

Stock code: 6168

Harvatek Corporation
Standalone Financial Statements and Independent Auditor's Report
2022 & 2021

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Standalone Financial Statements

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Independent Auditor's Report

To Harvatek Corporation:

Opinion

We have audited the accompanying standalone balance sheets of Harvatek Corporation (the "Company") as of 31 December, 2022 and 2021, and the related standalone 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 standalone financial statements (including the summary of significant accounting policies).

In our opinion, based on our audits and the audit reports of other independent auditors (please refer to the "Others" paragraph), the standalone financial statements referred to the above present fairly, in all material respects, the standalone financial position of the Company as of 31 December, 2022 and 2021, and the financial performance and cash flow for the period of January 1 to December 31 in 2022 and 2021, in conformity with the requirements of the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

Basis for Opinion

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

Key Audit Matters

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

Revenue recognition

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

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

Other Matters - Audit Reports of Other Independent Audits

The financial statements of certain invested companies included in the standalone financial statements of Harvatek Corporation were not audited by us but by other auditors instead. Hence, in our opinion on the above-mentioned standalone financial statements, the amounts listed in the financial statements of those indirectly reinvested companies mentioned are based on the audit reports of other independent auditors. The investments accounted for using equity method in these indirect investees amounted to NT\$162,885 thousand and NT\$133,554 thousand as of December 31, 2022 and 2021, respectively, representing 4.23% and 3.09% of total assets, respectively. For the periods from January 1 to December 31 of 2022 and 2021, share of gain of subsidiaries, associates and joint ventures accounted for using the equity method amounted to NT\$26,572 thousand and NT\$6,822 thousand, representing 5.94% and 1.56% of the net income before income taxes, respectively. Share of other comprehensive gain of subsidiaries, associates and joint ventures accounted for using the equity method amounted to NT\$2,758 thousand and NT\$695 thousand, representing (1.52)% and 0.48% of the net other comprehensive income, respectively.

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

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

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

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

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

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

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

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the standalone financial statements (including the accompanying notes) and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the standalone financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Ernst & Young, Taiwan

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

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

Chen, Chih-Chung

Accountant:

Hsu, Hsin-Min

March 9, 2023

Harvatek Corporation
Standalone 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	\$ 1,218,402	32	\$ 1,189,326	28
1150	Net notes receivable	IV, VI.4 and VI.15	-	-	655	-
1170	Net accounts receivable	IV, VI.5 and VI.15	386,389	10	562,197	13
1180	Accounts receivable - related parties, net	IV, VI.5, VI.15 and VII	3,582	-	8,189	-
1200	Other receivables		13,210	-	11,549	-
1210	Other receivables - related parties	VII	19,923	1	20,035	1
130x	Inventories	IV and VI.6	372,651	10	449,685	10
1410	Prepayments		44,699	1	5,837	-
1482	Cost to fulfill contracts - current	IV and VI.14	10,790	-	8,444	-
11xx	Total current assets		2,069,646	54	2,255,917	52
	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	387,516	10	544,549	13
1550	Investment accounted for using the equity method	IV and VI.7	480,189	13	647,359	15
1600	Property, plant and equipment	IV and VI.8	514,343	13	542,050	12
1755	Right-of-use assets	IV, VI.16 and VII	50,216	1	49,104	1
1760	Net investment Property	IV and VI.9	66,497	2	68,971	2
1780	Intangible assets	IV and VI.10	2,745	-	2,763	-
1840	Deferred income tax assets	IV and VI.20	51,039	1	69,967	2
1900	Other noncurrent assets		477	-	1,390	-
1915	Prepayments for business facilities	VII	134,573	4	48,520	1
1920	Refundable deposits		1,013	-	720	-
1980	Other financial assets - noncurrent	VIII	8,222	-	14,782	-
15xx	Total noncurrent assets		1,777,555	46	2,072,558	48
1xxx	Total assets		\$ 3,847,201	100	\$ 4,328,475	100

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

Chairman: Wang, Ping-Lung

Manager: Wang, Ping-Lung

Accounting Supervisor: Su, Yu-Hui

Harvatek Corporation
Standalone Balance Sheet (continued)
As of December 31 of 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	%
	Current liabilities					
2100	Short-term loans	IV and VI.11	\$ -	-	\$ 193,690	5
2130	Contract liability - current	IV and VI.14	69,001	2	46,975	1
2170	Accounts payable		223,074	6	359,168	8
2180	Accounts payable - related parties	IV and VII	15,810	-	30,858	1
2200	Other payables		201,102	5	198,827	5
2213	Payables to equipment suppliers		4,055	-	8,298	-
2230	Income tax payable in the period	IV and VI.20	18,467	1	59,318	1
2280	Lease liabilities - current	IV, VI.16 and VII	4,436	-	2,885	-
2300	Other current liabilities	IV	17,427	-	12,880	-
21xx	Total current liabilities		<u>553,372</u>	<u>14</u>	<u>912,899</u>	<u>21</u>
	Noncurrent liabilities					
2570	Deferred income tax liabilities	IV and VI.20	962	-	684	-
2580	Lease liabilities - noncurrent	IV, VI.16 and VII	46,906	1	47,224	1
2640	Net defined benefit liability	IV and VI.12	18,803	1	26,353	1
2645	Guarantee deposits		3,540	-	3,540	-
25xx	Total noncurrent liabilities		<u>70,211</u>	<u>2</u>	<u>77,801</u>	<u>2</u>
2xxx	Total liabilities		<u>623,583</u>	<u>16</u>	<u>990,700</u>	<u>23</u>
	Equity					
3100	Capital stock	VI.13				
3110	Common stock		2,060,698	54	2,060,698	48
3200	Capital surplus	IV, VI.7 and VI.13	496,303	13	494,534	11
3300	Retained earnings	VI.7 and VI.13				
3310	Legal reserve		100,393	3	63,073	2
3350	Undistributed earnings		443,633	11	409,891	9
3400	Other equity	IV	123,911	3	310,899	7
3500	Treasury stock	IV and VI.13	(1,320)	-	(1,320)	-
3xxx	Total equity		<u>3,223,618</u>	<u>84</u>	<u>3,337,775</u>	<u>77</u>
	Total liabilities and equity		<u>\$ 3,847,201</u>	<u>100</u>	<u>\$ 4,328,475</u>	<u>100</u>

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

Chairman: Wang, Ping-Lung

Manager: Wang, Ping-Lung

Accounting Supervisor: Su, Yu-Hui

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

Unit: NT\$ thousand

Code	Account name	Note	2022		2021	
			Amount	%	Amount	%
4000	Revenue from operations	IV, VI.14 and VII	\$ 2,261,524	100	\$ 2,845,992	100
5000	Operating costs	IV, VI.6, VI.10, VI.12, VI.16, VI.17 and VII	(1,636,481)	(72)	(2,110,093)	(74)
5900	Gross operating profit		625,043	28	735,899	26
5910	Unrealized gross profit on sales		(654)	-	-	-
5950	Gross profit, net		624,389	28	735,899	26
6000	Operating expenses	IV, VI.10, VI.12, VI.15, VI.16, VI.17 and VII				
6100	Marketing expenses		(154,588)	(7)	(168,750)	(6)
6200	General and administration expenses		(106,287)	(5)	(94,197)	(3)
6300	R&D expenses		(134,198)	(6)	(107,544)	(4)
6450	Reversal of expected credit losses		45,675	2	12,042	-
	Total operating expenses		(349,398)	(16)	(358,449)	(13)
6900	Operating gains		274,991	12	377,450	13
7000	Non-operating income and expenses	IV, VI.3, VI.7, VI.9, VI.18 and VII				
7100	Interest income		14,613	1	9,267	-
7010	Other income		47,143	2	41,376	1
7020	Other gains and losses		50,034	2	(13,178)	-
7050	Finance costs		(1,195)	-	(2,231)	-
7070	Share of loss of subsidiaries, associates and joint ventures accounted for using equity method		61,565	3	24,764	1
	Total non-operating income and expenses		172,160	8	59,998	2
7900	Profit before tax		447,151	20	437,448	15
7950	Income tax expense	IV and VI.20	(71,926)	(3)	(67,130)	(2)
8200	Net profit of the period		375,225	17	370,318	13
8300	Other comprehensive income	IV and VI.19				
8310	Items that will not be reclassified subsequently to profit or loss					
8311	Remeasurement of defined benefit plans		6,178	-	4,355	-
8316	Unrealized valuation gains and losses on investments in equity instruments at fair value through other comprehensive income		(192,888)	(8)	140,577	5
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		5,900	-	338	-
	Other comprehensive income for the year (net of income tax)		(182,046)	(8)	144,399	5
8500	Total comprehensive income for the period		\$ 193,179	9	\$ 514,717	18
	Earnings per share (NT\$)					
9750	Basic earnings per share	IV and VI.21				
9710	Net profit of the period		\$ 1.82		\$ 1.80	
9850	Diluted earnings per share	IV and VI.21				
9810	Net profit of the period		\$ 1.80		\$ 1.79	

