Stock Code: 6168

Harvatek Corporation

2020 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

Harvatek Annual Report is available at: http://www.harvatek.com

Printed on May 23, 2021

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4. Auditors

Ernst & Young Global Limited

Auditors：Hans Chen、Hsin Min Hsu

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5.Overseas Securities Exchange：None。

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

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I. Letter to Shareholders

Dear Shareholders：

According to WitsView of TrendForce, the LED industry was impacted by the COVID 19 epidemic in 2020. The market demand declined significantly, with an estimated output value of US$15.1 billion, down 10% annually which is a rare decline over the years. Looking ahead to 2021, as the development of the vaccines, the long suppressed demand will rebound, and the output value of global LED industry is expected to reach US$ 15.7 billion, representing a 3.8% increase. Due to the diversified application of LED, the recovery of each application industry also varies. In view of the traditional backlight applications, in 2020, the epidemic driven remote working and learning became the norm and pushed the demand for consumer electronics such as tablets and laptops. LED backlight related companies were therefore performing well, however we should take a reserved view on the market demand in 2021. As for the LED display, since LED displays are mainly used in commercial spaces, and the number of commercial shows decreased in 2020, the LED display production value declined by 9.3%. Looking ahead to 2021, benefits from various the gradual recovery of commercial shows and the rising demand for fine pitch LED displays with higher resolution, the output value of LED displays is expected to return to the pre-epidemic level of approximately US$1.48 billion. As for the highly anticipated Mini LED backlight, Apple and Samsung are expected to release new products in 2021, which will drive the demand for Mini LED backlight to grow significantly. 2021 production value is likely to reach US$131 million, a 9 times increase from 2020.

We will continue to strive to improve the process capabilities and meets customer needs in terms of product quality and delivery. As for the sales promotion, in addition to consumer applications and fine pitch displays, we are actively expanding into new applications that with higher gross margins, such as wearable applications, smart home appliances and automotive markets, as well as engaged in the production and sales of IR LEDs and Mini LEDs. Operating revenue for 2020 increased by 15.87% over the previous year, and net income after tax reached NT$143,646 thousand.

We would like to report the 2020 business overview and 2021 business plan as follows:

1、2020 Business Report

(A) Implementation results of operating plan

Net operating revenue for 2020 was NT$2,507,351 thousand, representing a 15.87% increase from the previous year. Gross margin increased from 18.67% to 21.25% while operating expense ratio declined from 16.57% to 12.32%. Profit before income tax increase

d from NT$45,420 thousand to NT$223,902 thousand and net profit after tax was NT$143,646 thousand. Net profit attributable to the owners of the parent company was NT$143,339 thousand and earnings per share was NT$0.7 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 2020 is NT$ 434,271 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$ 353,579 thousand, and the balance of cash and cash equivalents at the end of the period was NT$ 1,459,509 thousand; the company in 2020 The annual profitability is better than the previous year, and the ratios are as follows:：

	2019	2020
Return on total assets (%)	0.45	3.84
Return on stockholders' equity (%)	0.53	5.05
Pre-tax income to paid-in capital (%)	1.11	8.94
Profit ratio (%)	0.68	5.73
Earnings per share (NT$)	0.07	0.70

(C) Research and Development

In addition to the research and development of existing consumer products and display products, this year's product development will also develop new products such as Mini LED, IR LED, UV LED, RGB+IC package, and small-pitch display and committed to improving the luminous efficiency, brightness and other functions of related products, and continuously investing in development for the improvement of process capabilities and the reduction of material costs.

2、Summary of 2021 Operation Plan

We will continue to focus on improving product processes, reducing product costs, and improving equipment performance and product yield rate, so that our products can meet market demand. Externally we will seek stable external partners, expand the outsourcing production and marketing mechanism of products, acting as a key strategic partner in the industrial supply chain, optimizing product portfolio internally, increasing factory utilization rate and product gross profit. With the increasing application of LED, the rise of wearable devices, smart cars, virtual reality, smart home appliances and smart cities, etc., will greatly increase the demand for LED

performance. The company will work with customers to continuously launch new products to meet market demand, expand its business footprint, and 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.

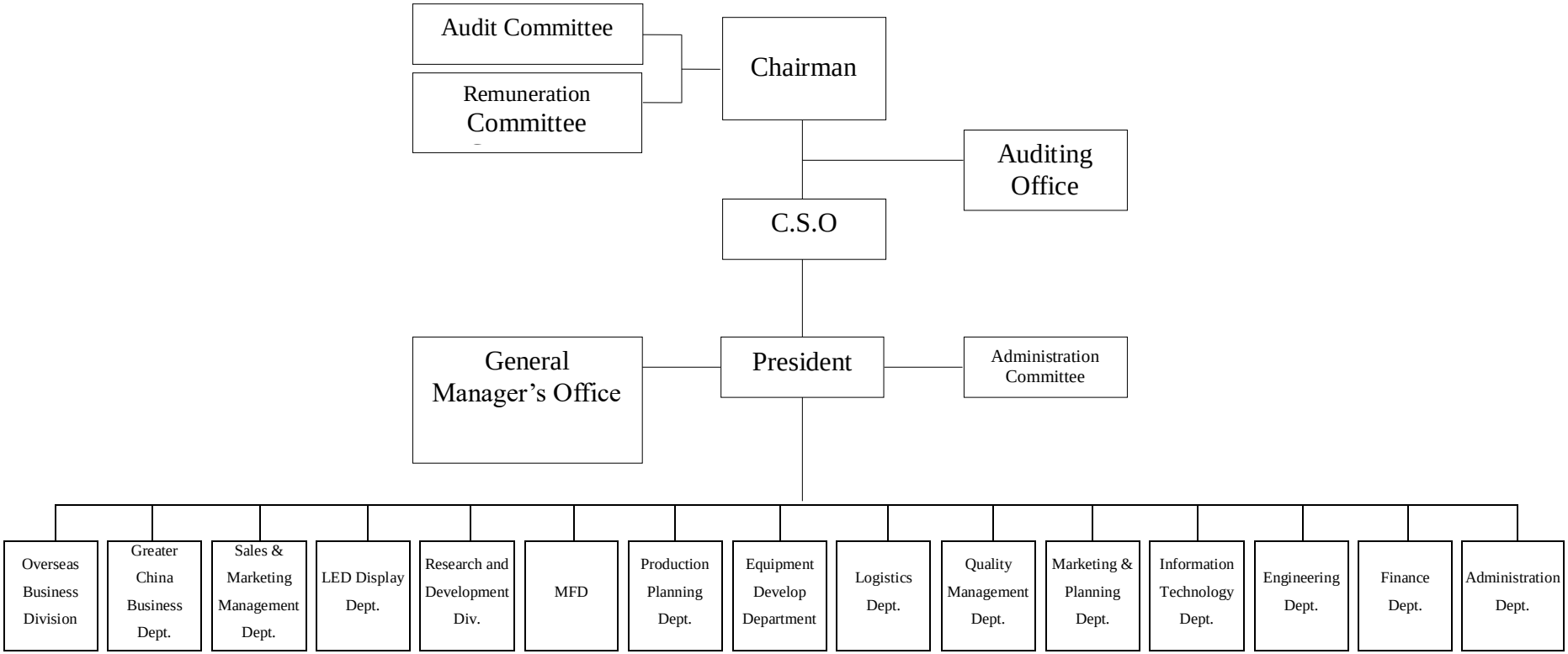
	The issuance of the third domestic unsecured conversion corporate bond in 2010 was changed to the third domestic secured conversion corporate bond.
October 2015	Transform surplus into capital increase NT$ 20,402,950.
November 2016	Obtained the silver medal in the TTQS assessment by the Labor Development 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
Audit Committee	1. Regular meetings are held in front of the board of directors every quarter to review the implementation of the company's internal control system and major financial business activities. 2. Communicate with accountants to truly supervise the company's operations and risk control. 3. With the professional division of labor and independent position of the committee members, assist the board of directors in carrying out their supervisory responsibilities and increase the reliability and credibility of the company's finances.
Remuneration Committee	1. Responsible for formulating and regularly reviewing the policies, systems, standards and structure of directors and managers' performance evaluation and remuneration, as well as evaluating and setting directors and managers' remuneration. 2. At the beginning of each year, the assessment items, targets and weight ratios are determined according to the development status of internal and external business environment, and the performance targets and industry salary levels are considered, reviewed by the salary and compensation committee, and submitted to the board of directors for approval.
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.

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.
Engineering 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 electronization. 5. Promotion of maintenance and improvement of photoelectric testing operations.

Marketing & Planning Dept.	1. New product planning, specification enhancement of existing products, LED market trend analysis and suggestions 2. Price strategy: collect market price information, and formulate a price strategy based on market prices and manufacturing/ordering costs with the business. 3. Arrange for sample delivery, quotation and order processing, transportation, sales and shipment related matters. 4. Establish lighting product assembly technology and promote the material laboratory phosphor project.
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.
MFD	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.
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.
Sales & Marketing Management Dept.	Responsible for order business, shipment arrangement, collection of business-related information, and production of performance reports.
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.

Greater China Business Dept.	According to the sales area of Mainland China and 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.

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

3.2.1 Information about directors

April 25, 2021 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.	Li-Chi Investment Co., Ltd.	-	2018.06.21	3	2009.06.10	3,506,491	1.70	3,506,491	1.70	-	-	-	-	-	-	-	-	-	
Chairman	R.O.C.	Li-Chi Investment Co., Ltd. Representative: Wang, Ping-Lung	Male	2018.06.21	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.	Li-Chi Investment Co., Ltd. Representative: WU, YING-CHIH,	Male	2018.06.21	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.	Hsun Chieh Investment Co., Ltd.		2018.06.21	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	2018.08.16	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.	IN & OUT Bio Beauty Corp.	-	2018.06.21	3	2006.06.12	1,140,011	0.55	1,140,011	0.55	-	-	-	-	-	-	-	-	-	
Director	R.O.C.	IN & OUT Bio Beauty Corp. Representative: Chang, Yuan-Tsung	Male	2018.06.21	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	2018.06.21	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	Director of Wellyouth Biotechnology Co., Ltd. Chairman of TSAI & MURAD BIOTECHNOLOGY INC. Chairman of VITAPHILE Co., Ltd. Director of Shengda International Ltd. Vice President of Ever Supreme Bio Technology Co., Ltd.	-	-	-	
Independent Director	R.O.C.	Wu, Kuang-Yi	Male	2018.06.21	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	2018.06.21	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

3.2.1.1Major Shareholder of the institutional shareholder

April 25, 2021

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%)、YU WANG(10%)
IN & OUT Bio Beauty Corp.	Li-Chi Investment Co., Ltd. (99.44%)

3.2.1.2Major shareholders of the major shareholders that are juridical persons

April 25, 2021

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%); 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 (5.93%), Hsun Chieh Investment (3.76%), Nanshan Life Insurance Co., Ltd. (2.71%), SiS Technology Co., Ltd. (2.43%), Bank of Taiwan Custody of Hilchester International Investor International Value Stock Trust Investment Account (2.39%), HSBC Custody of Puxin Insurance Co., Ltd. Investment Account (1.61%), Yanyuan Investment Company (2.43%), Citi Taiwan Custody Dimensional Emerging Market Assessment Fund Investment Account (1.45%), Chase Custody Advanced Starlight Advanced Aggregate International Stock Index (1.38%), Bank of Taiwan Custody of Hill Chester International Investor International Value Stocks Group Trust Investment Account (1.23%)

Directors' Professional Qualifications and Independence Analysis:

Criteria/Name	More than five years of work experience and the following professional eligibility			Criteria (Note)												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	Lecturer or higher ranking at the business, legal affairs, financial affairs or accounting department, or other departments relating to corporate operation of public and private colleges and universities	Judge, prosecutor, lawyer, CPA or other professionals and technicians that have taken and been approved in national exams required for corporate operation	Work experience required for business, legal affairs, financial affairs, accounting, or corporate operation	1	2	3	4	5	6	7	8	9	10	11	12	
Li-Chi Investment Co., Ltd. Representative: Wang, Ping-Lung			ˇ						ˇ		ˇ	ˇ	ˇ	ˇ		0
Li-Chi Investment Co., Ltd. Representative: WU, YING-CHIH			ˇ		ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ		1
Hsun Chieh Investment Co., Ltd. Representative: Tsai, Guo-Tsang			ˇ	ˇ	ˇ	ˇ	ˇ		ˇ	ˇ	ˇ	ˇ	ˇ	ˇ		0
IN & OUT Bio Beauty Corp. Representative: Chang, Yuan-Tsung			ˇ		ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ		0
Li, Yu-Cheng	ˇ		ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	0
Wu, Kuang-Yi			ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	2
LIAO, MING-CHENG			ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	1

Note：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 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. Not been a person of any conditions defined in Article 30 of the Company Act;
12. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.

3.2.2 Information Regarding Management Team

April 25, 2021 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	33,409	0.01	5,000	-	-	-	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	-	-	-	-
Director	R.O.C.	Cheng Chihsio Hsiao	Male	2016.06.21	-	-	7,000	-	-	-	Electronics Department of Nanshan Industrial Vocational School Manager of EVERLIGHT ELECTRONICS CO., General Manager of Shenzhen Hengchuang Electronics Co.,	Chairman of Guangzhou Jiuhongye Trading Co., Ltd. Supervisor of Harvatek (Guangzhou) Co., Ltd.	-	-	-	-
Assistant Manager	R.O.C.	Tien Chien Chang	Male	2016.06.21	-	-	-	-	-	-	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	-	-	-	-	-	-	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	-	-	-	-	-	-	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	-	-	-	-
Assistant Manager	R.O.C.	MING-KUEI Lin	Male	2021.04.13							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, 2020 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.	-	-	-	-	560	560	-	-	0.39	0.39	-	-	-	-	-	-	-	-	0.39	0.39	None.
President	Li-Chi Investment Co., Ltd. Representative: Wang, Ping-Lung	-	-	-	-	-	-	21	21	0.01	0.01	1,679	1,679	-	-	91	-	91	-	1.25	1.25	None.
Director	Li-Chi Investment Co., Ltd. Representative: WU, YING-CHIH	-	-	-	-	-	-	18	18	0.01	0.01	609	609	29	29	20	-	20	-	0.47	0.47	None.
Director	Hsun Chieh Investment Co., Ltd.	-	-	-	-	280	280	-	-	0.2	0.2	-	-	-	-	-	-	-	-	0.2	0.2	None.
Director	Hsun Chieh Investment Co., Ltd. Representative: Tsai, Guo-Tsang	-	-	-	-	-	-	21	21	0.01	0.01	-	-	-	-	-	-	-	-	0.01	0.01	None.
Director	IN & OUT Bio Beauty Corp.	-	-	-	-	280	280	-	-	0.2	0.2	-	-	-	-	-	-	-	-	0.2	0.2	None.
Director	IN & OUT Bio Beauty Corp. Representative: Chang, Yuan-Tsung	-	-	-	-	-	-	12	12	0.01	0.01	175	175	17	17	5	-	5	-	0.15	0.15	None.
Independent Director	Li, Yu-Cheng	-	-	-	-	280	280	134	134	0.29	0.29	-	-	-	-	-	-	-	-	0.29	0.29	None.
Independent Director	Wu, Kuang-Yi	-	-	-	-	280	280	152	152	0.30	0.30	-	-	-	-	-	-	-	-	0.30	0.30	None.
Independent Director	LIAO, MING-CHENG	-	-	-	-	280	280	146	146	0.30	0.30	-	-	-	-	-	-	-	-	0.30	0.30	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

3.3.2Remuneration Paid to President and Vice Presidents

December 31, 2020 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	-	-	20	20	286	-	286	-	1.28	1.28	None
Vice President	Feng Hui Chuang	1,747	1,747	108	108	196	196	1,733	-	1,733	-	2.64	2.64	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

Title	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.				Difference (%)
	2020		2019		
	From HARVATEK	From All Consolidated Entities	From HARVATEK	From All Consolidated Entities	
Directors	1.72	1.72	2.86	2.86	(1.14)
President and Vice President	3.92	3.92	39.52	39.52	(35.60)

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 the distribution principles recommended by the Salary and Compensation Committee, and the chairman is approved by the operating performance

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 2020. 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	6	-	100.00	
Director	Hsun Chieh Investment Co., Ltd Representative: Tsai, Guo-Tsang	6	-	100.00	
Director	Li-Chi Investment Co., Ltd. Representative: WU, YING-CHIH	5	1	83.33	
Director	IN & OUT Bio Beauty Corp. Representative: Chang, Yuan-Tsung	3	-	50.00	
Independent director	Li, Yu-Cheng	3	-	50.00	
Independent director	Wu, Kuang-Yi	6	-	100.00	
Independent director	LIAO, MING-CHENG	6	-	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/___st/nd/rd/th time Date	Contents of motion	Independent director's opinion
9-12 2020.01.20	1. Managers' 2018 employee bonus distribution and 2019 year-end bonus. 2. The salary and remuneration of the company's managers in 2020 3. Approved the total amount of the Company's fund which was lent to Harvatek (Guangzhou) Co, Ltd.	None.
9-13 2020.03.26	1. The company changes the attesting accountant	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.

There were no other written or otherwise recorded resolutions on which an independent director had a dissenting opinion or qualified opinion

2. Recusals of Directors due to conflicts of interests：

(1)The manager of the company's 2018 employee bonus distribution and 2019 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.

(2)The salary and remuneration of the company's managers in 2020, 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	2020.01.01~ 2020.12.31	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 2020, and the total number of training hours was 48 hour.

(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.

2020 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	2020.03.26	2020.03.26	Taiwan Corporate Governance Association	Analysis of Financial Situation in Response to Stressful Events--Taking the China-U.S. Trade War and COVID-19 Virus as an Example	3	YES
			2020.03.26	2020.03.26	Taiwan Corporate Governance Association	New Thinking of Wealth Inheritance	3	YES
Juristic person chairman representative	Wang, Ping-Lung	2018.06.21	2020.03.26	2020.03.26	Taiwan Corporate Governance Association	Analysis of Financial Situation in Response to Stressful Events--Taking the China-U.S. Trade War and COVID-19 Virus as an Example	3	YES
			2020.03.26	2020.03.26	Taiwan Corporate Governance Association	New Thinking of Wealth Inheritance	3	YES
Juristic person director representative	Tsai, Guo-Tsang	2018.08.16	2020.03.26	2020.03.26	Taiwan Corporate Governance Association	Analysis of Financial Situation in Response to Stressful Events--Taking the China-U.S. Trade War and COVID-19 Virus as an Example	3	YES
			2020.03.26	2020.03.26	Taiwan Corporate Governance Association	New Thinking of Wealth Inheritance	3	YES
			2020.03.26	2020.03.26	TWSE	"Corporate Governance 3.0-Blueprint for Sustainable Development" Forum	3	YES
			2020.03.26	2020.03.26	TWSE	2020 Listed company governance and corporate integrity directors and supervisors Advocacy meeting	3	YES
Juristic person director representative	Chang, Yuan-Tsung	2018.06.21	2020.03.26	2020.03.26	Taiwan Corporate Governance Association	Analysis of Financial Situation in Response to Stressful Events--Taking the China-U.S. Trade War and COVID-19 Virus as an Example	3	YES
			2020.03.26	2020.03.26	Taiwan Corporate Governance Association	New Thinking of Wealth Inheritance	3	YES
Independent director	Wu, Kuang-Yi	2018.06.21	2020.03.26	2020.03.26	Taiwan Corporate Governance Association	Analysis of Financial Situation in Response to Stressful Events--Taking the China-U.S. Trade War and COVID-19 Virus as an Example	3	YES
			2020.03.26	2020.03.26	Taiwan Corporate Governance Association	New Thinking of Wealth Inheritance	3	YES
Independent director	Li, Yu-Cheng	2018.06.21	2020.03.26	2020.03.26	Taiwan Corporate Governance Association	Analysis of Financial Situation in Response to Stressful Events--Taking the China-U.S. Trade War and COVID-19 Virus as an Example	3	YES
			2020.03.26	2020.03.26	Taiwan Corporate Governance Association	New Thinking of Wealth Inheritance	3	YES
Independent director	LIAO, MING-CHENG	2018.06.21	2020.03.26	2020.03.26	Taiwan Corporate Governance Association	Analysis of Financial Situation in Response to Stressful Events--Taking the China-U.S. Trade War and COVID-19 Virus as an Example	3	YES
			2020.03.26	2020.03.26	Taiwan Corporate Governance Association	New Thinking of Wealth Inheritance	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 4 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	2	1	50.00	
Independent Director	Wu, Kuang-Yi	4	-	100.00	
Independent Director	LIAO, MING-CHENG	4	-	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:

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

Term/___st/nd/rd/th time Date	Contents of motion	Resolution of Audit Committee	the Company's (the board of directors') handling of Audit Committee's opinion
9-12 2020.01.20	1. Managers' 2018 employee bonus distribution and 2019 year-end bonus. 2. The salary and remuneration of the company's managers in 2020 3. Approved the total amount of the Company's fund which was lent to 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.
9-13 2020.03.26	1.Evaluation of the effectiveness of the internal control system in 2019 2.The company changes the attesting accountant 3.2019 financial statements and business reports	The motion was approved unanimously	The motion was approved by all present directors unanimously, and submitted to the general shareholders' meeting for discussion.
9-19 2021.03.25	The company's 2020 final accounts and business report	The motion was approved unanimously	The motion was approved by all present directors unanimously, and submitted to the general shareholders' meeting for discussion.

2. There were no other resolutions that were not approved by the Audit Committee but were approved by two thirds of all directors in 2020.
3. There were recusals of independent directors due to conflicts of interests in 2020: None.

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 2020 was outlined as following:

Date	Points of communication	Communication result
2020.03.26	October 2019 ~ December 2019 Internal Audit Business Execution Report.	The motion was passed without objection
2020.05.12	January 2020 ~ April 2020 Internal Audit Business Execution Report.	The motion was passed without objection
	Independent directors have a discussion meeting with the internal audit supervisor	Several audit suggestions made by independent directors
2020.08.12	January 2020 ~ June 2020 Internal Audit Business Execution Report.	The motion was passed without objection
2020.11.11	January 2020 ~ September 2020 Internal Audit Business Execution Report.	The motion was passed without objection

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 2020 was outlined as following:

Date	Points of communication	Communication result
2020.3.26	1. The accountant explained the company's 2019 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?	V		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?	V		(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?	V		(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 and can contact them at any time.	None
(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 built and executed a risk management system and "firewall" between the Company and its affiliates?	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.	None
			2. There are 7 members of the 9th board of directors of the company, all of whom are good at leadership and operation management. The chairman Wang, Ping-Lung is the founder of the company and concurrently serves as the general manager. He was once the chairman of the Taiwan Optoelectronic Semiconductor Industry Association. He has a good knowledge of the company's development of the optoelectronic industry and semiconductor industry. WU, YING-CHIH and Yuan-Cong Zhang had served as senior executives of UMC, specializing in factory management and operation strategy planning. Tsai, Guo-Tsang had worked in the financial industry and specializing in investment research and analysis. Wu, Kuang-Yi had Served as the president of Acer Computer America and the chairman of financial management consulting company. He specializes in the operation	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	
			planning, investment strategy formulation and execution of related industries such as computers and panels. Li, Yu-Cheng was the dean of the school of management of the university and the quality control of the Bureau of Standards, Metrology and Inspection of the Ministry of Economic Affairs and currently serving as a senior executive of a biotechnology company, good at quality management, and can also give professional advice on the development of the company's products in the biotechnology industry. LIAO, MING-CHENG was the chief financial officer of a semiconductor company and has expertise in the field of financial accounting. 3. The company has 7 directors. The current 7 directors, the proportion of employees with employee status is 42.86%, and the proportion of independent directors is 42.86%. One independent director has a seniority of 4-6 years, and two independent directors have a seniority of less than 3 years; one director is between 41 and 50 years old, one director is between 51 and 60 years old, and five directors are between the ages of 61 and 70, all directors are male. The company pays attention to gender equality in the composition of the board of directors. The target ratio of female directors is 14% or more. The company plans to add a female director to the tenth board of directors in the future to achieve the goal. 4. The board of directors formulates a diversified policy on membership and exposes it on the company's website and MOPS.	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
4. Does the TWSE/TPEx listed company have a dedicated unit/staff member in charge of the	V		In order to strengthen corporate governance and enhance the effectiveness of the board of directors, the company	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	
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)?			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. 2020 Corporate Governance Executive Training Status: Head of Corporate Governance Manager Yu Hui Su, Study period: March 9, 2020 to March 18, 2020 Organizer: Accounting Research and Development Foundation Course Name: The issuer's securities firm and stock exchange served as the first training class for accounting supervisors. Training hours: 30 hours. The key points of business execution in 2020 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 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.	

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. 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.
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 2020, 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	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	
			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.	
9. The improvement status for the result of Corporate Governance Evaluation announced by Taiwan Stock Exchange:	V		(1) The improved situation in 2020 is as follows: The company's annual report strengthens the disclosure of the link between directors and managers' performance evaluation and remuneration. (2) The priority improvements in 2021 are as follows: 1. The company's annual report reveals specific and clear dividend policies. 2. Encourage directors to attend the board of directors in 2021, so that the actual board attendance rate of all directors for the year is over 85%.	According to the results of corporate governance in 2020, the priorities for improvement are proposed, and the improvement is expected to be completed in 2021.

