

Harvatek Corporation

Consolidated Financial Statements for the Years Ended December 31, 2023, and 2022 and Independent Auditors' Report

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

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Representation Letter of Consolidated Financial Statements of the Affiliates

The entities that are required to be included in the combined financial statements of Harvatek Corporation as of and for the year ended December 31, 2023, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, “Consolidated Financial Statements”. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Harvatek Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly your

Harvatek Corporation

Chairman: Wang, Ping-Lung

March 25, 2024

Independent Auditors' Reports

The Board of Directors and Shareholders
Harvatek Corporation

Auditors' Opinions

We have audited the accompanying financial statements of Harvatek Corporation (collectively referred to as the "Company") and subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2023, and 2022, the consolidated statements of comprehensive income, consolidated changes in equity, and consolidated cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023, and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China ("ROC").

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 audit of the consolidated financial statements of the Group for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The description of the key audit matter of the Group's consolidated financial statements for the year ended December 31, 2023, is as follows:

Recognition of Revenue from Sales

In the fiscal year 2023, the main source of revenue for the Company is sales revenue from goods. The net operating revenue recognized in the fiscal year 2023 amounted to NT\$2,033,098 thousand, please refer to Note 23. Due to the decrease in demand in the light-emitting diode (LED) market in fiscal year 2023, which affected the revenue growth of certain sales customers, the Group identified the sales revenue from these customers as a potential source of significant fraud risk. Therefore, the auditor categorized the recognition of this revenue as a key audit matter and performed the following audit procedures in response to the risks associated with these customers:

1. We reviewed and tested the relevant internal control systems and operating procedures of the sales transaction cycle to confirm and assess the effectiveness of internal controls when conducting sales transactions.
2. For the sales transactions involving the potentially risky sales entities identified above, we selected samples for testing and conducted sampling audits. We examined customer and external supporting documents to confirm the authenticity of sales revenue. Additionally, we investigated whether there were any abnormalities in the collection of payments from these sales entities after the period ended.

Other Matters

In the fiscal year 2022, the consolidated financial statements of the Group were audited by another auditor, who issued an unqualified audit report including an Other Matters paragraph on March 8, 2023.

The Company has prepared the parent company only financial statements for the years 2023 and 2022. These have been audited by us and other accountants who have each issued an unmodified opinion and an audit report that includes an "other matters" paragraph, which is available for reference.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability 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 Group or to cease operations or has no realistic alternative but to do so.

Those charged with governance, including members of the audit committee, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditors' 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 the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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, and where applicable, 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 consolidated financial statements for the year ended December 31, 2023, and are therefore the key audit matters. We describe these matters in our auditors' 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 would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte & Touche
Accountant: Fang Su-lie

Accountant: Zhang Ya-Yun

Financial Supervisory Commission
Approved-certified No.:
Tai-Cai-Zheng-Liu-Certificate No.
0940161384

Financial Supervisory Commission
Approved-certified No.:
Jin-Guan-Certificate No. 0980032818

March 25, 2024

Harvatek Corporation And Subsidiaries
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars)

CODE	ASSETS	December 31, 2023		December 31, 2022		CODE	LIABILITIES AND EQUITY	December 31, 2023		December 31, 2022	
		Amount	%	Amount	%			Amount	%	Amount	%
	CURRENT ASSETS						CURRENT LIABILITIES				
1100	Cash and cash equivalents (Note 4, 6, and 29)	\$ 806,399	20	\$ 1,345,083	33	2100	Short-term borrowings (Notes 19 and 29)	\$ 15,584	-	\$ 15,872	-
1120	Current financial assets at fair value through other comprehensive income(Note 4, 8, and 29)	175,013	4	159,891	4	2130	Current contract liabilities (Note 23)	73,575	2	69,179	2
1136	Financial assets at amortized cost (Note 4, 9 and 29)	611,576	15	73,063	2	2170	Account payables (Note 29)	262,377	7	240,263	6
1170	Net accounts receivable(Note 4, 5, 10, 23, and 29)	429,681	11	430,904	11	2180	Accounts payable - related parties (Notes 29 and 30)	12,034	-	13,629	-
1180	Accounts receivable - related parties, net (Note 4, 10, 23, 29 and 30)	13,646	-	445	-	2219	Other payables(Note 20)	182,013	5	242,460	6
1200	Other receivables(Note 10 and 29)	12,968	-	29,679	1	2213	Payables on equipment	5,624	-	6,184	-
1210	Other receivables - related parties (Note 4, 10, and 30)	10,000	-	2,258	-	2230	Current income tax liabilities (Note 4,25)	14,593	-	19,315	1
1220	Current income tax assets (Note 4 and 25)	-	-	46	-	2280	Lease liabilities-current (Note 4 and 15)	6,611	-	6,579	-
130X	Inventories(Note 4 and 11)	303,565	8	387,719	9	2399	Other current liabilities(Note 20)	7,301	-	18,844	1
1410	Prepayments(Note 18)	16,661	1	48,543	1	21XX	Total current liabilities	<u>579,712</u>	<u>14</u>	<u>632,325</u>	<u>16</u>
1470	Other current assets(Note 18)	63	-	944	-		NON-CURRENT LIABILITIES				
1482	Cost to fulfill contracts - current(Note 4,23)	452	-	10,790	-	2540	Long-term notes payable - related parties(Note 30)	78,057	2	-	-
11XX	Total current assets	<u>2,380,024</u>	<u>59</u>	<u>2,489,365</u>	<u>61</u>	2570	Deferred income tax liabilities(Note 4 ,25)	4,807	-	4,200	-
	NONCURRENT ASSETS					2580	Lease liabilities - noncurrent (Note 15)	49,695	1	54,210	1
1510	Non-current financial assets at fair value through profit or loss(Note 4, 7, and 29)	91,405	2	80,725	2	2640	Net defined benefit liabilities (Note 4, 21)	17,915	1	18,803	1
1517	Non-current financial assets at fair value through other comprehensive income(Note 4, 8, and 29)	465,349	12	394,416	10	2645	Guarantee deposits	3,752	-	3,752	-
1535	Financial assets measured at amortized cost (Notes 4, 9, 29, and 31)	8,286	-	8,222	-	25XX	Total noncurrent liabilities	<u>154,226</u>	<u>4</u>	<u>80,965</u>	<u>2</u>
1550	Investments accounted for using equity method (Note 4, 13 and 34)	165,345	4	184,989	5	2XXX	Total liabilities	<u>733,938</u>	<u>18</u>	<u>713,290</u>	<u>18</u>
1600	Property, plant,and equipment(Note 4,14)	661,430	17	559,857	14		Equity attributable to the owners of the parent company (Note 4 and 22)				
1755	Right-of-use assets (Note 14 and 15)	55,797	1	59,159	1		Capital				
1760	Investment properties, net(Note 4 , 16,30)	65,505	2	68,471	2	3110	Ordinary share	2,060,698	51	2,060,698	51
1780	Intangible assets (Notes 4 and 17)	29,647	1	33,836	1	3200	Capital surplus	489,514	12	496,303	12
1840	Deferred tax assets (Note 4 and 25)	40,397	1	51,208	1		Retained earnings				
1915	Prepaid equipment expenses	28,277	1	144,113	3	3310	Legal reserve	138,410	4	100,393	2
1940	Long-term receivables - installment(Note 30)	17,679	-	-	-	3350	Unappropriated earnings	201,042	5	443,633	11
1990	Other non-current assets (Notes 18)	4,432	-	2,204	-	3400	Other equity	235,807	6	123,911	3
15XX	Total non-current assets	<u>1,633,549</u>	<u>41</u>	<u>1,587,200</u>	<u>39</u>	3500	Treasury stock	(5,521)	-	(1,320)	-
1XXX	TOTAL	<u>\$ 4,013,573</u>	<u>100</u>	<u>\$ 4,076,565</u>	<u>100</u>	31XX	Total equity attributable to the owners of the company	3,119,950	78	3,223,618	79
						36XX	Non-controlling equity(Note 4 and 22)	<u>159,685</u>	<u>4</u>	<u>139,657</u>	<u>3</u>
						3XXX	Total equity	<u>3,279,635</u>	<u>82</u>	<u>3,363,275</u>	<u>82</u>
							TOTAL EQUITY AND LIABILITY	<u>\$ 4,013,573</u>	<u>100</u>	<u>\$ 4,076,565</u>	<u>100</u>

The accompanying notes are an integral part of the consolidated financial statements.

(Please refer to the audit report issued by Deloitte & Touche on March 25, 2024)

Chairman: Wang, Ping-Lung

Manager: Wang, Ping-Lung

Accounting Supervisor: Su Yu-Hui

Harvatek Corporation And Subsidiaries
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars, Except Earnings(Loss) Per Share is 1 Dollar Per Share)

CODE		2023		2022	
		Amount	%	Amount	%
4000	NET OPERATING REVENUE (Note 4 and 23)	\$ 2,033,098	100	\$ 2,469,709	100
5000	OPERATING COSTS (Note 4, 11 and 24)	<u>1,491,791</u>	<u>74</u>	<u>1,717,206</u>	<u>70</u>
5900	GROSS PROFIT	541,307	26	752,503	30
5910	Unrealized sales profit	(<u>4,987</u>)	-	-	-
5950	Realized gross profit from operations	<u>536,320</u>	<u>26</u>	<u>752,503</u>	<u>30</u>
	OPERATING EXPENSES (Note 24)				
6100	Selling and marketing expenses	124,370	6	149,144	6
6200	General and administrative expenses	150,687	7	164,326	7
6300	Research and development expenses	218,124	11	204,843	8
6450	expected credit impairment loss (profit)	<u>135</u>	-	(<u>45,675</u>)	(<u>2</u>)
6000	Total operating expenses	<u>493,316</u>	<u>24</u>	<u>472,638</u>	<u>19</u>
6900	NET OPERATING PROFIT	<u>43,004</u>	<u>2</u>	<u>279,865</u>	<u>11</u>
	NON-OPERATING INCOME AND EXPENSES				
7100	Interest income (Note 24)	25,264	1	18,006	1
7010	Other income(Note 24)	54,321	3	66,303	3
7020	Other gains and losses (Note 24)	4,109	-	79,786	3
7050	Finance costs (Note 24)	(2,102)	-	(1,428)	-
7060	Share of profit (loss) of associates accounted for using equity method, net(Note 4, 13)	(<u>13,864</u>)	-	<u>26,430</u>	<u>1</u>
7000	Total non-operating income and expenses	<u>67,728</u>	<u>4</u>	<u>189,097</u>	<u>8</u>
7900	PROFIT BEFORE INCOME TAX	110,732	6	468,962	19
7950	INCOME TAX EXPENSE (Note 4 and 25)	<u>18,953</u>	<u>1</u>	<u>71,630</u>	<u>3</u>
8200	NET PROFIT FOR THE YEAR	<u>91,779</u>	<u>5</u>	<u>397,332</u>	<u>16</u>

(Continued)

(Continued)

CODE		2023		2022	
		Amount	%	Amount	%
	OTHER COMPREHENSIVE INCOME (LOSS)				
8310	Items not reclassified to profit or loss:				
8311	Remeasurement of defined benefit plans	(\$ 445)	-	\$ 6,178	1
8316	Unrealized gains and losses on equity instruments measured at fair value through other comprehensive income	131,328	6	(242,192)	(10)
8349	Income taxes related to items not reclassified	89	-	(1,236)	-
	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences in translation of financial statements of foreign operations (Notes 4 and 22)	(859)	-	5,963	-
8300	Other comprehensive income for the year (net of tax)	130,113	6	(231,287)	(9)
8500	TOTAL COMPREHENSIVE INCOME	<u>\$ 221,892</u>	<u>11</u>	<u>\$ 166,045</u>	<u>7</u>
	Net profit to:				
8610	Owner of the Company	\$ 107,089	6	\$ 375,225	15
8620	Non-controlling equity	(15,310)	(1)	22,107	1
8600		<u>\$ 91,779</u>	<u>5</u>	<u>\$ 397,332</u>	<u>16</u>
	Total comprehensive income attributable to:				
8710	Owner of the Company	\$ 227,605	11	\$ 193,179	8
8720	Non-controlling equity	(5,713)	-	(27,134)	(1)
8700		<u>\$ 221,892</u>	<u>11</u>	<u>\$ 166,045</u>	<u>7</u>
	EARNINGS PER SHARE (Note 26)				
9710	Basic	<u>\$ 0.52</u>		<u>\$ 1.82</u>	
9810	Dilution	<u>\$ 0.52</u>		<u>\$ 1.80</u>	

The accompanying notes are an integral part of the consolidated financial statements.