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

Chairman: Wang, Ping-Lung

Manager: Wang, Ping-Lung

Accounting Supervisor: Su, Yu-Hui

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

Unit: NT\$ thousand

Code	Item	Equity attributable to owners of parent								
		Common stock	Capital surplus	Retained earnings			Other equity		Treasury stock	Total
				Legal reserve	Special reserve	Undistributed earnings (Losses to be covered)	Exchange differences arising from translation of foreign operations	Unrealized gains or losses on equity instruments at fair value through other comprehensive income		
A1	Balance on January 1, 2021	\$ 2,060,698	\$ 484,034	\$ 48,677	\$ 6,397	\$ 188,940	\$ (6,253)	\$ 178,578	\$ (6,857)	\$ 2,954,214
	Distribution of 2020 earnings:									
B1	Legal reserve	-	-	14,396	-	(14,396)	-	-	-	-
B2	Special reserve	-	-	-	(6,397)	6,397	-	-	-	-
B5	Cash dividends of common stock	-	-	-	-	(144,249)	-	-	-	(144,249)
D1	2021 Net profit	-	-	-	-	370,318	-	-	-	370,318
D3	2021 Other comprehensive income	-	-	-	-	3,484	338	140,577	-	144,399
D5	2021 Total comprehensive income	-	-	-	-	373,802	338	140,577	-	514,717
C7	Changes of profit or loss of associates and joint ventures accounted for using equity method	-	-	-	-	(69)	-	-	-	(69)
L7	Disposal of parent company's shares by a subsidiary has been treated as a treasury stock transaction	-	4,285	-	-	-	-	-	5,537	9,822
M1	Issuance of dividends to subsidiaries to adjust capital surplus	-	53	-	-	-	-	-	-	53
M7	Changes in equities of subsidiaries	-	6,162	-	-	(2,875)	-	-	-	3,287
Q1	Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	2,341	-	(2,341)	-	-
Z1	Balance on December 31, 2021	<u>\$ 2,060,698</u>	<u>\$ 494,534</u>	<u>\$ 63,073</u>	<u>\$ -</u>	<u>\$ 409,891</u>	<u>\$ (5,915)</u>	<u>\$ 316,814</u>	<u>\$ (1,320)</u>	<u>\$ 3,337,775</u>
A1	Balance on January 1, 2022	\$ 2,060,698	\$ 494,534	\$ 63,073	\$ -	\$ 409,891	\$ (5,915)	\$ 316,814	\$ (1,320)	\$ 3,337,775
	Distribution of 2021 earnings:									
B1	Legal reserve	-	-	37,320	-	(37,320)	-	-	-	-
B5	Cash dividends of common stock	-	-	-	-	(309,105)	-	-	-	(309,105)
C3	Other changes in capital surplus From donations	-	53	-	-	-	-	-	-	53
D1	2022 Net profit	-	-	-	-	375,225	-	-	-	375,225
D3	2022 Other comprehensive income	-	-	-	-	4,942	5,900	(192,888)	-	(182,046)
D5	2022 Total comprehensive income	-	-	-	-	380,167	5,900	(192,888)	-	193,179
M1	Issuance of dividends to subsidiaries to adjust capital surplus	-	114	-	-	-	-	-	-	114
M7	Changes in equities of subsidiaries	-	1,602	-	-	-	-	-	-	1,602
Z1	Balance on December 31, 2022	<u>\$ 2,060,698</u>	<u>\$ 496,303</u>	<u>\$ 100,393</u>	<u>\$ -</u>	<u>\$ 443,633</u>	<u>\$ (15)</u>	<u>\$ 123,926</u>	<u>\$ (1,320)</u>	<u>\$ 3,223,618</u>

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

Chairman: Wang, Ping-Lung

Manager: Wang, Ping-Lung

Accounting Supervisor: Wu, Yu-Hui

Harvatek Corporation
Standalone 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	\$ 447,151	\$ 437,448			B00010	Acquisition of financial assets at fair value through other comprehensive income	\$ (738)	\$ -		
A20000	Adjustments:					B00020	Disposal of financial assets at fair value through other comprehensive income	-	1,047		
A20010	Income and other adjustments with no cash flow effects:					B00100	Acquisition of financial assets at fair value through profit or loss	(60,000)	(390,000)		
A20100	Depreciation expenses	103,766	94,200			B00200	Disposal of financial assets at fair value through profit or loss	60,803	390,175		
A20200	Amortization expenses	7,705	7,470			B01800	Acquisition of investment accounted for using the equity method	(29,000)	(12,000)		
A20300	Reversal of expected credit losses	(45,675)	(12,042)			B02300	Disposal of subsidiary	7	-		
A20400	Net gains (losses) on financial assets and liabilities at fair value through profit or loss	1,634	(2,218)			B02400	Proceeds from capital return of investments accounted for using the equity method	217,356	-		
A20900	Interest expenses	1,195	2,231			B02700	Acquisition of property, plant and equipment	(168,168)	(99,946)		
A21200	Interest income	(14,613)	(9,267)			B02800	Disposal of property, plant and equipment	4,210	914		
A21300	Dividend income	(18,525)	(18,630)			B03700	Increase in refundable deposits	(293)	-		
A22400	Share of gains or losses of subsidiaries, associates and joint ventures accounted for using equity method	(61,565)	(24,764)			B04500	Acquisition of intangible assets	(4,925)	(5,357)		
A22500	Gains on disposal and retirement of property, plant and equipment	(1,403)	(712)			B04600	Disposal of intangible assets	60	-		
A22600	Property, plant and equipment transferred to expenses	7,442	-			B06500	Other financial assets (increase)decrease	6,560	(43)		
A23100	Gains on disposal of investments	(130)	-			B06700	Increase in other noncurrent assets	(1,909)	(1,770)		
A24100	Unrealized foreign exchange (gains) losses	500	(868)			B07600	Dividends received	27,286	24,361		
A30000	Changes in operating assets/liabilities:					BBBB	Cash outflow from investing activities	51,249	(92,619)		
A31130	Notes receivable	655	(430)								
A31150	Accounts receivable	221,483	33,047			CCCC	Cash flows from financing activities:				
A31160	Accounts receivable - related parties	4,607	(312)			C00200	Short-term loans decrease	(194,190)	(113,026)		
A31180	Other receivables	(1,470)	276			C03000	Increase in guarantee deposits	-	1,500		
A31190	Other receivables - related parties	112	6,022			C04020	Repayment of lease principal	(3,034)	(3,133)		
A31200	Inventories	77,688	(80,667)			C04500	Cash dividends	(309,105)	(144,249)		
A31230	Prepayments	(38,862)	15,238			C09900	From donations	53	-		
A31280	Cost to fulfill contracts	(2,346)	(8,444)			CCCC	Net cash inflow (outflow) generated from financing activities	(506,276)	(258,908)		
A32125	Contract liabilities	22,026	42,943								
A32150	Accounts payable	(136,094)	(38,182)			EEEE	Net (decrease) increase in cash and cash equivalents	29,076	107,025		
A32160	Accounts payable - related parties	(15,048)	3,298			E00100	Cash and cash equivalents, beginning of period	1,189,326	1,082,301		
A32180	Other payables	2,219	55,228			E00200	Cash and cash equivalents, end of period	\$ 1,218,402	\$ 1,189,326		
A32230	Other current liabilities	4,547	478								
A32240	Net defined benefit liability	(1,372)	(1,612)								
A33000	Cash generated from operations	565,627	499,731								
A33100	Interest received	14,422	10,348								
A33300	Interest paid	(1,139)	(2,027)								
A33500	Income taxes paid	(94,807)	(49,500)								
AAAA	Net cash inflow from operating activities	484,103	458,552								

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

Chairman: Wang, Ping-Lung

Manager: Wang, Ping-Lung

Accounting Supervisor: Su, Yu-Hui

Harvatek Corporation
Notes to the Standalone Financial Statements

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, 2005. Its main business is the research, development, design, manufacture and testing of LED packaging, as well as the import and export of these products.

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

II. Date and Procedure for Approval of Financial Statements

The 2022 and 2021 standalone financial statements of the Company were published with 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 Company has adopted IFRS, IAS, IFRS interpretations or interpretative pronouncements that are endorsed by the Financial Supervisory Commission (FSC) and are applicable for fiscal years beginning after January 1, 2022. First-time applications of new standards and amendments have no material impact on the Company.

2. As of the date of the financial statements published, the Company has not applied the following newly issued, revised and amended standards or interpretations that 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

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

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
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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 Company has not applied the following newly issued, revised and amended standards or interpretations that have been issued by the IASB but not yet endorsed by the FSC:

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

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- (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

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
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reduces the cost of adopting the standard by simplifying some of the requirements and modifies some of the requirements to make them easier to interpret in some cases. This standard will replace the transitional standard (i.e., IFRS 4 “Insurance Contract”) upon going into effect.

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

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

(4) 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 Company.

IV. Summary of Significant Accounting Policies

1. Statement of compliance

The Company’s standalone financial statements of 2022 and 2021 are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

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

2. Basis of preparation

The Company prepares its standalone financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. In accordance with Article 21 of the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the profit or loss during the period and other comprehensive income presented in standalone financial reports shall be the same as the allocations of profit or loss during the period and of other comprehensive income attributable to owners of the parent presented in the financial reports prepared on a consolidated basis, and the owners' equity presented in the standalone financial reports shall be the same as the equity attributable to owners of the parent presented in the financial reports prepared on a consolidated basis. Therefore, the invested subsidiaries are presented in the individual financial statements as "investments accounted for using the equity method" with necessary valuation adjustments.

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

3. Foreign currency transactions

The Company's standalone financial statements are presented in New Taiwan dollars, which is the functional currency of the Company.

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

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

- (1) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.

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

- (2) Foreign currency items within the scope of IFRS 9 “Financial Instruments: Recognition and Measurement” are accounted for based on the accounting policy for financial instruments.
- (3) Exchange differences arising on a monetary item that forms part of a reporting entity’s net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

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

4. Translation of financial statements in foreign currency

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

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

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

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

5. Classification of Current and Noncurrent Assets and Liabilities

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

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

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

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

6. Cash and cash equivalents

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

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

7. Financial instruments

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

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

(1) Recognition and measurement of financial assets

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

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

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

Financial assets measured at amortized cost

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

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

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

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
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amount, using the effective interest method, and adjusted for any loss allowance). A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

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

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

Financial assets measured at fair value through other comprehensive income

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

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

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

- A. Before the financial asset is derecognized or reclassified, its gains or losses are recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses
- B. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment
- C. Interest calculated by the effective interest method (multiplying the effective interest rate by the total gross carrying amount of the financial asset) or by using the following is recognized in profit or loss:

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

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

Loss on financial assets (liabilities) at fair value

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

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

(2) Impairment of financial assets

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

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

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

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

The loss allowance is measured as follows:

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

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

(3) Derecognition of financial assets

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

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
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- A. The rights to receive cash flows from the asset have expired.
- B. The asset has been transferred and substantially all the risks and rewards of the asset have been transferred to others.
- C. The risks and rewards of the asset have neither been transferred nor substantially retained, but control of the asset has been transferred.

