

Stock code: 6168

Harvatek Corporation
Standalone Financial Statements and Independent Auditor's Report
2021 & 2020

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Standalone Financial Statements

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Independent Auditor's Report

To Harvatek Corporation:

Opinion

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

In our opinion, based on our audits and the audit reports of other independent auditors (please refer to the "Others" paragraph), the standalone financial statements referred to the above present fairly, in all material respects, the standalone financial position of the Company as of 31 December, 2021 and 2020, and the financial performance and cash flow for the period of January 1 to December 31 in 2021 and 2020, in conformity with the requirements of the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

Basis for Opinion

We conducted the audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statement by Certified Public Accountants and auditing standards generally accepted. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Standalone Financial Statements section of our report. We are independent of Harvatek Corporation, Ltd. in accordance with the Norms of Professional Ethics for Certified Public Accountants (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the audit reports of other independent auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audits of the 2021 standalone financial statements of Harvatek Corporation. These matters were addressed in the context of our audits of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

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

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

Evaluation of allowance for uncollectable accounts receivable

As of December 31, 2021, the net accounts receivable (including related parties) of Harvatek Corporation amounted to NT\$570,386 thousand, representing 13% of total assets. The allowance for uncollectable accounts receivable is evaluated by the expected credit losses over the durations. The evaluation process requires categorizing accounts receivable into appropriate groups, and judging and analyzing by relevant assumptions, including consideration of historical experience, current collection status of accounts receivable and projections of future economic conditions. Since the evaluation of expected credit losses involves judgment, analysis and estimates, we have identified this as a key audit matter.

Our procedures for auditing operating revenue included but were not limited to: Understanding the internal control related to the allowance for uncollectable accounts through inquiries, assessing the assumptions and judgments used by management in determining the allowance for uncollectable accounts and the reasonableness of the basis for the allowance for uncollectable accounts. In addition, we analyzed the appropriateness of the receivables grouping method to evaluate whether customers with significantly different loss patterns were appropriately grouped. We also tested the allowance matrix adopted by Harvatek Corporation, including analyzing the range of receivable ages and their changes, testing the correctness of the aging analysis of accounts receivable provided by management, identifying and analyzing the causes of overdue accounts, and selecting samples for accounts receivable bank

confirmations and post-period collection tests to assess the collectability of accounts receivable. We also considered the appropriateness of the policies and disclosures in Notes 4, 5 and 6 of the consolidated financial statements regarding the accounts receivable and the relevant risks.

Other Matters - Audit Reports of Other Independent Audits

The financial statements of certain invested companies included in the standalone financial statements of Harvatek Corporation were not audited by us but by other auditors instead. Hence, in our opinion on the above-mentioned standalone financial statements, the amounts listed in the financial statements of those indirectly reinvested companies mentioned are based on the audit reports of other independent auditors. The investments accounted for using equity method in these indirect investees amounted to NT\$133,554 thousand and NT\$126,038 thousand as of December 31, 2021 and 2020, respectively, representing 3.09% and 3.17% of total assets, respectively. For the periods from January 1 to December 31 of 2021 and 2020, share of gain of subsidiaries, associates and joint ventures accounted for using the equity method amounted to NT\$6,822 thousand and NT\$(6,461) thousand, representing 1.56% and (3.52)% of the net income before income taxes, respectively. Share of other comprehensive gain of subsidiaries, associates and joint ventures accounted for using the equity method amounted to NT\$695 thousand and NT\$(50) thousand, representing 0.48% and (0.03)% of the net other comprehensive income, respectively.

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

Management is responsible for the preparation and fair presentation of the standalone financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, and for such internal control as management determines is necessary to enable the preparation of standalone financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

1. Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the standalone financial statements (including the accompanying notes) and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence (including related safeguards).

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 2021 standalone financial statements and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so could reasonably be expected to outweigh the public interest benefits of such communication.

Ernst & Young, Taiwan

Approved by the competent authority to process financial reports for public companies

Order No.: (104) Jin-Guan-Zheng-Shen-Zi No. 1040030902
(96) Jin-Guan-Zheng-(6) No. 0960002720

Chen, Chih-Chung

Accountant:

Hsu, Hsin-Min

March 24, 2022

Harvatek Corporation
Standalone Balance Sheet
As of December 31 of 2021 and 2020



Unit: NT\$ thousand

Assets			As of December 31, 2021		As of 31 December 2020	
Code	Account name	Note	Amount	%	Amount	%
	Current assets					
1100	Cash and cash equivalents	IV and VI.1	\$ 1,189,326	28	\$ 1,082,301	27
1150	Net notes receivable	IV, VI.4 and VI.15	655	-	225	-
1170	Net accounts receivable	IV, VI.5 and VI.15	562,197	13	583,202	15
1180	Accounts receivable - related parties, net	IV, VI.5, VI.15 and VII	8,189	-	7,877	-
1200	Other receivables		11,549	-	12,906	-
1210	Other receivables - related parties	VII	20,035	1	26,057	1
130x	Inventories	IV and VI.6	449,685	10	368,277	9
1410	Prepayments	VII	5,837	-	21,075	1
1482	Cost to fulfill contracts - current	IV and VI.14	8,444	-	-	-
11xx	Total current assets		<u>2,255,917</u>	<u>52</u>	<u>2,101,920</u>	<u>53</u>
	Noncurrent assets					
1510	Financial assets at fair value through profit or loss - noncurrent	IV and VI.2	82,383	2	80,340	2
1517	Financial assets at fair value through other comprehensive income - noncurrent	IV and VI.3	544,549	13	427,277	11
1550	Investment accounted for using the equity method	IV and VI.7	647,359	15	580,637	15
1600	Property, plant and equipment	IV, VI.8 and VII	542,050	12	564,795	14
1755	Right-of-use assets	IV, VI.16 and VII	49,104	1	50,129	1
1760	Net investment property	IV, VI.9 and VII	68,971	2	71,447	2
1780	Intangible assets	IV and VI.10	2,763	-	1,618	-
1840	Deferred income tax assets	IV and VI.20	69,967	2	67,418	2
1900	Other noncurrent assets	VII	49,910	1	16,678	-
1920	Refundable deposits		720	-	720	-
1980	Other financial assets - noncurrent	VIII	14,782	-	14,739	-
15xx	Total noncurrent assets		<u>2,072,558</u>	<u>48</u>	<u>1,875,798</u>	<u>47</u>
1xxx	Total assets		<u>\$ 4,328,475</u>	<u>100</u>	<u>\$ 3,977,718</u>	<u>100</u>

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

Chairman: Wang, Ping-Lung

Manager: Wang, Ping-Lung

Accounting Supervisor: Su, Yu-Hui

Harvatek Corporation
Standalone Balance Sheet(continued)
As of December 31 of 2021 and 2020

Unit: NT\$ thousand

Liabilities and Equity			As of December 31, 2021		As of 31 December 2020	
Code	Account name	Note	Amount	%	Amount	%
	Current liabilities					
2100	Short-term loans	IV and VI.11	\$ 193,690	5	\$ 307,584	8
2130	Contract liability - current	IV and VI.14	46,975	1	4,032	-
2170	Accounts payable		359,168	8	397,350	10
2180	Accounts payable - related parties	IV and VII	30,858	1	27,560	1
2200	Other payables		198,827	5	143,395	4
2213	Payables to equipment suppliers		8,298	-	7,047	-
2230	Income tax payable in the period	IV and VI.20	59,318	1	37,838	1
2280	Lease liabilities - current	IV, VI.16 and VI.18	2,885	-	2,774	-
2300	Other current liabilities	4	12,880	-	12,402	-
21xx	Total current liabilities		<u>912,899</u>	<u>21</u>	<u>939,982</u>	<u>24</u>
	Noncurrent liabilities					
2570	Deferred income tax liabilities	IV and VI.20	684	-	1,114	-
2580	Lease liabilities - noncurrent	IV, VI.16 and VI.18	47,224	1	48,048	1
2640	Net defined benefit liability	IV and VI.12	26,353	1	32,320	1
2645	Guarantee deposits		3,540	-	2,040	-
25xx	Total noncurrent liabilities		<u>77,801</u>	<u>2</u>	<u>83,522</u>	<u>2</u>
2xxx	Total liabilities		<u>990,700</u>	<u>23</u>	<u>1,023,504</u>	<u>26</u>
31xx	Equity					
3100	Capital stock	VI.13				
3110	Common stock		2,060,698	48	2,060,698	52
3200	Capital surplus	VI.13	494,534	11	484,034	12
3300	Retained earnings	VI.7 and VI.13				
3310	Legal reserve		63,073	2	48,677	1
3320	Special reserve		-	-	6,397	-
3350	Undistributed earnings		409,891	9	188,940	5
3400	Other equity	4	310,899	7	172,325	4
3500	Treasury stock	IV and VI.13	(1,320)	-	(6,857)	-
3xxx	Total equity		<u>3,337,775</u>	<u>77</u>	<u>2,954,214</u>	<u>74</u>
	Total liabilities and equity		<u>\$ 4,328,475</u>	<u>100</u>	<u>\$ 3,977,718</u>	<u>100</u>

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

Chairman: Wang, Ping-Lung

Manager: Wang, Ping-Lung

Accounting Supervisor: Su, Yu-Hui

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

Unit: NTS thousand

Code	Account name	Note	2021		2020	
			Amount	%	Amount	%
4000	Revenue from operations	IV, VI.14 and VII	\$ 2,845,992	100	\$ 2,487,778	100
5000	Operating costs	IV, VI.6, VI.10, VI.12, VI.16, VI.17 and VII	(2,110,093)	(74)	(1,963,958)	(79)
5900	Gross operating profit		735,899	26	523,820	21
6000	Operating expenses	IV, VI.10, VI.12, VI.15, VI.16, VI.17 and VII				
6100	Marketing expenses		(168,750)	(6)	(136,839)	(6)
6200	General and administration expenses		(94,197)	(3)	(84,144)	(3)
6300	R&D expenses		(107,544)	(4)	(102,956)	(4)
6450	Reversal of expected credit losses		12,042	-	22,431	1
	Total operating expenses		(358,449)	(13)	(301,508)	(12)
6900	Operating gains		377,450	13	222,312	9
7000	Non-operating income and expenses	IV, VI.7, VI.18 and VII				
7100	Interest income		9,267	-	5,477	-
7010	Other income		41,376	1	31,955	1
7020	Other gains and losses		(13,178)	-	(64,362)	(3)
7050	Finance costs		(2,231)	-	(3,787)	-
7070	Share of loss of subsidiaries, associates and joint ventures accounted for using equity method		24,764	1	(8,302)	-
	Total non-operating income and expenses		59,998	2	(39,019)	(2)
7900	Profit before tax		437,448	15	183,293	7
7950	Income tax expense	IV and VI.20	(67,130)	(2)	(39,954)	(1)
8200	Net profit of the period		370,318	13	143,339	6
8300	Other comprehensive income	IV and VI.19				
8310	Items that will not be reclassified subsequently to profit or loss					
8311	Remeasurement of defined benefit plans		4,355	-	1,510	-
8316	Unrealized valuation gains and losses on investments in equity instruments at fair value through other comprehensive income		140,577	5	183,133	7
8349	Income taxes related to items that will not be reclassified subsequently		(871)	-	(302)	-
8360	Items that may be reclassified subsequently to profit or loss					
8361	Exchange differences arising from translation of foreign operations		338	-	(1,367)	-
	Other comprehensive income for the year (net of income tax)		144,399	5	182,974	7
8500	Total comprehensive income for the period		\$ 514,717	18	\$ 326,313	13
	Earnings per share (NTS)					
9750	Basic earnings per share	IV and VI.21				
9710	Net profit of the period		\$ 1.80		\$ 0.70	
9850	Diluted earnings per share	IV and VI.21				
9810	Net profit of the period		\$ 1.79		\$ 0.69	

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

Chairman: Wang, Ping-Lung

Manager: Wang, Ping-Lung

Accounting Supervisor: Su, Yu-Hui

Harvatek Corporation
Standalone Statement of Changes in Equity
January 1 to December 31, 2021 and 2020