(Please refer to the audit report issued by Deloitte & Touche on March 25, 2024)

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

Harvatek Corporation And Subsidiaries
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

Code		Equity attributable to the owners of the company										
		Capital		Capital surplus	Retained earnings		Other equity		Treasury stock	Total	Non-controlling equity	Total equity
		Share(thousands)	Amount		Legal reserve	Undistributed earnings	Exchange from differences arising translation of foreign operations	Unrealized gains or losses on equity instruments at fair value through other comprehensive income				
A1	Balance on January 1, 2022	206,070	\$ 2,060,698	\$ 494,534	\$ 63,073	\$ 409,891	(\$ 5,915)	\$ 316,814	(\$ 1,320)	\$ 3,337,775	\$ 172,516	\$ 3,510,291
	Appropriation of 2021 earnings											
B1	Legal Reserve	-	-	-	37,320	(37,320)	-	-	-	-	-	-
B5	Shareholder's Stock Dividend	-	-	-	-	(309,105)	-	-	-	(309,105)	-	(309,105)
D1	2022 Net profit	-	-	-	-	375,225	-	-	-	375,225	22,107	397,332
D3	2022 Other comprehensive income	-	-	-	-	4,942	5,900	(192,888)	-	(182,046)	(49,241)	(231,287)
D5	2022 Total comprehensive income	-	-	-	-	380,167	5,900	(192,888)	-	193,179	(27,134)	166,045
C3	From donations	-	-	53	-	-	-	-	-	53	-	53
M1	Insurance of dividends to subsidiaries to adjust capital surplus	-	-	114	-	-	-	-	-	114	-	114
M7	Changes in equities of subsidiaries	-	-	1,602	-	-	-	-	-	1,602	(5,725)	(4,123)
Z1	Balance on December 31, 2022	206,070	2,060,698	496,303	100,393	443,633	(15)	123,926	(1,320)	3,223,618	139,657	3,363,275
	Appropriation of 2022 earnings											
B1	Legal Reserve	-	-	-	38,017	(38,017)	-	-	-	-	-	-
B5	Shareholder's Stock Dividend	-	-	-	-	(309,105)	-	-	-	(309,105)	-	(309,105)
D1	2023 Net profit	-	-	-	-	107,089	-	-	-	107,089	(15,310)	91,779
D3	2023 Other comprehensive income	-	-	-	-	(356)	(95)	120,967	-	120,516	9,597	130,113
D5	2023 Total comprehensive income	-	-	-	-	106,733	(95)	120,967	-	227,605	(5,713)	221,892
L3	Repurchase of treasury stock	-	-	-	-	-	-	-	(5,521)	(5,521)	-	(5,521)
L7	The disposal of the parent company's shares by a subsidiary is treated as a treasury stock transaction	-	-	610	-	-	-	-	1,320	1,930	-	1,930
Q1	Disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	8,976	-	(8,976)	-	-	-	-
M7	Changes in equities of subsidiaries	-	-	(7,399)	-	(11,178)	-	-	-	(18,577)	25,741	7,164
Z1	Balance on December 31, 2023	<u>206,070</u>	<u>\$ 2,060,698</u>	<u>\$ 489,514</u>	<u>\$ 138,410</u>	<u>\$ 201,042</u>	<u>(\$ 110)</u>	<u>\$ 235,917</u>	<u>(\$ 5,521)</u>	<u>\$ 3,119,950</u>	<u>\$ 159,685</u>	<u>\$ 3,279,635</u>

The accompanying notes are an integral part of the consolidated financial statements.
(Please refer to the audit report issued by Deloitte & Touche on March 25, 2024)

Chairman: Wang, Ping-Lung

Manager: Wang, Ping-Lung

Accounting Supervisor: Su Yu-Hui

Harvatek Corporation And Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars)

<u>C O D E</u>		<u>2023</u>	<u>2022</u>
	CASH FLOWS FROM OPERATING ACTIVITIES		
A10000	Profit before income tax	\$ 110,732	\$ 468,962
A20010	Adjustments for:		
A20100	Depreciation expenses	139,018	116,555
A20200	Amortization expenses	14,903	10,899
A20300	Reversal of expected credit losses (profit)	135	(45,675)
A20400	Gain from financial assets at fair value through profit or loss	(10,900)	1,629
A20900	Interest expenses	2,102	1,428
A21200	Interest income	(25,264)	(18,006)
A21300	Dividend income	(31,813)	(32,526)
A22300	Share of profit of subsidiary recognized using equity method.	13,864	(26,430)
A22500	Losses (gains) on disposal of property, plant, and equipment	(108)	-
A22600	Costs transferred from property, plant, and equipment to expenses	-	7,442
A23100	Gain on disposal of investments	-	(130)
A23700	Reversal of impairment loss on inventory	(29,363)	(15,235)
A23900	Unrealized sales profit	4,987	-
A24100	Unrealized foreign exchange (gain) loss	(8,094)	3,001
A29900	Lease modification loss	72	-
A30000	Changes in operating assets and liabilities		
A31130	Notes receivable	-	655
A31150	Accounts receivable	5,159	264,624
A31160	Accounts receivable - related parties	(30,212)	(445)
A31180	Other receivables	14,956	(3,561)
A31190	Other receivables - related parties	(7,451)	(2,123)
A31200	Inventory	113,517	100,805
A31230	Prepayments	31,928	(37,351)
A31240	Contract costs	881	(1)
A31280	Contract liabilities	10,338	(2,346)
A32125	Accounts and notes payable	4,396	22,204
A32150	Accounts payable - related parties	23,048	(188,255)
A32180	Other payables	(60,071)	12,087
A32230	Other current liabilities	(11,543)	5,608
A32240	Net defined benefit liabilities	(1,333)	(1,372)
A33000	Cash generated from operations	273,884	642,443
A33100	Interest received	26,870	18,197
A33300	Interest paid	(1,069)	(1,484)
A33500	Income tax paid	(12,168)	(95,575)
AAAA	Net cash generated from operating activities	<u>287,517</u>	<u>563,581</u>

(Continued)

(Continued)

CODE		2023	2022
	CASH FLOWS FROM INVESTING ACTIVITIES		
B00010	Acquisitions of financial assets measured at fair value through other comprehensive income	\$ -	(\$ 40,384)
B00020	Disposals of financial assets measured at fair value through other comprehensive income	44,509	-
B00040	Acquisitions of financial assets measured at amortized cost	(538,513)	(73,063)
B00100	Acquisitions of financial assets measured at fair value through profit or loss	(80,000)	(90,000)
B00200	Disposals of financial assets measured at fair value through profit or loss	80,221	90,809
B01800	Acquisitions of long-term equity investments under the equity method	-	(20,000)
B02300	Disposal of subsidiaries	-	(83)
B02700	Acquisitions of property, plant, and equipment	(41,655)	(184,179)
B02800	Disposals of property, plant, and equipment	3,228	-
B03800	Increase in refundable deposits	(1,094)	(293)
B04500	Acquisitions of intangible assets	(11,848)	(9,474)
B04600	Disposals of intangible assets	-	60
B06500	Decrease in other financial assets	-	6,660
B06700	Increase in other non-current assets	(64)	(2,009)
B07600	Receipt of dividends	<u>31,813</u>	<u>32,526</u>
BBBB	Net cash used in investing activities	<u>(513,403)</u>	<u>(289,430)</u>
	CASH FLOWS FROM FINANCING ACTIVITIES		
C00100	Increase in short-term borrowings	-	159,030
C00200	Decrease in short-term borrowings	-	(355,425)
C03000	Increase in deposits received	-	104
C04020	Repayment of lease principal	(8,030)	(5,292)
C04500	Payment of cash dividends	(309,105)	(308,991)
C04900	Cost of repurchasing treasury stock	(5,521)	-
C05000	Disposals of treasury stock	1,930	-
C05800	Changes in non-controlling equity	7,164	(2,639)
C09900	Donations received	<u>-</u>	<u>53</u>
CCCC	Net cash used in financing activities	<u>(313,562)</u>	<u>(513,160)</u>
DDDD	EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>764</u>	<u>1,321</u>
EEEE	NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	(538,684)	(237,688)
E00100	CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,345,083</u>	<u>1,582,771</u>
E00200	CASH AND CASH EQUIVALENTS AT THE ENDING OF THE YEAR	<u>\$ 806,399</u>	<u>\$ 1,345,083</u>

The accompanying notes are an integral part of the consolidated financial statements.

(Please refer to the audit report issued by Deloitte & Touche on March 25, 2024)

Chairman: Wang, Ping-Lung

Manager: Wang, Ping-Lung

Accounting Supervisor: Su Yu-Hui

Harvatek Corporation And Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. COMPANY HISTORY

Harvatek Corporation (hereinafter referred to as "the Group") was organized and registered on March 21, 1995, in accordance with the provisions of the Company Act of the Republic of China, and primarily engaged in the research, development, design, manufacturing, testing, and import-export trade of light-emitting diode packaging.

The Group's shares have been listed and traded on the Taiwan Stock Exchange since August 25, 2003.

The consolidated financial statement is presented in New Taiwan Dollars (TWD), which is the functional currency of the Group.

2. APPROVAL DATE AND PROCEDURES OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors and authorized for issue on March 8, 2024.

3. NEW STANDARDS, AMENDMENTS, AND INTERPRETATIONS ADOPTED:

(1) Initial application of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC).

The initial application of the IFRSs endorsed and issued into effect by the FSC would not have a significant effect on accounting policies of the Company and its subsidiaries (hereinafter collectively referred to as the "Group").

(2) IFRSs endorsed by the Financial Supervisory Commission (FSC) with an effective date starting 2024

<u>Interpretations (the "New IFRSs")</u>	<u>Effective Date Announced by IASB(Note 1)</u>
Amendment to IFRS 16 - "Lease Liabilities Arising from Sale and Leaseback Transactions"	January 1, 2024 (Note 2)
Amendment to IAS 1 - "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendment to IAS 1 - "Non-current Liabilities with Contractual Maturities"	January 1, 2024
Amendment to "IAS 7 and IFRS 7 - 'Supplier Finance Arrangements'"	January 1, 2024 (Note 3)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of the initial application of IFRS 16.

Note 3: When first applying this amendment, exemptions from certain disclosure requirements apply.

As of the date of issuance of the consolidated financial report, the amendments to other standards and interpretations for the evaluation of the Group will not have a significant impact on the financial position and financial performance.

(3) The IFRSs issued by IASB in issue but not yet endorsed and issued into effect by the FSC

<u>New, Amended, or Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Initial Application of IFRS 17 and IFRS 9— Comparative Information Proposed amendment to IFRS 17	January 1, 2023
Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025(Note 2)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: For annual reporting periods beginning on or after January 1, 2025. When first applying this amendment, the impact will be recognized in retained earnings as of the initial application date. When the Group uses a non-functional currency as the functional currency, the impact will adjust the translation differences of foreign operations under equity as of the initial application date.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

The consolidated financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

(2) Basis of preparation

In addition to financial instruments measured at fair value, investment properties, and net defined benefit liabilities recognized by deducting the fair value of plan assets, this consolidated financial report is prepared on a historical cost basis.

Fair value measurements are categorized into Level 1 to Level 3 based on the degree of observability and significance of relevant inputs:

- (1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
 - (2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
 - (3) Level 3 inputs are unobservable inputs for an asset or liability.
- (3) Classification of current and non-current assets and liabilities Current assets include:

- (1) Assets held primarily for the purpose of trading;
- (2) Assets expected to be realized within 12 months after the reporting period; and
- (3) Cash and cash equivalents unless the assets are restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- (1) Liabilities held primarily for the purpose of trading;
- (2) Liabilities due to be settled within 12 months after the reporting period; and
- (3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Items not classified as current assets or current liabilities are categorized as non-current assets or non-current liabilities.

(4) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (its subsidiaries). Adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group. All intra-company transactions, balances, income, and expenses are eliminated in full upon consolidation. The total comprehensive income of subsidiaries is attributed to the owners of the Company and the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

Refer to Notes 12 and 34 for detailed information, percentage of ownership, and main businesses of subsidiaries.

(5) Foreign currency

In preparing the financial statements of the Group, transactions in currencies other than the Group's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of nonmonetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

In preparing the consolidated financial statements, assets and liabilities of foreign operations (including subsidiaries and affiliated entities operating in countries or using currencies different from the Group) are translated into New Taiwan Dollars at the exchange rates prevailing on each balance sheet date. Income and expenses are translated at the average exchange rates for the period, and the resulting exchange differences are recognized in other comprehensive income (and separately attributed to the owners of the Group and non-controlling equities).