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

(4) Financial liabilities and equity instruments

Classification between liabilities or equity

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

Equity instrument

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

Compound instruments

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

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

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
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date to the amortized cost of the host debt instrument), it is classified as a liability component and subsequently measured at fair value through profit or loss unless it qualifies for an equity component. The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. Its carrying amount is not remeasured in the subsequent accounting periods. If the convertible bond issued does not have an equity component, it is accounted for as a hybrid instrument in accordance with the compound instrument requirements under IFRS 9.

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

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

Financial liabilities

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

Financial liabilities at fair value through profit or loss

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

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

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

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

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

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

Financial liabilities measured at amortized cost

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

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

Derecognition of financial liabilities

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

When the Company exchanges an existing financial liability containing substantially different terms with the lender, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
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the consideration paid or payable (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(5) Offsetting of financial instruments

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

8. Derivative instruments

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

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

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

9. Fair value measurement

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

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
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- (1) In the principal market for the asset or liability, or
- (2) In the absence of a principal market, in the most advantageous market for the asset or liability

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

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

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

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

10. Inventories

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

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

- (1) Raw materials: Calculated by the weighted-average method using actual purchase costs.
- (2) Finished goods and works in process: Including direct raw materials, labor and manufacturing costs. Finished goods and works in process adopt the weighted-average method.

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

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

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11. Investment accounted for using the equity method

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

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

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

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

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

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

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

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

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

When significant influence over an affiliate or joint control over a joint venture is lost, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
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investment in an associate, the entity Company to apply the equity method and does not remeasure the retained equity.

12. Property, plant and equipment

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

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

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

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

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

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

13. Investment property

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

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

Structures	30 years
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Investment property is derecognized and recognized in profit or loss when it is disposed of or permanently ceases to be used, and no future economic benefits are expected to be derived from the disposal.

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

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

14. Leasehold

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

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

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

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

The Company as a lessee

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

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

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

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

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

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

- (1) The amount of the initial measurement of the lease liability;
- (2) Any lease payments made to the lessor at or before the commencement date, less any lease incentives received from the lessor;
- (3) Any initial direct costs incurred by the lessee; and
- (4) An estimate of the costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which the underlying asset is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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

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

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

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

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

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

The Company as a lessor

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

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

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

15. Intangible assets

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

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

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

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

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

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

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

Computer software 1 to 3 years

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

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

16. Impairment of non-financial assets

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

The Company assesses at the end of each reporting period the assets other than goodwill, whether there is any indication that a previously recognized impairment loss may no longer

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

exist or may have decreased. If such indication exists, the Company estimates the recoverable amount of the asset or cash-generating unit. If the recoverable amount increases due to changes in the estimated service potential of the asset, the impairment loss is reversed. However, the carrying amount after reversal shall not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset, net of depreciation or amortization.

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

17. Treasury stock

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

18. Revenue recognition

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

Sales of goods

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

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

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

Engineering revenue

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

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

Provision of labor services

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

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

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

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

19. Borrowing costs

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

20. Government grants

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

21. Retirement benefit plans

All regular employees of the Company are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company. Therefore fund assets are not included in the Company's standalone financial statements.

For the defined contribution plan, the Company appropriates a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The appropriation amount is recognized as expense for the same period.

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

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

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

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

22. Share-based payment transactions

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

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

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

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

satisfied, provided that all other performance or service conditions are satisfied.

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

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

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

23. Income taxes

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

Income tax of the current period

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

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

Deferred income tax

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

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

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

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

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

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

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

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

recognized accordingly.

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

V. Significant Accounting Judgments, Estimates and Assumptions

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

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

(1) Fair value of financial instruments

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

(2) Receivables - estimation of impairment losses

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

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

VI. Contents of Significant Accounts

1. Cash and cash equivalents

	<u>2022.12.31</u>	<u>2021.12.31</u>
Cash	\$122	\$122
Check and current deposit	409,920	255,767
Time deposit	808,360	933,437
Total	<u>\$1,218,402</u>	<u>\$1,189,326</u>

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

2. Financial assets at fair value through profit or loss

	<u>2022.12.31</u>	<u>2021.12.31</u>
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 Company does not provide financial assets measured at fair value through profit or loss as collaterals.

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

	<u>2022.12.31</u>	<u>2021.12.31</u>
Investments of equity instruments at fair value through other comprehensive income - noncurrent:		
Stocks of listed companies	\$132,652	\$161,879
Stocks of unlisted companies	254,864	382,670
Total	<u>\$387,516</u>	<u>\$544,549</u>

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

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

	2022	2021
Related to investments still held at the balance sheet date	\$11,482	\$8,559

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

	2022	2021
Fair value at the derecognition date	\$-	\$1,047
Accumulated gain on disposal of retained earnings transferred from other equity	\$-	\$2,341

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

4. Notes receivable

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

The Company does not provide notes receivable as collaterals.

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

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

5. Accounts receivable - related parties

	2022.12.31	2021.12.31
Accounts receivable	\$400,709	\$622,192
Less: loss allowance	(14,320)	(59,995)
Subtotal	386,389	562,197
Accounts receivable - related parties	3,582	8,189
Total	<u>\$389,971</u>	<u>\$570,386</u>

The Company does not provide account receivable as collaterals.

The Company's open account period to customers normally ranges from 30 days to 120 days. Total carrying amounts (including notes and accounts receivable) as of December 31, 2022 and 2021, were NT\$404,291 thousand and NT\$631,036 thousand, respectively. Please refer to Note VI.15 for information on the Company's loss allowance for 2022 and 2021 and Note XII for information on credit risk.

6. Inventories

	2022.12.31	2021.12.31
Materials	\$93,899	\$104,532
Supplies	20,295	21,951
Work in process	21,023	52,357
Finished goods	237,434	270,845
Total	<u>\$372,651</u>	<u>\$449,685</u>

(1) The Company's cost of inventories recognized as expenses in 2022 were NT\$1,636,481 thousand, including reversal of inventories recognized in 2022 were NT\$15,563 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 the increase in net realizable value.

The Company's cost of inventories recognized as expenses in 2021 were NT\$2,110,093 thousand, including the reduce inventory to market recognized in 2021 were NT\$13,111 thousand, inventory obsolescence losses of NT\$4,518 thousand were recognized in 2021.

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

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

7. Investment accounted for using the equity method

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

Name of investee	2022.12.31		2021.12.31	
	Amount	Sharehold ing ratio	Amount	Sharehold ing ratio
Invested associates:				
Hong-Ruei Investment Co., Ltd.	\$2,203	35.29%	\$2,246	35.29%
Cyans visual creative Co., Ltd. (Note 1)	19,901	40.00%	-	-
Subtotal	22,104		2,246	
Invested subsidiaries:				
Hong-Cheng Investment Co., Ltd. (Note 2)	157,147	41.60%	192,359	41.60%
Harvatek International (USA) Corp.	30,772	100.00%	27,707	100.00%
HONOR LIGHT LIMITED (Note 3)	201,810	100.00%	365,409	100.00%
Harvatek (Hong Kong) Trading	240	80.00%	220	80.00%
Syntek Corporation Limited	3,028	70.00%	4,137	70.00%
Sleipnir LED Co., Ltd. (Note 4)	-	-	780	66.67%
Consentek Corporation (Note 5)	54,422	61.22%	47,061	61.22%
Starlight Display Corporation (Note 3)	14,127	66.50%	7,440	80.00%
Subtotal	461,546		645,113	
Less: Unrealized deferred credit	(3,461)		-	
Total	\$480,189		\$647,359	

Note1: For the purposes of strategic investment, the Company subscribed the share capital of Cyans visual creative Co., Ltd. by cash of NT\$20,000 thousand in September 2022.

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

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

Note3: The Company's subsidiary, HONOR LIGHT LIMITED, capital reduction and returned capital of NT217,356 thousand in December 2022. It did not affect the Company's control over the subsidiary.

Note4: In May 2022, the Company transferred shareholding of Sleipnir LED Co., Ltd., resulted that the Company's shareholding decreased from 66.67% to 66.00%, however, the transaction did not affect the control of the subsidiary.

In July 2022, the Company 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 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.

Note5: Said company issued new shares for a capital increase in May 2021, which were not subscribed by the Company, reducing the Company's shareholding against it to 61.22%.

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

Note6: In 2021, the Company made a new investment of \$12,000 thousand in Starlight Display Corporation and acquired an 80% ownership stake thereof, giving it control over the company.

Starlight Display Corporation issued new shares in August 2022, the Company subscribed 9,000 thousand in cash, however, the Company 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.

