	-	(434)
Arising from changes in financial assumptions	3,562	-	3,562
Experience adjustments	(4,055)	-	(4,055)
Remeasurement of defined benefit asset	-	(583)	(583)
Subtotal	(927)	(583)	(1,510)
Payments from the plan	-	-	-
Contributions by employer	-	(1,791)	(1,791)
Balance on December 31, 2020	52,095	(19,775)	32,320
Current period service costs	128	-	128
Interest expenses (income)	224	(85)	139
Subtotal	52,447	(19,860)	32,587
Remeasurement of defined benefit liability/asset:			

	Present value of defined benefit obligations	Fair value of the plan assets	Net defined benefit liability (asset)
Arising from changes in financial assumptions	(2,907)	-	(2,907)
Experience adjustments	(1,189)	-	(1,189)
Remeasurement of defined benefit asset	-	(259)	(259)
Subtotal	(4,096)	(259)	(4,355)
Payments from the plan	-	-	-
Contributions by employer	-	(1,879)	(1,879)
Balance on December 31, 2021	$48,351	$(21,998)	$26,353

The following significant actuarial assumptions are used to determine the defined benefit plans of the Company:

	2021.12.31	2020.12.31
Discount rate	0.80%	0.43%
Expected rate of salary increases	3.00%	3.00%

Sensitivity analysis for each significant actuarial assumption:

	2021		2020	
	Defined benefit obligation increase	Defined benefit obligation decrease	Defined benefit obligation increase	Defined benefit obligation decrease
Discount rate increases by 0.5%	$-	$3,600	$-	$4,169
Discount rate decreases by 0.5%	3,980	-	4,634	-
Expected salary increases by 0.5%	3,871	-	4,489	-
Expected salary decreases by 0.5%	-	3,543	-	4,089

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant, to analyze the possible effects on the defined benefit plans. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

13. Equity

(1) Capital stock

As of December 31, 2021 and 2020, the Company's authorized capital stock is NT$3,000,000 thousand, with a par value of NT$10 per share and to be issued in installments; issued capital stock is NT$2,060,698 thousand and divided into 206,070 thousand shares.

(2) Capital surplus

	2021.12.31	2020.12.31
Additional paid-in capital	$20,878	$20,878
From treasury share transactions	19,139	14,801
From convertible bonds	353,769	353,769
Donated assets	551	551
Changes in equities of subsidiaries recognized	6,162	-
Others - expired stock options	94,035	94,035
Total	$494,534	$484,034

According to the Company Act, the capital surplus shall not be used except for making good the deficit of the Company. Where the Company incurs no loss, the capital surplus derived from the issuance of new shares at a premium and from endowments received by the company may be capitalized annually up to a certain percentage of capital surplus. The aforementioned capital surplus may also be distributed to its shareholders in cash according to the original proportion of the number of shares being held by each of them.

(3) Treasury stock

Information on the Company's treasury stock held by the subsidiary, Hong-Cheng Investment Co., Ltd. as a result of its financial operations is as follows:

	2021.12.31	2020.12.31
Amount	$1,320	$6,857
Number of Shares (thousand shares)	76	395

Subsidiaries sold 767 thousand shares of the Company's stock in 2021. The Company recognized 319 thousand shares of treasury stock for disposal in proportion to its

shareholding ratio and wrote off the cost of treasury stock of NT$5,537 thousand. Difference from the sale proceeds was recognized as capital surplus for NT$4,285 thousand. No such event in 2020.

(4) Earnings distribution and dividend policy

According to the Company's Articles of Incorporation, the earnings from the annual closing, if any, shall be distributed in the following order.

A. Pay taxes.
B. Make up for deficits.
C. Appropriate 10% of the earnings as legal reserve.
D. Appropriate to, or reverse, special reserve in accordance with the law or the regulations of the competent authority.
E. The board of directors shall make an earnings distribution proposal for the remaining balance in accordance with the dividends policy; when distributing surplus earning in the form of new shares to be issued by the Company, a resolution of shareholders' meeting shall be obtained prior to the distribution; if such surplus earning is distributed in the form of cash, it shall be distributed pursuant to a special resolution of the board meeting and shall be reported to the shareholders' meeting.

The Company's dividend policy takes into account current and future development plans, the investment environment, capital requirements and domestic and international competition, as well as the interests of shareholders. Dividends may be distributed to shareholders in cash or in shares, with cash dividends being no less than 20% of the total dividends.

In accordance with the Company Act, legal reserve shall be appropriated until the total amount has reached the authorized capital. Legal reserve may be used to cover losses. Where the Company incurs no loss, the Company may distribute its legal reserve in excess of 25% of the paid-in capital in the form of new shares or cash in proportion to the shareholders' original shares.

At the board of directors' and shareholders' meetings held on March 24, 2022, and August 20, 2021, the Company proposed and resolved the appropriation of earnings and dividends per share for 2021 and 2020, respectively. Details are as follows:

	Earnings distribution		Dividend per share (NT$)	
	2021	2020	2021	2020
Legal reserve	$37,320	$14,396		
Special reserve reversal	-	(6,397)		
Cash dividends of common stock	309,105	144,249	1.5	0.7

Please refer to Note VI.17 for information on the estimation basis and recognized amount of the compensation to employees and directors and supervisors.

(5) Non-controlling interests

	2021	2020
Beginning balance	$63,593	$38,879
Net income attributed to non-controlling interests	18,030	307
Other comprehensive income attributable to non-controlling interests		
Exchange differences arising from translation of foreign operations	25	28
Unrealized gains on investments in equity instruments at fair value through other comprehensive income	31,252	18,162
Failure to acquire shares newly issued in subsidiaries proportionately to the original ownership interest	(3,287)	3,625
Attributed to non-controlling interests	12,048	2,592
Business combination attributed to non-controlling interests	50,855	-
Ending balance	$172,516	$63,593

14. Revenue from operations

	2021	2020
Revenue from contracts with customers		
Revenue from sale of products	$2,986,271	$2,446,454
Engineering revenue	14,219	60,897
Net operating revenue	$3,000,490	$2,507,351

Information related to the Group's revenue from contracts with customers in 2021 and 2020:

(1) Disaggregation of revenue

Source of revenue	Revenue recognition timing	2021	2020
Revenue from sale of products	Satisfied at certain point of time	$2,986,271	$2,446,454
Engineering revenue	Satisfied at certain point of time	14,219	60,897
Total		$3,000,490	$2,507,351

(2) Contract balances

Contract liability - current

	2021	2020
Sale of goods	$36,036	$4,912
Engineering revenue	10,939	-
Total	$46,975	$4,912

The Group's significant changes in the contract liability balances during January 1 to December 31, 2021 and 2020, are as follows:

	2021	2020
Beginning balance	$4,912	$23,951
Net changes in the period	42,063	(19,039)
Ending balance	$46,975	$4,912

The difference between the Group's contractual liabilities as of December 31, 2021 and 2020, is mainly due to the net effect of the provision of services to be completed subsequently for the contracted portion of advance receipts and the increase in obligations due to new contracts as of the balance sheet date.

(3) Cost to fulfill contracts

	2021.12.31	2020.12.31
Cost to fulfill contracts - current	$8,444	$-

Relevant costs to purchases related materials and payments to subcontractors in response to customers' contract requirements are clearly identifiable as contract-related and are expected to be recoverable. The Group recognizes the related revenue and costs when the contractual performance obligations are completed.

15. Expected credit impairment loss

	2021	2020
Operating expenses - expected credit impairment gain on reversal		
Notes receivable	$-	$(3)
Accounts receivable	(12,042)	(23,106)
Other receivables	-	(1,582)
Total	$(12,042)	$(24,691)

Please refer to Note XII for further details on credit risk.

The Group's allowance for losses of receivables (including notes and accounts receivable) are measured on a basis of life-time expected credit losses. The related descriptions of the allowance for losses as of December 31, 2021 and 2020, are as follows:

Receivables are grouped by credit rating, region and industry of the counter-parties, and the allowance for losses is measured using the provision matrix. Related information is as follows:

2021.12.31

		Number of overdue days				
Group 1	Not overdue	Within 30 days	30–120 days	121–300 days	301 days or more	Total
Total carrying amount	647,172	2,744	642	25	13,732	664,315
Loss ratio	0%	0%	10%	30%	100%	
Lifetime expected credit loss	-	-	(67)	(8)	(13,732)	(13,807)
Carrying amount	647,172	2,744	575	17	-	650,508

		Number of overdue days				
Group 2	Not overdue	1–120 days	121–180 days	181–240 days	241 days or more	Total
Total carrying amount	-	-	-	-	46,188	46,188
Loss ratio	10%	10%	30%	60%	100%	
Lifetime expected credit loss	-	-	-	-	(46,188)	(46,188)
Carrying amount	-	-	-	-	-	-

2020.12.31

		Number of overdue days				
Group 1	Not overdue	Within 30 days	30–120 days	121–300 days	301 days or more	Total
Total carrying amount	580,994	5,587	6,613	7,012	122	600,328
Loss ratio	0%	0%	10%	30%	100%	
Lifetime expected credit loss	-	-	(661)	(2,104)	(122)	(2,887)
Carrying amount	580,994	5,587	5,952	4,908	-	597,441

		Number of overdue days				
Group 2	Not overdue	1–120 days	121–180 days	181–240 days	241 days or more	Total
Total carrying amount	-	-	-	-	69,202	69,202
Loss ratio	10%	10%	30%	60%	100%	
Lifetime expected credit loss	-	-	-	-	(69,202)	(69,202)
Carrying amount	-	-	-	-	-	-

		Number of overdue days				
Group 3	Not overdue	1–120 days	121–180 days	181–240 days	241 days or more	Total
Total carrying amount	-	-	-	-	2,227	2,227
Loss ratio	100%	100%	100%	100%	100%	
Lifetime expected credit loss	-	-	-	-	(2,227)	(2,227)
Carrying amount	-	-	-	-	-	-

Information on the changes in the allowance for losses on notes receivable, accounts receivable- other receivables for the years ended December 31, 2021 and 2020, is as follows:

	Notes receivable	Accounts receivable	Other receivables	Total
Balance on January 1, 2021	$-	$74,316	$-	$74,316
Allowance for losses (reversal)	-	(12,042)	-	(12,042)
Current write off	-	(2,279)	-	(2,279)
Balance on December 31, 2021	$-	$59,995	$-	$59,995
Balance on January 1, 2020	$3	$97,450	$1,582	$99,035
Allowance for losses (reversal)	(3)	(23,106)	(1,582)	(24,691)
Effect of exchange rates change	-	(28)	-	(28)
Balance on December 31, 2020	$-	$74,316	$-	$74,316

16. Leasehold

1. The Group as a lessee

The Group leases various of assets, including land, buildings and structures, machinery equipment and transportation equipment. Lease term of each contract ranges from 2 to 30 years.

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

A. Amount recognized in the balance sheet

i. Right-of-use assets

Carrying amount of the right-of-use assets

	2021.12.31	2020.12.31
Land	$46,799	$47,978
Buildings and structures	11,240	4,959
Machinery equipment	872	1,308
Transportation equipment	1,433	843
Total	$60,344	$55,088

In 2021, the Company acquired right-to-use assets of $3,916 thousand additionally and $6,528 thousand as a result of business combination. No such event in 2020.

ii. Lease liabilities

	2021.12.31	2020.12.31
Lease liabilities		
Current	$5,138	$3,527
Non-current	$56,678	$52,452

Please refer to Note VI.18(4) "financial costs" for the Group's interest expenses on lease liabilities in 2021 and 2020; please refer to Note XII.5 "liquidity risk management" for the maturity analysis of lease liabilities in 2021 and 2020.

B. Amount recognized in the income statement

Depreciation of right-of-use assets

	2021	2020
Land	$1,703	$1,688
Buildings and structures	1,514	803
Machinery equipment	436	436
Transportation equipment	1,307	1,147
Total	$4,960	$4,074

C. The lessee's income and expenses related to leasing activities

	2021	2020
Short-term lease expenses	$1,956	$1,695
Expenses on low-value asset leases (excluding those on low-value asset leases under short-term leases)	560	353

D. The lessee's cash outflows related to leasing activities

The Group's cash outflows for leases in 2021 and 2020 were NT$8,078 thousand and NT$6,710 thousand respectively.

E. Other information related to leasing activities

Options to extend the lease and terminate the lease

Part of the Group's real estate lease contracts include options to extend the leases and options to terminate the leases. The lease term consists of the non-cancellable period of a lease for underlying right-of-use assets, plus periods covered by options to extend that the Group is reasonably certain to exercise, and options to terminate that the Group is reasonably certain not to exercise. Utilizing these options allows for maximum flexibility in the operation of management contracts. Most of the lease extension options and lease termination options available are exercisable only by the Group. After the commencement date, the Group will reassess the lease term on the occurrence of a significant event or change of circumstances that is within the control of the lessee; and affects whether or not it is reasonably certain to exercise an option that was not previously included when determining the lease term.

17. Statement of labor, depreciation and amortization by function:

By function / By nature	2021			2020		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Labor expenses						
Salary and bonus expenses	$331,936	$185,701	$517,637	$278,810	$122,985	$401,795
Labor and health insurance expenses	28,615	13,580	42,195	26,968	9,890	36,858
Pension expenses	13,569	6,763	20,332	13,090	5,716	18,806
Board compensation	-	4,717	4,717	-	2,413	2,413
Other employee benefit expenses	12,380	4,559	16,939	12,798	3,920	16,718
Depreciation expenses	73,615	28,993	102,608	86,520	22,933	109,453
Amortization expenses (Note)	3,617	6,291	9,908	4,178	5,453	9,631

Note: Includes amortization expenses recorded under other non-current assets - deferred assets.

In accordance with the Company's Articles of Incorporation, remuneration of the Company's directors (including independent directors) shall be set aside of no more than one percent of the profit of the year. However, if the Company has accumulated loss, the profit shall be reserved to make up the loss. The distribution of directors' remuneration is authorized to be determined by the Board of Directors with the presence of at least two-thirds of the directors and by a resolution of a majority of the directors present, and reported to the shareholders' meeting. In addition, according to the Company's Articles of Incorporation, the remuneration of directors (including independent directors) is authorized to be determined by the Board of Directors based on their engagement in the Company's operations, the value of their contributions and with reference to industry standards. The remuneration of directors (including independent directors) shall be reviewed by the Remuneration Committee and submitted to the Board of Directors for resolution in accordance with the Organizational Rules of the Remuneration Committee of the Company.

The remuneration of the Company's managerial officers shall be conducted in accordance with the Company's Articles of Incorporation, the Company Act and the Organizational Rules of the Remuneration Committee of the Company. In addition to the overall performance of the Company's operating results, each manager's position, contribution to the Company's operations, individual performance, and the pay status of the industry are considered and evaluated by the Remuneration Committee on a case-by-case basis and then submitted to the Board of Directors for approval. The reasonableness of the relationship between the individual's performance, the Company's operating performance and future risks shall also be considered.

The Company's remuneration policy for employees is determined by taking into consideration various factors such as salary, ranking and performance evaluation of employees, and making reference to the usual standards in the industry and the Company's overall operating results.

In accordance with the Company's Articles of Incorporation, the Company shall set aside no less than 6% of the Company's profit for the year as employee remuneration, which shall be distributed in shares or cash by resolution of the Board of Directors. The remuneration shall also be distributed to the employees of parents or subsidiaries of the Company who meet certain specific requirements. The Company may set aside not more than 1% of the above-

mentioned profits as remuneration to directors by resolution of the Board of Directors. However, if the Company has accumulated loss, the loss shall be covered first, and the remuneration to employees and directors shall be set aside by the aforementioned proportion. The distribution of employees' and directors' remuneration is authorized to be determined by the Board of Directors with the presence of at least two-thirds of the directors and by a resolution of a majority of the directors present, and reported to the shareholders' meeting. If the Board of Directors resolves to pay employees' remuneration in shares, the closing stock price on the day before the board of directors' resolution is used as the basis for calculating the number of shares to be allotted. If the estimated amount differs from the actual allotment amount resolved by the Board of Directors, the difference shall be recorded as profit or loss in the following year. For information on employees' and directors' remuneration approved by the Board of Directors, please visit the Market Observation Post System (MOPS) of the Taiwan Stock Exchange.

For the year 2021, the Group estimated NT$35,450 thousand for employees' remuneration and NT$4,550 thousand for directors and supervisors' remuneration, respectively, which were recorded as salary expenses; on March 24, 2022, the board meeting resolved to pay employees' remuneration and directors and supervisors' remuneration in cash of NT$35,450 thousand and NT$4,550 thousand, respectively, which is not materially different from the estimated figures in the accounts.

The Group's actual remunerations for employees and directors and supervisors for 2020 were NT$12,000 thousand and NT$1,960 thousand, respectively, which is not materially different from the amounts recorded as expenses in the 2020 financial statements.

18. Non-operating income and expenses

(1) Interest income

	2021	2020
Financial assets measured at amortized cost	$10,981	$9,512

(2) Other income

	2021	2020
Rent income	12,921	12,664
Dividend income	27,875	9,432
Other income	16,977	13,470
Total	$57,773	$35,566

(3) Other gains and losses

	2021	2020
Gains on disposal of property, plant and equipment	$712	$-
Net loss on foreign exchange	(21,567)	(61,711)
Gain (loss) on financial assets and liabilities at fair value through profit or loss	2,218	(12,274)
Other	920	(420)
Total	$(17,717)	$(74,405)

(4) Finance costs

	2021	2020
Interest on bank loans	$1,418	$2,849
Interest on lease liabilities	1,035	1,057
Total	$2,453	$3,906

19. Composition of other comprehensive income

Composition of other comprehensive income in 2021 is as follows:

	Generated in current period	Reclassified in current period	Other comprehensive income	Income tax benefit (expense)	After-tax amount
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit plans	$4,355	$-	$4,355	$(871)	$3,484
Unrealized gains on investments in equity instruments at fair value through other comprehensive income	171,829	-	171,829	-	171,829
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising from translation of foreign operations	363	-	363	-	363
Total	$176,547	$-	$176,547	$(871)	$175,676

Composition of other comprehensive income in 2020 is as follows:

	Generated in current period	Reclassified in current period	Other comprehensive income	Income tax benefit (expense)	After-tax amount
Items that will not be reclassified					

subsequently to profit or loss:					
Remeasurement of defined benefit plans	$1,510	$-	$1,510	$(302)	$1,208
Unrealized gains on investments in equity instruments at fair value through other comprehensive income	201,295	-	201,295	-	201,295
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising from translation of foreign operations	(1,339)	-	(1,339)	-	(1,339)
Total	$201,466	$-	$201,466	$(302)	$201,164

20. Income taxes

The main composition of income taxes is as follows:

Income tax recognized in profit or loss

	2021	2020
Income tax of the current period		
Income taxes payable of the current period	$81,953	$51,145
Adjustment to income taxes of prior periods	(9,290)	2,243
Deferred income tax		
Related to origin and reversal of temporary differences	(4,313)	(12,826)
Income tax expense	$68,350	$40,562

Income taxes recognized as other comprehensive income

	2021	2020
Deferred income tax expense (benefit)		
Remeasurement of defined benefit plans	$871	$302

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

	2021	2020
Profit before income tax of the units in continued business operation	$456,698	$184,208
Tax at the domestic rates applicable to profits in the country concerned	$91,340	$36,842
Income tax effect of expenses not deductible for tax purposes	(4,651)	(1,090)
Income tax effect of deferred tax assets/liabilities	(9,049)	2,567
Adjustments to current income tax of prior years	(9,290)	2,243
Total income tax expense recognized in profit or loss	$68,350	$40,562

Balances of deferred tax assets (liabilities) related to the following items:

2021

	Beginning balance	Recognized in profit or loss	Recognized as other comprehensive income	Business combination	Ending balance
Temporary difference					
Loss for market price decline and obsolete and slow-moving inventories	$25,809	$2,622	$-	$-	$28,431
Employee benefits payable	1,381	504	-	-	1,885
Valuation gains or losses on foreign investment targets	13,374	(408)	-	-	12,966
Amortization of intangible assets	-	463	-	(4,600)	(4,137)
Other	25,740	1,132	(871)	169	26,170
Deferred income tax (expense)/ benefit		$4,313	$(871)	$(4,431)	
Net deferred income tax assets/ (liabilities)	$66,304				$65,315
Information presented in balance sheet as below:					
Deferred income tax assets	$67,418				$70,136
Deferred income tax liabilities	$(1,114)				$(4,821)

2020

	Beginning balance	Recognized in profit or loss	Recognized as other comprehensive income	Business combination	Ending balance
Temporary difference					
Loss for market price decline and obsolete and slow-moving inventories	$16,685	$9,124	$-	$-	$25,809
Employee benefits payable	1,804	(423)	-	-	1,381
Valuation gains or losses on foreign investment targets	10,880	2,494	-	-	13,374
Others	24,411	1,631	(302)	-	25,740
Deferred income tax (expense)/ benefit		$12,826	$(302)	$-	
Net deferred income tax assets/ (liabilities)	$53,780				$66,304
Information presented in balance sheet as below:					
Deferred income tax assets	$57,317				$67,418
Deferred income tax liabilities	$(3,537)				$(1,114)

Unrecognized deferred income tax assets

As of December 31, 2021 and 2020, the Group has unrecognized deferred income tax assets totaling NT$61,398 thousand and NT$64,492 thousand, respectively, due to the unlikelihood of taxable income.

Income tax examination

As of December 31, 2021, the examined income tax returns of the Company and its domestic subsidiaries are as follows.

	Income tax examination
The Company	Through 2019
Subsidiary - Hong-Cheng Investment Co., Ltd.	Through 2019
Subsidiary - Sleipnir LED Co., Ltd.	Through 2019
Subsidiary - Syntek Corporation Limited	Through 2019
Subsidiary - Consentek Corporation	Incorporated in 2020, pending for examination
Subsidiary - Starlight Display Corporation	Incorporated in 2021, not yet required to file
Subsidiary - iReach Corporation	Through 2019

21. Earnings per share

Basic earnings per share are calculated by dividing net profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share are calculated by dividing net profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding plus dilutive potential ordinary shares during the period.

	2021	2020
(1) Basic earnings per share		
Profit attributable to ordinary equity holders of the parent (NT$ thousand)	$370,318	$143,339
Weighted average number of ordinary shares outstanding for basic earnings per share (thousand shares)	205,814	205,675
Basic earnings per share (NT$)	$1.80	$0.70

	2021	2020
(2) Diluted earnings per share		
Profit attributable to ordinary equity holders of the parent (NT$ thousand)	$370,318	$143,339
Weighted average number of ordinary shares outstanding for basic earnings per share (thousand shares)	205,814	205,675
Dilutive effect:		
Employees' remuneration	1,438	725
Weighted average number of ordinary shares outstanding after adjusting the dilutive effect (thousand shares)	207,252	206,400
Diluted earnings per share (NT$)	$1.79	$0.69

There were no other transactions after the reporting period and before the adoption and publication of the financial statements that significantly changed the number of ordinary shares outstanding or potential ordinary shares at the end of the period.

22. Business combination

Acquisition of iReach Corporation

In May 2021, the Group invested NT$59,999 thousand cash in iReach Corporation to acquire 50.24% of the common shares and a majority of the board of directors of the said company due to a strategic alliance, and therefore gained control of the company. The business scope thereof includes electronics components manufacturing, international trade, intellectual property rights, product designing, etc. The location of company is: 3F, No. 50, Yuanqu 2nd Rd., Baoshan Township, Hsinchu County, Hsinchu Science Park Bureau.

The Group adopted to measure the non-controlling interest in iReach Corporation by the relative share of the identifiable net assets recognized.

Faire value of the identifiable assets and liabilities of iReach Corporation as of the acquisition date:

	Fair value as of the acquisition date
Assets	
Cash	$73,016
Accounts receivable	8,079
Inventories	13,323
Other current assets	8,024
Property, plant and equipment	22,101
Right-of-use assets	6,528
Intangible assets	23,075
Subtotal	154,146
Liabilities	
Accounts payable	(40,539)
Lease liabilities	(6,672)
Other	(4,741)
Subtotal	(51,952)
Fair value of identifiable net assets	$102,194

Amount of the goodwill of iReach Corporation:	
Cash consideration	$59,999
Non-controlling interests (49.76% of the fair value of identifiable net assets)	50,855
Less: fair value of identifiable net assets	(102,194)
Goodwill	$8,660

Cashflow analysis of acquisition	
Cash transaction cost of acquisition	$(59,999)
Net cash acquired from the subsidiary	73,016
Net cashflow arising from acquisition	$13,017

The amount of identifiable net assets recognized in the financial statements as of December 31, 2021 was based on the fair value assessment of an independent external appraisal report. However, the assessment results were still provisional as of the date of management's approval and release of the financial statements on March 24, 2022.

iReach Corporation had generated NT$119,664 thousand of revenue and NT$29,245 thousand of profit before tax for the Group since the acquisition date. Had the merger occurred at the beginning of the year, the Group's revenue from continuing operations would have been NT$3,021,063 thousand, and the profit from continuing operations before tax would have been NT$446,647 thousand.

23. Changes in the Company's ownership interests in subsidiaries

Failure to acquire shares newly issued in subsidiaries proportionately to the original ownership interest

Consentek Corporation was incorporated in June 2020 by the Group and issued new shares in August 2020 and May 2021. The Group did not participate in both cash capital increases in proportion to its shareholding and resulted that the Group's direct and indirect consolidated shareholding increased to 86.8% and decreased to 74.3% respectively. However, the transaction did not affect the control of the subsidiary, so the change in equity was treated as an equity transaction.

VII. Interest Party Transactions

Related parties with whom the Group had transactions during the financial reporting period are as follows:

Name of related party	Relations with the Group
YoungTek Electronics Corporation (YoungTek)	Other related party of the Group
Jiu Hong Xin Technology Co., Ltd. (Jiu Hong Xin)	Other related party of the Group
IN & OUT Bio Beauty Corp. (In & Out Bio)	Other related party of the Group

1. Sales

	2021	2020
YoungTek Electronics Corporation	$31	$1,823

The sales prices to the above related parties are negotiated by both parties with reference to market conditions, and therefore the prices cannot be compared. The payment policy is similar to that of general customers, and the payment terms are OA 120 days.

2. The expenses and revenues from transactions with related parties are as follows:

Name of related party	Accounts	2021	2020
YoungTek Electronics Corporation	Manufacturing overhead - outsourced (Note)	$62,487	$54,621
YoungTek Electronics Corporation	Manufacturing overhead - testing and experiment expenses etc.	$4,029	$2,987
YoungTek Electronics Corporation	Non-operating revenue - sample revenue	$166	$90
IN & OUT Bio Beauty Corp.	Non-operating revenue - other income	$1,040	$-

Note: The prices of the Group's purchases from related parties are negotiated by both parties with reference to the market price; the payment terms are about OA 60 days while payment terms of general suppliers are about OA 60 days to 120 days.

3. The property transactions with each related party are as follows:

(1) Purchase of equipment

Name of related party	Accounts	2021	2020
YoungTek Electronics Corporation	Machinery equipment	$42,006	$-
YoungTek Electronics Corporation	Prepayment to equipment suppliers	$3,150	$1,080

Note: Prices of the above property transactions are determined in consideration of the book value of the asset and reasonable market prices.

(2) Lease of buildings

The Group leased its office and factory to YoungTek Electronics Corporation in November 2019 with a contracted lease term from November 1, 2019, to October 31, 2024. The lease income in 2021 and 2020 were both NT$10,800 thousand. The lease price given by the Company to YoungTek Electronics Corporation is determined with reference to the market price of similar leases and is NT$900 thousand per month,

payable monthly.

The Group leased other parts of its plant to YoungTek Electronics Corporation in August 2020. According to the contracted lease term, the monthly rent is NT$32 thousand, payable monthly. The lease income in 2021 and 2020 were NT$768 thousand and NT$252 thousand respectively. and the lease price is determined with reference to the market price.