(6) Inventory

Inventory includes raw materials, materials, finished goods, and work in progress. Inventory is measured at the lower of cost and net realizable value. When comparing cost and net realizable value, individual items are considered except for inventories of the same category. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventory is calculated using the weighted average method. An associate refers to an entity over which the Group has significant influence but is not a subsidiary or a joint venture.

(7) Investment in associates

An associate refers to an entity over which the Group has significant influence but is not a subsidiary or a joint venture.

The Group accounts for investments in associates using the equity method. Under the equity method, investments in associates are initially recognized at cost, and subsequently adjusted to reflect the Group's share of the associates' profits or losses and other comprehensive income. Additionally, changes in the equity of associates are recognized based on the Group's ownership percentage.

Any excess of the cost of acquisition over the Group's share of the identifiable net assets of the associate at the acquisition date is recognized as goodwill, which is included in the carrying amount of the investment and not amortized. Any excess of the Group's share of the identifiable net assets of the associate over the cost of acquisition is recognized in profit or loss.

When associates issue new shares and the Group does not subscribe to them in proportion to its ownership interest, resulting in changes in the equity of the investment, the adjustment to the investment and the related change in equity of the associates are recorded in capital surplus - equity method adjustments and the investment accounted for using the equity method. However, if the Group's ownership interest decreases due to not subscribing to or acquiring shares, any amounts recognized in other comprehensive income related to the associate are reclassified proportionally to the decrease. The accounting treatment follows the same basis as if the associate were to directly dispose of the assets or liabilities concerned. If an adjustment is required to be credited to capital surplus, and the capital surplus balance generated by investments accounted for using the equity method is insufficient, the difference is credited to retained earnings.

When the Group's share of losses in an associate equals or exceeds its interest in that associate (including the carrying amount of the investment in the associate accounted for using the equity method and any other long-term interests that form part of the Group's net investment in the associate), further losses are not recognized. The Group only recognizes additional losses and liabilities within the scope of legal obligations, constructive obligations, or payments already made on behalf of the associate.

When assessing impairment, the Group compares the carrying amount of the investment (including goodwill) to the recoverable amount of the investment as a single asset. Any impairment loss recognized is part of the carrying amount of the investment. Any reversals of impairment losses are recognized to the extent that the recoverable amount of the investment increases subsequently.

When the Group ceases to use the equity method for an investment, the retained interest in the former associate is measured at fair value. The difference between the fair value and the carrying amount of the investment on the date the equity method ceases is recognized in profit or loss. Additionally, any amounts recognized in other comprehensive income related to the former associate are accounted for on the same basis as if the former associate were to directly dispose of the assets or liabilities concerned.

Profits and losses resulting from transactions between the Group and its associates are recognized in the consolidated financial statements only to the extent that they do not relate to the Group's interest in the associates' equity.

(8) Property, plant, and equipment

Property, plant, and equipment are recognized based on cost, and their value is subsequently measured by deducting accumulated depreciation and accumulated impairment losses from the cost.

Except for land held for own use, depreciation on other property, plant, and equipment is recognized on a straight-line basis over their estimated useful lives, with each significant component depreciated separately. The Group reviews the estimated useful lives, residual values, and depreciation methods at least annually and defers the effects of changes in accounting estimates.

When property, plant, and equipment are disposed of, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit and loss.

(9) Investment properties

Investment properties are properties held for earning rental income, capital appreciation, or both. Investment properties also include land held for undetermined future use.

Owned investment property is initially measured at cost, which includes transaction costs. Subsequently, it is measured at cost less accumulated depreciation and accumulated impairment losses.

When investment properties are disposed of, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit and loss.

(10) Goodwill

The goodwill acquired through business combinations is initially recognized at the acquisition date as the amount of goodwill. Subsequently, it is measured at cost less accumulated impairment losses.

For impairment testing purposes, goodwill is allocated to the cash-generating units (CGUs) or groups of CGUs that are expected to benefit from the synergies of the combination.

Each CGU containing goodwill is tested for impairment annually (or whenever there are indicators that it may be impaired) by comparing the carrying amount of the CGU, including the goodwill, with its recoverable amount. If the goodwill allocated to a CGU was acquired in the current year's business combination, the CGU should be tested for impairment before the end of the current year. If the recoverable amount of a CGU containing allocated goodwill is less than its carrying amount, the impairment loss is first allocated to reduce the carrying amount of the goodwill allocated to the CGU, and then proportionally to reduce the carrying amounts of the other assets within the CGU. Any impairment loss is recognized directly in profit or loss. Impairment losses on goodwill cannot be reversed in subsequent periods.

(11) Intangible assets

1. Separately acquired

Intangible assets with separately acquired finite useful lives are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment losses. Intangible assets with finite useful lives are amortized on a straight-line basis over their estimated useful lives. The Group reviews the estimated useful lives, residual values, and amortization methods at least annually and adjusts for the effects of any changes in accounting estimates. Intangible assets with indefinite useful lives are reported at cost less accumulated impairment losses.

2. Derecognition

When an intangible asset is derecognized, any difference between the net disposal proceeds and the carrying amount of the asset is recognized in the current period's income statement.

(12) Impairment of property, plant and equipment, right-of-use assets, investment property, and intangible assets (excluding goodwill)

The Group evaluates at each balance sheet date whether there are any indications that property, plant and equipment, right-of-use assets, investment property, and intangible assets (excluding goodwill) may be impaired. If any indication of impairment exists, the estimated recoverable amount of the asset is determined. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is estimated. Shared assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis.

For intangible assets with indefinite useful lives and intangible assets not yet available for use, impairment testing is performed at least annually and when there are indications of impairment.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an individual asset or cash-generating unit is less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, and an impairment loss is recognized in the income statement.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised recoverable amount, not exceeding the carrying amount that would have been determined had no impairment loss been recognized in prior years (net of amortization or depreciation). The reversal of an impairment loss is recognized in the income statement.

(13) Financial instruments

Financial assets and financial liabilities are recognized in the consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument.

When initially recognizing financial assets or financial liabilities that are not measured at fair value through profit or loss, their carrying amounts are measured at fair value plus transaction costs directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs are directly attributable to the acquisition or issue of financial assets or financial liabilities measured at fair value through profit or loss and are recognized in profit or loss immediately.

1. Financial assets

Conventional transactions of financial assets are recognized and derecognized on a trade date basis.

(1) Measurement categories

Financial assets of the Group are classified as financial assets at FVTPL, financial assets measured at amortized cost, and equity instrument investments at FVTOCI.

A. Financial asset at FVTPL

A financial asset is classified as at FVTPL when the financial asset is mandatorily classified or it is designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments that are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are measured at fair value with any resulting benefits or losses (including any dividends or interest) recognized in profit or loss. For the determination of fair value, please refer to Note 29.

B. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- a. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- b. The contractual terms of the financial assets give rise on a specified date to cash flow that is solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost, which equals the gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Except for the following two cases, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset:

- a. Purchased or originated credit-impaired financial assets: for those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
- b. Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets: for those financial assets, the Group shall apply the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Impairment of financial assets refers to the occurrence of significant financial difficulties, default, or a high likelihood of bankruptcy or another financial restructuring on the part of the issuer or debtor, or the disappearance of an active market for the financial asset due to financial difficulties.

Cash equivalents include highly liquid deposits with original maturities of three months or less that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value, and are used to meet short-term cash commitments.

C. Equity investments measured at fair value through other comprehensive income

Upon initial recognition, the Group has an irrevocable option to designate equity investments that are neither held for trading nor held for purposes of an association with another business entity as measured at fair value through other comprehensive income.

Equity investments measured at fair value through other comprehensive income are initially and subsequently measured at fair value, with subsequent fair value changes recognized in other comprehensive income and accumulated in other equity. Upon disposal of the investment, the cumulative gain or loss is reclassified directly to retained earnings and not reclassified to profit or loss.

Dividends from equity investments measured at fair value through other comprehensive income are recognized in profit or loss when the Group's right to receive payment is established unless the dividend represents a recovery of part of the investment's cost.

(2) Impairment of financial assets

At the end of each reporting period, a loss allowance for expected credit loss is recognized for financial assets at amortized cost (including accounts receivable).

Accounts receivable are assessed for expected credit losses based on the period over which they are expected to be outstanding. For other financial assets, the Group first assesses whether the credit risk has significantly increased since initial recognition. If there is no significant increase, expected credit losses are recognized based on a 12-month expected credit loss. If there is a significant increase, expected credit losses are recognized based on the period over which they are expected to be outstanding.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. In contrast, lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

The impairment loss for all financial assets is recognized by adjusting their carrying amounts through the allowance accounts.

(3) Derecognition of financial assets

The Group only derecognizes financial assets when the contractual rights to receive cash flows from the financial assets have expired or when it has transferred the financial assets and has transferred substantially all the risks and rewards of ownership to another entity.

When a financial asset measured at amortized cost is derecognized in its entirety, any difference between the carrying amount and the consideration received is recognized in profit or loss. When equity investments measured at fair value through other comprehensive income are derecognized in their entirety, the cumulative gain or loss is reclassified directly to retained earnings and not reclassified to profit or loss.

2. Equity instruments

The equity instruments issued by the Group are classified as equity in accordance with the definition of equity instruments.

The equity instruments issued by the Group are recognized at the amount received, net of directly attributable issuance costs.

The repurchase of the Group's equity instruments is recognized and deducted from equity, and the carrying amount is calculated as the weighted average of the type of shares. Purchases, sales, issuances, or cancellations of the Group's equity instruments are not recognized in the profit or loss.

3. Financial liabilities

(1) Subsequent measurement

The effective interest method is used to measure all financial liabilities at amortized cost.

(2) De-recognition of financial liabilities

When financial liabilities are derecognized, the difference between the carrying amount and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in the profit or loss.

(14) Provisions

The amount recognized as a provision is the best estimate of the expenditure required to settle the obligation as of the balance sheet date, taking into account the risks and uncertainties associated with the obligation. Provisions are measured at the present value of the estimated cash flows required to settle the obligation.

1. Warranty:

The obligation to provide warranty for products to ensure compliance with agreed specifications is recognized based on management's best estimate of the expenditure required to settle the Group's obligation, at the time the related goods are recognized as revenue.

(15) Revenue recognition

After identifying performance obligations in customer contracts, the Company allocates transaction prices to each performance obligation and recognizes revenue when the performance obligations are satisfied. If multiple contracts are signed almost simultaneously with the same customer (or related parties of the customer), and the goods or services promised in these contracts constitute a single performance obligation, the Group accounts for them as a single contract.

For contracts where goods or services are transferred and consideration is received within a period of one year or less, significant financing components of the transaction price are not adjusted.

1. Revenue from the sale of goods

The revenue from the sale of light-emitting diode (LED) products is recognized when the products are delivered to the customer's specified location or point of shipment (depending on the terms of the contract). Customers have already established pricing and the right to use the products, assuming primary responsibility for resale and bearing the risk of obsolescence. At that point, the Group recognizes revenue and accounts receivable.

2. Labor revenue

The service provided by the Group primarily involves accepting customer commissions to provide product processing services. According to the contract agreement, ownership of the in-process products belongs to the customer. The Group enhances the in-process products during the processing process, and control is transferred to the customer upon enhancement, constituting service revenue that is recognized over time as performance obligations are gradually fulfilled.

The majority of the contractual agreements of the Group involve receiving consideration based on the payment terms specified in the contract. When the services have been transferred to the customer but the unconditional right to receive consideration has not yet been established, contract assets are recognized. Contract assets are also subject to impairment assessment in accordance with IFRS 9, based on the expected credit loss amount over the expected life of the asset. However, for some contracts, where partial consideration is received from the customer at the time of signing and the Group still has an obligation to provide services thereafter, such consideration is recognized as contract liabilities. The period for which the aforementioned contract liabilities are recognized as revenue typically does not exceed one year and does not result in significant financial compositional changes.

3. Engineering revenue

The engineering revenue of the Group primarily involves providing integrated product services upon customer commission. The contract entails the integration of hardware equipment engineering and software services. Due to limitations imposed by hardware specifications and on-site conditions, these hardware and software integration services are highly interrelated. The Group cannot fulfill its commitments by independently transferring each product or service. Therefore, all products and services promised in the contract are treated as a single performance obligation. Regarding warranties for engineering quality provided within a specified period, the Group recognizes a liability provision in accordance with IAS 37.

The Group recognizes accounts receivable when the engineering project is completed, accepted, control is transferred, and there is an unconditional right to receive consideration. These accounts receivable typically have short durations and do not constitute significant financial components. If partial consideration has been received from customers for engineering contracts but there is still an obligation to provide goods or services thereafter, the Group recognizes contract liabilities, which are subsequently transferred to revenue upon fulfilling the performance obligation. When costs directly relate to specific contracts, and it is expected that these costs will be recoverable and used to fulfill future performance obligations, the company recognizes these costs as contract fulfillment costs under assets. Revenue and costs are recognized when control is transferred to the customer to fulfill the performance obligation.

