

**Stock code: 6168**

**Harvatek Corporation and Subsidiaries**  
**Consolidated Financial Statements and Independent Auditor's Report**  
**2022 & 2021**

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# Consolidated Financial Statements

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## Declaration

The companies that should be included in the consolidated financial statements of affiliated enterprises under the “Criteria Governing Preparation of Consolidated Business Reports, Consolidated Financial Statements and Affiliation Reports of Affiliated Enterprises” in 2022 (from January 1, 2022 to December 31, 2022) are the same as those that should be included in the consolidated financial statements of parent and subsidiary companies under IFRS 10. The information that shall be disclosed in the consolidated financial statements of affiliated enterprises has been disclosed in the previous consolidated financial statements of the parent and subsidiary companies, and therefore the consolidated financial statements of affiliated enterprises need not additionally be prepared.

Hereby Declared

Harvatek Corporation

Chairman: Wang, Ping-Lung

March 9, 2023

## Independent Auditor's Report

To Harvatek Corporation:

### **Opinion**

We have audited the accompanying consolidated balance sheets of Harvatek Corporation (the "Company") and its subsidiaries as of 31 December, 2022 and 2021, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the period of 1 January to 31 December in 2022 and 2021, and notes to the consolidated financial statements (including the summary of significant accounting policies).

In our opinion, based on our audits and the audit reports of other independent auditors (please refer to the "Others" paragraph), the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of 31 December 2022, and 2021, in conformity with the requirements of the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and "International Financial Reporting Standards", "International Accounting Standards", "Interpretations developed by the International Financial Reporting Interpretations Committee" and "SIC interpretations" endorsed and issued into effect by the Financial Supervisory Commission.

### **Basis for Opinion**

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

## **Key Audit Matters**

Key audit matters are those that, in our professional judgment, were of the most significance in our audits of the 2022 consolidated financial statements of Harvatek Corporation and its subsidiaries. These matters were addressed in the context of our audits of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Revenue recognition

The main revenue sources of Harvatek Corporation and its subsidiaries in 2022 are revenue from sales of goods. Since the revenue is recognized when Harvatek Corporation and its subsidiaries transfer the promised products or integrated services to customers to fulfill the performance obligations, and trade terms of the products or integrated services agreed in the contracts are different, resulting in different points in time for fulfilling the performance obligations, and thus these performance obligations and the points in time for fulfilling them need to be judged and determined. Accordingly, we have determined this as a key audit matter.

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

## **Other Matters - Audit Reports of Other Independent Audits**

The financial statements of certain invested companies included in the consolidated financial statements of Harvatek Corporation and subsidiaries were not audited by us but by other auditors instead. Hence, in our opinion on the above-mentioned consolidated financial statements, the amounts listed in the financial statements of those invested companies mentioned are based on the audit reports of other independent auditors. The investments accounted for using equity method in these indirect investees amounted to NT\$162,885 thousand and NT\$133,554 thousand as of December 31, 2022 and 2021, respectively, representing 4.00% and 2.89% of total assets, respectively. For the periods from January 1 to December 31 of 2022 and 2021, share of gain of associates accounted for using the equity method amounted to NT\$26,572 thousand and NT\$6,822 thousand, representing 5.67% and 1.49% of the net income before income taxes, respectively. Share of other comprehensive gain of associates accounted for using the equity method amounted to NT\$2,758 thousand and NT\$695 thousand, representing (1.19)% and 0.40% of the other comprehensive net income, respectively.

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

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

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

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

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

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiaries.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company and its subsidiaries to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report

to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements (including the accompanying notes and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

## Other

Harvatek Corporation has prepared its financial statements for 2022 and 2021, and we have issued audit reports for both with unqualified opinion remarked in other matters, for reference.

Ernst & Young, Taiwan

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

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

(96) Jin-Guan-Zheng-(6) No. 0960002720

Chen, Chih-Chung

Accountant:

Hsu, Hsin-Min

March 9, 2023

## Harvatek Corporation and Subsidiaries

## Consolidated Balance Sheet

As of December 31 of 2022 and 2021

Unit: NT\$ thousand

Assets			As of December 31, 2022		As of December 31, 2021	
Code	Account name	Note	Amount	%	Amount	%
	Current assets					
1100	Cash and cash equivalents	IV and VI.1	\$ 1,418,146	35	\$ 1,582,771	34
1120	Financial assets at fair value through other comprehensive income - current	IV and VI.3	159,891	4	191,033	4
1150	Net notes receivable	IV, VI.4 and VI.16	-	-	655	-
1170	Net accounts receivable	IV, VI.5 and VI.16	430,904	11	649,853	14
1180	Accounts receivable - related parties	IV, VI.5, VI.16 and VII	445	-	-	-
1200	Other receivables		29,679	1	26,309	1
1210	Other receivables - related parties	VII	2,258	-	135	-
1220	Current tax assets	IV and VI.21	46	-	-	-
130x	Inventories	IV and VI.6	387,719	9	474,094	11
1410	Prepayments		48,543	1	11,247	-
1470	Other current assets		944	-	943	-
1482	Cost to fulfill contracts - current	IV and VI.15	10,790	-	8,444	-
11xx	Total current assets		2,489,365	61	2,945,484	64
	Noncurrent assets					
1510	Financial assets at fair value through profit or loss - noncurrent	IV and VI.2	80,725	2	82,383	2
1517	Financial assets at fair value through other comprehensive income - noncurrent	IV and VI.3	394,416	10	565,082	12
1550	Investment accounted for using the equity method	IV and VI.7	184,989	5	135,801	3
1600	Property, plant and equipment	IV, VI.8 and VII	559,857	14	586,701	13
1755	Right-of-use assets	IV, VI.17 and VII	59,159	1	60,344	1
1760	Net investment property	IV and VI.9	68,471	2	71,193	2
1780	Intangible assets	IV, VI.10, VI.11 and VI.23	33,836	1	34,291	1
1840	Deferred income tax assets	IV and VI.21	51,208	1	70,136	1
1900	Other noncurrent assets		477	-	1,390	-
1915	Prepayments for business facilities	VII	144,113	3	52,746	1
1920	Refundable deposits		1,727	-	1,434	-
1980	Other financial assets - noncurrent	VIII	8,222	-	14,882	-
15xx	Total noncurrent assets		1,587,200	39	1,676,383	36
1xxx	Total assets		\$ 4,076,565	100	\$ 4,621,867	100

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

Chairman: Wang, Ping-Lug

Manager: Wang, Ping-Lung

Accounting Supervisor: Su, Yu-Hui

Harvatek Corporation and Subsidiaries  
Consolidated Balance Sheet  
As of December 31 of 2022 and 2021

Unit: NT\$ thousand

Liabilities and Equity			As of December 31, 2022		As of December 31, 2021	
Code	Account name	Note	Amount	%	Amount	%
	<b>Current Liabilities</b>					
2100	Short-term loans	IV and VI.12	\$ 15,872	-	\$ 209,332	5
2130	Contract liability - current	IV and VI.15	69,179	2	46,975	1
2170	Accounts payable		240,263	6	415,616	9
2180	Accounts payable - related parties	VII	13,629	-	26,531	1
2200	Other payables		242,460	6	230,493	5
2213	Payables to equipment suppliers		6,184	-	11,833	-
2230	Income tax payable in the period	IV and VI.21	19,315	1	60,931	1
2280	Lease liabilities - current	IV, VI.17 and VII	6,579	-	5,138	-
2300	Lothor current liabilities		18,844	1	13,227	-
21xx	Total current liabilities		632,325	16	1,020,076	22
	<b>Noncurrent liabilities</b>					
2570	Deferred income tax liabilities	IV and VI.21	4,200	-	4,821	-
2580	Lease liabilities - noncurrent	IV, VI.17 and VII	54,210	1	56,678	1
2640	Net defined benefit liability - noncurrent	IV and VI.13	18,803	-	26,353	1
2645	Guarantee deposits		3,752	-	3,648	-
25xx	Total noncurrent liabilities		80,965	1	91,500	2
2xxx	Total liabilities		713,290	17	1,111,576	24
	<b>Equity attributable to owners of parent</b>					
31xx	Equity attributable to owners of parent					
3100	Capital stock	VI.14				
3110	Common stock		2,060,698	51	2,060,698	45
3200	Capital surplus	VI.14	496,303	12	494,534	10
3300	Retained earnings	VI.14				
3310	Legal reserve		100,393	2	63,073	1
3350	Undistributed earnings		443,633	11	409,891	9
3400	Other equity		123,911	3	310,899	7
3500	Treasury stock	IV and VI.14	(1,320)	-	(1,320)	-
	Equity attributable to owners of parent		3,223,618	79	3,337,775	72
36xx	Non-controlling interests	IV and VI.14	139,657	4	172,516	4
3xxx	Total equity		3,363,275	83	3,510,291	76
	Total liabilities and equity		\$ 4,076,565	100	\$ 4,621,867	100

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

Chairman: Wang, Ping-Lug

Manager: Wang, Ping-Lung

Accounting Supervisor: Su, Yu-Hui

Harvatek Corporation and Subsidiaries  
Consolidated Statement of Comprehensive Income  
January 1 to December 31, 2022 and 2021

Unit: NT\$ thousand

Code	Account name	Note	2022		2021	
			Amount	%	Amount	%
4000	Revenue from operations	IV, VI.15 and VII	\$ 2,469,709	100	\$ 3,000,490	100
5000	Operating costs	IV, VI.6, VI.10, VI.13, VI.17, VI.18 and VII	(1,717,206)	(70)	(2,178,204)	(73)
5900	Gross operating profit		752,503	30	822,286	27
6000	Operating expenses	VI.10, VI.13, VI.16, VI.17, VI.18 and VII				
6100	Marketing expenses		(149,144)	(6)	(170,725)	(6)
6200	General and administration expenses		(164,326)	(7)	(126,648)	(4)
6300	R&D expenses		(204,843)	(8)	(137,978)	(4)
6450	Reversal of expected credit losses		45,675	2	12,042	-
	Total operating expenses		(472,638)	(19)	(423,309)	(14)
6900	Operating gains		279,865	11	398,977	13
7000	Non-operating income and expenses	IV, VI.3, VI.7, VI.9, VI.19, VI.24 and VII				
7100	Interest income		18,006	1	10,981	1
7010	Other income		66,303	3	57,773	2
7020	Other gains and losses		79,786	3	(17,717)	(1)
7050	Finance costs		(1,428)	-	(2,453)	-
7060	Share of profit or loss of associates and joint ventures accounted for using equity method		26,430	1	9,137	-
	Total non-operating income and expenses		189,097	8	57,721	2
7900	Profit before tax		468,962	19	456,698	15
7950	Income tax expense	IV and VI.21	(71,630)	(3)	(68,350)	(2)
8200	Net profit of the period		397,332	16	388,348	13
8300	Other comprehensive income	IV and VI.20				
8310	Items that will not be reclassified subsequently to profit or loss					
8311	Remeasurement of defined benefit plans		6,178	-	4,355	-
8316	Unrealized gains on investments in equity instruments at fair value through other comprehensive income		(242,192)	(9)	171,829	6
8349	Income taxes related to items that will not be reclassified subsequently		(1,236)	-	(871)	-
8360	Items that may be reclassified subsequently to profit or loss					
8361	Exchange differences arising from translation of foreign operations		5,963	-	363	-
	Other comprehensive income for the year (net of income tax)		(231,287)	(9)	175,676	6
8500	Total comprehensive income for the period		\$ 166,045	7	\$ 564,024	19
8600	Net profit attributable to:					
8610	Owners of parent		\$ 375,225		\$ 370,318	
8620	Non-controlling interests		22,107		18,030	
			\$ 397,332		\$ 388,348	
8700	Total comprehensive income attributable to:					
8710	Owners of parent		\$ 193,179		\$ 514,717	
8720	Non-controlling interests		(27,134)		49,307	
			\$ 166,045		\$ 564,024	
	Earnings per share (NT\$)					
9750	Basic earnings per share	IV and VI.22				
9710	Net profit of the period		\$ 1.82		\$ 1.80	
9850	Diluted earnings per share					
9810	Net profit of the period		\$ 1.80		\$ 1.79	