4. Other receivables - related parties

	2021.12.31	2020.12.31
YoungTek Electronics Corporation	$135	$86

5. Accounts payable - related parties

	2021.12.31	2020.12.31
YoungTek Electronics Corporation	$26,531	$20,944
Jiu Hong Xin Technology Co., Ltd.	-	80
Total	$26,531	$21,024

6. Key management personnel remuneration

	2021	2020
Short-term employee benefits	$30,461	$18,323
Retirement benefit plans	480	472
Total	$30,941	$18,795

VIII. Pledged Assets

The Group's pledged assets are summarized below:

	Carrying amount		
Item	2021.12.31	2020.12.31	Guaranteed debt content
Other financial assets - pledged time deposit	$12,682	$12,639	Customs deposit of guarantee
Other financial assets - pledged time deposit	2,200	2,200	Guarantee deposit for land leased from Hsinchu Science Park Bureau
Total	$14,882	$14,839	

IX. Significant Contingent Liabilities and Unrecognized Contract Commitments

1. The Company entered into a white light patent license agreement with OSRAM, a German company, under which the Company shall pay the licensing fee and the royalties based on the agreed percentage of the net sales of the licensed products.

2. The Company entered into a phosphor white light patent license agreement with Toyoda Gosei, a Japanese company, under which the Company shall pay the licensing fee and the royalties based on the agreed percentage of the net sales of the licensed products.

3. The Company entered into a patent license agreement with Cree, Inc., under which the Company shall pay the licensing fee and the royalties based on the agreed percentage of the net sales of the licensed products.

X. Significant Disaster Losses

None.

XI. Significant Subsequent Events

None.

XII. Others

1. Types of Financial Instruments

	2021.12.31	2020.12.31
Financial assets		
Financial assets mandatorily measured at fair value through profit or loss	$82,383	$80,340
Financial assets measured at fair value through other comprehensive income	756,115	566,221
Financial assets measured at amortized cost (Note)	2,261,878	2,088,041
Total	$3,100,376	$2,734,602
Financial liabilities		
Financial liabilities measured at amortized cost:		
Short-term loans	$209,332	$323,143
Payables	672,068	567,142
Lease liabilities	61,816	55,979
Total	$943,216	$946,264

Note: Including cash and cash equivalents (excluding petty cash and cash on hand), receivables, refundable deposits and other financial assets - non-current.

2. Financial Risk Management Objectives and Policies

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

The Group has established appropriate policies, procedures and internal controls for the aforementioned financial risk management in accordance with the relevant regulations. Significant financial activities are subject to review by the Board of Directors in accordance with relevant regulations and internal control systems. During the implementation of financial management activities, the Group is required to comply with the financial risk management regulations it has established.

3. Market Risk

The Group's market risk refers to the risk of fluctuations in the fair value or cash flows of financial instruments as a result of changes in market prices. Market risk mainly includes exchange rate risk, interest rate risk and other price risk (e.g. equity instruments).

In practice, it is rare for a single risk variable to change in isolation and changes in each risk variable are usually correlated. However, the sensitivity analysis below for each risk does not consider the interaction of related risk variables.

Exchange rate risk

The Group's exchange rate risk relates primarily to operating activities (when revenues or expenses are denominated in currencies different from the Group's functional currency) and net investments in foreign operating entities.

Part of the Group's foreign-currency receivables and payables are denominated in the same currency, and in such cases, a natural hedge is achieved for the equivalent portion. For other foreign currency accounts, the Group uses FX forward contracts to manage the exchange rate risk. Hedge accounting was not applied because the aforementioned natural hedge and management of exchange rate risk by means of FX forward contracts did not meet the requirements for hedge accounting; in addition, the net investment in foreign operating entities is a strategic investment and, therefore, the Group does not hedge it.

The sensitivity analysis of the Group's exposure to exchange rate risk focuses on the impact on the Group's profit or loss and equity of the appreciation/depreciation of the relevant foreign currencies for the main foreign currency monetary items as at the end of the financial reporting period. The Group's exchange rate risk is mainly affected by fluctuations in the U.S. dollar exchange rate and the sensitivity analysis information is as follows:

When TWD appreciates/depreciates 5% against USD, the Group's profit (loss) for 2021 and 2020 will decrease/increase by NT$20,644 thousand and NT$32,621 thousand, respectively.

When TWD appreciates/depreciates 5% against CNY, the Group's profit (loss) for 2021 and 2020 will decrease/increase by NT$20,435 thousand and NT$4,902 thousand, respectively.

Interest rate risk

Interest rate risk refers to the risk of fluctuations in the fair value of financial instruments or future cash flows due to changes in market interest rates. The Group's interest rate risk arises mainly from floating rate investments, fixed rate borrowings and floating rate borrowings.

The Group manages interest rate risk by maintaining an appropriate mix of fixed and floating interest rates. Hedge accounting is not applied because it does not meet the requirements for hedge accounting.

The sensitivity analysis of interest rate risk focuses on interest rate risk exposures (including floating rate borrowings) as of the end of the financial reporting period and assumes that a 1% increase/decrease in interest rates for one fiscal year would decrease/increase the Group's profit or loss by NT$1,937 thousand and NT$3,076 thousand in 2021 and 2020, respectively.

Equity Price Risk

The Group holds listed and unlisted equity securities, the price of which is affected by the uncertainty of the future value of the underlying investments. The Group's listed and unlisted equity securities are all classified as at fair value through other comprehensive income. The Group manages the price risk of equity securities by diversifying its investments and setting limits on its investments in equity securities, both individually and in aggregate. Information on the equity securities portfolio is provided to the Group's senior management on a regular basis, and the Board of Directors is required to review and approve investment decisions on equity securities.

For listed equity securities classified as investment in equity instruments measured at fair value through other comprehensive income, if the price of these equity securities increases/decreases by 10%, the impact on the Group's equity for 2021 and 2020 would be approximately NT$35,291 thousand and NT$25,561 thousand, respectively.

For other equity instruments or derivatives linked to equity instruments with Level 3 fair value hierarchy, please refer to Note XII.8 for the sensitivity analysis information.

4. Credit Risk Management

Credit risk refers to the risk that a counterparty is not able to meet its obligations under a contract and results in financial loss. The Group's credit risk arises from operating activities (mainly accounts and notes receivable) and financial activities (mainly bank deposits and various financial instruments).

Each business unit follows the Group's policies, procedures and controls on customer credit risk to manage customer credit risk. The credit risk assessment for all customers is based on a combination of factors such as the customer's financial condition, ratings from credit rating agencies, historical transaction experience, the current economic environment and the Group's internal rating standards. The Group also utilizes certain credit enhancements (such as advance receipts) at appropriate times to reduce the credit risk of specific customers.

The Group's top ten customers accounted for 53% and 66% of the Group's total receivables as of December 31, 2021 and 2020. The credit concentration risk of the remaining receivables is relatively insignificant.

The Group's finance department manages the credit risk of bank deposits, fixed income securities and other financial instruments in accordance with the Group's policies. The Group's counter-parties are credit-worthy banks and investment-grade financial institutions, corporate organizations and government agencies as determined by the Group's internal control procedures, so there is no significant credit risk.
In addition to assessing expected credit losses in accordance with IFRS 9, the Group measures the allowance for losses on receivables by expected credit losses over the duration of the receivables. Please refer to Note VI.15 for the impairment assessment method and related indicators.

In addition, financial assets are written off when the Group assesses that there is no reasonable expectation that they will be recovered (for example, when the issuer or debtor is in significant financial difficulty, or has become insolvent).

5. Liquidity Risk Management

The Group maintains financial flexibility through contracts such as cash and cash equivalents, highly liquid marketable securities and bank borrowings. The table below summarizes the maturity profile of the Group's financial liability contracts, based on the earliest possible date on which repayment can be demanded and the undiscounted cash flows, and includes contractual interest. The undiscounted interest amount of the interest cash flows paid at floating interest rates is derived from the yield curve at the end of the reporting period.

Non-derivative financial liabilities

	Less than 1 year	2 to 3 years	4 to 5 years	5 years and more	Total
2021.12.31					
Short-term loans	$209,388	$-	$-	$-	$209,388
Payables	672,068	-	-	-	672,068
Lease liabilities (Note)	5,138	7,536	5,684	43,458	61,816

	Less than 1 year	2 to 3 years	4 to 5 years	5 years and more	Total
2020.12.31					
Short-term loans	$323,403	$-	$-	$-	$323,403
Payables	567,142	-	-	-	567,142
Lease liabilities (Note)	3,527	5,328	4,040	43,084	55,979

Note: The following table provides further information on the maturity analysis of lease liabilities:

	Maturity period					
	Less than 1 year	1 to 5 years	6 to 10 years	10 to 15 years	15 years and more	Total
2021.12.31	$5,138	$13,220	$10,622	$8,404	$24,432	$61,816
2020.12.31	$3,527	$9,368	$9,100	$9,947	$24,037	$55,979

6. Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for 2021:

	Short-term loans	Long-term loans	Lease liabilities	Total liabilities arising from financing activities
2021.01.01	$323,143	$-	$55,979	$379,122
Cash flows	(119,544)	-	(4,527)	(124,071)
Non-cash changes				
Newly acquired	-	-	3,916	3,916
Business combination	-	-	6,672	6,672
Adjustments of lease liabilities remeasurement	-	-	(251)	(251)
Exchange rate changes	5,733	-	27	5,760
2021.12.31	$209,332	$-	$61,816	$271,148

Reconciliation of liabilities for 2020:

	Short-term loans	Long-term loans	Lease liabilities	Total liabilities arising from financing activities
2020.01.01	$19,583	$300,000	$59,662	$379,245
Cash flows	303,183	(300,000)	(3,605)	(422)
Non-cash changes				
Lease amendments	-	-	(69)	(69)
Exchange rate changes	377	-	(9)	368
2020.12.31	$323,143	$-	$55,979	$379,122

7. Fair value of financial instruments

(1) Valuation techniques and assumptions used for fair value

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

A. The carrying amounts of cash and cash equivalents, receivables, payables, short-term debts and other current liabilities are a reasonable approximation of the fair values, primarily due to the short maturities of these instruments.

B. The fair values of financial assets and liabilities traded in active markets with standard terms and conditions are determined by reference to quoted market prices.

C. Fair value of equity instruments without market quotations (for example private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, price-to-earnings ratio of similar entities and price-to-book ratio of similar entities).

D. The fair value of bank loans and other noncurrent liabilities without market quotations is determined based on the counterparty prices or valuation method. The valuation method uses the discounted cash flow method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instruments (such as yield curves published by the Taipei Exchange, average prices for fixed-rate commercial paper published by Reuters and credit risk information).

E. The fair value of derivative financial instruments without market quotations which are not options, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. The fair value of option-based derivative financial instruments is obtained by using the counterparty prices or appropriate option pricing model or other valuation method.

(2) Fair value of financial instruments measured at amortized cost

The carrying amounts of the Group’s financial assets and financial liabilities measured at amortized cost approximate their fair values.

(3) Information about the fair value hierarchy of financial instruments

Please refer to Note XII.8 for details of the fair value hierarchy of the Group's financial instruments.

8. Fair value hierarchy

(1) Fair value hierarchy definition

All assets and liabilities measured or disclosed at fair value are categorized within their respective fair value hierarchy based on the lowest level of input that is significant to the overall fair value measurement. Inputs of each level are as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
Level 2: Inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: Unobservable inputs for the asset or liability.

Assets and liabilities recognized in the financial statements on a recurring basis are reassessed at the end of each reporting period to determine whether transfers between levels of the fair value hierarchy have occurred.

(2) Hierarchical information on fair value measurements

The Group has no non-repeated assets measured at fair value. The fair value hierarchy information of repetitive assets and liabilities is presented as follows:

As of December 31, 2021

	Level 1	Level 2	Level 3	Total
Loss on financial assets (liabilities) at fair value				
Stocks	$-	$-	$82,383	$82,383
Financial assets measured at fair value through other comprehensive income				
Stocks	352,912	-	403,203	756,115
Total	$352,912	$-	$485,586	$838,498

As of 31 December 2020:

	Level 1	Level 2	Level 3	Total
Loss on financial assets (liabilities) at fair value				
Stocks	$-	$-	$80,340	$80,340
Financial assets measured at fair value through other comprehensive income				
Stocks	255,612	-	310,609	566,221
Total	$255,612	$-	$390,949	$646,561

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

There are no transfers between Level 1 and Level 2 of the fair value hierarchy for the Group's assets and liabilities that are measured at fair value on a recurring basis during 2021 and 2020.

Details of changes in Level 3 of the repetitive fair value hierarchy

A reconciliation of the opening to closing balances of the Group's assets and liabilities that are measured at fair value on a recurring basis and are within level 3 of the fair value hierarchy is presented below:

	Assets	Assets
	Measured at fair value through profit or loss	Measured at fair value through other comprehensive income
	Preferred shares	Stocks
2021.01.01	$80,340	$310,609
Recognized in other comprehensive income (reported as "Unrealized valuation gain or loss on investment in equity instruments measured at fair value through other comprehensive income")	-	92,594
Recognized in profit or loss (reported as "Unrealized valuation gain or loss on investment in equity instruments at fair value through profit or loss")	2,043	-
2021.12.31	$82,383	$403,203

	Assets	Assets
	Measured at fair value through profit or loss	Measured at fair value through other comprehensive income
	Preferred shares	Stocks
2020.01.01	$92,806	$153,823
Acquired in current year	-	25,887
Recognized in other comprehensive income (reported as "Unrealized valuation gain or loss on investment in equity instruments measured at fair value through other comprehensive income")	-	130,899
Recognized in profit or loss (reported as "Unrealized valuation gain or loss on investment in equity instruments at fair value through profit or loss")	(12,466)	-
2020.12.31	$80,340	$310,609

Information on 3rd level significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements of the Group categorized within 3rd level of the fair value hierarchy is as follows:

As of December 31, 2021

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relations between inputs and fair values	Sensitivity analysis for the relations between inputs and fair values
Fair value through profit or loss financial assets					
Stocks	Market method	Discount for lack of marketability	33.1%	The higher the discount for lack of marketability and control, the lower the fair value of the stocks	When the percentage of lack of marketability increases (decreases) by 10%, the Group's profit or loss will decrease/increase by NT$8,238 thousand.
Fair value through other comprehensive income financial assets:					
Stocks	Asset method	Discount for lack of marketability	10%–30%	The higher the discount for lack of marketability and control, the lower the fair value of the stocks	When the percentage of lack of marketability increases (decreases) by 10%, the Group's profit or loss will decrease/increase by NT$34,012 thousand.
	Market method	Price-to-book ratio of shares of similar companies	1.6-24.07	The higher the price-to-book ratio of shares of similar companies, the higher the fair value estimate	When the price-to-book ratio of shares of similar companies increases (decreases) by 10%, the Group's profit or loss will increase/decrease by NT$6,309 thousand.

As of 31 December 2020:

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relations between inputs and fair values	Sensitivity analysis for the relations between inputs and fair values
Fair value through profit or loss financial assets					
Stocks	Market method	Discount for lack of marketability	27.24%	The higher the discount for lack of marketability and control, the lower the fair value of the stocks	When the percentage of lack of marketability increases (decreases) by 10%, the Group's profit or loss will decrease/increase by NT$8,034 thousand.
Fair value through other comprehensive income financial assets:					
Stocks	Asset method	Discount for lack of marketability	10%–30%	The higher the discount for lack of marketability and control, the lower the fair value of the stocks	When the percentage of lack of marketability increases (decreases) by 10%, the Group's profit or loss will decrease/increase by NT$24,579 thousand.
	Market method	Price-to-book ratio of shares of similar companies	1.37–31.34	The higher the price-to-book ratio of shares of similar companies, the higher the fair value estimate	When the price-to-book ratio of shares of similar companies increases (decreases) by 10%, the Group's profit or loss will increase/decrease by NT$6,482 thousand.

Valuation process used for 3rd level fair value measurements

The Group's finance department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The department analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies at each reporting date, to ensure the valuation

results are reasonable.

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

For information on investment properties, please refer to Note VI.9.

9. Information on financial assets and liabilities denominated in foreign currencies with significant influence

Information on the Group's financial assets and liabilities denominated in foreign currencies with significant influence is as follows:

Amount: NT$ thousand

	2021.12.31		
	Foreign currency	Exchange rate	TWD
Financial assets			
Monetary item:			
USD	$30,492	27.67	$843,727
EUR	765	31.33	23,960
CNY	95,327	4.345	414,196
HKD	798	3.551	2,832
Financial liabilities			
Monetary item:			
USD	15,571	27.67	430,840
EUR	3	31.33	94
CNY	1,267	4.345	5,506

	2020.12.31		
	Foreign currency	Exchange rate	TWD
Financial assets			
Monetary item:			
USD	$40,919	28.48	$1,165,381
EUR	548	34.57	18,929
CNY	25,153	4.322	108,712
HKD	7,502	3.625	27,196
Financial liabilities			
Monetary item:			
USD	18,011	28.48	512,963
EUR	9	34.57	320
CNY	2,471	4.322	10,681

Due to the wide variety of functional currencies of each of the Group's entities, we are unable to disclose information on the exchange gains and losses on monetary financial assets and financial liabilities by the foreign currencies with significant influence. The Group's net foreign currency translation losses for 2021 and 2020 were NT$(21,567) thousand and NT$(61,711) thousand, respectively.

10. Capital management

The primary objective of the Group's capital management is to ensure that sound credit ratings and good capital ratios are maintained to support corporate operations and maximize shareholders' equity. The Group manages and adjusts its capital structure in accordance with overall economic conditions. It may maintain and adjust its capital structure by adjusting dividend payments, returning capital or issuing new shares.

XIII. Additional Disclosures

1. Information on Significant Transactions

(1) Loaning funds to others: Please see Table I for details.

(2) Endorsement for others: None.

(3) Marketable securities held at the end of the period: Please refer to Table II.
(4) The cumulative amount of purchases or sales of the same marketable securities amounting to at least NT$300 million or 20% of the paid-in capital: None.

(5) Acquisition of real estate amounting to at least NT$300 million or 20% of the paid-in capital: None.

(6) Disposal of real estate amounting to at least NT$300 million or 20% of the paid-in capital: None.

(7) Purchase and sale transactions with related parties amounting to at least NT$100 million or 20% of the paid-in capital: None.

(8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: None.

(9) Derivative transactions: There was no such transaction in the current period.

(10) Others: Business relations and significant transactions between the parent and subsidiaries and among subsidiaries and the amounts involved: Please refer to Table III.

2. Information on Investees

Information on investees over which the Company has significant influence or control, directly or indirectly: Please refer to Table IV.

3. Information on investment in mainland China

(1) The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, share of profits/losses of investee, ending balance, amount received as dividends from the investee, and the limitation on the investee: Please refer to Table V.

(2) Significant direct or indirect transactions with the investees in Mainland China: Please refer to Table III.

4. Major Shareholders Information

Names, numbers of shares held, and shareholding percentages of shareholders who hold 5 percent or more of the issuer's equity: Please refer to Table VI.

XIV. Department Information

1. The Group's business and revenue are derived primarily from LED products. The Group's decision makers for operating review the results of the Group's operations as a whole in order to make decisions about the Group's resources and to assess the performance of the Group as a whole. Therefore, it is a single operating segment and has been prepared on the same basis as the summary of significant accounting policies described in Note IV.

2. Region Information

Revenue from external customers:

	2021	2020
Taiwan	$629,802	$519,218
Mainland China (Hong Kong)	1,785,727	1,038,995
Other Asian countries	389,743	800,969
Other	195,218	148,169
Total	$3,000,490	$2,507,351

Revenue information by region is categorized on the basis of the place of shipment.

Non-current assets:

	2021.12.31	2020.12.31
Taiwan	$781,121	$704,667
Mainland China (Hong Kong)	9,499	12,700
Other	16,045	17,273
Total	$806,665	$734,640

3. Information on important customers:

Information on external customers whose revenues accounted for 10% or more of the total consolidated revenues is as follows:

	2021	2020
	Amount	Amount
Customer A	$802,769	$556,766
Customer B	130,076 (Note)	260,679

Note: Revenues from this client in 2021 did not reach 10% of the total consolidated revenues, and the information here is for comparison between the two periods only.

Harvatek Corporation and Subsidiaries

Loaning funds to others

As of December 31, 2021

Table I:

Unit: NT$ thousand/ CNY thousand

No. (Note 1)	Financing Company	Borrower	Financial Statements Account	Maximum balance in the period	Ending balance	Amount actually drawn (Note 5)	Interest range	Financing nature	Transaction amount	Reasons for short-term financing	Allowance for bad debt	Collateral		Financing limits for each borrowing company (Note 3)	Financing company's total financing amount limit (Note 4)
												Name	Value		
0	Harvatek Corporation	Guangzhou Hongqi Electronics Limited	Other receivables from related parties	$73,865 (CNY 17,000)	$47,795 (CNY 11,000)	$19,553 (CNY 4,500)	Note 2	Short-term financing	$-	Working capital	$-	None	$-	$667,555	$1,335,110

Note 1: Description of the numbers is as follows:

1. Enter 0 for the issuer.
2. The investee companies are numbered by company in order starting from the Arabic numeral 1.

Note 2: Calculated by referencing to the average lending rate of the Company's operating banks.

Note 3: The limit on loaning of funds to each borrowing counterparty is limited to 20% of the Company's most recent net worth.

Note 4: The total amount of funds loaned to others is limited to 40% of the Company's most recent net worth.

Note 5: Foreign currencies are translated into New Taiwan dollars using the exchange rate reported in the financial statements (closing rate of CNY 1 = TWD 4.345).

Harvatek Corporation and Subsidiaries
Marketable securities held at the end of the period
As of December 31, 2021

Table II (excluding subsidiaries and associates)

Unit: NT$ thousand

Held Company	Marketable securities type and name	Relationship with the company	Accounts	2021.12.31				Remark
				Shares/unit	Carrying amount (NT$ thousand)	Shareholding ratio	Fair value	
Harvatek Corporation	CTMicro International Corp. (preferred shares)	-	Financial assets at fair value through profit or loss - noncurrent	47,982,980	$82,383	-	$82,383	-
	Chun-Hsin Venture Capital Co., Ltd.	Corporate director	Financial assets at fair value through other comprehensive income - noncurrent	3,000,000	6,030	5.61%	6,030	-
	Hsieh-Yung Investment Co., Ltd.	-	Financial assets at fair value through other comprehensive income - noncurrent	24,368,086	334,086	1.52%	334,086	-
	Starchips Technology Inc.	-	Financial assets at fair value through other comprehensive income - noncurrent	52,777	199	0.88%	199	-
	Gingy Technology Inc.	-	Financial assets at fair value through other comprehensive income - noncurrent	76,207	122	1.08%	122	-
	Guangzhou Hongqi Electronics Limited	Other receivables from related parties	Financial assets at fair value through other comprehensive income - noncurrent	750,000	18,053	11.54%	18,053	-
	Bigbest Solutions Inc.	-	Financial assets at fair value through other comprehensive income - noncurrent	3,000,000	24,180	4.29%	24,180	-
	Ever Supreme Bio Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income - noncurrent	200,000	42,100	0.32%	42,100	-
	Edison Opto Corporation	-	Financial assets at fair value through other comprehensive income - noncurrent	5,075,375	119,779	3.96%	119,779	-
Hong-Cheng Investment Co., Ltd.	Harvatek Corporation	Parent company of Hong-Cheng	Financial assets at fair value through other comprehensive income - current	182,807	5,009	0.09%	5,009	-
	Youngtek Electronics Corporation	Other related party of the Harvatek	Financial assets at fair value through other comprehensive income - current	2,274,200	191,033	1.77%	191,033	-
	Sigold OpticsInc.	-	Financial assets at fair value through other comprehensive income - noncurrent	1,174,656	20,533	9.20%	20,533	-
Consentek Corporation	OEpic Semiconductors Inc.	-	Financial assets at fair value through other comprehensive income - noncurrent	452,830	-	10.72%	-	-

Harvatek Corporation and Subsidiaries

Intercompany relationships and significant intercompany transactions

January 1 to December 31, 2021

Table III

Unit: NT$ thousand

No.(Note 1)	Name of trading party	Trading Counterparty	Nature of relations (Note 2)	Intercompany Transactions			
				Account	Amount	Transaction terms	Percentage of Consolidated Net Revenue or Total Assets (Note 3)
0	Harvatek Corporation	Sleipnir LED Co., Ltd.	1	Purchase	$1	Depends on the contract	0.00%
				Material expenses, etc	$129		0.01%
				Rent income	$120		0.00%
		Guangzhou Hongqi Electronics Limited	1	Accounts receivable - related parties	$627	Depends on the contract	0.01%
				Other receivables - related parties	$19,585		0.43%
				Accounts payable - related parties	$2,877		0.06%
				Purchase	$19,935		0.66%
				Material expenses, etc	$118		0.00%
				Interest income	$479		0.02%
				Sales revenue	$741		0.02%
		Harvatek International (USA) Corp.	1	Accounts receivable - related parties	$6,764	Depends on the contract	0.15%
				Payables - commissions	$782		0.02%
				Sales revenue	$30,044		1.00%
				Rent expenses	$3,597		0.12%
		Guangzhou Jiu Hong Qi Trading Limited	1	Payables - commissions	$668	Depends on the contract	0.01%
				Rent expenses	$10,972		0.37%
				Service revenue	$1,047		0.03%
		Harvatek (HK) Limited	1	Service expenses	$855	Depends on the contract	0.03%
		Consentek Corporation	1	Rent income	$107	Depends on the contract	0.00%
		Syntek Corporation Limited	1	Accounts receivable - related parties	$798	Depends on the contract	0.02%
				Rent income	$760		0.03%
		Starlight Display Corporation	1	Other receivables - related parties	$315	Depends on the contract	0.01%
				Miscellaneous Income	$5		0.00%
				Rent income	$7		0.00%
		iReach Corporation	1	Material expenses, etc	$3	Depends on the contract	0.00%

Note I: Intercompany transactions should be indicated in the numbered columns individually. The number is filled in as follows:

1. Parent company is numbered 0.
2. Subsidiaries are numbered sequentially according to company name from Arabic numeral1.

Note II: There are three types of relationships with counterparties, indicating the type suffices:

1. Parent company to subsidiary.
2. Subsidiary to parent company.
3. Subsidiary to subsidiary.

Note III: For the calculation of transaction amount as a percentage of consolidated net revenue or total assets, in the case of balance sheet accounts, ending balance is divided by consolidated total assets; in the case of income statement accounts, cumulative amount in the period is divided by consolidated net revenue.