(16) Leases

At the inception of a contract, the Group assesses whether the contract is, or contains a lease.

The Group as lessee

Except for leases of low-value assets and short-term leases that qualify for recognition exemptions, lease payments for other leases are recognized on a straight-line basis over the lease term as expenses, and the right-of-use assets and lease liabilities are recognized at the commencement date of the lease.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any re-measurement of the lease liabilities. The right-of-use assets are presented separately in the consolidated balance sheet.

The right-of-use asset is depreciated on a straight-line basis from the lease commencement date to the earlier of the end of the useful life or the end of the lease term.

The lease liability is initially measured at the present value of lease payments. If the implicit rate in the lease is readily determinable, the lease payments are discounted at that rate. If the implicit rate is not readily determinable, the lessee's incremental borrowing rate is used.

Subsequently, the lease liability is measured using the effective interest method based on the amortized cost, and interest expense is recognized over the lease term. If changes in estimates for lease term, expected payments under residual value guarantees, assessment of purchase options for the leased asset, or changes in indices or rates used to determine lease payments result in changes to future lease payments, the Company reassesses the lease liability and adjusts the right-of-use asset accordingly. However, if the carrying amount of the right-of-use asset has been reduced to zero, any remaining adjustment is recognized in profit or loss. Lease liabilities are separately presented in the consolidated balance sheet.

(17) Borrowing Costs

The borrowing costs directly attributable to the acquisition, construction, or production of qualifying assets are capitalized as part of the cost of those assets until such time as substantially all the activities necessary to prepare the asset for its intended use or sale are complete.

Except for the above, all other borrowing costs are recognized in profit or loss in the year in which they are incurred.

(18) Employee benefits

1. Short-term employee benefits

The short-term employee benefits liability is measured by the non-discounted amount expected to be paid in exchange for services rendered by employees.

2. Retirement benefits

The retirement benefits payable under the defined benefit retirement plan are recognized as an expense during the period in which the employees provide service, in the amount of the retirement benefits that are expected to be provided.

The defined benefit obligation (including service cost, net interest, and remeasurement) is determined using the projected unit credit method. The service cost and the net defined benefit liability (asset) net interest are recognized as employee benefit expenses when they occur, either upon plan amendments or curtailments, or upon settlement. Remeasurement amounts (including actuarial gains and losses, changes in the asset ceiling, and the return on plan assets, excluding interest) are recognized in other comprehensive income when they occur and are subsequently not reclassified to profit or loss.

The net defined benefit liability (asset) represents the deficit (surplus) in the defined benefit retirement plan's funding. The net defined benefit asset may not exceed the present value of the refunds from the plan or the reductions in future contributions.

(19) Income tax

The income tax expense represents the sum of the tax currently payable and deferred tax.

1. Current tax

The current income tax (expense) is calculated based on the current income (loss) determined in accordance with the tax regulations of the tax jurisdiction where the Group operates, which is used to calculate the payable (recoverable) income tax.

The income tax on retained earnings calculated in accordance with the Income Tax Act of Republic of China is recognized annually based on the resolution of the shareholders' meeting.

Adjustments for prior-year income taxes payable are included in the current year's income tax expense.

2. Deferred tax

Deferred income tax is calculated based on the temporary differences that arise from the carrying amount of assets and liabilities and the taxable basis for calculating taxable income.

Deferred tax liabilities are generally recognized for all taxable temporary differences, while deferred tax assets are recognized when it is probable that taxable income will be available against which the deductible temporary differences or tax loss carryforwards can be utilized, such as for deductible temporary differences or tax loss carryforwards that can be utilized against future taxable income.

For temporary differences related to investments in subsidiaries and associated companies, deferred tax liabilities are recognized, except when the Group can control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deductible temporary differences related to such investments are recognized as deferred tax assets only when it is probable that there will be sufficient taxable income available to realize the temporary difference and within the scope of expected reversal in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered. The deferred tax assets which originally not recognized are also reviewed at the end of each reporting period and recognized to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset is realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY

In adopting accounting policies, the management of the Group must make judgments, estimates, and assumptions based on historical experience and other relevant factors when relevant information is not readily available from other sources. The actual results may differ from the estimates.

When developing significant accounting estimates, the Group incorporates the potential impact of relevant government policies and regulations into consideration such as cash flow projections, growth rates, discount rates, profitability, and other significant estimates. The Management will continually review the estimates and underlying assumptions to ensure their reasonableness and accuracy.

Key Sources of Estimation and Uncertainty

(1) Impairment of Financial Assets

When there is objective evidence of impairment, the Group considers estimates of future cash flows. The amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding future credit losses that have not yet occurred), discounted at the original effective interest rate of the financial asset. However, the discounting effect on short-term receivables is not significant, and impairment losses are measured as the difference between the carrying amount of these assets and the undiscounted estimated future cash flows. Significant impairment losses may arise if actual cash flows in the future are less than expected.

(2) Impairment of Inventory

The net realizable value of inventory is estimated as the estimated selling price in the ordinary course of business, less the estimated costs to complete and the estimated costs necessary to make the sale, based on current market conditions and historical sales experience of similar products. Changes in market conditions may significantly affect these estimates.

6. CASH

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Inventory cash and working fund	\$ 180	\$ 179
Bank checks and current deposits	448,359	579,678
Cash equivalents (investments with original maturities of three months or less)		
Repurchase agreements	218,001	-
Bank fixed deposits	<u>139,859</u>	<u>765,226</u>
	<u>\$ 806,399</u>	<u>\$ 1,345,083</u>

The interest rate range of the bank deposits as of the balance sheet date is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Bank deposits	0.10%~1.45%	0.15%~1.05%
Fixed deposits	1.10%~5.32%	0.85%~1.45%

7. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Current financial assets</u>		
Mandatorily measured at FVTPL		
Non-derivative financial assets		
– Domestic unlisted stocks	<u>\$ 91,405</u>	<u>\$ 80,725</u>

8. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Current</u>		
Domestic investment		
Listed stocks	<u>\$175,013</u>	<u>\$159,891</u>
<u>Non-current</u>		
Domestic investment		
Listed stocks	\$130,633	\$132,652
Unlisted stocks	<u>334,716</u>	<u>261,764</u>
	<u>\$465,349</u>	<u>\$394,416</u>

- (1) The Group strategically invests in equity interests of domestic listed and unlisted companies with the expectation of long-term profitability. Management believes that recognizing short-term fair value fluctuations of these investments in the income statement would

contradict the long-term investment strategy. Therefore, the Group chooses to designate these investments as measured at fair value through other comprehensive income.

- (2) In the fiscal years 2023 and 2022, the Group recognized dividend income of NT\$24,454 thousand and NT\$25,483 thousand, respectively, from equity instruments measured at fair value through other comprehensive income.

9. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Current</u>		
Domestic investment		
Fixed deposits with original maturities exceeding three months	<u>\$611,576</u>	<u>\$ 73,063</u>
<u>Non-current</u>		
Domestic investment		
Pledged fixed deposits (Note)	<u>\$ 8,286</u>	<u>\$ 8,222</u>

Note: Information on financial assets pledged measured at amortized cost is provided in Note 31.

10. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Accounts receivables</u>		
Measured at amortized cost		
Total carrying amount	\$430,077	\$445,224
Less: Loss allowance	(396)	(14,320)
	<u>\$429,681</u>	<u>\$430,904</u>
<u>Accounts receivables - related parties</u>		
Measured at amortized cost		
Total carrying amount	\$ 13,646	\$ 445
Less: Loss allowance	-	-
	<u>\$ 13,646</u>	<u>\$ 445</u>
<u>Other receivables</u>		
Measured at amortized cost		
Receivable tax refunds	\$ 6,925	\$ 23,572
Others	6,047	6,107
Less: Loss allowance	(4)	-
	<u>\$ 12,968</u>	<u>\$ 29,679</u>
<u>Other receivables - related parties</u>		

Measured at amortized cost		
Total carrying amount	\$ 10,000	\$ 2,258
Less: Loss allowance	<u>-</u>	<u>-</u>
	<u>\$ 10,000</u>	<u>\$ 2,258</u>

Accounts receivables

The Group's average credit period for sales of goods ranges from 31 to 120 days, based on credit standards determined according to the industry characteristics, business scale, and profitability of the trading partners. Interest is not charged on accounts receivable and notes receivable. Credit ratings are assessed using other publicly available financial information and historical transaction records of major customers. The Group continuously monitors credit exposures and the credit ratings of trading partners and diversifies the total amount among different customers with acceptable credit ratings. Additionally, annual credit limits for trading partners are managed by management through review and approval.

Expected credit losses on accounts receivable are recognized based on the expected loss over the remaining period. The expected credit losses over the remaining period are calculated using a provision matrix, considering the customer's past default records, current financial condition, industry economic conditions, as well as GDP forecasts, and industry outlooks. Since the historical credit loss experience of the Group indicates no significant differences among different customer groups, the provision matrix does not further distinguish between customer groups but only establishes expected credit loss rates based on the number of days past due for accounts receivable.

If evidence suggests that a trading partner is experiencing severe financial difficulties and the company cannot reasonably expect to recover the amount, such as when the trading partner is undergoing liquidation or the debt has been overdue for more than a year, the Group directly writes off the relevant accounts receivable. However, the Group continues its collection efforts, and any amounts recovered through the collection are recognized in the income statement.

The Group measures the allowance for doubtful accounts on accounts receivable according to the provision matrix as follows:

December 31, 2023

	Not past due	Past due 1-4 months	Past due 5-12 months	Past due more than 1 year	Total
Total carrying amount	\$ 427,397	\$ 1,860	\$ 723	\$ 97	\$ 430,077
Loss allowance (Expected credit losses over the remaining period)	<u>-</u>	(<u>82</u>)	(<u>217</u>)	(<u>97</u>)	(<u>396</u>)
Amortized cost	<u>\$ 427,397</u>	<u>\$ 1,778</u>	<u>\$ 506</u>	<u>\$ -</u>	<u>\$ 429,681</u>

December 31, 2022

	Not past due	Past due 1-4 months	Past due 5-12 months	Past due more than 1 year	Total
Total carrying amount	\$ 426,837	\$ 4,342	\$ 14,045	\$ -	\$ 445,224
Loss allowance (Expected credit losses over the remaining period)	<u>-</u>	(<u>275</u>)	(<u>14,045</u>)	<u>-</u>	(<u>14,320</u>)
Amortized cost	<u>\$ 426,837</u>	<u>\$ 4,067</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 430,904</u>

Changes in the loss allowance on accounts receivable are as follows:

	<u>2023</u>	<u>2022</u>
Balance at January 1	\$ 14,320	\$ 59,995
Add: Impairment loss provision for the year	131	-
Less: Reversal of impairment loss provision for the year	-	(45,675)
Less: Actual write-offs for the year	(14,055)	-
Balance at December 31	<u>\$ 396</u>	<u>\$ 14,320</u>

Changes in the loss allowance on other receivables are as follows:

	<u>2023</u>
Balance at January 1	\$ -
Add: Impairment loss provision for the year	<u>4</u>
Balance at December 31	<u>\$ 4</u>

11. INVENTORY

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Raw materials	\$ 56,969	\$ 94,956
Finished goods	20,206	20,295
Work in progress	27,226	54,339
Materials	<u>199,164</u>	<u>218,129</u>
	<u>\$303,565</u>	<u>\$387,719</u>

Sales costs related to inventory for the years 2023 and 2022 are NT\$ 1,491,791 thousand and NT\$ 1,717,206 thousand, respectively. The cost of goods sold includes inventory impairment losses and gains from obsolescence reversals of NT\$ 29,363 thousand and NT\$ 15,235 thousand, respectively.