3.4.4 Remuneration Committee：

1. Remuneration Committee Members' Professional Qualifications and Independent Analysis

Title	Criteria / Name	Meet the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Criteria (Note)										Number of Other Taiwanese Public Companies Concurrently Serving as a Remuneration Committee Member in Taiwan	NOTE
		Position in a Department of Commerce, Law, Finance, accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialists Who Has Passed a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Area of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10		
Independent Director	Wu, Kuang-Yi			ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	2	
Independent Director	Li, Yu-Cheng	ˇ		ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	-	
Independent Director	LIAO, MING-CHENG			ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	1	

Note: Remuneration Committee Members, during the two years before being elected or during the term of office, meet any of the following situations, please tick the appropriate corresponding boxes:

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 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 if a majority of the company's director seats or voting shares 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 been a person of any conditions defined in Article 30 of the Company Act.

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: June 21, 2018 to June 20, 2021.

The 2020 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	2	-	67	

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
2020.01.20	4-6	1. Managers' 2018 employee bonus distribution and 2019 year-end bonus. 2. The salary and remuneration of the company's managers in 2020 3. The annual salary and remuneration of company's directors in 2020.	The motion was passed without objection	Proposals 1 and 2, 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. Proposals 3 was passed without objection after discussion by other present directors and independent directors.
2020.03.26	4-7	Remuneration of directors and employees of the company for 2019	The motion was passed without objection	Proposals was passed without objection after discussion by other present directors and independent directors and submit it to the regular shareholders meeting after sending it to the Audit Committee for verification.
2020.06.23	4-8	The Company directors' remuneration distribution proposal for 2019	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 carried out a risk assessment of environmental, social and corporate governance-related issues based on the principle of materiality, and establish related risk management policies or strategies? (Note: Principle of materiality refers to environmental, social and corporate governance issues that have a material impact on investors and other stakeholders.)	V		The company conducts risk assessment on important issues in accordance with the principle of the importance of corporate social responsibility and formulate risk management policies or strategies. The risk assessment project covers environmental protection and ecological conservation, social issues, etc. For relevant disclosure information, please refer to the company's website (https://www.harvatek.com/zh-tw/a4-1508-3443/social responsibility.html).	None
2. Does the Company have a dedicated (or ad-hoc) CSR organization with Board of Directors authorization for senior management, which reports to the Board of Directors?	V		The company's administration department is concurrently the unit that promotes corporate social responsibility, and continues to review the company's corporate social responsibility operation and compliance. It also strengthened the promotion and implementation of CSR. If a major violation of regulations is found or the company is in danger of	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	
			major damage, a report will be made immediately, independent directors will be notified in writing, and report to the most recent audit committee and board of directors.	
3. Environmentally (1) Is the Company committed to improving resource efficiency and to the use of renewable materials with low environmental impact?	V		(1) The company has passed the ISO 14001:2015 environmental management system certification, continuously improving and reducing environmental impact. And is committed to developing products that meet environmental protection and energy saving applications. The company's self-made energy-saving LED lighting fixtures are gradually used in the factory.	None
(2) Has the Company set an Environmental management system designed to industry characteristics?	V		(2) The company uses raw materials with low environmental impact, and is committed to reducing material waste and saving projects. For example, in 2018, about 18,000 gold wire reels were recycled and reused by manufacturers.	None
(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?	V		(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?	V		(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?	V		(1) The company abides by relevant labor laws and regulations to fully protect employees. The personnel regulations and human rights ethics manuals formulated are in compliance with the requirements and are implemented in accordance with	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	
			the "Work Rules" and dedicated person handle the work of employees.	
(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. The company formulates internal standards in accordance with laws and regulations, and uses internal training to inform employees, supervisors at all levels and members of the board of directors.	None
(3) Does the Company provide employees with a safe and healthy working environment, with regular safety and health training?	V		(3) The company has passed OHSAS 18001 and CNS 15506 certification and continues to operate. Provide a health check cycle that is better than the regulations, and all regular employees provide free health check services once a year. Set up full-time factory nurses, and vocational specialists come to the factory to provide health services every month. The company obtained the Hsinchu City Government's Nursing Room Certification Special Award in 2017, and obtained the Ministry of Health and Welfare's Healthy Workplace Certification-Healthy Start Mark Certification in 2018. It obtained a record of 2 million hours without accidents in 2018. A record of 3 million hours worked without disasters in 2020. The company implements fire-fighting evacuation drills for all employees and occupational safety and health training seminars for all in-service employees every year.	None
(4) Has the Company established effective career development training plans?	V		(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	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 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.	
(5) Does the Company comply with the relevant regulations and international standards on customer health and safety, customer privacy, marketing and labeling for its products and services? Has it established a consumer protection policy and complaints procedure?	V		(5) The company's products have been marked in compliance with relevant laws and international standards, and comprehensive communication procedures are provided to protect consumers' rights.	None
(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	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	
			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 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 internationally accepted reporting standards or guidelines in preparing reports that disclose the Company's non-financial information such as the CSR Report? Did the aforementioned report obtain an assurance or guarantee statement issued by a third-party certification body?		V	The company has not edited the corporate social responsibility report, but has formulated the "Corporate Social Responsibility Regulations" to perform corporate social responsibility, consider the interests of stakeholders, treat customers in a fair and reasonable manner, and require suppliers to comply with the standards of social environmental responsibility agreements.	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 the Company has established its corporate social responsibility code of practice according to "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies", please describe the operational status and differences:

The company has formulated the "Code of Practice for Corporate Social Responsibility", and there is no major difference between its operation and the "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies"

7. Other important information to facilitate better understanding of the Company's implementation of corporate social responsibility：

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. 3. The company donated LED display (NT$ 2 million) to National Yang Ming Chiao Tung University for the school's multimedia education development and academic promotion.
Social Contributions	1. Continue to develop light source products that meet environmental protection and energy saving applications. 2. Take care of the farmers and the agricultural industry in Taiwan, buy fruit gift boxes produced by the farmers themselves, as gifts to employees and customers, the annual purchase are around NT$ 200,000
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 social responsibility, 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 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.	

(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 accordance with the provisions of the "Integrity Management Regulations", before doing business, the company should consider the legitimacy of agents, suppliers, customers or other business transactions and whether there is a record of dishonest behavior, and should avoid dealing with vendors with records of dishonest behavior.	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 business contracts?	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 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".	None
(2) Has the Company established a dedicated (part-time) 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) The company has not set up a dedicated department to promote corporate integrity management, so each department will do its best to implement the integrity management policy in accordance with their duties.	Except that the company has not set up a dedicated unit to promote corporate integrity management under the board of directors, there is no significant difference between the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies". In the future, it will set up a dedicated department to promote corporate integrity management as needed.
(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 conducts education and training for new employees to fully understand the company's determination, policies, prevention plans, and the consequences of violations of dishonest behavior.	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)The company's board of directors has passed the "Measures for the Report on Illegal, Immoral and Dishonest Acts" on August 12, 2019, and specifies the acceptance departments and dedicated person in Article 3 of these Measures, and Article 4 specifies the reporting channels. There were no major internal and external reported on malpractices in 2020.	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) Article 5 of the Company's "Measures for the Report on Illegal, Immoral and Dishonest Acts" clearly specifies the following related matters. No such incident occurred in 2020.	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 406 as of November 30, 2020.	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 25, 2021

Based on the findings of the self-auditing, the Company states the following with regard to its internal control system during the year 2020:

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, 2020, 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 25, 2021, 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 JUNE 23, 2020:：

Major Resolutions	Review on status
The 2019 Business Report and Financial Statement were recognized.	Operating income in 2019 is NT$ 2,163,869,000, net profit attributable to the parent company is NT$ 15,081,000, and profit per ordinary share is NT$ 0.07
The 2019 earnings distribution form of the Company was recognized	All the distributable surplus of the company for 2019 will be retained. No dividends to shareholders
Revision of the Company's "Articles.	The amendments are disclosed and executed thereafter.
Revision of the Agenda of the Company's Meeting of Shareholders	The amendments are disclosed and executed thereafter.

2. Board meetings

Date	Resolution matters
109.01.20	Approval of managers' 2018 employee bonus distribution and 2019 year-end bonus.
	Approval of the salary and remuneration of the company's managers in 2020
	Approval of the salary and remuneration of the company's directors in 2020
	Approved the total amount of the Company's fund which was lent to Harvatek (Guangzhou) Co., Ltd..
109.03.26	Approved the company's 2019 director and employee compensation proposal
	Approved the company's 2019 financial statements and business report
	Approved the company's 2019 earnings distribution
	Approved the issuance of the company's 2019 internal control system statement
	Approved amendments to the Articles of Association;
	Approved revision of the Agenda of the Company's Meeting of Shareholders;
	Approved revision of the Agenda of the Company's Board of Directors;
	Approved amendment of CSR Principles
	Approved amendment of CSR Principles;
	Approved revision of the Code of Corporate Governance
	Approved amendment of the Organizational Regulations of Audit Committee
	Approved evaluate the independence eligibility of CPAs.
	Approved company's replacement of CPA
	Approved the company's 2020 annual general meeting of shareholders and accepted issues related to shareholder proposals
	Approved agenda of the Company's 2020 Annual Meeting
109.06.23	Approved 2019 Remuneration to Directors;

109.08.12	Approved Revision of the company's "Administrative Measures for the Prevention of Insider Trading"
109.11.11	The company's accounts receivable as of September 30, 2020 transfer the amount of funds loaned to others
	Approved formulate the company's 2021 audit plan
110.02.04	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.
110.03.25	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

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 Fee	Non-audit Fee					Audit Period	note
			System Design	Company Registration	Human Resource	Others	Subtotal		
Ernst & Young Global Limited	Hans Chen Hsin Min Hsu	3,000	-	-	-	-	-	2020	None
	George Chou	-	-	-	-	150	150	2020	Transfer pricing

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：

（1）Regarding the former CPA

Replacement Date	The first quarter of 2020			
Replacement reasons and explanations	The original CPA was Hans Chen and Huang Yi Hui of Ernst & Young Global Limited. Due to Ernst & Young Global Limited internal adjustments, the CPA adjustments will be changed to Hans Chen and Hsin Min Hsu from the first quarter of 2020.			
Describe whether the Company terminated or the CPA did not accept the appointment	Parties / Status		CPA	The Company
	Termination of appointment		-	-
	No longer accepted (continued) appointment		-	-
Other issues (except for unqualified issues) in the audit reports within the last two years	-			
Differences with the company	YES	-	Accounting principles or practices	
		-	Disclosure of Financial Statements	
		-	Audit scope or steps	
		-	Others	
	None	√		
	Remarks/specify details: None			
Other Revealed Matters	None			

（2）Regarding the former CPA

Name of accounting firm	Ernst & Young Global Limited.
Name of CPA	CPA Hans Chen and CPA Hsin Min Hsu
Date of appointment	The first quarter of 2020
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to the engagement.	None
Succeeding CPA's written opinion of disagreement toward the former CPA	None

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	2019		January 1, 2020 ~ February 29, 2020		note
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change In Shareholding	Net Change in Shares Pledged	
General manager	Wang, Ping-Lung	-	-	-	-	
Vice President	Feng Hui Chuang	3,000	-	22,596	-	
Financial Manager	Yu Hui Su	-	-	4,599	-	
Director	Cheng Chihsio Hsiao	-	-	4,600	-	
Assistant Manager	Tien Chien Chang	-	-	4,600	-	
Assistant Manager	His Ming Pan	-	-	4,600	-	
Assistant Manager	MING-KUEI Lin	-	-	-	-	New in office on 2021.04.13
President	Li-Chi Investment Co., Ltd.	-	-	-	-	
President of Juridical Person Representative	Wang, Ping-Lung	-	-	-	-	
Director of Juridical Person Representative	WU, YING-CHIH	-	-	-	-	
Director	Hsun Chieh Investment Co., Ltd.	-	-	-	-	
Director of Juridical Person Representative	Tsai, Guo-Tsang	-	-	-	-	
Director	IN & OUT Bio Beauty Corp.	-	-	-	-	
Director of Juridical Person Representative	Chang, Yuan-Tsung	-	-	-	-	
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

April 25, 2021 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: Bing-kun Hong	28,023,066	13.59	-	-	-	-	None	None	
Wang, Ping-Lung	13,680,237	6.64	4,895,995	2.37	-	-	JING-RU Li	Spouse	
							Yu Wang	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	
							Yu Wang	Company director	
YoungTek Electronics Corporation Representative: Wang, Ping-Lung	10,230,336	4.96	-	-	-	-	Li Yang Investment Co., Ltd.	Its company supervisor	
							Yu Wang	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	
							Yu Wang	relatives within two generations	
Li-Chi Investment Co., Ltd. Representative : Yu Wang	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	
Yu Wang	3,334,939	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	
HSBC Taiwan hosts the investment account of British Goldman Sachs International	1,951,555	0.95	-	-	-	-	None	None	
KINGMAX SEMICONDUCTOR INC.	1,577,000	0.77		-	-	-	None	None	

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, 2020 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
Consentek Corporation	5,510	84.77	320	4.92	5,830	89.69
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

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

IV. Fundraising

4.1 Capital and Shares

4.1.1 Capitalization

April 30, 2021: 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)
100.01	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
100.01	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
100.01	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
100.03	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
100.07	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
100.01	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
101.09	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
104.01	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
106.04	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.

April 30, 2021 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

April 25, 2021 Unit: Share、%

Type of Shareholders	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions and Natural Persons	Total
Number of Shareholders	1	5	120	28,127	78	28,331
Shareholding	386	517,000	67,321,823	129,015,315	9,215,277	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

April 25, 2021 Per Share Issue Price is NT$10

Shareholder Ownership (Unit: Share)	Number of Shareholders	Ownership	Ownership (%)
1~999	12,995	996,555	0.48
1,000~5,000	11,374	24,149,776	11.72
5,001~10,000	2,008	15,465,320	7.51
10,001~15,000	739	9,018,048	4.38
15,001~20,000	382	7,072,339	3.43
20,001~30,000	327	8,258,052	4.01
30,001~50,000	222	8,920,316	4.33
50,001~100,000	170	12,083,371	5.86
100,001~200,000	55	7,933,225	3.85
200,001~400,000	28	7,978,712	3.87
400,001~600,000	6	2,852,768	1.38
600,001~800,000	6	4,174,856	2.03
800,001~1,000,000	2	1,836,031	0.89
1,000,001or over	17	95,330,432	46.26
Total	28,331	206,069,801	100.00

4.1.4 Major Shareholders

April 25, 2021

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
Yu Wang	3,334,939	1.62
HSBC Taiwan hosts the investment account of British Goldman Sachs International	1,951,555	0.95
KINGMAX SEMICONDUCTOR INC.	1,577,000	0.77
Total	86,899,568	42.16

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

Unit: NT$

Item	Year		2019	2020	March 31, 2021
Market Price Per Share	Highest Market Price		17.75	17.65	21.20
	Lowest Market Price		12.00	8.94	16.30
	Average Market Price		14.01	13.30	18.78
Net Worth Per Share	Before Distribution		12.96	14.34	15.24
	After Distribution		12.96	-	-
Earnings Per Share	Weighted Average Shares (thousand shares)		205,625,019	205,674,681	205,674,681
	EPS	Before retroactive adjustment	0.07	0.07	0.51
		After retroactive adjustment	-	-	-
Dividends Per Share	Cash Dividends		-	0.07-	-
	Stock Dividends	Share Dividend	-	-	-
		Capital Surplus stock dividend	-	-	-
	Accumulated Undistributed Dividend		-	-	-
Return on Investment	Price/Earnings Ratio		200.14	19.00	-
	Price/Dividend Ratio		-	19.00	-
	Cash Dividend Yield (%)		-	0.05	-

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 2020 earnings distribution, distribution of shareholder dividend NT$ 144,248,861, and NT$ 0.7 cash dividend per share. The distribution was approved by the company's board of directors on March 25, 2021, 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$ 12,000,000 for employees and NT$ 1,960,000 for directors in 2020. The board of directors of the company decided on March 25, 2021 to pay employee compensation and director compensation in cash at NT$ 12,000,00and NT$ 1,960,000, 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	2020	
	Sales amount	Sales percentage (%)
Surface-Mounted Device(SMD LED)	2,439,605	97.30%
Others	67,746	2.70%
Total	2,507,351	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)

(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	2020	March 31,2021
Research and Development Expenses	103,170	23,661

(2) Successfully developed technologies or products

Year	Research achievements
2018	1. B33FB/B33QB 4in1 (P1.25mm) Mini COB common anode/common cathode product development, display application products. 2. B339B/B33NB 4in1 (P0.9375mm) Mini COB common anode/common cathode product development, display application products. 3. T3A83RURP product development, combined with red light/infrared/UVA 3 in 1 product for medical applications. 4. B38T3GIRR product development, combined with green/infrared/red light 3-in-1 product, and application in wearable products. 5. Develop backlight modules with ODCSP products and dynamic backlight technology, and develop customized backlight modules for the commercial display modules and automotive backlight markets. 6. The research and development of Mini LED flip chip packaging technology has been extended to 4in1 and line light sources to meet the needs of the high-end technology market. 7. B3DH3 RGB+IC product development, display or light strip market demand. 8. Development of UVC germicidal light module to meet the needs of customized evaluation of germicidal light modules.
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.

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	83,516	3.33	64,636	2.58
	America	13,119	0.52	16,270	0.65
	Asia	1,687,032	67.28	1,839,964	73.38
	Others	69,770	2.78	67,263	2.68
	Subtotal	1,853,437	73.92	1,988,133	79.29
Domestic Sales		310,432	12.38	519,218	20.71
Total		2,163,869	100.00	2,507,351	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) Correspondence

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.

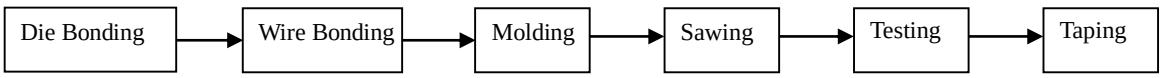
d. Actively expand the Asia-Pacific, European and American markets, and cooperate with major international manufacturers to improve the company's overall corporate image and brand awareness.

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$ thousands

Item	2019				2020				March 31,2021(Note.2)			
	Supplier	Procurement Amount	As % of 2019Total Net Procurement	Relation to HARVATEK	Supplier	Procurement Amount	As % of 2020Total Net Procurement	Relation to HARVATEK	Supplier	Procurement Amount	As % of March 31,2020Total Net Procurement	Relation to HARVATEK
1	SUBTRON TECHNOLOGY CO.,LTD	236,183	22.84	None	SUBTRON TECHNOLOGY CO.,LTD	273,528	22.05	None	SUBTRON TECHNOLOGY CO.,LTD	84,616	20.34	None
2	SANAN OPTOELECTRONICS HONG KONG COM	146,337	14.15	None	EPISTAR	154,104	12.42	None	Osram Opto Semiconductors Asia Limited	69,562	16.72	None
3	EPISTAR	130,177	12.59	None	Tanaka Kikinzoku Kogyo	112,605	9.08	None	EPISTAR	51,207	12.31	None
4	Tanaka Kikinzoku Kogyo	118,124	11.42	None	Osram Opto Semiconductors Asia Limited	110,267	8.89	None	Tanaka Kikinzoku Kogyo	27,782	6.68	None
5	Others	403,443	39.00	-	Others	590,050	47.56	-	Others	182,774	6.68	-
-	Total Net Procurement	1,034,264	100.00	-	Total Net Procurement	1,240,554	100.00	-	Total Net Procurement	415,941	100.00	-

Note 1: List the names of suppliers with more than 10% of the total purchases in the most recent two years and their purchase amounts and proportions. However, the name of the supplier or the transaction partner cannot be disclosed because of the contractual agreement, and the transaction object is an individual and non-related person.

Note 2: As of the date of publication of the annual report, companies that are listed or whose stocks have been traded in the business premises of a securities firm have the latest financial information that has been verified by an accountant or reviewed, and they should be disclosed.

5.2.4.2Major Clients

Unit: NT$ thousands

Item	2019				2020				March 31,2021			
	Customer	Net Revenue	As % of 2019 Total Net Revenue〔%〕	Relation to HARVATEK	Customer	Net Revenue	As % of 2020 Total Net Revenue〔%〕	Relation to HARVATEK	Customer	Net Revenue	As % of March 31,2020 Total Net Revenue〔%〕	Relation to HARVATEK
1	B	442,687	20.46	None	A	556,766	22.21	None	A	218,211	32.02	None
2	A	349,704	16.16	None	B	260,679	10.40	None		-	-	None
3	Others	1,371,478	63.38	-	Others	1,689,484	67.38	-	Others	463,310	67.98	-
-	Total Net Revenue	2,163,869	100.00	-	Total Net Revenue	2,507,351	100.00	-	Total Net Revenue	681,521	100.00	-

5.2.5 Production Capacity/Output Value in the Last Two Years

Unit: thousand pieces; NT$ thousand

Year / Output	2019			2020		
Major Products	Capacity	Output	Amount	Capacity	Output	Amount
SMD LED	8,790,047	6,486,748	2,473,765	9,666,500	5,831,483	2,492,094
Total	8,790,047	6,486,748	2,473,765	9,666,500	5,831,483	2,492,094

5.2.6 Consolidated Shipments and Net Revenue in the Last Two Years

Unit: thousand pieces; NT$ thousand

Year	2019				2020			
Sales	Local		Export		Local		Export	
Major Products	Quantity	Net Revenue	Quantity	Net Revenue	Quantity	Net Revenue	Quantity	Net Revenue
SMD LED	356,949	310,432	5,844,198	1,853,437	437,961	451,472	5,699,777	1,988,133
Others(Note.1)	-	-	-	-	-	67,746	-	-
Total	356,949	310,432	5,844,198	1,853,437	437,961	519,218	5,699,777	1,988,133

Note.1：Other product items are mainly processed products. Due to the wide variety of products, sales cannot be calculated, so they are not included.

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		2019	2020	March 31,2021
Number of Employees	Management	181	171	163
	R&D and Technician	156	163	169
	Direct	258	234	227
	Total	595	568	559
Average Age		35.8	36.5	37.5
Average Years of Service		6.7	7.3	8.2
Education	Ph.D.	0.5	0.4	0.4
	Masters	8.6	9.3	9.3
	Bachelor's Degree	45.4	46.7	46
	Senior High School	23.9	23.1	23.8
	Below Senior High School	21.7	20.6	20.6

5.4 Information on Environmental Protection Expenditure

The company mainly produces surface-mounted light-emitting diodes (SMD LEDs). The company installs environmental protection-related prevention equipment in accordance with the law, and obtains emission permits from the Environmental Protection Agency. Regularly entrust a qualified environmental testing company to perform testing and reporting, and there has been no loss (including compensation) or sanctions due to environmental pollution from the last two years to the printing date of the annual report.

Title	Item	Plant	Validity period	Approval number
Waste management	Business waste disposal plan book	Xiangshan plant	2024.07.03	The government grants item No. 1080110235
		Chuangxin Plant	2022.06.19	Hsinchu Environmental Protection Bureau item No.1060016861
Water pollution prevention	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 1080017622

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 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 31,2021(Note.1)
		2016	2017	2018	2019	2020	
Current Asset		2,788,101	2,915,969	2,691,360	2,228,236	2,586,319	2,725,202
Property, plant and equipment		547,655	473,279	466,116	657,048	587,067	565,753
Intangible Assets		51,528	34,464	15,733	1,617	1,618	1,240
Other Assets		494,259	508,214	676,363	704,535	879,584	976,388
Total Assets		3,881,543	3,931,926	3,849,572	3,591,436	4,054,588	4,268,583
Current Liabilities	Before Distribution	1,387,729	904,085	686,693	616,987	948,743	967,132
	After Distribution	1,387,729	1,110,154	892,763	616,987	Note2	Note2
Non-Current Liabilities		38,244	243,560	338,932	304,595	88,038	89,018
Total Liabilities	Before Distribution	1,425,973	1,147,645	1,025,625	921,583	1,036,781	1,056,150
	After Distribution	1,425,973	1,353,714	1,231,695	921,583	Note2	Note2
Equity Attributable to Owners of the Parent		2,499,712	2,771,478	2,790,174	2,630,975	2,954,214	3,141,049
Share Capital		2,072,018	2,060,698	2,060,698	2,060,698	2,060,698	2,060,698
Capital Surplus		593,921	483,098	483,309	483,483	484,034	484,034
Retained Earnings	Before Distribution	(112,944)	226,472	281,802	100,048	244,104	348,708
	After Distribution	(112,944)	24,524	75,732	100,048	Note2	Note2
Other equity Interest		18,642	29,763	(25,579)	(6,397)	172,325	254,466
Treasury Stock		(71,925)	(28,553)	(10,056)	(6,857)	(6857)	(6857)
Non-Controlling Interest		(44,142)	12,803	33,773	38,879	63,593	71,384
Total Equity	Before Distribution	2,455,570	2,784,281	2,823,947	2,669,854	3,017,807	3,212,433
	After Distribution	2,455,570	2,578,212	2,617,877	2,669,854	Note2	Note2

Note.1: The information on the 2016-2020 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.