Unit: NT\$ thousand

Code	Item	Common stock	Capital surplus	Retained earnings			Other equity		Treasury stock	Total
				Legal reserve	Special reserve	Undistributed earnings (Losses to be covered)	Exchange differences arising from translation of foreign operations	Unrealized gains or losses on equity instruments at fair value through other comprehensive income		
A1	Balance on January 1, 2020	\$ 2,060,698	\$ 483,483	\$ 46,245	\$ 25,579	\$ 28,224	\$ (4,886)	\$ (1,511)	\$ (6,857)	\$ 2,630,975
	Distribution of 2019 earnings:									
B1	Legal reserve	-	-	2,432	-	(2,432)	-	-	-	-
B2	Special reserve	-	-	-	(19,182)	19,182	-	-	-	-
	Other changes in capital surplus									
C3	From donations	-	551	-	-	-	-	-	-	551
D1	2020 Net profit	-	-	-	-	143,339	-	-	-	143,339
D3	2020 Other comprehensive income	-	-	-	-	1,208	(1,367)	183,133	-	182,974
D5	2020 Total comprehensive income	-	-	-	-	144,547	(1,367)	183,133	-	326,313
M7	Changes in equities of subsidiaries	-	-	-	-	(3,625)	-	-	-	(3,625)
Q1	Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	3,044	-	(3,044)	-	-
Z1	Balance on December 31, 2020	\$ 2,060,698	\$ 484,034	\$ 48,677	\$ 6,397	\$ 188,940	\$ (6,253)	\$ 178,578	\$ (6,857)	\$ 2,954,214
A1	Balance on January 1, 2021	\$ 2,060,698	\$ 484,034	\$ 48,677	\$ 6,397	\$ 188,940	\$ (6,253)	\$ 178,578	\$ (6,857)	\$ 2,954,214
	Distribution of 2020 earnings:									
B1	Legal reserve	-	-	14,396	-	(14,396)	-	-	-	-
B2	Special reserve	-	-	-	(6,397)	6,397	-	-	-	-
B5	Cash dividends of common stock	-	-	-	-	(144,249)	-	-	-	(144,249)
D1	2021 Net profit	-	-	-	-	370,318	-	-	-	370,318
D3	2021 Other comprehensive income	-	-	-	-	3,484	338	140,577	-	144,399
D5	2021 Total comprehensive income	-	-	-	-	373,802	338	140,577	-	514,717
C7	Changes of profit or loss of associates and joint ventures accounted for using equity method	-	-	-	-	(69)	-	-	-	(69)
L7	Disposal of parent company's shares by a subsidiary has been treated as a treasury stock transaction	-	4,285	-	-	-	-	-	5,537	9,822
M1	Issuance of dividends to subsidiaries to adjust capital surplus	-	53	-	-	-	-	-	-	53
M7	Changes in equities of subsidiaries	-	6,162	-	-	(2,875)	-	-	-	3,287
Q1	Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	2,341	-	(2,341)	-	-
Z1	Balance on December 31, 2021	\$ 2,060,698	\$ 494,534	\$ 63,073	\$ -	\$ 409,891	\$ (5,915)	\$ 316,814	\$ (1,320)	\$ 3,337,775

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

Chairman: Wang, Ping-Lung

Manager: Wang, Ping-Lung

Accounting Supervisor: Su, Yu-Hui

Harvatek Corporation
Standalone Statement of Cash Flows
January 1 to December 31, 2021 and 2020

Unit: NT\$ thousand

Code	Item	2021	2020	Code	Item	2021	2020
		Amount	Amount			Amount	Amount
AAAA	Cash flows from operating activities:			BBBB	Cash flows from investing activities:		
A00010	Profit before tax in the period	\$ 437,448	\$ 183,293	B00020	Disposal of financial assets at fair value through other comprehensive income	\$ 1,047	\$ -
A20000	Adjustments:			B00100	Acquisition of financial assets at fair value through profit or loss	(390,000)	(150,000)
A20010	Income and other adjustments with no cash flow effects:			B00200	Disposal of financial assets at fair value through profit or loss	390,175	150,192
A20100	Depreciation expenses	94,200	104,511	B01800	Acquisition of investment accounted for using the equity method	(12,000)	(55,050)
A20200	Amortization expenses	7,470	9,181	B02700	Acquisition of property, plant and equipment	(65,226)	(35,736)
A20300	Reversal of expected credit losses	(12,042)	(22,431)	B02800	Disposal of property, plant and equipment	914	-
A20400	Net gains (losses) on financial assets and liabilities at fair value through profit or loss	(2,218)	12,274	B04500	Acquisition of intangible assets	(5,357)	(3,543)
A20900	Interest expenses	2,231	3,787	B06500	Increase in other financial assets	(43)	-
A21200	Interest income	(9,267)	(5,477)	B06600	Decrease in other financial assets	-	4,577
A21300	Dividend income	(18,630)	(4,760)	B06700	Increase in other noncurrent assets	(36,490)	(8,569)
A22400	Share of gains or losses of subsidiaries, associates and joint ventures accounted for using equity method	(24,764)	8,302	B07600	Dividends received	24,362	7,602
A22500	Gains on disposal and retirement of property, plant and equipment	(712)	-	BBBB	Cash outflow from investing activities	(92,618)	(90,527)
A24100	Unrealized foreign exchange losses	(868)	368				
A30000	Changes in operating assets/liabilities:						
A31130	Notes receivable	(430)	3				
A31150	Accounts receivable	33,047	4,769	CCCC	Cash flows from financing activities:		
A31160	Accounts receivable - related parties	(312)	(155)	C00100	Increase in short-term debts	(113,026)	307,216
A31180	Other receivables	276	(2,913)	C01700	Repayment of long-term loans	-	(300,000)
A31190	Other receivables - related parties	6,022	(2,259)	C03000	Increase in guarantee deposits	1,500	2,040
A31200	Inventories	(80,667)	46,424	C04020	Repayment of lease principal	(3,133)	(2,888)
A31230	Prepayments	15,238	9,753	C04500	Cash dividends	(144,250)	-
A31280	Cost to fulfill contracts	(8,444)	16,733	C09900	From donations	-	551
A32125	Contract liabilities	42,943	(19,918)	CCCC	Net cash inflow (outflow) generated from financing activities	(258,909)	6,919
A32130	Notes payable	-	(1)	EEEE	Increase in cash and cash equivalents	107,025	349,491
A32150	Accounts payable	(38,182)	88,988	E00100	Cash and cash equivalents, beginning of period	1,082,301	732,810
A32160	Accounts payable - related parties	3,298	5,151	E00200	Cash and cash equivalents, end of period	\$ 1,189,326	\$ 1,082,301
A32180	Other payables	55,228	15,730				
A32230	Other current liabilities	478	9,317				
A32240	Net defined benefit liability	(1,612)	(1,362)				
A33000	Cash generated from operations	499,731	459,308				
A33100	Interest received	10,348	5,556				
A33300	Interest paid	(2,027)	(3,634)				
A33500	Income taxes paid	(49,500)	(28,131)				
AAAA	Net cash inflow from operating activities	458,552	433,099				

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

Chairman: Wang, Ping-Lung

Manager: Wang, Ping-Lung

Accounting Supervisor: Su, Yu-Hui

Harvatek Corporation
Notes to the Standalone Financial Statements

2021 & 2020

(Amounts are in NT\$ thousand unless otherwise stated)

I. Company History

Harvatek Corporation (hereinafter referred to as the Company) was founded on March 21, 2005. Its main business is the research, development, design, manufacture and testing of LED packaging, as well as the import and export of these products.

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

II. Date and Procedure for Approval of Financial Statements

The 2021 and 2020 standalone financial statements of the Company were published with the Board of Directors' approval on March 24, 2022.

III. Application of Newly Issued and Revised Standards and Interpretations

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

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

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

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

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

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
(Amounts are in NT\$ thousand unless otherwise stated)

A. Update the reference to conceptual framework (amendments to IFRS 3)

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

B. Property, plant and equipment: Proceeds before Intended Use (amendments to IAS 16)

This amendments prohibited enterprises from deducting from the cost of an item of property, plant and equipment, any sales proceeds earned before the asset is ready for its intended use; instead, entities shall recognize the sales proceeds and the related costs in profit and loss.

C. Onerous contracts - cost of fulfilling a contract (amendments to IAS 37)

The amendments clarified the costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

D. Improvements to IFRS during 2018–2020

Amendments to IFRS 1

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

Amendments to IFRS 9 “Financial Instruments”

The amendments clarified the fees included when an entity assesses whether the terms of a new or revised contract for a financial liability are materially different from the original financial liability.

Amendments to IFRS 16 “Leases” Illustrative Example

This is an amendment to lease incentives related to the improvement of lessee’s interest of IE13 .

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
(Amounts are in NT\$ thousand unless otherwise stated)

Amendments to IAS 41

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

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

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

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

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

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

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
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of gain or loss arising from the investment should be eliminated in a manner of downstream transactions; whereas IFRS 10 requires to recognize all gains or losses on the loss of control over a subsidiary. This amendment restricts the aforementioned provisions of IAS 28 so that when a sale or contribution of a business asset as defined in IFRS 3 is made, the resulting gain or loss shall be recognized in full.

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

(2) IFRS 17 “Insurance Contracts”

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

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

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

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

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

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
(Amounts are in NT\$ thousand unless otherwise stated)

(4) Disclosure of accounting policies (amendments to IAS 1)

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

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

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

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

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

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

IV. Summary of Significant Accounting Policies

1. Statement of compliance

The Company's standalone financial statements of 2021 and 2020 are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
(Amounts are in NT\$ thousand unless otherwise stated)

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.

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
(Amounts are in NT\$ thousand unless otherwise stated)

- (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.

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
(Amounts are in NT\$ thousand unless otherwise stated)

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).

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
(Amounts are in NT\$ thousand unless otherwise stated)

7. Financial instruments

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

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

(1) Recognition and measurement of financial assets

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

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

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

Financial assets measured at amortized cost

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

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

Such financial assets (excluding those involving hedging relationships) are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization of any difference between the initial amount and the maturity amount, using the effective

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
(Amounts are in NT\$ thousand unless otherwise stated)

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:

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
(Amounts are in NT\$ thousand unless otherwise stated)

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

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

Loss on financial assets (liabilities) at fair value

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

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

(2) Impairment of financial assets

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

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
(Amounts are in NT\$ thousand unless otherwise stated)

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

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

The loss allowance is measured as follows:

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

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

(3) Derecognition of financial assets

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

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
(Amounts are in NT\$ thousand unless otherwise stated)

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

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

(4) Financial liabilities and equity instruments

Classification between liabilities or equity

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

Equity instrument

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

Compound instruments

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

For the liability component excluding the derivatives, its fair value is determined based on the rate of interest applied at that time by the market to instruments of comparable credit status. The liability component is classified as a financial liability measured at amortized cost before the instrument is converted or settled. For the embedded derivative that is not closely related to the host contract (for example, if the exercise price of the embedded call or put option is not approximately equal on each exercise

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
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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).

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
(Amounts are in NT\$ thousand unless otherwise stated)

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

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
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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:

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
(Amounts are in NT\$ thousand unless otherwise stated)

- (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.

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
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11. Investment accounted for using the equity method

The Company's investments in subsidiaries are presented as "investments accounted for using the equity method" in accordance with Article 21 of the Regulations Governing the Preparation of Financial Reports by Securities Issuers, with necessary valuation adjustments, so that the profit or loss during the period and other comprehensive income presented in separate financial reports can be the same as the allocations of profit or loss during the period and of other comprehensive income attributable to owners of the parent presented in the financial reports prepared on a consolidated basis, and the owners' equity presented in the standalone financial reports can be the same as the equity attributable to owners of the parent presented in the financial reports prepared on a consolidated basis. Such adjustments were made primarily to take into account the treatment of investees in the consolidated financial statements in accordance with IFRS 10 "Consolidated Financial Statements" and the differences in the application of IFRSs at different reporting entities. These adjustments adopted debiting or crediting the "investments accounted for using the equity method", "share of profit or loss of subsidiaries, associates and joint ventures accounted for using the equity method" or "share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method".

The Company's investments in associates are accounted for using the equity method. An associate is an entity over which the Company has significant influence.

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

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

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
(Amounts are in NT\$ thousand unless otherwise stated)

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

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
(Amounts are in NT\$ thousand unless otherwise stated)

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.

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
(Amounts are in NT\$ thousand unless otherwise stated)

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

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

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

14. Leasehold

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

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

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
(Amounts are in NT\$ thousand unless otherwise stated)

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.

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
(Amounts are in NT\$ thousand unless otherwise stated)

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.

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
(Amounts are in NT\$ thousand unless otherwise stated)

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

The Company as a lessor

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

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

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

15. Intangible assets

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

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

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

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
 (Amounts are in NT\$ thousand unless otherwise stated)

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

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

Computer software 1 to 3 years

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

	<u>Computer software</u>
Useful life	Finite
Amortization method used	Amortized on a straight-line basis over the estimated benefit period
Internally generated or externally acquired	Externally acquired

16. Impairment of non-financial assets

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

The Company assesses at the end of each reporting period the assets other than goodwill, whether there is any indication that a previously recognized impairment loss may no longer exist or may have decreased. If such indication exists, the Company estimates the

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
(Amounts are in NT\$ thousand unless otherwise stated)

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.