Harvatek Corporation and Subsidiaries

Relevant information such as name and location of the investee

2021

Table IV (excluding investees in Mainland China)

Unit: TWD thousand/USD/HKD/EUR

Name of Investor	Name of investee	Location	Main businesses and products	Original investment amount		held at the end			Net income (loss) of the investee (Note 1)	Investment gains and losses recognized by the Company
				End of the period	End of last year	Number of shares	Percentage	Carrying amount (Note 1)		
Harvatek Corporation	Hong-Cheng Investment Co., Ltd.	Hsinchu	Investment	$150,000	$150,000	2,500,000	41.60%	$192,359	$11,819	$6,112
	Harvatek (Hong Kong) Trading Limited	Hong Kong	Investment	18,259 (HKD 4,800,000)	18,259 (HKD 4,800,000)	4,800,000	80.00%	220	(754)	(602)
	Hong-Ruei Investment Co., Ltd.	Hsinchu	Investment	27,450	27,450	414,000	35.29%	2,246	167	2,315
	Guangzhou Hongqi Electronics Limited	Other receivables from related parties	Sales of electronics components	83574 (USD 2,600,000)	83574 (USD 2,600,000)	1,000,000	100.00%	27,707	2,582	2,582
	HONOR LIGHT LIMITED	Samoa	Investment	588,331 (USD 19,521,636)	588,331 (USD 19,521,636)	19,521,636	100.00%	365,409	13,489	13,489
	Sleipnir LED Co., Ltd.	Hsinchu	Manufacturing and sales of electronics components	10,000	10,000	1,000,000	66.67%	780	(1,314)	(876)
	Syntek Corporation Limited	Hsinchu	Manufacturing and sales of electronics components	7,000	7,000	700,000	70.00%	4,137	(829)	(580)
	Consentek Corporation	Hsinchu	Manufacturing and sales of electronics components	55,050	55,050	5,510,000	61.22%	47,061	11,743	6,884
	Starlight Display Corporation	Hsinchu	Manufacturing and sales of electronics components	12,000	-	1,200,000	80.00%	7,440	(5,699)	(4,559)
Hong-Cheng Investment Co., Ltd.	Harvatek (Hong Kong) Trading Limited	Hong Kong	Investment	1,142 (HKD 300,000)	1,142 (HKD 300,000)	300,000	5.00%	14	(754)	Note 2
	Consentek Corporation	Hsinchu	Manufacturing and sales of electronics components	26,600	1,600	2,820,000	31.33%	24,086	11,743	Note 2
HONOR LIGHT LIMITED	Harvatek (HK) Limited	Hong Kong	Investment	68,491 (USD2,348,000)	68,491 (USD2,348,000)	2,348,000	100.00%	24,828	(780)	Note 2
	Harvatek Europe GmbH	Germany	Sales of electronics components	512 (EUR 12,750)	512 (EUR 12,750)	12,750	51.00%	879,364	(157)	Note 2
Consentek Corporation	iReach Corporation	Hsinchu	Manufacturing and sales of electronics components	59,999	-	10,909,000	50.24%	73,760	27,392	Note 2

Note 1: Figures in this table are presented in New Taiwan dollars. For foreign-currency transactions, the U.S. dollar, Hong Kong dollar and euro were translated into Taiwan dollars using the exchange rates of 27.67, 3.551 and 31.330 at the date of the financial statements, except for the historical exchange rates. The exchange rates of the U.S. dollar, Hong Kong dollar and euro for profit or loss were translated into Taiwan dollars based on the average exchange rates of 27.751, 3.561 and 31.391.

Note 2: Gains or losses on investments in these companies are included in the investment gain or loss of the subsidiaries, respectively.

Harvatek Corporation and Subsidiaries

Information on investment in mainland China

2021

Table V

Name of investee in China	Main businesses and products	Paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan at the beginning of the period	Investment outflow or inflow for the period		Accumulated outflow of investment from Taiwan at the end of the period	Net Income (Losses) profit/loss in the period	Percentage of the Company's direct or indirect shareholding ratio	Current recognition of net investment income (or loss) (Note 2)	Carrying amount at end of the period(Note 2)	Accumulated inward remittance of investment gains at end of the period
					Outflow	Inflow						
Guangzhou Jiu Hong Qi Trading Limited	Sales of electronics components	CNY 500	(2) HONOR LIGHT LIMITED	$2,297 (USD83)	$-	$-	$2,297 (USD83)	$1,499	100.00%	$1,499 (Note 2, b)	$3,588	$-
Guangzhou Hongqi Electronics Limited	Manufacturing and sales of electronics components	CNY 20,000	(2) HONOR LIGHT LIMITED	$85,223 (USD3,080)	$-	$-	$85,223 (USD3,080)	$8,755	100.00%	$8,755 (Note 2, b)	$(5,937)	$-
Yangzhou YoungTek Electronics Ltd.	Manufacturing and sales of electronics components	CNY 67,887	(2) Other receivables from related parties	$110,680 (USD 4,000)	$-	$-	$110,680 (USD 4,000)	$17,055	40.00%	$6,822 (Note 2, a)	$133,554	$-

Accumulated outflow of investment from Taiwan to mainland China at the end of the period	Investment amounts authorized by the Investment Commission, MOEA	Upper Limit on Investment in mainland China according to the Investment Commission, MOEA
$198,200 (USD7,163)	$ 198,200 (USD7,163)	$2,002,665

Note 1 : There are three types of investment methods as follows:

(1) Direct investment in mainland China.

(2) Investment in companies in mainland China through a company invested and established in a third region. (Please specify the investing company in the third region)

(3) Other methods.

Note 2: The basis of recognizing the profit or loss on investment in the period includes the following:

(a) The financial statement is audited and certified by international accounting firms which have partnerships with R.O.C. accounting firms.

(b) The financial statement is audited and certified by the parent company's auditors in Taiwan.

(c) Other basis.

Note 3: Foreign currencies are translated into New Taiwan dollars using the exchange rate reported in the financial statements (closing rate of CNY 1 = TWD 4.345 and USD 1 = TWD 27.67).

Harvatek Corporation and Subsidiaries

Major Shareholders Information

As of December 31, 2021

Table VI:

Unit: shares

Name of major shareholder / shares	Number of shares held	Shareholding ratio(%)
Hsun Chieh Investment Corporation	28,023,066	13.59%
Wang, Ping-Lung	13,680,237	6.63%
Li-Yang Investment Co., Ltd.	13,053,214	6.33%

Note 1: The major shareholders information in this table is calculated by the TDCC on the last business day of each quarter for shareholders holding at least 5% of the Company's common shares and preferred shares that have been delivered without physical registration (including treasury shares). The number of shares recorded in the Company's financial statements may differ from the number of shares actually delivered due to different bases of calculation.

Harvatek Corporation Guangzhou Hongqi Electronics Limited

Note 3: The allocation of each credit transaction balance in this table is calculated based on the shareholder register as of the date for suspension of share transfer for a extraordinary shareholders meeting (without short covering).

Note 4: Shareholding ratio (%) = Total number of shares held by the shareholder / Total number of shares delivered.

Note 5: The total number of shares delivered (including treasury shares) without physical registration is 206,069,801 shares = 206,069,801 (common shares) + 0 (preferred shares).

Independent Auditor's Report

To Harvatek Corporation:

Opinion

We have audited the accompanying standalone balance sheets of Harvatek Corporation (the "Company") as of 31 December, 2021 and 2020, and the related standalone statements of comprehensive income, changes in equity and cash flows for the period of 1 January to 31 December in 2021 and 2020, and notes to the standalone financial statements (including the summary of significant accounting policies).

In our opinion, based on our audits and the audit reports of other independent auditors (please refer to the "Others" paragraph), the standalone financial statements referred to the above present fairly, in all material respects, the standalone financial position of the Company as of 31 December, 2021 and 2020, and the financial performance and cash flow for the period of January 1 to December 31 in 2021 and 2020, in conformity with the requirements of the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

Basis for Opinion

We conducted the audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statement by Certified Public Accountants and auditing standards generally accepted. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Standalone Financial Statements section of our report. We are independent of Harvatek Corporation, Ltd. in accordance with the Norms of Professional Ethics for Certified Public Accountants (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the audit reports of other independent auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audits of the 2021 standalone financial statements of Harvatek Corporation. These matters were addressed in the context of our audits of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

The main revenue sources of Harvatek Corporation in 2021 are revenue from sales of goods. Since the revenue is recognized when Harvatek Corporation transfers control of the promised products or integrated services to customers to fulfill the performance obligations, and trade terms of the products or integrated services agreed in the contracts are different, resulting in different points in time for fulfilling the performance obligations, and thus these performance obligations and the points in time for fulfilling them need to be judged and determined. Accordingly, we have determined this as a key audit matter.

Our procedures for auditing operating revenue included but were not limited to: Understanding and assessing the internal control system established by management over operating revenue and testing it against critical control points; assessing the appropriateness of revenue recognition accounting policies, analyzing product-specific gross margins and selecting certain samples of operating revenue to perform transaction-specific tests; reviewing the significant transaction terms in the contracts to identify whether the conditions for revenue recognition have met the performance obligations, and selecting samples to review the transaction certificates for a period around the balance sheet date to confirm the appropriateness of the point of revenue recognition; selecting samples of sales returns and discounts to verify the contents and amounts within related documents; and reviewing the post period sales returns and discounts situation. We also considered the appropriateness of the accounting policies and disclosures in Note 4 and Note 6 of the consolidated financial statements regarding the recognition of operating revenue.

Evaluation of allowance for uncollectable accounts receivable

As of December 31, 2021, the net accounts receivable (including related parties) of Harvatek Corporation amounted to NT$570,386 thousand, representing 13% of total assets. The allowance for uncollectable accounts receivable is evaluated by the expected credit losses over the durations. The evaluation process requires categorizing accounts receivable into appropriate groups, and judging and analyzing by relevant assumptions, including consideration of historical experience, current collection status of accounts receivable and projections of future economic conditions. Since the evaluation of expected credit losses involves judgment, analysis and estimates, we have identified this as a key audit matter.

Our procedures for auditing operating revenue included but were not limited to: Understanding the internal control related to the allowance for uncollectable accounts through inquiries, assessing the assumptions and judgments used by management in determining the allowance for uncollectable accounts and the reasonableness of the basis for the allowance for uncollectable accounts. In addition, we analyzed the appropriateness of the receivables grouping method to evaluate whether customers with significantly different loss patterns were appropriately grouped. We also tested the allowance matrix adopted by Harvatek Corporation, including analyzing the range of receivable ages and their changes, testing the correctness of the aging analysis of accounts receivable provided by management, identifying and analyzing the causes of overdue accounts, and selecting samples for accounts receivable bank confirmations and post-period collection tests to assess the collectability of accounts receivable. We also considered the appropriateness of the policies and disclosures in Notes 4, 5 and 6 of the consolidated financial statements regarding the accounts receivable and the relevant risks.

Other Matters - Audit Reports of Other Independent Audits

The financial statements of certain invested companies included in the standalone financial statements of Harvatek Corporation were not audited by us but by other auditors instead. Hence, in our opinion on the above-mentioned standalone financial statements, the amounts listed in the financial statements of those indirectly reinvested companies mentioned are based on the audit reports of other independent auditors. The investments accounted for using equity method in these indirect investees amounted to NT$133,554 thousand and NT$126,038 thousand as of December 31, 2021 and 2020, respectively, representing 3.09% and 3.17% of total assets, respectively. For the periods from January 1 to December 31 of 2021 and 2020, share of gain of subsidiaries, associates and joint ventures accounted for using the equity method amounted to NT$6,822 thousand and NT$(6,461) thousand, representing 1.56% and (3.52)% of the net income before income taxes, respectively. Share of other comprehensive gain of subsidiaries, associates and joint ventures accounted for using the equity method amounted to NT$695 thousand and NT$(50) thousand, representing 0.48% and (0.03)% of the net other comprehensive income, respectively.

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

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

In preparing the standalone financial statements, management is responsible for assessing the ability of Harvatek Corporation 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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 auditing standards generally accepted will always detect a material misstatement when it exists in the standalone financial statements. Misstatements can arise from fraud or error. They can be 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 standalone financial statements

As part of an audit in accordance with auditing standards generally accepted, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company 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 standalone 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 Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the standalone financial statements (including the accompanying notes) and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the standalone financial statements. We are responsible for the direction, supervision and

performance of the group audit. We remain solely responsible for our audit opinion.

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

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 (including 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 2021 standalone financial statements and are therefore 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 could reasonably be expected to outweigh the public interest benefits of such communication.

Ernst & Young, Taiwan
Approved by the competent authority to process financial reports for public companies
Order No.: (104) Jin-Guan-Zheng-Shen-Zi No. 1040030902
(96) Jin-Guan-Zheng-(6) No. 0960002720

Chen, Chih-Chung

Accountant:

Hsu, Hsin-Min

March 24, 2022

Harvatek Corporation
Standalone Balance Sheet
As of December 31 of 2021 and 2020

Unit: NT$ thousand

Assets			As of December 31, 2021		As of 31 December 2020	
Code	Account name	Note	Amount	%	Amount	%
	Current assets					
1100	Cash and cash equivalents	IV and VI.1	$ 1,189,326	28	$ 1,082,301	27
1150	Net notes receivable	IV, VI.4 and VI.15	655	-	225	-
1170	Net accounts receivable	IV, VI.5 and VI.15	562,197	13	583,202	15
1180	Accounts receivable - related parties, net	IV, VI.5, VI.15 and VII	8,189	-	7,877	-
1200	Other receivables		11,549	-	12,906	-
1210	Other receivables - related parties	VII	20,035	1	26,057	1
130x	Inventories	IV and VI.6	449,685	10	368,277	9
1410	Prepayments	VII	5,837	-	21,075	1
1482	Cost to fulfill contracts - current	IV and VI.14	8,444	-	-	-
11xx	Total current assets		2,255,917	52	2,101,920	53
	Noncurrent assets					
1510	Financial assets at fair value through profit or loss - noncurrent	IV and VI.2	82,383	2	80,340	2
1517	Financial assets at fair value through other comprehensive income - noncurrent	IV and VI.3	544,549	13	427,277	11
1550	Investment accounted for using the equity method	IV and VI.7	647,359	15	580,637	15
1600	Property, plant and equipment	IV, VI.8 and VII	542,050	12	564,795	14
1755	Right-of-use assets	IV, VI.16 and VII	49,104	1	50,129	1
1760	Net investment property	IV, VI.9 and VII	68,971	2	71,447	2
1780	Intangible assets	IV and VI.10	2,763	-	1,618	-
1840	Deferred income tax assets	IV and VI.20	69,967	2	67,418	2
1900	Other noncurrent assets	VII	49,910	1	16,678	-
1920	Refundable deposits		720	-	720	-
1980	Other financial assets - noncurrent	VIII	14,782	-	14,739	-
15xx	Total noncurrent assets		2,072,558	48	1,875,798	47
1xxx	Total assets		$ 4,328,475	100	$ 3,977,718	100

(Please refer to notes to the standalone financial statements.)

Chairman: Wang, Ping-Lung Manager: Wang, Ping-Lung Accounting Supervisor: Su, Yu-Hui

Harvatek Corporation
Standalone Balance Sheet(continued)
As of December 31 of 2021 and 2020

Unit: NT$ thousand

Liabilities and Equity			As of December 31, 2021		As of 31 December 2020	
Code	Account name	Note	Amount	%	Amount	%
	Current liabilities					
2100	Short-term loans	IV and VI.11	$ 193,690	5	$ 307,584	8
2130	Contract liability - current	IV and VI.14	46,975	1	4,032	-
2170	Accounts payable		359,168	8	397,350	10
2180	Accounts payable - related parties	IV and VII	30,858	1	27,560	1
2200	Other payables		198,827	5	143,395	4
2213	Payables to equipment suppliers		8,298	-	7,047	-
2230	Income tax payable in the period	IV and VI.20	59,318	1	37,838	1
2280	Lease liabilities - current	IV, VI.16 and VI.18	2,885	-	2,774	-
2300	Other current liabilities	4	12,880	-	12,402	-
21xx	Total current liabilities		912,899	21	939,982	24
	Noncurrent liabilities					
2570	Deferred income tax liabilities	IV and VI.20	684	-	1,114	-
2580	Lease liabilities - noncurrent	IV, VI.16 and VI.18	47,224	1	48,048	1
2640	Net defined benefit liability	IV and VI.12	26,353	1	32,320	1
2645	Guarantee deposits		3,540	-	2,040	-
25xx	Total noncurrent liabilities		77,801	2	83,522	2
2xxx	Total liabilities		990,700	23	1,023,504	26
31xx	Equity					
3100	Capital stock	VI.13				
3110	Common stock		2,060,698	48	2,060,698	52
3200	Capital surplus	VI.13	494,534	11	484,034	12
3300	Retained earnings	VI.7 and VI.13				
3310	Legal reserve		63,073	2	48,677	1
3320	Special reserve		-	-	6,397	-
3350	Undistributed earnings		409,891	9	188,940	5
3400	Other equity	4	310,899	7	172,325	4
3500	Treasury stock	IV and VI.13	(1,320)	-	(6,857)	-
3xxx	Total equity		3,337,775	77	2,954,214	74
	Total liabilities and equity		$ 4,328,475	100	$ 3,977,718	100

(Please refer to notes to the standalone financial statements.)

Chairman: Wang, Ping-Lung Manager: Wang, Ping-Lung Accounting Supervisor: Su, Yu-Hui

Harvatek Corporation

Standalone Statement of Comprehensive Income

January 1 to December 31, 2021 and 2020

Unit: NT$ thousand

Code	Account name	Note	2021		2020	
			Amount	%	Amount	%
4000	Revenue from operations	IV, VI.14 and VII	$ 2,845,992	100	$ 2,487,778	100
5000	Operating costs	IV, VI.6, VI.10, VI.12, VI.16, VI.17 and VII	(2,110,093)	(74)	(1,963,958)	(79)
5900	Gross operating profit		735,899	26	523,820	21
6000	Operating expenses	IV, VI.10, VI.12, VI.15, VI.16, VI.17 and VII				
6100	Marketing expenses		(168,750)	(6)	(136,839)	(6)
6200	General and administration expenses		(94,197)	(3)	(84,144)	(3)
6300	R&D expenses		(107,544)	(4)	(102,956)	(4)
6450	Reversal of expected credit losses		12,042	-	22,431	1
	Total operating expenses		(358,449)	(13)	(301,508)	(12)
6900	Operating gains		377,450	13	222,312	9
7000	Non-operating income and expenses	IV, VI.7, VI.18 and VII				
7100	Interest income		9,267	-	5,477	-
7010	Other income		41,376	1	31,955	1
7020	Other gains and losses		(13,178)	-	(64,362)	(3)
7050	Finance costs		(2,231)	-	(3,787)	-
7070	Share of loss of subsidiaries, associates and joint ventures accounted for using equity method		24,764	1	(8,302)	-
	Total non-operating income and expenses		59,998	2	(39,019)	(2)
7900	Profit before tax		437,448	15	183,293	7
7950	Income tax expense	IV and VI.20	(67,130)	(2)	(39,954)	(1)
8200	Net profit of the period		370,318	13	143,339	6
8300	Other comprehensive income	IV and VI.19				
8310	Items that will not be reclassified subsequently to profit or loss					
8311	Remeasurement of defined benefit plans		4,355	-	1,510	-
8316	Unrealized valuation gains and losses on investments in equity instruments at fair value through other comprehensive income		140,577	5	183,133	7
8349	Income taxes related to items that will not be reclassified subsequently		(871)	-	(302)	-
8360	Items that may be reclassified subsequently to profit or loss					
8361	Exchange differences arising from translation of foreign operations		338	-	(1,367)	-
	Other comprehensive income for the year (net of income tax)		144,399	5	182,974	7
8500	Total comprehensive income for the period		$ 514,717	18	$ 326,313	13
	Earnings per share (NT$)					
9750	Basic earnings per share	IV and VI.21				
9710	Net profit of the period		$ 1.80		$ 0.70	
9850	Diluted earnings per share	IV and VI.21				
9810	Net profit of the period		$ 1.79		$ 0.69	

(Please refer to notes to the standalone financial statements.)

Chairman: Wang, Ping-Lung Manager: Wang, Ping-Lung Accounting Supervisor: Su, Yu-Hui

Harvatek Corporation

Standalone Statement of Changes in Equity

January 1 to December 31, 2021 and 2020

Unit: NT$ thousand

Code	Item	Common stock	Capital surplus	Retained earnings			Other equity		Treasury stock	Total
				Legal reserve	Special reserve	Undistributed earnings (Losses to be covered)	Exchange differences arising from translation of foreign operations	Unrealized gains or losses on equity instruments at fair value through other comprehensive income		
A1	Balance on January 1, 2020	$ 2,060,698	$ 483,483	$ 46,245	$ 25,579	$ 28,224	$ (4,886)	$ (1,511)	$ (6,857)	$ 2,630,975
	Distribution of 2019 earnings:									
B1	Legal reserve	-	-	2,432	-	(2,432)	-	-	-	-
B2	Special reserve	-	-	-	(19,182)	19,182	-	-	-	-
	Other changes in capital surplus									
C3	From donations	-	551	-	-	-	-	-	-	551
D1	2020 Net profit	-	-	-	-	143,339	-	-	-	143,339
D3	2020 Other comprehensive income	-	-	-	-	1,208	(1,367)	183,133	-	182,974
D5	2020 Total comprehensive income	-	-	-	-	144,547	(1,367)	183,133	-	326,313
M7	Changes in equities of subsidiaries	-	-	-	-	(3,625)	-	-	-	(3,625)
Q1	Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	3,044	-	(3,044)	-	-
Z1	Balance on December 31, 2020	$ 2,060,698	$ 484,034	$ 48,677	$ 6,397	$ 188,940	$ (6,253)	$ 178,578	$ (6,857)	$ 2,954,214
A1	Balance on January 1, 2021	$ 2,060,698	$ 484,034	$ 48,677	$ 6,397	$ 188,940	$ (6,253)	$ 178,578	$ (6,857)	$ 2,954,214
	Distribution of 2020 earnings:									
B1	Legal reserve	-	-	14,396	-	(14,396)	-	-	-	-
B2	Special reserve	-	-	-	(6,397)	6,397	-	-	-	-
B5	Cash dividends of common stock	-	-	-	-	(144,249)	-	-	-	(144,249)
D1	2021 Net profit	-	-	-	-	370,318	-	-	-	370,318
D3	2021 Other comprehensive income	-	-	-	-	3,484	338	140,577	-	144,399
D5	2021 Total comprehensive income	-	-	-	-	373,802	338	140,577	-	514,717
C7	Changes of profit or loss of associates and joint ventures accounted for using equity method	-	-	-	-	(69)	-	-	-	(69)
L7	Disposal of parent company's shares by a subsidiary has been treated as a treasury stock transaction	-	4,285	-	-	-	-	-	5,537	9,822
M1	Issuance of dividends to subsidiaries to adjust capital surplus	-	53	-	-	-	-	-	-	53
M7	Changes in equities of subsidiaries	-	6,162	-	-	(2,875)	-	-	-	3,287
Q1	Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	2,341	-	(2,341)	-	-
Z1	Balance on December 31, 2021	$ 2,060,698	$ 494,534	$ 63,073	$ -	$ 409,891	$ (5,915)	$ 316,814	$ (1,320)	$ 3,337,775

(Please refer to notes to the standalone financial statements.)

Chairman: Wang, Ping-Lung Manager: Wang, Ping-Lung Accounting Supervisor: Su, Yu-Hui

Harvatek Corporation
Standalone Statement of Cash Flows
January 1 to December 31, 2021 and 2020

Unit: NT$ thousand

Code	Item	2021 Amount	2020 Amount	Code	Item	2021 Amount	2020 Amount
AAAA	Cash flows from operating activities:			BBBB	Cash flows from investing activities:		
A00010	Profit before tax in the period	$ 437,448	$ 183,293	B00020	Disposal of financial assets at fair value through other comprehensive income	$ 1,047	$ -
A20000	Adjustments:			B00100	Acquisition of financial assets at fair value through profit or loss	(390,000)	(150,000)
A20010	Income and other adjustments with no cash flow effects:			B00200	Disposal of financial assets at fair value through profit or loss	390,175	150,192
A20100	Depreciation expenses	94,200	104,511	B01800	Acquisition of investment accounted for using the equity method	(12,000)	(55,050)
A20200	Amortization expenses	7,470	9,181	B02700	Acquisition of property, plant and equipment	(65,226)	(35,736)
A20300	Reversal of expected credit losses	(12,042)	(22,431)	B02800	Disposal of property, plant and equipment	914	-
A20400	Net gains (losses) on financial assets and liabilities at fair value through profit or loss	(2,218)	12,274	B04500	Acquisition of intangible assets	(5,357)	(3,543)
A20900	Interest expenses	2,231	3,787	B06500	Increase in other financial assets	(43)	-
A21200	Interest income	(9,267)	(5,477)	B06600	Decrease in other financial assets	-	4,577
A21300	Dividend income	(18,630)	(4,760)	B06700	Increase in other noncurrent assets	(36,490)	(8,569)
A22400	Share of gains or losses of subsidiaries, associates and joint ventures accounted for using equity method	(24,764)	8,302	B07600	Dividends received	24,362	7,602
A22500	Gains on disposal and retirement of property, plant and equipment	(712)	-	BBBB	Cash outflow from investing activities	(92,618)	(90,527)
A24100	Unrealized foreign exchange losses	(868)	368				
A30000	Changes in operating assets/liabilities:						
A31130	Notes receivable	(430)	3				
A31150	Accounts receivable	33,047	4,769	CCCC	Cash flows from financing activities:		
A31160	Accounts receivable - related parties	(312)	(155)	C00100	Increase in short-term debts	(113,026)	307,216
A31180	Other receivables	276	(2,913)	C01700	Repayment of long-term loans	-	(300,000)
A31190	Other receivables - related parties	6,022	(2,259)	C03000	Increase in guarantee deposits	1,500	2,040
A31200	Inventories	(80,667)	46,424	C04020	Repayment of lease principal	(3,133)	(2,888)
A31230	Prepayments	15,238	9,753	C04500	Cash dividends	(144,250)	-
A31280	Cost to fulfill contracts	(8,444)	16,733	C09900	From donations	-	551
A32125	Contract liabilities	42,943	(19,918)	CCCC	Net cash inflow (outflow) generated from financing activities	(258,909)	6,919
A32130	Notes payable	-	(1)	EEEE	Increase in cash and cash equivalents	107,025	349,491
A32150	Accounts payable	(38,182)	88,988	E00100	Cash and cash equivalents, beginning of period	1,082,301	732,810
A32160	Accounts payable - related parties	3,298	5,151	E00200	Cash and cash equivalents, end of period	$ 1,189,326	$ 1,082,301
A32180	Other payables	55,228	15,730				
A32230	Other current liabilities	478	9,317				
A32240	Net defined benefit liability	(1,612)	(1,362)				
A33000	Cash generated from operations	499,731	459,308				
A33100	Interest received	10,348	5,556				
A33300	Interest paid	(2,027)	(3,634)				
A33500	Income taxes paid	(49,500)	(28,131)				
AAAA	Net cash inflow from operating activities	458,552	433,099				

(Please refer to notes to the standalone financial statements.)

Chairman: Wang, Ping-Lung Manager: Wang, Ping-Lung Accounting Supervisor: Su, Yu-Hui

Harvatek Corporation

Notes to the Standalone Financial Statements

2021 & 2020

(Amounts are in NT$ thousand unless otherwise stated)

I. Company History

Harvatek Corporation (hereinafter referred to as the Company) was founded on March 21, 2005. Its main business is the research, development, design, manufacture and testing of LED packaging, as well as the import and export of these products.

The Company is listed on the Taiwan Stock Exchange. Its registered office and primary operating site is located at No. 18, Lane 522, Sec. 5, Zhonghua Road, Hsinchu City.

II. Date and Procedure for Approval of Financial Statements

The 2021 and 2020 standalone financial statements of the Company were published with the Board of Directors' approval on March 24, 2022.

III. Application of Newly Issued and Revised Standards and Interpretations

1. Changes in accounting policies arising from adopting IFRS for the first time

The Company has adopted IFRS, IAS, IFRS interpretations or interpretative pronouncements that are endorsed by the Financial Supervisory Commission (FSC) and are applicable for fiscal years beginning after January 1, 2021. First-time applications of new standards and amendments have no material impact on the Company.

2. The Company has not applied the following newly issued, revised and amended standards or interpretations that had been issued by the IASB and endorsed by the FSC:

Item	Newly issued/amended/revised standards and interpretations	Effective Date of IASB Issuance
1	Package of narrow-scope amendments to IFRSs, including amendments to IFRS 3, IAS 16 and IAS 37 as well as annual improvements	January 1, 2022

(1) Package of narrow-scope amendments to IFRS Standards, including amendments to IFRS 3, IAS 16 and IAS 37 as well as annual improvements

A. Update the reference to conceptual framework (amendments to IFRS 3)

The amendments updated IFRS 3 by replacing the old reference to the conceptual framework for financial reporting with the latest version of the reference issued in March 2018. It also adds an exception to the recognition principle to avoid the "day 2" gains or losses arising for liabilities and contingent liabilities. Additionally, it clarifies existing guidance for contingent assets that would not be affected by replacing the reference to the framework.