Note.2: Dividends per share for each year are distributed in the following year, and dividends per share for 2020 have not yet been approved by the shareholders meeting.

6.1.2 Condensed Balance Sheet (individual entity)

Unit: NT$ thousands

Item \ Year		Five-Year Financial Summary (Note.1)				
		2016	2017	2018	2019	2020
Current Asset		2,677,137	2,667,710	2,297,669	1,801,522	2,101,920
Property, plant and equipment		370,020	311,262	418,042	630,243	564,795
Intangible Assets		49,055	32,575	14,683	1,167	1,618
Other Assets		659,545	710,787	1,063,663	1,094,729	1,309,385
Total Assets		3,755,757	3,722,334	3,794,057	3,527,661	3,977,718
Current Liabilities	Before Distribution	1,217,801	707,412	665,071	597,427	939,982
	After Distribution	1,217,801	913,481	871,141	597,427	Note2
Non-Current Liabilities		38,244	243,444	338,812	299,259	83,522
Total Liabilities	Before Distribution	1,256,045	950,856	1,003,883	896,686	1,023,504
	After Distribution	1,256,045	1,156,925	1,209,953	896,686	Note.2
Equity Attributable to Owners of the Parent		-	-	-	-	-
Share Capital		2,072,018	2,060,698	2,060,698	2,060,698	2,060,698
Capital Surplus		593,921	483,098	483,309	483,483	484,034
Retained Earnings	Before Distribution	(112,944)	226,472	281,802	100,048	244,014
	After Distribution	(112,944)	24,524	75,732	100,048	Note.2
Other equity Interest		18,642	29,763	(25,579)	(6,397)	172,325
Treasury Stock		(71,925)	(28,553)	(10,056)	(6,857)	(6,857
Non-Controlling Interest		-	-	-	-	-
Total Equity	Before Distribution	2,499,712	2,771,478	2,790,174	2,630,975	2,954,214
	After Distribution	2,499,712	2,565,409	2,584,104	2,630,975	Note.2

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

Note.2: Dividends per share for each year are distributed in the following year, and dividends per share for 2020 have not yet been approved by the shareholders meeting.

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)					
	2016	2017	2018	2019	2020	March 31,2021
Operating Revenue	2,836,405	3,013,603	2,923,669	2,163,869	2,507,351	681,531
Gross Profit from Operations	345,806	662,708	564,862	403,931	532,725	177,940
Net operating income(loss)	(135,288)	292,824	48,809	45,420	223,902	93,019
Non-Operating Income and Expense	(5,450)	(30,684)	206,153	(22,611)	(39,694)	31,660
Income (Loss) before Tax	(140,738)	262,140	254,962	22,809	184,208	124,679
Income (Loss) for Continued Operations	(172,500)	234,494	233,685	14,621	143,646	104,375
Income(Loss)on discontinued operations	-	-	-	-	-	-
Net Income (Loss)	(172,500)	234,494	233,685	14,621	143,646	104,375
Other Comprehensive Income (Income after Tax)	(38,891)	82,465	(31,357)	40,629	201,164	90,251
Total Comprehensive Income	(211,391)	316,959	202,328	55,250	344,810	194,626
Net Income Attributable to Owners of the Parent	(155,314)	226,550	235,902	15,081	143,339	104,694
Net Income Attributable to Non-Controlling Interest	(17,186)	7,944	(2,217)	(460)	307	(319)
Comprehensive Income Attributable to Owners of the Parent	(187,358)	237,593	210,536	46,276	326,313	186,835
Comprehensive Income Attributable to Non-Controlling Interest	(24,033)	79,366	(8,208)	8,974	18,497	7,791
Earnings (Loss) Per Share	(0.77)	1.12	1.15	0.07	0.70	0.51

Note.1 The information on the 2016-2020 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				
	2016	2017	2018	2019	2020
Operating Revenue	2,403,136	2,765,072	2,607,097	2,129,210	2,487,778
Gross Profit from Operations	369,037	638,385	610,317	409,869	523,820
Net operating income(loss)	(47,897)	297,083	139,310	89,034	222,312
Non-Operating Income and Expense	(76,849)	(45,111)	117,869	(67,143)	(39,019)
Income (Loss) before Tax	(124,746)	251,972	257,179	21,891	183,293
Income (Loss) for Continued Operations	(155,314)	226,550	235,902	15,081	143,339
Income(Loss)on discontinued operations	-	-	-	-	-
Net Income (Loss)	(155,314)	226,550	235,902	15,081	143,339
Other Comprehensive Income (Income after Tax)	(32,044)	11,043	(25,366)	31,195	182,974
Total Comprehensive Income	(187,358)	237,593	210,536	46,276	326,313
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	(0.77)	1.12	1.15	0.07	0.70

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
2016	Ernst&Young	Lin Tu	Unqualified Opinion
		Yihui Huang	
2017	Ernst&Young	Hans Chen	Unqualified Opinion
		Yihui Huang	
2018	Ernst&Young	Hans Chen	Unqualified Opinion
		Yihui Huang	
2019	Ernst&Young	Hans Chen	Unqualified Opinion
		Yihui Huang	
2020	Ernst&Young	Hans Chen	Unqualified Opinion
		Hsin Min Hsu	

6.2 Financial Analysis of the Past Five Years

6.2.1. Five-Year Financial Analysis (consolidated entities)

Item \ Year		Five-Year Financial Analysis					
		2016	2017	2018	2019	2020	March 31,2021
Capital Structure (%)	Debts Ratio (%)	36.74	29.19	26.64	25.66	25.57	24.74
	Long-term Fund to Property, Plant and Equipment (%)	455.36	639.76	678.56	452.70	529.04	583.55
Solvency (%)	Current Ratio	200.91	322.53	391.93	361.15	272.60	281.78
	Quick Ratio	160.24	267.78	320.60	288.90	231.32	231.27
	Times Interest Earned	(13.66)	37.56	46.86	9.39	48.16	205.06
Operating Performance	Average Collection Turnover (Count)	2.95	3.41	3.29	3.00	4.25	4.38
	Days Sales Outstanding	126.00	107.00	111.00	122.00	86.00	83.00
	Average Inventory Turnover (Count)	5.20	5.01	5.49	4.08	5.03	4.82
	Average Payment Turnover (Count)	3.08	4.16	5.28	5.06	5.17	4.73
	Average Inventory Turnover Days	70.00	73.00	66.00	89.00	73.00	76.00
	Property, Plant and Equipment Turnover (Count)	4.20	5.90	6.22	3.85	4.03	4.73
	Total Assets Turnover (Count)	0.68	0.77	0.75	0.58	0.66	0.66
Profitability	Return on Total Assets (%)	(3.93)	6.15	6.12	0.45	3.84	10.08
	Return on Equity (%)	(6.74)	8.95	8.33	0.53	5.05	13.40
	Pre-tax Income to Paid-in Capital Ratio(%)	(6.79)	12.72	12.37	1.11	8.94	24.20
	Net Margin (%)	(6.08)	7.78	7.99	0.68	5.73	15.32
	Earnings Per Share (NT$)	(0.77)	1.12	1.15	0.07	0.70	0.51
Cash flow	Cash Flow Ratio (%)	18.99	43.85	21.18	71.27	45.77	5.10
	Cash Flow Adequacy Ratio (%)	151.94	163.21	110.42	91.83	112.68	92.59
	Cash Flow Reinvestment Ratio (%)	4.88	6.58	(1.00)	4.23	7.61	0.83
Leverage	Operating Leverage	Note1	4.54	16.13	4.57	2.38	1.90
	Financial Leverage	Note1	1.03	1.13	1.06	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. Decrease in current ratio: mainly due to the increase in short-term borrowings.
2. Increase in interest protection multiples: Mainly due to the increase in net profit before tax.
3. Increase in turnover rate of accounts receivable: mainly due to increase in net sales and decrease in accounts receivable.
4. Decrease in average cash collection days: mainly due to the increase in the turnover rate of accounts receivable.
5. Increase in inventory turnover rate: mainly due to the increase in the cost of goods sold and the decrease in the average inventory value.
6. Increase in return on assets: Mainly due to the increase in after-tax benefits and interest expenses.
7. The increase in return on equity, pre-tax net profit to capital-to-capital ratio, net profit ratio, and earnings per share increase: mainly due to the increase in after-tax profits.
8. Decrease in cash flow ratio: mainly due to the increase in short-term borrowings.
9. Increase in cash reinvestment ratio: Mainly due to the non-distribution of cash dividends in 2020
10. Decrease in operating leverage; mainly due to increase in operating profit.

(Note 1) HHARVATEK's net operating loss for the year, so the relevant ratio is meaningless and will not be calculated.

6.2.2. Five-Year Financial Analysis (individual entity)

Item \ Year		Five-Year Financial Analysis				
		2016	2017	2018	2019	2020
Capital Structure (%)	Debts Ratio (%)	33.44	25.54	26.46	25.42	25.73
	Long-term Fund to Property, Plant and Equipment (%)	685.90	968.61	748.49	464.94	537.85
Solvency (%)	Current Ratio	219.83	377.11	345.48	301.55	223.61
	Quick Ratio	178.73	321.33	273.88	227.12	182.19
	Times Interest Earned	(12.20)	38.99	55.96	10.40	49.40
Operating Performance	Average Collection Turnover (Count)	2.60	3.14	2.95	2.99	4.27
	Days Sales Outstanding	140.00	116.00	124.00	122.00	85.00
	Average Inventory Turnover (Count)	4.85	5.27	5.20	4.60	5.02
	Average Payment Turnover (Count)	3.51	4.87	5.35	5.11	5.20
	Average Inventory Turnover Days	75.00	69.00	70.00	79.00	73.00
	Property, Plant and Equipment Turnover (Count)	5.02	8.12	7.15	4.06	4.16
	Total Assets Turnover (Count)	0.61	0.74	0.69	0.58	0.66
Profitability	Return on Total Assets (%)	(3.72)	6.21	6.38	0.46	3.9
	Return on Equity (%)	(5.98)	8.60	8.48	0.56	5.13
	Pre-tax Income to Paid-in Capital Ratio (%)	(6.02)	12.23	12.48	1.06	8.89
	Net Margin (%)	(6.46)	8.19	9.05	0.71	5.76
	Earnings Per Share (NT$)	(0.77)	1.12	1.15	0.07	0.7
Cash flow	Cash Flow Ratio (%)	22.87	58.00	39.17	75.11	46.08
	Cash Flow Adequacy Ratio (%)	182.86	201.37	161.66	130.07	137.52
	Cash Flow Reinvestment Ratio (%)	5.23	6.98	0.91	4.44	7.70
Leverage	Operating Leverage	(Note1)	4.40	6.47	6.59	3.77
	Financial Leverage	(Note1)	1.02	1.03	1.03	1.02

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

1. Decrease in current ratio: mainly due to the increase in short-term borrowings.
2. Increase in interest protection multiples: Mainly due to the increase in net profit before tax.
3. Increase in turnover rate of accounts receivable: mainly due to increase in net sales and decrease in accounts receivable.
4. Decrease in average cash collection days: mainly due to the increase in the turnover rate of accounts receivable.
5. Increase in return on assets: Mainly due to the increase in after-tax benefits and interest expenses.
6. The increase in return on equity, pre-tax net profit to capital-to-capital ratio, net profit ratio, and earnings per share increase: mainly due to the increase in after-tax profits.
7. Decrease in cash flow ratio: mainly due to the increase in short-term borrowings.
8. Increase in cash reinvestment ratio: Mainly due to the non-distribution of cash dividends in 2020.
9. Decrease in operating leverage; mainly due to increase in operating profit.

(Note 1) HARVATEK's net operating loss for the year, so the relevant ratio is meaningless and will not be calculated.

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 80)

6.4 Financial Statements for the Most Recent Year (including the consolidated financial statements of the parent and subsidiaries): See Appendix (Page 81~180)

6.5 The Latest Individual Auditor's Report and Financial Statements Audited and Certified by CPA: See Appendix (Page 181~296)

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 2020 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 2021 Shareholders' Meeting

HARVATEK CORPORATION

Convener of the Audit Committee: Wu, Kuang-Yi

March 25, 2021

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, 2020 and 2019, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the period of 1 January to 31 December in 2020 and 2019, 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 2020, and 2019, 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 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 matters that, in our professional judgment, were of most

significance in our audits of the 2020 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 2020 are revenue from sales of goods and revenue from construction. 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 a]ppropriateness 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, 2020, the net accounts receivable (including related parties) of Harvatek Corporation and subsidiaries amounted to NT$597,216 thousand, representing 15% 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 confirm 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$126,038 thousand and NT$132,549 thousand as of December 31, 2020 and 2019, respectively, representing 3.11% and 3.69% of total assets, respectively. For the periods from January 1 to December 31 of 2020 and 2019, share of gain of associates accounted for using the equity method amounted to NT$(6,461) thousand and NT$14,279 thousand, representing (3.51)% and 62.60% of the net income before income taxes, respectively. Share of other comprehensive gain of associates accounted for using the equity method amounted to NT$(50) thousand and NT$(4,635) thousand, representing (0.02)% and (11.41)% of the net other comprehensive 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 2020 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.

Others

Harvatek Corporation has prepared its financial statements for 2020 and 2019, 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 25, 2021

Harvatek Corporation and Subsidiaries

Consolidated Balance Sheet

As of 31 December 2020 and 31 December 2019

Unit: NT$ thousand

Assets			As of 31 December 2020		As of 31 December 2019	
Code	Account name	Note	Amount	%	Amount	%
	Current assets					
1100	Cash and cash equivalents	IV and VI.1	$ 1,459,509	36	$ 1,105,930	31
1120	Financial assets at fair value through other comprehensive income - current	IV and VI.3	121,947	3	59,596	2
1150	Net notes receivable	IV, VI.4 and VI.16	225	-	225	-
1170	Net accounts receivable	IV, VI.5 and VI.16	597,216	15	581,164	16
1200	Other receivables		15,612	-	18,743	-
1210	Other receivables - related parties	VII	86	-	54	-
130x	Inventories	IV and VI.6	370,245	9	414,581	12
1410	Prepayments		21,479	1	31,210	1
1482	Cost to fulfill contracts - current	IV and VI.15	-	-	16,733	-
11xx	Total current assets		2,586,319	64	2,228,236	62
	Noncurrent assets					
1510	Financial assets at fair value through profit or loss - noncurrent	IV and VI.2	80,340	2	92,806	3
1517	Financial assets at fair value through other comprehensive income - noncurrent	IV and VI.3	444,274	11	253,808	7
1550	Investment accounted for using the equity method	IV and VI.7	126,038	3	132,549	4
1600	Property, plant and equipment	IV, VI.8 and VII	587,067	14	657,048	18
1755	Right-of-use assets	IV and VI.17	55,088	1	59,241	2
1760	Net investment property	IV and VI.9	74,188	2	74,480	2
1780	Intangible assets	IV and VI.10	1,618	-	1,617	-
1840	Deferred income tax assets	IV and VI.21	67,418	2	57,317	2
1900	Other noncurrent assets	VII	16,679	1	14,199	-
1920	Refundable deposits		720	-	720	-
1980	Other financial assets - noncurrent	VIII	14,839	-	19,416	-
15xx	Total noncurrent assets		1,468,269	36	1,363,201	38
1xxx	Total assets		$ 4,054,588	100	$ 3,591,437	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 31 December 2020 and 31 December 2019

Unit: NT$ thousand

Liabilities and Equity			As of 31 December 2020		As of 31 December 2019	
Code	Account name	Note	Amount	%	Amount	%
	Current liabilities					
2100	Short-term loans	IV and VI.11	$ 323,143	8	$ 19,583	1
2130	Contract liability - current	IV and VI.15	4,912	-	23,951	1
2150	Notes payable		-	-	1	-
2170	Accounts payable		404,980	10	315,998	9
2180	Accounts payable - related parties	VII	21,024	1	21,767	1
2200	Other payables		134,091	3	119,581	3
2213	Payables to equipment suppliers		7,047	-	5,739	-
2230	Income tax payable in the period	IV and VI.21	38,332	1	13,370	-
2280	Lease liabilities - current	IV and VI.17	3,527	-	3,912	-
2300	Other current liabilities		11,687	-	3,085	-
2322	Long-term loans due within one year	IV and VI.12	-	-	90,000	2
21xx	Total current liabilities		948,743	23	616,987	17
	Noncurrent liabilities					
2540	Long-term loans	IV and VI.12	-	-	210,000	6
2570	Deferred income tax liabilities	IV and VI.21	1,114	-	3,537	-
2580	Lease liabilities - noncurrent	IV and VI.17	52,452	1	55,750	2
2640	Net defined benefit liability - noncurrent	IV and VI.13	32,320	1	35,192	1
2645	Guarantee deposits		2,152	-	117	-
25xx	Total noncurrent liabilities		88,038	2	304,596	9
2xxx	Total liabilities		1,036,781	25	921,583	26
31xx	Equity attributable to owners of parent					
3100	Capital stock	VI.14				
3110	Common stock		2,060,698	51	2,060,698	57
3200	Capital surplus	VI.14	484,034	12	483,483	13
3300	Retained earnings	VI.14				
3310	Legal reserve		48,677	1	46,245	1
3320	Special reserve		6,397	-	25,579	1
3350	Undistributed earnings		188,940	5	28,224	1
3400	Other equity		172,325	4	(6,397)	-
3500	Treasury stock	VI and VI.14	(6,857)	-	(6,857)	-
	Equity attributable to owners of parent		2,954,214	73	2,630,975	73
36xx	Non-controlling interests	VI and VI.14	63,593	2	38,879	1
3xxx	Total equity		3,017,807	75	2,669,854	74
	Total liabilities and equity		$ 4,054,588	100	$ 3,591,437	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, 2020 and 2019

Unit: NT$ thousand

Code	Account name	Note	2020		2019	
			Amount	%	Amount	%
4000	Revenue from operations	IV, VI.15 and VII	$ 2,507,351	100	$ 2,163,869	100
5000	Operating costs	IV, VI.6, VI.10, VI.18 and VII	(1,974,626)	(79)	(1,759,938)	(81)
5900	Gross operating profit		532,725	21	403,931	19
6000	Operating expenses	VI.10, VI.16, VI.18 and VII				
6100	Marketing expenses		(132,799)	(5)	(122,561)	(6)
6200	General and administration expenses		(97,545)	(4)	(121,011)	(6)
6300	R&D expenses		(103,170)	(4)	(116,521)	(5)
6450	Reversal of expected credit losses		24,691	1	1,582	-
	Total operating expenses		(308,823)	(12)	(358,511)	(17)
6900	Operating gains		223,902	9	45,420	2
7000	Non-operating income and expenses	IV, VI.7, VI.19 and VII				
7100	Interest income		9,512	-	14,925	-
7010	Other income		35,566	1	20,023	1
7020	Other gains and losses		(74,405)	(3)	(70,486)	(3)
7050	Finance costs		(3,906)	-	(2,717)	-
7060	Share of profit or loss of associates and joint ventures accounted for using equity method		(6,461)	-	15,644	1
	Total non-operating income and expenses		(39,694)	(2)	(22,611)	(1)
7900	Profit before tax		184,208	7	22,809	1
7950	Income tax expense	IV and VI.21	(40,562)	(1)	(8,188)	-
8200	Net profit of the period		143,646	6	14,621	1
8300	Other comprehensive income	IV and VI.20				
8310	Items that will not be reclassified subsequently to profit or loss					
8311	Remeasurement of defined benefit plans		1,510	-	136	-
8316	Unrealized gains on investments in equity instruments at fair value through other comprehensive income		201,295	8	45,248	2
8349	Income taxes related to items that will not be reclassified subsequently		(302)	-	(27)	-
8360	Items that may be reclassified subsequently to profit or loss					
8361	Exchange differences arising from translation of foreign operations		(1,339)	-	(4,728)	-
	Other comprehensive income for the year (net of income tax)		201,164	8	40,629	2
8500	Total comprehensive income for the period		$ 344,810	14	$ 55,250	3
8600	Net profit attributable to:					
8610	Owners of parent		$ 143,339		$ 15,081	
8620	Non-controlling interests		307		(460)	
			$ 143,646		$ 14,621	
8700	Total comprehensive income attributable to:					
8710	Owners of parent		$ 326,313		$ 46,276	
8720	Non-controlling interests		18,497		8,974	
			$ 344,810		$ 55,250	
	Earnings per share (NT$)					
9750	Basic earnings per share	VI and VI.22				
9710	Net profit of the period		$ 0.70		$ 0.07	
9850	Diluted earnings per share					
9810	Net profit of the period		$ 0.69		$ 0.07	

(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, 2020 and 2019

Unit: NT$ thousand

	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 (losses) form equity instruments at fair value through other comprehensive income	Treasury stock	Total		
Code		3100	3200	3310	3320	3350	3410	3420	3500	31XX	36XX	3XXX
A1	Balance on January 1, 2019	$ 2,060,698	$ 483,309	$ 22,655	$ -	$ 259,147	$ (212)	$ (25,367)	$ (10,056)	$ 2,790,174	$ 33,773	$ 2,823,947
	Distribution of 2018 earnings:											
B1	Legal reserve	-	-	23,590	-	(23,590)	-	-	-	-	-	-
B2	Special reserve	-	-	-	25,579	(25,579)	-	-	-	-	-	-
B5	Cash dividends of common stock	-	-	-	-	(206,070)	-	-	-	(206,070)	-	(206,070)
D1	Net profit from January 1 to December 31, 2019	-	-	-	-	15,081	-	-	-	15,081	(460)	14,621
D3	Other comprehensive income from January 1 to December 31, 2019	-	-	-	-	109	(4,674)	35,760	-	31,195	9,434	40,629
D5	Total comprehensive income for the period	-	-	-	-	15,190	(4,674)	35,760	-	46,276	8,974	55,250
L7	Disposal of parent company's shares by a subsidiary has been treated as a treasury stock transaction	-	(169)	-	-	-	-	-	3,199	3,030	-	3,030
M1	Issuance of dividends to subsidiaries to adjust capital surplus	-	395	-	-	-	-	-	-	395	-	395
O1	Changes in non-controlling interests	-	(52)	-	-	(2,778)	-	-	-	(2,830)	(3,868)	(6,698)
Q1	Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	11,904	-	(11,904)	-	-	-	-
Z1	Balance on December 31, 2019	$ 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
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 (reversal))	-	-	-	(19,182)	19,182	-	-	-	-	-	-
	Other changes in capital surplus											
C3	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

(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, 2020 and 2019

Unit: NT$ thousand

Code	Item	2020 Amount	2019 Amount	Code	Item	2020 Amount	2019 Amount
AAAA	Cash flows from operating activities:			BBBB	Cash flows from investing activities:		
A00010	Profit before tax in the period	$ 184,208	$ 22,809	B00010	Acquisition of financial assets at fair value through other comprehensive income	(85,313)	(35,684)
A20000	Adjustments:			B00020	Disposal of financial assets at fair value through other comprehensive income	33,791	38,534
A20010	Income and other adjustments with no cash flow effects:			B00100	Acquisition of financial assets at fair value through profit or loss	(150,000)	(206,370)
A20100	Depreciation expenses	109,453	119,160	B00200	Disposal of financial assets at fair value through profit or loss	150,192	387,985
A20200	Amortization expenses	9,631	26,035	B02700	Acquisition of property, plant and equipment	(35,736)	(288,392)
A20300	Reversal of expected credit losses	(24,691)	(1,582)	B02800	Disposal of property, plant and equipment	-	7,750
A20400	Gains (losses) on financial assets and liabilities at fair value through profit or loss	12,466	34,574	B03800	Decrease in refundable deposits	-	(700)
A20900	Interest expenses	3,906	2,717	B04500	Acquisition of intangible assets	(3,543)	(5,009)
A21200	Interest income	(9,512)	(14,925)	B06500	Increase in other financial assets	-	(7,006)
A21300	Dividend income	(9,432)	(7,207)	B06600	Decrease in other financial assets	4,577	-
A22300	Share of profit or loss of associates and joint ventures accounted for using equity method	6,461	(15,644)	B06700	Increase in other noncurrent assets	(8,568)	(37,119)
A22500	Loss on disposal and retirement of property, plant and equipment	-	4,858	B07600	Dividends received	9,432	7,207
A23100	Gains on disposal of investments	(192)	(615)	BBBB	Cash outflow from investing activities	(85,168)	(138,804)
A24100	Unrealized foreign exchange losses	368	589				
A30000	Changes in operating assets / liabilities:						
A31130	Notes receivable	3	(40)	CCCC	Cash flows from financing activities:		
A31150	Accounts receivable	7,082	281,394	C00100	Increase in short-term loans	303,183	6,438
A31180	Other receivables	3,052	10,780	C01700	Repayment of long-term loans	(300,000)	(110,000)
A31190	Other receivables - related parties	1,550	1,155	C03000	Increase in guarantee deposits	2,035	-
A31200	Inventories	45,246	33,467	C03100	Decrease in guarantee deposits	-	(276)
A31230	Prepayments	9,731	10,544	C04020	Repayment of lease principal	(3,605)	(7,226)
A31240	Other current assets	-	2,374	C04500	Cash dividends	-	(205,675)
A31280	Cost to fulfill contracts	16,733	(16,733)	C05000	Disposal of treasury stock	-	3,030
A32125	Contract liabilities	(19,039)	18,685	C05800	Changes in non-controlling interests	2,592	(6,698)
A32130	Notes payable	(1)	1	C09900	From donations	551	-
A32150	Accounts payable	88,982	(14,767)	CCCC	Cash outflow from financing activities	4,756	(320,407)
A32160	Accounts payable - related parties	(743)	(5,956)	DDDD	Effect of exchange rate changes on cash and cash equivalents	(280)	19
A32180	Other payables	14,664	(47,408)	EEEE	Decrease in cash and cash equivalents	353,579	(19,845)
A32190	Other accounts payable - related parties	-	-	E00100	Cash and cash equivalents, beginning of period	1,105,930	1,125,775
A32230	Other current liabilities	8,602	2,417	E00200	Cash and cash equivalents, end of period	$ 1,459,509	$ 1,105,930
A32240	Net defined benefit liability	(1,362)	(2,069)				
A33000	Cash generated from operations	457,166	444,613				
A33100	Interest received	9,591	14,861				
A33300	Interest paid	(4,060)	(2,600)				
A33500	Income taxes paid	(28,426)	(17,527)				
AAAA	Net cash inflow from operating activities	434,271	439,347				

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

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

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 consolidated financial statements of the Company and its subsidiaries (herein after referred as the Group) were published with the Board of Directors' approval on March 25, 2021.