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
(Amounts are in NT\$ thousand unless otherwise stated)

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.

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
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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

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
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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

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
(Amounts are in NT\$ thousand unless otherwise stated)

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

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
(Amounts are in NT\$ thousand unless otherwise stated)

tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

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

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

- (1) Where the deferred tax asset related to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- (2) In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
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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:

(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.

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
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VI. Contents of Significant Accounts

1. Cash and cash equivalents

	<u>2021.12.31</u>	<u>2020.12.31</u>
Cash	\$122	\$122
Check and current deposit	255,767	285,026
Time deposit	933,437	568,990
Cash equivalent - repo bills	-	228,163
Total	<u>\$1,189,326</u>	<u>\$1,082,301</u>

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

2. Financial assets at fair value through profit or loss

	<u>2021.12.31</u>	<u>2020.12.31</u>
Mandatorily measured at fair value through profit or loss:		
Stocks	<u>\$82,383</u>	<u>\$80,340</u>
Non-current	<u>\$82,383</u>	<u>\$80,340</u>

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

	<u>2021.12.31</u>	<u>2020.12.31</u>
Investments of equity instruments at fair value through other comprehensive income - noncurrent:		
Stocks of listed companies	\$161,879	\$133,665
Stocks of unlisted companies	382,670	293,612
Total	<u>\$544,549</u>	<u>\$427,277</u>

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
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Information regarding dividend income from the Company's investments in equity instruments at fair value through other comprehensive income for 2021 and 2020 is as follows:

	2021	2020
Related to investments still held at the balance sheet date	\$8,559	\$523

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

	2021	2020
Fair value at the derecognition date	\$1,047	\$-
Accumulated gain on disposal of retained earnings transferred from other equity	\$2,341	\$-

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

4. Notes receivable

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

The Company does not provide notes receivable as collaterals.

The Company adopts IFRS 9 to assess impairment. Please refer to Note VI.15 for information related to impairment allowance and Note XII for information related to credit risk.

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
(Amounts are in NT\$ thousand unless otherwise stated)

5. Accounts receivable - related parties

	2021.12.31	2020.12.31
Accounts receivable	\$622,192	\$657,518
Less: loss allowance	(59,995)	(74,316)
Subtotal	562,197	583,202
Accounts receivable - related parties	8,189	7,877
Total	<u>\$570,386</u>	<u>\$591,079</u>

The Company does not provide account receivable as collaterals.

The Company's open account period to customers normally ranges from 30 days to 120 days. Total carrying amounts (including notes and accounts receivable) as of December 31, 2021 and 2020, were NT\$631,036 thousand and NT\$665,620 thousand, respectively. Please refer to Note VI.15 for information on the Company's loss allowance for 2021 and 2020 and Note XII for information on credit risk.

6. Inventories

	2021.12.31	2020.12.31
Materials	\$104,532	\$67,552
Supplies	21,951	18,948
Work in process	52,357	68,453
Finished goods	270,845	213,324
Total	<u>\$449,685</u>	<u>\$368,277</u>

(1) The Company's cost of inventories recognized as expenses in 2021 and 2020 were NT\$2,110,093 thousand and NT\$1,963,958 thousand, which included the reduce inventory to market recognized in 2021 and 2020 of NT\$13,111 thousand and NT\$45,621 thousand, respectively. In addition, inventory obsolescence losses of NT\$4,518 thousand and NT\$108 thousand were recognized in 2021 and 2020, respectively.

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

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
(Amounts are in NT\$ thousand unless otherwise stated)

7. Investment accounted for using the equity method

The Company The invested subsidiaries are presented in the individual financial statements as “investments accounted for using the equity method” with necessary valuation adjustments. Detail of the Company’s investments accounted for using the equity method is as below:

Name of investee	2021.12.31		2020.12.31	
	Amount	Sharehold ing ratio	Amount	Sharehold ing ratio
Invested associates:				
Hong-Ruei Investment Co., Ltd.	\$2,246	35.29%	\$(Note 1)	35.29%
Invested subsidiaries:				
Hong-Cheng Investment Co., Ltd. (Note 2)	192,359	41.60%	162,706	41.60%
Harvatek International (USA) Corp.	27,707	100.00%	25,885	100.00%
HONOR LIGHT LIMITED	365,409	100.00%	351,351	100.00%
Harvatek (Hong Kong) Trading	220	80.00%	307	80.00%
Syntek Corporation Limited	4,137	70.00%	4,717	70.00%
Sleipnir LED Co., Ltd.	780	66.67%	1,656	66.67%
Consentek Corporation (Note 3)	47,061	61.22%	34,015	84.77%
Starlight Display Corporation (Note 4)	7,440	80.00%	-	-
Total	<u>\$647,359</u>		<u>\$580,637</u>	

Note1: The Company’s share of profit or loss on the valuation of Hong-Ruei Investment under equity method recognized is used to offset the equity-method investments and advances to the receivables recorded in the accounts until they reach zero.

Note2: The Company holds 2,500,000 preferred shares of Hong-Cheng Investment Co., Ltd, representing 100% of all its issued preferred shares. The preferred shareholders have the same voting and election rights as the common shareholders in the general shareholders’ meeting and have the right to be elected as directors and supervisors. The percentage of voting rights of the preferred shares converted into common shares is 41.60%, so the Company has substantial control over the Company.

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
 (Amounts are in NT\$ thousand unless otherwise stated)

Note3: The Company increased its investment in the newly established Consentek Corporation for NT\$ 55,050 thousand. Its shareholding in Consentek Corporation has exceeded 50%, and therefore the Company has acquired control of the company since then. The retained earnings were reduced by NT\$3,625 thousand due to the change in the shareholding ratio as a result of not subscribing for new shares in proportion to the shareholding ratio.

Said company issued new shares for a capital increase in May 2021, which were not subscribed by the Company, reducing the Company's shareholding against it to 61.22%.

Note4: In 2021, the Company made a new investment of \$12,000 thousand in Starlight Display Corporation and acquired an 80% ownership stake thereof, giving it control over the company.

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

	2021	2020
Profit (loss) of the units in continued business operation	\$2,315	\$-
Other comprehensive income for the period (net of income tax)	-	-
Total comprehensive income for the period	<u>\$2,315</u>	<u>\$-</u>

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

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
(Amounts are in NT\$ thousand unless otherwise stated)

8. Property, plant and equipment

	Land and land improvements	Building structures	Machinery equipment	Testing equipment	Transportation equipment	Other equipment	Leasehold improvements	Unfinished construction	Total
Costs:									
Balance on January 1, 2021	\$89,698	\$500,295	\$2,217,665	\$51,384	\$2,538	\$234,588	\$52,540	\$-	\$3,148,708
Increase	-	592	46,146	5,850	-	13,889	-	-	66,477
Reclassification	-	-	-	-	-	(1,196)	-	-	(1,196)
Disposal	-	-	(24,276)	(6,421)	(527)	(29,212)	-	-	(60,436)
Balance on December 31, 2021	\$89,698	\$500,887	\$2,239,535	\$50,813	\$2,011	\$218,069	\$52,540	\$-	\$3,153,553
Balance on January 1, 2020	\$89,698	\$477,206	\$2,258,475	\$52,407	\$2,538	\$243,014	\$52,540	\$-	\$3,175,878
Increase	-	25,839	3,797	-	-	7,409	-	-	37,045
Reclassification	-	(2,750)	-	(993)	-	-	-	-	(3,743)
Disposal	-	-	(44,607)	(30)	-	(15,835)	-	-	(60,472)
Balance on December 31, 2020	\$89,698	\$500,295	\$2,217,665	\$51,384	\$2,538	\$234,588	\$52,540	\$-	\$3,148,708
Depreciation and impairment:									
Balance on January 1, 2021	\$1,131	\$242,679	\$2,022,859	\$43,976	\$2,538	\$219,314	\$51,416	\$-	\$2,583,913
Depreciation expenses	-	10,600	59,611	7,042	-	10,597	429	-	88,279
Reclassification	-	-	-	-	-	(455)	-	-	(455)
Disposal	-	-	(24,276)	(6,421)	(527)	(29,010)	-	-	(60,234)
Balance on December 31, 2021	\$1,131	\$253,279	\$2,058,194	\$44,597	\$2,011	\$200,446	\$51,845	\$-	\$2,611,50
Balance on January 1, 2020	\$1,131	\$232,269	\$1,998,736	\$35,849	\$2,364	\$225,647	\$49,639	\$-	\$2,545,635
Depreciation expenses	-	10,433	68,730	8,240	174	9,502	1,777	-	98,856
Reclassification	-	(23)	-	(83)	-	-	-	-	(106)
Disposal	-	-	(44,607)	(30)	-	(15,835)	-	-	(60,472)
Balance on December 31, 2020	\$1,131	\$242,679	\$2,022,859	\$43,976	\$2,538	\$219,314	\$51,416	\$-	\$2,583,913
Net carrying amount:									
2021.12.31	\$88,567	\$247,608	\$181,341	\$6,216	\$-	\$17,623	\$695	\$-	\$542,050
2020.12.31	\$88,567	\$257,616	\$194,806	\$7,408	\$-	\$15,274	\$1,124	\$-	\$564,795

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
(Amounts are in NT\$ thousand unless otherwise stated)

- (1) Significant components of the Company's buildings are mainly the main buildings, air-conditioning equipment and renovation works. Depreciation is provided over their useful lives of 51 years, 6 to 21 years and 6 to 21 years, respectively.
- (2) The Company has not provided its property, plant and equipment as guarantee or pledge.

9. Investment property

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

	<u>Building</u>
Costs:	
Balance on January 1, 2021	\$74,250
Transferred from property, plant and equipment	-
Balance on December 31, 2021	<u>\$74,250</u>
Balance on January 1, 2020	\$71,500
Transferred from property, plant and equipment	2,750
Balance on December 31, 2020	<u>\$74,250</u>
Depreciation and impairment:	
Balance on January 1, 2021	\$2,803
Depreciation and impairment of the period	2,476
Balance on December 31, 2021	<u>\$5,279</u>
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	<u>\$2,803</u>
Net carrying amount:	
2021.12.31	<u>\$68,971</u>
2020.12.31	<u>\$71,447</u>

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
(Amounts are in NT\$ thousand unless otherwise stated)

	2021	2020
Rental income from the investment property	\$11,568	\$11,052
Less: Direct operating expenses incurred on investment properties that generate rental income for the period	(2,476)	(2,406)
Total	\$9,092	\$8,646

The Company does not measure its investment property at fair value, but only discloses information on its fair value. The fair value hierarchy is level 3. The fair value of investment properties held by the Company amounted to NT\$77,355 thousand and NT\$75,573 thousand as of December 31, 2021 and 2020, respectively. The aforementioned fair value was evaluated by an independent external appraiser. The valuation method used for the buildings is the income approach, in which the main input values used and their quantitative information are as follows:

	2021.12.31	2020.12.31
Long-term operating income	\$112,728	\$119,015
Capitalization rate	7.50%	7.50%

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
(Amounts are in NT\$ thousand unless otherwise stated)

10. Intangible assets

	<u>Computer software</u>
Costs:	
Balance on January 1, 2021	\$91,520
Increase - acquired alone	5,357
Reclassification	725
Balance on December 31, 2021	<u>\$97,602</u>
Balance on January 1, 2020	\$87,977
Increase - acquired alone	3,543
Balance on December 31, 2020	<u>\$91,520</u>
Amortization and impairment:	
Balance on January 1, 2021	\$89,902
Amortization	4,387
Reclassification	550
Balance on December 31, 2021	<u>\$94,839</u>
Balance on January 1, 2020	\$86,810
Amortization	3,092
Balance on December 31, 2020	<u>\$89,902</u>
Net carrying amount:	
2021.12.31	<u>\$2,763</u>
2020.12.31	<u>\$1,618</u>

Recognized amount of amortization for intangible assets is as follows:

	<u>2021</u>	<u>2020</u>
Operating costs	\$431	\$60
General and administration expenses	3,956	2,851
R&D expenses	-	181
Total	<u>\$4,387</u>	<u>\$3,092</u>

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
(Amounts are in NT\$ thousand unless otherwise stated)

11. Short-term loans

	<u>2021.12.31</u>	<u>2020.12.31</u>
Unsecured borrowings	<u>\$193,690</u>	<u>\$307,584</u>
Interest range	<u>0.60%-0.63%</u>	<u>0.65%-0.8%</u>

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

12. Retirement benefit plans

Defined contribution plans

The employee retirement plan of the Company formulated in accordance with the "Labor Pension Act" is a defined contribution plan. Under the Labor Pension Act, the Company makes monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company has made monthly contributions of 6% of each individual employee's wages to employees' pension accounts in accordance with the employee retirement plan formulated in the Act.