12. SUBSIDIARIES

(1) The subsidiaries included in the consolidated financial statements

The consolidated entities were as follows:

Investee	Subsidiary	Main Businesses	Percentage of Ownership		Description
			December 31, 2023	December 31, 2022	
Harvatek Corporation	Harvatek International (USA) Corp.	Sales of electronic components	100.00%	100.00%	-
	HONOR LIGHT LIMITED	Investment	100.00%	100.00%	-
	Hong-Cheng Investment Co., Ltd.	Investment	41.60%	41.60%	Note 1
	Harvatek (Hong Kong) Trading Limited	Investment	80.00%	80.00%	-
	Syntek Corporation Limited	Manufacturing and sales of electronic components	70.00%	70.00%	-
	IN & OUT Bio Corp	Manufacturing and sales of electronic components	-	-	Note 2
	Consentek Corporation	Manufacturing and sales of electronic components	61.22%	61.22%	-

(Continued)

(Continued) Harvatek Corporation

Investee	Subsidiary	Main Businesses	Percentage of Ownership		Description
			December 31, 2023	December 31, 2022	
Harvatek Corporation	Starlight Display Corporation	Manufacturing and sales of electronic components	66.50%	66.50%	Note 3
	iReach Corporation	Manufacturing and sales of electronic components	10.32%	-	Note 4
Hong-Cheng Investment Co., Ltd.	Harvatek (Hong Kong) Trading Limited	Investment	5.00%	5.00%	—
	Consentek Corporation	Manufacturing and sales of electronic components	31.33%	31.33%	—
HONOR LIGHT LIMITED	Harvatek (HK) Limited	Investment	100.00%	100.00%	—
	Harvatek Europe GmbH	Sales of electronic components	51.00%	51.00%	—
	Harvatek(Guangzhou) Co., LTD	Manufacturing and sales of electronic components	100.00%	100.00%	—
	Giuhong Yi trading company, Limited	Sales of electronic components	100.00%	100.00%	—
Consentek Corporation	iReach Corporation	Manufacturing and sales of electronic components	45.05%	50.24%	Note 4

Note 1: The Group holds 2,500,000 special shares of Hong-Cheng Investment Co., Ltd., representing 100% of the total issued special shares of the company. The holders of these special shares have the same voting and election rights as common shareholders at general meetings and have the right to be elected as directors and supervisors. The voting power ratio of these special shares converted to common shares is 41.60%. The Group considers that it has substantial control over the company.

Note 2: In May 2022, the Group sold a portion of its shares in IN & OUT Bio Corp., reducing its ownership from 66.67% to 66.00%, which did not affect its control over the company.

However, the Group did not participate in the cash capital increase of IN & OUT Bio Corp. in July 2022, resulting in its ownership decreasing from 66.00% to 6.97%. Consequently, the Group lost control over IN & OUT Bio Corp. in July 2022 and ceased to include it in the consolidated entity. The Group subsequently sold all of its shares in IN & OUT Bio Corp. in September 2022.

Note 3: Starlight Display Corporation conducted a cash capital increase in August 2022. The Group did not participate in the cash capital increase according to its ownership percentage, resulting in its ownership decreasing from 80% to 66.50%. However, this did not affect its control over the company.

Note 4: The Group originally held a comprehensive ownership interest of 45.23% in iReach Corporation, and held a majority of the director seats, exercising control over the company. In June 2023, iReach Corporation conducted a capital increase by issuing new shares, all of which were subscribed by the Group, resulting in the Group not participating in the cash capital increase according to its ownership percentage. As a result, the Group's comprehensive ownership interest in iReach Corporation, including direct and indirect voting common shares, reached 51.94%.

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investment in associates

The details of the Group's investments accounted for using the equity method are as follows:

		<u>December 31, 2023</u>	<u>December 31, 2022</u>	
Individually immaterial associates				
Hong-Ruei Investment Co., Ltd.		\$ 2,146	\$ 2,203	
Yangzhou YoungTek Electronics Ltd.		157,139	162,885	
Cyans visual creative Co., Ltd.		<u>6,060</u>	<u>19,901</u>	
		<u>\$165,345</u>	<u>\$184,989</u>	
Ownership shares and percentage of voting rights				
Name	Nature of business	Primary business location	December 31, 2023	December 31, 2022
Hong-Ruei Investment Co., Ltd.	Investment	Taiwan	35%	35%
Yangzhou YoungTek Electronics Ltd.	Manufacturing and sales of electronic components	China	40%	40%
Cyans visual creative Co., Ltd.	Design, sales, and leasing	Taiwan	40%	40%

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

	<u>2023</u>	<u>2022</u>
The Company's share	(\$ 13,864)	\$ 26,430
Continuing operations unit's net loss for the year	(139)	<u>2,758</u>
Other comprehensive income	<u>(\$ 14,003)</u>	<u>\$ 29,188</u>

14. PROPERTY, PLANT, AND EQUIPMENT

	Land and improvement	Building structure	Machinery and equipment	Transportation equipment	Testing equipment	Other equipment	Leasehold improvement	Total
Cost								
2023.1.1 balance	\$ 103,392	\$ 505,160	\$ 2,312,372	\$ 2,773	\$ 50,266	\$ 208,872	\$ 62,102	\$ 3,244,937
Additions	-	1,056	214,820	-	8,828	9,978	220	234,902
Reclassifications	-	-	45,000	-	-	-	-	45,000
Disposals	-	(167)	(29,709)	-	(306)	(2,873)	-	(33,055)
Net exchange differences	5	2	(299)	-	-	(11)	-	(303)
2023.12.31 balance	<u>103,397</u>	<u>506,051</u>	<u>2,542,184</u>	<u>2,773</u>	<u>58,788</u>	<u>215,966</u>	<u>62,322</u>	<u>3,491,481</u>
Accumulated depreciation and impairment								
2023.1.1 balance	1,130	268,221	2,120,865	2,159	45,667	193,264	53,774	2,685,080
Additions	-	10,377	104,054	254	3,622	10,581	1,403	130,291
Reclassifications	-	-	45,000	-	-	-	-	45,000
Disposals	-	(167)	(26,887)	-	(306)	(2,878)	-	(30,238)
Net exchange differences	-	196	(271)	-	-	(7)	-	(82)
2023.12.31 balance	<u>1,130</u>	<u>278,627</u>	<u>2,242,761</u>	<u>2,413</u>	<u>48,983</u>	<u>200,960</u>	<u>55,177</u>	<u>2,830,051</u>
2023.12.31 net	<u>\$ 102,267</u>	<u>\$ 227,424</u>	<u>\$ 299,423</u>	<u>\$ 360</u>	<u>\$ 9,805</u>	<u>\$ 15,006</u>	<u>\$ 7,145</u>	<u>\$ 661,430</u>
Cost								
2022.1.1 balance	\$ 102,040	\$ 506,786	\$ 2,275,665	\$ 2,011	\$ 50,813	\$ 219,494	\$ 61,049	\$ 3,217,858
Additions	-	5,480	68,699	762	1,803	9,366	1,053	87,163
Reclassifications	-	(7,752)	-	-	-	-	-	(7,752)
Disposals	-	-	(32,230)	-	(2,350)	(20,010)	-	(54,590)
Net exchange differences	1,352	646	238	-	-	22	-	2,258
2022.12.31 balance	<u>103,392</u>	<u>505,160</u>	<u>2,312,372</u>	<u>2,773</u>	<u>50,266</u>	<u>208,872</u>	<u>62,102</u>	<u>3,244,937</u>
Accumulated depreciation and impairment								
2022.1.1 balance	1,130	257,697	2,072,073	2,011	44,597	204,271	52,428	2,631,157
Additions	-	10,340	80,919	148	3,420	11,981	1,346	108,154
Reclassifications	-	(310)	-	-	-	-	-	(310)
Disposals	-	-	(32,230)	-	(2,350)	(20,010)	-	(54,590)
Net exchange differences	-	494	153	-	-	22	-	669
2022.12.31 balance	<u>1,130</u>	<u>268,221</u>	<u>2,120,865</u>	<u>2,159</u>	<u>45,667</u>	<u>193,264</u>	<u>53,774</u>	<u>2,685,080</u>
2022.12.31 net	<u>\$ 102,262</u>	<u>\$ 236,939</u>	<u>\$ 191,507</u>	<u>\$ 614</u>	<u>\$ 4,599</u>	<u>\$ 15,608</u>	<u>\$ 8,328</u>	<u>\$ 559,857</u>

The depreciation expense is recognized on a straight-line basis over the following useful lives:

Building structure	1 to 51 years
Machinery and equipment	1 to 13 years
Transportation equipment	3 to 10 years
Testing equipment	3 to 9 years
Other equipment	1 to 12 years
Leasehold improvement	3 to 6 years

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

15. LEASE AGREEMENT

(1) Right-of-use assets

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Carrying amount of lease liabilities		
Land	\$ 43,715	\$ 45,425
Building	8,025	8,943
Machinery equipment	3,165	4,256
Transportation equipment	<u>892</u>	<u>535</u>
	<u>\$ 55,797</u>	<u>\$ 59,159</u>
	<u>2023</u>	<u>2022</u>
Additions to right-of-use assets	<u>\$ 2,514</u>	<u>\$ 3,929</u>
Depreciation expense of right-of-use assets		
Land	\$ 1,711	\$ 1,711
Building	2,247	2,296
Machinery equipment	1,018	545
Transportation equipment	<u>778</u>	<u>898</u>
	<u>\$ 5,754</u>	<u>\$ 5,450</u>

Apart from recognizing depreciation expenses, there were no significant subleasing or impairment events for the Group's right-of-use assets in the fiscal years 2023 and 2022.

(2) Lease liabilities

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Carrying amount of lease liabilities		
Current	<u>\$ 6,611</u>	<u>\$ 6,579</u>

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Noncurrent	<u>\$ 49,695</u>	<u>\$ 54,210</u>

Ranges of discount rates for lease liabilities were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Land	1.55%~1.75%	1.55%~1.75%
Machinery equipment	0.75%~1.25%	0.75%~1.25%
Transportation equipment	0.63%~2.88%	1.17%~2.88%
Building	2.00%~3.25%	2.00%~3.25%

(3) Significant leasing activities and terms

Ranges of discount rates for lease liabilities were as follows:

The Company leases various buildings, machinery, and transportation equipment for operational use, with lease terms ranging from 2 to 30 years. Upon expiration of the lease terms, these agreements do not contain renewal or purchase options.

(4) Other lease information

	<u>2023</u>	<u>2022</u>
Short-term lease expenses	<u>\$ 6,843</u>	<u>\$ 4,098</u>
Low-value asset lease expenses	<u>\$ 545</u>	<u>\$ 591</u>
Total cash outflow for leases	<u>(\$ 16,451)</u>	<u>(\$ 10,974)</u>

The Group elects to apply the exemption for recognizing lease assets and lease liabilities for short-term leases of office equipment, computer equipment, and transportation equipment.

16. INVESTMENT PROPERTIES

The investment properties refer to the investment properties owned by the Group. The Group has entered into commercial property lease agreements for its investment properties since November 2019, with lease terms ranging from 2019 to 2024.

	<u>Building</u>
<u>Cost</u>	
2023.1.1 balance	\$ 84,068
Impact of exchange rate fluctuations	<u>3</u>
2023.12.31 balance	<u>\$ 84,071</u>
<u>Accumulated depreciation and impairment</u>	
2023.1.1 balance	\$ 15,597
Depreciation expense	2,973
Impact of exchange rate fluctuations	<u>(4)</u>
2023.12.31 balance	<u>\$ 18,566</u>
2023.12.31 net	<u>\$ 65,505</u>

(Continued)

(Continued)

	<u>Building</u>
<u>Cost</u>	
2022.1.1 balance	\$ 83,099
Impact of exchange rate fluctuations	<u>969</u>
2022.12.31 balance	<u>\$ 84,068</u>
<u>Accumulated depreciation and impairment</u>	
2022.1.1 balance	\$ 11,909
Depreciation expense	2,951
Impact of exchange rate fluctuations	<u>740</u>
2022.12.31 balance	<u>\$ 15,597</u>
2022.12.31 net	<u>\$ 68,471</u>

The fair value of investment properties is determined by an independent valuation company as of each balance sheet date. The valuation is conducted using valuation models commonly used by market participants, with inputs measured at Level 3 inputs according to the fair value hierarchy. The valuation method employed is the discounted cash flow method. Key unobservable inputs used include discount rates. The fair values obtained from the valuation are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Fair values	<u>\$ 75,873</u>	<u>\$ 76,764</u>

Rental income from operating leases for investment properties:

	<u>2023</u>	<u>2022</u>
Rental income from investment properties	<u>\$ 14,071</u>	<u>\$ 12,880</u>

17. INTANGIBLE ASSETS

	<u>Patents and technology</u>	<u>Customer Relations</u>	<u>Software</u>	<u>Goodwill</u>	<u>Total</u>
<u>Cost</u>					
2023.1.1 balance	\$ 247,351	\$ 11,000	\$ 109,756	\$ 9,868	\$ 377,975
Additions	-	-	10,714	-	10,714
Reclassifications	<u>-</u>	<u>-</u>	<u>(3,667)</u>	<u>-</u>	<u>(3,667)</u>
2023.12.31 balance	<u>247,351</u>	<u>11,000</u>	<u>116,803</u>	<u>9,868</u>	<u>385,022</u>
<u>Accumulated amortization and impairment</u>					
2023.1.1 balance	240,065	2,095	101,979	-	344,139
Additions	1,606	1,965	11,332	-	14,903
Reclassifications	<u>-</u>	<u>-</u>	<u>(3,667)</u>	<u>-</u>	<u>(3,667)</u>
2023.12.31 balance	<u>241,671</u>	<u>4,060</u>	<u>109,644</u>	<u>-</u>	<u>355,375</u>
2023.12.31 net	<u>\$ 5,680</u>	<u>\$ 6,940</u>	<u>\$ 7,159</u>	<u>\$ 9,868</u>	<u>\$ 29,647</u>