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, 2020. Except for the description of the nature and impact of the new standards and amendments described below, other first-time applications have no material impact on the Group.

The Group chose to apply early the amendment to IFRS 16 "Covid-19-Related Rent Concessions", which had been endorsed by the FSC, for for fiscal year beginning after January 1, 2020, and to follow the transitional provisions of the amended standard. It chose not to assess whether rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications and instead treated the rent concessions as changes in lease payments. This amendment has no material impact on the Group.

2. 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)	Interest rate benchmark reform - phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 1, 2021

(1) Interest rate benchmark reform - phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

This final phase of the amendments focuses on the impacts of changes in interest rate benchmarks on the financial statements, including:

A. For changes in the basis for determining the contractual cash flows of financial instruments that are required by the interest rate benchmark reform, the carrying amount of the financial instrument would not be derecognized or adjusted, but rather the effective interest rate is updated to reflect the change in the alternative benchmark interest rate.

B. When hedging transactions continue to qualify for hedge accounting, it is not required to cease applying hedge accounting solely because of changes required by the reform; and

C. Disclosure is requested on new risks arising from the reform and how they will be managed in order to transition to alternative benchmark interest rates.

The above are newly issued, revised and amended standards or interpretations that have been issued by the IASB, endorsed by the FSC and have become applicable since the fiscal year beginning after January 1, 2021, and have been assessed to be immaterial to the Group.

3. As of the date of the financial statements published, the Group has not applied the following newly released, 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)	Package of narrow-scope amendments to IFRS Standards, including amendments to IFRS 3, IAS 16 and IAS 37 as well as annual improvements	January 1, 2022
(5)	Disclosure of accounting policies (amendments to IAS 1)	January 1, 2023
(6)	Definition of accounting estimates (amendments to IAS 8)	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, under which fulfilment cash flows include:

A. Measurement of future cash flows

B. Discount rate: An adjustment to reflect the time value of money and the financial risk associated with future cash flows (to the extent that financial risks are not included in the measurement of future cash flows); and

C. Risk adjustment for non-financial risks

The carrying amount of the insurance contract group as of the end of each reporting period is the sum of the liability for remaining coverage and the liability for incurred claims.

In addition to the general model, it also provides:

A. Specific approach for insurance contracts with direct participation features (variable fee approach)

B. 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) Package of narrow-scope amendments to IFRSs, 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: Revenue earned before the intended uses (amendments to IFRS 16)

This amendments prohibited entities 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 IFRS 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.

(5) 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.

(6) 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.

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 2020 and 2019 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	
			2020.12.31	2019.12.31
The Company	Harvatek International (USA) Corp.	Sales of electronics components	100.00	100.00
	HONOR LIGHT LIMITED	Investment	100.00	100.00
	Hong Zheng 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 3)	Manufacturing and sales of electronics components	84.77	-
Hong Zheng Investment Co., Ltd.	Harvatek (Hong Kong) Trading Limited	Investment	5.00	5.00
	Consentek Corporation (Note 3)	Manufacturing and sales of electronics components	4.92	-
HONOR LIGHT LIMITED	Harvatek (HK) Limited	Investment	100.00	100.00
	Harvatek Europe GmbH	Sales of electronics components	51.00	51.00
	Harvatek (Guangzhou) Co., Ltd. (Note 2)	Manufacturing and sales of electronics components	100.00	100.00
	Guang Zhou Giuhong Yi trading company, Limited	Sales of electronics components	100.00	100.00
Harvatek (Hong Kong) Trading Limited	Wuxi Harvatek Optoelectronic Co., Ltd.	Manufacturing and sales of electronics components	100.00	100.00

Note1: The Company holds 2,500,000 preferred shares of Hong Zheng 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.

Note2: The Group holds 100% equity interest in Harvatek (Guangzhou) Co., Ltd. after increasing its shareholding in the company in January 2019.

Note3: 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%.

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:
   (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.

Financial assets at fair value through profit or loss

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:

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 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:

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 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. Leases

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:

(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 Group is reasonably certain to exercise that option; and
(5) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Group measures 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 mergers 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:

Patents	15 years
Computer software	1–3 years

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

	Patents	Computer software
Useful life	Finite	Finite
Amortization method used	Amortized by straight-line method over the patent period	Amortized on a straight-line basis over the estimated benefit period
Internally generated or 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 Group 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 merger 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 Group 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.

(3) Recognition of right-of-use assets and lease liabilities

The lease term of the leased assets and the interest rate on the lessee's incremental borrowings used to discount the lease payments are the main factors in recognizing the right-of-use assets and lease liabilities.

In determining the lease term of the assets leased, the Group considers all relevant facts and circumstances that would give rise to an economic incentive to exercise or not to exercise the option, including all anticipated changes in facts and circumstances between the commencement date of the lease and the date of exercise of the option. The main factors to be considered include the contractual terms and conditions of the period covered by the option and the importance of the underlying assets to the lessee's operations. Lease terms are reassessed when significant events or material changes in circumstances occur within the Group's control.

The interest rate used to discount the lease payments to the lessee is determined by considering the market risk-free rate, the estimated credit risk premium and the guarantee status of the lessee in a similar economic environment.

VI. Contents of Significant Accounts

1. Cash and cash equivalents

	2020.12.31	2019.12.31
Cash	$166	$260
Check and current deposit	465,440	522,810
Time deposit	765,740	582,860
Cash equivalent - repo bills	228,163	-
Total	$1,459,509	$1,105,930

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

2. Financial assets at fair value through profit or loss

	2020.12.31	2019.12.31
Mandatorily measured at fair value through profit or loss:		
Stocks	$80,340	$92,806

	109.12.31	108.12.31
Non-current	$80,340	$92,806

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

	2020.12.31	2019.12.31
Investments of equity instruments at fair value through other comprehensive income:		
Stocks of listed companies	$255,612	$159,581
Stocks of unlisted companies	310,609	153,823
Total	$566,221	$313,404

	2020.12.31	2019.12.31
Current	$121,947	$59,596
Non-current	444,274	253,808
Total	$566,221	$313,404

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 2020 and 2019 is as follows:

	2020	2019
Related to investments still held at the balance sheet date	$5,149	$4,927
Related to investments derecognized in the current period	46	1,841
Dividend income recognized in the current period	$5,195	$6,768

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 2020 and 2019 is as follows:

	2020	2019
Fair value at the derecognition date	$33,791	$38,534
Accumulated gain on disposal of retained earnings transferred from other equity	$3,044	$11,904

4. Notes receivable

	2020.12.31	2019.12.31
Notes receivable - generated from operating	$225	$228
Less: loss allowance	-	(3)
Total	$225	$225

The Group does not provide notes receivable as collaterals.

For information related to the Group's loss allowance for losses for 2020 and 2019, please refer to Note VI.16, and for information related to credit risk, please refer to Note XII.

5. Accounts receivable

	2020.12.31	2019.12.31
Accounts receivable	$671,532	$678,614
Less: loss allowance	(74,316)	(97,450)
Total	$597,216	$581,164

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, 2020 and 2019, were NT$671,757 thousand and NT$678,842 thousand, respectively. Please refer to Note VI.16 for information on the Group's loss allowance for 2020 and 2019 and Note XII for information on credit risk.

6. Inventories

	2020.12.31	2019.12.31
Materials	$68,292	$53,722
Supplies	18,948	18,780
Work in process	68,454	57,399
Finished goods	214,551	284,680
Total	$370,245	$414,581

(1) The Group's cost of inventories recognized as expenses in 2020 and 2019 were NT$1,974,626 thousand and NT$1,759,938 thousand; the reduce inventory to market recognized in 2020 and 2019 were NT$45,621 thousand and NT$28,622 thousand, respectively. In addition, inventory obsolescence losses of NT$108 thousand and NT$64

thousand were recognized in 2020 and 2019, 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	2020.12.31		2019.12.31	
	Amount	Shareholding ratio	Amount	Shareholding ratio
Invested associates:				
Hong-Rui Investment Co., Ltd.	$-	35%	$-	35%
Yangzhou YoungTek Electronics Ltd.	126,038	40%	132,549	40%
Total	$126,038		$132,549	

(1) 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.

(2) 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:

	2020	2019
Net profit (loss) for the period of the units in continued business operation	$(6,461)	$15,644
Other comprehensive income for the period (net of income tax)	(50)	(4,635)
Total comprehensive income for the period	$(6,511)	$11,009

(3) 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:

	2020.12.31	2019.12.31
Current assets	$271,703	$254,651
Noncurrent assets	189,267	197,611
Current liabilities	(145,875)	(120,890)
Noncurrent liabilities	-	-
Equity	315,095	331,372
The Group's shareholding ratio	40%	40%
Carrying amount of the investment	$126,038	$132,549

	2020	2019
Revenue from operations	$315,184	$455,450
Net profit for the period of the units in continued business operation	$(16,153)	$35,698
Other comprehensive income	-	-
Comprehensive income for the period	$(16,153)	$35,698

(4) The aforementioned invested associates had no contingent liabilities or capital commitments as of December 31, 2020 and 2019, and no guarantees have been provided.

8. Property, plant and equipment

	2020.12.31	2019.12.31
Property, plant and equipment for own use	$587,067	$657,048

	Land and Improvements	Buildings Structures	Machinery equipment	Testing equipment	Transportation equipment	Other equipment	Leasehold improvements	Unfinished construction	Total
Costs:									
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
Balance on January 1, 2019	$103,400	$302,522	$2,555,545	$49,251	$2,537	$236,157	$52,540	$-	$3,301,952
Increase	-	-	88,863	4,848	-	17,495	-	277,141	388,347
Reclassified	-	196,022	-	-	-	-	-	(277,141)	(81,119)
Disposal	-	(14,592)	(371,812)	(1,692)	-	(9,941)	-	-	(398,037)
Effect of exchange rate changes	(285)	(334)	1,995	-	-	(34)	-	-	1,342
Balance on December 31, 2019	$103,115	$483,618	$2,274,591	$52,407	$2,537	$243,677	$52,540	$-	$3,212,485
Depreciation and impairment:									
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
Balance on January 1, 2019	$1,130	$234,818	$2,289,838	$30,343	$2,036	$229,922	$47,749	$-	$2,835,836
Depreciation	-	12,802	84,122	7,198	327	5,806	1,890	-	112,145
Reclassified	-	(6,639)	-	-	-	-	-	-	(6,639)
Disposal	-	(4,308)	(369,817)	(1,692)	-	(9,612)	-	-	(385,429)
Effect of exchange rate changes	-	(242)	(246)	-	-	12	-	-	(476)
Balance on December 31, 2019	$1,130	$236,431	$2,003,897	$35,849	$2,363	$226,128	$49,639	$-	$2,555,437
Net carrying amount:									
2020.12.31	$101,272	$259,443	$202,483	$7,408	$-	$15,337	$1,124	$-	$587,067
2019.12.31	$101,985	$247,187	$270,694	$16,558	$174	$17,549	$2,901	$-	$657,048

(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 amount of the capitalization of borrowing costs for unfinished construction in 2019 was NT$2,141 thousand. The interest rate for the capitalization of borrowing costs in 2019 ranged from 1.17% to 1.41%. No such event in 2020.

(3) 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:	
2020.01.01	$81,119
Transferred from property, plant and equipment	2,750
Effect of exchange rate changes	(512)
2020.12.31	$83,357
2019.01.01	$-
Transferred from property, plant and equipment	81,119
2019.12.31	$81,119
Depreciation and impairment:	
2020.01.01	$6,639
Depreciation and impairment of the year	2,854
Transferred from property, plant and equipment	23
Effect of exchange rate changes	(347)
2020.12.31	$9,169
2019.01.01	$-
Transferred from property, plant and equipment	6,639
2019.12.31	$6,639
Net carrying amount:	
2020.12.31	$74,188
2019.12.31	$74,480

	2020	2019
Rental income from the investment property	$12,288	$3,141
Less: Direct operating expenses incurred on investment properties that generate rental income for the period	(2,877)	(891)
Total	$9,411	$2,250

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$78,203 thousand and NT$75,917 thousand as of December 31, 2020 and 2019, 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:

	2020.12.31	2019.12.31
Long-term operating income	$119,015	$115,677
Capitalization rate	7.50%	7.70%

10. Intangible assets

	Patents	Computer software	Total
Costs:			
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
Balance on January 1, 2019	$238,351	$83,403	$321,754
Increase - acquired alone	-	5,009	5,009
Balance on December 31, 2019	$238,351	$88,412	$326,763
Amortization and impairment:			
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
Balance on January 1, 2019	$223,560	$82,461	$306,021
Amortization	14,341	4,784	19,125
Balance on December 31, 2019	$237,901	$87,245	$325,146
Net carrying amount:			
2020.12.31	$-	$1,618	$1,618
2019.12.31	$450	$1,167	$1,617

Recognized amount of amortization for intangible assets is as follows:

	2020	2019
Operating costs	$60	$14,880
General and administration expenses	3,301	3,595
R&D expenses	181	650
Total	$3,542	$19,125

11. Short-term loans

	2020.12.31	2019.12.31
Unsecured borrowings	$323,143	$19,583
Interest range	0%-0.8%	-%

The Group's unused short-term borrowing facilities as of December 31, 2020 and 2019, were NT$587,856 thousand and NT$750,000 thousand, respectively.

12. Long-term loans

As of 31 December 2020: none.

As of 31 December 2019:

Creditor:	2019.12.31	Interest rate (%)	Repayment period and method
Taipei Fubon Bank, credit loan	300,000	1.17%	The loan period is 3 years from July 20, 2018 to July 20, 2021. The loan is repayable in 4 installments. The first instalment is 18 months from the drawdown date and every 6 months thereafter. Each of the first three installments are 15% of the principal, and the fourth installment is 55%. Interest is paid monthly.
Less: amount due within one year	(90,000)		
Total	$210,000		

13. 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, 2020 and 2019, are NT$18,377 thousand and NT$ 19,847 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 $1,791 thousand to its defined benefit plan during the 12 months beginning after 31 December, 2020.

As of December 31, 2020 and 2019, the weighted-average duration of the Company's defined benefit obligations was 17 and 18 years, respectively.

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

	2020	2019
Current period service costs	$130	$132
Interest from net defined benefit liability (asset)	299	430
Total	$429	$562

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

	2020.12.31	2019.12.31	2019.01.01
Defined benefit obligations	$52,095	$52,446	$53,516
Fair value of the plan assets	(19,775)	(17,254)	(17,045)
Difference	-	-	789
Net defined benefit liability	$32,320	$35,192	$37,260

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

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability (asset)
Balance on January 1, 2019	$53,516	$(17,045)	$36,471
Current period service costs	132	-	132
Interest expenses (income)	631	(201)	430
Subtotal	54,279	(17,246)	37,033
Remeasurement of defined benefit liability/asset:			
Arising from changes in demographic assumptions	(175)	-	(175)
Arising from changes in financial assumptions	2,970	-	2,970
Experience adjustments	(2,374)	-	(2,374)
Remeasurement of defined benefit asset	-	(556)	(556)
Subtotal	421	(556)	(135)
Payments from the plan	(2,254)	2,254	-
Contributions by employer	-	(1,706)	(1,706)
Balance on December 31, 2019	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

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

	2020.12.31	2019.12.31
Discount rate	0.43%	0.85%
Expected rate of salary increases	3.00%	3.00%

Sensitivity analysis for each significant actuarial assumption:

	2020		2019	
	Increase in defined benefit obligations	Decrease in defined benefit obligations	Increase in defined benefit obligations	Decrease in defined benefit obligations
Discount rate increases by 0.5%	$-	$4,169	$-	$4,412
Discount rate decreases by 0.5%	4,634	-	4,919	-
Expected salary increases by 0.5%	4,489	-	4,786	-
Expected salary decreases by 0.5%	-	4,089	-	4,345

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.

14. Equity

(1) Capital stock

As of December 31, 2020 and 2019, 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

	2020.12.31	2019.12.31
Additional paid-in capital	$20,878	$20,878
From treasury share transactions	14,801	14,801
From convertible bonds	353,769	353,769
Donated assets	551	-
Others - expired stock options	94,035	94,035
Total	$484,034	$483,483

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.

(4) 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:

	2020.12.31	2019.12.31
Amount	$6,857	$6,857
Number of shares (thousand shares)	395	395

Subsidiaries sold 443 thousand shares of the Company's stock in 2019. The Company recognized 184 thousand shares of treasury stock for disposal in proportion to its shareholding ratio and wrote off the cost of treasury stock of NT$3,199 thousand. Difference from the sale proceeds was recognized as capital surplus for NT$(169) thousand.

(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. For the remaining amount, the board of directors shall prepare an earnings distribution proposal in accordance with the dividend policy and submit it 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 25, 2021, and June 23, 2020, the Company proposed and resolved the appropriation of earnings and dividends per share for 2020 and 2019, respectively. Details are as follows:

	Earnings distribution		Dividend per share (NT$)	
	2020	2019	2020	2019
Legal reserve	$14,397	$2,432		
Special reserve (reversal)	(6,397)	(19,182)		
Cash dividends of common stock	144,249	-	0.7 元	-

Please refer to Note VI.18 for information on the estimation basis and recognized amount of the compensation to employees and directors and supervisors.

(5) Non-controlling interests

	2020	2019
Beginning balance	$38,879	$33,773
Net income (loss) attributed to non-controlling interests	307	(460)
Other comprehensive income attributable to non-controlling interests		
Exchange differences arising from translation of foreign operations	28	(54)
Unrealized gains on investments in equity instruments at fair value through other comprehensive income	18,162	9,488
Increase (decrease) in non-controlling interests	2,592	(3,868)
Changes in the Company's ownership interests in subsidiaries	3,625	-
Ending balance	$63,593	$38,879

15. Revenue from operations

	2020	2019
Revenue from contracts with customers		
Revenue from sale of products	$2,443,571	$2,162,986
Engineering revenue	60,897	-
Labor service revenue	2,883	883
Net operating revenue	$2,507,351	$2,163,869

Information related to the Group's revenue from contracts with customers in 2020 and 2019:

(1) Disaggregation of revenue

Source of revenue	Revenue recognition timing	2020	2019
Revenue from sale of products	Satisfied at certain point of time	$2,443,571	$2,162,986
Engineering revenue	Satisfied at certain point of time	60,897	-
Provision of labor services	Gradually satisfied over time	2,883	883
Total		$2,507,351	$2,163,869

(2) Contract balances

Contract liability - current

	2020	2019
Sale of goods	$4,912	$3,626
Engineering revenue	-	20,325
Total	$4,912	$23,951

The Group's significant changes in the contract liability balances during January 1 to December 31, 2020 and 2019, are as follows:

	2020	2019
Beginning balance	$23,951	$5,266
Net changes in the period	(19,039)	18,685
Ending balance	$4,912	$23,951

The difference between the Group's contractual liabilities as of December 31, 2020 and 2019, 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

	2020.12.31	2019.12.31
Cost to fulfill contracts - current	$-	$16,733

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.

16. Expected credit impairment loss

	2020	2019
Operating expenses - expected credit impairment loss (gain on reversal)		
Notes receivable	$(3)	$-
Accounts receivable	(23,106)	(298)
Other receivables	(1,582)	1,582
Overdue receivables	-	(2,866)
Total	$(24,691)	$(1,582)

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, 2020 and 2019, 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:

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	-	-	-	-	-	-

2019.12.31

		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	551,796	1,983	26,652	1,798	6,417	588,646
Loss ratio	0%	0%	10%	30%	100%	
Lifetime expected credit loss	-	-	(2,388)	(539)	(6,417)	(9,344)
Carrying amount	551,796	1,983	24,264	1,259	-	579,302

		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	-	2,319	-	-	85,650	87,969
Loss ratio	10%	10%	30%	60%	100%	
Lifetime expected credit loss	-	(232)	-	-	(85,650)	(85,882)
Carrying amount	-	2,087	-	-	-	2,087

		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	-	-	125	533	1,569	2,227
Loss ratio	100%	100%	100%	100%	100%	
Lifetime expected credit loss	-	-	(125)	(533)	(1,569)	(2,227)
Carrying amount	-	-	-	-	-	-

Information on the changes in the allowance for losses on notes receivable, accounts receivable, other receivables and overdue receivables for the years ended December 31, 2020 and 2019, is as follows:

	Notes receivable	Accounts receivable	Other receivables	Overdue receivable	Total
2020.01.01	$3	$97,450	$1,582	$-	$99,035
Allowance for losses (reversal) amount	(3)	(23,106)	(1,582)	-	(24,691)
Effect of exchange rates change	-	(28)	-	-	(28)
2020.12.31	$-	$74,316	$-	$-	$74,316
2019.01.01	$3	$97,829	$-	$17,908	$115,740
Allowance for losses (reversal) amount	-	(298)	1,582	(2,866)	(1,582)
Current write off	-	-	-	(15,042)	(15,042)
Effect of exchange rates change	-	(81)	-	-	(81)
2019.12.31	$3	$97,450	$1,582	$-	$99,035

17. Leases

(1) The Group being the lessee (applying the relevant disclosures in IFRS 16)

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

(a) Right-of-use assets

Carrying amount of the right-of-use assets

	2020.12.31	2019.12.31
Land	$47,978	$49,667
Buildings and structures	4,959	5,840
Machinery equipment	1,308	1,744
Transportation equipment	843	1,990
Total	$55,088	$59,241

The Company's right-of-use assets increased NT$0 thousand and NT$53,858 thousand in 2020 and 2019, respectively.

(b) Lease liabilities

	2020.12.31	2019.12.31
Lease liabilities		
Current	$3,527	$3,912
Non-current	$52,452	$55,750

Please refer to Note VI.19(4) "financial costs" for the Group's interest expenses on lease liabilities in 2020 and 2019; please refer to Note XII.5 "liquidity risk management" for the maturity analysis of lease liabilities in 2020 and 2019.

B. Amount recognized in the income statement

Depreciation of right-of-use assets

	2020	2019
Land	$1,688	$985
Buildings and structures	803	4,528
Machinery equipment	436	436
Transportation equipment	1,147	1,066
Total	$4,074	$7,015

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

	2020	2019
Short-term lease expenses	$1,695	$1,390
Expenses on low-value asset leases (excluding those on low-value asset leases under short-term leases)	353	2,388

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

The Group's cash outflows for leases in 2020 and 2019 were NT$6,710 thousand and NT$11,956 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.

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

By function / By nature	2020			2019		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Labor expenses						
Salary and bonus expenses	$278,810	$122,985	$401,795	$291,319	$125,068	$416,387
Labor and health insurance expenses	26,968	9,890	36,858	29,466	14,108	43,574
Pension expenses	13,090	5,716	18,806	14,510	5,899	20,409
Board compensation	-	2,413	2,413	-	383	383
Other employee benefit expenses	12,798	3,920	16,718	13,710	4,090	17,800
Depreciation expenses	86,520	22,933	109,453	92,938	26,222	119,160
Amortization expenses (Note)	4,178	5,453	9,631	18,246	7,789	26,035

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 2020, the Group estimated NT$12,000 thousand for employees' remuneration and NT$1,960 thousand for directors and supervisors' remuneration, respectively, which were recorded as salary expenses; on March 25, 2021, the Board of Directors resolved to pay employees' remuneration and directors and supervisors' remuneration in cash of NT$12,000

thousand and NT$1,960 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 2019 were NT$2,020 thousand and NT$240 thousand, respectively, which is not materially different from the amounts recorded as expenses in the 2019 financial statements.