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

	2022	2021
Profit (loss) of the units in continued business operation	\$(142)	\$2,315
Other comprehensive income for the period (net of income tax)	-	-
Total comprehensive income for the period	<u>\$(142)</u>	<u>\$2,315</u>

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

8. Property, plant and equipment

	Land and land improvements	Building structures	Machinery equipment	Testing equipment	Transportation equipment	Other equipment	Leasehold improvements	Total
Costs:								
Balance on January 1, 2022	\$89,698	\$500,887	\$2,239,535	\$50,813	\$2,011	\$218,069	\$52,540	\$3,153,553
Increase	-	5,480	61,139	1,698	762	8,793	-	77,872
Reclassification (Note)	-	(7,752)	-	-	-	-	-	(7,752)
Disposal	-	-	(32,230)	(6,300)	-	(20,010)	-	(58,540)
Balance on December 31, 2022	\$89,698	\$498,615	\$2,268,444	\$46,211	\$2,773	\$206,852	\$52,540	\$3,165,133
Balance on January 1, 2021	\$89,698	\$500,295	\$2,217,665	\$51,384	\$2,538	\$234,588	\$52,540	\$3,148,708
Increase	-	592	46,146	5,850	-	13,889	-	66,477
Reclassification	-	-	-	-	-	(1,196)	-	(1,196)
Disposal	-	-	(24,276)	(6,421)	(527)	(29,212)	-	(60,436)
Balance on December 31, 2021	\$89,698	\$500,887	\$2,239,535	\$50,813	\$2,011	\$218,069	\$52,540	\$3,153,553
Depreciation and impairment:								
Balance on January 1, 2022	\$1,131	\$253,279	\$2,058,194	\$44,597	\$2,011	\$200,446	\$51,845	\$2,611,503
Depreciation expenses	-	10,022	72,611	3,403	148	11,669	284	98,137
Reclassification (Note)	-	(310)	-	-	-	-	-	(310)
Disposal	-	-	(32,230)	(6,300)	-	(20,010)	-	(58,540)
Balance on December 31, 2022	\$1,131	\$262,991	\$2,098,575	\$41,700	\$2,159	\$192,105	\$52,129	\$2,650,790
Balance on January 1, 2021	\$1,131	\$242,679	\$2,022,859	\$43,976	\$2,538	\$219,314	\$51,416	\$2,583,913
Depreciation expenses	-	10,600	59,611	7,042	-	10,597	429	88,279
Reclassification	-	-	-	-	-	(455)	-	(455)
Disposal	-	-	(24,276)	(6,421)	(527)	(29,010)	-	(60,234)
Balance on December 31, 2021	\$1,131	\$253,279	\$2,058,194	\$44,597	\$2,011	\$200,446	\$51,845	\$2,611,503
Net carrying amount:								
2022.12.31	\$88,567	\$235,624	\$169,869	\$4,511	\$614	\$14,747	\$411	\$514,343
2021.12.31	\$88,567	\$247,608	\$181,341	\$6,216	\$-	\$17,623	\$695	\$542,050

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

Note: The Company 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 a donation expense under general and administration expenses.

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

9. Investment property

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

	<u>Building</u>
Costs:	
Balance on January 1, 2022	\$74,250
Transferred from property, plant and equipment	-
Balance on December 31, 2022	<u>\$74,250</u>
Balance on January 1, 2021	\$74,250
Transferred from property, plant and equipment	-
Balance on December 31, 2021	<u>\$74,250</u>
Depreciation and impairment:	
Balance on January 1, 2022	\$5,279
Depreciation and impairment of the period	2,474
Balance on December 31, 2022	<u>\$7,753</u>
Balance on January 1, 2021	\$2,803
Depreciation and impairment of the period	2,476
Balance on December 31, 2021	<u>\$5,279</u>
Net carrying amount:	
2022.12.31	<u>\$66,497</u>

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

		<u>Building</u>
2021.12.31		<u>\$68,971</u>
	<u>2022</u>	<u>2021</u>
Rental income from the investment property	\$11,568	\$11,568
Less: Direct operating expenses incurred on investment properties that generate rental income for the period	<u>(2,475)</u>	<u>(2,476)</u>
Total	<u>\$9,093</u>	<u>\$9,092</u>

The Company does not measure its investment property at fair value, but only discloses information on its fair value. The fair value hierarchy is level 3. The fair value of investment properties held by the Company amounted to NT\$74,790 thousand and NT\$77,355 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:

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

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

10. Intangible assets

	<u>Computer software</u>
Costs:	
Balance on January 1, 2022	\$98,037
Increase - acquired alone	4,925
Disposal	(60)
Balance on December 31, 2022	<u>\$102,902</u>
Balance on January 1, 2021	\$91,520
Increase - acquired alone	5,357
Reclassification	725
Balance on December 31, 2021	<u>\$97,602</u>
Amortization and impairment:	
Balance on January 1, 2022	\$95,274
Amortization	4,883
Balance on December 31, 2022	<u>\$100,157</u>
Balance on January 1, 2021	\$89,902
Amortization	4,387
Reclassification	550
Balance on December 31, 2021	<u>\$94,839</u>
Net carrying amount:	
2022.12.31	<u>\$2,745</u>
2021.12.31	<u>\$2,763</u>

Recognized amount of amortization for intangible assets is as follows:

	<u>2022</u>	<u>2021</u>
Operating costs	\$280	\$431
General and administration expenses	4,603	3,956
Total	<u>\$4,883</u>	<u>\$4,387</u>

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

11. Short-term loans

	2022.12.31	2021.12.31
Unsecured borrowings	\$-	\$193,690
Interest range	-%	0.60%-0.63%

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

12. Retirement benefit plans

Defined contribution plans

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

Expenses under the defined contribution plan recognized by the Group for the years ended 31 December, 2022 and 2021, are NT\$18,327, thousand and NT\$18,930 thousand respectively.

Defined benefit plans

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

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

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

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>

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

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

	Present value of defined benefit obligations	Fair value of the plan assets	Net defined benefit liability (asset)
2021.01.01	\$52,095	\$(19,775)	\$32,320
Current period service costs	128	-	128
Interest expenses (income)	224	(85)	139
Subtotal	52,447	(19,860)	32,587
Remeasurement of defined benefit liability/asset:			
Arising from changes in financial assumptions	(2,907)	-	(2,907)
Experience adjustments	(1,189)	-	(1,189)
Remeasurement of defined benefit asset	-	(259)	(259)
Subtotal	(4,096)	(259)	(4,355)
Payments from the plan	-	-	-
Contributions by employer	-	(1,879)	(1,879)
2021.12.31	48,351	(21,998)	26,353
Current period service costs	128	-	128
Interest expenses (income)	387	(176)	211
Subtotal	48,866	(22,174)	26,692
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	(4,615)	(1,563)	(6,178)
Payments from the plan	-	-	-
Contributions by employer	-	(1,711)	(1,711)
2022.12.31	\$44,251	\$(25,448)	\$18,803

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

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

	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	\$-	\$3,035	\$-	\$3,600
Discount rate decreases by	3,336	-	3,980	-
Expected salary increases	3,265	-	3,871	-
Expected salary decreases	-	(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.

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

13. Equity

(1) Capital stock

As of December 31, 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.

(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>

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

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

- 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 June 29, 2022, the Company proposed and resolved the appropriation of earnings and dividends per share for 2022 and 2021, respectively. Details are as follows:

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

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

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

14. Revenue from operations

	2022	2021
Revenue from contracts with customers		
Revenue from sale of products	\$2,234,101	\$2,831,773
Engineering revenue	27,423	14,219
Net operating revenue	<u>\$2,261,524</u>	<u>\$2,845,992</u>

Information related to the Company'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	\$2,234,101	\$2,831,773
Engineering revenue	Satisfied at certain point of time	27,423	14,219
Total		<u>\$2,261,524</u>	<u>\$2,845,992</u>

(2) Contract balances

Contract liability - current

	2022.12.31	2021.12.31	2021.01.01
Sale of goods	\$61,303	\$36,036	\$4,032
Engineering revenue	7,698	10,939	-
Total	<u>\$69,001</u>	<u>\$46,975</u>	<u>\$4,032</u>

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

Descriptions of the significant changes in the balance of the Company's contract liabilities for 2022 and 2021 are as follows:

	2022	2021
Revenue recognized during the period that was included in the beginning balance	\$46,975	\$4,032
Increase in receipt in advance during the period (deducting the amount incurred and transferred to revenue during the period)	\$69,001	\$46,975

The difference between the Company'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	\$10,790	\$8,444

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

15. Expected credit impairment loss

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

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

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

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

Group 1	Number of overdue days					Total
	Not overdue	Within 30 days	30–120 days	121–300 days	301 days or more	
Total carrying amount	385,904	1,587	2,755	-	14,045	404,291
Loss ratio	0%	0%	10%	30%	100%	
Lifetime expected credit loss	-	-	(275)	-	(14,045)	(14,320)
Carrying amount	385,904	1,587	2,480	-	-	389,971

2021.12.31

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

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

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

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

	Notes receivable	Accounts receivable	Other receivables - related parties	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

16. Leasehold

(1) The Company as a lessee

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

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

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

A. Amount recognized in the balance sheet

(a) Right-of-use assets

Carrying amount of the right-of-use assets

	2022.12.31	2021.12.31
Land	\$45,425	\$46,798
Machinery equipment	4,255	872
Transportation equipment	536	1,434
Total	<u>\$50,216</u>	<u>\$49,104</u>

The Company obtained NT\$3,929 thousand of right-of-use assets in 2022. The Company obtained NT\$2,671 thousand of right-of-use assets in 2021 incrementally.

(b) Lease liabilities

	2022.12.31	2021.12.31
Lease liabilities		
Current	<u>\$4,436</u>	<u>\$2,885</u>
Non-current	<u>\$46,906</u>	<u>\$47,224</u>

Please refer to Note VI.18(4) “financial costs” for the Company’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 2022 and 2021.

B. Amount recognized in the income statement

Depreciation of right-of-use assets

	2022	2021
Land	\$1,711	\$1,703
Machinery equipment	546	436
Transportation equipment	898	1,306
Total	<u>\$3,155</u>	<u>\$3,445</u>

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

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

	2022	2021
Short-term lease expenses	\$114	\$610
Expenses on low-value asset leases (excluding those on low-value asset leases under short-term leases)	390	541

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

The Company's cash outflows for leases in 2022 and 2021 were NT\$4,406 thousand and NT\$5,176 thousand, respectively.

E. Other information related to leasing activities

Options to extend the lease and terminate the lease

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

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

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

By 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	\$154,419	\$412,529	\$331,936	\$149,812	\$481,748
Labor and health insurance expenses	27,236	10,667	37,903	28,615	10,964	39,579
Pension expenses	12,830	5,836	18,666	13,569	5,628	19,197
Board compensation	-	4,649	4,649	-	4,717	4,717
Other employee benefit expenses	11,647	3,899	15,546	12,380	3,832	16,212
Depreciation expenses	79,193	24,573	103,766	71,227	22,973	94,200
Amortization expenses (Note)	3,131	4,574	7,705	3,617	3,853	7,470

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

The average number of employees of the Company in 2022 and 2021 is 544 and 567, respectively, of which the number of directors who are not concurrent employees is 4 and 4, respectively.