(Continued)

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	Patents and technology	Customer Relations	Software	Goodwill	Total
<u>Cost</u>					
2022.1.1 balance	\$ 249,351	\$ 12,000	\$ 100,342	\$ 8,660	\$ 370,353
Increases	-	-	9,474	-	9,474
Decreases	-	-	(60)	-	(60)
Business combination	(<u>2,000</u>)	(<u>1,000</u>)	<u>-</u>	<u>1,208</u>	(<u>1,792</u>)
2022.12.31 balance	<u>247,351</u>	<u>11,000</u>	<u>109,756</u>	<u>9,868</u>	<u>377,975</u>
<u>Accumulated amortization and impairment</u>					
2022.1.1 balance	239,269	1,400	95,393	-	336,062
Increases	796	695	6,586	-	8,077
Decreases	-	-	-	-	-
Business combination	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
2022.12.31 balance	<u>240,065</u>	<u>2,095</u>	<u>101,979</u>	<u>-</u>	<u>344,139</u>
2022.12.31 net	<u>\$ 7,286</u>	<u>\$ 8,905</u>	<u>\$ 7,777</u>	<u>\$ 9,868</u>	<u>\$ 33,836</u>

The goodwill arising from the business combination of the merged companies is assessed based on the fair value determined by an external independent appraisal report. The aforementioned appraisal report was completed in May 2022. Goodwill increased by NT\$1,208 thousand relative to the fair value of identifiable net assets as of the acquisition date, with no significant impact on the financial statements.

Amortization expense is recognized on a straight-line basis over the following useful lives:

Software	1 to 5 years
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18. OTHER ASSETS

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Current</u>		
Prepayments		
Prepaid purchases	\$ 7,446	\$ 38,348
Prepaid expenses	6,193	6,001
Prepaid insurance premiums	1,190	2,403
Input tax amount	1,124	1,474
Deferred tax assets	708	216
Other prepaid expenses	-	101
Other	<u>63</u>	<u>944</u>
	<u>\$ 16,724</u>	<u>\$ 49,487</u>
<u>Noncurrent</u>		
Refundable deposit	\$ 2,821	\$ 1,727
Other	<u>1,611</u>	<u>477</u>
	<u>\$ 4,432</u>	<u>\$ 2,204</u>

19. LOANS

(1) Short-term loans

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Unsecured loans</u>		
Credit line loans	<u>\$ 15,584</u>	<u>\$ 15,872</u>
Interest rate range	-	-

20. OTHER LIABILITIES

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Current</u>		
Other accounts payable		
Accrued employee bonuses	\$ 49,200	\$ 73,450
Accrued salaries and bonuses	33,487	51,832
Provision for expenses payable	17,138	54,314
Accrued director and supervisor remuneration	1,330	4,550
Other	<u>80,858</u>	<u>58,314</u>
	<u>\$182,013</u>	<u>\$242,460</u>
Other liabilities		
Amounts due to others	\$ 4,522	\$ 9,373
Liability provision	2,473	2,565
Other	<u>306</u>	<u>6,906</u>
	<u>\$ 7,301</u>	<u>\$ 18,844</u>

19. RETIREMENT BENEFIT PLANS

(1) Defined contribution plan

The retirement pension system applicable to the Group falls under the Labor Pension Act and is a defined contribution retirement plan managed by the government. According to this system, 6% of the employee's monthly salary is contributed to the individual account of the Labor Insurance Bureau for retirement purposes.

The employees of the overseas subsidiaries of the Group have participated in a defined contribution plan administered by the local government, and retirement contributions are made to the local government on a monthly basis.

The retirement pension costs recognized by the Group for the fiscal years 2023 and 2022 were NT\$ 20,801 thousand and NT\$ 20,646 thousand, respectively.

(2) Defined benefit plans

The Group operates a retirement benefit system in accordance with the Labor Standards Act, which falls under the government-regulated defined benefit retirement plan. The payment of employee retirement benefits is calculated based on years of service and the average salary for the six months prior to the approved retirement date. These companies allocate 2% of each employee's monthly salary to retirement benefits, which are deposited into a special account at the Taiwan Bank under the name of the Labor Pension Supervisory Committee. If it's estimated at the end of the year that the balance in the account is insufficient to cover the retirement benefits for employees who are expected to meet the retirement criteria in the following year, the shortfall will be allocated by the end of March of the next year. This account is managed by the Labor Fund Management Bureau of the Ministry of Labor, and the Group has no authority to influence investment management strategies.

The amount of the defined benefit plan included in the parent company only balance sheet is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Defined benefit obligations	\$ 45,507	\$ 44,251
Fair value of the plan assets	(<u>27,592</u>)	(<u>25,448</u>)
Net defined benefit liability	<u>\$ 17,915</u>	<u>\$ 18,803</u>

Net defined benefit liability changes are as follows:

	<u>Present value of defined benefit obligations</u>	<u>Fair value of the plan assets</u>	<u>Net defined benefit liability (asset)</u>
2022.1.1 balance	<u>\$ 48,351</u>	<u>(\$ 21,998)</u>	<u>\$ 26,353</u>
Defined benefit cost			
Current service cost	128	-	128
Interest expense (Income)	<u>387</u>	<u>(176)</u>	<u>211</u>
Recognized in profit or loss	<u>515</u>	<u>(176)</u>	<u>339</u>
Remeasurements			
Changes due to demographic assumptions	967	-	967
Actuarial gain - experience adjustments	<u>(509)</u>	-	<u>(509)</u>
Actuarial gain - financial assumption adjustments	<u>(5,073)</u>	-	<u>(5,073)</u>
Remeasurement of defined benefit assets	<u>-</u>	<u>(1,563)</u>	<u>(1,563)</u>
Recognized in other comprehensive income	<u>(4,615)</u>	<u>(1,563)</u>	<u>(6,178)</u>
Employer contributions	<u>-</u>	<u>(1,711)</u>	<u>(1,711)</u>
2022.12.31 balance	<u>44,251</u>	<u>(25,448)</u>	<u>18,803</u>

(Continued)

(Continued)

	Present value of defined benefit obligations	Fair value of the plan assets	Net defined benefit liability (asset)
Defined benefit cost			
Current service cost	\$ 130	\$ -	\$ 130
Interest expense (Income)	<u>615</u>	<u>(355)</u>	<u>260</u>
Recognized in profit or loss	<u>745</u>	<u>(355)</u>	<u>390</u>
Remeasurements			
Changes due to demographic assumptions	(331)	-	(331)
Actuarial gain - experience adjustments	222	-	222
Actuarial gain - financial assumption adjustments	620	-	620
Remeasurement of defined benefit assets	<u>-</u>	<u>(65)</u>	<u>(65)</u>
Recognized in other comprehensive income	<u>511</u>	<u>(65)</u>	<u>446</u>
Employer contributions	<u>-</u>	<u>(1,724)</u>	<u>(1,724)</u>
2023.12.31 balance	<u>\$ 45,507</u>	<u>(\$ 27,592)</u>	<u>\$ 17,915</u>

The Group is exposed to the following risks under the retirement pension system governed by the Labor Standards Act:

1. Investment Risk: The Bureau of Labor Funds, MOL invests the labor retirement fund in domestic (foreign) equity securities, debt securities, and bank deposits through self-management and delegated management. However, the returns on the plan assets of the Company are calculated based on a yield not less than the local bank's 2-year fixed deposit interest rate.
2. Interest Rate Risk: A decrease in the interest rates of government bonds/corporate bonds will increase the present value of the defined benefit obligation. However, the return on debt investments of the plan assets will also increase, partially offsetting the impact on the net defined benefit liability.
3. Salary Risk: The calculation of the present value of the defined benefit obligation references the future salaries of plan members. Therefore, an increase in plan members' salaries will increase the present value of the defined benefit obligation.

The present value of the Group's defined benefit obligation is determined by an accredited actuary. The significant assumptions as of the measurement date are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Discount rate	1.29%	1.39%
Salary growth rate	3.00%	1.00%

If significant actuarial assumptions change reasonably, while all other assumptions remain constant, the amounts by which the present value of the defined benefit obligation would increase (decrease) are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Discount rate		
Increase by 0.25%	(\$ 2,972)	(\$ 3,035)
Decrease by 0.25%	\$ 3,256	\$ 3,336
Salary growth rate		
Increase by 1.00%	\$ 3,183	\$ 3,265
Decrease by 1.00%	(\$ 2,928)	(\$ 3,004)

Due to the potential interrelatedness of actuarial assumptions, it is unlikely that only a single assumption would change independently. Therefore, the sensitivity analysis mentioned above may not accurately reflect the actual changes in the present value of the defined benefit obligation.

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Expected contribution amount within 1 year	\$ 38,776	\$ 1,711
Average expected remaining service period for the defined benefit obligation	14 years	14 years

22. EQUITY

(1) Capital Stock

1. Common shares

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Number of shares authorized (in thousands)	<u>300,000</u>	<u>300,000</u>
Shares authorized	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>206,077</u>	<u>206,070</u>
Shares issued	<u>\$ 2,060,698</u>	<u>\$ 2,060,698</u>

The par value of our issued common stock is NT\$ 10 per share, and each share has one voting right and the right to receive dividends.

(2) Capital surplus

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>		
Convertible bond premium	\$353,769	\$353,769
Expired stock options	94,035	94,035
Additional paid-in capital in excess of par - common stock	20,878	20,878
Treasury stock transactions	19,750	19,139
Donated Assets	604	604
changes in ownership interests in subsidiaries	<u>478</u>	<u>7,878</u>
	<u>\$489,514</u>	<u>\$496,303</u>

1. This type of capital surplus can be used to offset losses, or when the Company has no losses, it can be used to distribute cash or to increase capital. However, when using it to increase capital, it is limited to a certain percentage of the paid-in capital each year.
- (3) Retained earnings and dividend policy
- According to the Group's articles, the earnings from the annual closing, if any, shall be distributed in the following order.
1. Pay taxes.
 2. Make up for deficits.
 3. Appropriate 10% of the earnings as legal reserve.
 4. Appropriate to, or reverse, special reserve in accordance with the law or the regulations of the competent authority.
 5. The board of directors shall make an earnings distribution proposal for the remaining balance in accordance with the dividends policy; when distributing surplus earnings 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.

Please refer to Note 24(7) for information on the estimation basis and recognized amount of the compensation to employees, directors, and supervisors.

The Group'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 shares, with cash dividends being no less than 20% of the total dividends.

In accordance with the Company Act, the legal reserve shall be appropriated until the total amount has reached the authorized capital. Legal reserve may be used to cover losses. Where the Group incurs no loss, the Group 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.

The Company held shareholder meetings on June 27, 2023, and June 29, 2022, respectively, and resolved resolutions to approve the profit distribution for the years 2022 and 2021 as follows:

	<u>2022</u>	<u>2021</u>
Legal reserve	<u>\$ 38,017</u>	<u>\$ 37,320</u>
Shareholders' dividends - cash	<u>\$309,105</u>	<u>\$309,105</u>
Shareholders' dividends - cash dividend per share (NTD)	\$ 1.5	\$ 1.5

The proposed distribution for the year 2023 by the Board of Directors on March 8, 2024, is as follows:

	<u>2023</u>
Legal reserve	<u>\$ 10,453</u>
Cash dividends	\$102,881
Cash dividend per share (NTD)	\$ 0.5

The distribution proposal for the year 2023 is expected to be deliberated and decided upon at the shareholder meeting scheduled for June 25, 2024.

(4) Other equity items

1. Foreign operation financial statements translation exchange differences

	<u>2023</u>	<u>2022</u>
Balance at January 1	(\$ 15)	(\$ 5,915)
Generated during the current fiscal year		
Foreign operation translation exchange differences	(95)	5,900
Balance at December 31	<u>(\$ 110)</u>	<u>(\$ 15)</u>

2. Unrealized gains and losses on financial assets measured at fair value through other comprehensive income

	<u>2023</u>	<u>2022</u>
Balance at January 1	\$123,926	\$316,814
Generated during the current fiscal year		
Unrealized gains and losses		
Equity instruments	120,967	(192,888)
Accumulated gains and losses on disposal of equity instruments transferred to retained earnings	(8,976)	-
Balance at December 31	<u>\$235,917</u>	<u>\$123,926</u>

(5) Treasury stock

As of December 31, 2023, the Group holds treasury stocks with a value of NT\$5,521 thousand, consisting of 308 thousand shares.