B. Property, plant and equipment: Proceeds before Intended Use (amendments to IAS 16)

This amendments prohibited enterprises from deducting from the cost of an item of property, plant and equipment, any sales proceeds earned before the asset is ready for its intended use; instead, entities shall recognize the sales proceeds and the related costs in profit and loss.

C. Onerous contracts - cost of fulfilling a contract (amendments to IAS 37)

The amendments clarified the costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

D. Improvements to IFRS during 2018–2020

Amendments to IFRS 1

The amendment simplified the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.

Amendments to IFRS 9 "Financial Instruments"

The amendments clarified the fees included when an entity assesses whether the terms of a new or revised contract for a financial liability are materially different from the original financial liability.

Amendments to IFRS 16 "Leases" Illustrative Example

This is an amendment to lease incentives related to the improvement of lessee's interest of IE13 .

Amendments to IAS 41

These amendments removed a requirement to exclude cash flows from taxation when measuring fair value, thereby aligning the fair value measurement requirements in

IAS 41 with those in other IFRS Standards.

The above newly issued, revised, and amended standards or interpretations that had been issued by the IASB, endorsed by the FSC, and had become applicable since the fiscal year beginning after January 1, 2022, do not have a material impact on the Company.

3. As of the date of the financial statements published, the Company has not applied the following newly issued, revised and amended standards or interpretations that have been issued by the IASB but not yet endorsed by the FSC:

Item	Newly issued/amended/revised standards and interpretations	Effective Date of IASB Issuance
1	Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates or Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Pending the decision of the IASB
2	IFRS 17 "Insurance Contracts"	January 1, 2023
3	Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	January 1, 2023
4	Disclosure of accounting policies (amendments to IAS 1)	January 1, 2023
5	Definition of Accounting Estimates (Amendments to IAS 8)	January 1, 2023
6	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12)	January 1, 2023

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

This project addresses an acknowledged inconsistency between the requirements in IFRS 10 "Consolidated Financial Statements" and those in IAS 28 "Investments in Associates or Joint Ventures", in dealing with the sale or contribution of assets between an investor and its associate or joint venture. IAS 28 requires that when a non-monetary asset is contributed in exchange for the equity of an associate or joint venture, the share of gain or loss arising from the investment should be eliminated in a manner of downstream transactions; whereas IFRS 10 requires to recognize all gains or losses on the loss of control over a subsidiary. This amendment restricts the aforementioned provisions of IAS 28 so that when a sale or contribution of a business asset as defined in IFRS 3 is made, the resulting gain or loss shall be recognized in full.

The amendment also amends IFRS 10 so that gains or losses arising from the sale or contribution of a subsidiary that does not constitute a business as defined by IFRS 3 between an investor and its associates or joint ventures shall be recognized only to the extent those are not attributable to the investor's share.

(2) IFRS 17 "Insurance Contracts"

The standard provides a comprehensive model of insurance contracts that includes all relevant accounting principles (recognition, measurement, presentation and disclosure principles). The core of the standard is a general model under which the group of insurance contracts is measured in terms of the aggregate of fulfilment cash flows and contractual service margins; the carrying amount at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

In addition to general models, there also provided specific approach for insurance contracts with direct participation features (variable fee approach); and simplified approach for short-term contracts (premium allocation approach).

This standard was issued in May 2017 and amended in June 2020. In addition to extending the effective date by two years (i.e., from January 1, 2021 to January 1, 2023) and providing additional exemptions in the transitional provisions, the amendment reduces the cost of adopting the standard by simplifying some of the requirements and modifies some of the requirements to make them easier to interpret in some cases. This standard will replace the transitional standard (i.e., IFRS 4 "Insurance Contract") upon going into effect.

(3) Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

This is an amendment to the classification of liabilities as current or noncurrent in paragraphs 69 to 76 of IAS 1, "Presentation of Financial Statements".

(4) Disclosure of accounting policies (amendments to IAS 1)

These amendments improved accounting policy disclosures so that they provide more useful information to investors and other primary users of the financial statements.

(5) Definition of Accounting Estimates (Amendments to IAS 8)

These amendments introduced the definition of accounting estimates and included other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies.

(6) Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12)

The amendments narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The above are standards or interpretations that have been issued by the IASB but have not yet been endorsed by the FSC, and their effective dates of application are subject to the FSC's regulations. The aforementioned newly issued or amended standards or interpretations have no material impact on the Company.

IV. Summary of Significant Accounting Policies

1. Statement of compliance

The Company's standalone financial statements of 2021 and 2020 are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

2. Basis of preparation

The Company prepares its standalone financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. In accordance with Article 21 of the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the profit or loss during the period and other comprehensive income presented in standalone financial reports shall be the same as the allocations of profit or loss during the period and of other comprehensive income attributable to owners of the parent presented in the financial reports prepared on a consolidated basis, and the owners' equity presented in the standalone financial reports shall be the same as the equity attributable to owners of the parent presented in the financial reports prepared on a consolidated basis. Therefore, the invested subsidiaries are presented in the individual

financial statements as "investments accounted for using the equity method" with necessary valuation adjustments.

The accompanying standalone financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values. Amounts are in NT$ thousand unless otherwise stated.

3. Foreign currency transactions

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

Transactions in foreign currencies are initially recorded at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

(1) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
(2) Foreign currency items within the scope of IFRS 9 "Financial Instruments: Recognition and Measurement" are accounted for based on the accounting policy for financial instruments.
(3) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

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

4. Translation of financial statements in foreign currency

When preparing the standalone financial statements, the assets and liabilities of foreign operations are translated into NT$ at the closing rate of exchange prevailing at the balance sheet date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. When the partial disposal involves the loss of control of a subsidiary that includes a foreign operation, and the retained interest after the partial disposal of an interest in a joint arrangement or a partial disposal of an interest in an associate that includes a foreign operation is a financial asset that includes a foreign operation, it is also handled as disposal.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or joint arrangement that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising from the Company's acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

5. Classification of Current and Noncurrent Assets and Liabilities

Assets with any one of the following situations are classified as current, and assets that are not classified as current are noncurrent assets:

(1) Assets held for trading purposes and assets expected to be converted to cash, sold or consumed in a normal operating cycle.
(2) Assets that are held primarily for trading purposes.
(3) Asset that are expected to be realized within 12 months of the reporting period.
(4) Cash or cash equivalents, except assets that are restricted from being exchanged or used to settle liabilities for at least 12 months after the reporting period.

Liabilities with any one of the following situations are classified as current, and liabilities that are not classified as current are noncurrent liabilities:

(1) Liabilities that are expected to be settled in their normal operating cycle.
(2) Liabilities that are held primarily for trading purposes.
(3) Liability that are expected to be settled when due within 12 months of the reporting period.
(4) Liabilities that cannot be unconditionally deferred until at least 12 months after the reporting period. The terms of the liabilities, under which the liability may be settled by the issuance of equity instruments at the choice of the counterparty, do not affect their classification.

6. Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid time deposits or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (including time deposits with less than 12-month tenors).

7. Financial instruments

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

Financial assets and financial liabilities within the scope of IFRS 9 “Financial Instruments” are recognized initially at fair value. Transaction costs of acquisition or issuance that directly attributable to the financial assets and financial liabilities (except for the FVTPL financial assets and liabilities) are added or subtracted from the fair value of the financial assets and financial liabilities.

(1) Recognition and measurement of financial assets

The Company uses trade date accounting for the recognition and derecognition of all customary trading financial assets.

The Company classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

A. Business model for managing the financial assets
B. The contractual cash flow characteristics of the financial asset

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as notes receivable, accounts receivable, financial assets measured at amortized cost and other receivables, etc., on the balance sheet:

A. Business model for managing the financial assets: Holding financial assets in order to collect contractual cash flows
B. The contractual cash flow characteristics of the financial asset: Cash flows are solely payments of principal and interest on the principal amount outstanding

Such financial assets (excluding those involving hedging relationships) are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization of any difference between the initial amount and the maturity amount,using the effective interest method, and adjusted for any loss allowance). A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

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

A. For purchased or originated credit-impaired financial assets, multiply the credit-adjusted effective interest rate by the amortized cost of the financial assets
B. For financial assets that do not belong to the previous types but have subsequently become credit-impaired, multiply the effective interest rate by the amortized cost of the financial asset

Financial assets measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income and recognized as a financial asset at fair value through other comprehensive income in the balance sheet, if both of the following conditions are met:

A. Business model for managing the financial assets: Collect contractual cash flows and selling financial assets
B. The contractual cash flow characteristics of the financial asset: Cash flows are solely payments of principal and interest on the principal amount outstanding

Recognition of gain or loss of this type of financial asset is described as below:

A. Before the financial asset is derecognized or reclassified, its gains or losses are recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses
B. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment
C. Interest calculated by the effective interest method (multiplying the effective interest rate by the total gross carrying amount of the financial asset) or by using the following is recognized in profit or loss:
   (a) For purchased or originated credit-impaired financial assets, multiply the credit-adjusted effective interest rate by the amortized cost of the financial assets
   (b) For financial assets that do not belong to the previous types but have subsequently become credit-impaired, multiply the effective interest rate by the amortized cost of the financial asset

In addition, for the equity instruments within the scope of application of IFRS 9 "Financial Instruments" which are neither held for trading nor does the contingent consideration recognized by the acquirer in IFRS 3 "Business Combinations" apply, an irrevocable choice can be made at initial recognition to recognize subsequent changes in fair value in other comprehensive income. The amount recognized in other comprehensive income should not be subsequently transferred to profit or loss (the accumulated amount included in the other equity items should be transferred to retained earnings directly upon the disposal of such equity instruments), but should be presented as financial assets at fair value through other comprehensive income in the balance sheet. Dividends on investments are recognized in profit or loss unless the dividends clearly represent a recovery of part of the investment costs.

Loss on financial assets (liabilities) at fair value

All financial assets are measured at fair value through profit or loss except for the aforementioned ones that meet specific criteria and are measured at amortized cost or at

fair value through other comprehensive income, and presented as financial assets at fair value through profit or loss in the balance sheet.

Such financial assets are measured at fair value with profit and loss from remeasurement recognized in profit or loss. Any dividends or interests of such financial assets are recognized in profit or loss.

(2) Impairment of financial assets

For investments in debt instruments at fair value through other comprehensive income and financial assets at amortized cost, the Company recognizes and measures their allowance for losses as expected credit losses. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income, and the carrying amount of these investments is not reduced.

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

A. An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes
B. The time value of money
C. Reasonable and supportable information that is available about past events, current conditions and forecasts of future economic conditions (without undue cost or effort at the balance sheet date)

The loss allowance is measured as follows:

A. Measured at an amount equal to 12-month expected credit losses: Including the financial assets for which credit risk has not increased significantly since initial recognition or is determined to have low credit risk at the balance sheet date. In addition, it also includes those whose loss allowance was measured at lifetime expected credit losses in the previous reporting period, but do not meet the condition that the credit risk on a financial asset has increased significantly since initial recognition at the current balance sheet date.
B. Measured at an amount equal to the lifetime expected credit losses: Including financial assets for which the credit risk has increased significantly since initial recognition or which are purchased or originated with credit impairment.
C. For account receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime

expected credit losses.

At each balance sheet date, the Company needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the default risk at the balance sheet date and the initial recognition date. Please refer to Note XII for further details on credit risk.

(3) Derecognition of financial assets

Financial assets held by the Company are derecognized when they meet one of the following conditions:

A. The rights to receive cash flows from the asset have expired.
B. The asset has been transferred and substantially all the risks and rewards of the asset have been transferred to others.
C. The risks and rewards of the asset have neither been transferred nor substantially retained, but control of the asset has been transferred.

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

(4) Financial liabilities and equity instruments

Classification between liabilities or equity

The Company classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument.

Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the acquisition price less direct issue costs.

Compound instruments

The Company recognizes the components of financial liabilities and equity in

accordance with the contractual terms of the convertible bonds it issued. Furthermore, it is assessed whether the economic characteristics and risks of the put and call options contained in the convertible bonds are closely related to the host contract before separating the equity component.

For the liability component excluding the derivatives, its fair value is determined based on the rate of interest applied at that time by the market to instruments of comparable credit status. The liability component is classified as a financial liability measured at amortized cost before the instrument is converted or settled. For the embedded derivative that is not closely related to the host contract (for example, if the exercise price of the embedded call or put option is not approximately equal on each exercise date to the amortized cost of the host debt instrument), it is classified as a liability component and subsequently measured at fair value through profit or loss unless it qualifies for an equity component. The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. Its carrying amount is not remeasured in the subsequent accounting periods. If the convertible bond issued does not have an equity component, it is accounted for as a hybrid instrument in accordance with the compound instrument requirements under IFRS 9.
Transaction costs are apportioned between the liability and equity components of the convertible bond based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized.

On conversion of a convertible bond before maturity, the carrying amount of the liability component being the amortized cost at the date of conversion is transferred to equity.

Financial liabilities

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

Financial liabilities at fair value through profit or loss

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

A financial liability is classified as held for trading if it meets one of the following

conditions:

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

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

A. It eliminates or significantly reduces a measurement or recognition inconsistency; or
B. A group of financial assets, financial liabilities or both, its performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information on this portfolio provided internally to management of the consolidated companies is also on a fair value basis.

Gains or losses arising from the remeasurement of such financial liabilities are recognized in profit or loss, and such gains or losses recognized in profit or loss include any interest paid on the financial liabilities.

Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost include payables and borrowings and are subsequently measured using the effective interest rate method after initial recognition. When financial liabilities are derecognized and amortized through the effective interest method, the related gain or loss and amortization are recognized in profit or loss.

Amortized cost is calculated by taking into account any discount or premium on acquisition and transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires.

When the Company exchanges an existing financial liability containing substantially different terms with the lender, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid or payable (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(5) Offsetting of financial instruments

Financial assets and financial liabilities are offset and reported in the balance sheet in net amount if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

8. Derivative instruments

Derivative instruments held or issued by the Company are to hedge its foreign currency risks and interest rate risks. Of these, those designated as effective hedges are reported as financial assets or liabilities for hedging in the balance sheet; the remaining that are not designated as effective hedges are reported in the balance sheet as financial assets or liabilities at fair value through profit or loss.

Derivative instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value. Derivative instruments are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Changes in the fair value of derivative instruments are recognized directly in profit or loss, except for those engaged in hedging and designated as an effective hedge, which are recognized in profit or loss or equity depending on the type of hedge.

If the host contract is neither a financial asset nor a financial liability, the embedded derivative should be treated as a separate derivative when the economic characteristics and risks of the derivative embedded in the host contract are not closely related to those of the host contract and the host contract is not measured at fair value through profit or loss.

9. Fair value measurement

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

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

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

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

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

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

10. Inventories

Inventories are evaluated at the lower of cost or net realizable value on an item-by-item basis.

Cost refers to the cost incurred to bring inventories to a saleable or production-ready condition and location:

(1) Raw materials: Calculated by the weighted-average method using actual purchase costs.
(2) Finished goods and works in process: Including direct raw materials, labor and manufacturing costs. Finished goods and works in process adopt the weighted-average method.

Net realizable value refers to the estimated selling price less costs and selling expenses to be incurred to completion under normal circumstances.

The provision of labor service is accounted for in accordance with IFRS 15 and is not part of inventories.

11. Investment accounted for using the equity method

The Company's investments in subsidiaries are presented as "investments accounted for using the equity method" in accordance with Article 21 of the Regulations Governing the Preparation of Financial Reports by Securities Issuers, with necessary valuation adjustments, so that the profit or loss during the period and other comprehensive income presented in separate financial reports can be the same as the allocations of profit or loss during the period and of other comprehensive income attributable to owners of the parent presented in the financial reports prepared on a consolidated basis, and the owners' equity presented in the standalone financial reports can be the same as the equity attributable to owners of the parent presented in the financial reports prepared on a consolidated basis. Such adjustments were made primarily to take into account the treatment of investees in the consolidated financial statements in accordance with IFRS 10 "Consolidated Financial Statements" and the differences in the application of IFRSs at different reporting entities. These adjustments adopted debiting or crediting the "investments accounted for using the equity method", "share of profit or loss of subsidiaries, associates and joint ventures accounted for using the equity method" or "share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method".

The Company's investments in associates are accounted for using the equity method. An associate is an entity over which the Company has significant influence.

Under the equity method, investment in an associate is recorded in the balance sheet at acquisition cost plus changes in net assets of the associate recognized by the Company in proportion to the Company's equity in the associate after acquisition. After the carrying amount of the investment in an associate and other related long-term interests are reduced to zero using the equity method, additional losses and liabilities are recognized to the extent that legal obligations, constructive obligations or payments on behalf of the associate have been incurred. Unrealized gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the Company's related interest in the associate.

When changes in the net assets of an associate did not result from items of profit or loss or other comprehensive income and do not affect the Company's percentage of ownership interests in the associate, the Company recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be

reclassified to profit or loss on a pro rata basis at the time of disposing the associate.

When the associate issues new stock, and the Company's interest in an associate is reduced or increased as the Company fails to acquire shares newly issued in the associate proportionately to its original ownership interest, the increase or decrease in the interest in the associate is recognized in "capital surplus" and "investment accounted for using the equity method". If the interest is reduced, the relevant items previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items in proportion to the reduction. The aforementioned capital surplus recognized will be reclassified to profit or loss on a pro rata basis at the time of disposing the associate.

The financial statements of the associate are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 "Investments in Associates and Joint Ventures". If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the share of profit or loss of an associate or joint venture in the statement of comprehensive income in accordance with IAS 36 "Impairment of Assets". Where the aforementioned recoverable amount adopts the value in use of the investment, in determining the value in use of the investment, the Company estimates:

(1) The Company's share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
(2) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing of goodwill in IAS 36 "Impairment of Assets".

When significant influence over an affiliate or joint control over a joint venture is lost, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes

an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity Company to apply the equity method and does not remeasure the retained equity.

12. Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced regularly, the Company recognizes such parts as individual assets with specific useful lives and depreciation separately. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 "Property, plant and equipment". When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

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

Land improvements	4 to 5 years
Buildings and structures	4 to 51 years
Machinery equipment	1 to 6 years
Transportation equipment	3 to 6 years
Office equipment	2 to 4 years
Testing equipment	3 to 6 years
Other equipment	1 to 11 years
Leasehold improvements	3 to 6 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each fiscal year end. If the estimates are different from previous ones, the changes will be treated as changes in accounting estimates.

13. Investment property

The Company's own investment properties are measured initially at cost, including transaction costs for acquiring the assets. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met, but the costs of day-to-day servicing of an investment property are excluded. After initial recognition, investment property is measured using the cost model in accordance with IAS 16 "Property, Plant and Equipment", except for those that meet the criteria for classification as held for sale (or are included in a subgroup classified as held for sale) under IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". However, if it is held by a lessee as a right-of-use asset and is not held for sale under IFRS 5, it is accounted for under IFRS 16.

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

Structures	30 years

Investment property is derecognized and recognized in profit or loss when it is disposed of or permanently ceases to be used, and no future economic benefits are expected to be derived from the disposal.

The Company recognizes or derecognizes investment property based on the actual use of the assets.

The Company reclassifies property as investment property or removes it from investment property when it meets or no longer meets the definition of investment property and there is evidence of a change in its use.

14. Leasehold

If the Company transfers control over the use of a recognized asset for a period of time in exchange for consideration, the contract is (or contains) a lease. In order to assess whether a contract transfers control over the use of an identified asset for a period of time, the Company assesses whether it has both of the following throughout the period of use.

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

For contracts that are classified as (or contain) leases, the Company shall account for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Company shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor (or a similar supplier) would charge an entity for that component (or a similar component) separately. If an observable stand-alone price is not readily available, the Company shall estimate the stand-alone price, maximizing the use of observable information.

The Company as a lessee

When the Company is the lessee of lease contracts, it recognizes all leases as right-of-use assets or lease liabilities, except for short-term leases or leases for which the underlying asset is of low value.

The Company measures the lease liability at the commencement date at the present value of the lease benefits outstanding at that date. If the interest rate implicit in a lease can be readily determined, lease payments are discounted using the rate. If that rate cannot be readily determined, the lessee uses the incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

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

After the commencement date, the Company measures its lease liabilities on an amortized cost basis and uses the effective interest method to increase the carrying amount of the lease liabilities to reflect interest on the lease liabilities; payments of a lease decrease the carrying amount of the lease liabilities.

The Company measures right-of-use assets at cost at the commencement date. The cost of right-of-use assets comprises:

(1) The amount of the initial measurement of the lease liability;
(2) Any lease payments made to the lessor at or before the commencement date, less any lease incentives received from the lessor;
(3) Any initial direct costs incurred by the lessee; and
(4) An estimate of the costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which the underlying asset is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

A lessee shall measure the right-of-use asset at cost and less any accumulated depreciation and any accumulated impairment losses, i.e., measure the right-of-use asset by applying a cost model. The Company's right-of-use assets are depreciated over their estimated useful lives of 2 to 30 years.

If ownership of the underlying asset is transferred to the Company at the end of the lease term, or if the cost of the right-of-use asset reflects the purchase option to be exercised by the Company, the right-of-use asset is depreciated from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset from the commencement date to the earlier of the expiration of the useful life of the right-of-use asset or the expiration of the lease term.

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

The Company reports right-of-use assets and lease liabilities in the balance sheet and depreciation expenses and interest expenses related to leases in the consolidated income statement separately, except for short-term leases or leases for which the underlying asset is of low value.

The Company elects to recognize lease payments relating to short-term leases and leases of low-value underlying assets on a straight-line basis or another systematic basis as an expense over the lease period.

The Company as a lessor

The Company classifies each of its leases as operating leases or finance leases at the contract inception date. Leases in which all the risks and benefits of ownership of the asset are substantially transferred are classified as finance leases; those that are not transferred are operating leases. At the commencement date, the Company recognizes assets held under finance leases in the balance sheet and expresses them as finance lease receivables based on the net investment in the leases.

For contracts containing lease components and non-lease components, the Company applies the IFRS 15 requirement to allocate the contract consideration.

The Company recognizes lease payments from operating leases as rental income on a straight-line basis or another systematic basis. Variable lease payments that do not depend on an index or a rate are recognized as rental income as incurred.

15. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired through business combinations is the fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets that do not meet the recognition criteria are not capitalized but recognized in profit or loss as incurred.

The useful lives of intangible assets are divided into either finite or indefinite.

Intangible assets with finite useful lives are amortized over their useful lives and are tested for impairment whenever there is an indication of impairment. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each fiscal year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.
Gains or losses arising from derecognition of an intangible asset are recognized in profit or loss.

The Company's intangible assets are amortized on a straight-line basis over the useful lives estimated as follows:

Computer software	1 to 3 years

The Company's accounting policies for intangible assets are summarized as follows:

	Computer software
Useful life	Finite
Amortization method used	Amortized on a straight-line basis over the estimated benefit period
Internally generated or externally acquired	Externally acquired

16. Impairment of non-financial assets

The Company assesses at the end of each reporting period whether there is any indication that an asset within the scope of IAS 36 "Impairment of Assets" may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company would test individual assets or the cash-generating units to which the assets belong. If the impairment assessment indicates that the carrying amount of the asset or the cash-generating unit to which the asset belongs exceeds its recoverable amount, it is recognized as an impairment loss. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value and its value in use.

The Company assesses at the end of each reporting period the assets other than goodwill, whether there is any indication that a previously recognized impairment loss may no longer exist or may have decreased. If such indication exists, the Company estimates the recoverable amount of the asset or cash-generating unit. If the recoverable amount increases due to changes in the estimated service potential of the asset, the impairment loss is reversed.

However, the carrying amount after reversal shall not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset, net of depreciation or amortization.

The impairment loss for the continuing business unit and reversal are recognized in profit or loss.

17. Treasury stock

When the Company and subsidiaries acquire the Company's stock (treasury stock), it is recognized as a deduction from equity at acquisition cost, and when subsidiaries receive dividends from the Company, it is recognized under equity. Any difference between the carrying amount and the consideration is recognized in equity.

18. Revenue recognition

The Company's contract revenue from customers mainly consists of sales of goods and provision of labor services, which are accounted for as follows:

Sales of goods

The Company manufactures and sells goods and recognizes revenue when the promised goods are delivered to the customer and the customer obtains control (i.e., the customer's ability to direct the use of the goods and obtain substantially all of the residual benefits of the goods). The Company primarily manufactures LED products, for which revenue is recognized based on the contracted price.

The open account period for the Company's sale of goods transactions ranges from 30 days to 120 days. Accounts receivable are recognized for most contracts when control of the goods is transferred and there is an unconditional right to collect consideration. These receivables are usually short term and do not have a significant financial component.

Engineering revenue

The Company's engineering revenue is mainly from the provision of product integration services commissioned by customers. The contractual content integrates the goods sold by the Company with hardware equipment engineering and software services. Since the engineering work is limited by hardware specifications and on-site conditions, such goods,

software and hardware integration services are highly interrelated and the Company cannot fulfill its commitments by transferring each of these goods or services independently. Therefore, all goods and services promised in the contract are treated as a single performance obligation. As for the contractual obligation to provide a warranty for the quality of work performed within a certain period, the Company recognizes a provision for the liability in accordance with IAS 37.

The Company recognizes accounts receivable when the construction is completed and accepted and control of the goods is transferred and there is an unconditional right to collect consideration. These receivables are usually short term and do not have a significant financial component. For contracts for which the Company has received partial consideration from customers for the construction contract and is obligated to provide goods or services in the future, a contract liability is recognized and recognized as income when the obligation to fulfill the contract is satisfied in the future. When a portion of the costs incurred under a contract is directly related to the contract, can be used to strengthen future resources to satisfy the contract performance obligation and is expected to be recoverable, the Company recognizes such performance costs as costs of performing the contract under assets and recognizes revenue and costs when the performance obligation is satisfied by the transfer of control to the customer.

Provision of labor services

The labor services provided by the Company mainly consist of product processing services commissioned by customers. According to the contractual agreement, the ownership of the work-in-progress belongs to the customer. The Company strengthens the work-in-progress during processing, and the customer has the control of the work-in-progress at the time of strengthening, which is a labor income that satisfies the contractual obligations gradually over time.

Most of the Company's contracts are settled in accordance with the payment terms stipulated in the contracts. A contract asset is recognized when there is a transfer of services to the customer but the right to collect the consideration unconditionally is not yet available. Contract assets are also subject to an allowance for impairment in accordance with IFRS 9 based on the expected credit loss over the duration of the contract. However, some contracts are recognized as contract liabilities because the Company is obligated to provide services to the customers subsequently as part of the consideration received upon signing the contracts.

The period in which the Company's contract liabilities are recognized as income does not normally exceed one year and does not result in a significant financial component.

19. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the asset. Other borrowing costs are recognized as an expense as incurred. Borrowing costs consist of interest and other costs incurred in connection with the borrowing of funds.

20. Government grants

Government grants are not recognized until there is reasonable assurance that the Company complies with the conditions attached to them and that the economic benefits of the grants will be received. When government grants relate to assets, they are recognized as deferred income and are recognized into income over the expected useful lives of the related assets. When they relate to expenses, government grants are recognized as income using a reasonable and systematic method and in line with the expected period of incurrence of the related costs over the expected useful life of the related asset.

21. Retirement benefit plans

All regular employees of the Company are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company. Therefore fund assets are not included in the Company's standalone financial statements.

For the defined contribution plan, the Company appropriates a monthly contribution of no less than 6% of the monthly wages of the employees' subject to the plan. The appropriation amount is recognized as expense for the same period.