- (1) The Company's average employee benefit expenses for 2022 and 2021 were NT\$897 thousand and NT\$989 thousand, respectively.
- (2) The Company's average salary and bonus for 2022 and 2021 were NT\$764 thousand and NT\$856 thousand, respectively.
- (3) The Company's changes in average salary and bonus for 2022 and 2021 were (0.10)% and 26%.
- (4) The Company's remuneration for supervisors for 2022 and 2021 were NT\$0 thousand and NT\$0 thousand, respectively.

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

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

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

Incorporation, the remuneration of directors (including independent directors) is authorized to be determined by the Board of Directors based on their engagement in the Company's operations, the value of their contributions and with reference to industry standards. The remuneration of directors (including independent directors) shall be reviewed by the Remuneration Committee and submitted to the Board of Directors for resolution in accordance with the Organizational Rules of the Remuneration Committee of the Company.

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

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

In accordance with the Company's Articles of Incorporation, the Company shall set aside no less than 6% of the Company's profit for the year as employee remuneration, which shall be distributed in shares or cash by resolution of the Board of Directors. The remuneration shall also be distributed to the employees of parents or subsidiaries of the Company who meet certain specific requirements. The Company may set aside not more than 1% of the above-mentioned profits as remuneration to directors by resolution of the Board of Directors. However, if the Company has accumulated loss, the loss shall be covered first, and the remuneration to employees and directors shall be set aside by the aforementioned proportion. The distribution of employees' and directors' remuneration is authorized to be determined by the Board of Directors with the presence of at least two-thirds of the directors and by a resolution of a majority of the directors present, and reported to the shareholders' meeting. If the Board of Directors resolves to pay employees' remuneration in shares, the closing stock price on the day before the board of directors' resolution is used as the basis for calculating the number of shares to be allotted. If the estimated amount differs from the actual allotment amount resolved by the Board of Directors, the difference shall be recorded as profit or loss in the following year. For information on employees' and directors' remuneration approved by the Board of Directors, please visit the Market Observation Post System (MOPS) of the Taiwan Stock Exchange.

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

For the year 2022, the Company 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 Company'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.

18. Non-operating income and expenses

(1) Interest income

	2022	2021
Interest income		
Financial assets measured at amortized cost	\$14,613	\$9,267

(2) Other income

	2022	2021
Rent income	\$11,928	\$12,657
Dividend income	18,525	18,630
Other income	16,690	10,089
Total	\$47,143	\$41,376

(3) Other gains and losses

	2022	2021
Gains on disposal of investments	\$130	\$-
Gains on disposal of property, plant and equipment	1,403	712
Gain (loss) on foreign exchange	50,135	(16,034)
Gain (loss) on financial assets at fair value through profit or loss	(1,634)	2,218
Other	-	(74)
Total	\$50,034	\$(13,178)

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

(4) Finance costs

	2022	2021
Interest on bank loans	\$327	\$1,339
Interest on lease liabilities	868	892
Total	<u>\$1,195</u>	<u>\$2,231</u>

19. Composition of other comprehensive income

Composition of other comprehensive income in 2022 is as follows:

	Generated in current period	Reclassified in current period	Other comprehens ive income	Income tax benefit (expense)	After-tax amount
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit plans	\$6,178	\$-	\$6,178	\$(1,236)	\$4,942
Unrealized gains on investments in equity instruments at fair value through other comprehensive income	(192,888)	-	(192,888)	-	(192,888)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising from translation of foreign operations	5,900	-	5,900	-	5,900
Total	<u>\$(180,810)</u>	<u>\$-</u>	<u>\$(180,810)</u>	<u>\$(1,236)</u>	<u>\$(182,046)</u>

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

Composition of other comprehensive income in 2021 is as follows:

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

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

20. Income taxes

The main composition of income taxes is as follows:

Income tax recognized in profit or loss

	<u>2022</u>	<u>2021</u>
Income tax of the current period		
Income taxes payable of the current period	\$59,536	\$80,270
Adjustment to income taxes of prior years	(5,580)	(9,290)
Deferred income tax		
Related to origin and reversal of temporary differences	17,970	(3,850)
Income tax expense	<u>\$71,926</u>	<u>\$67,130</u>

Income taxes recognized as other comprehensive income

	<u>2022</u>	<u>2021</u>
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 applicable tax rates is as follows:

	<u>2022</u>	<u>2021</u>
Profit before income tax of the units in continued business operation	<u>\$447,151</u>	<u>\$437,448</u>
Tax at the domestic rates applicable to profits in the country concerned	\$89,430	\$87,490
Income tax effect of expenses not deductible for tax purposes	(6,091)	(3,620)
Income tax effect of deferred tax assets/liabilities	(5,833)	(7,450)
Adjustments to current income tax of prior years	(5,580)	(9,290)
Total income tax expense recognized in profit or loss	<u>\$71,926</u>	<u>\$67,130</u>

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

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

2022

	Beginning balance	Recognized in profit or loss	Recognized as other comprehensi ve income	Ending balance
Temporary difference				
Loss for market price decline and obsolete and slow-moving inventories	\$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
Others	26,001	(13,304)	(1,236)	11,461
Deferred income tax (expense)/ benefit		<u>\$(17,970)</u>	<u>\$(1,236)</u>	
Net deferred income tax assets/ (liabilities)	<u>\$69,283</u>			<u>\$50,077</u>
Information presented in balance sheet:				
Deferred income tax assets	<u>\$69,967</u>			<u>\$51,039</u>
Deferred income tax liabilities	<u>\$(684)</u>			<u>\$(962)</u>

2021

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

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

Unrecognized deferred income tax assets

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

Income tax examination

As of December 31, 2022, the Company's income tax returns were examined through the year of 2020.

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

21. Earnings per share

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

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

	<u>2022</u>	<u>2021</u>
(1) Basic earnings per share		
Net profit of the period (NT\$ thousand)	<u>\$375,255</u>	<u>\$370,318</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (thousand shares)	<u>205,994</u>	<u>205,814</u>
Basic earnings per share (NT\$)	<u>\$1.82</u>	<u>\$1.80</u>
(2) Diluted earnings per share (NT\$)		
Net profit of the period (NT\$ thousand)	<u>\$375,255</u>	<u>\$370,318</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (thousand shares)	205,994	205,814
Dilutive effect:		
Employees' remuneration	<u>2,492</u>	<u>1,438</u>
Weighted average number of ordinary shares outstanding after adjusting the dilutive effect (thousand shares)	<u>208,486</u>	<u>207,252</u>
Diluted earnings per share (NT\$)	<u>\$1.80</u>	<u>\$1.79</u>

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

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

VII. Interest Party Transactions

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

<u>Name of related party</u>	<u>Relationship with the Company</u>
YoungTek Electronics Corporation	Other related party of the Company
Jiu Hong Xin Technology Co., Ltd.	Other related party of the Company
IN & OUT Bio Beauty Corp.	Other related party of the Company
Cyans visual creative Co. ,Ltd.	Other related party of the Company
Sleipnir LED Co., Ltd.	The Company's subsidiary (Note)
Syntek Corporation Limited	The Company's subsidiary
Consentek Corporation	The Company's subsidiary
Harvatek (Hong Kong) Trading Limited	The Company's subsidiary
Harvatek International (USA) Corp.	The Company's subsidiary
Harvatek(Guangzhou) Co., LTD	The Company's subsidiary
Guang Zhou Giuhong Yi trading company, Limited	The Company's subsidiary
Starlight Display Corporation	The Company's subsidiary
iReach Corporation	The Company's subsidiary

Note: The Company lost control over Sleipnir LED Co., Ltd. In July 2022. As a result, Sleipnir LED Co., Ltd. became a non-related party in July 2022.

Significant intercompany transactions:

1. Sales

	<u>2022</u>	<u>2021</u>
Harvatek International (USA) Corp.	\$20,329	\$30,044
Harvatek(Guangzhou) Co., LTD	6,252	741
YoungTek Electronics Corporation	2,935	31
Cyans visual creative Co. ,Ltd.	9,524	-
Total	<u>\$39,040</u>	<u>\$30,816</u>

The prices of sales to the above related parties are not comparable because of the different product specifications required by customers. The payment policy is similar to that of

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

general customers, and the payment terms are OA 30 days to 120 days.

2. Purchase

	2022	2021
Harvatek(Guangzhou) Co., LTD	\$11,108	\$19,935
Sleipnir LED Co., Ltd.	-	1
Total	<u>\$11,108</u>	<u>\$19,936</u>

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

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

Name of related party	Accounts	2022	2021
YoungTek Electronics Corporation	Manufacturing overhead - testing and experiment expenses etc.	<u>\$2,557</u>	<u>\$4,029</u>
YoungTek Electronics Corporation	Manufacturing overhead - outsourced (Note)	<u>\$47,186</u>	<u>\$62,487</u>
YoungTek Electronics Corporation	Non-operating revenue - sample revenue	<u>\$165</u>	<u>\$166</u>
YoungTek Electronics Corporation	Non-operating revenue - other income	<u>\$4,327</u>	<u>\$-</u>
Guang Zhou Giuhong Yi trading company, Limited	Non-operating revenue - other income	<u>\$-</u>	<u>\$1,047</u>
IN & OUT Bio Beauty Corp.	Non-operating revenue - other income	<u>\$620</u>	<u>\$1,040</u>
Starlight Display Corporation	Selling expenses - service expenses	<u>\$9,781</u>	<u>\$-</u>
Guang Zhou Giuhong Yi trading company, Limited	Selling expenses - commission expenses	<u>\$9,265</u>	<u>\$10,972</u>
Cyans visual creative Co., Ltd.	Non-operating revenue - rent income	<u>\$6</u>	<u>\$-</u>
The Company's subsidiary	Selling expenses - service expenses	<u>\$-</u>	<u>\$855</u>
The Company's subsidiary	Selling expenses - commission expenses	<u>\$1,312</u>	<u>\$3,597</u>
The Company's subsidiary	Selling expenses - miscellaneous expenses	<u>\$2</u>	<u>\$-</u>
The Company's subsidiary	Manufacturing overhead - sample expenses	<u>\$297</u>	<u>\$250</u>

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

<u>Name of related party</u>	<u>Accounts</u>	<u>2022</u>	<u>2021</u>
The Company's subsidiary	Non-operating income - interest income	\$397	\$479
The Company's subsidiary	Non-operating income - rent income	\$168	\$994
The Company's subsidiary	Non-operating revenue - miscellaneous income	\$241	\$5

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

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

(1) Purchase of equipment

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

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

(2) Disposal of equipment

<u>Name of related party</u>	<u>Accounts</u>	<u>2022</u>	<u>2021</u>
Syntek Corporation Limited	Machinery equipment	\$4,210	\$-

Unrealized gains from disposal are deferred and recognized over the depreciation period of the related properties, plants, and equipment on a periodic basis.