19. Non-operating income and expenses

(1) Interest income

	2020	2019
Financial assets measured at amortized cost	$9,512	$14,925

(2) Other income

	2020	2019
Rent income	12,664	3,308
Dividend income	9,432	7,207
Other income	13,470	9,508
Total	$35,566	$20,023

(3) Other gains and losses

	2020	2019
Net gain on disposal of investment	$192	$615
Loss on disposal of property, plant and equipment	-	(4,858)
Net loss on foreign exchange	(61,711)	(25,012)
Loss on financial assets and liabilities at fair value through profit or loss	(12,466)	(34,574)
Other	(420)	(6,657)
Total	$(74,405)	$(70,486)

(4) Finance costs

	2020	2019
Interest on bank loans	$2,849	$1,765
Interest on lease liabilities	1,057	952
Total	$3,906	$2,717

20. Composition of other comprehensive income

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

Composition of other comprehensive income in 2019 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	$136	$-	$136	$(27)	$109
Unrealized gains on investments in equity instruments at fair value through other comprehensive income	45,248	-	45,248	-	45,248
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising from translation of foreign operations	(4,728)	-	(4,728)	-	(4,728)
Total	$40,656	$-	$40,656	$(27)	$40,629

21. Income taxes

The main composition of income taxes is as follows:

Income tax recognized in profit or loss

	2020	2019
Income tax of the current period		
Income taxes payable of the current period	$51,145	$20,842
Adjustment to income taxes of prior periods	2,243	(9,750)
Deferred income tax		
Related to origin and reversal of temporary differences	(12,826)	(2,904)
Income tax expense	$40,562	$8,188

Income taxes recognized as other comprehensive income

	2020	2019
Deferred income tax expense (benefit)		
Remeasurement of defined benefit plans	$302	$27

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

	2020	2019
Profit before income tax of the units in continued business operation	$184,208	$22,809
Tax at the domestic rates applicable to profits in the country concerned	$36,842	$4,562
Income tax effect of expenses not deductible for tax purposes	(1,090)	1,069
Income tax effect of deferred tax assets/liabilities	2,567	12,205
Surtax on undistributed retained earnings	-	102
Adjustments to current income tax of prior years	2,243	(9,750)
Total income tax expense recognized in profit or loss	$40,562	$8,188

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

2020

	Beginning balance	Recognized in profit or loss	Recognized in 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)

2019

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Temporary difference				
Loss for market price decline and obsolete and slow-moving inventories	$10,961	$5,724	$-	$16,685
Employee benefits payable	1,904	(100)	-	1,804
Valuation gains or losses on foreign investment targets	4,000	6,880	-	10,880
Others	34,038	(9,600)	(27)	24,411
Deferred income tax (expense)/ benefit		$2,904	$(27)	
Net deferred income tax assets/ (liabilities)	$50,903			$53,780
Information presented in balance sheet:				
Deferred income tax assets	$52,182			$57,317
Deferred income tax liabilities	$(1,279)			$(3,537)

Unrecognized deferred income tax assets

As of December 31, 2020 and 2019, the Group has unrecognized deferred income tax assets totaling NT$64,492 thousand and NT$63,093 thousand, respectively, due to the unlikelihood of taxable income.

Income tax examination

As of December 31, 2020, the examined income tax returns of the Company and its domestic subsidiaries are as follows.

	Income tax examination
The Company	Through 2018
Subsidiary - Hong Zheng Investment Co., Ltd.	Through 2018
Subsidiary - Sleipnir LED Co., Ltd.	Through 2018

22. 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.

	2020	2019
(1) Basic earnings per share		
Profit attributable to ordinary equity holders of the parent (NT$ thousand)	$143,339	$15,081
Weighted average number of ordinary shares outstanding for basic earnings per share (thousand shares)	205,675	205,625
Basic earnings per share (NT$)	$0.07	$0.07

	2020	2019
(2) Diluted earnings per share		
Profit attributable to ordinary equity holders of the parent (NT$ thousand)	$143,339	$15,081
Weighted average number of ordinary shares outstanding for basic earnings per share (thousand shares)	205,675	205,625
Dilutive effect:		
Employees' remuneration	725	551
Weighted average number of ordinary shares outstanding after adjusting the dilutive effect (thousand shares)	206,400	206,176
Diluted earnings per share (NT$)	$0.69	$0.07

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.

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

(1) Acquisition of additional equity interests in subsidiaries

The Group, in consideration of long-term development and operational needs, in 2019 acquired 5% of equity interest in Guangzhou Hongqi Electronics Co., Ltd. for NT$4,477 thousand in cash, to increase its ownership to 100%. However, the transaction did not affect the control of the subsidiary, so the change in equity was treated as an equity transaction with a reduction in capital surplus of NT$52 thousand and a reduction in retained earnings of NT$2,778 thousand.

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

The Group established Consentek Corporation in June 2020 and issued new shares in August 2020. The Group did not participate in the cash capital increase in proportion to its shareholding, resulting in an increase in the Group's consolidated direct and indirect shareholding in it to 86.8%. However, the transaction did not affect the control of the subsidiary, so the change in equity was treated as an equity transaction with a reduction in retained earnings of NT$3,625 thousand.

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	Other related party of the Group
Jiu Hong Xin Technology Co., Ltd.	Other related party of the Group

1. Sale of goods

	2020	2019
YoungTek Electronics Corporation	$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	2020	2019
YoungTek Electronics Corporation	Manufacturing overhead - outsourced (Note)	$54,621	$55,410
YoungTek Electronics Corporation	Manufacturing overhead - testing and experiment expenses etc.	$2,987	$3,126
YoungTek Electronics Corporation	Non-operating revenue - sample revenue	$90	$141

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	2020	2019
YoungTek Electronics Corporation	Machinery equipment	$-	$1,250
YoungTek Electronics Corporation	Other deferred expenses	$-	$3,000
YoungTek Electronics Corporation	Prepayment to equipment suppliers	$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) Purchase of buildings

In December 2018, the Board of Directors resolved to purchase a leased factory from YoungTek Electronics Corporation, the transaction amount was NT$275,000 thousand. The property transaction was fully paid for on December 31, 2019, and the registration of transfer was completed. The transaction was recognized under the Buildings account. No such event in 2020.

(3) 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 2020 and 2019 was NT$10,800 thousand and NT$1,800 thousand, respectively. 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 2019. According to the contracted lease term, the monthly rent is NT$32 thousand, payable monthly. The lease income for the year 2020 is NT$252 thousand, and the lease price is determined with reference to the market price.

4. Other receivables - related parties

	2020.12.31	2019.12.31
YoungTek Electronics Corporation	$86	$54

5. Accounts payable - related parties

	2020.12.31	2019.12.31
YoungTek Electronics Corporation	$20,944	$21,767
Jiu Hong Xin Technology Co., Ltd.	80	-
Total	$21,024	$21,767

6. Key management personnel remuneration

	2020	2019
Short-term employee benefits	$18,323	$18,853
Retirement benefit plans	472	474
Total	$18,795	$19,327

VIII. Pledged Assets

The Group's pledged assets are summarized below:

Item	Carrying amount 2020.12.31	Carrying amount 2019.12.31	Guaranteed debt content
Other financial assets - pledged time deposit	$12,639	$12,584	Customs deposit of guarantee
Other financial assets - pledged time deposit	2,200	3,832	Guarantee deposit for land leased from Hsinchu Science Park Bureau
Other financial assets - pledged time deposit	-	3,000	Guarantee deposit for Institute for Information Industry
Total	$14,839	$19,416	

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

	2020.12.31	2019.12.31
Financial assets		
Financial assets mandatorily measured at fair value through profit or loss	$80,340	$92,806
Financial assets measured at fair value through other comprehensive income	566,221	313,404
Financial assets measured at amortized cost (Note)	2,088,041	1,725,992
Total	$2,734,602	$2,132,202
Financial liabilities		
Financial liabilities measured at amortized cost:		
Short-term loans	$323,143	$19,583
Payables	567,142	463,086
Lease liabilities	55,979	59,662
Long-term liabilities (including current portion)	-	300,000
Total	$946,264	$842,331

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 2020 and 2019 will decrease/increase by NT$32,621 thousand and NT$47,648 thousand, respectively.

When TWD appreciates/depreciates 5% against CNY, the Group's profit (loss) for 2020 and 2019 will decrease/increase by NT$4,902 thousand and NT$591 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$3,076 thousand and NT$3,000 thousand in 2020 and 2019, 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 2020 and 2019 would be approximately NT$25,561 thousand and NT$15,958 thousand, respectively.

For other equity instruments or derivatives linked to equity instruments with Level 3 fair value hierarchy, please refer to Note XII.9 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 66% of the Group's total receivables as of December 31, 2020 and 2019. 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.16 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
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

	Less than 1 year	2 to 3 years	4 to 5 years	5 years and more	Total
2019.12.31					
Short-term loans	$19,583	$-	$-	$-	$19,583
Payables	463,086	-	-	-	463,086
Long-term loans	92,789	211,096	-	-	303,885
Lease liabilities (Note)	3,912	5,938	4,809	45,003	59,662

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
2020.12.31	$3,527	$9,368	$9,100	$9,947	$24,037	$55,979
2019.12.31	$3,912	$10,747	$11,019	$9,947	$24,037	$59,662

6. Reconciliation of liabilities arising from financing activities

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

Reconciliation of liabilities for 2019:

	Short-term loans	Long-term loans	Lease liabilities	Total liabilities arising from financing activities
2019.01.01	$11,367	$410,000	$-	$421,367
Opening adjustments			44,096	44,096
Cash flows	6,438	(110,000)	(7,226)	(110,788)
Non-cash changes				
New lease contracts for the period			53,858	53,858
Terminated lease contracts for the period	-	-	(29,877)	(29,877)
Exchange rate changes	1,778	-	(1,189)	589
2019.12.31	$19,583	$300,000	$59,662	$379,245

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.9 for details of the fair value hierarchy of the Group's financial instruments.

8. Derivative instruments

FX forward contract

The Group does not hold derivatives that do not meet the requirements of hedge accounting and are outstanding as of December 31, 2020 and December 31, 2019. FX forward contracts are used to manage the exposure of some transactions, but are not designated as hedging instruments.

The effect amount on profit and loss due to the settlement of derivative instruments held in 2020 and 2019 is as follows:

Item	Contractual amount	Term	Loss on financial assets (liabilities) at fair value through profit or loss
2020			
None.			
2019			
FX forward contract	Sell US$1,000 thousand	July 29 to August 28, 2019	$(341)

9. 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 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

As of 31 December 2019:

	Level 1	Level 2	Level 3	Total
Loss on financial assets (liabilities) at fair value				
Stocks	$-	$-	$92,806	$92,806
Financial assets measured at fair value through other comprehensive income				
Stocks	159,581	-	153,823	313,404
Total	$159,581	$-	$246,629	$406,210

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 2020 and 2019.

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	Stock
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

	Assets	Assets
	Measured at fair value Fair value measurement	Measured at fair value through other comprehensive income
	Preferred shares	Stock
2019.01.01	$127,210	$114,144
Acquired in current year	-	30,000
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")	-	9,679
Recognized in profit or loss (reported as "Unrealized valuation gain or loss on investment in equity instruments at fair value through profit or loss")	(34,404)	-
2019.12.31	$92,806	$153,823

Information on 3rd level significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within 3rd level of the fair value hierarchy is as follows:

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
Financial assets:					
Loss on financial assets (liabilities) at fair value					
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.
Financial assets measured at fair value through other comprehensive income					
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.

As of 31 December 2019:

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relations between inputs and fair values	Sensitivity analysis for the relations between inputs and fair values
Financial assets:					
Loss on financial assets (liabilities) at fair value					
Stocks	Market method	Discount for lack of marketability	14.93%	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$9,281 thousand.
Financial assets measured at fair value through other comprehensive income					
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$11,047 thousand.
	Market method	Price-to-book ratio of shares of similar companies	2.54–18.94	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$4,335 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.

10. 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

	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

	2019.12.31		
	Foreign currency	Exchange rate	TWD
Financial assets			
Monetary item:			
USD	$37,009	30.08	$1,113,243
EUR	956	33.74	32,271
CNY	6,429	4.321	27,778
HKD	9,808	3.866	37,919
Financial liabilities			
Monetary item:			
USD	5,328	30.08	160,281
EUR	28	33.74	952
CNY	369	4.321	15,959

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 2020 and 2019 were NT$(61,711) thousand and NT$(25,012) thousand, respectively.

11. 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:

	2020	2019
Taiwan	$519,218	$310,432
Mainland China (Hong Kong)	1,038,995	1,080,807
Other Asian countries	800,969	606,225
Other	148,169	166,405
Total	$2,507,351	$2,163,869

Revenue information by region is categorized on the basis of the place of shipment.

Non-current assets:

	2020.12.31	2019.12.31
Taiwan	$704,667	$770,564
Mainland China (Hong Kong)	12,700	16,975
Other	17,273	19,046
Total	$734,640	$806,585

3. Information on important customers:

Information on external customers whose revenues accounted for 10% or more of the total consolidated revenues is as follows:

	2020	2019
	Amount	Amount
Customer A	$556,766	$349,704
Customer B	260,679	442,687

Harvatek Corporation and Subsidiaries

Loaning funds to others

As of December 31, 2020

Table I: Loaning funds to others

Unit: NT$ thousand/ CNY thousand

No. (Note 1)	Financing Company	Counterparty	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	Harvatek (Guangzhou) Co., Ltd.	Other receivables from related parties	$65,700 (CNY 15,000)	$64,830 (CNY 15,000)	$25,932 (CNY 6,000)	Note 2	Short-term financing	$-	Working capital	$-	None	$-	$295,421	$886,264

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 10% of the Company's most recent net worth.

Note 4: The total amount of funds loaned to others is limited to 30% 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 4.322).

Harvatek Corporation and Subsidiaries
Marketable securities held at the end of the period
As of December 31, 2020

Table II (excluding subsidiaries and associates)

Unit: NT$ thousand

Held Company	Marketable securities type and name	Relationship with the company	Accounts	2020.12.31				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	$80,340	-	$80,340	-
	Innorich Venture Capital Corp.	Corporate director	Financial assets at fair value through other comprehensive income - noncurrent	3,000,000	5,070	5.61%	5,070	-
	Shieh Yong Investment Co., Ltd.	-	Financial assets at fair value through other comprehensive income - noncurrent	11,562,000	240,721	1.52%	240,721	-
	Starchips Technology Inc.	-	Financial assets at fair value through other comprehensive income - noncurrent	52,777	72	0.41%	72	-
	Gingy Technology Inc.	-	Financial assets at fair value through other comprehensive income - noncurrent	182,735	1,264	1.08%	1,264	-
	Lediamond Opto Corporation	-	Financial assets at fair value through other comprehensive income - noncurrent	750,000	23,505	11.54%	23,505	-
	Bigbest Solutions Inc.	-	Financial assets at fair value through other comprehensive income - noncurrent	3,000,000	22,980	4.29%	22,980	-
	Ever Supreme Bio Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income - noncurrent	200,000	34,996	0.32%	34,996	-
	Edison Opto Corporation	-	Financial assets at fair value through other comprehensive income - noncurrent	5,112,375	98,669	4.17%	98,669	-
Hong Zheng Investment Co., Ltd.	Harvatek Corporation	Parent company of Hong-Cheng	Financial assets at fair value through other comprehensive income - current	949,807	16,764	0.46%	16,764	-
	Youngtek Electronics Corporation	Other related party of the Harvatek	Financial assets at fair value through other comprehensive income - current	1,881,200	116,634	1.46%	116,634	-
	Tian Zheng International Precision Machinery Co., Ltd.	-	Financial assets at fair value through other comprehensive income - current	92,400	5,313	0.25%	5,313	-
	Sigold Optics Inc.	-	Financial assets at fair value through other comprehensive income - noncurrent	1,174,656	16,997	9.20%	16,997	-
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, 2020

Table III

Unit: NT$ thousand

No. (Note I)	Name of related party	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	Sales revenue	$1	Depends on the contract	0.00%
				Material expense	$747		0.03%
				Miscellaneous disbursements	$91		0.00%
				Purchase	$2,259		0.09%
				Rent income	$180		0.01%
		Harvatek (Guangzhou) Co., Ltd.	1	Other receivables - related parties	$25,971	Depends on the contract	0.64%
				Accounts receivable - related parties	$3,080		0.08%
				Accounts payable - related parties	$3,907		0.10%
				Sales revenue	$4,799		0.19%
				Purchase	$13,503		0.54%
				Material expenses	$47		0.00%
				Interest income	$431		0.02%
		Harvatek International (USA) Corp.	1	Accounts receivable - related parties	$4,535	Depends on the contract	0.11%
				Other payables - commissions	$1,801		0.04%
				Sales revenue	$22,182		0.88%
				Rent expenses	$3,530		0.14%
		Guang Zhou Giuhong Yi trading company, Limited	1	Accounts receivable - related parties	$262	Depends on the contract	0.01%
				Accounts payable - related parties	$830		0.02%
				Rent expenses	$11,812		0.47%
				Service revenue	$3,141		0.13%
		Harvatek (HK) Limited	1	Service expenses	$1,466	Depends on the contract	0.06%
		Consentek Corporation	1	Rent income	$110	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 starting from the Arabic numeral 1.

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

2020

Table IV (excluding investees in Mainland China)

Unit: NTD thousand/USD/HKD/EUR

Name of Investor	Name of investee	Location	Main businesses and products	Original investment amount					Net income (loss)of the investee (Note 1)	Investment gains and losses recognized by the Company
				End of the period	End of last year		Percentage	Carrying amount (Note 1)		
Harvatek Corporation	Hong Zheng Investment Co., Ltd.	Hsinchu	Investment	$150,000	$150,000	2,500,000	41.60%	$162,706	$4,404	$2,924
	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%	307	(1,157)	(925)
	Hong-Rui Investment Co., Ltd.	Hsinchu	Investment	26,940	30,000	414,000	35.29%	-	1,699	-
	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%	25,885	3,018	3,018
	HONOR LIGHT LIMITED	Samoa	Investment	588,331 (USD 19,521,636)	588,331 (USD 19,521,636)	19,521,636	100.00%	351,351	(9,937)	(9,937)
	Sleipnir LED Co., Ltd.	Hsinchu	Manufacturing and sales of electronics components	10,000	10,000	1,000,000	66.67%	1,656	(1,702)	(1,135)
	Syntek Corporation Limited	Hsinchu	Manufacturing and sales of electronics components	7,000	7,000	700,000	70.00%	4,717	(520)	(364)
	Consentek Corporation	Hsinchu	Manufacturing and sales of electronics components	55,050	-	5,510,000	84.77%	34,015	(2,221)	(1,883)
Hong Zheng 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%	19	(1,157)	Note 2
	Consentek Corporation	Hsinchu	Manufacturing and sales of electronics components	1,600	-	320,000	4.92%	1,975	(2,221)	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%	25,558	(1,175)	Note 2
	Harvatek Europe GmbH	Germany	Sales of electronics components	512 (EUR 12,750)	512 (EUR 12,750)	12,750	51.00%	1,054	(94)	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 New Taiwan dollars using the exchange rates of 28.48,3.625 and 34.57 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 based on the average exchange rates of 28.206, 3.64 and 34.318

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
2020

Table V

Unit: NTD thousand/USD thousand/CNY thousand/HKD thousand

Name of investee in Mainland 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 end of the period	Net Income (Losses) profit/loss in the period	Percentage of the Company's direct or indirect ownership	Share of investment (losses) profits (Note 2)	Carrying amount at end of the period (Note 2)	Accumulated inward remittance of investment gains at end of the period
					Outflow	Inflow						
Guang Zhou Giuhong Yi trading company, Limited	Sales of electronics components	CNY 500	(2) HONOR LIGHT LIMITED	$2,426 (USD83)	$-	$-	$2,426 (USD83)	$(790)	100.00%	$(790) (Note 2, b)	$2,073	$-
Wuxi Harvatek Optoelectronic Co., Ltd.	Manufacturing and sales of electronics components	HKD 5,000	(2) Harvatek (Hong Kong) Trading Limited	$15,482 (HKD 4,000)	$-	$-	$15,482 (HKD 4,000)	$(1,019)	80.00%	$815 (Note 2, b)	$-	$-
Harvatek (Guangzhou) Co., Ltd.	Manufacturing and sales of electronics components	CNY 20,000	(2) HONOR LIGHT LIMITED	$90,648 (CNY 20,000)	$-	$-	$90,648 (CNY 20,000)	$3,561	100.00%	$3,561 (Note 2, b)	$(14,644)	$-
Yangzhou YoungTek Electronics Ltd.	Manufacturing and sales of electronics components	CNY 67,887	(2) HONOR LIGHT LIMITED	$123,280 (USD 4,000)	$-	$-	$123,280 (USD 4,000)	$(16,153)	40.00%	$(6,461) (Note 2, a)	$126,038	$-

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
$231,782 (USD7,783)	$231,782 (USD 7,783)	$1,772,528

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.

Harvatek Corporation and Subsidiaries

Major Shareholders Information

As of December 31, 2020

Table VI: Major Shareholders Information

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.

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).

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, 2020 and 2019, and the related standalone statements of comprehensive income, changes in equity and cash flows for the period of 1 January to 31 December in 2020 and 2019, 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 above present fairly, in all material respects, the standalone financial position of the Company as of 31 December, 2020 and 2019, and the financial performance and cash flow for the period of January 1 to December 31 in 2020 and 2019, 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 2020 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 2020 are revenue from sales of goods and revenue from construction. 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, 2020, the net accounts receivable (including related parties) of Harvatek Corporation amounted to NT$591,079 thousand, representing 15% 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 confirm 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 indirect reinvestment 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$126,038 thousand and NT$132,549 thousand as of December 31, 2020 and 2019, respectively, representing 3.17% and 3.76% of total assets, respectively. For the periods from January 1 to December 31 of 2020 and 2019, share of gain of subsidiaries, associates and joint ventures accounted for using the equity method amounted to NT$(6,461) thousand and NT$14,279 thousand, representing (3.52)% and 65.23% of the net income before income taxes, respectively. Share of other comprehensive gain of subsidiaries, associates and joint ventures accounted for using the equity method amounted to NT$(50) thousand and NT$(4,635) thousand, representing (0.03)% and (14.86)% 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 2020 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 25, 2021

Harvatek Corporation
Standalone Balance Sheet
As of 31 December 2020 and 31 December 2019

Unit: NT$ thousand

Assets			As of 31 December 2020		As of 31 December 2019	
Code	Account name	Note	Amount	%	Amount	%
	Current assets					
1100	Cash and cash equivalents	IV and VI.1	$ 1,082,301	27	$ 732,810	21
1150	Net notes receivable	IV, VI.4 and VI.16	225	-	225	-
1170	Net accounts receivable	IV, VI.5 and VI.16	583,202	15	567,125	16
1180	Accounts receivable - related parties, net	IV, VI.5, VI.19 and VII	7,877	-	7,722	-
1200	Other receivables		12,906	-	10,072	-
1210	Other receivables - related parties	VII	26,057	1	22,216	1
130x	Inventories	IV and VI.6	368,277	9	413,791	11
1410	Prepayments	VII	21,075	1	30,828	1
1482	Cost to fulfill contracts - current	IV and VI.15	-	-	16,733	-
11xx	Total current assets		2,101,920	53	1,801,522	50
	Noncurrent assets					
1510	Financial assets at fair value through profit or loss - noncurrent	IV and VI.2	80,340	2	92,806	3
1517	Financial assets at fair value through other comprehensive income - noncurrent	IV and VI.3	427,277	11	243,414	7
1550	Investment accounted for using the equity method	IV and VI.7	580,637	15	542,454	15
1600	Property, plant and equipment	IV, VI.8 and VII	564,795	14	630,243	18
1755	Right-of-use assets	IV, VI.17 and VII	50,129	1	53,401	2
1760	Net investment property	IV, VI.9 and VII	71,447	2	71,103	2
1780	Intangible assets	IV and VI.10	1,618	-	1,167	-
1840	Deferred income tax assets	IV and VI.21	67,418	2	57,317	2
1900	Other noncurrent assets	VII	16,678	-	14,198	-
1920	Refundable deposits		720	-	720	-
1980	Other financial assets - noncurrent	VIII	14,739	-	19,316	1
15xx	Total noncurrent assets		1,875,798	47	1,726,139	50
1xxx	Total assets		$ 3,977,718	100	$ 3,527,661	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 31 December 2020 and 31 December 2019

Unit: NT$ thousand

Liabilities and Equity			As of 31 December 2020		As of 31 December 2019	
Code	Account name	Note	Amount	%	Amount	%
	Current liabilities					
2100	Short-term loans	IV and VI.11	$ 307,584	8	-	-
2130	Contract liability - current	IV and VI.15	4,032	-	23,950	1
2150	Notes payable		-	-	1	-
2170	Accounts payable		397,350	10	308,362	9
2180	Accounts payable - related parties	IV and VII	27,560	1	22,409	1
2200	Other payables		143,395	4	127,512	4
2213	Payables to equipment suppliers		7,047	-	5,739	-
2230	Income tax payable in the period	IV and VI.21	37,838	1	13,189	-
2280	Lease liabilities - current	IV, VI.17 and VI.19	2,774	-	3,180	-
2300	Other current liabilities	IV	12,402	-	3,085	-
2322	Long-term loans due within one year	IV and VI.12	-	-	90,000	3
21xx	Total current liabilities		939,982	24	597,427	18
	Noncurrent liabilities					
2540	Long-term loans	IV and VI.12	-	-	210,000	6
2570	Deferred income tax liabilities	IV and VI.21	1,114	-	3,537	-
2580	Lease liabilities - noncurrent	IV, VI.17 and VI.19	48,048	1	50,530	1
2640	Net defined benefit liability	IV and VI.13	32,320	1	35,192	1
2645	Guarantee deposits		2,040	-	-	-
25xx	Total noncurrent liabilities		83,522	2	299,259	8
2xxx	Total liabilities		1,023,504	26	896,686	26
31xx	Equity					
3100	Capital stock	VI.14				
3110	Common stock		2,060,698	52	2,060,698	58
3200	Capital surplus	VI.14	484,034	12	483,483	13
3300	Retained earnings	IV, VI.17 and VI.14				
3310	Legal reserve		48,677	1	46,245	1
3320	Special reserve		6,397	-	25,579	1
3350	Undistributed earnings		188,940	5	28,224	1
3400	Other equity	IV	172,325	4	(6,397)	-
3500	Treasury stock	IV and VI.14	(6,857)	-	(6,857)	-
3xxx	Total equity		2,954,214	74	2,630,975	74
	Total liabilities and equity		$ 3,977,718	100	$ 3,527,661	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, 2020 and 2019