Expenses under the defined contribution plan recognized by the Group for the years ended 31 December, 2021 and 2020, are NT\$18,930, thousand and NT\$18,226 thousand respectively.

Defined benefit plans

The Company adopts a defined benefit plan in accordance with the "Labor Standards Act". The pension benefits are disbursed based on the units of service years and the average salaries in one month upon the approval of retirement. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company contributes an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the 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.

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
(Amounts are in NT\$ thousand unless otherwise stated)

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

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

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

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

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

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

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
(Amounts are in NT\$ thousand unless otherwise stated)

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

	Present value of defined benefit obligations	Fair value of the plan assets	Net defined benefit liability (asset)
2020.01.01	\$52,446	\$(17,254)	\$35,192
Current period service costs	130	-	130
Interest expenses (income)	446	(147)	299
Subtotal	53,022	(17,401)	35,621
Remeasurement of defined benefit liability/asset:			
Arising from changes in demographic assumptions	(434)	-	(434)
Arising from changes in financial assumptions	3,562	-	3,562
Experience adjustments	(4,055)	-	(4,055)
Remeasurement of defined benefit asset	-	(583)	(583)
Subtotal	(927)	(583)	(1,510)
Payments from the plan	-	-	-
Contributions by employer	-	(1,791)	(1,791)
2020.12.31	52,095	(19,775)	32,320
Current period service costs	128	-	128
Interest expenses (income)	224	(85)	139
Subtotal	52,447	(19,860)	32,587
Remeasurement of defined benefit liability/asset:			
Arising from changes in financial assumptions	(2,907)	-	(2,907)
Experience adjustments	(1,189)	-	(1,189)
Remeasurement of defined benefit asset	-	(259)	(259)
Subtotal	(4,096)	(259)	(4,355)
Payments from the plan	-	-	-
Contributions by employer	-	(1,879)	(1,879)
2021.12.31	\$48,351	\$(21,998)	\$26,353

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
(Amounts are in NT\$ thousand unless otherwise stated)

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

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

Sensitivity analysis for each significant actuarial assumption:

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

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

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

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
(Amounts are in NT\$ thousand unless otherwise stated)

13. Equity

(1) Capital stock

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

(2) Capital surplus

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

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

(3) Treasury stock

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

	2021.12.31	2020.12.31
Amount	<u>\$1,320</u>	<u>\$6,857</u>
Number of Shares (thousand shares)	<u>76</u>	<u>395</u>

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
(Amounts are in NT\$ thousand unless otherwise stated)

Subsidiaries sold 767 thousand shares of the Company's stock in 2021. The Company recognized 319 thousand shares of treasury stock for disposal in proportion to its shareholding ratio and wrote off the cost of treasury stock of NT\$5,537 thousand. Difference from the sale proceeds was recognized as capital surplus for NT\$4,285 thousand. No such event in 2020.

(4) Earnings distribution and dividend policy

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

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

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

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

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

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
(Amounts are in NT\$ thousand unless otherwise stated)

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

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

14. Revenue from operations

	2021	2020
Revenue from contracts with customers		
Revenue from sale of products	\$2,831,773	\$2,426,882
Engineering revenue	14,219	60,896
Net operating revenue	<u>\$2,845,992</u>	<u>\$2,487,778</u>

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

(1) Disaggregation of revenue

Source of revenue	Revenue recognition timing	2021	2020
Revenue from sale of products	Satisfied at certain point of time	\$2,831,773	\$2,426,882
Engineering revenue	Satisfied at certain point of time	14,219	60,896
Total		<u>\$2,845,992</u>	<u>\$2,487,778</u>

(2) Contract balances

Contract liability - current

	2021	2020
Sale of goods	\$36,036	\$4,032
Engineering revenue	10,939	-

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
(Amounts are in NT\$ thousand unless otherwise stated)

Total	<u>\$46,975</u>	<u>\$4,032</u>
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Descriptions of the significant changes in the balance of the Company's contract liabilities for 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Beginning balance	\$4,032	\$23,950
Net changes in the period	42,943	(19,918)
Ending balance	<u>\$46,975</u>	<u>\$4,032</u>

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

(3) Cost to fulfill contracts

	<u>2021.12.31</u>	<u>2020.12.31</u>
Cost to fulfill contracts - current	<u>\$8,444</u>	<u>\$-</u>

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

15. Expected credit impairment loss

	<u>2021</u>	<u>2020</u>
Operating expenses - expected credit impairment		
gain on reversal		
Notes receivable	\$-	\$(3)
Accounts receivable	(12,042)	(20,846)
Other receivables	-	(1,582)
Total	<u>\$(12,042)</u>	<u>\$(22,431)</u>

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

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
(Amounts are in NT\$ thousand unless otherwise stated)

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

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

2021.12.31

Group 1	Number of overdue days					Total
	Not overdue	Within 30 days	30–120 days	121–300 days	301 days or more	
Total carrying amount	567,705	2,744	642	25	13,732	584,848
Loss ratio	0%	0%	10%	30%	100%	
Lifetime expected credit loss	-	-	(67)	(8)	(13,732)	(13,807)
Carrying amount	<u>567,705</u>	<u>2,744</u>	<u>575</u>	<u>17</u>	<u>-</u>	<u>571,041</u>

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

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
(Amounts are in NT\$ thousand unless otherwise stated)

2020.12.31

Group 1	Number of overdue days					Total
	Not overdue	Within 30 days	30–120 days	121–300 days	301 days or more	
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

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

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

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
(Amounts are in NT\$ thousand unless otherwise stated)

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

	Notes receivable	Accounts receivable	Other receivables - related parties	Total
Balance on January 1, 2021	\$-	\$74,316	\$-	\$74,316
Allowance for losses (reversal)	-	(12,042)	-	(12,042)
Current write off	-	(2,279)	-	(2,279)
Balance on December 31, 2021	\$-	\$59,995	\$-	\$59,995
Balance on January 1, 2020	\$3	\$95,162	\$1,582	\$96,747
Allowance for losses (reversal)	(3)	(20,846)	(1,582)	(22,431)
Balance on December 31, 2020	\$-	\$74,316	\$-	\$74,316

16. Leasehold

(1) The Company as a lessee

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

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

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
(Amounts are in NT\$ thousand unless otherwise stated)

A. Amount recognized in the balance sheet

(a) Right-of-use assets

Carrying amount of the right-of-use assets

	2021.12.31	2020.12.31
Land	\$46,798	\$47,978
Machinery equipment	872	1,308
Transportation equipment	1,434	843
Total	<u>\$49,104</u>	<u>\$50,129</u>

The Company obtained NT\$2,671 thousand of right-of-use assets in 2021 incrementally. No such event in 2020.

(b) Lease liabilities

	2021.12.31	2020.12.31
Lease liabilities		
Current	<u>\$2,885</u>	<u>\$2,774</u>
Non-current	<u>\$47,224</u>	<u>\$48,048</u>

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

B. Amount recognized in the income statement

Depreciation of right-of-use assets

	2021	2020
Land	\$1,703	\$1,689
Machinery equipment	436	436
Transportation equipment	1,306	1,147
Total	<u>\$3,445</u>	<u>\$3,272</u>

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
 (Amounts are in NT\$ thousand unless otherwise stated)

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

	2021	2020
Short-term lease expenses	\$610	\$524
Expenses on low-value asset leases (excluding those on low-value asset leases under short-term leases)	541	318

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

The Company's cash outflows for leases in 2021 and 2020 were NT\$5,176 thousand and NT\$4,626 thousand, respectively.

E. Other information related to leasing activities

Options to extend the lease and terminate the lease

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

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
(Amounts are in NT\$ thousand unless otherwise stated)

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

By nature \ By function	2021			2020		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Labor expenses						
Salary and bonus expenses	\$331,936	\$149,812	\$481,748	\$278,810	\$112,482	\$391,292
Labor and health insurance expenses	28,615	10,964	39,579	26,968	9,405	36,373
Pension expenses	13,569	5,628	19,197	13,090	5,565	18,655
Board compensation	-	4,717	4,717	-	2,413	2,413
Other employee benefit expenses	12,380	3,832	16,212	12,798	3,774	16,572
Depreciation expenses	71,227	22,973	94,200	83,295	21,216	104,511
Amortization expenses (Note)	3,617	3,853	7,470	4,178	5,003	9,181

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

The average number of employees of the Company in 2021 and 2020 is 567 and 579, respectively, of which the number of directors who are not concurrent employees is 4 and 4, respectively.

- (1) The Company's average employee benefit expenses for 2021 and 2020 were NT\$989 thousand and NT\$805 thousand, respectively.
- (2) The Company's average salary and bonus for 2021 and 2020 were NT\$856 thousand and NT\$681 thousand, respectively.
- (3) The Company's changes in average salary and bonus for 2021 and 2020 were 26% and 9%.
- (4) The Company's remuneration for supervisors for 2021 and 2020 were NT\$0 thousand and NT\$0 thousand, respectively.

In accordance with the Company's Articles of Incorporation, remuneration of the Company's directors (including independent directors) shall be set aside of no more than one percent of the profit of the year. However, if the Company has accumulated loss, the profit shall be reserved to make up the loss. The distribution of directors' remuneration is authorized to be determined by the Board of Directors with the presence of at least two-thirds of the directors and by a resolution of a majority of the directors present, and reported to the shareholders' meeting. In addition, according to the Company's Articles of Incorporation, the remuneration

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
(Amounts are in NT\$ thousand unless otherwise stated)

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.

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
(Amounts are in NT\$ thousand unless otherwise stated)

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

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

18. Non-operating income and expenses

(1) Interest income

	2021	2020
Interest income		
Financial assets measured at amortized cost	\$9,267	\$5,477

(2) Other income

	2021	2020
Rent income	\$12,657	\$11,677
Dividend income	18,630	4,760
Other income	10,089	15,518
Total	\$41,376	\$31,955

(3) Other gains and losses

	2021	2020
Gains on disposal of property, plant and equipment	\$712	\$-
Net loss on foreign exchange	(16,034)	(51,858)
Gain (loss) on financial assets at fair value through profit or loss	2,218	(12,274)
Other	(74)	(230)
Total	\$(13,178)	\$(64,362)

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
(Amounts are in NT\$ thousand unless otherwise stated)

(4) Finance costs

	2021	2020
Interest on bank loans	\$1,339	\$2,891
Interest on lease liabilities	892	896
Total	<u>\$2,231</u>	<u>\$3,787</u>

19. Composition of other comprehensive income

Composition of other comprehensive income in 2021 is as follows:

	Generated in current period	Reclassified in current period	Other comprehens ive income	Income tax benefit (expense)	After-tax amount
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit plans	\$4,355	\$-	\$4,355	\$(871)	\$3,484
Unrealized gains on investments in equity instruments at fair value through other comprehensive income	140,577	-	140,577	-	140,577
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising from translation of foreign operations	338	-	338	-	338
Total	<u>\$145,270</u>	<u>\$-</u>	<u>\$145,270</u>	<u>\$(871)</u>	<u>\$144,399</u>

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
(Amounts are in NT\$ thousand unless otherwise stated)

Composition of other comprehensive income in 2020 is as follows:

	Generated in current period	Reclassified in current period	Other comprehens ive 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	<u>\$183,276</u>	<u>\$-</u>	<u>\$183,276</u>	<u>\$(302)</u>	<u>\$182,974</u>

20. Income taxes

The main composition of income taxes is as follows:

Income tax recognized in profit or loss

	2021	2020
Income tax of the current period		
Income taxes payable of the current period	\$80,270	\$50,988
Adjustment to income taxes of prior years	(9,290)	1,792
Deferred income tax		
Related to origin and reversal of temporary differences	(3,850)	(12,826)
Income tax expense	<u>\$67,130</u>	<u>\$39,954</u>

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
(Amounts are in NT\$ thousand unless otherwise stated)

Income taxes recognized as other comprehensive income

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

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

	2021	2020
Profit before income tax of the units in continued business operation	\$437,448	\$183,293
Tax at the domestic rates applicable to profits in the country concerned	\$87,490	\$36,659
Income tax effect of expenses not deductible for tax purposes	(3,620)	(202)
Income tax effect of deferred tax assets/liabilities	(7,450)	1,705
Adjustments to current income tax of prior years	(9,290)	1,792
Total income tax expense recognized in profit or loss	\$67,130	\$39,954

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
(Amounts are in NT\$ thousand unless otherwise stated)

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

2021

	Beginning balance	Recognized in profit or loss	Recognized as other comprehensi ve income	Ending balance
Temporary difference				
Loss for market price decline and obsolete and slow-moving inventories	\$25,809	\$2,622	\$-	\$28,431
Employee benefits payable	1,381	504	-	1,885
Valuation gains or losses on foreign investment targets	13,374	(408)	-	12,966
Others	25,740	1,132	(871)	26,001
Deferred income tax (expense)/ benefit		<u>\$3,850</u>	<u>\$(871)</u>	
Net deferred income tax assets/ (liabilities)	<u>\$66,304</u>			<u>\$69,283</u>
Information presented in balance sheet:				
Deferred income tax assets	<u>\$67,418</u>			<u>\$69,967</u>
Deferred income tax liabilities	<u>\$(1,114)</u>			<u>\$(684)</u>

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
(Amounts are in NT\$ thousand unless otherwise stated)

2020

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

Unrecognized deferred income tax assets

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

Income tax examination

As of December 31, 2021, the Company's income tax returns were examined through the year of 2019.