The post-employment benefit plan classified as a defined benefit plan uses the projected unit credit method to measure its obligations and costs based on actuarial assumptions. Remeasurement of the net defined benefit liability (asset) is comprised of the return on plan assets and changes in the effect of the asset ceiling, net of amounts included in net interest on the net defined benefit liability (asset), and actuarial gains and losses. The remeasurement of the net defined benefit liability (asset) is classified in other comprehensive income as incurred and is recognized immediately in retained earnings. Past service cost is the change

in a defined benefit obligation in prior periods, arising as a result of changes to plan arrangements in the current period and is recognized as an expense on the earlier of the following two dates:

(1) The date when a plan amendment or curtailment occurs; and
(2) The date when the Company recognizes any termination benefits or related restructuring costs.

Net interest on the net defined benefit liability (asset) is determined by multiplying the net defined benefit liability (asset) by the discount rate. Both are determined at the beginning of the annual reporting period, taking into account any changes in the net defined benefit liability (asset) arising from contributions and benefit payments during that period.

22. Share-based payment transactions

The cost of equity-settled share-based payment transactions between the Company and its employee is measured based on the fair value of the equity instruments granted. The fair value of the equity instruments is determined by using an appropriate pricing model.

The cost of equity-settled share-based payment transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction or is otherwise beneficial to the employee.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of

cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award.

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

23. Income taxes

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

Income tax of the current period

Income tax liabilities (assets) for the current and prior periods are measured at the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax related to items recognized in other comprehensive income or directly in equity is respectively recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings is recognized as income tax expense on the date the distribution proposal is approved by the shareholders' meeting.

Deferred income tax

Deferred income tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except for:

(1) Initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

(2) Taxable temporary differences resulting from investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences

can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

(1) Where the deferred tax asset related to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

(2) In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax related to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

V. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Company's standalone financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in

outcomes that require material adjustments to the carrying amounts of assets or liabilities affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(3) Fair value of financial instruments

Where the fair value of financial instruments cannot be derived from an active market or a quoted price, it is determined using a valuation technique, including earning value method (such as discounted cash flow model) or market method. The assumptions which are used in applying valuation techniques will have impacts on the fair value of the financial instruments. Please refer to Note XII for details.

(4) Receivables - estimation of impairment losses

When there is objective evidence of impairment, the consolidated entities, considering the estimated future cash flows, measure the amount of the impairment loss as the difference between the carrying amount of the asset and the present value of its estimated future cash flows (excluding future credit losses not yet incurred) discounted at the financial asset's original effective interest rate. However, since the discounting effect on short-term receivables is not significant, the impairment loss is measured as the difference between the asset's carrying amount and the undiscounted estimated future cash flows. If the actual future cash flows are less than expected, a significant impairment loss may occur, please refer to Note 6.

VI. Contents of Significant Accounts

1. Cash and cash equivalents

	2021.12.31	2020.12.31
Cash	$122	$122
Check and current deposit	255,767	285,026
Time deposit	933,437	568,990
Cash equivalent - repo bills	-	228,163
Total	$1,189,326	$1,082,301

The Company does not provide cash and cash equivalents as collaterals.

2. Financial assets at fair value through profit or loss

	2021.12.31	2020.12.31
Mandatorily measured at fair value through profit or loss:		
Stocks	$82,383	$80,340
Non-current	$82,383	$80,340

The Company does not provide financial assets measured at fair value through profit or loss as collaterals.

3. Financial assets measured at fair value through other comprehensive income

	2021.12.31	2020.12.31
Investments of equity instruments at fair value through other comprehensive income - noncurrent:		
Stocks of listed companies	$161,879	$133,665
Stocks of unlisted companies	382,670	293,612
Total	$544,549	$427,277

Information regarding dividend income from the Company's investments in equity instruments at fair value through other comprehensive income for 2021 and 2020 is as follows:

	2021	2020
Related to investments still held at the balance sheet date	$8,559	$523

The Company, considering its investment strategies, sells and derecognizes part of the investments in equity instruments at fair value through other comprehensive income. Information regarding the sale and derecognition in 2021 and 2020 is as follows:

	2021	2020
Fair value at the derecognition date	$1,047	$-
Accumulated gain on disposal of retained earnings transferred from other equity	$2,341	$-

The Company does not provide financial assets measured at fair value through other comprehensive income as collaterals.

4. Notes receivable

	2021.12.31	2020.12.31
Notes receivable - generated from operating	$655	$225
Less: loss allowance	-	-
Total	$655	$225

The Company does not provide notes receivable as collaterals.

The Company adopts IFRS 9 to assess impairment. Please refer to Note VI.15 for information related to impairment allowance and Note XII for information related to credit risk.

5. Accounts receivable - related parties

	2021.12.31	2020.12.31
Accounts receivable	$622,192	$657,518
Less: loss allowance	(59,995)	(74,316)
Subtotal	562,197	583,202
Accounts receivable - related parties	8,189	7,877
Total	$570,386	$591,079

The Company does not provide account receivable as collaterals.

The Company's open account period to customers normally ranges from 30 days to 120 days. Total carrying amounts (including notes and accounts receivable) as of December 31, 2021 and 2020, were NT$631,036 thousand and NT$665,620 thousand, respectively. Please refer to Note VI.15 for information on the Company's loss allowance for 2021 and 2020 and Note XII for information on credit risk.

6. Inventories

	2021.12.31	2020.12.31
Materials	$104,532	$67,552
Supplies	21,951	18,948
Work in process	52,357	68,453
Finished goods	270,845	213,324
Total	$449,685	$368,277

(1) The Company's cost of inventories recognized as expenses in 2021 and 2020 were NT$2,110,093 thousand and NT$1,963,958 thousand, which included the reduce inventory to market recognized in 2021 and 2020 of NT$13,111 thousand and NT$45,621 thousand, respectively. In addition, inventory obsolescence losses of NT$4,518 thousand and NT$108 thousand were recognized in 2021 and 2020, respectively.

(2) The aforementioned inventories were not provided as collaterals.

7. Investment accounted for using the equity method

The Company The invested subsidiaries are presented in the individual financial statements as "investments accounted for using the equity method" with necessary valuation adjustments. Detail of the Company's investments accounted for using the equity method is as below:

	2021.12.31		2020.12.31	
Name of investee	Amount	Shareholding ratio	Amount	Shareholding ratio
Invested associates:				
Hong-Ruei Investment Co., Ltd.	$2,246	35.29%	$-(Note 1)	35.29%
Invested subsidiaries:				
Hong-Cheng Investment Co., Ltd. (Note 2)	192,359	41.60%	162,706	41.60%
Harvatek International（USA） Corp.	27,707	100.00%	25,885	100.00%
HONOR LIGHT LIMITED	365,409	100.00%	351,351	100.00%
Harvatek (Hong Kong) Trading	220	80.00%	307	80.00%
Syntek Corporation Limited	4,137	70.00%	4,717	70.00%
Sleipnir LED Co., Ltd.	780	66.67%	1,656	66.67%
Consentek Corporation (Note 3)	47,061	61.22%	34,015	84.77%
Starlight Display Corporation (Note 4)	7,440	80.00%	-	-
Total	$647,359		$580,637	

Note1: The Company's share of profit or loss on the valuation of Hong-Ruei Investment under equity method recognized is used to offset the equity-method investments and advances to the receivables recorded in the accounts until they reach zero.

Note2: The Company holds 2,500,000 preferred shares of Hong-Cheng Investment Co., Ltd, representing 100% of all its issued preferred shares. The preferred shareholders have the same voting and election rights as the common shareholders in the general shareholders' meeting and have the right to be elected as directors and supervisors. The percentage of voting rights of the preferred shares converted into common shares is 41.60%, so the Company has substantial control over the Company.

Note3: The Company increased its investment in the newly established Consentek Corporation for NT$ 55,050 thousand. Its shareholding in Consentek Corporation has exceeded 50%, and therefore the Company has acquired control of the company since then. The retained earnings were reduced by NT$3,625 thousand due to the change in the shareholding ratio as a result of not subscribing for new shares in proportion to the shareholding ratio.

Said company issued new shares for a capital increase in May 2021, which were not subscribed by the Company, reducing the Company's shareholding against it to 61.22%.

Note4: In 2021, the Company made a new investment of $12,000 thousand in Starlight Display Corporation and acquired an 80% ownership stake thereof, giving it control over the company.

The Company’s investment in the aforementioned associate is not material and the aggregated financial information, based on the shares held, is as presented below:

	2021	2020
Profit (loss) of the units in continued business operation	$2,315	$-
Other comprehensive income for the period (net of income tax)	-	-
Total comprehensive income for the period	$2,315	$-

The aforementioned invested associates had no contingent liabilities or capital commitments as of December 31, 2021 and 2020, and no guarantees have been provided.

8. Property, plant and equipment

	Land and land improvements	Building structures	Machinery equipment	Testing equipment	Transportation equipment	Other equipment	Leasehold improvements	Unfinished construction	Total
Costs:									
Balance on January 1, 2021	$89,698	$500,295	$2,217,665	$51,384	$2,538	$234,588	$52,540	$-	$3,148,708
Increase	-	592	46,146	5,850	-	13,889	-	-	66,477
Reclassification	-	-	-	-	-	(1,196)	-	-	(1,196)
Disposal	-	-	(24,276)	(6,421)	(527)	(29,212)	-	-	(60,436)
Balance on December 31, 2021	$89,698	$500,887	$2,239,535	$50,813	$2,011	$218,069	$52,540	$-	$3,153,553
Balance on January 1, 2020	$89,698	$477,206	$2,258,475	$52,407	$2,538	$243,014	$52,540	$-	$3,175,878
Increase	-	25,839	3,797	-	-	7,409	-	-	37,045
Reclassification	-	(2,750)	-	(993)	-	-	-	-	(3,743)
Disposal	-	-	(44,607)	(30)	-	(15,835)	-	-	(60,472)
Balance on December 31, 2020	$89,698	$500,295	$2,217,665	$51,384	$2,538	$234,588	$52,540	$-	$3,148,708
Depreciation and impairment:									
Balance on January 1, 2021	$1,131	$242,679	$2,022,859	$43,976	$2,538	$219,314	$51,416	$-	$2,583,913
Depreciation expenses	-	10,600	59,611	7,042	-	10,597	429	-	88,279
Reclassification	-	-	-	-	-	(455)	-	-	(455)
Disposal	-	-	(24,276)	(6,421)	(527)	(29,010)	-	-	(60,234)
Balance on December 31, 2021	$1,131	$253,279	$2,058,194	$44,597	$2,011	$200,446	$51,845	$-	$2,611,50
Balance on January 1, 2020	$1,131	$232,269	$1,998,736	$35,849	$2,364	$225,647	$49,639	$-	$2,545,635
Depreciation expenses	-	10,433	68,730	8,240	174	9,502	1,777	-	98,856
Reclassification	-	(23)	-	(83)	-	-	-	-	(106)
Disposal	-	-	(44,607)	(30)	-	(15,835)	-	-	(60,472)
Balance on December 31, 2020	$1,131	$242,679	$2,022,859	$43,976	$2,538	$219,314	$51,416	$-	$2,583,913
Net carrying amount:									
2021.12.31	$88,567	$247,608	$181,341	$6,216	$-	$17,623	$695	$-	$542,050
2020.12.31	$88,567	$257,616	$194,806	$7,408	$-	$15,274	$1,124	$-	$564,795

(1) Significant components of the Company's buildings are mainly the main buildings, air-

conditioning equipment and renovation works. Depreciation is provided over their useful lives of 51 years, 6 to 21 years and 6 to 21 years, respectively.

(2) The Company has not provided its property, plant and equipment as guarantee or pledge.

9. Investment property

Investment property is the Company's own investment property. The Company's own investment properties were leased under commercial property leases in November 2019 for the period from 2019 to 2024.

	Building
Costs:	
Balance on January 1, 2021	$74,250
Transferred from property, plant and equipment	-
Balance on December 31, 2021	$74,250
Balance on January 1, 2020	$71,500
Transferred from property, plant and equipment	2,750
Balance on December 31, 2020	$74,250
Depreciation and impairment:	
Balance on January 1, 2021	$2,803
Depreciation and impairment of the period	2,476
Balance on December 31, 2021	$5,279
Balance on January 1, 2020	$397
Depreciation and impairment of the period	2,383
Transferred from property, plant and equipment	23
Balance on December 31, 2020	$2,803
Net carrying amount:	
2021.12.31	$68,971
2020.12.31	$71,447

	2021	2020
Rental income from the investment property	$11,568	$11,052
Less: Direct operating expenses incurred on investment properties that generate rental income for the period	(2,476)	(2,406)
Total	$9,092	$8,646

The Company does not measure its investment property at fair value, but only discloses information on its fair value. The fair value hierarchy is level 3. The fair value of investment properties held by the Company amounted to NT$77,355 thousand and NT$75,573 thousand as of December 31, 2021 and 2020, respectively. The aforementioned fair value was evaluated by an independent external appraiser. The valuation method used for the buildings is the income approach, in which the main input values used and their quantitative information are as follows:

	2021.12.31	2020.12.31
Long-term operating income	$112,728	$119,015
Capitalization rate	7.50%	7.50%

10. Intangible assets

	Computer software
Costs:	
Balance on January 1, 2021	$91,520
Increase - acquired alone	5,357
Reclassification	725
Balance on December 31, 2021	$97,602
Balance on January 1, 2020	$87,977
Increase - acquired alone	3,543
Balance on December 31, 2020	$91,520
Amortization and impairment:	
Balance on January 1, 2021	$89,902
Amortization	4,387
Reclassification	550
Balance on December 31, 2021	$94,839
Balance on January 1, 2020	$86,810
Amortization	3,092
Balance on December 31, 2020	$89,902
Net carrying amount:	
2021.12.31	$2,763
2020.12.31	$1,618

Recognized amount of amortization for intangible assets is as follows:

	2021	2020
Operating costs	$431	$60
General and administration expenses	3,956	2,851
R&D expenses	-	181
Total	$4,387	$3,092

11. Short-term loans

	2021.12.31	2020.12.31
Unsecured borrowings	$193,690	$307,584
Interest range	0.60%-0.63%	0.65%-0.8%

The Company's unused short-term borrowing facilities as of December 31, 2021 and 2020, were NT$754,660 thousand and NT$587,856 thousand, respectively.

12. Retirement benefit plans

Defined contribution plans

The employee retirement plan of the Company formulated in accordance with the "Labor Pension Act" is a defined contribution plan. Under the Labor Pension Act, the Company makes monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company has made monthly contributions of 6% of each individual employee's wages to employees' pension accounts in accordance with the employee retirement plan formulated in the Act.

Expenses under the defined contribution plan recognized by the Group for the years ended 31 December, 2021 and 2020, are NT$18,930, thousand and NT$18,226 thousand respectively.

Defined benefit plans

The Company adopts a defined benefit plan in accordance with the "Labor Standards Act". The pension benefits are disbursed based on the units of service years and the average salaries in one month upon the approval of retirement. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company contributes an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the spension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company assesses the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company will make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house and under mandate, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate flexibility to achieve the targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover deficits with the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the categorization of fair value of the plan assets could be made in accordance with IAS 19. The Company expects to contribute $1,879 thousand to its defined benefit plan during the 12 months beginning after 31 December, 2021.

As of December 31, 2021 and 2020, the weighted-average duration of the Company's defined benefit obligations was 16 and 17 years, respectively.

Summary of defined benefit plan costs recognized in profit or loss:

	2021	2020
Current period service costs	$128	$130
Interest from net defined benefit liability (asset)	139	299
Total	$267	$429

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

	2021.12.31	2020.12.31	2020.01.01
Defined benefit obligations	$48,351	$52,095	$52,446
Fair value of the plan assets	(21,998)	(19,775)	(17,254)
Net defined benefit liability	$26,353	$32,320	$35,192

Reconciliation of liability (asset) of the net defined benefit plan:

	Present value of defined benefit obligations	Fair value of the plan assets	Net defined benefit liability (asset)
2020.01.01	$52,446	$(17,254)	$35,192
Current period service costs	130	-	130
Interest expenses (income)	446	(147)	299
Subtotal	53,022	(17,401)	35,621
Remeasurement of defined benefit liability/asset:			
Arising from changes in demographic assumptions	(434)	-	(434)
Arising from changes in financial assumptions	3,562	-	3,562
Experience adjustments	(4,055)	-	(4,055)
Remeasurement of defined benefit asset	-	(583)	(583)
Subtotal	(927)	(583)	(1,510)
Payments from the plan	-	-	-
Contributions by employer	-	(1,791)	(1,791)
2020.12.31	52,095	(19,775)	32,320
Current period service costs	128	-	128
Interest expenses (income)	224	(85)	139
Subtotal	52,447	(19,860)	32,587
Remeasurement of defined benefit liability/asset:			
Arising from changes in financial assumptions	(2,907)	-	(2,907)
Experience adjustments	(1,189)	-	(1,189)
Remeasurement of defined benefit asset	-	(259)	(259)
Subtotal	(4,096)	(259)	(4,355)
Payments from the plan	-	-	-
Contributions by employer	-	(1,879)	(1,879)
2021.12.31	$48,351	$(21,998)	$26,353

The following significant actuarial assumptions are used to determine the defined benefit plans of the Company:

	2021.12.31	2020.12.31
Discount rate	0.80%	0.43%
Expected rate of salary increases	3.00%	3.00%

Sensitivity analysis for each significant actuarial assumption:

	2021		2020	
	Defined benefit obligation increase	Defined benefit obligation decrease	Defined benefit obligation increase	Defined benefit obligation decrease
Discount rate increases by	$-	$3,600	$-	$4,169
Discount rate decreases by	3,980	-	4,634	-
Expected salary increases	3,871	-	4,489	-
Expected salary decreases	-	3,543	-	4,089

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant, to analyze the possible effects on the defined benefit plans. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

13. Equity

(1) Capital stock

As of December 31, 2021 and 2020, the Company's authorized capital stock is NT$3,000,000 thousand, with a par value of NT$10 per share and to be issued in installments; issued capital stock is NT$2,060,698 thousand and divided into 206,070 thousand shares.

(2) Capital surplus

	2021.12.31	2020.12.31
Additional paid-in capital	$20,878	$20,878
From treasury share transactions	19,139	14,801
From convertible bonds	353,769	353,769
Donated assets	551	551
Changes in equities of subsidiaries recognized	6,162	-
Others - expired stock options	94,035	94,035
Total	$494,534	$484,034

According to the Company Act, the capital surplus shall not be used except for making good the deficit of the Company. Where the Company incurs no loss, the capital surplus derived from the issuance of new shares at a premium and from endowments received by the company may be capitalized annually up to a certain percentage of capital surplus. The aforementioned capital surplus may also be distributed to its shareholders in cash according to the original proportion of the number of shares being held by each of them.

(3) Treasury stock

Information on the Company's treasury stock held by the subsidiary, Hong-Cheng Investment Co., Ltd. as a result of its financial operations is as follows:

	2021.12.31	2020.12.31
Amount	$1,320	$6,857
Number of Shares (thousand shares)	76	395

Subsidiaries sold 767 thousand shares of the Company's stock in 2021. The Company recognized 319 thousand shares of treasury stock for disposal in proportion to its shareholding ratio and wrote off the cost of treasury stock of NT$5,537 thousand. Difference from the sale proceeds was recognized as capital surplus for NT$4,285 thousand. No such event in 2020.

(4) Earnings distribution and dividend policy

According to the Company's Articles of Incorporation, the earnings from the annual closing, if any, shall be distributed in the following order.

A. Pay taxes.
B. Make up for deficits.

C. Appropriate 10% of the earnings as legal reserve.
D. Appropriate to, or reverse, special reserve in accordance with the law or the regulations of the competent authority.
E. The board of directors shall make an earnings distribution proposal for the remaining balance in accordance with the dividends policy; when distributing surplus earning in the form of new shares to be issued by the Company, a resolution of shareholders' meeting shall be obtained prior to the distribution; if such surplus earning is distributed in the form of cash, it shall be distributed pursuant to a special resolution of the board meeting and shall be reported to the shareholders' meeting.

The Company's dividend policy takes into account current and future development plans, the investment environment, capital requirements and domestic and international competition, as well as the interests of shareholders. Dividends may be distributed to shareholders in cash or in shares, with cash dividends being no less than 20% of the total dividends.

In accordance with the Company Act, legal reserve shall be appropriated until the total amount has reached the authorized capital. Legal reserve may be used to cover losses. Where the Company incurs no loss, the Company may distribute its legal reserve in excess of 25% of the paid-in capital in the form of new shares or cash in proportion to the shareholders' original shares.

At the board of directors' and shareholders' meetings held on March 24, 2022, and August 20, 2021, the Company proposed and resolved the appropriation of earnings and dividends per share for 2021 and 2020, respectively. Details are as follows:

	Earnings distribution		Dividend per share (NT$)	
	2021	2020	2021	2020
Legal reserve	$37,320	$14,396		
Special reserve reversal	-	(6,397)		
Cash dividends of common stock	309,105	144,249	1.5	0.7

Please refer to Note VI.17 for information on the estimation basis and recognized amount of the compensation to employees and directors and supervisors.

14. Revenue from operations

	2021	2020
Revenue from contracts with customers		
Revenue from sale of products	$2,831,773	$2,426,882
Engineering revenue	14,219	60,896
Net operating revenue	$2,845,992	$2,487,778

Information related to the Company's revenue from contracts with customers in 2021 and 2020:

(4) Disaggregation of revenue

Source of revenue	Revenue recognition timing	2021	2020
Revenue from sale of products	Satisfied at certain point of time	$2,831,773	$2,426,882
Engineering revenue	Satisfied at certain point of time	14,219	60,896
Total		$2,845,992	$2,487,778

(5) Contract balances

Contract liability - current

	2021	2020
Sale of goods	$36,036	$4,032
Engineering revenue	10,939	-
Total	$46,975	$4,032

Descriptions of the significant changes in the balance of the Company's contract liabilities for 2021 and 2020 are as follows:

	2021	2020
Beginning balance	$4,032	$23,950
Net changes in the period	42,943	(19,918)
Ending balance	$46,975	$4,032

The difference between the Company's contractual liabilities as of December 31, 2021 and 2020, is mainly due to the net effect of the provision of services to be completed subsequently for the contracted portion of advance receipts and the increase in obligations due to new contracts as of the balance sheet date.

(6) Cost to fulfill contracts

	2021.12.31	2020.12.31
Cost to fulfill contracts - current	$8,444	$-

Relevant costs to purchases related materials and payments to subcontractors in response to customers' contract requirements are clearly identifiable as contract-related and are expected to be recoverable. The Company recognizes the related revenue and costs when the contractual performance obligations are completed.

15. Expected credit impairment loss

	2021	2020
Operating expenses - expected credit impairment gain on reversal		
Notes receivable	$-	$(3)
Accounts receivable	(12,042)	(20,846)
Other receivables	-	(1,582)
Total	$(12,042)	$(22,431)

Please refer to Note XII for further details on credit risk.

The Company's allowance for losses of receivables (including notes and accounts receivable and accounts receivable - related parties) are measured on a basis of life-time expected credit losses. The related descriptions of the allowance for losses as of December 31, 2021 and

2020 are as follows:

Receivables are grouped by credit rating, region and industry of the counter-parties, and the allowance for losses is measured using the provision matrix. Related information is as follows:

2021.12.31

		Number of overdue days				
Group 1	Not overdue	Within 30 days	30–120 days	121–300 days	301 days or more	Total
Total carrying amount	567,705	2,744	642	25	13,732	584,848
Loss ratio	0%	0%	10%	30%	100%	
Lifetime expected credit loss	-	-	(67)	(8)	(13,732)	(13,807)
Carrying amount	567,705	2,744	575	17	-	571,041

		Number of overdue days				
Group 2	Not overdue	1–120 days	121–180 days	181–240 days	241 days or more	Total
Total carrying amount	-	-	-	-	46,188	46,188
Loss ratio	10%	10%	30%	60%	100%	
Lifetime expected credit loss	-	-	-	-	(46,188)	(46,188)
Carrying amount	-	-	-	-	-	-

2020.12.31

		Number of overdue days				
Group 1	Not overdue	Within 30 days	30–120 days	121–300 days	301 days or more	Total
Total carrying amount	574,857	5,587	6,614	7,012	121	594,191
Loss ratio	0%	0%	10%	30%	100%	
Lifetime expected credit loss	-	-	(662)	(2,104)	(121)	(2,887)
Carrying amount	574,857	5,587	5,952	4,908	-	591,304

		Number of overdue days				
Group 2	Not overdue	1–120 days	121–180 days	181–240 days	241 days or more	Total
Total carrying amount	-	-	-	-	69,202	69,202
Loss ratio	10%	10%	30%	60%	100%	
Lifetime expected credit loss	-	-	-	-	(69,202)	(69,202)
Carrying amount	-	-	-	-	-	-

		Number of overdue days				
Group 3	Not overdue	1–120 days	121–180 days	181–240 days	241 days or more	Total
Total carrying amount	-	-	-	-	2,227	2,227
Loss ratio	100%	100%	100%	100%	100%	
Lifetime expected credit loss	-	-	-	-	(2,227)	(2,227)
Carrying amount	-	-	-	-	-	-

Information on the changes in the allowance for losses on notes receivable, accounts receivable, other receivables from related parties for the years ended December 31, 2021 and 2020, is as follows:

	Notes receivable	Accounts receivable	Other receivables - related parties	Total
Balance on January 1, 2021	$-	$74,316	$-	$74,316
Allowance for losses (reversal)	-	(12,042)	-	(12,042)
Current write off	-	(2,279)	-	(2,279)
Balance on December 31, 2021	$-	$59,995	$-	$59,995
Balance on January 1, 2020	$3	$95,162	$1,582	$96,747
Allowance for losses (reversal)	(3)	(20,846)	(1,582)	(22,431)
Balance on December 31, 2020	$-	$74,316	$-	$74,316

16. Leasehold

(1) The Company as a lessee

The Company leases various of assets, including land, machinery equipment and transportation equipment. Lease term of each contract ranges from 2 to 30 years.

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

A. Amount recognized in the balance sheet

(a) Right-of-use assets

Carrying amount of the right-of-use assets

	2021.12.31	2020.12.31
Land	$46,798	$47,978
Machinery equipment	872	1,308
Transportation equipment	1,434	843
Total	$49,104	$50,129

The Company obtained NT$2,671 thousand of right-of-use assets in 2021 incrementally. No such event in 2020.

(b) Lease liabilities

	2021.12.31	2020.12.31
Lease liabilities		
Current	$2,885	$2,774
Non-current	$47,224	$48,048

Please refer to Note VI.18(4) “financial costs” for the Company’s interest expenses on lease liabilities in 2021 and 2020; please refer to Note XII.5 “liquidity risk management” for the maturity analysis of lease liabilities in 2021 and 2020.

B. Amount recognized in the income statement

Depreciation of right-of-use assets

	2021	2020
Land	$1,703	$1,689
Machinery equipment	436	436
Transportation equipment	1,306	1,147
Total	$3,445	$3,272

C. The lessee's income and expenses related to leasing activities

	2021	2020
Short-term lease expenses	$610	$524
Expenses on low-value asset leases (excluding those on low-value asset leases under short-term leases)	541	318

D. The lessee's cash outflows related to leasing activities

The Company's cash outflows for leases in 2021 and 2020 were NT$5,176 thousand and NT$4,626 thousand, respectively.

E. Other information related to leasing activities

Options to extend the lease and terminate the lease

Part of the Company's real estate lease contracts include options to extend the leases and options to terminate the leases. The lease term consists of the non-cancellable period of a lease for underlying right-of-use assets, plus periods covered by options to extend that the Company is reasonably certain to exercise, and options to terminate that the Company is reasonably certain not to exercise. Utilizing these options allows for maximum flexibility in the operation of management contracts. Most of the lease extension options and lease termination options available are exercisable only by the Company. After the commencement date, the Company will reassess the lease term on the occurrence of a significant event or change of circumstances that is within the control of the lessee; and affects whether or not it is reasonably certain to exercise an option that was not previously included when determining the lease term.