Unit: NT$ thousand

Code	Account name	Note	2020		2019	
			Amount	%	Amount	%
4000	Revenue from operations	IV, VI.15 and VII	$ 2,487,778	100	$ 2,129,210	100
5000	Operating costs	IV, VI.6, VI.10, VI.13, VI.17, VI.18 and VII	(1,963,958)	(79)	(1,719,341)	(81)
5900	Gross operating profit		523,820	21	409,869	19
6000	Operating expenses	IV, VI.10, VI.13, VI.16, VI.17, VI.18 and VII				
6100	Marketing expenses		(136,839)	(6)	(128,983)	(6)
6200	General and administration expenses		(84,144)	(3)	(78,608)	(3)
6300	R&D expenses		(102,956)	(4)	(117,191)	(6)
6450	Reversal of expected credit losses		22,431	1	3,947	-
	Total operating expenses		(301,508)	(12)	(320,835)	(15)
6900	Operating gains		222,312	9	89,034	4
7000	Non-operating income and expenses	IV, VI.7 and VI.19				
7100	Interest income		5,477	-	7,124	-
7010	Other income		31,955	1	14,921	1
7020	Other gains and losses		(64,362)	(3)	(48,567)	(2)
7050	Finance costs		(3,787)	-	(2,330)	-
7070	Share of loss of subsidiaries, associates and joint ventures accounted for using equity method		(8,302)	-	(38,291)	(2)
	Total non-operating income and expenses		(39,019)	(2)	(67,143)	(3)
7900	Profit before tax		183,293	7	21,891	1
7950	Income tax expense	IV and VI.21	(39,954)	(1)	(6,810)	-
8200	Net profit of the period		143,339	6	15,081	1
8300	Other comprehensive income	IV and VI.20				
8310	Items that will not be reclassified subsequently to profit or loss					
8311	Remeasurement of defined benefit plans		1,510	-	136	-
8316	Unrealized valuation gains and losses on investments		183,133	7	35,760	1
8349	Income taxes related to items that will not be reclassified subsequently		(302)	-	(27)	-
8360	Items that may be reclassified subsequently to profit or loss					
8361	Exchange differences arising from translation of foreign operations		(1,367)	-	(4,674)	-
	Other comprehensive income for the year (net of income tax)		182,974	7	31,195	1
8500	Total comprehensive income for the period		$ 326,313	13	$ 46,276	2
	Earnings per share (NT$)					
9750	Basic earnings per share	IV and VI.22				
9710	Net profit of the period		$ 0.70		$ 0.07	
9850	Diluted earnings per share	IV and VI.22				
9810	Net profit of the period		$ 0.69		$ 0.07	

(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, 2020 and 2019

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, 2019	$ 2,060,698	$ 483,309	$ 22,655	$ -	$ 259,147	$ (212)	$ (25,367)	$ (10,056)	$ 2,790,174
	Distribution of 2018 earnings:									
B1	Legal reserve	-	-	23,590	-	(23,590)	-	-	-	-
B2	Special reserve	-	-	-	25,579	(25,579)	-	-	-	-
B5	Cash dividends of common stock	-	-	-	-	(206,070)	-	-	-	(206,070)
D1	2019 Net profit	-	-	-	-	15,081	-	-	-	15,081
D3	2019 Other comprehensive income	-	-	-	-	109	(4,674)	35,760	-	31,195
D5	2019 Total comprehensive income	-	-	-	-	15,190	(4,674)	35,760	-	46,276
L7	Disposal of parent company's shares by a subsidiary has been treated as a treasury stock transaction	-	(169)	-	-	-	-	-	3,199	3,030
M1	Issuance of dividends to subsidiaries to adjust capital surplus	-	395	-	-	-	-	-	-	395
M7	Changes in equities of subsidiaries	-	(52)	-	-	(2,778)	-	-	-	(2,830)
Q1	Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	11,904	-	(11,904)	-	-
Z1	Balance on December 31, 2019	$ 2,060,698	$ 483,483	$ 46,245	$ 25,579	$ 28,224	$ (4,886)	$ (1,511)	$ (6,857)	$ 2,630,975
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

(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, 2020 and 2019

Unit: NT$ thousand

Code	Item	2020 Amount	2019 Amount	Code	Item	2020 Amount	2019 Amount
AAAA	Cash flows from operating activities:			BBBB	Cash flows from investing activities:		
A00010	Profit before tax in the period	$ 183,293	$ 21,891	B00010	Acquisition of financial assets at fair value through other comprehensive income	-	$ (30,000)
A20000	Adjustments:			B00020	Disposal of financial assets at fair value through other comprehensive income	-	16,425
A20010	Income and other adjustments with no cash flow effects:			B00100	Acquisition of financial assets at fair value through profit or loss	(150,000)	(206,370)
A20100	Depreciation expenses	104,511	104,651	B00200	Disposal of financial assets at fair value through profit or loss	150,192	387,985
A20200	Amortization expenses	9,181	25,434	B01800	Acquisition of investment accounted for using the equity method	(55,050)	-
A20300	Reversal of expected credit losses	(22,431)	(3,947)	B02700	Acquisition of property, plant and equipment	(35,736)	(285,514)
A20400	Net gains (losses) on financial assets and liabilities at fair value through profit or loss	12,466	34,574	B02800	Disposal of property, plant and equipment	-	7,750
A20900	Interest expenses	3,787	2,330	B03700	Increase in refundable deposits	-	(700)
A21200	Interest income	(5,477)	(7,124)	B04500	Acquisition of intangible assets	(3,543)	(5,009)
A21300	Dividend income	(4,760)	(1,973)	B06500	Increase in other financial assets	-	(6,906)
A22400	Share of gains or losses of subsidiaries, associates and joint ventures accounted for using equity method	8,302	38,291	B06600	Decrease in other financial assets	4,577	-
A22500	Gains on disposal and retirement of property, plant and equipment	-	(7,750)	B06700	Increase in other noncurrent assets	(8,569)	(37,118)
A23100	Gains on disposal of investments	(192)	(615)	B07600	Dividends received	7,602	1,973
A24100	Unrealized foreign exchange losses	368	-	BBBB	Cash outflow from investing activities	(90,527)	(157,484)
A30000	Changes in operating assets / liabilities:						
A31130	Notes receivable	3	(40)				
A31150	Accounts receivable	4,769	280,426	CCCC	Cash flows from financing activities:		
A31160	Accounts receivable - related parties	(155)	(2,718)	C00100	Increase in short-term debts	307,216	-
A31180	Other receivables	(2,913)	17,945	C01700	Repayment of long-term loans	(300,000)	(110,000)
A31190	Other receivables - related parties	(2,259)	(20,920)	C03000	Increase in guarantee deposits	2,040	-
A31200	Inventories	46,424	19,202	C03100	Decrease in guarantee deposits	-	(273)
A31230	Prepayments	9,753	12,368	C04020	Repayment of lease principal	(2,888)	(2,178)
A31240	Other current assets	-	2,374	C04500	Cash dividends	-	(205,675)
A31280	Cost to fulfill contracts	16,733	(16,733)	C09900	From donations	551	-
A32125	Contract liabilities	(19,918)	18,684	CCCC	Net cash inflow (outflow) generated from financing activities	6,919	(318,126)
A32130	Notes payable	(1)	1	EEEE	Cash and cash equivalents increase (decrease) amount of the period	349,491	(27,444)
A32150	Accounts payable	88,988	(4,879)	E00100	Cash and cash equivalents, beginning of period	732,810	760,254
A32160	Accounts payable - related parties	5,151	(6,964)	E00200	Cash and cash equivalents, end of period	$ 1,082,301	$ 732,810
A32180	Other payables	15,730	(44,613)				
A32230	Other current liabilities	9,317	1,517				
A32240	Net defined benefit liability	(1,362)	(2,068)				
A33000	Cash generated from operations	459,308	459,344				
A33100	Interest received	5,556	7,060				
A33300	Interest paid	(3,634)	(1,882)				
A33500	Income taxes paid	(28,131)	(16,356)				
AAAA	Net cash inflow from operating activities	433,099	448,166				

(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

January 1 to December 31, 2020 and 2019

(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 standalone financial statements of the Company were published with the Board of Directors' approval on March 25, 2021.

III. Application of Newly Issued and Revised Standards and Interpretations

4. 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, 2020. Except for the description of the nature and impact of the new standards and amendments described below, other first-time applications have no material impact on the Group.

The Company chose to apply early the amendment to IFRS 16, "Covid-19-Related Rent Concessions," which had been endorsed by the FSC, for for fiscal year beginning after January 1, 2020, and to follow the transitional provisions of the amended standard. It chose not to assess whether rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications and instead treated the rent concessions as changes in lease payments. This amendment has no material impact on the Company.

5. 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)	Interest rate benchmark reform - phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 1, 2021

(1) Interest rate benchmark reform - phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

This final phase of the amendments focuses on the impacts of changes in interest rate benchmarks on the financial statements, including:

A. For changes in the basis for determining the contractual cash flows of financial instruments that are required by the interest rate benchmark reform, the carrying amount of the financial instrument would not be derecognized or adjusted, but rather the effective interest rate is updated to reflect the change in the alternative benchmark interest rate.

B. When hedging transactions continue to qualify for hedge accounting, it is not required to cease applying hedge accounting solely because of changes required by the reform; and

C. Disclosure is requested on new risks arising from the reform and how they will be managed in order to transition to alternative benchmark interest rates.

The above are newly issued, revised and amended standards or interpretations that have been issued by the IASB, endorsed by the FSC and have become applicable since the fiscal year beginning after January 1, 2021, and have been assessed to be immaterial to the Company.

6. 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)	Package of narrow-scope amendments to IFRS Standards, including amendments to IFRS 3, IAS 16 and IAS 37 as well as annual improvements	January 1, 2022
(5)	Disclosure of accounting policies (amendments to IAS 1)	January 1, 2023
(6)	Definition of accounting estimates (amendments to IAS 8)	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, under which fulfilment cash flows include:

D. Measurement of future cash flows

E. Discount rate: An adjustment to reflect the time value of money and the financial risk associated with future cash flows (to the extent that financial risks are not included in the measurement of future cash flows); and

F. Risk adjustment for non-financial risks

The carrying amount of the insurance contract group as of the end of each reporting period is the sum of the liability for remaining coverage and the liability for incurred claims.

In addition to the general model, it also provides:

C. Specific approach for insurance contracts with direct participation features (variable fee approach)

D. 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) Package of narrow-scope amendments to IFRSs, including amendments to IFRS 3, IAS 16 and IAS 37 as well as annual improvements

E. 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.

F. Property, plant and equipment: Revenue earned before the intended uses (amendments to IFRS 16)

This amendments prohibited entities 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.

G. 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.

H. 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 IFRS 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.

(5) 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.

(6) 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.

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 2020 and 2019 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.

(6) 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.

(7) 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.

(8) 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.

(9) 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 Group 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. Leases

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 mergers 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:

Patents			15 years
Computer software	1	to	3 years

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

	Patents	Computer software
Useful life	Finite	Finite
Amortization method used	Amortized by straight-line method over the patent period	Amortized on a straight-line basis over the estimated benefit period
Internally generated or externally acquired	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 merger 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:

(4) 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.

(5) 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.

(6) Recognition of right-of-use assets and lease liabilities

The lease term of the leased assets and the interest rate on the lessee's incremental borrowings used to discount the lease payments are the main factors in recognizing the right-of-use assets and lease liabilities.

In determining the lease term of the assets leased, the Company considers all relevant facts and circumstances that would give rise to an economic incentive to exercise or not to exercise the option, including all anticipated changes in facts and circumstances between the commencement date of the lease and the date of exercise of the option. The main factors to be considered include the contractual terms and conditions of the period covered by the option and the importance of the underlying assets to the lessee's operations. Lease terms are reassessed when significant events or material changes in circumstances occur within the Company's control.

The interest rate used to discount the lease payments to the lessee is determined by considering the market risk-free rate, the estimated credit risk premium and the guarantee status of the lessee in a similar economic environment.

VI. Contents of Significant Accounts

1. Cash and cash equivalents

	2020.12.31	2019.12.31
Cash	$122	$211
Check and current deposit	285,026	324,253
Time deposit	568,990	408,346
Cash equivalent - repo bills	228,163	-
Total	$1,082,301	$732,810

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

2. Financial assets at fair value through profit or loss

	2020.12.31	2019.12.31
Mandatorily measured at fair value through profit or loss:		
Stocks	$80,340	$92,806

	109.12.31	108.12.31
Non-current	$80,340	$92,806

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

	2020.12.31	2019.12.31
Investments of equity instruments at fair value through other comprehensive income - noncurrent:		
Stocks of listed companies	$133,665	$99,985
Stocks of unlisted companies	293,612	143,429
Total	$427,277	$243,414

Information regarding dividend income from the Company's investments in equity instruments at fair value through other comprehensive income for 2020 and 2019 is as follows:

	2020	2019
Related to investments still held at the balance sheet date	$523	$1,534

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 2020 and 2019 is as follows:

	2020	2019
Fair value at the derecognition date	$-	$16,425
Accumulated gain on disposal of retained earnings transferred from other equity	$-	$12,825

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

4. Notes receivable

	2020.12.31	2019.12.31
Notes receivable - generated from operating	$225	$228
Less: loss allowance	-	(3)
Total	$225	$225

The Company does not provide notes receivable as collaterals.

The Company adopts IFRS 9 to assess impairment. Please refer to Note VI.16 for information related to impairment allowance and Note XII for information related to credit risk.

5. Accounts receivable - related parties

	2020.12.31	2019.12.31
Accounts receivable	$657,518	$662,287
Less: loss allowance	(74,316)	(95,162)
Subtotal	583,202	567,125
Accounts receivable - related parties	7,877	7,722
Total	$591,079	$574,847

The Company does not provide notes 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, 2020 and 2019, were NT$665,620 thousand and NT$670,237 thousand, respectively. Please refer to Note VI.16 for information on the Company's loss allowance for 2020 and 2019 and Note XII for information on credit risk.

6. Inventories

	2020.12.31	2019.12.31
Materials	$67,552	$53,252
Supplies	18,948	18,780
Work in process	68,453	57,399
Finished goods	213,324	284,360
Total	$368,277	$413,791

(1) The Company's cost of inventories recognized as expenses in 2020 and 2019 were NT$1,963,958 thousand and NT$1,719,341 thousand, which included the reduce inventory to market recognized in 2020 and 2019 of NT$45,621 thousand and NT$28,622 thousand, respectively. In addition, inventory obsolescence losses of NT$108 thousand and NT$64 thousand were recognized in 2020 and 2019, respectively.

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

7. Investment accounted for using the equity method

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

	2020.12.31		2019.12.31	
Name of investee	Amount	Shareholding ratio	Amount	Shareholding ratio
Invested associates:				
Hong-Rui Investment Co., Ltd.	$-	35.29%	$-	35.29%
Invested subsidiaries:				
Hong-Zheng Investment Co., Ltd.	162,706	41.60%	147,826	41.60%
Harvatek International (USA) Corp.	25,885	100.00%	24,257	100.00%
HONOR LIGHT LIMITED	351,351	100.00%	361,281	100.00%
Harvatek (Hong Kong) Trading	307	80.00%	1,217	80.00%
Syntek Corporation Limited	4,717	70.00%	5,081	70.00%
Sleipnir LED Co., Ltd.	1,656	66.67%	2,792	66.67%
Consentek Corporation	34,015	84.77%	-	-%
Total	$580,637		$542,454	

(1) The invested subsidiaries are presented in the individual financial statements as "investments accounted for using the equity method" with necessary valuation adjustments.

(2) The Company's share of profit or loss on the valuation of Hong-Rui 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.

(3) The Company holds 2,500,000 preferred shares of Hong-Zheng 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.

(4) The subsidiary HONOR LIGHT LIMITED holds 100% of the shares of Guangzhou Hongqi Electronics Limited after the new purchase of shareholding in January 2019.

(5) 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.

(6) 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:

	2020	2019
Profit (loss) of the units in continued business operation	$-	$1,365
Other comprehensive income for the period (net of income tax)	-	-
Total comprehensive income for the period	$-	$1,365

The aforementioned invested associates had no contingent liabilities or capital commitments as of December 31, 2020 and 2019, and no guarantees have been provided.

8. Property, plant and equipment

	Land and Improvements	Buildings Structures	Machinery equipment	Testing equipment	Transportation equipment	Other equipment	Leasehold improvements	Unfinished construction	Total
Costs:									
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
Balance on January 1, 2019	$89,698	$271,565	$2,541,061	$49,251	$2,538	$235,152	$52,540	$-	$3,241,805
Increase	-	-	86,085	4,848	-	17,394	-	277,141	385,468
Reclassification	-	205,641	-	-	-	-	-	(277,141)	(71,500)
Disposal	-	-	(368,671)	(1,692)	-	(9,532)	-	-	(379,895)
Balance on December 31, 2019	$89,698	$477,206	$2,258,475	$52,407	$2,538	$243,014	$52,540	$-	$3,175,878
Depreciation and impairment:									
Balance on January 1, 2020	$1,131	$232,269	$1,998,736	$35,849	$2,364	$225,647	$49,639	$-	$2,545,635
Depreciation	-	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
Balance on January 1, 2019	$1,131	$224,550	$2,288,432	$30,344	$2,036	$229,522	$47,748	$-	$2,823,763
Depreciation	-	8,116	78,975	7,197	328	5,657	1,891	-	102,164
Reclassification	-	(397)	-	-	-	-	-	-	(397)
Disposal	-	-	(368,671)	(1,692)	-	(9,532)	-	-	(379,895)
Balance on December 31, 2019	$1,131	$232,269	$1,998,736	$35,849	$2,364	$225,647	$49,639	$-	$2,545,635
Net carrying amount:									
2020.12.31	$88,567	$257,616	$194,806	$7,408	$-	$15,274	$1,124	$-	$564,795
2019.12.31	$88,567	$244,937	$259,739	$16,558	$174	$17,367	$2,901	$-	$630,243

(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 amount of the capitalization of borrowing costs for unfinished construction in 2019 was NT$2,141 thousand. The interest rate for the capitalization of borrowing costs in 2019 ranged from 1.17% to 1.41%. No such event in 2020.

(3) 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, 2020	$71,500
Transferred from property, plant and equipment	2,750
Balance on December 31, 2020	$74,250
Balance on January 1, 2019	$-
Transferred from property, plant and equipment	71,500
Balance on December 31, 2019	$71,500
Depreciation and impairment:	
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
Balance on January 1, 2019	$-
Depreciation and impairment of the period	-
Transferred from property, plant and equipment	397
Balance on December 31, 2019	$397

	Building
Net carrying amount:	
2020.12.31	$71,447
2019.12.31	$71,103

	2020	2019
Rental income from the investment property	$11,052	$1,800
Less: Direct operating expenses incurred on investment properties that generate rental income for the period	(2,406)	(397)
Total	$8,646	$1,403

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$75,573 thousand and NT$72,540 thousand as of December 31, 2020 and 2019, 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:

	2020.12.31	2019.12.31
Long-term operating income	$119,015	$115,677
Capitalization rate	7.50%	7.70%

10. Intangible assets

	Patents	Computer software	Total
Costs:			
Balance on January 1, 2019	$235,351	$87,977	$323,328
Increase - acquired alone	-	3,543	3,543
Balance on December 31, 2020	$235,351	$91,520	$326,871
Balance on January 1, 2019	$235,351	$82,968	$318,319
Increase - acquired alone	-	5,009	5,009
Balance on December 31, 2019	$235,351	$87,977	$323,328
Amortization and impairment:			
Balance on January 1, 2020	$235,351	$86,810	$322,161
Amortization	-	3,092	3,092
Balance on December 31, 2020	$235,351	$89,902	$325,253
Balance on January 1, 2019	$221,609	$82,027	$303,636
Amortization	13,742	4,783	18,525
Balance on December 31, 2019	$235,351	$86,810	$322,161
Net carrying amount:			
2020.12.31	$-	$1,618	$1,618
2019.12.31	$-	$1,167	$1,167

Recognized amount of amortization for intangible assets is as follows:

	2020	2019
Operating costs	$60	$14,880
General and administration expenses	2,851	2,995
R&D expenses	181	650
Total	$3,092	$18,525

11. Short-term loans

	2020.12.31	2019.12.31
Unsecured borrowings	$307,584	$-
Interest range	0.65%-0.8%	-

The Company's unused short-term borrowing facilities as of December 31, 2020 and 2019, were NT$587,856 thousand and NT$350,000 thousand, respectively.

12. Long-term loans

2020: None.

2019:

Creditor:	2019.12.31	Interest rate (%)	Repayment period and method
Taipei Fubon Bank, credit loan	300,000	1.17%	The loan period is 3 years from July 20, 2018 to July 20, 2021. The loan is repayable in 4 installments. The first instalment is 18 months from the drawdown date and every 6 months thereafter. Each of the first three installments are 15% of the principal, and the fourth installment is 55%. Interest is paid monthly.
Less: amount due within one year	(90,000)		
Total	$210,000		

The Company's unused long-term borrowing facilities as of December 31, 2020 and 2019, were NT$0 thousand and NT$400,000 thousand, respectively.

13. 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, 2020 and 2019, are NT$18,226 thousand and NT$ 19,741 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 Company expects to contribute $1,791 thousand to its defined benefit plan during the 12 months beginning after 31 December, 2020.

As of December 31, 2020 and 2019, the weighted-average duration of the Company's defined benefit obligations was 17 and 18 years, respectively.

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

	2020	2019
Current period service costs	$130	$132
Interest from net defined benefit liability (asset)	299	430
Total	$429	$562

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

	2020.12.31	2019.12.31	2019.01.01
Defined benefit obligations	$52,095	$52,446	$53,516
Fair value of the plan assets	(19,775)	(17,254)	(17,045)
Difference	-	-	789
Net defined benefit liability	$32,320	$35,192	$37,260

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

	Present value of the defined benefit obligations	Fair value of the plan assets	Net defined benefit liabilities (assets)
2019.01.01	$53,516	$(17,045)	$36,471
Current period service costs	132	-	132
Interest expenses (income)	631	(201)	430
Subtotal	54,279	(17,246)	37,033
Remeasurement of defined benefit liability/asset:			
Arising from changes in demographic assumptions	(175)	-	(175)
Arising from changes in financial assumptions	2,970	-	2,970
Experience adjustments	(2,374)	-	(2,374)
Remeasurement of defined benefit asset	-	(556)	(556)
Subtotal	421	(556)	(135)
Payments from the plan	(2,254)	2,254	-
Contributions by employer	-	(1,706)	(1,706)
2019.12.31	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

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

	2020.12.31	2019.12.31
Discount rate	0.43%	0.85%
Expected rate of salary increases	3.00%	3.00%

Sensitivity analysis for each significant actuarial assumption:

	2020		2019	
	Increase in defined benefit obligations	Decrease in defined benefit obligations	Increase in defined benefit obligations	Decrease in defined benefit obligations
Discount rate increases by 0.5%	$-	$4,169	$-	$4,412
Discount rate decreases by 0.5%	4,634	-	4,919	-
Expected salary increases by 0.5%	4,489	-	4,786	-
Expected salary decreases by 0.5%	-	4,089	-	4,345

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.

14. Equity

(1) Capital stock

As of December 31, 2020 and 2019, 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

	2020.12.31	2019.12.31
Additional paid-in capital	$20,878	$20,878
From treasury share transactions	14,801	14,801
From convertible bonds	353,769	353,769
Donated assets	551	-
Others - expired stock options	94,035	94,035
Total	$484,034	$483,483

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:

	2020.12.31	2019.12.31
Amount	$6,857	$6,857
Number of shares (thousand shares)	395	395

Subsidiaries sold 443 thousand shares of the Company's stock in 2019. The Company recognized 184 thousand shares of treasury stock for disposal in proportion to its shareholding ratio and wrote off the cost of treasury stock of NT$3,199 thousand. Difference from the sale proceeds was recognized as capital surplus for NT$(169) thousand.

(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. For the remaining amount, the board of directors shall prepare an earnings distribution proposal in accordance with the dividend policy and submit it 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 25, 2021, and June 23, 2020, the Company proposed and resolved the appropriation of earnings and dividends per share for 2020 and 2019, respectively. Details are as follows:

	Earnings distribution		Dividend per share (NT$)	
	2020	2019	2020	2019
Legal reserve	$14,397	$2,432		
Special reserve (reversal)	(6,397)	(19,182)		
Cash dividends of common stock	144,249	-	0.7 元	-

Please refer to Note VI.18 for information on the estimation basis and recognized amount of the compensation to employees and directors and supervisors.