(3) Lease of buildings

The Company leased its office and factory to YoungTek Electronics Corporation in November 2019 with a contracted lease term from November 1, 2019, to October 31, 2024. The lease income in 2022 and 2021 were both NT\$10,800 thousand. The lease price given by the Company to YoungTek Electronics Corporation is determined with

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

reference to the market price of similar leases and is NT\$900 thousand per month, payable monthly.

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

5. Accounts receivable - related parties

	2022.12.31	2021.12.31
Harvatek International (USA) Corp.	\$2,426	\$6,764
Harvatek(Guangzhou) Co., LTD	631	627
YoungTek Electronics Corporation	445	-
The Company's subsidiary	80	798
Total	<u>\$3,582</u>	<u>\$8,189</u>

6. Other receivables - related parties

	2022.12.31	2021.12.31
Harvatek(Guangzhou) Co., LTD	\$17,665	\$19,585
Starlight Display Corporation	-	315
YoungTek Electronics Corporation	2,258	135
Total	<u>\$19,923</u>	<u>\$20,035</u>

7. Accounts payable - related parties

	2022.12.31	2021.12.31
YoungTek Electronics Corporation	\$13,629	\$26,531
Harvatek(Guangzhou) Co., LTD	1,079	2,877
Harvatek International (USA) Corp.	435	782
Guang Zhou Giuhong Yi trading company, Limited	667	668
Total	<u>\$15,810</u>	<u>\$30,858</u>

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

8. Loaning of funds - related parties

	2022.12.31		2021.12.31	
	Maximum balance	Amount actually drawn	Maximum balance	Amount actually drawn
Harvatek(Guangzhou) Co., LTD	\$68,340	\$17,636	\$73,865	\$19,553

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

9. Key management personnel remuneration

	2022	2021
Short-term employee benefits	\$23,233	\$20,671
Retirement benefit plans	482	480
Total	\$23,715	\$21,151

VIII. Pledged Assets

The Company'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	\$12,582	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	\$14,782	

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.

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

X. Significant Disaster Losses

None.

XI. Significant Subsequent Events

None.

XII. Others

1. Types of Financial Instruments

	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	387,516	544,549
Financial assets measured at amortized cost (Note)	1,650,619	1,807,331
Total	\$2,118,860	\$2,434,263
 <u>Financial liabilities</u>		
Financial liabilities measured at amortized cost:		
Short-term loans	\$-	\$193,690
Lease liabilities	51,342	50,109
Payables	444,041	597,151
Total	\$495,383	\$840,950

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

2. Financial Risk Management Objectives and Policies

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

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
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The Company has established appropriate policies, procedures and internal controls for the aforementioned financial risk management in accordance with the relevant regulations. Significant financial activities are subject to review by the Board of Directors in accordance with relevant regulations and internal control systems. During the implementation of financial management activities, the Company is required to comply with the financial risk management regulations it has established.

3. Market Risk

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

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

Exchange rate risk

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

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

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

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
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When TWD appreciates/depreciates 5% against USD, the Group's profit (loss) for 2022 and 2021 will decrease/increase by NT\$14,457 thousand and NT\$11,805 thousand, respectively.

When TWD appreciates/depreciates 5% against CNY, the Company's profit (loss) for 2022 and 2021 will decrease/increase by NT\$4,640 thousand and NT\$20,837 thousand, respectively.

Interest rate risk

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

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

The sensitivity analysis of interest rate risk focuses on interest rate risk exposures (including floating rate investments and borrowings) as of the end of the financial reporting period and assumes that 10 bps increase/decrease in interest rates for one fiscal year would decrease/increase the Company's profit or loss by NT\$0 thousand and NT\$1,937 thousand in 2022 and 2021, respectively.

Equity Price Risk

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

Notes to the Standalone Financial Statements of Harvatek Corporation (Continued)
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In 2022, for listed equity securities classified as investment in equity instruments measured at fair value through other comprehensive income, if the price of these equity securities increases/decreases by 10%, the impact on the Company's equity for 2022 would be NT\$13,265 thousand.

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

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

4. Credit Risk Management

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

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

The Company's top ten customers accounted for 64% and 61% of the Company's total receivables as of December 31, 2022 and 2021. The credit concentration risk of the remaining receivables is relatively insignificant.

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

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

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

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

5. Liquidity Risk Management

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

Non-derivative financial liabilities

	Less than 1 year	2 to 3 years	4 to 5 years	5 years and more	Total
2022.12.31					
Short-term loans	\$-	\$-	\$-	\$-	\$-
Payables	444,401	-	-	-	444,401
Lease liabilities (Note)	4,436	4,590	2,957	39,359	51,342
2021.12.31					
Short-term loans	\$193,746	\$-	\$-	\$-	\$193,746
Payables	597,151	-	-	-	597,151
Lease liabilities (Note)	2,885	3,792	2,897	40,535	50,109

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

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

Lease liabilities	Maturity period					Total
	Less than 1 year	1 to 5 years	6 to 10 years	10 to 15 years	15 years and more	
2022.12.31	\$4,436	\$7,547	\$7,860	\$8,578	\$22,921	\$51,342
2021.12.31	\$2,885	\$6,689	\$7,700	\$8,403	\$24,432	\$50,109

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	\$193,690	\$50,109	\$243,799
Cash flows	(194,190)	(3,034)	(197,224)
Non-cash changes			
Newly acquired	-	3,929	3,929
Adjustments of lease liabilities remeasurement	-	338	338
Exchange rate changes	500	-	500
2022.12.31	\$-	\$51,342	\$51,342

Reconciliation of liabilities for 2021:

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

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

7. Fair value of financial instruments

(1) Valuation techniques and assumptions used for fair value

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

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

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

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

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

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.

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

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

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

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

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

8. Fair value hierarchy

(1) Fair value hierarchy definition

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

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

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

(2) Hierarchical information on fair value measurements

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

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

As of December 31, 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	132,652	-	254,864	387,516
Total	\$132,652	\$-	\$335,589	\$468,241

As of December 31, 2021

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

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

There are no transfers between Level 1 and Level 2 of the fair value hierarchy for the Company's assets and liabilities that are measured at fair value on a recurring basis during 2022 and 2021.

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

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

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

	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	\$382,670
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")	-	(127,806)
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	<u>\$80,725</u>	<u>\$254,864</u>
	Assets	Assets
	Measured at fair value through profit or loss	Measured at fair value through other comprehensive income
	Preferred shares	Stocks
2021.01.01	\$80,340	\$293,612
Recognized in other comprehensive income (reported as "Unrealized valuation gain or loss on investment in equity instruments measured at fair value through other comprehensive income")	-	89,058
Recognized in profit or loss (reported as "Unrealized valuation gain or loss on investment in equity instruments at fair value through profit or loss")	2,043	-
2021.12.31	<u>\$82,383</u>	<u>\$382,670</u>

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

Information on 3rd level significant unobservable inputs to valuation

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

As of December 31, 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 Company'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 Company's profit or loss will decrease/increase by NT\$23,189 thousand.
	Market method	Price-to-book ratio of shares of similar companies	0.31%-10.0 5%	The higher the price-to-book ratio of shares of similar companies, the higher the fair value estimate	When the price-to-book ratio of shares of similar companies increases (decreases) by 10%, the Company's profit or loss will increase/decrease by NT\$2,297 thousand.

Notes to the Standalone Financial Statements of Harvatek Corporation (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 Company's profit or loss will decrease/increase by NT\$8,238 thousand.
Fair value through other comprehensive income financial assets:					
Stocks	Asset method	Discount for lack of marketability	10%-30%	The higher the discount for lack of marketability and control, the lower the fair value of the stocks	When the percentage of lack of marketability increases (decreases) by 10%, the Company's profit or loss will decrease/increase by NT\$34,012 thousand.
	Market method	Price-to-book ratio of shares of similar companies	1.60%-24.07%	The higher the price-to-book ratio of shares of similar companies, the higher the fair value estimate	When the price-to-book ratio of shares of similar companies increases (decreases) by 10%, the Company's profit or loss will increase/decrease by NT\$4,255 thousand.

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

Valuation process used for 3rd level fair value measurements

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

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

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

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

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

	Amount: NT\$ thousand		
	2022.12.31		
	Foreign currency	Exchange rate	TWD
<u>Financial assets</u>			
Monetary item:			
USD	\$14,550	30.7	\$446,683
EUR	508	32.74	16,628
CNY	21,199	4.409	93,464
HKD	569	3.941	2,242
<u>Financial liabilities</u>			
Monetary item:			
USD	5,132	30.7	157,542
CNY	151	4.409	667
EUR	3	32.74	85
JPY	2,197	0.2406	511

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

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

Due to the wide variety of foreign currencies of the Company, we are unable to disclose information on the exchange gains and losses on monetary financial assets and financial liabilities by the foreign currencies with significant influence. The Company's foreign currency translation losses for 2022 and 2021 were NT\$50,135 thousand and NT\$(16,034) thousand, respectively.