17. Statement of labor, depreciation and amortization by function:

By function / By nature	2021			2020		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Labor expenses						
Salary and bonus expenses	$331,936	$149,812	$481,748	$278,810	$112,482	$391,292
Labor and health insurance expenses	28,615	10,964	39,579	26,968	9,405	36,373
Pension expenses	13,569	5,628	19,197	13,090	5,565	18,655
Board compensation	-	4,717	4,717	-	2,413	2,413
Other employee benefit expenses	12,380	3,832	16,212	12,798	3,774	16,572
Depreciation expenses	71,227	22,973	94,200	83,295	21,216	104,511
Amortization expenses (Note)	3,617	3,853	7,470	4,178	5,003	9,181

Note: Includes amortization expenses recorded under other non-current assets - deferred assets.

The average number of employees of the Company in 2021 and 2020 is 567 and 579, respectively, of which the number of directors who are not concurrent employees is 4 and 4, respectively.

(1) The Company's average employee benefit expenses for 2021 and 2020 were NT$989 thousand and NT$805 thousand, respectively.
(2) The Company's average salary and bonus for 2021 and 2020 were NT$856 thousand and NT$681 thousand, respectively.
(3) The Company's changes in average salary and bonus for 2021 and 2020 were 26% and 9%.
(4) The Company's remuneration for supervisors for 2021 and 2020 were NT$0 thousand and NT$0 thousand, respectively.

In accordance with the Company's Articles of Incorporation, remuneration of the Company's directors (including independent directors) shall be set aside of no more than one percent of the profit of the year. However, if the Company has accumulated loss, the profit shall be reserved to make up the loss. The distribution of directors' remuneration is authorized to be determined by the Board of Directors with the presence of at least two-thirds of the directors and by a resolution of a majority of the directors present, and reported to the shareholders' meeting. In addition, according to the Company's Articles of Incorporation, the remuneration of directors (including independent directors) is authorized

to be determined by the Board of Directors based on their engagement in the Company's operations, the value of their contributions and with reference to industry standards. The remuneration of directors (including independent directors) shall be reviewed by the Remuneration Committee and submitted to the Board of Directors for resolution in accordance with the Organizational Rules of the Remuneration Committee of the Company.

The remuneration of the Company's managerial officers shall be conducted in accordance with the Company's Articles of Incorporation, the Company Act and the Organizational Rules of the Remuneration Committee of the Company. In addition to the overall performance of the Company's operating results, each manager's position, contribution to the Company's operations, individual performance, and the pay status of the industry are considered and evaluated by the Remuneration Committee on a case-by-case basis and then submitted to the Board of Directors for approval. The reasonableness of the relationship between the individual's performance, the Company's operating performance and future risks shall also be considered.

The Company's remuneration policy for employees is determined by taking into consideration various factors such as salary, ranking and performance evaluation of employees, and making reference to the usual standards in the industry and the Company's overall operating results.

In accordance with the Company's Articles of Incorporation, the Company shall set aside no less than 6% of the Company's profit for the year as employee remuneration, which shall be distributed in shares or cash by resolution of the Board of Directors. The remuneration shall also be distributed to the employees of parents or subsidiaries of the Company who meet certain specific requirements. The Company may set aside not more than 1% of the above-mentioned profits as remuneration to directors by resolution of the Board of Directors. However, if the Company has accumulated loss, the loss shall be covered first, and the remuneration to employees and directors shall be set aside by the aforementioned proportion. The distribution of employees' and directors' remuneration is authorized to be determined by the Board of Directors with the presence of at least two-thirds of the directors and by a resolution of a majority of the directors present, and reported to the shareholders' meeting. If the Board of Directors resolves to pay employees' remuneration in shares, the closing stock price on the day before the board of directors' resolution is used as the basis for calculating the number of shares to be allotted. If the estimated amount differs from the actual allotment amount resolved by the Board of Directors, the difference shall be recorded as profit or loss in the following year. For information on employees' and directors' remuneration approved by the Board of Directors, please visit the Market Observation Post System (MOPS) of the Taiwan Stock Exchange.

For the year 2021, the Company estimated NT$35,450 thousand for employees' remuneration and NT$4,550 thousand for directors and supervisors' remuneration,

respectively, which were recorded as salary expenses; on March 24, 2022, the board meeting resolved to pay employees' remuneration and directors and supervisors' remuneration in cash of NT$35,450 thousand and NT$4,550 thousand, respectively, which is not materially different from the estimated figures in the accounts.

The Company's actual remunerations for employees and directors and supervisors for 2020 were NT$12,000 thousand and NT$1,960 thousand, respectively, which is not materially different from the amounts recorded as expenses in the 2020 financial statements.

18. Non-operating income and expenses

(1) Interest income

	2021	2020
Interest income		
Financial assets measured at amortized cost	$9,267	$5,477

(2) Other income

	2021	2020
Rent income	$12,657	$11,677
Dividend income	18,630	4,760
Other income	10,089	15,518
Total	$41,376	$31,955

(3) Other gains and losses

	2021	2020
Gains on disposal of property, plant and equipment	$712	$-
Net loss on foreign exchange	(16,034)	(51,858)
Gain (loss) on financial assets at fair value through profit or loss	2,218	(12,274)
Other	(74)	(230)
Total	$(13,178)	$(64,362)

(4) Finance costs

	2021	2020
Interest on bank loans	$1,339	$2,891
Interest on lease liabilities	892	896
Total	$2,231	$3,787

19. Composition of other comprehensive income

Composition of other comprehensive income in 2021 is as follows:

	Generated in current period	Reclassified in current period	Other comprehensive income	Income tax benefit (expense)	After-tax amount
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit plans	$4,355	$-	$4,355	$(871)	$3,484
Unrealized gains on investments in equity instruments at fair value through other comprehensive income	140,577	-	140,577	-	140,577
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising from translation of foreign operations	338	-	338	-	338
Total	$145,270	$-	$145,270	$(871)	$144,399

Composition of other comprehensive income in 2020 is as follows:

	Generated in current period	Reclassified in current period	Other comprehensive income	Income tax benefit (expense)	After-tax amount
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit plans	$1,510	$-	$1,510	$(302)	$1,208
Unrealized gains on investments in equity instruments at fair value through other comprehensive income	183,133	-	183,133	-	183,133
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising from translation of foreign operations	(1,367)	-	(1,367)	-	(1,367)
Total	$183,276	$-	$183,276	$(302)	$182,974

20. Income taxes

The main composition of income taxes is as follows:

Income tax recognized in profit or loss

	2021	2020
Income tax of the current period		
Income taxes payable of the current period	$80,270	$50,988
Adjustment to income taxes of prior years	(9,290)	1,792
Deferred income tax		
Related to origin and reversal of temporary differences	(3,850)	(12,826)
Income tax expense	$67,130	$39,954

Income taxes recognized as other comprehensive income

	2021	2020
Deferred income tax expense (benefit)		
Remeasurement of defined benefit plans	$871	$302

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

	2021	2020
Profit before income tax of the units in continued business operation	$437,448	$183,293
Tax at the domestic rates applicable to profits in the country concerned	$87,490	$36,659
Income tax effect of expenses not deductible for tax purposes	(3,620)	(202)
Income tax effect of deferred tax assets/liabilities	(7,450)	1,705
Adjustments to current income tax of prior years	(9,290)	1,792
Total income tax expense recognized in profit or loss	$67,130	$39,954

Balances of deferred tax assets (liabilities) related to the following items:

2021

	Beginning balance	Recognized in profit or loss	Recognized as other comprehensive income	Ending balance
Temporary difference				
Loss for market price decline and obsolete and slow-moving inventories	$25,809	$2,622	$-	$28,431
Employee benefits payable	1,381	504	-	1,885
Valuation gains or losses on foreign investment targets	13,374	(408)	-	12,966
Others	25,740	1,132	(871)	26,001
Deferred income tax (expense)/ benefit		$3,850	$(871)	
Net deferred income tax assets/ (liabilities)	$66,304			$69,283
Information presented in balance sheet:				
Deferred income tax assets	$67,418			$69,967
Deferred income tax liabilities	$(1,114)			$(684)

2020

	Beginning balance	Recognized in profit or loss	Recognized as other comprehensive income	Ending balance
Temporary difference				
Loss for market price decline and obsolete and slow-moving inventories	$16,685	$9,124	$-	$25,809
Employee benefits payable	1,804	(423)	-	1,381
Valuation gains or losses on foreign investment targets	10,880	2,494	-	13,374
Others	24,411	1,631	(302)	25,740
Deferred income tax (expense)/ benefit		$12,826	$(302)	
Net deferred income tax assets/ (liabilities)	$53,780			$66,304
Information presented in balance sheet:				
Deferred income tax assets	$57,317			$67,418
Deferred income tax liabilities	$(3,537)			$(1,114)

Unrecognized deferred income tax assets

As of December 31, 2021 and 2020, the Company has unrecognized deferred income tax assets totaling NT$61,398 thousand and NT$64,492 thousand, respectively, due to the unlikelihood of taxable income.

Income tax examination

As of December 31, 2021, the Company's income tax returns were examined through the year of 2019.

21. Earnings per share

Basic earnings per share are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent (after adjusting the interest of convertible corporate bonds) by the weighted average number of ordinary shares outstanding plus dilutive potential ordinary shares during the year.

	2021	2020
(1) Basic earnings per share		
Net profit of the period (NT$ thousand)	$370,318	$143,339
Weighted average number of ordinary shares outstanding for basic earnings per share (thousand shares)	205,814	205,675
Basic earnings per share (NT$)	$1.80	$0.70
(2) Diluted earnings per share (NT$)		
Net profit of the period (NT$ thousand)	$370,318	$143,339
Weighted average number of ordinary shares outstanding for basic earnings per share (thousand shares)	205,814	205,675
Dilutive effect:		
Employees' remuneration	1,438	725
Weighted average number of ordinary shares outstanding after adjusting the dilutive effect (thousand shares)	207,252	206,400
Diluted earnings per share (NT$)	$1.79	$0.69

There were no other transactions after the reporting period and before the adoption and publication of the financial statements that significantly changed the number of ordinary shares outstanding or potential ordinary shares at the end of the period.

VII. Interest Party Transactions

Related parties with whom the Company had transactions during the financial reporting period are as follows:

Name of related party	Relationship with the Company
YoungTek Electronics Corporation	Other related party of the Company
Jiu Hong Xin Technology Co., Ltd.	Other related party of the Company
IN & OUT Bio Beauty Corp.	Other related party of the Company
Sleipnir LED Co., Ltd.	The Company's subsidiary
Syntek Corporation Limited	The Company's subsidiary
Consentek Corporation	The Company's subsidiary
Harvatek (Hong Kong) Trading Limited	The Company's subsidiary
Harvatek International (USA) Corp.	The Company's subsidiary
Guangzhou Hongqi Electronics Limited	The Company's subsidiary
Guangzhou Jiu Hong Qi Trading Limited	The Company's subsidiary
Starlight Display Corporation	The Company's subsidiary
iReach Corporation	The Company's subsidiary

Significant intercompany transactions:

1. Sales

	2021	2020
Harvatek International (USA) Corp.	$30,044	$22,182
Guangzhou Hongqi Electronics Limited	741	4,799
YoungTek Electronics Corporation	31	1,823
Sleipnir LED Co., Ltd.	-	1
Total	$30,816	$28,805

The prices of sales to the above related parties are not comparable because of the different product specifications required by customers. The payment policy is similar to that of general customers, and the payment terms are OA 30 days to 120 days.

2. Purchase

	2021	2020
Guangzhou Hongqi Electronics Limited	$19,935	$13,503
Sleipnir LED Co., Ltd.	1	2,259
Total	$19,936	$15,762

The prices of the Company's purchases from related parties are negotiated by both parties with reference to the market price; the payment terms are about OA 60 days while payment terms of general suppliers are about OA 60 days to 120 days.

3. The expenses and revenues from transactions with related parties are as follows:

Name of related party	Accounts	2021	2020
YoungTek Electronics Corporation	Manufacturing overhead - testing and experiment expenses etc.	$4,029	$2,987
YoungTek Electronics Corporation	Manufacturing overhead - outsourced (Note)	$62,487	$54,621
YoungTek Electronics Corporation	Non-operating revenue - sample revenue	$166	$90
Guangzhou Jiu Hong Qi Trading Limited	Non-operating revenue - other income	$1,047	$3,141
IN & OUT Bio Beauty Corp.	Non-operating revenue - other income	$1,040	$-
Guangzhou Jiu Hong Qi Trading Limited	Selling expenses - commission expenses	$10,972	$11,812
The Company's subsidiary	Selling expenses - service expenses	$855	$1,466
The Company's subsidiary	Selling expenses - commission expenses	$3,597	$3,530
The Company's subsidiary	Selling expenses - miscellaneous expenses	$-	$91
The Company's subsidiary	Manufacturing overhead - sample expenses	$250	$794
The Company's subsidiary	Non-operating income - interest income	$479	$431
The Company's subsidiary	Non-operating income - rent income	$994	$291
The Company's subsidiary	Non-operating revenue - miscellaneous income	$5	$-

Note: The prices of the Company's purchases from related parties are negotiated by both parties with reference to the market price; the payment terms are about OA 60 days while payment terms of general suppliers are about OA 60 days to 120 days.

4. The property transactions with each related party are as follows:

(1) Purchase of equipment

Name of related party	Accounts	2021	2020
YoungTek Electronics Corporation	Machinery equipment	$42,006	$-
YoungTek Electronics Corporation	Prepayment to equipment suppliers	$3,150	$1,080

Prices of the above property transactions are determined in consideration of the book value of the asset and reasonable market prices.

(2) Lease of buildings

The Company leased its office and factory to YoungTek Electronics Corporation in November 2019 with a contracted lease term from November 1, 2019, to October 31, 2024. The lease income in 2021 and 2020 were both NT$10,800 thousand. The lease price given by the Company to YoungTek Electronics Corporation is determined with reference to the market price of similar leases and is NT$900 thousand per month, payable monthly.

The Company leased other parts of its plant to YoungTek Electronics Corporation in August 2020. According to the contracted lease term, the monthly rent were NT$64 thousand and NT$32 thousand respectively, payable monthly. The lease income in 2021 and 2020 were NT$768 thousand and NT$252 thousand respectively. and the lease price is determined with reference to the market price.

5. Accounts receivable - related parties

	2021.12.31	2020.12.31
Harvatek International (USA) Corp.	$6,764	$4,535
The Company's subsidiary	798	262
Guangzhou Hongqi Electronics Limited	627	3,080
Total	$8,189	$7,877

6. Other receivables - related parties

	2021.12.31	2020.12.31
Guangzhou Hongqi Electronics Limited	$19,585	$25,971
Starlight Display Corporation	315	-
YoungTek Electronics Corporation	135	86
Total	$20,035	$26,057

7. Accounts payable - related parties

	2021.12.31	2020.12.31
YoungTek Electronics Corporation	$26,531	$20,942
Guangzhou Hongqi Electronics Limited	2,877	3,907
Harvatek International (USA) Corp.	782	1,801
Guangzhou Jiu Hong Qi Trading Limited	668	830
Jiu Hong Xin Technology Co., Ltd.	-	80
Total	$30,858	$27,560

8. Loaning of funds - related parties

	2021.12.31		2020.12.31	
	Maximum balance	Amount actually drawn	Maximum balance	Amount actually drawn
Guangzhou Hongqi Electronics Limited	$73,865	$19,553	$65,700	$25,932

The actual amount of funds loaned to related parties is accounted for in other receivables - related parties and bears interest based on the average interest rate of the Company's short-term loans from financial institutions in the current year.

9. Key management personnel remuneration

	2021	2020
Short-term employee benefits	$20,671	$15,829
Retirement benefit plans	480	472
Total	$21,151	$16,301

VIII. Pledged Assets

The Company's pledged assets are summarized below:

	Carrying amount		
Item	2021.12.31	2020.12.31	Guaranteed debt content
Other financial assets - pledged time deposit	$12,582	$12,539	Customs deposit of guarantee
Other financial assets - pledged time deposit	2,200	2,200	Guarantee deposit for land leased from Hsinchu Science Park Bureau
Total	$14,782	$14,739	

IX. Significant Contingent Liabilities and Unrecognized Contract Commitments

1. The Company entered into a white light patent license agreement with OSRAM, a German company, under which the Company shall pay the licensing fee and the royalties based on the agreed percentage of the net sales of the licensed products.

2. The Company entered into a phosphor white light patent license agreement with Toyoda Gosei, a Japanese company, under which the Company shall pay the licensing fee and the royalties based on the agreed percentage of the net sales of the licensed products.

3. The Company entered into a patent license agreement with Cree, Inc., under which the Company shall pay the licensing fee and the royalties based on the agreed percentage of the net sales of the licensed products.

X. Significant Disaster Losses

None.

XI. Significant Subsequent Events

None.

XII. Others

1. Types of Financial Instruments

	2021.12.31	2020.12.31
Financial assets		
Financial assets mandatorily measured at fair value through profit or loss	$82,383	$80,340
Financial assets measured at fair value through other comprehensive income	544,549	427,277
Financial assets measured at amortized cost (Note)	1,807,331	1,727,905
Total	$2,434,263	$2,235,522
Financial liabilities		
Financial liabilities measured at amortized cost:		
Short-term loans	$193,690	$307,584
Lease liabilities	50,109	50,822
Payables	597,151	575,352
Total	$840,950	$933,758

Note: Including cash and cash equivalents (excluding petty cash and cash on hand), receivables, refundable deposits and other financial assets - noncurrent.

2. Financial Risk Management Objectives and Policies

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

The Company has established appropriate policies, procedures and internal controls for the aforementioned financial risk management in accordance with the relevant regulations. Significant financial activities are subject to review by the Board of Directors in accordance with relevant regulations and internal control systems. During the implementation of financial management activities, the Company is required to comply with the financial risk management regulations it has established.

3. Market Risk

The Company's market risk refers to the risk of fluctuations in the fair value or cash flows of financial instruments as a result of changes in market prices. Market risk mainly includes exchange rate risk, interest rate risk and other price risk.

In practice, it is rare for a single risk variable to change in isolation and changes in each risk variable are usually correlated. However, the sensitivity analysis below for each risk does not consider the interaction of related risk variables.

Exchange rate risk

The Company's exchange rate risk relates primarily to operating activities (when revenues or expenses are denominated in currencies different from the Company's functional currency) and net investments in foreign operating entities.

Part of the Company's foreign-currency receivables and payables are denominated in the same currency, and in such cases, a natural hedge is achieved for the equivalent portion. For other foreign currency accounts, the Company uses FX forward contracts to manage the exchange rate risk. Hedge accounting was not applied because the aforementioned natural hedge and management of exchange rate risk by means of FX forward contracts did not meet the requirements for hedge accounting; in addition, the net investment in foreign operating entities is a strategic investment and, therefore, the Company does not hedge it.

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

When TWD appreciates/depreciates 5% against USD, the Group's profit (loss) for 2021 and 2020 will decrease/increase by NT$11,805 thousand and NT$21,628 thousand, respectively.

When TWD appreciates/depreciates 5% against CNY, the Company's profit (loss) for 2021 and 2020 will decrease/increase by NT$20,837 thousand and NT$4,368 thousand, respectively.

Interest rate risk

Interest rate risk refers to the risk of fluctuations in the fair value of financial instruments or future cash flows due to changes in market interest rates. The Company's interest rate risk arises mainly from floating rate investments, fixed rate borrowings and floating rate borrowings.

The Company manages interest rate risk by maintaining an appropriate mix of fixed and floating interest rates. Hedge accounting is not applied because it does not meet the requirements for hedge accounting.

The sensitivity analysis of interest rate risk focuses on interest rate risk exposures (including floating rate investments and borrowings) as of the end of the financial reporting period and assumes that 10 bps increase/decrease in interest rates for one fiscal year would decrease/increase the Company's profit or loss by NT$1,937 thousand and NT$3,076 thousand in 2021 and 2020, respectively.

Equity Price Risk

The Company holds domestic listed and unlisted equity securities, the fair values of which are affected by the uncertainty of the future value of the underlying investments. The domestic listed and unlisted equity securities held by the Company are classified as measured at fair value through profit or loss and measured at fair value through other comprehensive income respectively. The Company manages the price risk of equity securities by diversifying its investments and setting limits on its investments in equity securities, both individually and in aggregate. Information on the equity securities portfolio is provided to the Company's senior management on a regular basis, and the Board of Directors is required to review and approve investment decisions on equity securities.

In 2021, for listed equity securities classified as investment in equity instruments measured at fair value through other comprehensive income, if the price of these equity securities

increases/decreases by 10%, the impact on the Company's equity for 2021 would be NT$16,188 thousand.

In 2020, for listed equity securities classified as investment in equity instruments measured at fair value through other comprehensive income, if the price of these equity securities increases/decreases by 10%, the impact on the Company's equity for 2020 would be NT$13,367 thousand.

For other equity realizations with Level 3 fair value hierarchy, please refer to Note XII.9 for their sensitive analysis information.

4. Credit Risk Management

Credit risk refers to the risk that a counterparty is not able to meet its obligations under a contract and results in financial loss. The Company's credit risk arises from operating activities (mainly accounts and notes receivable) and financial activities (mainly bank deposits and various financial instruments).
Units of the Company all comply with policies, procedures and controls on credit risk to manage the credit risk. The credit risk assessment for all counterparties is based on a combination of factors such as the customer's financial condition, ratings from credit rating agencies, historical transaction experience, the current economic environment and the Company's internal rating standards. The Company also utilizes certain credit enhancements (such as advance receipts) at appropriate times to reduce the credit risk of specific counterparties.

The Company's top ten customers accounted for 61% and 65% of the Company's total receivables as of December 31, 2021 and 2020. The credit concentration risk of the remaining receivables is relatively insignificant.

The Company's finance department manages the credit risk of bank deposits, fixed income securities and other financial instruments in accordance with the Company's policies. The Company's counter-parties are credit-worthy banks and investment-grade financial institutions, corporate organizations and government agencies as determined by the Company's internal control procedures, so there is no significant credit risk.

In addition to assessing expected credit losses in accordance with IFRS 9, the Company measures the allowance for losses on receivables by expected credit losses over the duration of the receivables. Please refer to Note VI.15 for the impairment assessment method and related indicators.

In addition, financial assets are written off when the Company assesses that there is no reasonable expectation that they will be recovered (for example, when the issuer or debtor is in significant financial difficulty, or has become insolvent).

5. Liquidity Risk Management

The Company maintains financial flexibility through contracts such as cash and cash equivalents, highly liquid marketable securities and bank borrowings. The table below summarizes the maturity profile of the Company's financial liability contracts, based on the earliest possible date on which repayment can be demanded and the undiscounted cash flows, and includes contractual interest. The undiscounted interest amount of the interest cash flows paid at floating interest rates is derived from the yield curve at the end of the reporting period.

Non-derivative financial liabilities

	Less than 1 year	2 to 3 years	4 to 5 years	5 years and more	Total
2021.12.31					
Short-term loans	$193,746	$-	$-	$-	$193,746
Payables	597,151	-	-	-	597,151
Lease liabilities (Note)	2,885	3,792	2,897	40,535	50,109
2020.12.31					
Short-term loans	$307,844	$-	$-	$-	$307,844
Payables	575,352	-	-	-	575,352
Lease liabilities (Note)	2,774	3,705	2,832	41,511	50,822

Note: The following table provides further information on the maturity analysis of lease liabilities:

	Maturity period					
Lease liabilities	Less than 1 year	1 to 5 years	6 to 10 years	10 to 15 years	15 years and more	Total
2021.12.31	$2,885	$6,689	$7,700	$8,403	$24,432	$50,109
2020.12.31	$2,774	$6,537	$7,528	$9,947	$24,036	$50,822

6. Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for 2021:

	Short-term loans	Lease liabilities	Total liabilities arising from financing activities
2021.01.01	$307,584	$50,822	$358,406
Cash flows	(113,026)	(3,133)	(116,159)
Non-cash changes			
Newly acquired	-	2,671	2,671
Adjustments of lease liabilities remeasurement	-	(251)	(251)
Exchange rate changes	(868)	-	(868)
2021.12.31	$193,690	$50,109	$243,799

Reconciliation of liabilities for 2020:

	Short-term loans	Long-term loans	Lease liabilities	Total liabilities arising from financing activities
2020.01.01	$-	$300,000	$53,710	$353,710
Cash flows	307,216	(300,000)	(2,888)	4,328
Non-cash changes				
Exchange rate changes	368	-	-	368
2020.12.31	307,584	$-	$50,822	$358,406

7. Fair value of financial instruments

(1) Valuation techniques and assumptions used for fair value

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

A. The carrying amounts of cash and cash equivalents, receivables and payables are a reasonable approximation of their fair values, primarily due to the short maturities of these instruments.

B. The fair values of financial assets and liabilities traded in active markets with standard terms and conditions are determined by reference to quoted market prices.

C. Fair value of equity instruments without market quotations (for example private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, price-to-earnings ratio of similar entities and price-to-book ratio of similar entities).

D. The fair value of bank loans and other noncurrent liabilities without market quotations is determined based on the counterparty prices or valuation method. The valuation method uses the discounted cash flow method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instruments (such as yield curves published by the Taipei Exchange, average prices for fixed-rate commercial paper published by Reuters and credit risk information).

A. The fair value of derivative financial instruments without market quotations which are not options, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. The fair value of option-based derivative financial instruments is obtained by using the counterparty prices or appropriate option pricing model or other valuation method.

(2) Fair value of financial instruments measured at amortized cost

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

(3) Information about the fair value hierarchy of financial instruments

Please refer to Note XII.8 for details of the fair value hierarchy of the Company's financial instruments.

8. Fair value hierarchy

(1) Fair value hierarchy definition

All assets and liabilities measured or disclosed at fair value are categorized within their respective fair value hierarchy based on the lowest level of input that is significant to the overall fair value measurement. Inputs of each level are as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
Level 2: Inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: Unobservable inputs for the asset or liability.

Assets and liabilities recognized in the financial statements on a recurring basis are reassessed at the end of each reporting period to determine whether transfers between levels of the fair value hierarchy have occurred.

(2) Hierarchical information on fair value measurements

The Company has no non-repeated assets measured at fair value. The fair value hierarchy information of repetitive assets and liabilities is presented as follows:

As of December 31, 2021

	Level 1	Level 2	Level 3	Total
Loss on financial assets (liabilities) at fair value				
Stocks	$-	$-	$82,383	$82,383
Financial assets measured at fair value through other comprehensive income				
Stocks	161,879	-	382,670	544,549
Total	$161,879	$-	$465,053	$626,932

As of 31 December 2020:

	Level 1	Level 2	Level 3	Total
Loss on financial assets (liabilities) at fair value				
Stocks	$-	$-	$80,340	$80,340
Financial assets measured at fair value through other comprehensive income				
Stocks	133,665	-	293,612	427,277
Total	$133,665	$-	$373,952	$507,617

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

There are no transfers between Level 1 and Level 2 of the fair value hierarchy for the Company's assets and liabilities that are measured at fair value on a recurring basis during 2021 and 2020.