15. Revenue from operations

	2020	2019
Revenue from contracts with customers		
Revenue from sale of products	$2,423,999	$2,128,327
Engineering revenue	60,896	-
Labor service revenue	2,883	883
Net operating revenue	$2,487,778	$2,129,210

Information related to the Company's revenue from contracts with customers in 2020 and 2019:

(4) Disaggregation of revenue

Source of revenue	Revenue recognition timing	2020	2019
Revenue from sale of products	Satisfied at certain point of time	$2,423,999	$2,128,327
Engineering revenue	Satisfied at certain point of time	60,896	-
Provision of labor services	Gradually satisfied over time	2,883	883
Total		$2,487,778	$2,129,210

(5) Contract balances

Contract liability - current

	2020	2019
Sale of goods	$4,032	$3,625
Engineering revenue	-	20,325
Total	$4,032	$23,950

Descriptions of the significant changes in the balance of the Company's contract liabilities for 2020 and 2019 are as follows:

	2020	2019
Beginning balance	$23,950	$5,266
Net changes in the period	(19,918)	18,684
Ending balance	$4,032	$23,950

The difference between the Company's contractual liabilities as of December 31, 2020 and 2019, 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) Assets related to cost of fulfilling contracts

	2020.12.31	2019.12.31
Cost of fulfilling contracts - current	$-	$16,733

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.

16. Expected credit impairment loss

	2020	2019
Operating expenses - expected credit impairment loss (gain on reversal)		
Notes receivable	$(3)	$-
Accounts receivable	(20,846)	(2,663)
Other receivables	(1,582)	1,582
Overdue receivable	-	(2,866)
Total	$(22,431)	$(3,947)

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, 2020 and 2019 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:

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	-	-	-	-	-	-

2019.12.31

		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	547,253	1,983	26,375	-	6,012	581,623
Loss ratio	0%	0%	10%	30%	100%	
Lifetime expected credit loss	-	-	(2,626)	-	(6,012)	(8,638)
Carrying amount	547,253	1,983	23,749	-	-	572,985

		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	-	2,319	-	-	85,650	87,969
Loss ratio	10%	10%	30%	60%	100%	
Lifetime expected credit loss	-	(232)	-	-	(85,650)	(85,882)
Carrying amount	-	2,087	-	-	-	2,087

		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	-	-	125	533	1,569	2,227
Loss ratio	100%	100%	100%	100%	100%	
Lifetime expected credit loss	-	-	(125)	(533)	(1,569)	(2,227)
Carrying amount	-	-	-	-	-	-

Information on the changes in the allowance for losses on notes receivable, accounts receivable, accounts receivable - related parties and overdue receivables for the years ended December 31, 2020 and 2019, is as follows:

	Notes receivable	Accounts receivable	Other receivables - related parties	Overdue receivable	Total
2020.01.01	$3	$95,162	$1,582	$-	$96,747
Allowance for losses (reversal) amount	(3)	(20,846)	(1,582)	-	(22,431)
Current write off	-	-	-	-	-
2020.12.31	$-	$74,316	$-	$-	$74,316
2019.01.01	$3	$97,825	$-	$17,908	$115,736
Allowance for losses (reversal) amount	-	(2,663)	1,582	(2,866)	(3,947)
Current write off	-	-	-	(15,042)	(15,042)
2019.12.31	$3	$95,162	$1,582	$-	$96,747

17. 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

	2020.12.31	2019.12.31
Land	$47,978	$49,667
Machinery equipment	1,308	1,744
Transportation equipment	843	1,990
Total	$50,129	$53,401

The Company's right-of-use assets increased NT$0 thousand and NT$52,110 thousand in 2020 and 2019, respectively.

(b) Lease liabilities

	2020.12.31	2019.12.31
Lease liabilities		
Current	$2,774	$3,180
Non-current	$48,048	$50,530

Please refer to Note VI.19(4) "financial costs" for the Company's interest expenses on lease liabilities in 2020 and 2019; please refer to Note XII.5 "liquidity risk management" for the maturity analysis of lease liabilities in 2020 and 2019.

B. Amount recognized in the income statement

Depreciation of right-of-use assets

	2020	2019
Land	$1,689	$985
Machinery equipment	436	436
Transportation equipment	1,147	1,066
Total	$3,272	$2,487

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

	2020	2019
Short-term lease expenses	524	44
Expenses on low-value asset leases (excluding those on low-value asset leases under short-term leases)	318	2,369

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

The Company's cash outflows for leases in 2020 and 2019 were NT$4,626 thousand and NT$5,156 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.

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

By function / By nature	2020			2019		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Labor expenses						
Salary and bonus expenses	$278,810	$112,482	$391,292	$280,993	$103,969	$384,962
Labor and health insurance expenses	26,968	9,405	36,373	29,466	10,927	40,393
Pension expenses	13,090	5,565	18,655	14,511	5,792	20,303
Board compensation	-	2,413	2,413	-	383	383
Other employee benefit expenses	12,798	3,774	16,572	13,709	3,975	17,684
Depreciation expenses	83,295	21,216	104,511	85,367	19,284	104,651
Amortization expenses (Note)	4,178	5,003	9,181	18,246	7,188	25,434

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

The average number of employees of the Company in 2020 and 2019 is 579 and 619, 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 2020 and 2019 were NT$805 thousand and NT$753 thousand, respectively.

(2) The Company's average salary and bonus for 2020 and 2019 were NT$681 thousand and NT$626 thousand, respectively.

(3) The Company's changes in average salary and bonus for 2020 and 2019 were 9% and (10)%, respectively

(4) The Company's remuneration for supervisors for 2020 and 2019 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 2020, the Company estimated NT$12,000 thousand for employees' remuneration and NT$1,960 thousand for directors and supervisors' remuneration, respectively, which were recorded as salary expenses; on March 25, 2021, the Board of Directors resolved to pay

employees' remuneration and directors and supervisors' remuneration in cash of NT$12,000 thousand and NT$1,960 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 2019 were NT$2,020 thousand and NT$240 thousand, respectively, which is not materially different from the amounts recorded as expenses in the 2019 financial statements.

19. Non-operating income and expenses

(1) Interest income

	2020	2019
Interest income		
Financial assets measured at amortized cost	$5,477	$7,124

(2) Other income

	2020	2019
Rent income	$11,677	$2,028
Dividend income	4,760	1,973
Other income	15,518	10,920
Total	$31,955	$14,921

(3) Other gains and losses

	2020	2019
Net gain on disposal of investment	$192	$615
Gains on disposal of property, plant and equipment	-	7,750
Net foreign exchange (loss) gain	(51,858)	(18,931)
Loss on financial assets at fair value through profit or loss	(12,466)	(34,574)
Other	(230)	(3,427)
Total	$(64,362)	$(48,567)

(4) Finance costs

	2020	2019
Interest on bank loans	$2,891	$1,765
Interest on lease liabilities	896	565
Total	$3,787	$2,330

20. Composition of other comprehensive income

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

Composition of other comprehensive income in 2019 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	$136	$-	$136	$(27)	$109
Unrealized valuation gains on investments in equity instruments at fair value through other comprehensive income	35,760	-	35,760	-	35,760
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising from translation of foreign operations	(4,674)	-	(4,674)	-	(4,674)
Total	$31,222	$-	$31,222	$(27)	$31,195

21. Income taxes

The main composition of income taxes is as follows:

Income tax recognized in profit or loss

	2020	2019
Income tax of the current period		
Income taxes payable of the current period	$50,988	$20,640
Adjustment to income taxes of prior years	1,792	(10,926)
Deferred income tax		
Related to origin and reversal of temporary differences	(12,826)	(2,904)
Income tax expense	$39,954	$6,810

Income taxes recognized as other comprehensive income

	2020	2019
Deferred income tax expense (benefit)		
Remeasurement of defined benefit plans	$302	$27

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

	2020	2019
Profit before income tax of the units in continued business operation	$183,293	$21,891
Tax at the domestic rates applicable to profits in the country concerned	$36,659	$4,378
Income tax effect of expenses not deductible for tax purposes	(202)	2,296
Income tax effect of deferred tax assets/liabilities	1,705	10,960
Surtax on undistributed retained earnings	-	102
Adjustments to current income tax of prior years	1,792	(10,926)
Total income tax expense recognized in profit or loss	$39,954	$6,810

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

2020

	Beginning balance	Recognized in profit or loss	Recognized in 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)

2019

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Temporary difference				
Loss for market price decline and obsolete and slow-moving inventories	$10,961	$5,724	$-	$16,685
Employee benefits payable	1,904	(100)	-	1,804
Valuation gains or losses on foreign investment targets	4,000	6,880	-	10,880
Others	34,038	(9,600)	(27)	24,411
Deferred income tax (expense)/ benefit		$2,904	$(27)	
Net deferred income tax assets/ (liabilities)	$50,903			$53,780
Information presented in balance sheet:				
Deferred income tax assets	$52,182			$57,317
Deferred income tax liabilities	$(1,279)			$(3,537)

Unrecognized deferred income tax assets

As of December 31, 2020 and 2019, the Company has unrecognized deferred income tax assets totaling NT$64,492 thousand and NT$62,923 thousand, respectively, due to the unlikelihood of taxable income.

Income tax examination

As of December 31, 2020, the Company's income tax returns were examined through the year of 2018.

22. 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.

	2020	2019
(1) Basic earnings per share		
Net profit of the period (NT$ thousand)	$143,339	$15,081
Weighted average number of ordinary shares outstanding for basic earnings per share (thousand shares)	205,675	205,625
Basic earnings per share (NT$)	$0.70	$0.07
(2) Diluted earnings per share (NT$)		
Net profit of the period (NT$ thousand)	$143,339	$15,081
Weighted average number of ordinary shares outstanding for basic earnings per share (thousand shares)	205,675	205,625
Dilutive effect:		
Employees' remuneration	725	551
Weighted average number of ordinary shares outstanding after adjusting the dilutive effect (thousand shares)	206,400	206,176
Diluted earnings per share (NT$)	$0.69	$0.07

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
Sleipnir LED Co., Ltd.	The Company's subsidiary
Harvatek (Hong Kong) Trading Limited	The Company's subsidiary
Harvatek International (USA) Corp.	The Company's subsidiary
Harvatek (Guangzhou) Co., Ltd.	The Company's subsidiary
Guang Zhou Giuhong Yi trading company, Limited	The Company's subsidiary

Significant intercompany transactions:

1. Sale of goods

	2020	2019
Harvatek International (USA) Corp.	$22,182	$19,512
Harvatek (Guangzhou) Co., Ltd.	4,799	1,143
YoungTek Electronics Corporation	1,823	-
Sleipnir LED Co., Ltd.	1	229
Total	$28,805	$20,884

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. Sale of goods

	2020	2019
Harvatek (Guangzhou) Co., Ltd.	$13,503	$8,700
Sleipnir LED Co., Ltd.	2,259	-
Total	$15,762	$8,700

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	2020	2019
YoungTek Electronics Corporation	Manufacturing overhead - testing and experiment expenses etc.	$2,987	$3,126
YoungTek Electronics Corporation	Manufacturing overhead - outsourced (Note)	$54,621	$55,410
YoungTek Electronics Corporation	Non-operating revenue - sample revenue	$90	$141
Guang Zhou Giuhong Yi trading company, Limited	Non-operating revenue - other income	$3,141	$3,141
Guang Zhou Giuhong Yi trading company, Limited	Selling expenses - commission expenses	$11,812	$18,005
The Company's subsidiary	Selling expenses - service expenses	$1,466	$1,466
The Company's subsidiary	Selling expenses - commission expenses	$3,530	$195
The Company's subsidiary	Selling expenses - miscellaneous expenses	$91	$-
The Company's subsidiary	Manufacturing overhead - sample expenses	$794	$832
The Company's subsidiary	Non-operating income - interest income	$431	$302
The Company's subsidiary	Non-operating income - rent income	$291	$180

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	2020	2019
YoungTek Electronics Corporation	Machinery equipment	$-	$1,250
YoungTek Electronics Corporation	Other deferred expenses	$-	$3,000
YoungTek Electronics Corporation	Prepayment to equipment suppliers	$1,080	$-

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

(2) Purchase of buildings

In December 2018, the Board of Directors resolved to purchase a leased factory from YoungTek Electronics Corporation, the transaction amount was NT$275,000 thousand. The property transaction was fully paid for on December 31, 2019, and the registration of transfer was completed. The transaction was recognized under the Buildings account. No such event in 2020.

(3) 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 2020 and 2019 was NT$10,800 thousand and NT$1,800 thousand, respectively. 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 2019. According to the contracted lease term, the monthly rent is NT$32 thousand, payable monthly. The lease income for the year 2020 is NT$252 thousand, and the lease price is determined with reference to the market price.

5. Accounts receivable - related parties

	2020.12.31	2019.12.31
Harvatek International (USA) Corp.	$4,535	$6,558
Harvatek (Guangzhou) Co., Ltd.	3,080	1,070
The Company's subsidiary	262	94
Total	$7,877	$7,722

6. Other receivables - related parties

	109.12.31	108.12.31
Harvatek (Guangzhou) Co., Ltd.	$25,971	$21,899
YoungTek Electronics Corporation	86	54
The Company's subsidiary	-	263
Total	$26,057	$22,216

7. Accounts payable - related parties

	2020.12.31	2019.12.31
YoungTek Electronics Corporation	$20,942	$20,564
Harvatek International (USA) Corp.	1,801	195
Guang Zhou Giuhong Yi trading company, Limited	830	1,650
Harvatek (Guangzhou) Co., Ltd.	3,907	-
Jiu Hong Xin Technology Co., Ltd.	80	-
Total	$27,560	$22,409

8. Loaning of funds - related parties

	2020.12.31		2019.12.31	
	Maximum balance	Amount actually drawn	Maximum balance	Amount actually drawn
Harvatek (Guangzhou) Co., Ltd.	$65,700	$25,932	$46,910	$21,605

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

	2020	2019
Short-term employee benefits	$15,829	$15,767
Retirement benefit plans	472	474
Total	$16,301	$16,241

VIII. Pledged Assets

The Company's pledged assets are summarized below:

Item	Carrying amount		Guaranteed debt content
	2020.12.31	2019.12.31	
Other financial assets - pledged time deposit	$12,539	$12,484	Customs deposit of guarantee
Other financial assets - pledged time deposit	2,200	3,832	Guarantee deposit for land leased from Hsinchu Science Park Bureau
Other financial assets - pledged time deposit	-	3,000	Guarantee deposit for Institute for Information Industry
Total	$14,739	$19,316	

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

	2020.12.31	2019.12.31
Financial assets		
Financial assets mandatorily measured at fair value through profit or loss	$80,340	$92,806
Financial assets measured at fair value through other comprehensive income	427,277	243,414
Financial assets measured at amortized cost (Note)	1,727,905	1,359,995
Total	$2,235,522	$1,696,215
Financial liabilities		
Financial liabilities measured at amortized cost:		
Short-term loans	$307,584	$-
Lease liabilities	50,822	53,710
Payables	575,352	464,023
Long-term liabilities (including current portion)	-	300,000
Total	$933,758	$817,733

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 2020 and 2019 will decrease/increase by NT$21,628 thousand and NT$36,570 thousand, respectively.

When TWD appreciates/depreciates 5% against CNY, the Company's profit (loss) for 2020 and 2019 will decrease/increase by NT$4,368 thousand and NT$593 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$3,076 thousand and NT$3,000 thousand in 2020 and 2019, 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 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.

In 2019, 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 2019 would be NT$9,999 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 65% and 67% of the Company's total receivables as of December 31, 2020 and 2019. 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.16 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
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
2019.12.31					
Payables	$464,023	$-	$-	$-	$464,023
Long-term loans	92,789	211,096	-	-	303,885
Lease liabilities (Note)	3,180	4,360	3,230	42,940	53,710

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
2020.12.31	$2,774	$6,537	$7,528	$9,947	$24,036	$50,822
2019.12.31	$3,180	$7,590	$8,956	$9,947	$24,037	$53,710

6. Reconciliation of liabilities arising from financing activities

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

Reconciliation of liabilities for 2019:

	Long-term loans	Lease liabilities	Total liabilities arising from financing activities
2019.01.01	$410,000	$-	$410,000
Opening adjustments	-	3,778	3,778
Cash flows	(110,000)	(2,178)	(112,178)
Non-cash changes			
New lease contracts for the period	-	52,110	52,110
2019.12.31	$300,000	$53,710	$353,710

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).

I. 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.9 for details of the fair value hierarchy of the Company's financial instruments.

8. Derivative instruments

FX forward contract

The Company does not hold derivatives that do not meet the requirements of hedge accounting and are outstanding as of December 31, 2020 and December 31, 2019. FX forward contracts are used to manage the exposure of some transactions, but are not designated as hedging instruments.

The effect amount on profit and loss due to the settlement of derivative instruments held from January 1 to December 31 of 2020 and 2019 are as follows:

Item	Contractual amount	Term	Loss on financial assets (liabilities) at fair value through profit or loss
2020			
None			
2019			
FX forward contract	Sell US$1,000 thousand	July 29 to August 28, 2019	$(341)

9. 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 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

As of 31 December 2019:

	Level 1	Level 2	Level 3	Total
Loss on financial assets (liabilities) at fair value				
Stocks	$-	$-	$92,806	$92,806
Financial assets measured at fair value through other comprehensive income				
Stocks	99,985	-	143,429	243,414
Total	$99,985	$-	$236,235	$336,220

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 2020 and 2019.

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	Stock
2020.01.01	$92,806	$143,429
Acquired in current year	-	-
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

	Assets	Assets
	Measured at fair value Fair value measurement	Measured at fair value through other comprehensive income
	Preferred shares	Stock
2019.01.01	$127,210	$101,286
Acquired in current year	-	30,000
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")	-	12,143
Recognized in profit or loss (reported as "Unrealized valuation gain or loss on investment in equity instruments at fair value through profit or loss")	(34,404)	-
2019.12.31	$92,806	$143,429

Information on 3rd level significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within 3rd level of the fair value hierarchy is as follows:

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
Financial assets:					
Loss on financial assets (liabilities) at fair value					
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.
Financial assets measured at fair value through other comprehensive income					
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.

As of 31 December 2019:

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relations between inputs and fair values	Sensitivity analysis for the relations between inputs and fair values
Financial assets:					
Loss on financial assets (liabilities) at fair value					
Stocks	Market method	Discount for lack of marketability	14.93%	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$9,281 thousand.
Financial assets measured at fair value through other comprehensive income					
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$11,047 thousand.
	Market method	Price-to-book ratio of shares of similar companies	2.54–16.18	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$3,295 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.

10. 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

	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

	2019.12.31		
	Foreign currency	Exchange rate	TWD
Financial assets			
Monetary item:			
USD	$29,424	30.08	$885,086
EUR	885	33.74	29,851
CNY	2,743	4.321	11,854
HKD	2,500	3.866	9,664
Financial liabilities			
Monetary item:			
USD	5,109	30.08	153,680
EUR	14	33.74	474

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) benefits for 2020 and 2019 were NT$(51,858) thousand and NT$(18,931) thousand, respectively.

11. 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 equity: Please refer to Table VI.

Harvatek Corporation

Loaning funds to others

As of December 31, 2020

Table I: Loaning funds to others

Unit: NT$ thousand/ CNY thousand

No. (Note 1)	Financing Company	Counterparty	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)	each borrowing amount limit (Note 4)
												Name	Value		
0	Harvatek Corporation	Harvatek (Guangzhou) Co., Ltd.	Other receivables from related parties	$65,700 (CNY 15,000)	$64,830 (CNY 15,000)	$25,932 (CNY 6,000)	Note 2	Short-term financing	$-	Working capital	$-	None	$-	$295,421	$886,264

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 10% of the Company's most recent net worth.

Note 4: The total amount of funds loaned to others is limited to 30% 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 4.322).

Harvatek Corporation
Marketable securities held at the end of the period
As of December 31, 2020

Table II (excluding subsidiaries and associates)

Unit: NT$ thousand

Held Company	Marketable securities type and name	Relationship with the company	Accounts	2020.12.31				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	$80,340	-	$80,340	-
	Innorich Venture Capital Corp.	Corporate director	Financial assets at fair value through other comprehensive income - noncurrent	3,000,000	5,070	5.61%	5,070	-
	Shieh Yong Investment Co., Ltd.	-	Financial assets at fair value through other comprehensive income - noncurrent	11,562,000	240,721	1.52%	240,721	-
	Starchips Technology Inc.	-	Financial assets at fair value through other comprehensive income - noncurrent	52,777	72	0.41%	72	-
	Gingy Technology Inc.	-	Financial assets at fair value through other comprehensive income - noncurrent	182,735	1,264	1.08%	1,264	-
	Lediamond Opto Corporation	-	Financial assets at fair value through other comprehensive income - noncurrent	750,000	23,505	11.54%	23,505	-
	Bigbest Solutions Inc.	-	Financial assets at fair value through other comprehensive income - noncurrent	3,000,000	22,980	4.29%	22,980	-
	Ever Supreme Bio Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income - noncurrent	200,000	34,996	0.32%	34,996	-
	Edison Opto Corporation	-	Financial assets at fair value through other comprehensive income - noncurrent	5,112,375	98,669	4.17%	98,669	-
Hong Zheng Investment Co., Ltd.	Harvatek Corporation	Parent company of Hong-Cheng	Financial assets at fair value through other comprehensive income - current	949,807	16,764	0.46%	16,764	-
	Youngtek Electronics Corporation	Other related party of the Harvatek	Financial assets at fair value through other comprehensive income - current	1,881,200	116,634	1.46%	116,634	-
	Tian Zheng International Precision Machinery Co., Ltd.	-	Financial assets at fair value through other comprehensive income - current	92,400	5,313	0.25%	5,313	-
	Sigold OpticsInc.	-	Financial assets at fair value through other comprehensive income - noncurrent	1,174,656	16,997	9.20%	16,997	-
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

January 1 to December 31, 2020

Table III

Unit: NT$ thousand

No. (Note I)	Name of related party	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	Sales revenue	$1	Depends on the contract	0.00%
				Material expenses	$747		0.03%
				Miscellaneous disbursements	$91		0.00%
				Purchase	$2,259		0.09%
				Rent income	$180		0.01%
		Harvatek (Guangzhou) Co., Ltd.	1	Other receivables - related parties	$25,971	Depends on the contract	0.64%
				Accounts receivable - related parties	$3,080		0.08%
				Accounts payable - related parties	$3,907		0.10%
				Sales revenue	$4,799		0.19%
				Purchase	$13,503		0.54%
				Material expenses	$47		0.00%
				Interest income	$431		0.02%
		Harvatek International (USA) Corp.	1	Accounts receivable - related parties	$4,535	Depends on the contract	0.11%
				Accounts payable - related parties	$1,801		0.04%
				Sales revenue	$22,182		0.88%
				Rent expenses	$3,530		0.14%
		Guang Zhou Giuhong Yi trading company, Limited	1	Accounts receivable - related parties	$262	Depends on the contract	0.01%
				Accounts payable - related parties	$830		0.02%
				Rent expenses	$11,812		0.47%
				Service revenue	$3,141		0.13%
		Harvatek (HK) Limited	1	Service expenses	$1,466	Depends on the contract	0.06%
		Consentek Corporation	1	Rent income	$110	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

2020

Table IV (excluding investees in Mainland China)

Unit: NTD 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	of the period	Percentage	Carrying amount (Note 1)		
Harvatek Corporation	Hong Zheng Investment Co., Ltd.	Hsinchu	Investment	$150,000	$150,000	2,500,000	41.60%	$162,706	$4,404	$2,924
	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%	307	(1,157)	(925)
	Hong-Rui Investment Co., Ltd.	Hsinchu	Investment	26,940	30,000	414,000	35.29%	-	1,699	-
	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%	25,885	3,018	3,018
	HONOR LIGHT LIMITED	Samoa	Investment	588,331 (USD 19,521,636)	588,331 (USD 19,521,636)	19,521,636	100.00%	351,351	(9,937)	(9,937)
	Sleipnir LED Co., Ltd.	Hsinchu	Manufacturing and sales of electronics components	10,000	10,000	1,000,000	66.67%	1,656	(1,702)	(1,135)
	Syntek Corporation Limited	Hsinchu	Manufacturing and sales of electronics components	7,000	7,000	700,000	70.00%	4,717	(520)	(364)
	Consentek Corporation	Hsinchu	Manufacturing and sales of electronics components	55,050	-	5,510,000	84.77%	34,015	(2,221)	(1,883)
Hong Zheng 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%	19	(1,157)	Note 2
	Consentek Corporation	Hsinchu	Manufacturing and sales of electronics components	1,600	-	320,000	4.92%	1,975	(2,221)	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%	25,558	(1,175)	Note 2
	Harvatek Europe GmbH	Germany	Sales of electronics components	512 (EUR 12,750)	512 (EUR 12,750)	12,750	51.00%	1,054	(94)	Note 2

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 28.206, 3.64 and 34.318

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

2020

Table V

Unit: NTD thousand/USD thousand/CNY thousand/HKD thousand

Name of investee in mainland 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 ownership	Share of investment (losses) profits (Note 2)	Carrying amount at end of the period (Note 2)	Accumulated inward remittance of investment gains at end of the period
					Outflow	Inflow						
Guang Zhou Giuhong Yi trading company, Limited	Sales of electronics components	CNY 500	(2) HONOR LIGHT LIMITED	$2,426 (USD83)	$-	$-	$2,426 (USD83)	$(790)	100.00%	$(790) (Note 2, b)	$2,073	$-
Wuxi Harvatek Optoelectronic Co., Ltd.	Manufacturing and sales of electronics components	HKD 5,000	(2) Harvatek (Hong Kong) Trading Limited	$15,428 (HKD 4,000)	$-	$-	$15,428 (HKD 4,000)	$(1,019)	80.00%	$(815) (Note 2, b)	$-	$-
Harvatek (Guangzhou) Co., Ltd.	Manufacturing and sales of electronics components	CNY 20,000	(2) HONOR LIGHT LIMITED	$90,648 (CNY 20,000)	$-	$-	$90,648 (CNY 20,000)	$3,561	100.00%	$3,561 (Note 2, b)	$(14,644)	$-
Yangzhou YoungTek Electronics LTD.	Manufacturing and sales of electronics components	CNY 67,887	(2) HONOR LIGHT LIMITED	$123,280 (USD 4,000)	$-	$-	$123,280 (USD 4,000)	$(16,153)	40.00%	$(6,461) (Note 2, a)	$126,038	$-

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
$231,782 (USD7,783)	$231,782 (USD 7,783)	$1,772,528

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.