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
(Amounts are in NT\$ thousand unless otherwise stated)

21. Earnings per share

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

Diluted earnings per share are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent (after adjusting the interest of convertible corporate bonds) by the weighted average number of ordinary shares outstanding plus dilutive potential ordinary shares during the year.

	2021	2020
(1) Basic earnings per share		
Net profit of the period (NT\$ thousand)	\$370,318	\$143,339
Weighted average number of ordinary shares outstanding for basic earnings per share (thousand shares)	205,814	205,675
Basic earnings per share (NT\$)	\$1.80	\$0.70
(2) Diluted earnings per share (NT\$)		
Net profit of the period (NT\$ thousand)	\$370,318	\$143,339
Weighted average number of ordinary shares outstanding for basic earnings per share (thousand shares)	205,814	205,675
Dilutive effect:		
Employees' remuneration	1,438	725
Weighted average number of ordinary shares outstanding after adjusting the dilutive effect (thousand shares)	207,252	206,400
Diluted earnings per share (NT\$)	\$1.79	\$0.69

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

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
(Amounts are in NT\$ thousand unless otherwise stated)

VII. Interest Party Transactions

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

<u>Name of related party</u>	<u>Relationship with the Company</u>
YoungTek Electronics Corporation	Other related party of the Company
Jiu Hong Xin Technology Co., Ltd.	Other related party of the Company
IN & OUT Bio Beauty Corp.	Other related party of the Company
Sleipnir LED Co., Ltd.	The Company's subsidiary
Syntek Corporation Limited	The Company's subsidiary
Consentek Corporation	The Company's subsidiary
Harvatek (Hong Kong) Trading Limited	The Company's subsidiary
Harvatek International (USA) Corp.	The Company's subsidiary
Guangzhou Hongqi Electronics Limited	The Company's subsidiary
Guangzhou Jiu Hong Qi Trading Limited	The Company's subsidiary
Starlight Display Corporation	The Company's subsidiary
iReach Corporation	The Company's subsidiary

Significant intercompany transactions:

1. Sales

	<u>2021</u>	<u>2020</u>
Harvatek International (USA) Corp.	\$30,044	\$22,182
Guangzhou Hongqi Electronics Limited	741	4,799
YoungTek Electronics Corporation	31	1,823
Sleipnir LED Co., Ltd.	-	1
Total	<u>\$30,816</u>	<u>\$28,805</u>

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.

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
(Amounts are in NT\$ thousand unless otherwise stated)

2. Purchase

	2021	2020
Guangzhou Hongqi Electronics Limited	\$19,935	\$13,503
Sleipnir LED Co., Ltd.	1	2,259
Total	<u>\$19,936</u>	<u>\$15,762</u>

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:

<u>Name of related party</u>	<u>Accounts</u>	2021	2020
YoungTek Electronics Corporation	Manufacturing overhead - testing and experiment expenses etc.	<u>\$4,029</u>	<u>\$2,987</u>
YoungTek Electronics Corporation	Manufacturing overhead - outsourced (Note)	<u>\$62,487</u>	<u>\$54,621</u>
YoungTek Electronics Corporation	Non-operating revenue - sample revenue	<u>\$166</u>	<u>\$90</u>
Guangzhou Jiu Hong Qi Trading Limited	Non-operating revenue - other income	<u>\$1,047</u>	<u>\$3,141</u>
IN & OUT Bio Beauty Corp.	Non-operating revenue - other income	<u>\$1,040</u>	<u>\$-</u>
Guangzhou Jiu Hong Qi Trading Limited	Selling expenses - commission expenses	<u>\$10,972</u>	<u>\$11,812</u>
The Company's subsidiary	Selling expenses - service expenses	<u>\$855</u>	<u>\$1,466</u>
The Company's subsidiary	Selling expenses - commission expenses	<u>\$3,597</u>	<u>\$3,530</u>
The Company's subsidiary	Selling expenses - miscellaneous expenses	<u>\$-</u>	<u>\$91</u>
The Company's subsidiary	Manufacturing overhead - sample expenses	<u>\$250</u>	<u>\$794</u>
The Company's subsidiary	Non-operating income - interest income	<u>\$479</u>	<u>\$431</u>
The Company's subsidiary	Non-operating income - rent income	<u>\$994</u>	<u>\$291</u>
The Company's subsidiary	Non-operating revenue - miscellaneous income	<u>\$5</u>	<u>\$-</u>

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
 (Amounts are in NT\$ thousand unless otherwise stated)

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

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

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

(2) Lease of buildings

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

The Company leased other parts of its plant to YoungTek Electronics Corporation in August 2020. According to the contracted lease term, the monthly rent were NT\$64 thousand and NT\$32 thousand respectively, payable monthly. The lease income in 2021 and 2020 were NT\$768 thousand and NT\$252 thousand respectively. and the lease price is determined with reference to the market price.

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
(Amounts are in NT\$ thousand unless otherwise stated)

5. Accounts receivable - related parties

	2021.12.31	2020.12.31
Harvatek International (USA) Corp.	\$6,764	\$4,535
The Company's subsidiary	798	262
Guangzhou Hongqi Electronics Limited	627	3,080
Total	<u>\$8,189</u>	<u>\$7,877</u>

6. Other receivables - related parties

	2021.12.31	2020.12.31
Guangzhou Hongqi Electronics Limited	\$19,585	\$25,971
Starlight Display Corporation	315	-
YoungTek Electronics Corporation	135	86
Total	<u>\$20,035</u>	<u>\$26,057</u>

7. Accounts payable - related parties

	2021.12.31	2020.12.31
YoungTek Electronics Corporation	\$26,531	\$20,942
Guangzhou Hongqi Electronics Limited	2,877	3,907
Harvatek International (USA) Corp.	782	1,801
Guangzhou Jiu Hong Qi Trading Limited	668	830
Jiu Hong Xin Technology Co., Ltd.	-	80
Total	<u>\$30,858</u>	<u>\$27,560</u>

8. Loaning of funds - related parties

	2021.12.31		2020.12.31	
	Maximum balance	Amount actually drawn	Maximum balance	Amount actually drawn
Guangzhou Hongqi Electronics Limited	<u>\$73,865</u>	<u>\$19,553</u>	<u>\$65,700</u>	<u>\$25,932</u>

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
(Amounts are in NT\$ thousand unless otherwise stated)

The actual amount of funds loaned to related parties is accounted for in other receivables - related parties and bears interest based on the average interest rate of the Company's short-term loans from financial institutions in the current year.

9. Key management personnel remuneration

	2021	2020
Short-term employee benefits	\$20,671	\$15,829
Retirement benefit plans	480	472
Total	<u>\$21,151</u>	<u>\$16,301</u>

VIII. Pledged Assets

The Company's pledged assets are summarized below:

Item	Carrying amount		Guaranteed debt content
	2021.12.31	2020.12.31	
Other financial assets - pledged time deposit	\$12,582	\$12,539	Customs deposit of guarantee
Other financial assets - pledged time deposit	2,200	2,200	Guarantee deposit for land leased from Hsinchu Science Park Bureau
Total	<u>\$14,782</u>	<u>\$14,739</u>	

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.

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
(Amounts are in NT\$ thousand unless otherwise stated)

X. Significant Disaster Losses

None.

XI. Significant Subsequent Events

None.

XII. Others

1. Types of Financial Instruments

	<u>2021.12.31</u>	<u>2020.12.31</u>
<u>Financial assets</u>		
Financial assets mandatorily measured at fair value through profit or loss	\$82,383	\$80,340
Financial assets measured at fair value through other comprehensive income	544,549	427,277
Financial assets measured at amortized cost (Note)	<u>1,807,331</u>	<u>1,727,905</u>
Total	<u><u>\$2,434,263</u></u>	<u><u>\$2,235,522</u></u>
<u>Financial liabilities</u>		
Financial liabilities measured at amortized cost:		
Short-term loans	\$193,690	\$307,584
Lease liabilities	50,109	50,822
Payables	<u>597,151</u>	<u>575,352</u>
Total	<u><u>\$840,950</u></u>	<u><u>\$933,758</u></u>

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.

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
(Amounts are in NT\$ thousand unless otherwise stated)

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:

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
(Amounts are in NT\$ thousand unless otherwise stated)

When TWD appreciates/depreciates 5% against USD, the Group's profit (loss) for 2021 and 2020 will decrease/increase by NT\$11,805 thousand and NT\$21,628 thousand, respectively.

When TWD appreciates/depreciates 5% against CNY, the Company's profit (loss) for 2021 and 2020 will decrease/increase by NT\$20,837 thousand and NT\$4,368 thousand, respectively.

Interest rate risk

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

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

The sensitivity analysis of interest rate risk focuses on interest rate risk exposures (including floating rate investments and borrowings) as of the end of the financial reporting period and assumes that 10 bps increase/decrease in interest rates for one fiscal year would decrease/increase the Company's profit or loss by NT\$1,937 thousand and NT\$3,076 thousand in 2021 and 2020, respectively.

Equity Price Risk

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

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
(Amounts are in NT\$ thousand unless otherwise stated)

In 2021, for listed equity securities classified as investment in equity instruments measured at fair value through other comprehensive income, if the price of these equity securities increases/decreases by 10%, the impact on the Company's equity for 2021 would be NT\$16,188 thousand.

In 2020, for listed equity securities classified as investment in equity instruments measured at fair value through other comprehensive income, if the price of these equity securities increases/decreases by 10%, the impact on the Company's equity for 2020 would be NT\$13,367 thousand.

For other equity realizations with Level 3 fair value hierarchy, please refer to Note XII.9 for their sensitive analysis information.

4. Credit Risk Management

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

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

The Company's top ten customers accounted for 61% and 65% of the Company's total receivables as of December 31, 2021 and 2020. The credit concentration risk of the remaining receivables is relatively insignificant.

The Company's finance department manages the credit risk of bank deposits, fixed income securities and other financial instruments in accordance with the Company's policies. The Company's counter-parties are credit-worthy banks and investment-grade financial institutions, corporate organizations and government agencies as determined by the Company's internal control procedures, so there is no significant credit risk.

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
(Amounts are in NT\$ thousand unless otherwise stated)

In addition to assessing expected credit losses in accordance with IFRS 9, the Company measures the allowance for losses on receivables by expected credit losses over the duration of the receivables. Please refer to Note VI.15 for the impairment assessment method and related indicators.

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

5. Liquidity Risk Management

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

Non-derivative
financial liabilities

	Less than 1 year	2 to 3 years	4 to 5 years	5 years and more	Total
2021.12.31					
Short-term loans	\$193,746	\$-	\$-	\$-	\$193,746
Payables	597,151	-	-	-	597,151
Lease liabilities (Note)	2,885	3,792	2,897	40,535	50,109
2020.12.31					
Short-term loans	\$307,844	\$-	\$-	\$-	\$307,844
Payables	575,352	-	-	-	575,352
Lease liabilities (Note)	2,774	3,705	2,832	41,511	50,822

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
(Amounts are in NT\$ thousand unless otherwise stated)

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

Lease liabilities	Maturity period					Total
	Less than 1 year	1 to 5 years	6 to 10 years	10 to 15 years	15 years and more	
2021.12.31	\$2,885	\$6,689	\$7,700	\$8,403	\$24,432	\$50,109
2020.12.31	\$2,774	\$6,537	\$7,528	\$9,947	\$24,036	\$50,822

6. Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for 2021:

	Short-term loans	Lease liabilities	Total liabilities arising from financing activities
2021.01.01	\$307,584	\$50,822	\$358,406
Cash flows	(113,026)	(3,133)	(116,159)
Non-cash changes			
Newly acquired	-	2,671	2,671
Adjustments of lease liabilities remeasurement	-	(251)	(251)
Exchange rate changes	(868)	-	(868)
2021.12.31	\$193,690	\$50,109	\$243,799

Reconciliation of liabilities for 2020:

	Short-term loans	Long-term loans	Lease liabilities	Total liabilities arising from financing activities
2020.01.01	\$-	\$300,000	\$53,710	\$353,710
Cash flows	307,216	(300,000)	(2,888)	4,328
Non-cash changes				
Exchange rate changes	368	-	-	368
2020.12.31	\$307,584	\$-	\$50,822	\$358,406

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
(Amounts are in NT\$ thousand unless otherwise stated)

7. Fair value of financial instruments

(1) Valuation techniques and assumptions used for fair value

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

A. The carrying amounts of cash and cash equivalents, receivables and payables are a reasonable approximation of their fair values, primarily due to the short maturities of these instruments.