Details of changes in Level 3 of the repetitive fair value hierarchy

A reconciliation of the opening to closing balances of the Company's assets and liabilities that are measured at fair value on a recurring basis and are within level 3 of

the fair value hierarchy is presented below:

	Assets	Assets
	Measured at fair value through profit or loss	Measured at fair value through other comprehensive income
	Preferred shares	Stocks
2021.01.01	$80,340	$293,612
Recognized in other comprehensive income (reported as "Unrealized valuation gain or loss on investment in equity instruments measured at fair value through other comprehensive income")	-	89,058
Recognized in profit or loss (reported as "Unrealized valuation gain or loss on investment in equity instruments at fair value through profit or loss")	2,043	-
2021.12.31	$82,383	$382,670

	Assets	Assets
	Measured at fair value through profit or loss	Measured at fair value through other comprehensive income
	Preferred shares	Stocks
2020.01.01	$92,806	$143,429
Recognized in other comprehensive income (reported as "Unrealized valuation gain or loss on investment in equity instruments measured at fair value through other comprehensive income")	-	150,183
Recognized in profit or loss (reported as "Unrealized valuation gain or loss on investment in equity instruments at fair value through profit or loss")	(12,466)	-
2020.12.31	$80,340	$293,612

Information on 3rd level significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements of the Company categorized within 3rd level of the fair value hierarchy is as follows:

As of December 31, 2021

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relations between inputs and fair values	Sensitivity analysis for the relations between inputs and fair values
Fair value through profit or loss financial assets					
Stocks	Market method	Discount for lack of marketability	33.1%	The higher the discount for lack of marketability and control, the lower the fair value of the stocks	When the percentage of lack of marketability increases (decreases) by 10%, the Group's profit or loss will decrease/increase by NT$8,238 thousand.
Fair value through other comprehensive income financial assets:					
Stocks	Asset method	Discount for lack of marketability	10%-30%	The higher the discount for lack of marketability and control, the lower the fair value of the stocks	When the percentage of lack of marketability increases (decreases) by 10%, the Company's profit or loss will decrease/increase by NT$34,012 thousand.
	Market method	Price-to-book ratio of shares of similar companies	1.60~24.07	The higher the price-to-book ratio of shares of similar companies, the higher the fair value estimate	When the price-to-book ratio of shares of similar companies increases (decreases) by 10%, the Company's profit or loss will increase/decrease by NT$4,255 thousand.

As of 31 December 2020:

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relations between inputs and fair values	Sensitivity analysis for the relations between inputs and fair values
Fair value through profit or loss financial assets					
Stocks	Market method	Discount for lack of marketability	27.24%	The higher the discount for lack of marketability and control, the lower the fair value of the stocks	When the percentage of lack of marketability increases (decreases) by 10%, the Group's profit or loss will decrease/increase by NT$8,034 thousand.
Fair value through other comprehensive income financial assets:					
Stocks	Asset method	Discount for lack of marketability	10%-30%	The higher the discount for lack of marketability and control, the lower the fair value of the stocks	When the percentage of lack of marketability increases (decreases) by 10%, the Company's profit or loss will decrease/increase by NT$24,579 thousand.
	Market method	Price-to-book ratio of shares of similar companies	1.37~31.34	The higher the price-to-book ratio of shares of similar companies, the higher the fair value estimate	When the price-to-book ratio of shares of similar companies increases (decreases) by 10%, the Company's profit or loss will increase/decrease by NT$4,782 thousand.

Valuation process used for 3rd level fair value measurements

The Company's finance department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The department analyses the movements

in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies at each reporting date, to ensure the valuation results are reasonable.

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

For information on investment properties, please refer to Note VI.9.

9. Information on financial assets and liabilities denominated in foreign currencies with significant influence

Information on the Company's financial assets and liabilities denominated in foreign currencies with significant influence is as follows:

Amount: NT$ thousand

	2021.12.31		
	Foreign currency	Exchange rate	TWD
Financial assets			
Monetary item:			
USD	$22,579	27.67	$624,747
EUR	708	31.33	22,175
CNY	96,092	4.345	417,521
HKD	720	3.551	2,557
Financial liabilities			
Monetary item:			
USD	14,046	27.67	388,647
CNY	178	4.345	774
EUR	1	31.33	22
JPY	1,778	0.241	428

	2020.12.31		
	Foreign currency	Exchange rate	TWD
Financial assets			
Monetary item:			
USD	$33,039	28.48	$940,946
EUR	485	34.57	16,771
CNY	20,406	4.322	88,194
HKD	346	3.625	1,254
Financial liabilities			
Monetary item:			
USD	17,851	28.48	508,391
CNY	192	4.322	830
EUR	6	34.57	201

Due to the wide variety of foreign currencies of the Company, we are unable to disclose information on the exchange gains and losses on monetary financial assets and financial liabilities by the foreign currencies with significant influence. The Company's foreign currency translation losses for 2021 and 2020 were NT$16,034 thousand and NT$51,858 thousand, respectively.

10. Capital management

The primary objective of the Company's capital management is to ensure that sound credit ratings and good capital ratios are maintained to support corporate operations and maximize shareholders' equity. The Company manages and adjusts its capital structure in accordance with overall economic conditions. It may maintain and adjust its capital structure by adjusting dividend payments or issuing new shares.

XIII. Additional Disclosures

1. Information on Significant Transactions

(1) Loaning funds to others: Please see Table I for details.

(2) Endorsement for others: None.

(3) Marketable securities held at the end of the period: Please refer to Table II.

(4) The cumulative amount of purchases or sales of the same marketable securities amounting to at least NT$300 million or 20% of the paid-in capital: None.

(5) Acquisition of real estate amounting to at least NT$300 million or 20% of the paid-in capital: None.

(6) Disposal of real estate amounting to at least NT$300 million or 20% of the paid-in capital: None.

(7) Purchase and sale transactions with related parties amounting to at least NT$100 million or 20% of the paid-in capital: None.

(8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: None.

(9) Derivative transactions: There was no such transaction in the current period.

(10) Others: Business relations and significant transactions between the parent and subsidiaries and among subsidiaries and the amounts involved: Please refer to Table III.

2. Information on Investees

Information on investees over which the Company has significant influence or control, directly or indirectly: Please refer to Table IV.

3. Information on investment in mainland China

(1) The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, share of profits/losses of investee, ending balance, amount received as dividends from the investee, and the limitation on the investee: Please refer to Table V.

(2) Significant direct or indirect transactions with the investees in Mainland China: Please refer to Table III.

4. Major Shareholders Information

Names, numbers of shares held, and shareholding percentages of shareholders who hold 5 percent or more of the issuer’s equi ty: Please refer to Table VI.

Harvatek Corporation

Loaning funds to others

As of December 31, 2021

Table I: Loaning funds to others

Unit: NT$ thousand/ CNY thousand

No. (Note 1)	Financing Company	Borrower	Financial Statements Account	Maximum balance in the period	Ending balance	Amount actually drawn (Note 5)	Interest range	Financing nature	Transaction amount	Reasons for short-term financing	Allowance for bad debt	Collateral		Financing limits for each borrowing company (Note 3)	Financing company's total financing amount limit (Note 4)
												Name	Value		
0	Harvatek Corporation	Guangzhou Hongqi Electronics Limited	Other receivables from related parties	$73,865 (CNY 17,000)	$47,795 (CNY 11,000)	$19,553 (CNY 4,500)	Note 2	Short-term financing	$-	Working capital	$-	None	$-	$667,555	$1,335,110

Note 1: Description of the numbers is as follows:

1. Enter 0 for the issuer.
2. The investee companies are numbered by company in order starting from the Arabic numeral 1.

Note 2: Calculated by referencing to the average lending rate of the Company's operating banks.

Note 3: The limit on loaning of funds to each borrowing counterparty is limited to 20% of the Company's most recent net worth.

Note 4: The total amount of funds loaned to others is limited to 40% of the Company's most recent net worth.

Note 5: Foreign currencies are translated into New Taiwan dollars using the exchange rate reported in the financial statements (closing rate of CNY 1 = TWD 4.345).

Harvatek Corporation
Marketable securities held at the end of the period
As of December 31, 2021

Table II (excluding subsidiaries and associates)

Unit: NT$ thousand

Held Company	Marketable securities type and name	Relationship with the company	Accounts	2021.12.31				Remark
				Shares/unit	Carrying amount (NT$ thousand)	Shareholding ratio	Fair value	
Harvatek Corporation	CTMicro International Corp. (preferred shares)	-	Financial assets at fair value through profit or loss - noncurrent	47,982,980	$82,383	-	$82,383	-
	Chun-Hsin Venture Capital Co., Ltd.	Corporate director	Financial assets at fair value through other comprehensive income - noncurrent	3,000,000	6,030	5.61%	6,030	-
	Hsieh-Yung Investment Co., Ltd.	-	Financial assets at fair value through other comprehensive income - noncurrent	24,368,086	334,086	1.52%	334,086	-
	Starchips Technology Inc.	-	Financial assets at fair value through other comprehensive income - noncurrent	52,777	199	0.88%	199	-
	Gingy Technology Inc.	-	Financial assets at fair value through other comprehensive income - noncurrent	76,207	122	1.08%	122	-
	Lediamond Opto Corporation	-	Financial assets at fair value through other comprehensive income - noncurrent	750,000	18,053	11.54%	18,053	-
	Bigbest Solutions Inc.	-	Financial assets at fair value through other comprehensive income - noncurrent	3,000,000	24,180	4.29%	24,180	-
	Ever Supreme Bio Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income - noncurrent	200,000	42,100	0.32%	42,100	-
	Edison Opto Corporation	-	Financial assets at fair value through other comprehensive income - noncurrent	5,075,375	119,779	3.96%	119,779	-
Hong-Cheng Investment Co., Ltd.	Harvatek Corporation	Parent company of Hong-Cheng	Financial assets at fair value through other comprehensive income - current	182,807	5,009	0.09%	5,009	-
	Youngtek Electronics Corporation	Other related party of the Harvatek	Financial assets at fair value through other comprehensive income - current	2,274,200	191,033	1.77%	191,033	-
	Sigold OpticsInc.	-	Financial assets at fair value through other comprehensive income - noncurrent	1,174,656	20,533	9.20%	20,533	-
Consentek Corporation	OEpic Semiconductors Inc.	-	Financial assets at fair value through other comprehensive income - noncurrent	452,830	-	10.72%	-	-

Harvatek Corporation

Intercompany relationships and significant intercompany transactions

2021

Table III

Unit: NT$ thousand

No. (Note I)	Name of trading party	Trading Counterparty	Nature of relations (Note II)	Intercompany Transactions			
				Account	Amount	Transaction terms	Percentage of Consolidated Net Revenue or Total Assets (Note III)
0	Harvatek Corporation	Sleipnir LED Co., Ltd.	1	Purchase	$1	Depends on the contract	0.00%
				Material expenses, etc	$129		0.00%
				Rent income	$120		0.00%
		Guangzhou Hongqi Electronics Limited	1	Accounts receivable - related parties	$627	Depends on the contract	0.01%
				Other receivables - related parties	$19,585		0.42%
				Accounts payable - related parties	$2,877		0.06%
				Purchase	$19,935		0.66%
				Material expenses, etc	$118		0.00%
				Interest income	$479		0.02%
				Sales revenue	$741		0.02%
		Harvatek International (USA) Corp.	1	Accounts receivable - related parties	$6,764	Depends on the contract	0.15%
				Payables - commissions	$782		0.02%
				Sales revenue	$30,044		1.00%
				Rent expenses	$3,597		0.12%
		Guangzhou Jiu Hong Qi Trading Limited	1	Payables - commissions	$668	Depends on the contract	0.01%
				Rent expenses	$10,972		0.37%
				Service revenue	$1,047		0.03%
		Harvatek (HK) Limited	1	Service expenses	$855	Depends on the contract	0.03%
		Consentek Corporation	1	Rent income	$107	Depends on the contract	0.00%
		Syntek Corporation Limited	1	Accounts receivable - related parties	$798	Depends on the contract	0.02%
				Rent income	$760		0.03%
		Starlight Display Corporation	1	Other receivables - related parties	$315	Depends on the contract	0.01%
				Miscellaneous Income	$5		0.00%
				Rent income	$7		0.00%
		iReach Corporation	1	Material expenses, etc	$3	Depends on the contract	0.00%

Note I: Intercompany transactions should be indicated in the numbered columns individually. The number is filled in as follows:

1. Parent company is numbered 0.
2. Subsidiaries are numbered sequentially according to company name from Arabic numeral1.

Note II: There are three types of relationships with counterparties, indicating the type suffices:

1. Parent company to subsidiary.
2. Subsidiary to parent company.
3. Subsidiary to subsidiary.

Note III: For the calculation of transaction amount as a percentage of consolidated net revenue or total assets, in the case of balance sheet accounts, ending balance is divided by consolidated total assets; in the case of income statement accounts, cumulative amount in the period is divided by consolidated net revenue.

Harvatek Corporation

Relevant information such as name and location of the investee

2021

Table IV (excluding investees in Mainland China)

Unit: TWD thousand/USD/HKD/EUR

Name of Investor	Name of investee	Location	Main businesses and products	Original investment amount		held at the end			Net income (loss) of the investee (Note 1)	Investment gains and losses recognized by the Company
				End of the period	End of last year	Number of shares	Percentage	Carrying amount (Note 1)		
Harvatek Corporation	Hong-Cheng Investment Co., Ltd.	Hsinchu	Investment	$150,000	$150,000	2,500,000	41.60%	$192,359	$11,819	$6,112
	Harvatek (Hong Kong) Trading Limited	Hong Kong	Investment	18,259 (HKD 4,800,000)	18,259 (HKD 4,800,000)	4,800,000	80.00%	220	(754)	(602)
	Hong-Ruei Investment Co., Ltd.	Hsinchu	Investment	27,450	27,450	414,000	35.29%	2,246	167	2,315
	Harvatek International (USA) Corp.	USA	Sales of electronics components	83,574 (USD 2,600,000)	83,574 (USD 2,600,000)	1,000,000	100.00%	27,707	2,582	2,582
	HONOR LIGHT LIMITED	Samoa	Investment	588,331 (USD 19,521,636)	588,331 (USD 19,521,636)	19,521,636	100.00%	365,409	13,489	13,489
	Sleipnir LED Co., Ltd.	Hsinchu	Manufacturing and sales of electronics components	10,000	10,000	1,000,000	66.67%	780	(1,314)	(876)
	Syntek Corporation Limited	Hsinchu	Manufacturing and sales of electronics components	7,000	7,000	700,000	70.00%	4,137	(829)	(580)
	Consentek Corporation	Hsinchu	Manufacturing and sales of electronics components	55,050	55,050	5,510,000	61.22%	47,061	11,743	6,884
	Starlight Display Corporation	Hsinchu	Manufacturing and sales of electronics components	12,000	-	1,200,000	80.00%	7,440	(5,699)	(4,560)
Hong-Cheng Investment Co., Ltd.	Harvatek (Hong Kong) Trading Limited	Hong Kong	Investment	1,142 (HKD 300,000)	1,142 (HKD 300,000)	300,000	5.00%	14	(754)	Note 2
	Consentek Corporation	Hsinchu	Manufacturing and sales of electronics components	26,600	1,600	2,820,000	31.33%	24,086	11,743	Note 2
HONOR LIGHT LIMITED	Harvatek (HK) Limited	Hong Kong	Investment	68,491 (USD2,348,000)	68,491 (USD2,348,000)	2,348,000	100.00%	24,828	(780)	Note 2
	Harvatek Europe GmbH	Germany	Sales of electronics components	512 (EUR 12,750)	512 (EUR 12,750)	12,750	51.00%	879,364	(157)	Note 2
Consentek Corporation	iReach Corporation	Hsinchu	Manufacturing and sales of electronics components	59,999	-	10,909,000	50.24%	73,760	27,392	Note 2

Note 1: Figures in this table are presented in New Taiwan dollars. For foreign-currency transactions, the U.S. dollar, Hong Kong dollar and euro were translated into Taiwan dollars using the exchange rates of 27.673.551 and 31.330 at the date of the financial statements, except for the historical exchange rates. The exchange rates of the U.S. dollar, Hong Kong dollar and euro for profit or loss were translated into Taiwan dollars based on the average exchange rates of 27.751, 3.561 and 31.391.

Note 2: Gains or losses on investments in these companies are included in the investment gain or loss of the subsidiaries, respectively.

Harvatek Corporation

Information on investment in mainland China

2021

Table V

Unit: NTD thousand/USD thousand/CNY thousand

Name of investee in China	Main businesses and products	Paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan at the beginning of the period	Investment outflow or inflow for the period		Accumulated outflow of investment from Taiwan at the end of the period	Net Income (Losses) profit/loss in the period	Percentage of the Company's direct or indirect shareholding ratio	Current recognition of net investment income (or loss) (Note 2)	Carrying amount at end of the period(Note 2)	Accumulated inward remittance of investment gains at end of the period
					Outflow	Inflow						
Guangzhou Jiu Hong Qi Trading Limited	Sales of electronics components	CNY 500	(2) HONOR LIGHT LIMITED	$2,297 (USD83)	$-	$-	$2,297 (USD83)	$1,499	100.00%	$1,499 (Note 2, b)	$3,588	$-
Guangzhou Hongqi Electronics Limited	ring and sales of electronics c	CNY 20,000	(2) HONOR LIGHT LIMITED	$85,223 (USD3,080)	$-	$-	$85,223 (USD3,080)	$8,755	100.00%	$8,755 (Note 2, b)	$(5,937)	$-
Yangzhou YoungTek Electronics Ltd.	ring and sales of electronics c	CNY 67,887	(2) HONOR LIGHT LIMITED	$110,680 (USD 4,000)	$-	$-	$110,680 (USD 4,000)	$17,055	40.00%	$6,822 (Note 2, a)	$133,554	$-

Accumulated outflow of investment from Taiwan to mainland China at the end of the period	Investment amounts authorized by the Investment Commission, MOEA	Upper Limit on Investment in mainland China according to the Investment Commission, MOEA
$198,200 (USD7,163)	$ 198,200 (USD7,163)	$2,002,665

Note 1 : There are three types of investment methods as follows:

(1) Direct investment in mainland China.

(2) Investment in companies in mainland China through a company invested and established in a third region. (Please specify the investing company in the third region)

(3) Other methods.

Note 2: The basis of recognizing the profit or loss on investment in the period includes the following:

(a) The financial statement is audited and certified by international accounting firms which have partnerships with R.O.C. accounting firms.

(b) The financial statement is audited and certified by the parent company's auditors in Taiwan.

(c) Other basis.

Note 3: Foreign currencies are translated into New Taiwan dollars using the exchange rate reported in the financial statements (closing rate of CNY 1 = TWD 4.345 and USD 1 = TWD 27.67).

Harvatek Corporation

Major Shareholders Information

As of December 31, 2021

Table VI: Major Shareholders Information

Unit: shares

shares / Name of major shareholder	Number of shares held	Shareholding ratio(%)
Hsun Chieh Investment Corporation	28,023,066	13.59%
Wang, Ping-Lung	13,680,237	6.63%
Li-Yang Investment Co., Ltd.	13,053,214	6.33%

Note 1: The major shareholders information in this table is calculated by the TDCC on the last business day of each quarter for shareholders holding at least 5% of the Company's common shares and preferred shares that have been delivered without physical registration (including treasury shares). The number of shares recorded in the Company's financial statements may differ from the number of shares actually delivered due to different bases of calculation.

Note 2: If the above information is a trusted shareholding, it is disclosed in the name of the settlor of the trust account individually. As for the declaration, in accordance with the Securities and Exchange Act, of an insider's shareholding of more than 10% including their own shareholding plus the shares that they have delivered to the trust and have the right to decide on the use of the trust property, please visit the MOPS.

Note 3: The allocation of each credit transaction balance in this table is calculated based on the shareholder register as of the date for suspension of share transfer for a extraordinary shareholders meeting (without short covering).

Note 4: Shareholding ratio (%) = Total number of shares held by the shareholder / Total number of shares delivered.

Note 5: The total number of shares delivered (including treasury shares) without physical registration is 206,069,801 shares = 206,069,801 (common shares) + 0 (preferred shares).

Harvatek Corporation

1. Cash and cash equivalents

As of December 31, 2021

Unit: NT$ thousand/ foreign currency

Item	Summary	Amount	Remark
Cash and petty cash		$122	1. Bank deposits listed are not pledged or provided as guarantee
Check and current deposit		255,767	
Time deposit		933,437	2. Including material foreign currency amounts as below:
Total		$1,189,326	USD 2,066,174.56 EUR 595,747.65 CNY 84,497,026.41
			3. Exchange rates on December 31, 2021: 1 USD = NT$27.67 1 EUR = NT$31.33 1 CNY = NT$4.345

Harvatek Corporation

2. Financial assets at fair value through profit or loss - details of current and noncurrent

2021

Unit: Thousand shares/ NT$ thousand

Name	Beginning balance		Increase in current period		Decrease in current period		Gain on Fair value through profit or loss financial assets	Ending balance		Provision of guarantees or pledges	Remark
	Shares/ units	Book value	Shares/ units	Amount	Shares/ units	Amount		Shares/ units	Book value		
Financial assets at fair value through profit or loss - current:											
Jih Sun Money Market Fund	-	$ -	2,671	$ 40,000	2,671	$ 40,018	$ 18	-	$ -	None	
Taishin 1699 Money Market Fund	-	-	4,392	60,000	4,392	60,043	43	-	-	None	
Taishin Ta-Chong Money Market Fund	-	-	2,791	40,000	2,791	40,008	8	-	-	None	
FSITC Taiwan Money Market Fund	-	-	3,883	60,000	3,883	60,044	44	-	-	None	
FSITC Money Market Fund	-	-	222	40,000	222	40,008	8	-	-	None	
UPAMC James Bond Money Market Fund	-	-	1,187	20,000	1,187	20,004	4	-	-	None	
Franklin Templeton SinoAm Money Market Fund	-	-	5,746	60,000	5,746	60,031	31	-	-	None	
Union Money Market Fund	-	-	3,753	50,000	3,753	50,015	15	-	-	None	
Eastspring Investments Well Pool Money Market Fund	-	-	1,458	20,000	1,458	20,004	4	-	-	None	
Subtotal		-		390,000		390,175	175		-		
Financial assets at fair value through profit or loss - noncurrent:											
CT Micro International Corp. (preferred shares)	47,983	80,340	-	-	-	-	2,043	47,983	82,383	None	
Total		$ 80,340		$ 390,000		$ 390,175	$ 2,218		$ 82,383		

Harvatek Corporation

3. Details of net notes receivable

As of December 31, 2021

Unit: NT$ thousand

Client Name	Summary	Amount	Remark
Trendylite Corporation	Generated from sale of goods.	$588	
Metrodyne Microsystem Corp.	Generated from sale of goods.	67	
Less: loss allowance		-	
Net amount		$655	

Harvatek Corporation

4. Details of net accounts receivable and net accounts receivable - related parties

As of December 31, 2021

Unit: NT$ thousand

Client Name	Summary	Amount	Remark
Accounts receivable			
OSRAM Opto Semiconductors (China)		$180,964	The accounts receivable listed are all generated from sale of goods.
Avago Technologies International		60,264	
Stanley Electric (Asia Pacific) Limited Taiwan Branch		56,991	
SCT Technology Ltd		46,188	
Zhongshan Jing Yang Electronics Ltd.		30,796	
Other		246,989	(Note)
Total		622,192	
Less: loss allowance		(59,995)	
Net amount		$562,197	
Accounts receivable - related parties			
Harvatek International (USA) Corp.		$6,764	
Syntek Corporation Limited		798	
Guangzhou Hongqi Electronics Limited		627	
Total		$8,189	

Note: None of the balances exceed 5% of the amount in this account.

Harvatek Corporation

5. Details of net other receivables and other receivables - related parties

As of December 31, 2021

Unit: NT$ thousand

Item	Summary	Amount	Remark
Other receivables			
Business tax refundable		$490	
Other		11,059	
Total		$11,549	
Other receivables - related parties			
Guangzhou Hongqi Electronics Limited		$19,585	
Starlight Display Corporation		315	
YoungTek Electronics Corporation		135	
Total		$20,035	

Harvatek Corporation

6. Details of net inventories

As of December 31, 2021

Unit: NT$ thousand

Item	Summary	Amount		Remark
		Costs	Net realizable value	
Materials		$124,727	$122,390	1. None of the inventories listed was provided for guarantee or pledge.
Supplies		28,233	27,633	
Work in process		52,461	52,461	2. Inventories are evaluated at the lower of cost or net realizable value on an item-by-item basis.
Finished goods		386,422	451,566	
Total		591,843	$654,050	
Less: Allowance to reduce inventory to market		(142,158)		
Net amount		$449,685		

Harvatek Corporation

7. Details of changes in financial assets at fair value through other comprehensive income - noncurrent

2021

Unit: Thousand shares/ NT$ thousand

Name	Beginning balance		Increase in current period		Decrease in current period		Gains on financial assets at fair value through other comprehensive income	Ending balance			Provision of guarantees or pledges	Remark
	Number of Shares (thousand shares)	Fair value	Number of Shares (thousand shares)	Amount	Number of Shares (thousand shares)	Amount		Number of Shares (thousand shares)	Shareholding ratio	Fair value		
Ever Supreme Bio Technology Co., Ltd	200	$34,996	-	$ -	-	$-	$7,104	200	0.32%	$42,100	None	
Hsieh-Yung Investment Co., Ltd.	11,562	240,721	12,806	-	-	-	93,365	24,368	1.52%	334,086	None	Note 1
Starchips Technology Inc.	53	72	-	-	-	-	127	53	0.88%	199	None	
Chun-Hsin Venture Capital Co., Ltd.	3,000	5,070	-	-	-	-	960	3,000	5.61%	6,030		
Lediamond Opto Corporation	750	23,505	-	-	-	-	(5,452)	750	11.54%	18,053	None	
Gingy Technology Inc.	183	1,264	-	-	(107)	-	(1,142)	76	1.08%	122	None	Note 2
Bigbest Solutions Inc.	3,000	22,980	-	-	-	-	1,200	3,000	4.29%	24,180	None	
Edison Opto Corporation	5,112	98,669	-	-	(37)	(1,047)	22,157	5,075	3.96%	119,779	None	
Total		$427,277		$-		$(1,047)	$118,319			$544,549		

Note 1: Increase of current period is for the stock dividends.

Note 2: The decrease in the current period represents the reduction of capital to cover the loss.

Harvatek Corporation

8. Changes in investment accounted for using the equity method

2021

Unit: NT$ thousand

Name of investee	Beginning balance		Increase in current period		Decrease in current period		recognized by the Company	Exchange differences arising on translation of foreign operations	Issuance of dividends to subsidiaries to adjust capital surplus	Changes in equities of subsidiaries	Measured at fair value financial assets at fair value through other comprehensive income	Ending balance			Equity net worth		Provision of guarantees or pledges
	Number of shares (thousand shares)	Amount	Number of shares (thousand shares)	Amount	Number of shares (thousand shares)	Amount						Number of Shares (thousand shares)	Shareholding/ voting right percentage	Amount	Unit price	Total price	
Long-term equity investments accounted for using the equity method																	
Harvatek International (USA) Corp.	1,000	$25,885	-	$-	-	$-	$2,582	$(760)	$-	$-	$-	1,000	100.00%	$27,707	$27.71	$27,707	None
HONOR LIGHT LIMITED	19,522	351,351	-	-	-	-	13,489	569	-	-	-	19,522	100.00%	365,409	18.72	365,409	None
Hong-Ruei InvestmentCo., Ltd.	414	-	-	-	-	(69) (Note 1)	2,315	-	-	-	-	414	35.29%	2,246	5.43	2,246	None
Harvatek (Hong Kong) Trading Limited	4,800	307	-	-	-	-	(602)	515	-	-	-	4,800	80.00%	220	0.05	220	None
Hong-Cheng Investment Co., Ltd.	2,500	162,706	-	4,091 (Note 2)	-	-	6,112	14	53	(2,875) (Note 3)	22,258	2,500	41.60%	192,359	76.94	192,359	None
Sleipnir LED Co., Ltd.	1,000	1,656	-	-	-	-	(876)	-	-	-	-	1,000	66.67%	780	0.78	780	None
Syntek Corporation Limited	700	4,717	-	-	-	-	(580)	-	-	-	-	700	70.00%	4,137	5.91	4,137	None
Consentek Corporation	5,510	34,015	-	-	-	-	6,884	-	-	6,162 (Note 3)	-	5,510	61.22%	47,061	8.54	47,061	None
Starlight Display Corporation	-	-	1,200	12,000 (Note 4)	-	-	(4,560)	-	-	-	-	12,000	80.00%	7,440	0.62	7,440	
Total		$580,637		$16,091		$(69)	$24,764	$338	$53	$3,287	$22,258			$647,359			

Note 1: Retained earnings adjustments for long-term investments accounted for under equity method.