Harvatek Corporation

Major Shareholders Information

As of December 31, 2020

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, 2020

Unit: NT$ thousand/ foreign currency

Item	Summary	Amount	Note
Cash and petty cash		$122	1. Bank deposits listed are not pledged or provided as guarantee
Check and current deposit		285,026	
Time deposit		568,990	2. Including material foreign currency amounts as below:
Cash equivalents		228,163	USD 12,554,612.23
Total		$1,082,301	EUR 376,884.72
			CNY 6,426,424.25
			3. Exchange rates at December 31, 2020:
			1 USD = NT$28.48
			1 EUR = NT$34.57
			1 CNY = NT$4.322

Harvatek Corporation

2. Financial assets at fair value through profit or loss - details of current and noncurrent

2020

Unit: Thousand shares/ NT$ thousand

Name	Beginning balance		Increase in current period		Decrease in current period		Gains on financial assets at fair value through profit or loss	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:											
Yuanta De-Li Money Market Fund	-	$ -	1,221	$ 20,000	1,221	$ 20,025	$ 25	-	$ -	None	
Jih Sun Money Market Fund	-	-	1,344	20,000	1,344	20,047	47	-	-	None	
Taishin 1699 Money Market Fund	-	-	736	10,000	736	10,018	18	-	-	None	
Taishin Ta-Chong Money Market Fund	-	-	1,400	20,000	1,400	20,009	9	-	-	None	
FSITC Taiwan Money Market	-	-	1,300	20,000	1,300	20,018	18	-	-	None	
UPAMC James Bond Money Market Fund	-	-	1,191	20,000	1,191	20,020	20	-	-	None	
Franklin Templeton SinoAm Money Market Fund	-	-	1,925	20,000	1,925	20,051	51	-	-	None	
Union Money Market Fund	-	-	1,507	20,000	1,507	20,004	4	-	-	None	
Subtotal		-		150,000		150,192	192		-		
Financial assets at fair value through profit or loss - noncurrent:											
CT Micro International Corp. (preferred shares)	47,983	92,806	-	-	-	-	(12,466)	47,983	80,340	None	
Total		$ 92,806		$ 150,000		$ 150,192	$ (12,274)		$ 80,340		

Harvatek Corporation

3. Details of net notes receivable

As of December 31, 2020

Unit: NT$ thousand

Customer Name	Summary	Amount	Remark
A-Com International Co., Ltd.	Generated from sale of goods.	$225	
Less: loss allowance		-	
Net amount		$225	

Harvatek Corporation

4. Details of net accounts receivable and net accounts receivable - related parties

As of December 31, 2020

Unit: NT$ thousand

Customer name	Summary	Amount	Remark
Accounts receivable			
OSRAM Opto Semiconductors (M) S/B		$156,173	The accounts receivable listed are all generated from sale of goods.
SCT Technology Ltd		65,850	
Stanley Electric (Asia Pacific) Limited Taiwan Branch		45,201	
Cal-Comp Electronics (Thailand) Pub		39,382	
Commotech Electronics Corporation		34,150	
Other		316,762	(Note)
Total		657,518	
Less: loss allowance		(74,316)	
Net amount		$583,202	
Accounts receivable - related parties			
Harvatek International (USA) Corp.		$4,535	
Guangzhou Hongqi Electronics Limited		3,080	
Guangzhou Jiu Hong Qi Trading Limited		262	
Total		$7,877	

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, 2020

Unit: NT$ thousand

Item	Summary	Amount	Remark
Other receivables			
Business tax refundable		$9,230	
Others		3,676	
Total		$12,906	
Other receivables - related parties			
Guangzhou Hongqi Electronics Limited		$25,971	
YoungTek Electronics Corporation		86	
Total		$26,057	

Harvatek Corporation

6.Details of net inventories

As of December 31, 2020

Unit: NT$ thousand

Item	Summary	Amount		Remark
		Costs	Net realizable value	
Materials		$87,500	$86,506	1.None of the inventories listed was provided for guarantee or pledge
Supplies		23,568	23,302	
Work in process		69,146	69,146	2.Inventories are evaluated at the lower of cost or net realizable value on an item-by-item basis.
Finished goods		317,111	375,728	
Total		497,325	$554,682	
Less: Allowance to reduce inventory to market		(129,048)		
Net amount		$368,277		

Harvatek Corporation

7. Details of changes in financial assets at fair value through other comprehensive income - noncurrent

2020

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	$32,246	-	$ -	-	$-	$2,750	200	0.32%	$34,996	None	
Shieh Yong Investment Co., Ltd	11,562	103,364	-	-	-	-	137,357	11,562	1.52%	240,721	None	
Starchips Technology Inc.	53	134	-	-	-	-	(62)	53	0.41%	72	None	
Innorich Venture Capital Corp.	3,000	7,111	-	-	-	-	(2,041)	3,000	5.61%	5,070	None	
Lediamond Opto Corporation	750	12,135	-	-	-	-	11,370	750	11.54%	23,505	None	
Gingy Technology Inc.	500	2,115	-	-	317	-	(851)	183	1.08%	1,264	None	Note
Bigbest Solutions Inc.	3,000	18,570	-	-	-	-	4,410	3,000	4.29%	22,980	None	
Edison Opto Corporation	5,112	67,739	-	-	-	-	30,930	5,112	4.17%	98,669	None	
Total		$243,414		$-		$-	$183,863			$427,277		

Note: 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

2020

Unit: NT$ thousand

Name of investee	Beginning balance		Increase in current period		Decrease in current period		Gains and losses on investments	Exchange differences arising on translation of foreign operations	Capital surplus - share of 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	Remark
	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	$24,256	-	$-	-	$-	$3,018	$(1,389)	$-	$-	1,000	100.00%	$25,885	$25.89	$25,885	None	
HONOR LIGHT LIMITED	19,522	361,281	-	-	-		(9,937)	7	-	-	19,522	100.00%	351,351	18.00	351,351	None	
Hong-Rui Technology Co., Ltd.	3,600	-	-	-	(3,186) (Note 1)	-	-	-	-	-	414	35.29%	-	-	-	None	
Harvatek (Hong Kong) Trading Limited	4,800	1,217	-	-	-	-	(925)	15	-	-	4,800	80.00%	307	0.06	307	None	
Hong Zheng Investment Co., Ltd.	2,500	147,828	-	-	-	(2,842) (Note 2)	2,924	-	563 (Note 3)	14,233	2,500	41.60%	162,706	65.08	162,706	None	
Sleipnir LED Co., Ltd.	1,000	2,791	-	-	-	-	(1,135)	-	-	-	1,000	66.67%	1,656	1.66	1,656	None	
Syntek Corporation Limited	700	5,081	-	-	-	-	(364)	-	-	-	700	70.00%	4,717	6.74	4,717	None	
Consentek Corporation	-	-	5,510	55,050 (Note 4)	-	-	(1,883)	-	(4,189) (Note 3)	(14,963)	5,510	84.77%	34,015	6.17	34,015	None	
Total		$542,454		$55,050		$(2,842)	$(8,302)	$(1,367)	$(3,626)	$(730)			$580,637				

Note1: The decrease in the current period represents the capital reduction of the investee company to cover the loss.

Note2: Due to the actual dividend payments by subsidiaries.

Note3: Due to failure to increase capital in proportion to shareholding.

Note4: The increase in the current period represents a cash capital increase.

Harvatek Corporation

9. Details of "Property, plant and equipment", "Investment property", "Intangible assets" and "Other non-current assets

As of December 31, 2020

Unit: NT$ thousand

Item	Summary	Amount	Remark
Property, plant and equipment		$564,795	Please refer to the financial statements Note VI.8
Net investment property		$71,447	Please refer to the financial statements Note VI.9
Intangible assets		$1,618	Please refer to the financial statements Note VI.10
Refundable deposits	Performance bond for FE department store project and refundable deposit for company cars	$720	
Other noncurrent assets			
Prepayment to equipment suppliers		$13,800	
Other deferred assets		2,878	
Total		$16,678	

Harvatek Corporation

10. Changes in the right-of-use assets

As of December 31, 2020

Unit: NT$ thousand

Item	Beginning balance	Increase in current period	Decrease in current period	Ending balance	Remark
Acquisition cost					
Land	$ 50,652	$ -	$ -	$ 50,652	
Machinery equipment	2,180	-	-	2,180	
Transportation equipment	3,056	-	-	3,056	
Total cost	55,888	-	-	55,888	
Accumulated depreciation					
Land	$ 985	$ 1,689	$ -	$ 2,674	
Machinery equipment	436	436	-	872	
Transportation equipment	1,066	1,147	-	2,213	
Total accumulated depreciation	2,487	3,272	-	5,759	
Book value	$ 53,401	$ (3,272)	$ -	$ 50,129	

Harvatek Corporation

11. Details of short-term debts

As of December 31, 2020

Unit: NT$ thousand

Creditor:	Nature of borrowing	Amount	Contract term	Interest rate	Remark
Taipei Fubon Commercial Bank	Credit loan	$ 85,440	2020.09.25–2021.02.09	0.65%–0.80%	
Taiwan Cooperative Bank - Hsinchu Science-based Industrial Park Branch	Credit loan	79,744	2020.12.09–2021.01.08	0.68%	
Taiwan Shin Kong Bank	Credit loan	142,400	2020.12.29–2021.03.29	0.75%	
Total		$ 307,584			

Harvatek Corporation

12. Details of net accounts payable and accounts payable - related parties

As of December 31, 2020

Unit: NT$ thousand

Supplier name	Summary	Amount	Remark
Accounts payable:			
Subtron Technology Co., Ltd.		$117,901	
Sheng Hsiao Industrial Co., Ltd.		58,612	
Sun Delight Corporation		47,399	
Zhi Zhan Ho Electronic Co., Ltd.		41,447	
Opto Tech Corporation Co., Ltd.		29,174	
Others		102,817	(Note)
Total		$397,350	
Accounts payable - related parties:			
YoungTek Electronics Corporation		$20,942	
Guangzhou Hongqi Electronics Limited		3,907	
Harvatek International (USA) Corp.		1,801	
Guangzhou Jiu Hong Qi Trading Limited		830	
Jiu Hong Xin Technology Co., Ltd.		80	
Total		$27,560	

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, 2020

Unit: NT$ thousand

Item	Summary	Amount	Remark
Payables to equipment suppliers:			
LINKLINEAR DEVELOPMENT CO., LTD.		$2,713	
Tian Zheng International Precision Machinery Co., Ltd.		1,911	
Systex Corporation		1,102	
Sheng Hsiao Industrial Co., Ltd.		706	
Yu Fong Precision Machinery Co., Ltd.		571	
Other		44	(Note)
Total		$7,047	
Other payables:			
Salary and bonus payable		$81,800	
Remuneration payable to employees		14,020	
Compensation due to directors and supervisors		1,960	
Others	Expenses for labor insurance, health insurance, etc.	45,615	
Total		$143,395	

Note: None of the balances exceed 5% of the amount in this account.

Harvatek Corporation
14.Details of lease liabilities
As of December 31, 2020

Unit: NT$ thousand

Item	Summary	Lease term	Discount rate	Ending balance	Remark
Land		30 years	1.7500%	$ 48,590	
Machinery equipment		4 years	1.7587%	1,324	
Transportation equipment		2–3 years	1.1748% – 1.2464%	908	
				50,822	
Less: current proportion				(2,774)	
Lease liabilities - noncurrent				$ 48,048	

Harvatek Corporation

15.Details of net operating revenue

2020

Unit: NT$ thousand

Item	Summary	Amount	Remark
Sales revenue	6,066,951 thousand pcs	$2,440,874	
Add: engineering revenue	7 pcs	60,896	
Processing revenue	5,078 thousand pcs	2,883	
Subtotal:		2,504,653	
Less: sales return	57,225 thousand pcs	(15,819)	
Sales allowance	1,015 thousand pcs	(1,056)	
Net operating revenue		$2,487,778	

Harvatek Corporation

16. Details of operating cost

2020

Unit: NT$ thousand

Item	Summary	Amount	Remark
Cost of self-manufactured goods			
Direct materials			
Opening inventory		$71,356	
Add: material purchased		850,986	
Others		46,809	
Less: ending inventory		(87,500)	
Sale of materials		(858)	
Material consumed		880,793	
Supplies consumed		229,678	
Direct labor cost		156,878	
Manufacturing expenses		529,989	
Cost of manufacturing		1,797,338	
Add: works in process at start of period		58,242	
Less: works in process at end of period		(69,146)	
Others		1,242	
Cost of finished goods		1,787,676	
Add: beginning finished goods		346,225	
Purchase of current period		75,939	
Less: ending finished goods		(317,111)	
Others		(9,620)	
Cost of self-manufactured goods		1,883,109	
Other operating costs			
Loss of reduce inventory to market and slow-moving inventory		45,621	
Loss of inventory obsolete		108	
Sale of materials		858	
Supplies sold		504	
Sale of scrap and waste		(7,929)	
Others		41,687	
Subtotal of other operating costs		80,849	
Total cost of sales		$1,963,958	

Harvatek Corporation

17. Details of manufacturing expenses

2020

Unit: NT$ thousand

Item	Summary	Amount	Remark
Salary		$160,760	
Processing expense		128,185	
Depreciation		83,295	
Consumable materials and tools		55,184	
Utilities expenses		45,426	
Others		57,139	(Note)
Total		$529,989	

Note: None of the balances of other items exceed 5% of the amount in this account.

Harvatek Corporation

18. Details of selling expenses

2020

Unit: NT$ thousand

Item	Summary	Amount	Remark
Salary		$40,096	
Commission		23,490	
Royalty		14,173	
Freight		16,131	
Other		42,949	(Note)
Total		$136,839	

Note: None of the balances of other items exceed 5% of the amount in this account.

Harvatek Corporation

18.Details of selling expenses

2020

Unit: NT$ thousand

Item	Summary	Amount	Remark
Salary		$36,022	
Service fee		12,482	
Miscellaneous fee		9,506	
Depreciation		5,821	
Others		20,313	(Note)
Total		$84,144	

Note: None of the balances of other items exceed 5% of the amount in this account.

Harvatek Corporation

20. Details of R&D expenses

2020

Unit: NT$ thousand

Item	Summary	Amount	Remark
Salary		$50,018	
Supply expenses		27,352	
Depreciation		13,275	
Others		12,311	(Note)
Total		$102,956	

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.18for 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	2020	2019	Difference	
			Amount	%
Current Assets	2,586,319	2,228,236	358,083	16.07
Fixed Assets	587,067	657,048	(69,981)	(10.65)
Intangible Assets	1,618	1,617	1	0.06
Other Assets	879,584	704,536	175,048	24.85
Total Assets	4,054,588	3,591,437	463,151	12.90
Current Liabilities	948,743	616,987	331,756	53.77
Long-term Liabilities	88,038	304,596	(216,558)	(71.10)
Total Liabilities	1,036,781	921,583	115,198	12.50
Capital stock	2,060,698	2,060,698	0	0.00
Capital surplus	484,034	483,483	551	0.11
Retained Earnings	244,014	100,048	143,966	143.90
Other Adjustments	172,325	(6,397)	178,722	(2,793.84)
Treasury Stock	(6,857)	(6,857)	0	0.00
Non-controlling interests	63,593	38,879	24,714	63.57
Total Stockholders' Equity	3,017,807	2,669,854	347,953	13.03

1. The analysis and explanation of the increase or decrease ratio of more than 20%:

(1) Increase in other assets and other rights and interests: Mainly due to the increase in the appraisal benefits of financial assets measured at fair value through other comprehensive gains and losses.

(2)Increase in current liabilities: mainly due to short-term bank borrowings in the current period.

(3) Decrease in non-current liabilities: mainly due to the repayment of long-term bank loans in the current period.

(4) Increase in retained earnings: Mainly due to the increase in profit during the period.

(5) Increase in non-controlling interests: Mainly due to the increase in the evaluation benefits of financial assets measured by fair value through other comprehensive profits and losses of subsidiaries.

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	2020	2019	Difference	
			Amount	(%)
Net Sales	2,507,351	2,163,869	343,482	15.87
Cost of Sales	1,974,626	1,759,938	214,688	12.20
Gross Profit	532,725	403,931	128,794	31.89
Operating Expenses	308,823	358,511	(49,688)	(13.86)
Operating Income	223,902	45,420	178,482	392.96
Non-operating income and expenses	(39,694)	(22,611)	(17,083)	75.55
Income Before Tax	184,208	22,809	161,399	707.61
Tax Expense	(40,562)	(8,188)	(32,374)	395.38
Net Income	143,646	14,621	129,025	882.46

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 net profit: mainly due to the increase in operating gross profit and the increase in expected credit impairment reversal benefits.
(3) 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.
(4) Increase in net profit before tax: Mainly due to the increase in operating net profit.
(5) Increase in income tax expenses: mainly due to the increase in net profit before tax.
(6) 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	2020	2019	Difference	
			Amount	%
Operating Activities	434,271	439,347	(5,076)	(1.16)
Investing Activities	(85,168)	(138,804)	53,636	(38.64)
Financing Activities	4,756	(320,407)	325,163	(101.48)

Description of changes in the increase or decrease ratio:

1. Decrease in net outflow of investment activities: mainly due to the decrease in real estate, plant and equipment acquired during the period.
2. Increase in net inflow of financing activities: Mainly due to short-term bank borrowings and no cash dividends in 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
1,459,509	450,000	300,000	1,609,509	-	-
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：The Company invested in Consentek Corporation in 2020 to engage in the research and development and sales of communication component modules. Because the company had no revenue at the beginning of its establishment, it incurred a loss, In the future, as revenue grows, losses will be reduced; there is no major investment plan for 2021.

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	2021 (As of March 31)	2020	2019
Exchange gain(loss)	(74)	(61,711)	(25,012)
Net Sales	681,521	2,507,351	2,163,869
Gross Profit	93,019	223,902	45,420
Exchange gain (loss) to net sales (%)	(0.01)	(2.46)	(1.16)
Exchange gain (loss) to gross profit (%)	(0.08)	(27.56)	(55.07)

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 2021.

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**

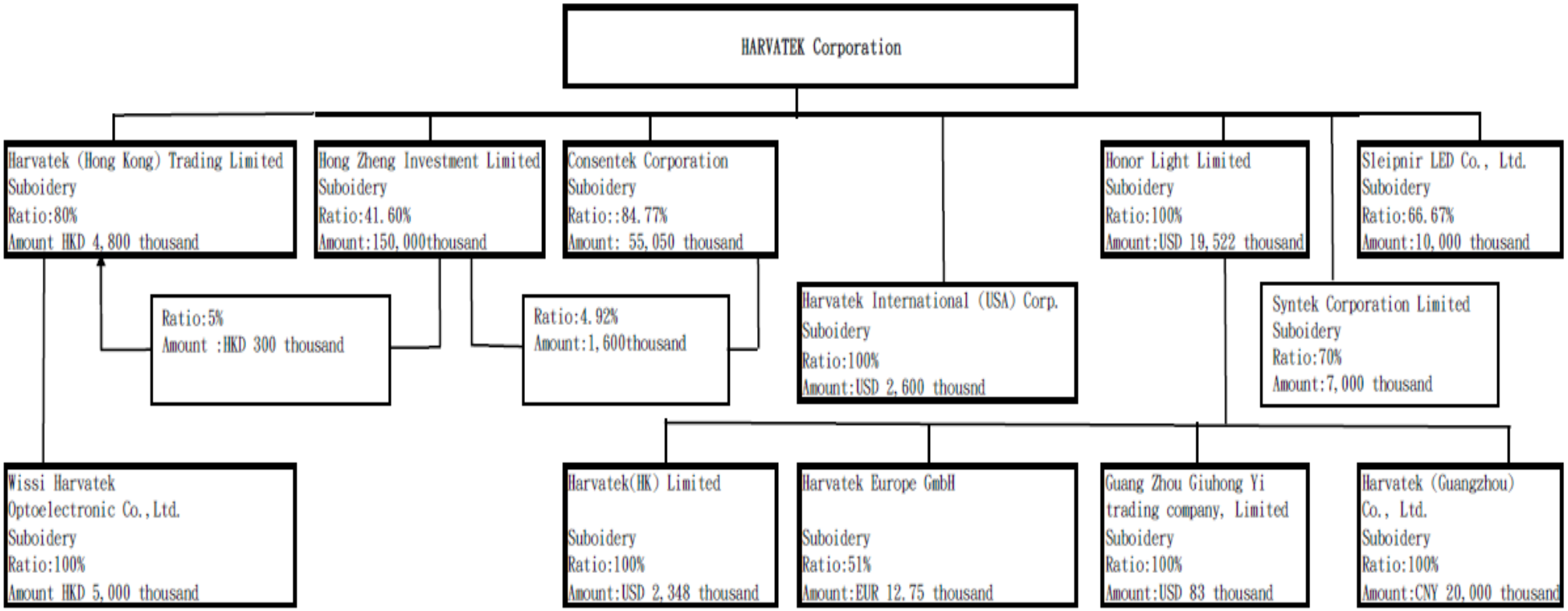
8.1 Information of associated enterprises

8.1.1Consolidated business report

8.1.1.1 Organizational status

Organizational chart

As of December 31, 2020



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$	32,500	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
Wuxi Harvatek Optoelectronic Co., Ltd.	2012.06.12	Wuxi City, China	HKD	5,000	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, 2020

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	Jou, Ming-Jiunn	600,000	9.23
	Director	Wang, Ping-Lung	-	-
	Director	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	Chuang, Feng-Hui	-	-
	Director	Chang,Chia-Pin	-	-
	Director	Hsiao, Hui-Chun	-	-
	Supervisor	Yang, Chih-Chao	-	-
Sleipnir LED Co., Ltd.	Chairman	Tsai, Tseng-Hsiang	-	-
	Director	Chuang, Feng-Hui	-	-
	Director	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	-	-
Wuxi Harvatek Optoelectronic Co.,Ltd.	Director	Li, Yi-Min	-	-
	Supervisor	Tsai, Tsui-Fang	-	-

8.1.1.5. Performance of affiliated enterprises

As of December 31, 2020; 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)
Harvatek (Hong Kong) Trading Limited	22,824	383	-	383	-	(139)	(1,157)	(0.19)
Hong Zheng Investment Limited	60,100	235,573	564	235,009	4,672	4,440	4,404	0.73
Consentek Corporation	32,500	40,567	440	40,127	-	(2,295)	(2,221)	(0.34)
Harvatek International (USA) Corp.	32,340	30,568	4,683	25,885	26,333	1,740	3,018	3.02
Honor Light Limited	588,331	351,351	-	351,351	-	(35)	(9,937)	(0.51)
Syntek Corporation Limited	10,000	6,738	-	6,738	-	(520)	(520)	(0.52)
Sleipnir LED Co., Ltd.	15,000	3,978	1,494	2,484	6,733	(2,102)	(1,702)	(1.13)
Harvatek(HK) Limited	68,491	25,558	-	25,558	-	(1,539)	(1,175)	(0.50)
HARVATEK EUROPE GmbH	999	2,186	119	2,067	-	(94)	(94)	(3.77)
Guang Zhou Giuhong Yi trading company, Limited	2,426	6,236	4,163	2,073	8,423	(801)	(790)	-
Harvatek (Guangzhou) Co., Ltd.	90,648	28,049	42,693	(14,644)	40,073	1,716	3,561	-
Wuxi Harvatek Optoelectronic Co., Ltd.	19,020	-	-	-	-	(1,019)	(1,019)	-

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	2020	-	-	-	-	-	949,807	16,484	None	-	-
				In the Most Recent Years and up to the date of publication of the annual report(Note1)	-	-	-	-	-			None	-	-

Note 1: The holding amount is the cost without evaluation.
Note 2: The data is calculated until March 31, 2021.

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 Ping-Lung Wang