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

Chairman: Wang, Ping-Lung

Manager: Wang, Ping-Lung

Accounting Supervisor: Su, Yu-Hui

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

Unit: NT\$ thousand

Code	Item	Equity attributable to owners of parent									Non-controlling interests	Total equity
		Capital stock	Capital surplus	Retained earnings			Other equity		Treasury stock	Total		
				Legal reserve	Special reserve	Undistributed earnings	Exchange differences arising from translation of foreign operations	Unrealized gains or losses on equity instruments at fair value through other comprehensive income				
		3100	3200	3310	3320	3350	3410	3420	3500	31XX	36XX	3XXX
A1	Balance on January 1, 2021	\$ 2,060,698	\$ 484,034	\$ 48,677	\$ 6,397	\$ 188,940	\$ (6,255)	\$ 178,578	\$ (6,857)	\$ 2,954,214	\$ 63,593	\$ 3,017,807
	Distribution of 2020 earnings:											
B1	Legal reserve	-	-	14,396	-	(14,396)	-	-	-	-	-	-
B2	Special reserve	-	-	-	(6,397)	6,397	-	-	-	-	-	-
B5	Cash dividends of common stock	-	-	-	-	(144,249)	-	-	-	(144,249)	-	(144,249)
D1	Net profit from January 1 to December 31, 2021	-	-	-	-	370,318	-	-	-	370,318	18,030	388,348
D3	Other comprehensive income from January 1 to December 31, 2021	-	-	-	-	3,484	338	140,577	-	144,399	31,277	175,676
D5	Total comprehensive income for the period	-	-	-	-	373,802	338	140,577	-	514,717	49,307	564,024
C7	Changes of profit or loss of associates and joint ventures accounted for using equity method	-	-	-	-	(69)	-	-	-	(69)	-	(69)
L7	Disposal of parent company's shares by a subsidiary has been treated as a treasury stock transaction	-	4,285	-	-	-	-	-	5,537	9,822	-	9,822
M1	Issuance of dividends to subsidiaries to adjust capital surplus	-	53	-	-	-	-	-	-	53	-	53
M7	Changes in equities of subsidiaries	-	6,162	-	-	(2,875)	-	-	-	3,287	(3,287)	-
O1	Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	62,903	62,903
Q1	Disposal of investments in equity instruments at fair value through other comprehensive 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	\$ 172,516	\$ 3,510,291
A1	Balance on January 1, 2022	\$ 2,060,698	\$ 494,534	\$ 63,073	\$ -	\$ 409,891	\$ (5,915)	\$ 316,814	\$ (1,320)	\$ 3,337,775	\$ 172,516	\$ 3,510,291
	Distribution of 2021 earnings:											
B1	Legal reserve	-	-	37,320	-	(37,320)	-	-	-	-	-	-
B5	Cash dividends of common stock	-	-	-	-	(309,105)	-	-	-	(309,105)	-	(309,105)
	Other changes in capital surplus											
C3	From donations	-	53	-	-	-	-	-	-	53	-	53
D1	Net profit from January 1 to December 31, 2022	-	-	-	-	375,225	-	-	-	375,225	22,107	397,332
D3	Other comprehensive income from January 1 to December 31, 2022	-	-	-	-	4,942	5,900	(192,888)	-	(182,046)	(49,241)	(231,287)
D5	Total comprehensive income for the period	-	-	-	-	380,167	5,900	(192,888)	-	193,179	(27,134)	166,045
M1	Issuance of dividends to subsidiaries to adjust capital surplus	-	114	-	-	-	-	-	-	114	-	114
M7	Changes in equities of subsidiaries	-	1,602	-	-	-	-	-	-	1,602	(1,498)	104
O1	Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(4,227)	(4,227)
Z1	Balance on December 31, 2022	\$ 2,060,698	\$ 496,303	\$ 100,393	\$ -	\$ 443,633	\$ (15)	\$ 123,926	\$ (1,320)	\$ 3,223,618	\$ 139,657	\$ 3,363,275

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

Chairman: Wang, Ping-Lung

Manager: Wang, Ping-Lung

Accounting Supervisor: Su, Yu-Hui

Harvatek Corporation and Subsidiaries  
Consolidated Statement of Cash Flows  
January 1 to December 31, 2022 and 2021

		Unit: NT\$ thousand									
Code	Item	2022		2021		Code	Item	2022		2021	
		Amount	Amount	Amount	Amount			Amount	Amount		
AAAA	Cash flows from operating activities:					BBBB	Cash flows from investing activities:				
A00010	Profit before tax in the period	\$	468,962	\$	456,698	B00010	Acquisition of financial assets at fair value through other comprehensive income	\$	(40,384)	\$	(29,124)
A20000	Adjustments:					B00020	Disposal of financial assets at fair value through other comprehensive income		-		11,059
A20010	Income and other adjustments with no cash flow effects:					B00100	Acquisition of financial assets at fair value through profit or loss		(90,000)		(390,000)
A20100	Depreciation expenses		116,555		102,608	B00200	Disposal of financial assets at fair value through profit or loss		90,809		390,175
A20200	Amortization expenses		10,899		9,908	B01800	Acquisition of investments accounted for under the equity method		(20,000)		-
A20300	Reversal of expected credit losses		(45,675)		(12,042)	B02300	Disposal of subsidiary		(83)		-
A20400	Gains (losses) on financial assets and liabilities at fair value through profit or loss		1,629		(2,218)	B02700	Acquisition of property, plant and equipment		(184,179)		(101,983)
A20900	Interest expenses		1,428		2,453	B02800	Disposal of property, plant and equipment		-		914
A21200	Interest income		(18,006)		(10,981)	B03700	Increase in refundable deposits		(293)		-
A21300	Dividend income		(32,526)		(27,875)	B03800	Decrease in refundable deposits		-		840
A22300	Share of profit or loss of associates and joint ventures accounted for using equity method		(26,430)		(9,137)	B04500	Acquisition of intangible assets		(9,474)		(7,587)
A22500	Gains on disposal and retirement of property, plant and equipment		-		(712)	B04600	Disposal of intangible assets		60		-
A22600	Property, plant and equipment transferred to expenses		7,442		-	B05000	Net cash inflow from acquiring the subsidiary		-		13,017
A23100	Gains on disposal of investments		(130)		-	B06500	Other financial assets (increase)/decrease		6,660		(43)
A24100	Unrealized foreign exchange losses		3,001		5,760	B06700	Increase in other noncurrent assets		(2,009)		(1,770)
A30000	Changes in operating assets / liabilities:					B07600	Dividends received		32,526		27,875
A31130	Notes receivable		655		(430)	BBBB	Cash outflow from investing activities		(216,367)		(86,627)
A31150	Accounts receivable		264,624		(32,516)						
A31160	Accounts receivable - related parties		(445)		-						
A31180	Other receivables		(3,561)		(9,616)						
A31190	Other receivables - related parties		(2,123)		(49)	CCCC	Cash flows from financing activities:				
A31200	Inventories		85,570		(89,784)	C00100	Increase in short-term debts		159,030		887,841
A31230	Prepayments		(37,351)		10,775	C00200	Short-term loans decrease		(355,425)		(1,007,385)
A31240	Other current assets		(1)		(943)	C03000	Increase in guarantee deposits		104		1,496
A31280	Cost to fulfill contracts		(2,346)		(8,444)	C04020	Repayment of lease principal		(5,292)		(4,527)
A32125	Contract liabilities		22,204		42,063	C04500	Cash dividends		(308,991)		(144,196)
A32150	Accounts payable		(175,353)		(24,396)	C05000	Disposal of treasury stock		-		9,822
A32160	Accounts payable - related parties		(12,902)		-	C05800	Changes in non-controlling interests		(2,639)		12,048
A32180	Other payables		12,087		96,718	C09900	From donations		53		-
A32230	Other current liabilities		5,608		1,399	CCCC	Net cash inflow (outflow) generated from financing activities		(513,160)		(244,901)
A32240	Net defined benefit liability		(1,372)		(1,612)	DDDD	Effect of exchange rate changes on cash and cash equivalents		1,321		96
A33000	Cash generated from operations		642,443		497,627						
A33100	Interest received		18,197		9,900	EEEE	Net (decrease) increase in cash and cash equivalents		(164,625)		123,262
A33300	Interest paid		(1,484)		(2,769)	E00100	Cash and cash equivalents, beginning of period		1,582,771		1,459,509
A33500	Income taxes paid		(95,575)		(50,064)	E00200	Cash and cash equivalents, end of period		\$ 1,418,146		\$ 1,582,771
AAAA	Net cash inflow from operating activities		563,581		454,694						

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

Chairman: Wang, Ping-Lung

Manager: Wang, Ping-Lung

Accounting Supervisor: Su, Yu-Hui

Notes to the Consolidated Financial Statements of Harvatek Corporation and Subsidiaries (Continued)

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

Harvatek Corporation and Subsidiaries  
Notes to the Consolidated Financial Statements  
2022 & 2021

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

I. Company History

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

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

II. Date and Procedure for Approval of Financial Statements

The years 2022 and 2021 consolidated financial statements of the Company and its subsidiaries (herein after referred as the Group) were published upon the Board of Directors' approval on March 9, 2023.

III. Application of Newly Issued and Revised Standards and Interpretations

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

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

2. As of the date of the financial statements published, the Group has not applied the following newly issued, revised and amended standards or interpretations that 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	Disclosure of Accounting Policies (Amendments to IAS 1)	January 1, 2023
2	Definition of Accounting Estimates (Amendments to IAS 8)	January 1, 2023
3	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12)	January 1, 2023

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

(1) 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.

(2) 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.

(3) 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 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, 2023, do not have a material impact on the Group.

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

Item	Newly issued/amended/revised standards and interpretations	Effective Date of IASB Issuance
1	Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates or Joint Ventures” - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Pending the decision of the IASB
2	IFRS 17 “Insurance Contracts”	January 1, 2023
3	Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	January 1, 2024
4	Lease Liability in a sale and Lease back (Amendments to IFRS 16)	January 1, 2024
5	Non-current Liabilities with Covenants (Amendments to IAS 1)	January 1, 2024

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

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

This project addresses an acknowledged inconsistency between the requirements in IFRS 10 “Consolidated Financial Statements” and those in IAS 28 “Investments in Associates or Joint Ventures”, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. IAS 28 requires that when a non-monetary asset is contributed in exchange for the equity of an associate or joint venture, the share of gain or loss arising from the investment should be eliminated in a manner of downstream transactions; whereas IFRS 10 requires to recognize all gains or losses on the loss of control over a subsidiary. This amendment restricts the aforementioned provisions of IAS 28 so that when a sale or contribution of a business asset as defined in IFRS 3 is made, the resulting gain or loss shall be recognized in full.

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

- (2) IFRS 17 “Insurance Contracts”

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

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

This standard was issued in May 2017 and amended in 2020 and 2021. 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

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

standard will replace the transitional standard (i.e., IFRS 4 “Insurance Contract”) upon going into effect.

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

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

(4) Lease Liability in a sale and Lease back (Amendments to IFRS 16)

The amendments add seller-lessee additional requirements for the sale and leaseback transactions in IFRS 16, thereby supporting the consistent application of the standard.

(5) Non-current Liabilities with Covenants (Amendments to IAS 1)

The amendments improved the information companies provide about long-term debt with covenants. The amendments specify that covenants to be complied within twelve months after the reporting period do not affect the classification of debt as current or non-current at the end of the reporting period.