Note 2:Refers to actual payment of dividends and the sale of treasury stock of the parent company by the subsidiary.

Note 3: Refers to adjustments to changes in equity in subsidiaries due to not participating in a capital increase in the proportion of shareholding ratio.

Note4:The increase in the current period represents a new investment.

Harvatek Corporation

9. Details of “Property, plant and equipment”, “Investment property”, “Intangible assets” and “Other non-current assets

As of December 31, 2021

Unit: NT$ thousand

Item	Summary	Amount	Remark
Property, plant and equipment		$542,050	Please refer to Note VI.8 of the financial statements.
Net investment property		$68,971	Please refer to Note VI.9 of the financial statements.
Intangible assets		$2,763	Please refer to Note VI.10 of the financial statements.
Refundable deposits	Performance bond for FE department store project and refundable deposit for company cars	$720	
Other noncurrent assets			
Prepayment to equipment suppliers		$48,520	
Other deferred assets		1,390	
Total		$49,910	

Harvatek Corporation

10. Changes in the right-of-use assets

2021

Unit: NT$ thousand

Item	Beginning balance	Increase in current period	Decrease in current period	Adjustments of remeasurement	Ending balance	Remark
Acquisition cost						
Land	$ 50,652	$ 774	$ -	$ (251)	$ 51,175	
Machinery equipment	2,180	-	-	-	2,180	
Transportation equipment	3,056	1,897	(1,598)	-	3,355	
Total cost	55,888	2,671	(1,598)	(251)	56,710	
Accumulated depreciation						
Land	$ 2,674	$ 1,703	$ -	$ -	$ 4,377	
Machinery equipment	872	436	-	-	1,308	
Transportation equipment	2,213	1,306	(1,598)	-	1,921	
Total accumulated depreciation	5,759	3,445	(1,598)	-	7,606	
Book value	$ 50,129	$ (774)	$ -	$ (251)	$ 49,104	

Harvatek Corporation

11. Details of short-term debts

As of December 31, 2021

Unit: NT$ thousand

Creditor:	Nature of borrowing	Amount	Contract term	Interest rate	Remark
Taiwan Shin Kong Bank	Credit loan	138,350	2021.12.13-2022.02.13	0.60%	
Taipei Fubon Commercial Bank	Credit loan	55,340	2021.12.15-2022.03.14	0.63%	
Total		$ 193,690			

Harvatek Corporation

12. Details of net accounts payable and accounts payable - related parties

As of December 31, 2021

Unit: NT$ thousand

Supplier Name	Summary	Amount	Remark
Accounts payable:			
Subtron Technology Co., Ltd.		$82,859	
Stanley Electric (Asia Pacific) Ltd.		65,751	
Epistar Corporation		48,047	
Opto Tech Corporation Co., Ltd.		30,658	
OSRAM Opto Semiconductor Asia Limited		30,240	
Other		101,613	(Note)
Total		$359,168	
Accounts payable - related parties:			
YoungTek Electronics Corporation		$26,531	
Guangzhou Hongqi Electronics Limited		2,877	
Harvatek International (USA) Corp.		782	
Guangzhou Jiu Hong Qi Trading Limited		668	
Total		$30,858	

Note: None of the balances exceed 5% of the amount in this account.

Harvatek Corporation

13.Details of payables to equipment suppliers and other payables

As of December 31, 2021

Unit: NT$ thousand

Item	Summary	Amount	Remark
Payables to equipment suppliers:			
STARK TECHNOLOGY INC.		$1,831	
Yu Fong Precision Machinery Co., Ltd.		1,374	
SINGLE WELL INDUSTRIAL CORP.		880	
HSU SAO INDUSTRIAL CO., LTD.		872	
Systex Corporation		819	
Hsin Long Hsing Ironworks		512	
Zhi Zhan Ho Electronic Co., Ltd.		431	
Other		1,579	(Note)
Total		$8,298	
Other payables:			
Salary and bonus payable		$91,874	
Remuneration payable to employees		47,400	
Compensation due to directors and supervisors		4,600	
Other	Expenses for labor insurance, health insurance, etc.	54,953	(Note)
Total		$198,827	

Note: None of the balances exceed 5% of the amount in this account.

Harvatek Corporation

14.Details of lease liabilities

As of December 31, 2021

Unit: NT$ thousand

Item	Summary	Lease term	Discount rate	Ending balance	Remark
Land		30-50years	1.5500% - 1.7500%	$ 47,772	
Machinery equipment		5years	1.2464%	889	
Transportation equipment		2–3 years	1.1748% - 2.8800%	1,448	
Total				50,109	
Less: current proportion				(2,885)	
Lease liabilities - noncurrent				$ 47,224	

Harvatek Corporation

15.Details of net operating revenue

2021

Unit: NT$ thousand

Item	Summary	Amount	Remark
Sales revenue	5,785,462thousand pcs	$2,819,568	
Add: engineering revenue	4 pcs	14,219	
Processing revenue	52,854thousand pcs	21,878	
Subtotal:		2,855,665	
Less: sales return	13,234 thousand pcs	(7,356)	
Sales allowance	74thousand pcs	(2,317)	
Net operating revenue		$2,845,992	

Harvatek Corporation

16. Details of operating cost

2021

Unit: NT$ thousand

Item	Summary	Amount	Remark
Cost of self-manufactured goods			
Direct materials			
Opening inventory		$87,500	
Add: material purchased		1,100,017	
Less: ending inventory		(124,727)	
Sale of materials		(3,872)	
Other		(6,192)	
Material consumed		1,052,726	
Supplies consumed		237,637	
Direct labor cost		176,746	
Manufacturing expenses		570,883	
Cost of manufacturing		2,037,992	
Add: works in process at start of period		69,146	
Less: works in process at end of period		(52,461)	
Others		(772)	
Cost of finished goods		2,053,905	
Add: beginning finished goods		317,111	
Purchase of current period		117,719	
Less: ending finished goods		(386,422)	
Others		(37,372)	
Cost of self-manufactured goods		2,064,941	
Other operating costs			
Loss of reduce inventory to market and slow-moving inventory		13,111	
Loss of inventory obsolete		4,518	
Sale of materials		3,872	
Supplies sold		262	
Sale of scrap and waste		(9,978)	
Other		33,367	
Subtotal of other operating costs		45,152	
Total cost of sales		$2,110,093	

Harvatek Corporation

17. Details of manufacturing expenses

2021

Unit: NT$ thousand

Item	Summary	Amount	Remark
Salaries		$189,148	
Processing expenses		151,909	
Depreciation expenses		71,227	
Consumable materials and tools		58,466	
Utilities expenses		44,703	
Other		55,430	(Note)
Total		$570,883	

Note: None of the balances of other items exceed 5% of the amount in this account.

Harvatek Corporation

18. Details of selling expenses

2021

Unit: NT$ thousand

Item	Summary	Amount	Remark
Salaries		$50,803	
Commissions		27,026	
Shipping expenses		18,210	
Royalty expenses		13,483	
Other		59,228	(Note)
Total		$168,750	

Note: None of the balances of other items exceed 5% of the amount in this account.

Harvatek Corporation

19. Details of selling expenses

2021

Unit: NT$ thousand

Item	Summary	Amount	Remark
Salaries		$46,535	
Service expenses		9,916	
Miscellaneous expenses		7,697	
Depreciation expenses		6,328	
Other		23,721	(Note)
Total		$94,197	

Note: None of the balances of other items exceed 5% of the amount in this account.

Harvatek Corporation

20. Details of R&D expenses

2021

Unit: NT$ thousand

Item	Summary	Amount	Remark
Salaries		$58,102	
Material expenses		32,396	
Depreciation expenses		14,498	
Other		2,548	(Note)
Total		$107,544	

Note: None of the balances of other items exceed 5% of the amount in this account.

21. Summary of employee benefits, depreciation and amortization by function of the current period:

Please refer to Note VI.17for relevant information.

VII. Discussion and Analysis of Financial Standing and Financial Performance and Risks

7.1 Financial Standing

Analysis of Financial Status

Unit: NT$ thousands

Item \ Year	2021	2020	Difference	
			Amount	%
Current Assets	2,931,466	2,586,319	345,147	13.35
Fixed Assets	586,701	587,067	(366)	(0.06)
Intangible Assets	34,291	1,618	32,673	2,019.34
Other Assets	1,055,391	879,584	175,807	19.99
Total Assets	4,607,849	4,054,588	553,261	13.65
Current Liabilities	1,006,058	948,743	57,315	6.04
Long-term Liabilities	91,500	88,038	3,462	3.93
Total Liabilities	1,097,558	1,036,781	60,777	5.86
Capital stock	2,060,698	2,060,698	0	0.00
Capital surplus	494,534	484,034	10,500	2.17
Retained Earnings	472,964	244,014	228,950	93.83
Other Adjustments	310,899	172,325	138,574	80.41
Treasury Stock	(1,320)	(6,857)	5,537	(80.75)
Non-controlling interests	172,516	63,593	108,923	171.28
Total Stockholders' Equity	3,510,291	3,017,807	492,484	16.32

1. The analysis and explanation of the increase or decrease ratio of more than 20%:

(1) Increase in intangible assets: mainly due to the merger of enterprises in the current period.
(2) Increase in retained earnings: mainly due to an increase in the current period or period.
(3) Increase in other equity: Mainly due to the increase in the evaluation benefit of financial assets measured at fair value through other comprehensive gains and losses.
(4) Decrease in treasury shares: mainly due to the sale of treasury shares during the period.
(5) Increase in non-controlling interests: mainly due to the increase in the subsidiary's interest in evaluating financial assets at fair value through other comprehensive gains and losses.

2. Future response plan: The above increase and decrease ratio changes are due to normal operating conditions, and there is no special response plan.

7.2 Financial Performance

Analysis of Financial Performance

Unit: NT$ thousands

Item \ Year	2021	2020	Difference	
			Amount	(%)
Net Sales	3,000,490	2,507,351	493,139	19.67
Cost of Sales	2,178,204	1,974,626	203,578	10.31
Gross Profit	822,286	532,725	289,561	54.35
Operating Expenses	423,309	308,823	114,486	37.07
Operating Income	398,977	223,902	175,075	78.19
Non-operating income and expenses	57,721	(39,694)	97,415	(245.41)
Income Before Tax	456,698	184,208	272,490	147.93
Tax Expense	(68,350)	(40,562)	(27,788)	68.51
Net Income	388,348	143,646	244,702	170.35

1. The analysis and explanation of the increase or decrease ratio of more than 20%:

(1) Increase in operating margin: Mainly due to the promotion of new products and product portfolio.
(2) Increase in operating expenses: mainly due to the increase in marketing expenses and research and development expenses.
(3) Increase in operating net profit: mainly due to the increase in operating gross profit and the increase in expected credit impairment reversal benefits.
(4) Increase in net loss of non-operating income and expenses: mainly due to the increase in foreign currency exchange losses and the increase in losses recognized by the equity method.
(5) Increase in net profit before tax: Mainly due to the increase in operating net profit.
(6) Increase in income tax expenses: mainly due to the increase in net profit before tax.
(7) Increase in net profit for the current period: mainly due to the increase in net profit before tax.

2. Future response plan: The above increase and decrease ratio changes are due to normal operating conditions, and there is no special response plan.

7.3 Cash Flow

7.3.1 Cash Flow Analysis for the Last Two Years

Unit: NT$ thousands

Item	2021	2020	Difference	
			Amount	%
Operating Activities	454,694	434,271	20,423	4.70
Investing Activities	(86,627)	(85,168)	(1,459)	1.71
Financing Activities	(244,901)	4,756	(249,657)	(5,249.31)

Description of changes in the increase or decrease ratio:

1. Increase in net outflow from financing activities: mainly due to the repayment of short-term bank borrowings and the distribution of cash dividends during the current period.

7.3.2 Cash Flow Analysis for the Current Year

Unit: NT$ thousands

Cash and Cash Equivalents, Beginning of Year	Net Cash Flow from Operating Activities	Cash Outflow	Cash Surplus (Deficit)	Leverage of Cash Deficit	
				Investment Plans	Financing Plans
1,582,771	470,000	420,000	1,632,771	-	-
Remedial measures and liquidity analysis for expected cash shortage: None. Analysis of cash flow in the coming year: 1. It is estimated that the cash flow from operating activities in the coming year will still show a net inflow due to the maintenance of normal operating activities. 2. The expected cash outflow in the next year is mainly due to the payment of cash dividends and the purchase of equipment.					

7.4 Impact of the Latest Major Capital Expenditures on Financial Business:

None

7.5 Main Reasons for Profits or Losses of the Latest Re-investment Policy, Improvement Plan and Investment Plan for the Coming Yea：In 2021, the company indirectly invested in iReach Corporation through Consentek Corporation Co., Ltd. to engage in the research and development and sales of laser diodes (VCSELs). The company's net profit after tax in 2021 was NTD 27,392,000; There are no major investment plans for 2022.

7.6 Analysis and Assessment of Risks:

7.6.1 Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

Unit: NT$ thousands

Item	2022 (As of March 31)	2021	2020
Exchange gain(loss)	39,350	(21,567)	(61,711)
Net Sales	69,713	3,000,490	2,507,351
Gross Profit	78,026	398,977	223,902
Exchange gain (loss) to net sales (%)	5.70	(0.72)	(2.46)
Exchange gain (loss) to gross profit (%)	50.43	(5.41)	(27.56)

The SMD LED produced by HARVATEK is mainly sold in the foreign market and is easily affected by fluctuations in exchange.

In order to avoid the risk of fluctuations in exchange, the company will carefully study and judge the trend of exchange rate changes, and appropriately use pre-purchase or pre-sale forward exchange rates to effectively reduce exchange risk.

7.6.2 Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions:

The company does not engage in high-risk and high-leverage investments. In addition, the company and its subsidiaries only target the invested subsidiaries and provide capital loans or endorsement guarantees in response to their operational needs. The company has established operating procedures for fund lending to others, operating procedures for endorsement guarantees, and procedures for obtaining or disposing of assets as the basis for control. The company's derivative financial products are not held for trading purposes, and the establishment of forward foreign exchange contracts is mainly to avoid the risks of foreign currency claims and debts due to changes in exchange rates. The company's hedging strategy is to achieve the purpose of avoiding most of the market price risks.

7.6.3 Future Research & Development Projects and Corresponding Budget:

For the company's future R&D plans, please refer to this annual report "Five, Operation Overview 1. Business Content (4) Long-term and short-term business development plans".

The company expects to invest approximately NT$81,416,000 in research and development expenses in 2022.

7.6.4 Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales:

The company has taken appropriate measures to respond to important domestic and foreign policy and legal changes in the most recent years, which have not yet had a significant impact on the company's financial business.

7.6.5 Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales:

In recent years, technological changes and industrial changes have not had a significant impact on the company's financial business, and continuous quality improvement and innovation activities are the company's response methods.

7.6.6 The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures:

The company upholds the principles of openness, transparency, and integrity, and is striving towards the goal of strengthening corporate governance.

7.6.7 Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans: None.

7.6.8 Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans: None.

7.6.9 Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration: None.

7.6.10 Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%: None.

7.6.11 Effects of, Risks Relating to and Response to the Changes in Management Rights: None.

7.6.12 Does the Company or its directors, supervisors, general manager, key managers, shareholders with more than 10% shareholding or subsidiaries have any pending lawsuits or disputes which might significantly affect the shareholders' equity or share prices? If yes, what are the facts, claims, filing date, major parties and status upon publishing of this Report: None

7.6.13 Other Major Risks: None.

7.7 Other important matters: None.

VIII. **Special Notes**

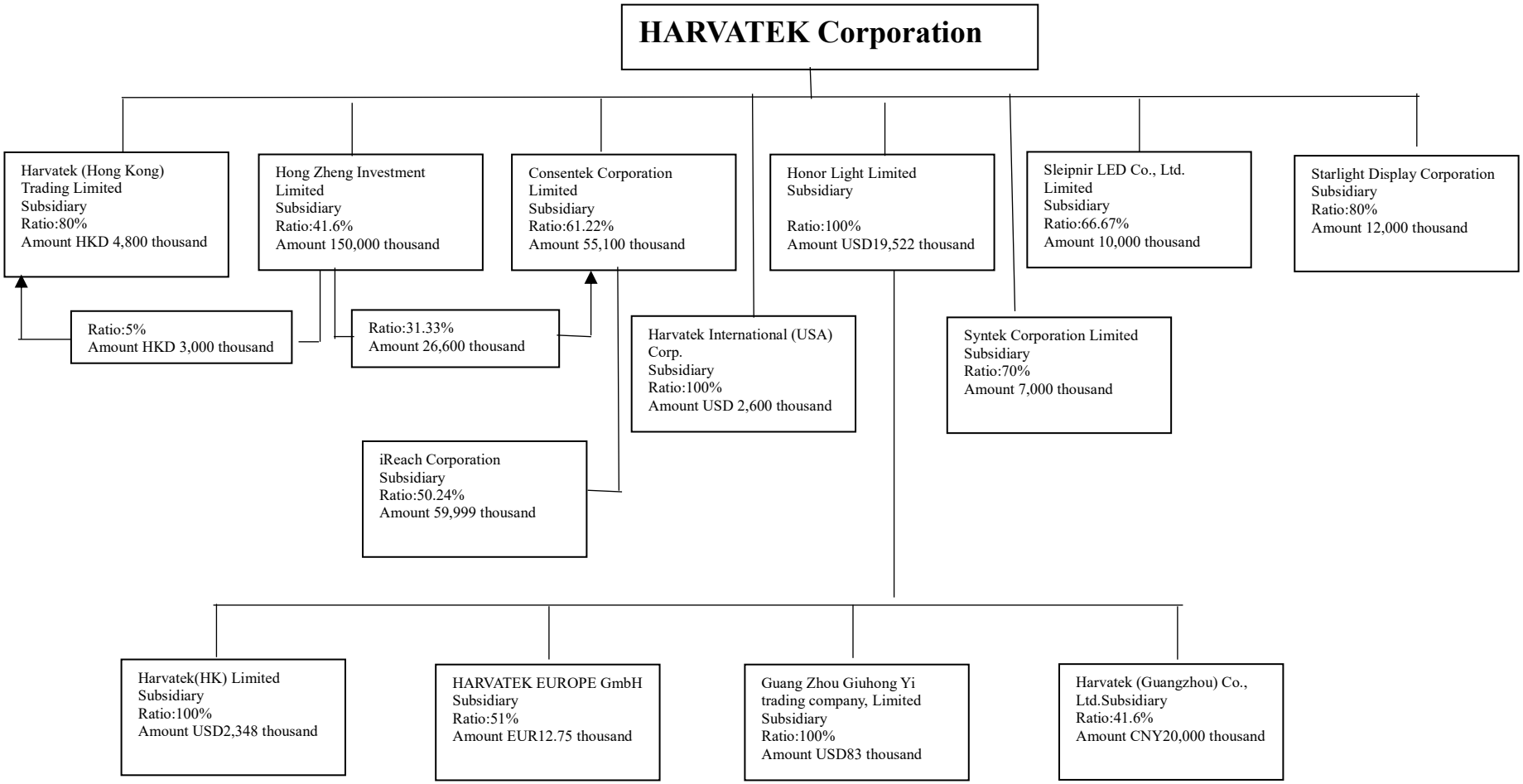
8.1 Information of associated enterprises

8.1.1Consolidated business report

8.1.1.1 Organizational status

Organizational chart

As of December 31, 2021



Backgrounds of affiliated enterprises

Investee	Established Date	Location	Paid-in Capital		Main Business or Products
			Currency	Amount (thousand)	
Harvatek (Hong Kong) Trading Limited	2012.01.09	Hong Kong	HKD	6,000	Investment holding
Hong Zheng Investment Limited	2009.02.13	Hsinchu City, Taiwan	NT$	60,100	Investment holding
Consentek Corporation	2020.06.10	Hsinchu City, Taiwan	NT$	45,000	Manufacturing and sales of electronic components
Harvatek International (USA) Corp.	2004.12.10	U.S.A	USD	1,000	Sales of electronic components
Honor Light Limited	2007.01.15	Samoa	USD	19,522	Investment holding
Syntek Corporation Limited	2015.07.08	Hsinchu City, Taiwan	NT$	10,000	Manufacturing and sales of electronic components
Sleipnir LED Co., Ltd.	2017.09.18	Hsinchu City, Taiwan	NT$	15,000	Manufacturing and sales of electronic components
Harvatek(HK) Limited	2011.06.29	Hong Kong	USD	2,348	Investment holding
HARVATEK EUROPE GmbH	2013.09.17	Germany	EUR	25	Sales of electronic components
Guang Zhou Giuhong Yi trading company, Limited	2014.06.26	Guangzhou City, China	CNY	500	Sales of electronic components
Harvatek (Guangzhou) Co., Ltd.	2018.01.24	Guangzhou City, China	CNY	20,000	Manufacturing and sales of electronic components
iReach Corporation	2018.01.09	Hsinchu City, Taiwan	NT$	108,575	Manufacturing and sales of electronic components
Starlight Display Corporation	2021.09.28	Hsinchu City, Taiwan	NT$	75,000	Manufacturing and sales of electronic components

8.1.1.2. Common Shareholders among Controlling and Controlled Entities: None.

8.1.1.3. The overall converage of operations: The overall converage of operations mainly includes manufacturing and sales of electronic components

8.1.1.4. Backgrounds of directors, supervisors and presidents of affiliated enterprises

As of December 31, 2021

Name of Company	Title	Name or Representative	Shareholding	
			Shares	Ratio(%)
Harvatek (Hong Kong) Trading Limited	Chairman	Harvatek Corporation	4,800,000	80.00
	Director	Li, Yi-Min	-	-
	Director	Tsai, Tsui-Fang	-	-
Hong Zheng Investment Limited	Chairman	Li Fa Investment Limited	1,900,000	31.61
	Supervisor	Huang Hui-Yen	-	-
Consentek Corporation	Chairman	Harvatek Representative：Jou, Ming-Jiunn	5,510,000	61.22
	Director	Harvatek Representative：Wang, Ping-Lung		
	Director	Harvatek Representative：Huang, Chia Che		
	Supervisor	Su, Yu-Hui	-	-
Harvatek International (USA) Corp.	Chairman	Wang, Ping-Lung	-	-
	Director	Wei ,Jin	-	-
Honor Light Limited	Chairman	Wang, Ping-Lung	-	-
Syntek Corporation Limited	Chairman	Harvatek Representative：Chuang, Feng-Hui	700,000	70.00
	Director	Harvatek Representative：Chang,Chia-Pin		
	Director	Harvatek Representative：Hsiao, Hui-Chun		
	Supervisor	Yang, Chih-Chao	-	-
Sleipnir LED Co., Ltd.	Chairman	Harvatek Representative：Tsai, Tseng-Hsiang	1,000,000	66.67
	Director	Harvatek Representative：Chuang, Feng-Hui		
	Director	Harvatek Representative：Huang Hui-Yen		
	Supervisor	Su, Yu-Hui	-	-

Harvatek(HK) Limited	Chairman	Wang, Ping-Lung	-	-
HARVATEK EUROPE GmbH	Director	Honor Light Limited	12,750	51.00
	Director	Andreas Mugele	12,250	49.00
Guang Zhou Giuhong Yi trading company, Limited	Chairman	Xiao, Cheng-Chi	-	-
	Supervisor	Cheng, Wei-Yuan	-	-
Harvatek (Guangzhou) Co., Ltd.	Executive Director	Li, Wen-Hai	-	-
	Supervisor	Xiao, Cheng-Chi	-	-
iReach Corporation	Chairman	Harvatek Representative：Jou, Ming-Jiunn	10,909,000	50.24
	Director	Harvatek Representative：Chen,Shou-Long		
	Director	EPSTAR Representative：Yu,Yumg-Sheng	7,000,000	32.24
	Supervisor	Huang, Chia Che	-	-
Starlight Display Corporation	Chairman	Harvatek Representative：Yang,Pang-Yen	1,200,000	80.00
	Director	Harvatek Representative：Chuang, Feng-Hui		
	Director	Chiu,Hsien-Ming	120,000	8.00
	Supervisor	Su, Yu-Hui	-	-

8.1.1.5. Performance of affiliated enterprises

As of December 31, 2021; Unit: NT$ thousands

Name of Company	Paid-in Capital	Total assets	Total liabilities	Net Worth	Operating revenues	Operating income	Net income (loss)	Earnings Per Share(in dollar)
Hong Zheng Investment Limited	60,100	296,490	1,725	294,765	9,372	9,299	11,819	1.97
Harvatek (Hong Kong) Trading Limited	22,824	275	-	275	-	(102)	(753)	(0.16)
Consentek Corporation	45,000	76,962	92	76,870	-	(2,576)	11,743	1.30
iReach Corporation	108,575	203,454	89,740	113,714	119,664	27,467	27,392	1.26
Harvatek International (USA) Corp.	83,574	34,703	6,995	27,708	34,553	1,325	2,582	2.58
Honor Light Limited	588,331	399,085	32,831	366,254	63,441	3,959	13,489	0.69
Harvatek(HK) Limited	71,050	24,828	-	24,828	855	(69)	(780)	(0.33)
HARVATEK EUROPE GmbH	999	1,796	71	1,724	8	(179)	(157)	(6.27)
Harvatek (Guangzhou) Co., Ltd.	90,648	22,953	28,889	(5,937)	52,748	2,551	8,775	-
Guang Zhou Giuhong Yi trading company, Limited	2,426	7,459	3,871	3,588	9,830	1,670	1,499	-
Syntek Corporation Limited	10,000	6,707	798	5,909	-	(830)	(829)	(0.83)
Sleipnir LED Co., Ltd.	15,000	1,286	116	1,170	1,083	(3,131)	(1,314)	(0.88)
Starlight Display Corporation	75,00	12,230	2,929	9,301	-	(5,699)	(5,699)	(3.80)

Note: Calculated based on actual shares at the end of the year

8.1.2 Consolidated Financial Statements Covering Affiliated Enterprises: Refer to the consolidated statements of parent and subsidiary companies.

8.1.3 Reports on Affiliations: None.

8.2 Organization of the Latest Private Placement Securities as of the Date of Printing of the Annual Report: None.

8.3 Holding or disposal of the Company's shares by its subsidiaries of the latest year and up to the date of printing of the Annual Report.

The most recent year and as of the publication date of the annual report
Subsidiary holding or disposing of the company's stock

Unit: NT$ thousands, shares, %

Name of Subsidiary	Paid-in Capital Collected	Fund Source	Shareholding Ratio of the Company	Date of Acquisition or Disposition	Acquisition		Disposition		Investment Gain (Loss)	Shareholdings and Amount in the Most Recent Years and up to the date of publication of the annual report (Note1)		Mortgage	Endorsement Amount Made for the Subsidiary	Amount Loaned to the Subsidiary
					Shares	Amount	Shares	Amount		Shares	Amount			
Hong Zheng Investment Limited	60,100	private capital	41.6	2021	-	-	767,000	23,692	10,300	182,807	3,173	None	-	-
				The data is calculated until March 31, 2021.	-	-	-	-	-			None	-	-

Note 1: The holding amount is the cost without evaluation.

8.4 Other matters requiring supplementary information: None.

IX. Disclosures of Events Which May Have a Significant Influence on Stockholders' Equity or Share Price: None.

Harvatek Corporation

Chairman Wang, Ping-Lung