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

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

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

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

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
(Amounts are in NT\$ thousand unless otherwise stated)

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

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

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

Please refer to Note XII.8 for details of the fair value hierarchy of the Company's financial instruments.

8. Fair value hierarchy

(1) Fair value hierarchy definition

All assets and liabilities measured or disclosed at fair value are categorized within their respective fair value hierarchy based on the lowest level of input that is significant to the overall fair value measurement. Inputs of each level are as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for the asset or liability.

Assets and liabilities recognized in the financial statements on a recurring basis are reassessed at the end of each reporting period to determine whether transfers between levels of the fair value hierarchy have occurred.

(2) Hierarchical information on fair value measurements

The Company has no non-repeated assets measured at fair value. The fair value hierarchy information of repetitive assets and liabilities is presented as follows:

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
(Amounts are in NT\$ thousand unless otherwise stated)

As of December 31, 2021

	Level 1	Level 2	Level 3	Total
Loss on financial assets (liabilities) at fair value				
Stocks	\$-	\$-	\$82,383	\$82,383
Financial assets measured at fair value through other comprehensive income				
Stocks	161,879	-	382,670	544,549
Total	<u>\$161,879</u>	<u>\$-</u>	<u>\$465,053</u>	<u>\$626,932</u>

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	<u>\$133,665</u>	<u>\$-</u>	<u>\$373,952</u>	<u>\$507,617</u>

Transfer between Level 1 and Level 2 of the fair value hierarchy

There are no transfers between Level 1 and Level 2 of the fair value hierarchy for the Company's assets and liabilities that are measured at fair value on a recurring basis during 2021 and 2020.

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
(Amounts are in NT\$ thousand unless otherwise stated)

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:

	<u>Assets</u>	<u>Assets</u>
	Measured at fair value through profit or loss	Measured at fair value through other comprehensive income
	<u>Preferred shares</u>	<u>Stocks</u>
2021.01.01	\$80,340	\$293,612
Recognized in other comprehensive income (reported as "Unrealized valuation gain or loss on investment in equity instruments measured at fair value through other comprehensive income")	-	89,058
Recognized in profit or loss (reported as "Unrealized valuation gain or loss on investment in equity instruments at fair value through profit or loss")	2,043	-
2021.12.31	<u>\$82,383</u>	<u>\$382,670</u>
	<u>Assets</u>	<u>Assets</u>
	Measured at fair value through profit or loss	Measured at fair value through other comprehensive income
	<u>Preferred shares</u>	<u>Stocks</u>
2020.01.01	\$92,806	\$143,429
Recognized in other comprehensive income (reported as "Unrealized valuation gain or loss on investment in equity instruments measured at fair value through other comprehensive income")	-	150,183
Recognized in profit or loss (reported as "Unrealized valuation gain or loss on investment in equity instruments at fair value through profit or loss")	(12,466)	-
2020.12.31	<u>\$80,340</u>	<u>\$293,612</u>

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
(Amounts are in NT\$ thousand unless otherwise stated)

Information on 3rd level significant unobservable inputs to valuation

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

As of December 31, 2021

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relations between inputs and fair values	Sensitivity analysis for the relations between inputs and fair values
Fair value through profit or loss financial assets					
Stocks	Market method	Discount for lack of marketability	33.1%	The higher the discount for lack of marketability and control, the lower the fair value of the stocks	When the percentage of lack of marketability increases (decreases) by 10%, the Group's profit or loss will decrease/increase by NT\$8,238 thousand.
Fair value through other comprehensive income financial assets:					
Stocks	Asset method	Discount for lack of marketability	10%-30%	The higher the discount for lack of marketability and control, the lower the fair value of the stocks	When the percentage of lack of marketability increases (decreases) by 10%, the Company's profit or loss will decrease/increase by NT\$34,012 thousand.
	Market method	Price-to-book ratio of shares of similar companies	1.60~24.07	The higher the price-to-book ratio of shares of similar companies, the higher the fair value estimate	When the price-to-book ratio of shares of similar companies increases (decreases) by 10%, the Company's profit or loss will increase/decrease by NT\$4,255 thousand.

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
(Amounts are in NT\$ thousand unless otherwise stated)

As of 31 December 2020:

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relations between inputs and fair values	Sensitivity analysis for the relations between inputs and fair values
Fair value through profit or loss financial assets					
Stocks	Market method	Discount for lack of marketability	27.24%	The higher the discount for lack of marketability and control, the lower the fair value of the stocks	When the percentage of lack of marketability increases (decreases) by 10%, the Group's profit or loss will decrease/increase by NT\$8,034 thousand.
Fair value through other comprehensive income financial assets:					
Stocks	Asset method	Discount for lack of marketability	10%-30%	The higher the discount for lack of marketability and control, the lower the fair value of the stocks	When the percentage of lack of marketability increases (decreases) by 10%, the Company's profit or loss will decrease/increase by NT\$24,579 thousand.
	Market method	Price-to-book ratio of shares of similar companies	1.37~31.34	The higher the price-to-book ratio of shares of similar companies, the higher the fair value estimate	When the price-to- book ratio of shares of similar companies increases (decreases) by 10%, the Company's profit or loss will increase/decrease by NT\$4,782 thousand.

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
(Amounts are in NT\$ thousand unless otherwise stated)

Valuation process used for 3rd level fair value measurements

The Company's finance department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The department analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies at each reporting date, to ensure the valuation results are reasonable.

- (3) Fair value measurement hierarchy of the Group's assets and liabilities not measured at fair value but for which the fair value is disclosed:

For information on investment properties, please refer to Note VI.9.

9. Information on financial assets and liabilities denominated in foreign currencies with significant influence

Information on the Company's financial assets and liabilities denominated in foreign currencies with significant influence is as follows:

	Amount: NT\$ thousand		
	2021.12.31		
	Foreign currency	Exchange rate	TWD
<u>Financial assets</u>			
Monetary item:			
USD	\$22,579	27.67	\$624,747
EUR	708	31.33	22,175
CNY	96,092	4.345	417,521
HKD	720	3.551	2,557
<u>Financial liabilities</u>			
Monetary item:			
USD	14,046	27.67	388,647
CNY	178	4.345	774
EUR	1	31.33	22
JPY	1,778	0.241	428

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
(Amounts are in NT\$ thousand unless otherwise stated)

	2020.12.31		
	Foreign currency	Exchange rate	TWD
<u>Financial assets</u>			
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
<u>Financial liabilities</u>			
Monetary item:			
USD	17,851	28.48	508,391
CNY	192	4.322	830
EUR	6	34.57	201

Due to the wide variety of foreign currencies of the Company, we are unable to disclose information on the exchange gains and losses on monetary financial assets and financial liabilities by the foreign currencies with significant influence. The Company's foreign currency translation losses for 2021 and 2020 were NT\$16,034 thousand and NT\$51,858 thousand, respectively.

10. Capital management

The primary objective of the Company's capital management is to ensure that sound credit ratings and good capital ratios are maintained to support corporate operations and maximize shareholders' equity. The Company manages and adjusts its capital structure in accordance with overall economic conditions. It may maintain and adjust its capital structure by adjusting dividend payments or issuing new shares.

XIII. Additional Disclosures

1. Information on Significant Transactions

- (1) Loaning funds to others: Please see Table I for details.
- (2) Endorsement for others: None.
- (3) Marketable securities held at the end of the period: Please refer to Table II.
- (4) The cumulative amount of purchases or sales of the same marketable securities

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
(Amounts are in NT\$ thousand unless otherwise stated)

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, 2021

Table I: Loaning funds to others

Unit: NT\$ thousand/ CNY thousand

No. (Note 1)	Financing Company	Borrower	Financial Statements Account	Maximum balance in the period	Ending balance	Amount actually drawn (Note 5)	Interest range	Financing nature	Transaction amount	Reasons for short-term financing	Allowance for bad debt	Collateral		Financing limits for each borrowing company (Note 3)	Financing company's total financing amount limit (Note 4)
												Name	Value		
0	Harvatek Corporation	Guangzhou Hongqi Electronics Limited	Other receivables from related parties	\$73,865 (CNY 17,000)	\$47,795 (CNY 11,000)	\$19,553 (CNY 4,500)	Note 2	Short-term financing	\$-	Working capital	\$-	None	\$-	\$667,555	\$1,335,110

Note 1: Description of the numbers is as follows:

1. Enter 0 for the issuer.
2. The investee companies are numbered by company in order starting from the Arabic numeral 1.

Note 2: Calculated by referencing to the average lending rate of the Company's operating banks.

Note 3: The limit on loaning of funds to each borrowing counterparty is limited to 20% of the Company's most recent net worth.

Note 4: The total amount of funds loaned to others is limited to 40% of the Company's most recent net worth.

Note 5: Foreign currencies are translated into New Taiwan dollars using the exchange rate reported in the financial statements (closing rate of CNY 1 = TWD 4.345).

Harvatek Corporation
Marketable securities held at the end of the period
As of December 31, 2021

Table II (excluding subsidiaries and associates)

Unit: NTS thousand

Held Company	Marketable securities type and name	Relationship with the company	Accounts	2021.12.31				Remark
				Shares/unit	Carrying amount (NT\$ thousand)	Shareholding ratio	Fair value	
Harvatek Corporation	CTMicro International Corp. (preferred shares)	-	Financial assets at fair value through profit or loss - noncurrent	47,982,980	\$82,383	-	\$82,383	-
	Chun-Hsin Venture Capital Co., Ltd.	Corporate director	Financial assets at fair value through other comprehensive income - noncurrent	3,000,000	6,030	5.61%	6,030	-
	Hsieh-Yung Investment Co., Ltd.	-	Financial assets at fair value through other comprehensive income - noncurrent	24,368,086	334,086	1.52%	334,086	-
	Starchips Technology Inc.	-	Financial assets at fair value through other comprehensive income - noncurrent	52,777	199	0.88%	199	-
	Gingy Technology Inc.	-	Financial assets at fair value through other comprehensive income - noncurrent	76,207	122	1.08%	122	-
	Lediamond Opto Corporation	-	Financial assets at fair value through other comprehensive income - noncurrent	750,000	18,053	11.54%	18,053	-
	Bigbest Solutions Inc.	-	Financial assets at fair value through other comprehensive income - noncurrent	3,000,000	24,180	4.29%	24,180	-
	Ever Supreme Bio Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income - noncurrent	200,000	42,100	0.32%	42,100	-
	Edison Opto Corporation	-	Financial assets at fair value through other comprehensive income - noncurrent	5,075,375	119,779	3.96%	119,779	-
Hong-Cheng Investment Co., Ltd.	Harvatek Corporation	Parent company of Hong-Cheng	Financial assets at fair value through other comprehensive income - current	182,807	5,009	0.09%	5,009	-
	Youngtek Electronics Corporation	Other related party of the Harvatek	Financial assets at fair value through other comprehensive income - current	2,274,200	191,033	1.77%	191,033	-
	Sigold Optics Inc.	-	Financial assets at fair value through other comprehensive income - noncurrent	1,174,656	20,533	9.20%	20,533	-
Consentek Corporation	OEpic Semiconductors Inc.	-	Financial assets at fair value through other comprehensive income - noncurrent	452,830	-	10.72%	-	-

Harvatek Corporation
Intercompany relationships and significant intercompany transactions
2021