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

#### IV. Summary of Significant Accounting Policies

##### 1. Statement of compliance

The consolidated financial statements of the Group for the years 2022 and 2021 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the interpretations of IFRS, IAS, IFRS as endorsed by the FSC.

##### 2. Basis of preparation

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

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

3. Basis of consolidation

The basis for the consolidated financial statements

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

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

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

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

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

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

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

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

## Notes to the Consolidated Financial Statements of Harvatek Corporation and Subsidiaries (Continued)

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

If the Company loses control of a subsidiary, it:

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

The consolidated entities are listed as follows:

Name of Investor	Name of Investee	Main Businesses	Percentage of Ownership	
			2022.12.31	2021.12.31
The Company	Harvatek International (USA) Corp.	Sales of electronics components	100.00	100.00
	HONOR LIGHT LIMITED (Note 1)	Investment	100.00	100.00
	Hong-Cheng Investment Co., Ltd. (Note 2)	Investment	41.60	41.60
	Harvatek (Hong Kong) Trading Limited	Investment	80.00	80.00
	Syntek Corporation Limited	Manufacturing and sales of electronics components	70.00	70.00
	Sleipnir LED Co., Ltd. (Note 3)	Manufacturing and sales of electronics components	-	66.67
	Consentek Corporation (Note 4)	Manufacturing and sales of electronics components	61.22	61.22
	Starlight Display Corporation (Note 5)	Manufacturing and sales of electronics components	66.50	80.00
Hong-Cheng Investment Co., Ltd.	Harvatek (Hong Kong) Trading Limited	Investment	5.00	5.00
	Consentek Corporation (Note 4)	Manufacturing and sales of electronics components	31.33	31.33
HONOR LIGHT LIMITED	Harvatek (HK) Limited	Investment	100.00	100.00
	Harvatek Europe GmbH	Sales of electronics components	51.00	51.00
	Harvatek(Guangzhou) Co., LTD	Manufacturing and sales of electronics components	100.00	100.00
Consentek Corporation	Guang Zhou Giuhong Yi trading company, Limited	Sales of electronics components	100.00	100.00
	iReach Corporation (Note 6)	Manufacturing and sales of electronics components	50.24	50.24

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

Note1: The Group's subsidiary, HONOR LIGHT LIMITED, capital reduction in December 2022. It did not affect the Group's control over the subsidiary.

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

Note3: In May 2022, the Group transferred shareholding of Sleipnir LED Co., Ltd., resulted that the Group's shareholding decreased from 66.67% to 66.00%, however, the transaction did not affect the control of the subsidiary.

In July 2022, the Group did not participate in the cash capital increase of Sleipnir LED Co., Ltd., resulting in a decrease in shareholding from 66.00% to 6.97%. The subsidiary had been deconsolidated by the Group since July 2022 as the Group lost control over it. The Group sold all shareholding of Sleipnir LED Co., Ltd. in September 2022.

Note4: In May 2021, the Group also participated in the capital increase of Consentek Corporation, and its consolidated percentage of direct and indirect shareholding reached 74.3%.

Note5: In September 2021, the Group founded Starlight Display Corporation and obtained 80% of the shares and a majority of the directorships, so the Company gained control over it.

Starlight Display Corporation issued new shares in August 2022, the Group did not participate in both cash capital increases in proportion to its shareholding and resulted that the Group's shareholding decreased from 80% to 66.5%, however, the transaction did not affect the control of the subsidiary.

Note6: In May 2021, the Group obtained 50.24% of the shares and a majority of the directorships of iReach Corporation, so the Group gained control over it.

#### 4. Foreign currency transactions

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

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

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

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

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

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

##### 5. Translation of financial statements in foreign currency

When preparing the consolidated 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.

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

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

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

#### 6. Classification of Current and Noncurrent Assets and Liabilities

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

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

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

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

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

7. Cash and cash equivalents

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

8. Financial instruments

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

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

(1) Recognition and measurement of financial assets

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

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

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

Financial assets measured at amortized cost

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

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

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

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

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

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

Financial assets measured at fair value through other comprehensive income

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

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

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

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

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

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

#### Loss on financial assets (liabilities) at fair value

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

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

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

(2) Impairment of financial assets

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

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

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

The loss allowance is measured as follows:

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

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

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

(3) Derecognition of financial assets

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

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

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

(4) Financial liabilities and equity instruments

Classification between liabilities or equity

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

Equity instrument

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

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

### Compound instruments

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

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

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

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

### Financial liabilities

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

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

Financial liabilities at fair value through profit or loss

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

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

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

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

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

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

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

Financial liabilities measured at amortized cost

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

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

Derecognition of financial liabilities

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

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

(5) Offsetting of financial instruments

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

9. Derivative instruments

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

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

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

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

#### 10. Fair value measurement

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

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

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

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

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

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

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

## 11. Inventories

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

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

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

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

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

## 12. Investment accounted for using the equity method

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

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

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

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

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

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

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

- (1) The Group's share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate or joint venture and the proceeds on the ultimate disposal of the investment; or

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

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

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

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

### 13. Property, plant and equipment

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

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

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

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

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

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

#### 14. Investment property

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

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

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

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

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

#### 15. Leasehold

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

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

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

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

The Group as a lessee

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

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

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

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

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

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

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

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

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

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

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

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

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

#### The Group as a lessor

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

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

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

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

#### 16. Intangible assets

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

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

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

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

Gains or losses arising from derecognition of an intangible asset are recognized in profit or loss.

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

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

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

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

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

#### 17. Impairment of non-financial assets

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

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

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

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

18. Treasury stock

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

19. Revenue recognition

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

Sales of goods

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

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

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

### Engineering revenue

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

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

### Provision of labor services

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

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

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

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

20. Borrowing costs

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

21. Government grants

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

22. Retirement benefit plans

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

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

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

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

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

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

### 23. Share-based payment transactions

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

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

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

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

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

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

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

#### 24. Income taxes

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

##### Income tax of the current period

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

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

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

#### Deferred income tax

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

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

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

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

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

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

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

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

V. Significant Accounting Judgments, Estimates and Assumptions

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

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

(1) Fair value of financial instruments

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

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

## (2) Receivables - estimation of impairment losses

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

VI. Contents of Significant Accounts1. Cash and cash equivalents

	2022.12.31	2021.12.31
Cash	\$179	\$143
Check and current deposit	579,678	389,723
Time deposit	838,289	1,192,905
Total	<u>\$1,418,146</u>	<u>\$1,582,771</u>

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

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

	2022.12.31	2021.12.31
Mandatorily measured at fair value through profit or loss:		
Stocks	<u>\$80,725</u>	<u>\$82,383</u>
Non-current	<u>\$80,725</u>	<u>\$82,383</u>

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

Notes to the Consolidated Financial Statements of Harvatek Corporation and Subsidiaries (Continued)

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

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

	<u>2022.12.31</u>	<u>2021.12.31</u>
Investments of equity instruments		
at fair value through other comprehensive income:		
Stocks of listed companies	\$292,543	\$352,912
Stocks of unlisted companies	261,764	403,203
Total	<u>\$554,307</u>	<u>\$756,115</u>
	<u>2022.12.31</u>	<u>2021.12.31</u>
Current	\$159,891	\$191,033
Non-current	394,416	565,082
Total	<u>\$554,307</u>	<u>\$756,115</u>

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

Information regarding dividend income from the Group's investments in equity instruments at fair value through other comprehensive income for 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Related to investments still held at the balance sheet date	\$25,483	\$17,656
Related to investments derecognized in the current period	-	148
Dividend income recognized in the current period	<u>\$25,483</u>	<u>\$17,804</u>

The Group, considering its investment strategies, sells and derecognizes part of the investments in equity instruments at fair value through other comprehensive income. Information regarding the sale and derecognition in 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Fair value at the derecognition date	\$-	\$11,059
Accumulated gain on disposal of retained earnings transferred from other equity	\$-	\$2,341

## Notes to the Consolidated Financial Statements of Harvatek Corporation and Subsidiaries (Continued)

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

4. Notes receivable

	2022.12.31	2021.12.31
Notes receivable - generated from operating	\$-	\$655
Less: loss allowance	-	-
Total	<u>\$-</u>	<u>\$655</u>

The Group does not provide notes receivable as collaterals.

For information related to the Group's loss allowance for losses for 2022 and 2021, please refer to Note VI.16, and for information related to credit risk, please refer to Note XII.

5. Accounts receivable

	2022.12.31	2021.12.31
Accounts receivable	\$445,224	\$709,848
Less: loss allowance	(14,320)	(59,995)
Subtotal	<u>430,904</u>	<u>649,853</u>
Accounts receivable - related parties	445	-
Less: loss allowance	-	-
Subtotal	<u>445</u>	<u>-</u>
Total	<u>\$431,349</u>	<u>\$649,853</u>

The Group does not provide accounts receivable as collaterals.

The Group's open account period to customers normally ranges from 30 days to 120 days. Total carrying amounts (including notes and accounts receivable) as of December 31, 2022 and 2021, were NT\$445,669 thousand and NT\$710,503 thousand, respectively. Please refer to Note VI.16 for information on the Group's loss allowance for 2022 and 2021 and Note XII for information on credit risk.

## Notes to the Consolidated Financial Statements of Harvatek Corporation and Subsidiaries (Continued)

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

6. Inventories

	2022.12.31	2021.12.31
Materials	\$94,956	\$105,967
Supplies	20,295	21,951
Work in process	54,339	90,916
Finished goods	218,129	255,260
Total	<u>\$387,719</u>	<u>\$474,094</u>

(1) The Group's cost of inventories recognized as expenses in 2022 were NT\$1,717,206 thousand, including reversal of inventories recognized in 2022 were NT\$15,235 thousand, inventory obsolescence losses of NT\$918 thousand were recognized in 2022. The factor leading to the net realizable value of inventories lower than the cost was vanished, so that the reversal of inventories write-down was recognized resulting from te increase in net realizable value.

The Group's cost of inventories recognized as expenses in 2021 were NT\$2,178,204 thousand, including the reduce inventory to market recognized in 2021 were NT\$14,036 thousand , inventory obsolescence losses of NT\$2,434 thousand were recognized in 2021.

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

7. Investment accounted for using the equity method

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

Name of investee	2022.12.31		2021.12.31	
	Amount	Shareholding ratio	Amount	Shareholding ratio
Invested associates:				
Hong-Ruei Investment Co., Ltd.	\$2,203	35%	\$2,247	35%
Yangzhou YoungTek Electronics Ltd.	162,885	40%	133,554	40%
Cyans visual creative Co., Ltd.	19,901	40%	-	-%
Total	<u>\$184,989</u>		<u>\$135,801</u>	

Notes to the Consolidated Financial Statements of Harvatek Corporation and Subsidiaries (Continued)

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

- (1) For the purposes of strategic investment, the Group subscribed the share capital of Cyans visual creative Co., Ltd. by cash of NT\$20,000 thousand.
- (2) The Group's investment in the aforementioned associate is not material and the aggregated financial information, based on the shares held, is as presented below:

	<u>2022</u>	<u>2021</u>
Net profit (loss) for the period of the units in continued business operation	\$26,430	\$9,137
Other comprehensive income for the period (net of income tax)	2,758	695
Total comprehensive income for the period	<u>\$29,188</u>	<u>\$9,832</u>

- (3) The aforementioned invested associates had no contingent liabilities or capital commitments as of December 31, 2022 and 2021, and no guarantees have been provided.