10. Capital management

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

XIII. Additional Disclosures

1. Information on Significant Transactions

- (1) Loaning funds to others: Please see Table I for details.
- (2) Endorsement for others: None.
- (3) Marketable securities held at the end of the period: Please refer to Table II.

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

- (4) The cumulative amount of purchases or sales of the same marketable securities amounting to at least NT\$300 million or 20% of the paid-in capital: None.
- (5) Acquisition of real estate amounting to at least NT\$300 million or 20% of the paid-in capital: None.
- (6) Disposal of real estate amounting to at least NT\$300 million or 20% of the paid-in capital: None.
- (7) Purchase and sale transactions with related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
- (8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
- (9) Derivative transactions: There was no such transaction in the current period.
- (10) Others: Business relations and significant transactions between the parent and subsidiaries and among subsidiaries and the amounts involved: Please refer to Table III.

2. Information on Investees

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

3. Information on investment in mainland China

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

4. Major Shareholders Information

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

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

Table I: Loaning funds to others

Unit: NT\$ thousand/ CNY thousand

No. (Note 1)	Financing Company	Borrower	Financial Statements Account	Maximum balance in the period	Ending balance	Amount actually drawn (Note 5)	Interest range	Financing nature	Transact ion 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
 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
Intercompany relationships and significant intercompany transactions
2022

Table III

Unit: NT\$ thousand

No. (Note 1)	Name of trading party	Trading Counterparty	Nature of relations (Note 2)	Intercompany Transactions			
				Account	Amount	Transaction terms	Percentage of Consolidated Net Revenue or Total Assets (Note 3)
0	Harvatek Corporation	Harvatek(Guangzhou) Co., LTD	1	Accounts receivable - related parties	\$631	Depends on the contract	0.02%
				Other receivable - 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%
		Guang Zhou Giuhong Yi trading company, Limited	1	Commissions expenses	\$1,312	Depends on the contract	0.05%
				Payables - commissions	\$667		0.02%
		Syntek Corporation Limited	1	Commissions expenses	\$9,265	Depends on the contract	0.38%
				Deferred credits	\$2,807		0.11%
				Miscellaneous Income	\$36		0.00%
		Consentek Corporation	1	Rent income	\$120	Depends on the contract	0.00%
					\$24		0.00%
		Starlight Display Corporation	1	Service expenses	\$9,781	Depends on the contract	0.40%
				Rent income	\$24		0.00%
		iReach Corporation	1	Accounts receivable - 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 suffixes:

1. Parent company to subsidiary.
2. Subsidiary to parent company.
3. Subsidiary to subsidiary.

Note III: For the calculation of transaction amount as a percentage of consolidated net revenue or total assets, in the case of balance sheet accounts, ending balance is divided by consolidated total assets; in the case of income statement accounts, cumulative amount in the period is divided by consolidated net revenue.

Harvatek Corporation
Relevant information such as name and location of the investee
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
	Sleipmir 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, respectively.

Harvatek Corporation
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 Giuhong 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)	\$(2,568)	\$-
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 accounting firms which have partnerships with R.O.C. accounting firms.
- (b) The financial statement is audited and certified by the parent company's auditors in Taiwan.
- (c) Other basis.

Note 3: Foreign currencies are translated into New Taiwan dollars using the exchange rate reported in the financial statements (closing rate of CNY 1 = TWD 4.409 and USD 1 = TWD 30.7).

Harvatek Corporation
Major Shareholders Information
As of December 31, 2022

Table VI: Major Shareholders Information

Unit: shares

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

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

Note 2: IF 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).

Harvatek Corporation

1. Cash and cash equivalents

As of December 31, 2022

Unit: NT\$ thousand/ foreign currency

Item	Summary	Amount	Remark
Cash and petty cash		\$122	1. Bank deposits listed are not pledged or provided as guarantee
Check and current deposit		409,920	
Time deposit		808,360	2. Including material foreign currency amounts as below:
Total		<u>\$1,218,402</u>	
			USD 3,749,353.64
			EUR 317,397.97
			CNY 16,866,748.59
			3. Exchange rates on December 31, 2022:
			1 USD = NT\$30.70
			1 EUR = NT\$32.740
			1 CNY = NT\$4.409

Harvatek Corporation

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

2022

Unit: Thousand shares/ NT\$ thousand

Name	Beginning balance		Increase in current period		Decrease in current period		Gain on Fair value through profit or loss financial assets	Ending balance		Provision of guarantees or pledges	Remark
	Shares/ units	Book value	Shares/ units	Amount	Shares/ units	Amount		Shares/ units	Book value		
Financial assets at fair value through profit or loss - current:											
Yuanta De- Bao Money Market Fund	-	\$ -	1,646	\$ 20,000	1,646	\$ 20,033	\$ 33	-	\$ -	None	
Taishin 1699 Money Market Fund	-	-	1,460	20,000	1,460	20,036	36	-	-	None	
Union Money Market Fund	-	-	1,497	20,000	1,497	20,034	34	-	-	None	
Subtotal		-		60,000		60,103	103		-		
Financial assets at fair value through profit or loss - current:											
Sleipnir LED Co., Ltd.	-	-	78	779	78	700	(79)	-	-	None	(Note)
小 計		-		779		700	(79)		-		
Financial assets at fair value through profit or loss - noncurrent:											
CT Micro International Corp. (preferred shares)	47,983	82,383	-	-	-	-	(1,658)	47,983	80,725	None	
Total		\$ 82,383		\$ 60,779		\$ 60,803	\$ (1,634)		\$ 80,725		

Note: The increase in this period is due to the loss of control in July 2022. The remaining shares were transferred at fair value to financial assets at fair value through profit or loss, and subsequently disposed of in full in September 2022. Please refer to Note VI.7.

Harvatek Corporation

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

As of December 31, 2022

Unit: NT\$ thousand

Client Name	Summary	Amount	Remark
Accounts receivable			
OSRAM Opto Semiconductors (China)		\$82,926	The accounts receivable listed are all generated from sale of goods.
Stanley Electric (Asia Pacific) Limited Taiwan Branch		55,727	
Avago Technologies International		29,515	
Honghan International Machinery Co., Ltd.		24,314	
Restar Electronics Corporation (Korea)		22,479	
Other		185,748	
Total		400,709	
Less: loss allowance		(14,320)	
Net amount		\$386,389	
Accounts receivable - related parties			
Harvatek International (USA) Corp.		\$2,426	
Harvatek(Guangzhou) Co., LTD		631	
YoungTek Electronics Corporation		445	
iReach Corporation		80	
Total		\$3,582	

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

Harvatek Corporation

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

As of December 31, 2022

Unit: NT\$ thousand

Item	Summary	Amount	Remark
Other receivables			
Business tax refundable		\$7,850	
Other		5,360	
Total		<u>\$13,210</u>	
Other receivables - related parties			
Harvatek(Guangzhou) Co., LTD		\$17,665	
YoungTek Electronics Corporation		2,258	
Total		<u>\$19,923</u>	

Harvatek Corporation
5. Details of net inventories
As of December 31, 2022

Unit: NT\$ thousand

Item	Summary	Amount		Remark
		Costs	Net realizable value	
Materials		\$118,877	\$116,392	1. None of the inventories listed was provided for guarantee or pledge. 2. Inventories are evaluated at the lower of cost or net realizable value on an item-by-item basis.
Supplies		24,022	22,795	
Work in process		21,049	21,049	
Finished goods		335,298	401,699	
Total		499,246	<u>\$561,935</u>	
Less: Allowance to reduce inventory to market		(126,595)		
Net amount		<u>\$372,651</u>		

Harvatek Corporation

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

2022

Unit: Thousand shares/ NT\$ thousand

Name	Beginning balance		Increase in current period		Decrease in current period		Gains on financial assets at fair value through other comprehensive income	Ending balance			Provision of guarantees or pledges	Remark
	Number of Shares (thousand shares)	Fair value	Number of Shares (thousand shares)	Amount	Number of Shares (thousand shares)	Amount		Number of Shares (thousand shares)	Shareholding ratio	Fair value		
Ever Supreme Bio Technology Co., Ltd	200	\$42,100	20	\$ -	-	\$-	\$6,410	220	0.32%	\$48,510	None	Note 1
Hsieh-Yung Investment Co., Ltd.	24,368	334,086	9,041	-	-	-	(106,905)	33,409	1.52%	227,181	None	Note 1
Starchips Technology Inc.	53	199	-	-	-	-	(82)	53	0.88%	117	None	
Chun-Hsin Venture Capital Co., Ltd.	3,000	6,030	-	-	-	-	(1,320)	3,000	5.61%	4,710		
Lediamond Opto Corporation	750	18,053	-	-	-	-	(16,321)	750	11.54%	1,732	None	
Gingy Technology Inc.	76	122	-	-	(57)	-	(118)	19	0.37%	4	None	Note 2
Bigbest Solutions Inc.	3,000	24,180	-	-	-	-	(3,060)	3,000	4.29%	21,120	None	
Edison Opto Corporation	5,075	119,779	301	738	-	-	(36,375)	5,376	3.97%	84,142	None	Note 3
Total		<u>\$544,549</u>		<u>\$738</u>		<u>\$-</u>	<u>\$(157,771)</u>			<u>\$387,516</u>		

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

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

Note 3: Increase of current period is for the stock dividend from capital reserve and purchase of stock.