Table III

Unit: NT\$ thousand

No. (Note I)	Name of trading party	Trading Counterparty	Nature of relations (Note II)	Intercompany Transactions			
				Account	Amount	Transaction terms	Percentage of Consolidated Net Revenue or Total Assets (Note III)
0	Harvatek Corporation	Sleipnir LED Co., Ltd.	1	Purchase	\$1	Depends on the contract	0.00%
				Material expenses, etc	\$129		0.00%
				Rent income	\$120		0.00%
		Guangzhou Hongqi Electronics Limited	1	Accounts receivable - related parties	\$627	Depends on the contract	0.01%
				Other receivables - related parties	\$19,585		0.42%
				Accounts payable - related parties	\$2,877		0.06%
				Purchase	\$19,935		0.66%
				Material expenses, etc	\$118		0.00%
				Interest income	\$479		0.02%
				Sales revenue	\$741		0.02%
		Harvatek International (USA) Corp.	1	Accounts receivable - related parties	\$6,764	Depends on the contract	0.15%
				Payables - commissions	\$782		0.02%
				Sales revenue	\$30,044		1.00%
				Rent expenses	\$3,597		0.12%
		Guangzhou Jiu Hong Qi Trading Limited	1	Payables - commissions	\$668	Depends on the contract	0.01%
				Rent expenses	\$10,972		0.37%
				Service revenue	\$1,047		0.03%
		Harvatek (HK) Limited	1	Service expenses	\$855	Depends on the contract	0.03%
		Consentek Corporation	1	Rent income	\$107	Depends on the contract	0.00%
		Syntek Corporation Limited	1	Accounts receivable - related parties	\$798	Depends on the contract	0.02%
Rent income	\$760			0.03%			
Starlight Display Corporation	1	Other receivables - related parties	\$315	Depends on the contract	0.01%		
		Miscellaneous Income	\$5		0.00%		
		Rent income	\$7		0.00%		
iReach Corporation	1	Material expenses, etc	\$3	Depends on the contract	0.00%		

Note I: Intercompany transactions should be indicated in the numbered columns individually. The number is filled in as follows:

1. Parent company is numbered 0.
2. Subsidiaries are numbered sequentially according to company name from Arabic 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
Relevant information such as name and location of the investee
2021

Table IV (excluding investees in Mainland China)

Unit: TWD thousand/USD/HKD/EUR

Name of Investor	Name of investee	Location	Main businesses and products	Original investment amount		held at the end			Net income (loss) of the investee (Note 1)	Investment gains and losses recognized by the Company
				End of the period	End of last year	Number of shares	Percentage	Carrying amount (Note 1)		
Harvatek Corporation	Hong-Cheng Investment Co., Ltd.	Hsinchu	Investment	\$150,000	\$150,000	2,500,000	41.60%	\$192,359	\$11,819	\$6,112
	Harvatek (Hong Kong) Trading Limited	Hong Kong	Investment	18,259 (HKD 4,800,000)	18,259 (HKD 4,800,000)	4,800,000	80.00%	220	(754)	(602)
	Hong-Ruei Investment Co., Ltd.	Hsinchu	Investment	27,450	27,450	414,000	35.29%	2,246	167	2,315
	Harvatek International (USA) Corp.	USA	Sales of electronics components	83,574 (USD 2,600,000)	83,574 (USD 2,600,000)	1,000,000	100.00%	27,707	2,582	2,582
	HONOR LIGHT LIMITED	Samoa	Investment	588,331 (USD 19,521,636)	588,331 (USD 19,521,636)	19,521,636	100.00%	365,409	13,489	13,489
	Sleipnir LED Co., Ltd.	Hsinchu	Manufacturing and sales of electronics components	10,000	10,000	1,000,000	66.67%	780	(1,314)	(876)
	Syntek Corporation Limited	Hsinchu	Manufacturing and sales of electronics components	7,000	7,000	700,000	70.00%	4,137	(829)	(580)
	Consentek Corporation	Hsinchu	Manufacturing and sales of electronics components	55,050	55,050	5,510,000	61.22%	47,061	11,743	6,884
	Starlight Display Corporation	Hsinchu	Manufacturing and sales of electronics components	12,000	-	1,200,000	80.00%	7,440	(5,699)	(4,560)
Hong-Cheng Investment Co., Ltd.	Harvatek (Hong Kong) Trading Limited	Hong Kong	Investment	1,142 (HKD 300,000)	1,142 (HKD 300,000)	300,000	5.00%	14	(754)	Note 2
	Consentek Corporation	Hsinchu	Manufacturing and sales of electronics components	26,600	1,600	2,820,000	31.33%	24,086	11,743	Note 2
HONOR LIGHT LIMITED	Harvatek (HK) Limited	Hong Kong	Investment	68,491 (USD2,348,000)	68,491 (USD2,348,000)	2,348,000	100.00%	24,828	(780)	Note 2
	Harvatek Europe GmbH	Germany	Sales of electronics components	512 (EUR 12,750)	512 (EUR 12,750)	12,750	51.00%	879,364	(157)	Note 2
Consentek Corporation	iReach Corporation	Hsinchu	Manufacturing and sales of electronics components	59,999	-	10,909,000	50.24%	73,760	27,392	Note 2

Note 1: Figures in this table are presented in New Taiwan dollars. For foreign-currency transactions, the U.S. dollar, Hong Kong dollar and euro were translated into Taiwan dollars using the exchange rates of 27.673,551 and 31.330 at the date of the financial statements, except for the historical exchange rates. The exchange rates of the U.S. dollar, Hong Kong dollar and euro for profit or loss were translated into Taiwan dollars based on the average exchange rates of 27.751, 3.561 and 31.391.

Note 2: Gains or losses on investments in these companies are included in the investment gain or loss of the subsidiaries, respectively.

Harvatek Corporation
Information on investment in mainland China
2021

Table V

Unit: NTD thousand/USD thousand/CNY thousand

Name of investee in China	Main businesses and products	Paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan at the beginning of the period	Investment outflow or inflow for the period		Accumulated outflow of investment from Taiwan at the end of the period	Net Income (Losses) profit/loss in the period	Percentage of the Company's direct or indirect shareholding ratio	Current recognition of net investment income (or loss) (Note 2)	Carrying amount at end of the period(Note 2)	Accumulated inward remittance of investment gains at end of the period
					Outflow	Inflow						
Guangzhou Jiu Hong Qi Trading Limited	Sales of electronics components	CNY 500	(2) HONOR LIGHT LIMITED	\$2,297 (USD83)	\$-	\$-	\$2,297 (USD83)	\$1,499	100.00%	\$1,499 (Note 2, b)	\$3,588	\$-
Guangzhou Hongqi Electronics Limited	ring and sales of electronics c	CNY 20,000	(2) HONOR LIGHT LIMITED	\$85,223 (USD3,080)	\$-	\$-	\$85,223 (USD3,080)	\$8,755	100.00%	\$8,755 (Note 2, b)	\$(5,937)	\$-
Yangzhou YoungTek Electronics Ltd.	ring and sales of electronics c	CNY 67,887	(2) HONOR LIGHT LIMITED	\$110,680 (USD 4,000)	\$-	\$-	\$110,680 (USD 4,000)	\$17,055	40.00%	\$6,822 (Note 2, a)	\$133,554	\$-

Accumulated outflow of investment from Taiwan to mainland China at the end of the period	Investment amounts authorized by the Investment Commission, MOEA	Upper Limit on Investment in mainland China according to the Investment Commission, MOEA
\$198,200 (USD7,163)	\$ 198,200 (USD7,163)	\$2,002,665

Note 1 : There are three types of investment methods as follows:

- (1) Direct investment in mainland China.
- (2) Investment in companies in mainland China through a company invested and established in a third region. (Please specify the investing company in the third region)
- (3) Other methods.

Note 2: The basis of recognizing the profit or loss on investment in the period includes the following:

- (a) The financial statement is audited and certified by international accounting firms which have partnerships with R.O.C. accounting firms.
- (b) The financial statement is audited and certified by the parent company's auditors in Taiwan.
- (c) Other basis.

Note 3: Foreign currencies are translated into New Taiwan dollars using the exchange rate reported in the financial statements (closing rate of CNY 1 = TWD 4.345 and USD 1 = TWD 27.67).

Harvatek Corporation
Major Shareholders Information
As of December 31, 2021

Table VI: Major Shareholders Information

Unit: shares		
Name of major shareholder	Number of shares held	Shareholding ratio(%)
Hsun Chieh Investment Corporation	28,023,066	13.59%
Wang, Ping-Lung	13,680,237	6.63%
Li-Yang Investment Co., Ltd.	13,053,214	6.33%

Note 1: The major shareholders information in this table is calculated by the TDCC on the last business day of each quarter for shareholders holding at least 5% of the Company's common shares and preferred shares that have been delivered without physical registration (including treasury shares). The number of shares recorded in the Company's financial statements may differ from the number of shares actually delivered due to different bases of calculation.

Note 2: If the above information is a trusted shareholding, it is disclosed in the name of the settlor of the trust account individually. As for the declaration, in accordance with the Securities and Exchange Act, of an insider's shareholding of more than 10% including their own shareholding plus the shares that they have delivered to the trust and have the right to decide on the use of the trust property, please visit the MOPS.

Note 3: The allocation of each credit transaction balance in this table is calculated based on the shareholder register as of the date for suspension of share transfer for a extraordinary shareholders meeting (without short covering).

Note 4: Shareholding ratio (%) = Total number of shares held by the shareholder / Total number of shares delivered.

Note 5: The total number of shares delivered (including treasury shares) without physical registration is 206,069,801 shares = 206,069,801 (common shares) + 0 (preferred shares).

Harvatek Corporation

1. Cash and cash equivalents

As of December 31, 2021

Unit: NT\$ thousand/ foreign currency

Item	Summary	Amount	Remark
Cash and petty cash		\$122	1. Bank deposits listed are not pledged or provided as guarantee
Check and current deposit		255,767	
Time deposit		933,437	2. Including material foreign currency amounts as below:
Total		<u>\$1,189,326</u>	
			USD 2,066,174.56
			EUR 595,747.65
			CNY 84,497,026.41
			3. Exchange rates on December 31, 2021:
			1 USD = NT\$27.67
			1 EUR = NT\$31.33
			1 CNY = NT\$4.345

Harvatek Corporation

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

2021

Unit: Thousand shares/ NT\$ thousand

Name	Beginning balance		Increase in current period		Decrease in current period		Gain on Fair value through profit or loss financial assets	Ending balance		Provision of guarantees or pledges	Remark
	Shares/ units	Book value	Shares/ units	Amount	Shares/ units	Amount		Shares/ units	Book value		
Financial assets at fair value through profit or loss - current:											
Jih Sun Money Market Fund	-	\$ -	2,671	\$ 40,000	2,671	\$ 40,018	\$ 18	-	\$ -	None	
Taishin 1699 Money Market Fund	-	-	4,392	60,000	4,392	60,043	43	-	-	None	
Taishin Ta-Chong Money Market Fund	-	-	2,791	40,000	2,791	40,008	8	-	-	None	
FSITC Taiwan Money Market Fund	-	-	3,883	60,000	3,883	60,044	44	-	-	None	
FSITC Money Market Fund	-	-	222	40,000	222	40,008	8	-	-	None	
UPAMC James Bond Money Market Fund	-	-	1,187	20,000	1,187	20,004	4	-	-	None	
Franklin Templeton SinoAm Money Market Fund	-	-	5,746	60,000	5,746	60,031	31	-	-	None	
Union Money Market Fund	-	-	3,753	50,000	3,753	50,015	15	-	-	None	
Eastspring Investments Well Pool Money Market Fund	-	-	1,458	20,000	1,458	20,004	4	-	-	None	
Subtotal		-		390,000		390,175	175		-		
Financial assets at fair value through profit or loss - noncurrent:											
CT Micro International Corp. (preferred shares)	47,983	80,340	-	-	-	-	2,043	47,983	82,383	None	
Total		\$ 80,340		\$ 390,000		\$ 390,175	\$ 2,218		\$ 82,383		

Harvatek Corporation

3. Details of net notes receivable

As of December 31, 2021

Unit: NT\$ thousand

Client Name	Summary	Amount	Remark
Trendylite Corporation	Generated from sale of goods.	\$588	
Metrodyne Microsystem Corp.	Generated from sale of goods.	67	
Less: loss allowance		-	
Net amount		<u>\$655</u>	

Harvatek Corporation

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

As of December 31, 2021

Unit: NT\$ thousand

Client Name	Summary	Amount	Remark
Accounts receivable			
OSRAM Opto Semiconductors (China)		\$180,964	The accounts receivable listed are all generated from sale of goods. (Note)
Avago Technologies International		60,264	
Stanley Electric (Asia Pacific) Limited Taiwan Branch		56,991	
SCT Technology Ltd		46,188	
Zhongshan Jing Yang Electronics Ltd.		30,796	
Other		246,989	
Total		622,192	
Less: loss allowance		(59,995)	
Net amount		<u>\$562,197</u>	
Accounts receivable - related parties			
Harvatek International (USA) Corp.		\$6,764	
Syntek Corporation Limited		798	
Guangzhou Hongqi Electronics Limited		627	
Total		<u>\$8,189</u>	

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

Harvatek Corporation

5. Details of net other receivables and other receivables - related parties

As of December 31, 2021

Unit: NT\$ thousand

Item	Summary	Amount	Remark
Other receivables			
Business tax refundable		\$490	
Other		11,059	
Total		<u>\$11,549</u>	
Other receivables - related parties			
Guangzhou Hongqi Electronics Limited		\$19,585	
Starlight Display Corporation		315	
YoungTek Electronics Corporation		135	
Total		<u>\$20,035</u>	