Notes to the Consolidated Financial Statements of Harvatek Corporation and Subsidiaries (Continued)

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

8. Property, plant and equipment

								2022.12.31	2021.12.31
	<u>Property, plant and equipment for own use</u>							<u>\$559,857</u>	<u>\$586,701</u>
	Land and land improvements	Building structures	Machinery equipment	Testing equipment	Transportation equipment	Other equipment	Leasehold improvements	Total	
Costs:									
Balance on January 1, 2022									
Increase	\$102,040	\$506,786	\$2,275,665	\$50,813	\$2,011	\$219,494	\$61,049	\$3,217,858	
Reclassified (Note)	-	(7,752)	-	-	-	-	-	(7,752)	
Disposal	-	-	(32,230)	(2,350)	-	(20,010)	-	(54,590)	
Effect of exchange rate changes	1,352	646	238	-	-	22	-	2,258	
Balance on December 31, 2022	<u>\$103,392</u>	<u>\$505,160</u>	<u>\$2,312,372</u>	<u>\$50,266</u>	<u>\$2,773</u>	<u>\$208,872</u>	<u>\$62,102</u>	<u>\$3,244,937</u>	
Balance on January 1, 2021									
Increase	\$102,402	\$506,366	\$2,233,758	\$51,384	\$2,537	\$235,270	\$52,540	\$3,184,257	
Business combination	-	-	12,973	-	-	619	8,509	22,101	
Reclassified	-	-	-	-	-	(1,196)	-	(1,196)	
Disposal	-	-	(24,276)	(6,422)	(526)	(29,212)	-	(60,436)	
Effect of exchange rate changes	-	(172)	85	-	-	-	-	(449)	
Balance on December 31, 2021	<u>\$102,040</u>	<u>\$506,786</u>	<u>\$2,275,665</u>	<u>\$50,813</u>	<u>\$2,011</u>	<u>\$219,494</u>	<u>\$61,049</u>	<u>\$3,217,858</u>	
Depreciation and impairment:									
Balance on January 1, 2022									
Depreciation	\$1,130	\$257,697	\$2,072,023	\$44,597	\$2,011	\$201,271	\$52,428	\$2,631,157	
Reclassified (Note)	-	(310)	-	-	-	-	-	(310)	
Disposal	-	-	(32,230)	(2,350)	-	(20,010)	-	(54,590)	
Effect of exchange rate changes	-	494	153	-	-	22	-	669	
Balance on December 31, 2022	<u>\$1,130</u>	<u>\$268,221</u>	<u>\$2,120,865</u>	<u>\$45,667</u>	<u>\$2,159</u>	<u>\$193,264</u>	<u>\$53,774</u>	<u>\$2,685,080</u>	
Balance on January 1, 2021									
Depreciation	\$1,130	\$246,923	\$2,031,275	\$43,976	\$2,537	\$219,933	\$51,416	\$2,597,190	
Reclassified	-	-	-	-	-	(454)	-	(454)	
Disposal	-	-	(24,276)	(6,421)	(526)	(29,011)	-	(60,234)	
Effect of exchange rate changes	-	(123)	53	-	-	(2)	-	(72)	
Balance on December 31, 2021	<u>\$1,130</u>	<u>\$257,697</u>	<u>\$2,072,023</u>	<u>\$44,597</u>	<u>\$2,011</u>	<u>\$201,271</u>	<u>\$52,428</u>	<u>\$2,631,157</u>	
Net carrying amount:									
2022.12.31	<u>\$102,262</u>	<u>\$236,939</u>	<u>\$191,507</u>	<u>\$4,599</u>	<u>\$614</u>	<u>\$15,608</u>	<u>\$8,328</u>	<u>\$559,857</u>	
2021.12.31	<u>\$100,910</u>	<u>\$249,089</u>	<u>\$203,642</u>	<u>\$6,216</u>	<u>\$-</u>	<u>\$18,223</u>	<u>\$8,621</u>	<u>\$586,701</u>	

Note: The Group donated a portion of the office space located in the Gofar building on the National Yang Ming Chiao Tung university Tainan campus in 2022, as a result, it was reclassified as an donation expense under general and administration expenses.

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

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

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

#### 9. Investment property

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

	<u>Building</u>
Costs:	
2022.01.01	\$83,099
Effect of exchange rate changes	969
2022.12.31	<u>\$84,068</u>
2021.01.01	\$83,358
Effect of exchange rate changes	(259)
2021.12.31	<u>\$83,099</u>
Depreciation and impairment:	
2022.01.01	\$11,906
Current depreciation	2,951
Effect of exchange rate changes	740
2022.12.31	<u>\$15,597</u>
2021.01.01	\$9,170
Current depreciation	2,921
Effect of exchange rate changes	(185)
2021.12.31	<u>\$11,906</u>

## Notes to the Consolidated Financial Statements of Harvatek Corporation and Subsidiaries (Continued)

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

Net carrying amount:

2022.12.31		\$68,471
2021.12.31		\$71,193
	2022	2021
Rental income from the investment property	\$12,880	\$12,825
Less: Direct operating expenses incurred on investment properties that generate rental income for the period	(2,951)	(2,921)
Total	\$9,929	\$9,904

The Group does not measure its investment property at fair value, but only discloses information on its fair value. The fair value hierarchy is level 3. The fair value of investment properties held by the Group amounted to NT\$76,764 thousand and NT\$79,577 thousand as of December 31, 2022 and 2021, 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:

	2022.12.31	2021.12.31
Long-term operating income	\$119,643	\$122,728
Capitalization rate	7.50%	7.50%

10. Intangible assets

	Patent and technology	Customer relation	Computer software	Goodwill	Total
Costs:					
Balance on January 1, 2022	\$249,351	\$12,000	\$100,342	\$8,660	\$370,353
Increase - acquired alone	-	-	9,474	-	9,474
Disposal	-	-	(60)	-	(60)
Business combination	(2,000)	(1,000)	-	1,208	(1,792)
Balance on December 31, 2022	\$247,351	\$11,000	\$109,756	\$9,868	\$377,975

Notes to the Consolidated Financial Statements of Harvatek Corporation and Subsidiaries (Continued)

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

	Patent and technology	Customer relation	Computer software	Goodwill	Total
Balance on January 1, 2021	\$238,351	\$-	\$91,955	\$-	\$330,306
Increase - acquired alone	-	-	7,587	-	7,587
Business combination	11,000	12,000	75	8,660	31,735
Reclassified	-	-	725	-	725
Balance on December 31, 2021	<u>\$249,351</u>	<u>\$12,000</u>	<u>\$100,342</u>	<u>\$8,660</u>	<u>\$370,353</u>
Amortization and impairment:					
Balance on January 1, 2022	\$239,269	\$1,400	\$95,393	\$-	\$336,062
Amortization	796	695	6,586	-	8,077
Reclassified	-	-	-	-	-
Balance on December 31, 2022	<u>\$240,065</u>	<u>\$2,095</u>	<u>\$101,979</u>	<u>\$-</u>	<u>\$344,139</u>
Balance on January 1, 2021	\$238,351	\$-	\$90,337	\$-	\$328,688
Amortization	918	1,400	4,506	-	6,824
Reclassified	-	-	550	-	550
Balance on December 31, 2021	<u>\$239,269</u>	<u>\$1,400</u>	<u>\$95,393</u>	<u>\$-</u>	<u>\$336,062</u>
Net carrying amount:					
2022.12.31	<u>\$7,286</u>	<u>\$8,905</u>	<u>\$7,777</u>	<u>\$9,868</u>	<u>\$33,836</u>
2021.12.31	<u>\$10,082</u>	<u>\$10,600</u>	<u>\$4,949</u>	<u>\$8,660</u>	<u>\$34,291</u>

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

Recognized amount of amortization for intangible assets is as follows:

	2022	2021
Operating costs	\$280	\$431
General and administration expenses	7,797	6,393
R&D expenses	-	-
Total	<u>\$8,077</u>	<u>\$6,824</u>

Goodwill arising from business combination amounted to NT\$8,660 thousand was provisional on December 31, 2021. Please refer to Note VI.23 for details on the valuation of fair value of net assets related to the business combination..

#### 11. Impairment testing of goodwill

The Group's goodwill arising from business combination of the acquisition of iReach Corporation. For the purposes of impairment testing, the Group's goodwill allocated to cash generating unit and do the impairment testing annually.

The recoverable amount of the cash-generating unit is determined based on the value-in-use calculated using cash flow projections discounted by the pre-tax discount rate from financial budgets approved by management covering a three-year period. The projected cash flows reflect the change in demand for products and services, pre-tax discount rate in 2022 were 14.36%. As a result of the analysis, the Company did not identify any impairment for goodwill of NT\$9,868 thousand.

#### Key assumptions used in value-in-use calculations

The calculation of value-in-use for the cash-generating unit is most sensitive to the following assumptions:

- (a) Growth rates of sales
- (b) Discount rates

Growth rates of sales – Growth rates of sales is estimated based on the market supply and demand situation during the financial budget period, as well as the progress of product introductions.

Discount rates – Discount rates reflect the current market assessment of the risks specific to each cash generating unit (including the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted). The discount rate was estimated based on the weighted average cost of capital (WACC) for the Company, taking

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

into account the particular situations of the Company and its operating segments. The WACC includes both the cost of liabilities and cost of equity. The cost of equity is derived from the expected returns of the Company's investors on capital, where the cost of liabilities is measured by the interest bearing loans that the Company has obligation to settle.

Sensitivity to changes in assumptions

With regard to the assessment of value-in-use of the cash-generating unit of iReach Corporation, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

12. Short-term loans

	<u>2022.12.31</u>	<u>2021.12.31</u>
Unsecured borrowings	\$15,872	\$209,332
Interest range	0%	0%-0.63%

The Group's unused short-term borrowing facilities as of December 31, 2022 and 2021, were NT\$863,500 thousand and NT\$754,660 thousand, respectively.

13. Retirement benefit plans

Defined contribution plans

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

Pension benefits for employees of the Group's overseas subsidiaries and branches are provided in accordance with the local regulations.

Expenses under the defined contribution plan recognized by the Group for the years ended 31 December, 2022 and 2021, are NT\$20,646, thousand and NT\$20,065 thousand respectively.

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

Defined benefit plans

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

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house and under mandate, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate flexibility to achieve the targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover deficits with the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the categorization of fair value of the plan assets could be made in accordance with IAS 19. The Group expects to contribute \$1,711 thousand to its defined benefit plan during the 12 months beginning after 31 December, 2022.

As of December 31, 2022 and 2021, the weighted-average duration of the Company’s defined benefit obligations was 14 and 16 years, respectively.

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

	2022	2021
Current period service costs	\$128	\$128
Interest from net defined benefit liability (asset)	211	139
Total	<u>\$339</u>	<u>\$267</u>

Notes to the Consolidated Financial Statements of Harvatek Corporation and Subsidiaries (Continued)

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

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

	2022.12.31	2021.12.31	2021.01.01
Defined benefit obligations	\$44,251	\$48,351	\$52,095
Fair value of the plan assets	(25,448)	(21,998)	(19,775)
Net defined benefit liability	<u>\$18,803</u>	<u>\$26,353</u>	<u>\$32,320</u>

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

	Present value of defined benefit obligations	Fair value of the plan assets	Net defined benefit liability (asset)
Balance on January 1, 2021	\$52,095	\$(19,775)	\$32,320
Current period service costs	128	-	128
Interest expenses (income)	224	(85)	139
Subtotal	<u>52,447</u>	<u>(19,860)</u>	<u>32,587</u>
Remeasurement of defined benefit liability/asset:			
Arising from changes in financial assumptions	(2,097)	-	(2,907)
Experience adjustments	(1,189)	-	(1,189)
Remeasurement of defined benefit asset	-	(259)	(259)
Subtotal	<u>(4,096)</u>	<u>(259)</u>	<u>(4,355)</u>
Payments from the plan	-	-	-
Contributions by employer	-	(1,879)	(1,879)
Balance on December 31, 2021	48,351	(21,998)	26,353
Current period service costs	128	-	128
Interest expenses (income)	387	(176)	211
Subtotal	<u>48,866</u>	<u>(22,174)</u>	<u>26,692</u>
Remeasurement of defined benefit liability/asset:			
Arising from changes in demographic assumptions	967	-	967
Arising from changes in financial assumptions	(5,073)	-	(5,073)
Experience adjustments	(509)	-	(509)
Remeasurement of defined benefit asset	-	(1,563)	(1,563)
Subtotal	<u>(4,615)</u>	<u>(1,563)</u>	<u>(6,178)</u>
Payments from the plan	-	-	-
Contributions by employer	-	(1,711)	(1,711)
Balance on December 31, 2022	<u>\$44,251</u>	<u>\$(25,448)</u>	<u>\$18,803</u>

Notes to the Consolidated Financial Statements of Harvatek Corporation and Subsidiaries (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:

	2022.12.31	2021.12.31
Discount rate	1.39%	0.80%
Expected rate of salary increases	3.00%	3.00%

Sensitivity analysis for each significant actuarial assumption:

	2022		2021	
	Defined benefit obligation increase	Defined benefit obligation decrease	Defined benefit obligation increase	Defined benefit obligation decrease
Discount rate increases by 0.5%	\$-	\$3,035	\$-	\$3,600
Discount rate decreases by 0.5%	3,336	-	3,980	-
Expected salary increases by 0.5%	3,265	-	3,871	-
Expected salary decreases by 0.5%	-	(3,004)	-	3,543

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

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

#### 14. Equity

##### (1) Capital stock

As of December 31, 2022 and 2021, 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.