<u>Reasons for the retraction</u>	<u>Subsidiary holding of parent company's stock (thousand shares)</u>
Number of shares as of January 1, 2023	76
Decrease during the current year	(76)
Number of shares as of December 31, 2023	<u> -</u>
Number of shares as of January 1 and December 31, 2022	<u> 76</u>

For the subsidiary of the Group, Hong-Cheng Investment Co., Ltd., holding the company's stocks for financial operational purposes, the relevant information is as follows:

December 31, 2022

Subsidiary Name	Number of Shares (Thousand shares)	Carrying Account	Market Value
Hong-Cheng Investment Co., Ltd.	76	\$ 2,003	\$ 2,003

During the fiscal year 2023, the subsidiary of the Group sold 76 thousand shares of the Group's stock it held. The Group recognized the disposal of treasury shares of 76 thousand shares in accordance with the ownership proportion, offsetting the treasury shares' cost of NT\$ 1,320 thousand. The difference between the selling price and the cost was recognized as a capital surplus of NT\$ 610 thousand. There were no such transactions in the fiscal year 2022.

The Group's treasury shares cannot be pledged according to securities trading regulations, and they do not have the right to receive dividends or voting rights. The treatment of the subsidiary holding the Company's stock is similar to treasury stock, except for not participating in the Group's cash capital increase and lacking voting rights. Otherwise, the subsidiary enjoys the same rights as ordinary shareholders.

(6) Non-controlling equity

	2023	2022
Balance at January 1	\$139,657	\$172,516
Net (loss) income attributable to non-controlling equity	(15,310)	22,107
Other comprehensive income attributable to non-controlling equity		
Foreign currency translation differences from financial statements of foreign operations	(764)	63
Unrealized gains (losses) on equity instruments measured at fair value through other comprehensive income	10,361	(49,304)
Changes in equity of subsidiaries	18,624	(1,498)
Increase (decrease) attributable to non-controlling equity	<u>7,117</u>	<u>(4,227)</u>
Balance at December 31	<u>\$159,685</u>	<u>\$139,657</u>

23. REVENUE

(1) Breakdown of revenue from customer contracts

For detailed revenue breakdown information, please refer to Note 35.

(2) Contract balances

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
Accounts receivable (Note 10)	\$ 443,327	\$ 431,349	\$ 649,853
Contract liabilities			
Merchandise sales	\$ 71,962	\$ 61,481	\$ 36,036
Engineering revenue	<u>1,613</u>	<u>7,698</u>	<u>10,939</u>
	<u>\$ 73,575</u>	<u>\$ 69,179</u>	<u>\$ 46,975</u>

The amount recognized as revenue from contract liabilities at the beginning of the year during the current fiscal year is as follows:

	<u>2023</u>	<u>2022</u>
Contract liabilities at the beginning of the year		
Merchandise sales	<u>\$ 69,179</u>	<u>\$ 46,975</u>

Contract liabilities at the beginning of the year

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Contract fulfillment costs - current	<u>\$ 452</u>	<u>\$ 10,790</u>

24. CONTINUING OPERATIONS NET PROFIT (LOSS)

(1) Interest income

	<u>2023</u>	<u>2022</u>
Interest income	<u>\$ 25,264</u>	<u>\$ 18,006</u>

(2) Other income

	<u>2023</u>	<u>2022</u>
Dividend income	\$ 31,813	\$ 32,526
Rental income	14,243	13,520
Other	<u>8,265</u>	<u>20,257</u>
	<u>\$ 54,321</u>	<u>\$ 66,303</u>

(3) Other profit (loss)

	<u>2023</u>	<u>2022</u>
Through profit or loss on financial instruments measured at fair value	\$ 10,900	(\$ 1,629)
Gain (loss) on disposal of property, plant, and equipment	108	-
Net foreign exchange gain (loss)	(6,849)	81,530
Miscellaneous expenses	(50)	(245)
Gain on disposal of investments	-	130
	<u>\$ 4,109</u>	<u>\$ 79,786</u>

(4) Financial costs

	<u>2023</u>	<u>2022</u>
Interest on bank borrowings	\$ 1,069	\$ 435
Interest on lease liabilities	1,033	993
	<u>\$ 2,102</u>	<u>\$ 1,428</u>

(5) Depreciation and amortization

	<u>2023</u>	<u>2022</u>
Depreciation expense aggregated by function		
Operating cost	\$109,199	\$ 81,360
Operating expenses	29,819	35,195
	<u>\$139,018</u>	<u>\$116,555</u>
Amortization expense of intangible assets aggregated by function		
Operating cost	\$ 947	\$ 280
Operating expenses	10,289	7,797
	<u>\$ 11,236</u>	<u>\$ 8,077</u>

(6) Employee benefits expense

	<u>2023</u>	<u>2022</u>
Retirement benefit(Note 21)		
Defined contribution plans	\$ 20,801	\$ 20,646
Defined benefit plans	390	339
	21,191	20,985
Other employee benefits	<u>501,761</u>	<u>538,437</u>
Total employee benefits expense	<u>\$522,952</u>	<u>\$559,422</u>
Aggregated by function		
Operating cost	\$276,824	\$309,823
Operating expenses	246,129	249,599
	<u>\$522,952</u>	<u>\$559,422</u>

(7) Employee compensation and director and supervisor remuneration

The Group allocates employee compensation and director remuneration in accordance with its articles of association based on the pre-tax profit for the year before deducting these allocations. Employee compensation is allocated at a rate not less than 6%, while director remuneration is allocated at a rate not exceeding 1%. The estimated allocations for employee compensation and director remuneration for the years 2023 and 2022 were respectively resolved by the board of directors on March 8, 2024, and March 9, 2023, as follows:

	2023		2022	
	Cash	Stock	Cash	Stock
Employee compensation	\$ 11,200	\$ -	\$ 38,000	\$ -
Director remuneration	1,330	-	4,550	-

If there are still changes in the amounts after the publication date of the annual financial report, adjustments will be made in the next fiscal year according to accounting estimate changes. The actual distribution amounts of employee compensation and director remuneration for the 2022 and 2021 fiscal years do not differ from the amounts recognized in the financial reports for the 2022 and 2021 fiscal years.

Information on the earnings appropriation proposed by the Board of Directors and approved by the Group's shareholders is available on the Market Observation Post System website of the Taiwan Stock Exchange.

(8) Foreign exchange (loss) gain

	2023	2022
Total foreign exchange gain	\$ 55,814	\$179,401
Total foreign exchange loss	(62,663)	(97,871)
Net (loss) profit	(\$ 6,849)	\$ 81,530

25. CONTINUING OPERATIONS INCOME TAX

(1) Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	2023	2022
Current tax		
In respect of the current year	\$ 15,692	\$ 59,539
Adjustment of income tax from previous fiscal years in the current period	(8,246)	(5,580)
Deferred tax		
Related to the origination and reversal of temporary differences	11,507	17,671
Income tax expense recognized in profit or loss	\$ 18,953	\$ 71,630

A reconciliation of accounting profit and income tax expense is as follows:

	<u>2023</u>	<u>2022</u>
Profit before tax of continuing operations	<u>\$110,732</u>	<u>\$468,962</u>
Income tax calculated at statutory tax rate on profit before tax	\$ 22,146	\$ 93,793
Expenses not deductible for tax purposes	(3,119)	(9,725)
Income tax effect of deferred tax assets (liabilities)	8,172	(6,858)
Adjustment of income tax from previous fiscal years in the current period	(<u>8,246</u>)	(<u>5,580</u>)
Income tax expense recognized in profit or loss	<u>\$ 18,953</u>	<u>\$ 71,630</u>

(2) Income tax recognized in other comprehensive income

	<u>2023</u>	<u>2022</u>
<u>Deferred tax loss (gain)</u>		
Arising in the current year		
– Remeasurement of defined benefit plans	(\$ 89)	\$ 1,236
Recognition of income tax loss (gain) in other comprehensive income	(<u>\$ 89</u>)	<u>\$ 1,236</u>

(3) Current income tax asset and liability

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current income tax liability		
Income tax payable	<u>\$ 14,593</u>	<u>\$ 19,315</u>

(4) Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities are as follows:

2023

	<u>Balance at January 1</u>	<u>Recognized in Profit or Loss</u>	<u>Recognized in other comprehensive income</u>	<u>Business combination</u>	<u>Balance at December 31</u>
<u>Deferred tax assets</u>					
Temporary differences					
Inventory impairment and obsolescence losses	\$ 25,318	(\$ 6,532)	\$ -	\$ -	\$ 18,786
Gains (losses) on valuation of foreign investment targets	13,298	(2,137)	-	-	11,161
Other	<u>12,592</u>	<u>(2,231)</u>	<u>89</u>	<u>-</u>	<u>10,450</u>
	<u>\$ 51,208</u>	<u>(\$ 10,900)</u>	<u>\$ 89</u>	<u>\$ -</u>	<u>\$ 40,397</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
<u>Deferred tax assets</u>					
Amortization of intangible assets	(\$ 3,238)	\$ 715	\$ -	\$ -	(\$ 2,523)
Other	<u>(962)</u>	<u>(1,322)</u>	<u>-</u>	<u>-</u>	<u>(2,284)</u>
	<u>(\$ 4,200)</u>	<u>(\$ 607)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 4,807)</u>

2022

	Balance at January 1	Recognized in Profit or Loss	Recognized in other comprehensive income	Business combination	Balance at December 31
<u>Deferred tax assets</u>					
Temporary differences					
Inventory impairment and obsolescence losses	\$ 28,431	(\$ 3,113)	\$ -	\$ -	\$ 25,318
Employee benefits payable	1,885	(1,885)	-	-	-
Gains (losses) on valuation of foreign investment targets	12,966	332	-	-	13,298
Other	<u>26,854</u>	<u>(13,026)</u>	<u>(1,236)</u>	<u>-</u>	<u>12,592</u>
	<u>\$ 70,136</u>	<u>(\$ 17,692)</u>	<u>(\$ 1,236)</u>	<u>\$ -</u>	<u>\$ 51,208</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
<u>Deferred tax assets</u>					
Amortization of intangible assets	(\$ 4,137)	\$ 299	\$ -	\$ 600	(\$ 3,238)
Other	<u>(684)</u>	<u>(278)</u>	<u>-</u>	<u>-</u>	<u>(962)</u>
	<u>(\$ 4,821)</u>	<u>\$ 21</u>	<u>\$ -</u>	<u>\$ 600</u>	<u>(\$ 4,200)</u>

- (5) The information of the unused operating loss carries forward for which no deferred tax assets have been recognized

	December 31, 2023	December 31, 2022
Deductible temporary differences	<u>\$ 51,727</u>	<u>\$ 51,210</u>

- (6) Income tax examination
The tax authorities have examined the income tax returns of the Group through 2021.

	Income tax declaration and assessment status
The Group	Assessed until the fiscal year 2021
Subsidiary – Hong-Cheng Investment Co., Ltd.	Assessed until the fiscal year 2021
Subsidiary – Syntek Corporation Limited	Assessed until the fiscal year 2021
Subsidiary – Consentek Corporation	Assessed until the fiscal year 2021
Subsidiary – Starlight Display Corporation	Assessed until the fiscal year 2021
Subsidiary – iReach Corporation	Assessed until the fiscal year 2021

26. EARNINGS PER SHARE

	2023	2022
Basic EPS	<u>\$ 0.52</u>	<u>\$ 1.82</u>
Diluted EPS	<u>\$ 0.52</u>	<u>\$ 1.80</u>

The net profit for the current fiscal year and the weighted average number of outstanding ordinary shares used to calculate basic and diluted earnings per share are as follows:

<u>Net profit for the current fiscal year</u>	2023	2022
Net profit used to calculate basic and diluted earnings per share	<u>\$107,089</u>	<u>\$375,225</u>

<u>Shares</u>	Unit: in thousands of shares	
	<u>2023</u>	<u>2022</u>
Weighted average number of common shares used to calculate basic earnings per share	205,757	205,994
Effect of dilutive potential common shares:		
Employee remuneration	<u>740</u>	<u>2,492</u>
Weighted average number of common shares used to calculate diluted earnings per share	<u>206,497</u>	<u>208,486</u>

27. SHARE-BASED PAYMENT ARRANGEMENTS

(1) Subsidiary's share-based payment plan

iReach Corporation offers share-based payments to its employees as part of its compensation plan. Employees acquire equity instruments by providing services as consideration, and these transactions are equity-settled share-based payment transactions.