Harvatek Corporation

6. Details of net inventories

As of December 31, 2021

Unit: NT\$ thousand

Item	Summary	Amount		Remark
		Costs	Net realizable value	
Materials		\$124,727	\$122,390	1. None of the inventories listed was provided for guarantee or pledge.
Supplies		28,233	27,633	
Work in process		52,461	52,461	2. Inventories are evaluated at the lower of cost or net realizable value on an item-by-item basis.
Finished goods		386,422	451,566	
Total		591,843	<u>\$654,050</u>	
Less: Allowance to reduce inventory to market		(142,158)		
Net amount		<u>\$449,685</u>		

Harvatek Corporation

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

2021

Unit: Thousand shares/ NT\$ thousand

Name	Beginning balance		Increase in current period		Decrease in current period		Gains on financial assets at fair value through other comprehensive income	Ending balance			Provision of guarantees or pledges	Remark
	Number of Shares (thousand shares)	Fair value	Number of Shares (thousand shares)	Amount	Number of Shares (thousand shares)	Amount		Number of Shares (thousand shares)	Shareholding ratio	Fair value		
Ever Supreme Bio Technology Co., Ltd.	200	\$34,996	-	\$-	-	\$-	\$7,104	200	0.32%	\$42,100	None	
Hsieh-Yung Investment Co., Ltd.	11,562	240,721	12,806	-	-	-	93,365	24,368	1.52%	334,086	None	Note 1
Starchips Technology Inc.	53	72	-	-	-	-	127	53	0.88%	199	None	
Chun-Hsin Venture Capital Co., Ltd.	3,000	5,070	-	-	-	-	960	3,000	5.61%	6,030		
Lediamond Opto Corporation	750	23,505	-	-	-	-	(5,452)	750	11.54%	18,053	None	
Gingy Technology Inc.	183	1,264	-	-	(107)	-	(1,142)	76	1.08%	122	None	Note 2
Bigbest Solutions Inc.	3,000	22,980	-	-	-	-	1,200	3,000	4.29%	24,180	None	
Edison Opto Corporation	5,112	98,669	-	-	(37)	(1,047)	22,157	5,075	3.96%	119,779	None	
Total		<u>\$427,277</u>		<u>\$-</u>		<u>\$(1,047)</u>	<u>\$118,319</u>			<u>\$544,549</u>		

Note 1: Increase of current period is for the stock dividends.

Note 2: The decrease in the current period represents the reduction of capital to cover the loss.

Harvatek Corporation

8. Changes in investment accounted for using the equity method

2021

Unit: NT\$ thousand

Name of investee	Beginning balance		Increase in current period		Decrease in current period		recognized by the Company	Exchange differences arising on translation of foreign operations	Issuance of dividends to subsidiaries to adjust capital surplus	Changes in equities of subsidiaries	Measured at fair value financial assets at fair value through other comprehensive income	Ending balance			Equity net worth		Provision of guarantees or pledges	
	Number of shares (thousand shares)	Amount	Number of shares (thousand shares)	Amount	Number of shares (thousand shares)	Amount						Number of Shares (thousand shares)	Shareholding/voting right percentage	Amount	Unit price	Total price		
Long-term equity investments accounted for using the equity method																		
Harvatek International (USA) Corp.	1,000	\$25,885	-	\$-	-	\$-	\$2,582	\$(760)	\$-	\$-	\$-	1,000	100.00%	\$27,707	\$27.71	\$27,707	None	
HONOR LIGHT LIMITED	19,522	351,351	-	-	-	-	13,489	569	-	-	-	19,522	100.00%	365,409	18.72	365,409	None	
Hong-Ruei Investment Co., Ltd.	414	-	-	-	-	(69)	2,315	-	-	-	-	414	35.29%	2,246	5.43	2,246	None	
						(Note 1)												
Harvatek (Hong Kong) Trading Limited	4,800	307	-	-	-	-	(602)	515	-	-	-	4,800	80.00%	220	0.05	220	None	
Hong-Cheng Investment Co., Ltd.	2,500	162,706	-	4,091	-	-	6,112	14	53	(2,875)	22,258	2,500	41.60%	192,359	76.94	192,359	None	
				(Note 2)						(Note 3)								
Sleipnir LED Co., Ltd.	1,000	1,656	-	-	-	-	(876)	-	-	-	-	1,000	66.67%	780	0.78	780	None	
Syntek Corporation Limited	700	4,717	-	-	-	-	(580)	-	-	-	-	700	70.00%	4,137	5.91	4,137	None	
Consentek Corporation	5,510	34,015	-	-	-	-	6,884	-	-	6,162	-	5,510	61.22%	47,061	8.54	47,061	None	
										(Note 3)								
Starlight Display Corporation	-	-	1,200	12,000	-	-	(4,560)	-	-	-	-	12,000	80.00%	7,440	0.62	7,440		
				(Note 4)														
Total		\$580,637		\$16,091		\$(69)	\$24,764	\$338	\$53	\$3,287	\$22,258			\$647,359				

Note 1: Retained earnings adjustments for long-term investments accounted for under equity method.

Note 2: Refers to actual payment of dividends and the sale of treasury stock of the parent company by the subsidiary.

Note 3: Refers to adjustments to changes in equity in subsidiaries due to not participating in a capital increase in the proportion of shareholding ratio.

Note 4: The increase in the current period represents a new investment.

Harvatek Corporation

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

As of December 31, 2021

Unit: NT\$ thousand

Item	Summary	Amount	Remark
Property, plant and equipment		\$542,050	Please refer to Note VI.8 of the financial statements.
Net investment property		\$68,971	
Intangible assets		\$2,763	Please refer to Note VI.10 of the financial statements.
Refundable deposits	Performance bond for FE department store project and refundable deposit for company cars	\$720	
Other noncurrent assets			
Prepayment to equipment suppliers		\$48,520	
Other deferred assets		1,390	
Total		\$49,910	

Harvatek Corporation
10. Changes in the right-of-use assets
2021

Unit: NT\$ thousand

Item	Beginning balance	Increase in current period	Decrease in current period	Adjustments of remeasurement	Ending balance	Remark
Acquisition cost						
Land	\$ 50,652	\$ 774	\$ -	\$ (251)	\$ 51,175	
Machinery equipment	2,180	-	-	-	2,180	
Transportation equipment	3,056	1,897	(1,598)	-	3,355	
Total cost	<u>55,888</u>	<u>2,671</u>	<u>(1,598)</u>	<u>(251)</u>	<u>56,710</u>	
Accumulated depreciation						
Land	\$ 2,674	\$ 1,703	\$ -	\$ -	\$ 4,377	
Machinery equipment	872	436	-	-	1,308	
Transportation equipment	2,213	1,306	(1,598)	-	1,921	
Total accumulated depreciation	<u>5,759</u>	<u>3,445</u>	<u>(1,598)</u>	<u>-</u>	<u>7,606</u>	
Book value	<u>\$ 50,129</u>	<u>\$ (774)</u>	<u>\$ -</u>	<u>\$ (251)</u>	<u>\$ 49,104</u>	

Harvatek Corporation

11. Details of short-term debts

As of December 31, 2021

Unit: NT\$ thousand

Creditor:	Nature of borrowing	Amount	Contract term	Interest rate	Remark
Taiwan Shin Kong Bank	Credit loan	138,350	2021.12.13-2022.02.13	0.60%	
Taipei Fubon Commercial Bank	Credit loan	55,340	2021.12.15-2022.03.14	0.63%	
Total		<u>\$ 193,690</u>			

Harvatek Corporation

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

As of December 31, 2021

Unit: NT\$ thousand

Supplier Name	Summary	Amount	Remark
Accounts payable:			
Subtron Technology Co., Ltd.		\$82,859	
Stanley Electric (Asia Pacific) Ltd.		65,751	
Epistar Corporation		48,047	
Opto Tech Corporation Co., Ltd.		30,658	
OSRAM Opto Semiconductor Asia Limited		30,240	
Other		101,613	(Note)
Total		<u>\$359,168</u>	
Accounts payable - related parties:			
YoungTek Electronics Corporation		\$26,531	
Guangzhou Hongqi Electronics Limited		2,877	
Harvatek International (USA) Corp.		782	
Guangzhou Jiu Hong Qi Trading Limited		668	
Total		<u>\$30,858</u>	

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

Harvatek Corporation

13.Details of payables to equipment suppliers and other payables

As of December 31, 2021

Unit: NT\$ thousand

Item	Summary	Amount	Remark
Payables to equipment suppliers:			
STARK TECHNOLOGY INC.		\$1,831	
Yu Fong Precision Machinery Co., Ltd.		1,374	
SINGLE WELL INDUSTRIAL CORP.		880	
HSU SAO INDUSTRIAL CO., LTD.		872	
System Corporation		819	
Hsin Long Hsing Ironworks		512	
Zhi Zhan Ho Electronic Co., Ltd.		431	
Other		1,579	(Note)
Total		<u>\$8,298</u>	
Other payables:			
Salary and bonus payable		\$91,874	
Remuneration payable to employees		47,400	
Compensation due to directors and supervisors		4,600	
Other	Expenses for labor insurance, health insurance, etc.	54,953	(Note)
Total		<u>\$198,827</u>	

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

Harvatek Corporation
 14.Details of lease liabilities
 As of December 31, 2021

Unit: NT\$ thousand

Item	Summary	Lease term	Discount rate	Ending balance	Remark
Land		30-50years	1.5500% - 1.7500%	\$ 47,772	
Machinery equipment		5years	1.2464%	889	
Transportation equipment		2-3 years	1.1748% - 2.8800%	1,448	
Total				<u>50,109</u>	
Less: current proportion				(2,885)	
Lease liabilities - noncurrent				<u>\$ 47,224</u>	

Harvatek Corporation

15.Details of net operating revenue

2021

Unit: NT\$ thousand

Item	Summary	Amount	Remark
Sales revenue	5,785,462thousand pcs	\$2,819,568	
Add: engineering revenue	4 pcs	14,219	
Processing revenue	52,854thousand pcs	21,878	
Subtotal:		2,855,665	
Less: sales return	13,234 thousand pcs	(7,356)	
Sales allowance	74thousand pcs	(2,317)	
Net operating revenue		\$2,845,992	

Harvatek Corporation
16. Details of operating cost
2021

Unit: NT\$ thousand

Item	Summary	Amount	Remark
Cost of self-manufactured goods			
Direct materials			
Opening inventory		\$87,500	
Add: material purchased		1,100,017	
Less: ending inventory		(124,727)	
Sale of materials		(3,872)	
Other		(6,192)	
		1,052,726	
Material consumed		237,637	
Supplies consumed		176,746	
Direct labor cost		570,883	
Manufacturing expenses		2,037,992	
Cost of manufacturing		69,146	
Add: works in process at start of period		(52,461)	
Less: works in process at end of period		(772)	
Others		2,053,905	
Cost of finished goods		317,111	
Add: beginning finished goods		117,719	
Purchase of current period		(386,422)	
Less: ending finished goods		(37,372)	
Others		2,064,941	
Cost of self-manufactured goods			
Other operating costs			
Loss of reduce inventory to market and slow-moving inventory		13,111	
Loss of inventory obsolete		4,518	
Sale of materials		3,872	
Supplies sold		262	
Sale of scrap and waste		(9,978)	
Other		33,367	
Subtotal of other operating costs		45,152	
Total cost of sales		\$2,110,093	

Harvatek Corporation

17. Details of manufacturing expenses

2021

Unit: NT\$ thousand

Item	Summary	Amount	Remark
Salaries		\$189,148	
Processing expenses		151,909	
Depreciation expenses		71,227	
Consumable materials and tools		58,466	
Utilities expenses		44,703	
Other		55,430	(Note)
Total		<u>\$570,883</u>	

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

Harvatek Corporation
 18. Details of selling expenses
 2021

Unit: NT\$ thousand

Item	Summary	Amount	Remark
Salaries		\$50,803	
Commissions		27,026	
Shipping expenses		18,210	
Royalty expenses		13,483	
Other		59,228	(Note)
Total		\$168,750	

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

Harvatek Corporation
 19. Details of selling expenses
 2021

Unit: NT\$ thousand

Item	Summary	Amount	Remark
Salaries		\$46,535	
Service expenses		9,916	
Miscellaneous expenses		7,697	
Depreciation expenses		6,328	
Other		23,721	(Note)
Total		<u>\$94,197</u>	

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

Harvatek Corporation
20. Details of R&D expenses
2021

Unit: NT\$ thousand

Item	Summary	Amount	Remark
Salaries		\$58,102	
Material expenses		32,396	
Depreciation expenses		14,498	
Other		2,548	(Note)
Total		<u>\$107,544</u>	

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.17 for relevant information.