## Notes to the Consolidated Financial Statements of Harvatek Corporation and Subsidiaries (Continued)

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

(2) Capital surplus

	2022.12.31	2021.12.31
Additional paid-in capital	\$20,878	\$20,878
From treasury share transactions	19,139	19,139
From convertible bonds	353,769	353,769
Donated assets	604	551
Changes in equities of subsidiaries recognized	7,878	6,162
Others - expired stock options	94,035	94,035
Total	<u>\$496,303</u>	<u>\$494,534</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:

	2022.12.31	2021.12.31
Amount	<u>\$1,320</u>	<u>\$1,320</u>
Number of Shares (thousand shares)	<u>76</u>	<u>76</u>

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 2022.

(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.

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

- 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 9, 2023, and March 24, 2022, the Company proposed and resolved the appropriation of earnings and dividends per share for 2022 and 2021, respectively. Details are as follows:

	Earnings distribution		Dividend per share (NT\$)	
	2022	2021	2022	2021
Legal reserve	\$38,017	\$37,320		
Cash dividends of common stock	309,105	309,105	1.5	1.5

## Notes to the Consolidated Financial Statements of Harvatek Corporation and Subsidiaries (Continued)

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

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

## (5) Non-controlling interests

	2022	2021
Beginning balance	\$172,516	\$63,593
Net income attributed to non-controlling interests	22,107	18,030
Other comprehensive income attributable to non-controlling interests		
Exchange differences arising from translation of foreign operations	63	25
Unrealized gains on investments in equity instruments at fair value through other comprehensive income	(49,304)	31,252
Changes in ownership interests in subsidiaries	(1,498)	(3,287)
Attributed to non-controlling interests	(4,227)	12,048
Business combination attributed to non-controlling interests	-	50,855
Ending balance	\$139,657	\$172,516

15. Revenue from operations

	2022	2021
Revenue from contracts with customers		
Revenue from sale of products	\$2,442,285	\$2,986,271
Engineering revenue	27,424	14,219
Net operating revenue	\$2,469,709	\$3,000,490

Notes to the Consolidated Financial Statements of Harvatek Corporation and Subsidiaries (Continued)

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

Information related to the Group's revenue from contracts with customers in 2022 and 2021:

(1) Disaggregation of revenue

Source of revenue	Revenue recognition timing	2022	2021
Revenue from sale of products	Satisfied at certain point of time	\$2,442,285	\$2,986,271
Engineering revenue	Satisfied at certain point of time	27,424	14,219
Total		<u>\$2,469,709</u>	<u>\$3,000,490</u>

(2) Contract balances

Contract liability - current

	2022.12.31	2021.12.31	2021.01.01
Sale of goods	\$61,481	\$36,036	\$4,912
Engineering revenue	7,698	10,939	-
Total	<u>\$69,179</u>	<u>\$46,975</u>	<u>\$4,912</u>

The Group's significant changes in the contract liability balances during January 1 to December 31, 2022 and 2021, are as follows:

	2022	2021
Revenue recognized during the period that was included in the beginning balance	\$46,975	\$4,912
Increase in receipt in advance during the period (deducting the amount incurred and transferred to revenue during the period)	69,179	46,975

The difference between the Group's contractual liabilities as of December 31, 2022 and 2021, 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

	2022.12.31	2021.12.31
Cost to fulfill contracts - current	<u>\$10,790</u>	<u>\$8,444</u>

Notes to the Consolidated Financial Statements of Harvatek Corporation and Subsidiaries (Continued)

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

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

16. Expected credit impairment loss

	2022	2021
Operating expenses - expected credit impairment gain on reversal		
Notes receivable	\$-	\$-
Accounts receivable	(45,675)	(12,042)
Other receivables	-	-
Total	<u><u>\$(45,675)</u></u>	<u><u>\$(12,042)</u></u>

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

The Group's allowance for losses of receivables (including notes and accounts receivable) are measured on a basis of life-time expected credit losses. The related descriptions of the allowance for losses as of December 31, 2022 and 2021, 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:

2022.12.31

	Not overdue	Number of overdue days			Total	
		Within 30 days	30-120 days	121-300 days		301 days or more
Group 1						
Total carrying amount	427,282	1,587	2,755	-	14,45	445,669
Loss ratio	0%	0%	10%	30%	100%	
Lifetime expected credit loss	-	-	(275)	-	(14,045)	(14,320)
Carrying amount	<u><u>427,282</u></u>	<u><u>1,587</u></u>	<u><u>2,480</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>431,349</u></u>

2021.12.31

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

Notes to the Consolidated Financial Statements of Harvatek Corporation and Subsidiaries (Continued)

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

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

Information on the changes in the allowance for losses on notes receivable, accounts receivable- other receivables for the years ended December 31, 2022 and 2021, is as follows:

	Notes receivable	Accounts receivable	Other receivables	Total
Balance on January 1, 2022	\$-	\$59,995	\$-	\$59,995
Allowance for losses (reversal)	-	(45,675)	-	(45,675)
Current write off	-	-	-	-
Balance on December 31, 2022	\$-	\$14,320	\$-	\$14,320
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

17. Leasehold

(1) The Group as a lessee

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

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

A. Amount recognized in the balance sheet

(a) Right-of-use assets

Notes to the Consolidated Financial Statements of Harvatek Corporation and Subsidiaries (Continued)

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

Carrying amount of the right-of-use assets

	<u>2022.12.31</u>	<u>2021.12.31</u>
Land	\$45,425	\$46,799
Buildings and structures	8,943	11,240
Machinery equipment	4,256	872
Transportation equipment	535	1,433
Total	<u>\$59,159</u>	<u>\$60,344</u>

During the years ended December 31, 2022, the additions to right-of-use assets of the Company amounted to NT\$3,929 thousand. In 2021, the Company acquired right-to-use assets of \$3,916 thousand additionally and \$6,528 thousand as a result of business combination.

(b) Lease liabilities

	<u>2022.12.31</u>	<u>2021.12.31</u>
Lease liabilities		
Current	<u>\$6,579</u>	<u>\$5,138</u>
Non-current	<u>\$54,210</u>	<u>\$56,678</u>

Please refer to Note VI.19(4) “financial costs” for the Group’s interest expenses on lease liabilities in 2022 and 2021; please refer to Note XII.5 “liquidity risk management” for the maturity analysis of lease liabilities in 2021 and 2021.

B. Amount recognized in the income statement

Depreciation of right-of-use assets

	<u>2022</u>	<u>2021</u>
Land	\$1,711	\$1,703
Buildings and structures	2,296	1,514
Machinery equipment	545	436
Transportation equipment	898	1,307

## Notes to the Consolidated Financial Statements of Harvatek Corporation and Subsidiaries (Continued)

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

Total	\$5,450	\$4,960
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## C. The lessee's income and expenses related to leasing activities

	2022	2021
Short-term lease expenses	\$4,098	\$1,956
Expenses on low-value asset leases (excluding those on low-value asset leases under short-term leases)	591	560

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

The Group's cash outflows for leases in 2022 and 2021 were NT\$10,974 thousand and NT\$8,078 thousand respectively.

## E. Other information related to leasing activities

## Options to extend the lease and terminate the lease

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

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

By function By nature	2022			2021		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Labor expenses						
Salary and bonus expenses	\$258,110	\$216,215	\$474,325	\$331,936	\$185,701	\$517,637
Labor and health insurance expenses	27,236	15,382	42,618	28,615	13,580	42,195
Pension expenses	12,830	8,155	20,985	13,569	6,763	20,332
Board compensation	-	4,649	4,649	-	4,717	4,717
Other employee benefit expenses	11,647	5,198	16,845	12,380	4,559	16,939
Depreciation expenses	81,360	35,195	116,555	73,615	28,993	102,608

Notes to the Consolidated Financial Statements of Harvatek Corporation and Subsidiaries (Continued)

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

Amortization expenses (Note)	3,131	7,768	10,899	3,617	6,291	9,908
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Note: Includes amortization expenses recorded under other non-current assets - deferred assets.

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

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

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

In accordance with the Company's Articles of Incorporation, the Company shall set aside no less than 6% of the Company's profit for the year as employee remuneration, which shall be distributed in shares or cash by resolution of the Board of Directors. The remuneration shall

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

also be distributed to the employees of parents or subsidiaries of the Company who meet certain specific requirements. The Company may set aside not more than 1% of the above-mentioned profits as remuneration to directors by resolution of the Board of Directors. However, if the Company has accumulated loss, the loss shall be covered first, and the remuneration to employees and directors shall be set aside by the aforementioned proportion. The distribution of employees' and directors' remuneration is authorized to be determined by the Board of Directors with the presence of at least two-thirds of the directors and by a resolution of a majority of the directors present, and reported to the shareholders' meeting. If the Board of Directors resolves to pay employees' remuneration in shares, the closing stock price on the day before the board of directors' resolution is used as the basis for calculating the number of shares to be allotted. If the estimated amount differs from the actual allotment amount resolved by the Board of Directors, the difference shall be recorded as profit or loss in the following year. For information on employees' and directors' remuneration approved by the Board of Directors, please visit the Market Observation Post System (MOPS) of the Taiwan Stock Exchange.

For the year 2022, the Group estimated NT\$38,000 thousand for employees' remuneration and NT\$4,550 thousand for directors and supervisors' remuneration, respectively, which were recorded as salary expenses; on March 9, 2023, the board meeting resolved to pay employees' remuneration and directors and supervisors' remuneration in cash of NT\$38,000 thousand and NT\$4,550 thousand, respectively, which is not materially different from the estimated figures in the accounts.

The Group's actual remunerations for employees and directors and supervisors for 2021 were NT\$35,450 thousand and NT\$4,550 thousand, respectively, which is not materially different from the amounts recorded as expenses in the 2021 financial statements.