Harvatek Corporation

7. Changes in investment accounted for using the equity method

2022

Unit: Thousand shares/ NT\$

Name of investee	Beginning balance		Increase in current period		Decrease in current period		Recognized by the Company	Exchange differences arising on translation of foreign operations	Issuance of dividends to subsidiaries to adjust capital surplus	Changes in equities of subsidiaries	Measured at fair value financial assets at fair value through other comprehensive income	Ending balance			Equity net worth		Provision of guarantees or pledges	
	Number of Shares (thousand shared)	Amount	Number of Shares (thousand shared)	Amount	Number of Shares (thousand shared)	Amount						Number of Shares (thousand shared)	Shareholding / voting right percentage	Amount	Unit price	Total price		
Long-term equity investments accounted for using the equity method																		
Harvatek International (USA) Corp.	1,000	\$27,707	-	\$-	-	\$-	\$30	\$3,035	\$-	\$-	\$-	1,000	100.00%	\$30,772	\$30.77	\$30,772	None	
HONOR LIGHT LIMITED	19,522	365,409	-	-	(7,075)	(217,356)	50,916	2,841	-	-	-	12,447	100.00%	201,810	16.21	201,810	None	
						(Note 1)												
Hong-Ruei Investment Co., Ltd.	414	2,246	-	-	-	-	(43)	-	-	-	-	414	35.29%	2,203	5.32	2,203	None	
Harvatek (Hong Kong) Trading Limited	4,800	220	-	-	-	-	(4)	24	-	-	-	4,800	80.00%	240	0.05	240	None	
Hong-Cheng Investment CO., Ltd.	2,500	192,359	-	-	-	(8,761)	8,545	-	114	7	(35,117)	2,500	41.60%	157,147	62.86	157,147	None	
						(Note 2)				(Note 3)								
Sleipmir LED Co., Ltd.	1,000	780	-	-	(1,000)	(656)	(124)	-	-	-	-	-	-	-	-	-	-	None
						(Note 4)												
Syntek Corporation Limited	700	4,137	-	-	-	-	(1,109)	-	-	-	-	700	70.00%	3,028	4.33	3,028	None	
Consentek corporation	5,510	47,061	1,049	-	-	-	7,329	-	-	32	-	6,559	61.22%	54,422	8.30	54,422	None	
			(Note 5)							(Note 3)								
Starlight Display Corporation	1,200	7,440	900	9,000	-	-	(3,876)	-	-	1,563	-	2,100	66.50%	14,127	6.73	14,127	None	
				(Note 6)						(Note 6)								
Cyans visual creative CO., Ltd.	-	-	2,000	20,000	-	-	(99)	-	-	-	-	2,000	40.00%	19,901	9.95	19,901	None	
				(Note 7)														
Subtotal		647,359		29,000		(226,773)	61,565	5,900	114	1,602	(35,117)			483,650				
Less: Unrealized sales and deferred credits		-		(3,461)		-	-	-	-	-	-			(3,461)				
Total		\$647,359		\$25,539		\$(226,773)	\$61,565	\$5,900	\$114	\$1,602	\$(35,117)			\$480,189				

Note 1: Refers to capital reduction and return of shares by the subsidiary.

Note 2: Refers to actual payment of dividends by the subsidiary.

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

Note 4: It refers to the sale of part of the shares held in the current period and the non-participation in the cash capital increase, resulting in a decrease in the shareholding ratio, which should be regarded as a full disposal and transferred to financial assets at fair value through profit and

Note 5: Increase of current period is for the Stock dividends distributed from retained earnings.

Note 6: It is not participating in the cash capital increase according to the shareholding ratio.

Note 7: The increase in the current period represents a new investment.

Harvatek Corporation

8. Details of "Property, plant and equipment", "Investment property", "Intangible assets" and "Other non-current assets"
As of December 31, 2022

Unit: NT\$ thousand

Item	Summary	Amount	Remark
Property, plant and equipment		\$514,343	Please refer to Note VI.8 of the financial statements. Please refer to Note VI.9 of the financial statements. Please refer to Note VI.10 of the financial statements.
Net investment property		\$66,497	
Intangible assets		\$2,745	
Refundable deposits	The Gofar building on the National Yang Ming Chiao Tung university and the project of Dazhi deposits, etc.	\$1,013	
Other noncurrent assets	Other deferred assets	\$477	

Harvatek Corporation
9. Changes in the right-of-use assets
2022

Unit: NT\$ thousand

Item	Beginning balance	Increase in current period	Decrease in current period	Adjustments of remeasurement	Ending balance	Remark
Acquisition cost						
Land	\$ 51,175	\$ -	\$ -	\$ 338	\$ 51,513	
Machinery equipment	2,180	3,929	-	-	6,109	
Transportation equipment	3,355	-	(1,458)	-	1,897	
Total cost	<u>56,710</u>	<u>3,929</u>	<u>(1,458)</u>	<u>338</u>	<u>59,519</u>	
Accumulated depreciation						
Land	\$ 4,377	\$ 1,711	\$ -	\$ -	\$ 6,088	
Machinery equipment	1,308	546	-	-	1,854	
Transportation equipment	1,921	898	(1,458)	-	1,361	
Total accumulated deprecia	<u>7,606</u>	<u>3,155</u>	<u>(1,458)</u>	<u>-</u>	<u>9,303</u>	
Book value	<u>\$ 49,104</u>	<u>\$ 774</u>	<u>\$ -</u>	<u>\$ 338</u>	<u>\$ 50,216</u>	

Harvatek Corporation

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

As of December 31, 2022

Unit: NT\$ thousand

Supplier Name	Summary	Amount	Remark
Accounts payable:			
Stanley Electric (Asia Pacific) Ltd.		\$75,975	
Subtron Technology Co., Ltd.		35,625	
Epistar Crporation		30,519	
Other		80,955	(Note)
Total		<u>\$223,074</u>	
Accounts payable - related parties:			
YoungTek Electronics Corporation		\$13,629	
Harvatek(Guangzhou) Co., LTD		1,079	
Guang Zhou Giuhong Yi trading company, Limited		667	
Harvatek International (USA) Corp.		435	
Total		<u>\$15,810</u>	

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

Harvatek Corporation

11. Details of payables to equipment suppliers and other payables

As of December 31, 2022

Unit: NT\$ thousand

Item	Summary	Amount	Remark
Payables to equipment suppliers:			
Yu Fong Precision Machinery Co., Ltd.		\$1,859	
System Corporation		819	
SolidWizard Technology Co., Ltd.		463	
SINGLE WELL INDUSTRIAL CORP.		394	
Data Systems Consulting Co., Ltd.		368	
Other		152	(Note)
Total		<u>\$4,055</u>	
Other payables:			
Salary and bonus payable		\$42,597	
Remuneration payable to employees		73,450	
Compensation due to directors and supervisors		4,550	
Other	Expenses for labor insurance, health insurance, etc.	80,505	(Note)
Total		<u>\$201,102</u>	

Note: None of the balances exceed NT\$300 thousands in this account.

Harvatek Corporation

12. Details of lease liabilities

As of December 31, 2022

Unit: NT\$ thousand

Item	Summary	Lease term	Discount rate	Ending balance	Remark
Land		30-50years	1.5500% ~ 1.7500%	\$ 46,743	
Machinery equipment		2-5years	0.7500% ~ 1.2464%	4,051	
Transportation equipment		2-3years	1.1748% ~ 2.8800%	548	
Total				51,342	
Less: current proportion				(4,436)	
Lease liabilities - noncurrent				<u>\$ 46,906</u>	

Harvatek Corporation

13. Details of net operating revenue

2022

Unit: NT\$ thousand

Item	Summary	Amount	Remark
Sales revenue	3,534,511 thousand pcs	\$2,247,432	
engineering revenue	22 pcs	27,424	
Subtotal:		2,274,856	
Less: sales return	21,505 thousand pcs	(12,143)	
sales allowance	5,438 thousand pcs	(1,189)	
Net operating revenue		<u>\$2,261,524</u>	

Harvatek Corporation
14. Details of operating cost
2022

Unit: NT\$ thousand

Item	Summary	Amount	Reemark
Cost of self-manufactured goods			
Direct materials			
Opening inventory		\$124,727	
Add: material purchased		693,321	
Less: ending inventory		(118,877)	
Sale of materials		(938)	
Other		(8,031)	
Material consumed		690,202	
Supplies consumed		160,624	
Direct labor cost		128,099	
Manufacturing expenses		511,699	
Cost of manufacturing		1,490,624	
Add: works in process at start of period		52,461	
Less: works in process at end of period		(21,049)	
Others		735	
Cost of finished goods		1,522,771	
Add: beginning finished goods		386,422	
Purchase of current period		78,639	
Less: ending finished goods		(335,298)	
Others		(48,446)	
Cost of self-manufactured goods		1,604,088	
Other operating costs			
Loss of reduce inventory to market and slow-moving inventory		(15,563)	
Loss of inventory obsolete		918	
Sale of materials		938	
Supplies sold		24	
Sale of scrap and waste		(6,514)	
Other		52,590	
Subtotal of other operating costs		32,393	
Total cost of sales		<u>\$1,636,481</u>	

Harvatek Corporation
 15. Details of manufacturing expenses
 2022

UnitL NT\$ thousand

Item	Summary	Amount	Remark
Salaries		\$161,355	
Processing expenses		128,479	
Depreciation expenses		79,104	
Consumable materials and tools		45,546	
Utilities expenses		42,805	
Other		54,410	(Note)
Total		<u>\$511,699</u>	

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

Harvatek Corporation
 16. Details of marketing expenses
 2022

Unit: NT\$ thousand

Item	Summary	Amount	Remark
Salaries		\$48,923	
Commissions		22,724	
Services expense		19,396	
Shipping expenses		15,818	
Other		47,727	(Note)
Total		<u>\$154,588</u>	

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

Harvatek corporation

17. Details of General and administration expenses

2022

Unit: NT\$ thousand

Item	Summary	Amount	Remark
Salaries		\$49,438	
Service expenses		11,220	
Miscellaneous expenses		10,638	
Donation expenses		10,083	
Depreciation expenses		6,943	
Other		17,965	(Note)
Total		<u>\$106,287</u>	

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

Harvatek Corporation
18. Details of R&D expenses
2022

Unit: NT\$ thousand

Item	Summary	Amount	Remark
Salaries		\$61,894	
Material expenses		51,082	
Depreciation expenses		15,931	
Other		5,291	(Note)
Total		<u>\$134,198</u>	

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

19. Summary of employee benefits, depreciation and amortization by function of the current period:
Please refer to Note VI.17 for relevant information.