#### 19. Non-operating income and expenses

##### (1) Interest income

	2022	2021
Financial assets measured at amortized cost	<u>\$18,006</u>	<u>\$10,981</u>

##### (2) Other income

	2022	2021
Rent income	13,520	12,921
Dividend income	32,526	27,875
Other income	20,257	16,977
Total	<u>\$66,303</u>	<u>\$57,773</u>

Notes to the Consolidated Financial Statements of Harvatek Corporation and Subsidiaries (Continued)

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

(3) Other gains and losses

	2022	2021
Gains on disposal of investments	\$130	\$-
Gains on disposal of property, plant and equipment	-	712
Net loss on foreign exchange	81,530	(21,567)
Gain (loss) on financial assets and liabilities at fair value through profit or loss	(1,629)	2,218
Other	(245)	920
Total	<u>\$79,786</u>	<u>\$(17,717)</u>

(4) Finance costs

	2022	2021
Interest on bank loans	\$435	\$1,418
Interest on lease liabilities	993	1,035
Total	<u>\$1,428</u>	<u>\$2,453</u>

20. Composition of other comprehensive income

Composition of other comprehensive income in 2022 is as follows:

	Generated in current period	Reclassified in current period	Other comprehensive income	Income tax benefit (expense)	After-tax amount
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit plans	\$6,178	\$-	\$6,178	\$(1,236)	\$4,942
Unrealized gains on investments in equity instruments at fair value through other comprehensive income	(242,192)	-	(242,192)	-	(242,192)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising from translation of foreign operations	5,963	-	5,963	-	5,963
Total	<u>\$(230,051)</u>	<u>\$-</u>	<u>\$(230,051)</u>	<u>\$(1,236)</u>	<u>\$(231,287)</u>

Notes to the Consolidated Financial Statements of Harvatek Corporation and Subsidiaries (Continued)

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

Composition of other comprehensive income in 2021 is as follows:

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

21. Income taxes

The main composition of income taxes is as follows:

Income tax recognized in profit or loss

	2022	2021
Income tax of the current period		
Income taxes payable of the current period	\$59,539	\$81,953
Adjustment to income taxes of prior periods	(5,580)	(9,290)
Deferred income tax		
Related to origin and reversal of temporary differences	17,671	(4,313)
Income tax expense	<u>\$71,630</u>	<u>\$68,350</u>

Income taxes recognized as other comprehensive income

	2022	2021
Deferred income tax expense (benefit)		
Remeasurement of defined benefit plans	<u>\$1,236</u>	<u>\$871</u>

Reconciliation between tax expense and the product of accounting profit multiplied by

Notes to the Consolidated Financial Statements of Harvatek Corporation and Subsidiaries (Continued)

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

applicable tax rates is as follows:

	2022	2021
Profit before income tax of the units in continued business operation	\$468,962	\$456,698
Tax at the domestic rates applicable to profits in the country concerned	\$93,793	\$91,340
Income tax effect of expenses not deductible for tax purposes	(9,725)	(4,651)
Income tax effect of deferred tax assets/liabilities	(6,858)	(9,049)
Adjustments to current income tax of prior years	(5,580)	(9,290)
Total income tax expense recognized in profit or loss	\$71,630	\$68,350

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

2022

	Beginning balance	Recognized in profit or loss	Recognized as other comprehensive income	Business combination	Ending balance
Temporary difference					
Loss for market price decline and obsolete and slow-moving inventories	\$28,431	\$(3,113)	\$-	\$-	\$25,318
Employee benefits payable	1,885	(1,885)	-	-	-
Valuation gains or losses on foreign investment targets	12,966	332	-	-	13,298
Amortization of intangible assets	(4,137)	299	-	600	(3,238)
Other	26,170	(13,304)	(1,236)	-	11,630
Deferred income tax (expense)/benefit		\$(17,671)	\$(1,236)	\$600	
Net deferred income tax assets/(liabilities)	\$63,515				\$47,008
Information presented in balance sheet as below:					
Deferred income tax assets	\$70,136				\$51,208
Deferred income tax liabilities	\$(4,821)				\$(4,200)

## Notes to the Consolidated Financial Statements of Harvatek Corporation and Subsidiaries (Continued)

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

2021

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

Unrecognized deferred income tax assets

As of December 31, 2022 and 2021, the Group has unrecognized deferred income tax assets totaling NT\$51,210 thousand and NT\$61,398 thousand, respectively, due to the unlikelihood of taxable income.

Notes to the Consolidated Financial Statements of Harvatek Corporation and Subsidiaries (Continued)

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

Income tax examination

As of December 31, 2022, the examined income tax returns of the Company and its domestic subsidiaries are as follows.

	<u>Income tax examination</u>
The Company	Through 2020
Subsidiary - Hong-Cheng Investment Co., Ltd.	Through 2020
Subsidiary - Sleipnir LED Co., Ltd.	Through 2020
Subsidiary - Syntek Corporation Limited	Through 2020
Subsidiary - Consentek Corporation	Through 2020
Subsidiary - Starlight Display Corporation	Through 2021
Subsidiary - iReach Corporation	Through 2020

22. Earnings per share

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

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

	<u>2022</u>	<u>2021</u>
(1) Basic earnings per share		
Profit attributable to ordinary equity holders of the parent (NT\$ thousand)	\$375,225	\$370,318
Weighted average number of ordinary shares outstanding for basic earnings per share (thousand shares)	205,994	205,814
Basic earnings per share (NT\$)	\$1.82	\$1.80

## Notes to the Consolidated Financial Statements of Harvatek Corporation and Subsidiaries (Continued)

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

	2022	2021
(2) Diluted earnings per share		
Profit attributable to ordinary equity holders of the parent (NT\$ thousand)	\$375,225	\$370,818
Weighted average number of ordinary shares outstanding for basic earnings per share (thousand shares)	205,994	205,814
Dilutive effect:		
Employees' remuneration	2,492	1,438
Weighted average number of ordinary shares outstanding after adjusting the dilutive effect (thousand shares)	208,486	207,252
Diluted earnings per share (NT\$)	\$1.80	\$1.79

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

23. Business combinationAcquisition of iReach Corporation

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

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

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

## Notes to the Consolidated Financial Statements of Harvatek Corporation and Subsidiaries (Continued)

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

	<u>Fair value as of the acquisition date</u>
<b>Assets</b>	
Cash	\$73,016
Accounts receivable	8,079
Inventories	13,323
Other current assets	8,024
Property, plant and equipment	22,101
Right-of-use assets	6,528
Intangible assets	20,075
Subtotal	<u>151,146</u>
<b>Liabilities</b>	
Accounts payable	(40,539)
Lease liabilities	(6,672)
Other	(4,141)
Subtotal	<u>(51,352)</u>
Fair value of identifiable net assets	<u><u>\$99,794</u></u>
<b>Amount of the goodwill of iReach Corporation:</b>	
Cash consideration	\$59,999
Non-controlling interests (49.76% of the fair value of identifiable net assets)	49,663
Less: fair value of identifiable net assets	<u>(99,794)</u>
Goodwill	<u><u>\$9,868</u></u>
<b>Cashflow analysis of acquisition</b>	
Cash transaction cost of acquisition	\$(59,999)
Net cash acquired from the subsidiary	<u>73,016</u>
Net cashflow arising from acquisition	<u><u>\$13,017</u></u>

The amount of identifiable net assets recognized in the financial statements as of December 31, 2022 was based on the fair value assessment of an independent external appraisal report. However, the assessment results were still provisional as of the date of management's approval and release of the financial statements on March 24, 2022. The appraisal report was completed in may 2022, it showed that the fair value of identifiable net assets was NT\$99,794 thousand on the acquisition date, which decreased by NT\$2,400 thousand compared to the provisional estimate. This resulted in an increase of NT\$1,208 thousand in goodwill, but did not have a significant impact on the financial statements.

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

iReach Corporation had generated NT\$119,664 thousand of revenue and NT\$29,245 thousand of profit before tax for the Group since the acquisition date as of December 31, 2021. Had the merger occurred at the beginning of the year, the Group's revenue from continuing operations would have been NT\$3,021,063 thousand, and the profit from continuing operations before tax would have been NT\$446,647 thousand.

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

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

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

iReach Corporation was issued new shares in August 2022. The Group did not participate in both cash capital increases in proportion to its shareholding and resulted that the Group's shareholding decreased to 66.5% respectively. However, the transaction did not affect the control of the subsidiary, so the change in equity was treated as an equity transaction.

- (2) Sell the shares of subsidiary

For the purposes of strategic investment, the Group transferred shareholding of Sleipnir LED Co., Ltd., resulted that the Group's shareholding decreased to 66%.00%, however, the transaction did not affect the control of the subsidiary. Therefore, it was treated as an equity transaction.

In July 2022, the Group did not participate in the cash capital increase of Sleipnir LED Co., Ltd., resulting in a decrease in shareholding from 66.00% to 6.97%, leading to the loss of control over the subsidiary. In accordance with the International Financial Reporting Standards, the investment was treated as a complete disposal, and the remaining 6% of the investment was reclassified at its fair value on that day, with a cost of NT\$779 thousand. As a result, a gain on disposal of investment of NT\$130 thousand was recognized. The remaining investment was reclassified as financial assets measured at fair value through profit or loss, and it was sold for the total consideration of NT\$700

## Notes to the Consolidated Financial Statements of Harvatek Corporation and Subsidiaries (Continued)

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

thousand, resulting in a loss on disposal of financial assets measured at fair value through profit or loss of NT\$79 thousand in September 2022.

VII. Interest Party Transactions

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

<u>Name of related party</u>	<u>Relations with the Group</u>
YoungTek Electronics Corporation (YoungTek)	Other related party of the Group
Jiu Hong Xin Technology Co., Ltd. (Jiu Hong Xin)	Other related party of the Group
IN & OUT Bio Beauty Corp. (In & Out Bio)	Other related party of the Group
Cyans visual creative Co. ,Ltd. (Cyans visual)	Associated Enterprises of the Group

1. Sales

	<u>2022</u>	<u>2021</u>
YoungTek	\$2,935	\$31
Cyans visual	9,524	-
Total	<u>\$12,459</u>	<u>\$31</u>

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

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

<u>Name of related party</u>	<u>Accounts</u>	<u>2022</u>	<u>2021</u>
YoungTek	Manufacturing overhead - outsourced (Note)	<u>\$47,186</u>	<u>\$62,487</u>
YoungTek	Manufacturing overhead - testing and experiment expenses etc.	<u>\$2,557</u>	<u>\$4,029</u>
YoungTek	Non-operating revenue - sample revenue	<u>\$165</u>	<u>\$166</u>
YoungTek	Non-operating revenue - miscellaneous income	<u>\$4,327</u>	<u>\$-</u>
IN & OUT Bio	Non-operating revenue - other income	<u>\$620</u>	<u>\$1,040</u>

## Notes to the Consolidated Financial Statements of Harvatek Corporation and Subsidiaries (Continued)

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

Name of related party	Accounts	2022	2021
Jiu Hong Xin	Manufacturing overhead - repair and maintenance expense etc.	\$-	\$122
Cyans visual	Non-operating revenue – rental income	\$6	\$-

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

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

## (1) Purchase of equipment

Name of related party	Accounts	2022	2021
YoungTek	Machinery equipment	\$24,788	\$42,006
YoungTek	Prepayment to equipment suppliers	\$74,135	\$3,150

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

## (2) Lease of buildings

The Group leased its office and factory to YoungTek Electronics Corporation in November 2019 with a contracted lease term from November 1, 2019, to October 31, 2024. The lease income in 2022 and 2021 were both NT\$10,800 thousand. The lease price given by the Company to YoungTek Electronics Corporation is determined with reference to the market price of similar leases and is NT\$900 thousand per month, payable monthly.

The Group leased other parts of its plant to YoungTek Electronics Corporation in August 2020. According to the contracted lease term, the monthly rent is NT\$32 thousand, payable monthly. The lease income in 2022 and 2021 were both NT\$768 thousand. The lease price is determined with reference to the market price.

Notes to the Consolidated Financial Statements of Harvatek Corporation and Subsidiaries (Continued)

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

4. Accounts receivables – related parties

	2022.12.31	2021.12.31
YoungTek	\$445	\$-

5. Other receivables - related parties

	2022.12.31	2021.12.31
YoungTek	\$2,258	\$135

6. Accounts payable - related parties

	2022.12.31	2021.12.31
YoungTek	\$13,629	\$26,531

7. Key management personnel remuneration

	2022	2021
Short-term employee benefits	\$44,060	\$30,461
Retirement benefit plans	1,238	480
Total	\$45,298	\$30,941

VIII. Pledged Assets

The Group's pledged assets are summarized below:

Item	Carrying amount		Guaranteed debt content
	2022.12.31	2021.12.31	
Other financial assets - pledged time deposit	\$6,022	\$12,682	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	\$8,222	\$14,882	

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

IX. Significant Contingent Liabilities and Unrecognized Contract Commitments

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.

X. Significant Disaster Losses

None.

XI. Significant Subsequent Events

None.

XII. Others

## 1. Types of Financial Instruments

	2022.12.31	2021.12.31
<u>Financial assets</u>		
Financial assets mandatorily measured at fair value through profit or loss	\$80,725	\$82,383
Financial assets measured at fair value through other comprehensive income	554,307	756,115
Financial assets measured at amortized cost (Note)	1,891,202	2,261,878
Total	<u>\$2,526,234</u>	<u>\$3,100,376</u>
<u>Financial liabilities</u>		
Financial liabilities measured at amortized cost:		
Short-term loans	\$15,872	\$209,332
Payables	502,536	684,473
Lease liabilities	60,789	61,816
Total	<u>\$579,197</u>	<u>\$955,621</u>

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

## 2. Financial Risk Management Objectives and Policies

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

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

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

### 3. Market Risk

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

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

#### Exchange rate risk

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

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

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

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

U.S. dollar exchange rate and the sensitivity analysis information is as follows:

When TWD appreciates/depreciates 5% against USD, the Group's profit (loss) for 2022 and 2021 will decrease/increase by NT\$15,698 thousand and NT\$20,644 thousand, respectively.

When TWD appreciates/depreciates 5% against CNY, the Group's profit (loss) for 2022 and 2021 will decrease/increase by NT\$4,386 thousand and NT\$20,435 thousand, respectively.

#### Interest rate risk

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

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

The sensitivity analysis of interest rate risk focuses on interest rate risk exposures (including floating rate borrowings) as of the end of the financial reporting period and assumes that a 1% increase/decrease in interest rates for one fiscal year would decrease/increase the Group's profit or loss by NT\$0 thousand and NT\$1,937 thousand in 2022 and 2021, respectively.

#### Equity Price Risk

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

For listed equity securities classified as investment in equity instruments measured at fair value through other comprehensive income, if the price of these equity securities increases/decreases by 10%, the impact on the Group's equity for 2022 and 2021 would be

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

approximately NT\$29,254 thousand and NT\$35,291 thousand, respectively.

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

#### 4. Credit Risk Management

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

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

The Group's top ten customers accounted for 57% and 53% of the Group's total receivables as of December 31, 2022 and 2021. The credit concentration risk of the remaining receivables is relatively insignificant.

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

In addition to assessing expected credit losses in accordance with IFRS 9, the Group measures the allowance for losses on receivables by expected credit losses over the duration of the receivables. Please refer to Note VI.16 for the impairment assessment method and related indicators.

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

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

## 5. Liquidity Risk Management

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

Non-derivative financial liabilities

	Less than 1 year	2 to 3 years	4 to 5 years	5 years and more	Total
2022.12.31					
Short-term loans	\$15,872	\$-	\$-	\$-	\$15,872
Payables	502,536	-	-	-	502,536
Lease liabilities (Note)	6,579	7,539	5,826	40,485	60,789
	Less than 1 year	2 to 3 years	4 to 5 years	5 years and more	Total
2021.12.31					
Short-term loans	\$209,388	\$-	\$-	\$-	\$209,388
Payables	684,473	-	-	-	684,473
Lease liabilities (Note)	5,138	7,536	5,684	43,458	61,816

Note: The following table provides further information on the maturity analysis of 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	
2022.12.31	\$6,579	\$13,365	\$9,347	\$8,578	\$22,920	\$60,789
2021.12.31	\$5,138	\$13,220	\$10,622	\$8,404	\$24,432	\$61,816

## Notes to the Consolidated Financial Statements of Harvatek Corporation and Subsidiaries (Continued)

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

## 6. Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for 2022:

	Short-term loans	Lease liabilities	Total liabilities arising from financing activities
2022.01.01	\$209,332	\$61,816	\$271,148
Cash flows	(196,395)	(5,292)	(201,687)
Non-cash changes			
Newly acquired	-	3,929	3,929
Adjustments of lease liabilities remeasurement	-	270	270
Exchange rate changes	2,935	66	3,001
2022.12.31	<u>\$15,872</u>	<u>\$60,789</u>	<u>\$76,661</u>

Reconciliation of liabilities for 2021:

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

## 7. Fair value of financial instruments

## (1) Valuation techniques and assumptions used for fair value

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

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

- A. The carrying amounts of cash and cash equivalents, receivables, payables, short-term debts and other current liabilities are a reasonable approximation of the fair values, primarily due to the short maturities of these instruments.
  - B. The fair values of financial assets and liabilities traded in active markets with standard terms and conditions are determined by reference to quoted market prices.
  - C. Fair value of equity instruments without market quotations (for example private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, price-to-earnings ratio of similar entities and price-to-book ratio of similar entities).
  - D. The fair value of bank loans and other noncurrent liabilities without market quotations is determined based on the counterparty prices or valuation method. The valuation method uses the discounted cash flow method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instruments (such as yield curves published by the Taipei Exchange, average prices for fixed-rate commercial paper published by Reuters and credit risk information).
  - E. The fair value of derivative financial instruments without market quotations which are not options, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. The fair value of option-based derivative financial instruments is obtained by using the counterparty prices or appropriate option pricing model or other valuation method.
- (2) Fair value of financial instruments measured at amortized cost

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

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

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

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

## 8. Fair value hierarchy

### (1) Fair value hierarchy definition

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

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

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

### (2) Hierarchical information on fair value measurements

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

Notes to the Consolidated Financial Statements of Harvatek Corporation and Subsidiaries (Continued)

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

As of December 31, 2022

	Level 1	Level 2	Level 3	Total
Loss on financial assets (liabilities) at fair value				
Stocks	\$-	\$-	\$80,725	\$80,725
Financial assets measured at fair value through other comprehensive income				
Stocks	292,543	-	261,764	554,307
Total	<u>\$292,543</u>	<u>\$-</u>	<u>\$342,489</u>	<u>\$635,032</u>

As of December 31, 2021

	Level 1	Level 2	Level 3	Total
Loss on financial assets (liabilities) at fair value				
Stocks	\$-	\$-	\$82,383	\$82,383
Financial assets measured at fair value through other comprehensive income				
Stocks	352,912	-	403,203	756,115
Total	<u>\$352,912</u>	<u>\$-</u>	<u>\$485,586</u>	<u>\$838,498</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 Group's assets and liabilities that are measured at fair value on a recurring basis during 2022 and 2021.

Details of changes in Level 3 of the repetitive fair value hierarchy

A reconciliation of the opening to closing balances of the Group's assets and liabilities that are measured at fair value on a recurring basis and are within level 3 of the fair value hierarchy is presented below:

Notes to the Consolidated Financial Statements of Harvatek Corporation and Subsidiaries (Continued)

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

	Assets	Assets
	Measured at fair value through profit or loss	Measured at fair value through other comprehensive income
	Preferred shares	Stocks
2022.01.01	\$82,383	\$403,203
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”)	-	(141,439)
Recognized in profit or loss (reported as “Unrealized valuation gain or loss on investment in equity instruments at fair value through profit or loss”)	(1,658)	-
2022.12.31	\$80,725	\$261,764
	Assets	Assets
	Measured at fair value through profit or loss	Measured at fair value through other comprehensive income
	Preferred shares	Stocks
2021.01.01	\$80,340	\$310,609
Recognized in other comprehensive income (reported as “Unrealized valuation gain or loss on investment in equity instruments measured at fair value through other comprehensive income”)	-	92,594
Recognized in profit or loss (reported as “Unrealized valuation gain or loss on investment in equity instruments at fair value through profit or loss”)	2,043	-
2021.12.31	\$82,383	\$403,203

Notes to the Consolidated Financial Statements of Harvatek Corporation and Subsidiaries (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 Group categorized within 3rd level of the fair value hierarchy is as follows:

As of December 31, 2022

	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	24.94%	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\$8,072 thousand.
Fair value through other comprehensive income financial assets:					
Stocks	Asset method	Discount for lack of marketability	10%-30%	The higher the discount for lack of marketability and control, the lower the fair value of the stocks	When the percentage of lack of marketability increases (decreases) by 10%, the Group's profit or loss will decrease/increase by NT\$23,189 thousand.
	Market method	Price-to-book ratio of shares of similar companies	0.3%-10.05 %	The higher the price-to-book ratio of shares of similar companies, the higher the fair value estimate	When the price-to-book ratio of shares of similar companies increases (decreases) by 10%, the Group's profit or loss will increase/decrease by NT\$2,987 thousand.

Notes to the Consolidated Financial Statements of Harvatek Corporation and Subsidiaries (Continued)

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

As of December 31, 2021

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relations between inputs and fair values	Sensitivity analysis for the relations between inputs and fair values
Fair value through profit or loss financial assets					
Stocks	Market method	Discount for lack of marketability	33.1%	The higher the discount for lack of marketability and control, the lower the fair value of the stocks	When the percentage of lack of marketability increases (decreases) by 10%, the Group's profit or loss will decrease/increase by NT\$8,238 thousand.
Fair value through other comprehensive income financial assets:					
Stocks	Asset method	Discount for lack of marketability	10%-30%	The higher the discount for lack of marketability and control, the lower the fair value of the stocks	When the percentage of lack of marketability increases (decreases) by 10%, the Group's profit or loss will decrease/increase by NT\$34,012 thousand.
	Market method	Price-to-book ratio of shares of similar companies	1.6%-24.07 %	The higher the price-to-book ratio of shares of similar companies, the higher the fair value estimate	When the price-to-book ratio of shares of similar companies increases (decreases) by 10%, the Group's profit or loss will increase/decrease by NT\$6,309 thousand.

Valuation process used for 3rd level fair value measurements

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

## Notes to the Consolidated Financial Statements of Harvatek Corporation and Subsidiaries (Continued)

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

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

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

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

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

	Amount: NT\$ thousand		
	2022.12.31		
	Foreign currency	Exchange rate	TWD
<u>Financial assets</u>			
Monetary item:			
USD	\$15,346	30.7	\$471,120
EUR	564	32.74	18,475
CNY	20,372	4.409	89,820
HKD	645	3.941	2,542
<u>Financial liabilities</u>			
Monetary item:			
USD	5,119	30.7	157,153
EUR	6	32.74	205
CNY	476	4.409	2,100
	2021.12.31		
	Foreign currency	Exchange rate	TWD
<u>Financial assets</u>			
Monetary item:			
USD	\$30,492	27.67	\$843,727
EUR	765	31.33	23,960
CNY	95,327	4.345	414,196
HKD	798	3.551	2,832
<u>Financial liabilities</u>			
Monetary item:			
USD	15,571	27.67	430,840
EUR	3	31.33	94
CNY	1,267	4.345	5,506

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

Due to the wide variety of functional currencies of each of the Group's entities, we are unable to disclose information on the exchange gains and losses on monetary financial assets and financial liabilities by the foreign currencies with significant influence. The Group's net foreign currency translation losses for 2022 and 2021 were NT\$81,530 thousand and NT\$(21,567) thousand, respectively.

#### 10. Capital management

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

### XIII. Additional Disclosures

#### 1. Information on Significant Transactions

- (1) Loaning funds to others: Please see Table I for details.
- (2) Endorsement for others: None.
- (3) Marketable securities held at the end of the period: Please refer to Table II.
- (4) The cumulative amount of purchases or sales of the same marketable securities amounting to at least NT\$300 million or 20% of the paid-in capital: None.
- (5) Acquisition of real estate amounting to at least NT\$300 million or 20% of the paid-in capital: None.
- (6) Disposal of real estate amounting to at least NT\$300 million or 20% of the paid-in capital: None.
- (7) Purchase and sale transactions with related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
- (8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.

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

(9) Derivative transactions: There was no such transaction in the current period.

(10) Others: Business relations and significant transactions between the parent and subsidiaries and among subsidiaries and the amounts involved: Please refer to Table III.

2. Information on Investees

Information on investees over which the Company has significant influence or control, directly or indirectly: Please refer to Table IV.

3. Information on investment in mainland China

(1) The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, share of profits/losses of investee, ending balance, amount received as dividends from the investee, and the limitation on the investee: Please refer to Table V.

(2) Significant direct or indirect transactions with the investees in Mainland China: Please refer to Table III.

4. Major Shareholders Information

Names, numbers of shares held, and shareholding percentages of shareholders who hold 5 percent or more of the issuer's equity: Please refer to Table VI.

XIV. Department Information

1. The Group's business and revenue are derived primarily from LED products. The Group's decision makers for operating review the results of the Group's operations as a whole in order to make decisions about the Group's resources and to assess the performance of the Group as a whole. Therefore, it is a single operating segment and has been prepared on the same basis as the summary of significant accounting policies described in Note IV.

2. Region Information

Revenue from external customers:

Notes to the Consolidated Financial Statements of Harvatek Corporation and Subsidiaries (Continued)

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

	2022	2021
Taiwan	\$728,826	\$629,802
Mainland China (Hong Kong)	1,106,831	1,785,727
Other Asian countries	404,575	389,743
Other	229,477	195,218
Total	<u>\$2,469,709</u>	<u>\$3,000,490</u>

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

Non-current assets:

	2022.12.31	2021.12.31
Taiwan	\$842,326	\$781,121
Mainland China (Hong Kong)	6,603	9,499
Other	16,984	16,045
Total	<u>\$865,913</u>	<u>\$806,665</u>

3. Information on important customers:

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

	2022	2021
	Amount	Amount
Customer A	\$580,453	\$802,769
Customer B (Note)	279,408	220,169

Note: Revenues from this client in 2021 did not reach 10% of the total consolidated revenues, and the information here is for comparison between the two periods only.

Harvatek Corporation and Subsidiaries  
Loaning funds to others  
As of December 31, 2022

Table I:

Unit: NT\$ thousand/ CNY thousand

No. (Note 1)	Financing Company	Borrower	Financial Statements Account	Maximum balance in the period	Ending balance	Amount actually drawn (Note 5)	Interest range	Financing nature	Transaction amount	Reasons for short-term financing	Allowance for bad debt	Collateral		Financing limits for each borrowing company (Note 3)	Financing company's total financing amount limit (Note 4)
												Name	Value		
0	Harvatek Corporation	Harvatek (Guangzhou) Co., LTD	Other receivables from related parties	\$68,340 (CNY 15,500)	\$17,636 (CNY 4,000)	\$17,636 (CNY 4,000)	Note 2	Short-term financing	\$-	Working capital	\$-	None	\$-	\$644,724	\$1,289,447

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 statement (closing rate of CNY 1 = TWD 4.409).

Harvatek Corporation and Subsidiaries  
Marketable securities held at the end of the period  
As of December 31, 2022

Table II (excluding subsidiaries and associates)

Unit: NT\$ thousand

Held Company	Marketable securities type and name	Relationship with the company	Accounts	2022.12.31				Remark
				Shares/unit	Carrying amount (NT\$ thousand)	Shareholding ratio	Fair value	
Harvatek Corporation	CT Micro International Corp.(preferred shares)	-	Financial assets at fair value through profit or loss - noncurrent	47,982,980	\$80,725	-	80,725	-
	Chun-Hsin Venture Capital Co., Ltd.	Corporate director	Financial assets at fair value through other comprehensive income - noncurrent	3,000,000	4,710	5.61%	4,710	-
	Hsieh-Yung Investment Co., Ltd.	-	Financial assets at fair value through other comprehensive income - noncurrent	33,408,979	227,181	1.52%	227,181	-
	Starchips Technology Inc.	-	Financial assets at fair value through other comprehensive income - noncurrent	52,777	117	0.88%	117	-
	Gingy Technology Inc.	-	Financial assets at fair value through other comprehensive income - noncurrent	19,052	4	0.37%	4	-
	Lediamond Opto Corporation	-	Financial assets at fair value through other comprehensive income - noncurrent	750,000	1,732	11.54%	1,732	-
	Bigbest Solutions Inc.	-	Financial assets at fair value through other comprehensive income - noncurrent	3,000,000	21,120	4.29%	21,120	-
	Ever Supreme Bio Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income - noncurrent	220,000	48,510	0.32%	48,510	-
	Edison Opto Corporation	-	Financial assets at fair value through other comprehensive income - noncurrent	5,376,453	84,142	3.97%	84,142	-
Hong-Cheng Investment Co., Ltd.	Harvatek Corporation	Parent company of Hong-Cheng	Financial assets at fair value through other comprehensive income - current	182,807	3,217	0.09%	3,217	-
	Youngtek Electronics Corporation	Other related party of the Harvatek	Financial assets at fair value through other comprehensive income - current	2,800,200	159,891	2.18%	159,891	-
	Sissca Co., Ltd.	-	Financial assets at fair value through other comprehensive income - noncurrent	1,292,121	6,900	5.95%	6,900	Note
Consentek Corporation	OEpic Semiconductors Inc.	-	Financial assets at fair value through other comprehensive income - noncurrent	452,830	-	10.72%	-	-

Note: In September 2022, Sigold Optics Inc. merged with other companies through the resolution of its extraordinary shareholders' meeting. Moreover, Sigold Optics Inc. was dissolved due to merger with Sissca Co., Ltd.

Harvatek Corporation and Subsidiaries  
Intercompany relationships and significant intercompany transactions  
January 1 to December 31, 2022

Table III

Unit: NT\$ thousand

No. (Note 1)	Name of trading party	Trading Counterparty	Nature of relations (Note 2)	Intercompany Transactions			Percentage of Cconsolidated Net Revenue or Total Assets (Note 3)
				Account	Amount	Transaction terms	
0	Harvatek Corporation	Harvatek(Guangzhou) Co., LTD	1	Accounts receivable - related parties	\$631	Depends on the contract	0.02%
				Other receivables - related parties	\$17,665		0.43%
				Accounts payable - related parties	\$1,079		0.03%
				Purchase	\$11,108		0.45%
				Material expenses, etc	\$207		0.01%
				Interest income	\$397		0.02%
				Sales revenue	\$6,252		0.25%
		Harvatek International (USA) Corp.	1	Accounts receivable - related parties	\$2,426	Depends on the contract	0.06%
				Payables - commissions	\$435		0.01%
				Sales revenue	\$20,329		0.82%
				Commissions expense	\$1,312		0.05%
		Guang Zhou Giuhong Yi trading company, Limited	1	Payables - commissions	\$667	Depends on the contract	0.02%
				Commissions expense	\$9,265		0.38%
		Syntek Corporation Limited	1	Deferred credits	\$2,807	Depends on the contract	0.11%
				Miscellaneous Income	\$36		0.00%
				Rent income	\$120		0.00%
		Consentek Corporation	1	Rent income	\$24	Depends on the	0.00%
Starlight Display Corporation	1	Service expenses	\$9,781	Depends on the contract	0.40%		
		Rent income	\$24		0.00%		
iReach Corporation	1	Other receivables - related parties	\$80	Depends on the contract	0.00%		
		Miscellaneous Income	\$205		0.01%		
		Material expenses, etc	\$17		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 and Subsidiaries  
Relevant information such as name and location of the investee  
2022

Table IV (excluding investees in Mainland China)

Unit: NT\$ 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%	\$157,147	\$18,172	\$8,545
	Harvated (Hong Kong) Trading Limited	Hong Kong	Investment	18,259 (HKD4,800,000)	18,259 (HKD4,800,000)	4,800,000	80.00%	240	(5)	(4)
	Hong-Ruei Investment Co., Ltd.	Hsinchu	Investment	27,450	27,450	414,000	35.29%	2,203	(124)	(43)
	Harvatek International (USA) Corp.	United States	Sales of electronics components	83,574 (USD2,600,000)	83,574 (USD2,600,000)	1,000,000	100.00%	30,772	30	30
	HONOR LIGHT LIMITED	Samoa	Investment	370,975 (USD12,446,236)	588,331 (USD19,521,636)	12,446,236	100.00%	201,156	50,916	50,916
	Sleipnir LED Co., Ltd.	Hsinchu	Manufacturing and sales of electronics components	-	10,000	-	-	-	(186)	(124)
	Syntek Corporation Limited	Hsinchu	Manufacturing and sales of electronics components	7,000	7,000	700,000	70.00%	221	(1,584)	(1,109)
	Consentek Corporation	Hsinchu	Manufacturing and sales of electronics components	55,050	55,050	6,559,336	61.22%	54,422	11,972	7,329
	Starlight Display Corporation	Hsinchu	Manufacturing and sales of electronics components	21,000	12,000	2,100,000	66.50%	14,127	(3,846)	(3,876)
	Cyans visual creative Co., Ltd.	Hsinchu	Lighting Equipments Construction	20,000	-	2,000,000	40.00%	19,901	(246)	(99)
Hong-Cheng Investment Co., Ltd.	Harvatek (Hong Kong) Trading Limited	Hong Kong	Investment	1,142 (HKD300,000)	1,142 (HKD300,000)	300,000	5.00%	15	(5)	Note 2
	Consentek Corporation	Hsinchu	Manufacturing and sales of electronics components	26,600	26,600	3,357,047	31.33%	27,853	11,972	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%	27,753	2,924	Note 2
	Harvatek Europe GmbH	Germany	Sales of electronics components	512 (EUR12,750)	512 (EUR12,750)	12,750	51.00%	884	(105)	Note 2
Consentek Corporation	iReach Corporation	Hsinchu	Manufacturing and sales of electronics components	59,999	59,999	10,909,000	50.24%	86,253	26,156	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 30.70, 3.941 and 32.740 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 29.7869, 3.8076 and 31.3607.

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

Harvatek Corporation and Subsidiaries  
Information on investment in mainland China  
2022

Table V

Unit: NT\$ 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						
Guang Zhou Guihong Yi trading company, Limited	Sales of electronics components	CNY500	(2) HONOR LIGHT LIMITED	\$2,548 (USD83)	\$-	\$-	\$2,548 (USD83)	\$663	100.00%	\$663 (Note 2、b)	\$4,302	\$-
Harvatek(Guangzhou) Co., LTD	Manufacturing and sales of electronics components	CNY20,000	(2) HONOR LIGHT LIMITED	\$94,556 (USD3,080)	\$-	\$-	\$94,556 (USD3,080)	\$740	100.00%	\$740 (Note 2、b)	\$(5,286)	\$-
Yangzhou YoungTek Electronics Ltd.	Manufacturing and sales of electronics components	CNY67,887	(2) HONOR LIGHT LIMITED	\$122,800 (USD4,000)	\$-	\$-	\$122,800 (USD4,000)	\$66,431	40.00%	\$26,572 (Note 2、a)	\$162,885	\$-

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
\$219,904 (USD7,163)	\$ 219,904 (USD7,163)	\$1,934,171

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 caaounting 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 4.409 and USD 1 = TWD 30.7).

Harvatek Corporation and Subsidiaries  
Major Shareholders Information  
As of December 31, 2022

Table VI:

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

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

Note 2: IF a shareholder delivers its shareholding information to the trust, the aforesaid information shall be disclosed by the individual trustee who opened the trust account. For information on shareholders, who declare to be insiders holding more than 10% of shares in accordance with the Securities and Exchange Act, and their shareholdings include their shareholdings plus their delivery of trust and shares with the right to make decisions on trust property, please refer to 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 share 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).