On March 7, 2023, iReach Corporation's board of directors decided to issue 2,000 units of employee stock options. Each unit entitles the holder to subscribe to 1,000 shares of Class A preferred stock issued by the company at an exercise price of NT\$7 per share. The recipients of these options are employees of iReach Corporation who meet specific criteria. The options have a term of 6 years, and holders can exercise a certain proportion of the options granted starting from 2 years after the grant date. Upon expiry of the term, options not exercised by employees are considered forfeited, and holders relinquish any rights to these options.

Details of the employee stock options are as follows:

<u>Employee stock options</u>	<u>2023</u>	
	<u>Quantity (units)</u>	<u>Weighted average exercise price (NT\$)</u>
Beginning of the year		
outstanding	-	\$ -
Granted during the year	2,000	7
Expired during the year	<u>-</u>	-
End of year outstanding	<u>2,000</u>	7
End of year exercisable	<u>-</u>	
Weighted average fair value of options granted during the year (NT\$)	<u>\$ 8.9875</u>	

The relevant information for outstanding employee stock options is as follows:

	<u>December 31, 2023</u>
Range of exercise prices (NT\$)	\$ 7
Weighted average remaining contractual term (years)	5.25 years

The input values used for the Black-Scholes valuation model for the employee stock options granted by iReach Corporation in the fiscal year 2023 are as follows:

	<u>2023</u>
Expected volatility	48.08%~50.72%
Duration of the term	4~5 years
Expected dividend rate	0.00%
Risk-free interest rate	1.14%~1.15%

The expected duration of the term is estimated based on historical data and current expectations, which may not necessarily reflect actual exercise behavior. The expected volatility assumes that the historical volatility over a period close to the term represents future trends, but this may not necessarily align with actual outcomes in the future.

The total recognized compensation cost for the fiscal year 2023 is NT\$1,106 thousand.

28. CAPITAL RISKS MANAGEMENT

The Group's objective in capital management is to ensure the Group's ability to continue operating and growing while optimizing debt and equity adjustments to maximize shareholder equity.

The capital structure management strategy considers industry scale, growth prospects, product development plans, market share, and the corresponding capital expenditure and asset scale required for long-term development. Based on this, comprehensive planning is conducted. Finally, estimates are made regarding product gross profit margins, operating profit margins, and cash flows, considering the Group's product competitiveness and risk factors such as industry cyclicalities and product life cycles, to determine the appropriate capital structure.

The management regularly reviews the capital structure, taking into account the costs and risks associated with different capital instruments. Generally, the Group adopts a prudent risk management strategy.

29. FINANCIAL INSTRUMENTS

(1) Fair value information - financial instruments measured at fair value on a recurring basis

1. Fair value hierarchy

December 31, 2023

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Fair value through profit or loss financial assets</u>				
Unlisted (OTC) stocks	\$ -	\$ -	\$ 91,405	\$ 91,405
<u>Financial assets measured at fair value through other comprehensive income</u>				
Equity instrument investments				
– Listed (OTC) stocks	\$ 305,646	\$ -	\$ -	\$ 305,646
– Unlisted (OTC) stocks	-	-	334,716	334,716
	<u>\$ 305,646</u>	<u>\$ -</u>	<u>\$ 334,716</u>	<u>\$ 640,362</u>

December 31, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Fair value through profit or loss financial assets</u>				
Unlisted (OTC) stocks	\$ -	\$ -	\$ 80,725	\$ 80,725
<u>Financial assets measured at fair value through other comprehensive income</u>				
Equity instrument investments				
– Listed (OTC) stocks	\$ 292,543	\$ -	\$ -	\$ 292,543
– Unlisted (OTC) stocks	-	-	261,764	261,764
	<u>\$ 292,543</u>	<u>\$ -</u>	<u>\$ 261,764</u>	<u>\$ 554,307</u>

There was no transfer between Level 1 and Level 2 fair value measurements in 2023 and 2022.

2. Adjustments to financial instruments measured at fair value using Level 3 inputs

<u>Financial assets - equity instruments</u>	<u>Equity instruments measured at fair value through comprehensive profit or loss</u>	
	<u>2023</u>	<u>2022</u>
Beginning balance	\$ 80,725	\$ 82,383
Recognized in profit or loss	<u>10,680</u>	<u>(1,658)</u>
Ending balance	<u>\$ 91,405</u>	<u>\$ 80,725</u>

Financial assets - equity instruments	Equity instruments measured at fair value through comprehensive profit or loss	
	2023	2022
Beginning balance	\$261,764	\$403,203
Recognized in other comprehensive profit or loss	<u>72,952</u>	(<u>141,439</u>)
Ending balance	<u>\$334,716</u>	<u>\$261,764</u>

3. Valuation techniques and inputs for Level 3 fair value measurement

(1) For certain domestic and foreign unlisted equity investments, the market approach is adopted. This approach relies on transaction prices of comparable assets. Based on the financial information of the target companies and their industry peers, market multiples such as price-to-earnings ratio, price-to-book ratio, price-to-sales ratio, or other financial ratios are used for analysis and valuation. Significant unobservable inputs are as follows: when the price-to-book ratio increases and liquidity discounts decrease, the fair value of these investments will increase.

	December 31, 2023	December 31, 2022
Price-Book Ratio	0.47%~20.54%	0.30%~10.05%
Liquidity discount	14.78%	24.94%

(2) For some domestic and foreign unlisted equity investments, the net asset value method is adopted. In this method, the target company's net asset value approximates the fair value of the equity investment. The assessment of the target includes the total value of individual assets and liabilities, reflecting the overall value of the enterprise or business.

(2) Categories of financial instruments

	December 31, 2023	December 31, 2022
<u>Financial assets</u>		
Measured at fair value through profit or loss		
Designated as measured at fair value through profit or loss	\$ 91,405	\$ 80,725
Financial assets measured at amortized cost (Note 1)	1,913,056	1,891,381
Financial assets measured at fair value through other comprehensive income		
Equity instrument investments	640,362	554,307
<u>Financial liabilities</u>		
At amortized cost (Note 2)	559,441	522,160

Note 1: The balance includes financial assets measured at amortized cost, such as cash and cash equivalents, accounts receivable (including related parties), other receivables (including related

parties), deposits paid, and other receivables from related parties.

Note 2: The balance includes financial liabilities measured at amortized cost, such as accounts payable and notes payable (including related parties), other payables, and deposits received.

(3) Financial risk management objectives and policies

The Group's financial risk management objective is to manage market risk, credit risk, and liquidity risk associated with its operating activities. To mitigate these financial risks, the Group focuses on identifying, evaluating, and avoiding market uncertainties to reduce the potential adverse impact of market fluctuations on its financial performance.

Key financial activities of the Group are reviewed by management in accordance with relevant regulations and internal control systems. During the execution of financial plans, the Group adheres to relevant financial operating procedures.

1. Market risk

The Group's main financial risks arising from its operating activities include foreign exchange rate risk (see below (1)), interest rate risk (see below (2)), and other price risks (see below (3)).

(1) Foreign exchange rate risk

The Group engages in sales and purchases transactions denominated in foreign currencies and has net investments in foreign operations, leading to exposure to foreign exchange rate fluctuations. The management of the Group's foreign exchange rate risk is conducted within the scope permitted by policies, using forward foreign exchange contracts to manage the risk. As the net investments in foreign operations are considered strategic investments, the Group does not hedge them.

Sensitivity analysis

The Group is primarily affected by fluctuations in the US dollar and Chinese yuan exchange rates.

Regarding sensitivity analysis of foreign exchange rate risk, it mainly focuses on currencies other than the functional currency at the end of the financial reporting period. The positive numbers in the table indicate the increase in profit before tax when the New Taiwan Dollar (functional currency) depreciates by 5% against the relevant foreign currencies. Conversely, when the New Taiwan Dollar depreciates by 5% against the relevant foreign currencies, the impact on profit before tax will be negative by the same amount. This sensitivity ratio is used by the Group when reporting exchange rate risk to management.

Impact of US Dollar

Impact of Chinese Yuan

	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Revenue before tax	\$ 36,275	\$ 15,698	\$ 768	\$ 4,386

(2) Interest rate risk

As the Group borrows funds at both fixed and floating interest rates, it is exposed to interest rate risk. The Group manages this risk by maintaining an appropriate mix of fixed and floating interest rate instruments. The financial assets and financial liabilities subject to interest rate risk on the balance sheet date are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Fair value interest rate risk		
Financial assets	\$977,722	\$847,455
Financial liabilities	71,890	76,661
Cash flow interest rate risk		
Financial assets	448,359	579,678

Sensitivity analysis

Regarding the sensitivity analysis of interest rate risk, it primarily focuses on the changes in cash flows of financial assets and liabilities with floating interest rates as of the end of the financial reporting period.

If interest rates rise/fall by 1%, the pre-tax profit for fiscal years 2023 and 2022 will decrease/increase by NT\$4,484 thousand and NT\$5,797 thousand, respectively.

(3) Other price risks

The Group is exposed to equity price risk due to its investments in listed equity securities. These equity investments are not held for trading but are strategic investments, and the Company does not actively trade them.

Sensitivity analysis

The following sensitivity analysis is based on price risk as of the balance sheet date.

Assuming a 1% increase/decrease in equity prices, the Group's pre-tax income for fiscal years 2023 and 2022 will increase/decrease by NT\$914 thousand and NT\$807 thousand, respectively, due to fair value changes in financial assets measured at fair value through profit or loss.

Assuming a 1% increase/decrease in equity prices, the Group's pre-tax other comprehensive income for fiscal years 2023 and 2022 will increase/decrease by NT\$6,404 thousand and NT\$5,543 thousand, respectively, due to fair value changes in financial assets measured at fair value through profit or loss.

2. Credit risk

Credit risk refers to the risk of financial loss incurred by the Group due to the counterparty's default on contractual obligations. The Group's credit risk mainly arises from receivables, bank

deposits, and other financial instruments generated from its operating activities. Operational and financial credit risks are managed separately.

Operational Credit Risk

To maintain the quality of accounts receivable, the Group has established operational risk management procedures.

Individual customer risk assessment considers factors such as the customer's financial condition, credit ratings from rating agencies, internal credit ratings within the Group, historical transaction records, and current economic conditions. The Group also utilizes credit enhancement tools such as advance payments and increased collateralization at appropriate times to mitigate credit risk for specific customers.

Accounts receivable are spread across numerous customers in various industries and geographical regions. The Group continually evaluates the financial status of accounts receivable customers and may purchase credit insurance contracts when necessary.

As of December 31, 2023, and 2022, the receivables balance from the top ten customers accounted for 81% and 57%, respectively, of the total receivables (including related parties), indicating that the credit concentration risk of other receivables is not significant.

Financial credit risk

The credit risk associated with bank deposits and other financial instruments is measured and monitored by the Group's finance department. As the Group's counterparties and trading partners consist of reputable banks and financial institutions with good credit standings, there are no significant concerns regarding default risks, resulting in negligible credit risk.

3. Liquidity risk

The Group maintains sufficient cash positions to support its operations and mitigate the impact of cash flow volatility. The Company's management oversees the use of bank financing facilities and ensures compliance with the terms of loan contracts. Bank borrowings are an important source of liquidity for the Company. The unused financing facilities are described in (2) below.

(1) Liquidity and interest rate risk table for non-derivative financial liabilities

The maturity analysis of non-derivative financial liabilities is based on the earliest date on which the Group could be required to repay the liability, using undiscounted cash flows (including principal and estimated interest). Therefore, bank borrowings that could be demanded repayment immediately are included in the earliest period in the table, without considering the probability of banks exercising this right. The maturity analysis of other non-derivative financial liabilities is based on the contractual repayment dates.

The undiscounted interest amount for interest cash flows paid at floating interest rates is derived based on the expected borrowing rates as of the balance sheet date.

December 31, 2023

	On-demand or payable within 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Total
<u>Non-derivativ e financial liabilities</u>						
Interest-free liabilities	\$ 167,810	\$ 159,762	\$ 91,353	\$ -	\$ -	\$ 418,925
Lease liabilities	683	1,098	4,311	12,374	37,840	56,306
Floating rate instruments	-	-	15,584	-	-	15,584
	<u>\$ 168,493</u>	<u>\$ 160,860</u>	<u>\$ 111,248</u>	<u>\$ 12,374</u>	<u>\$ 37,840</u>	<u>\$ 490,815</u>

Further information regarding the maturity analysis of the financial liabilities is as follows:

	Within 1 year	1-5 years	5-10 years	10-15 years	15-20 years	Over 20 years
Lease liabilities	<u>\$ 6,092</u>	<u>\$ 12,374</u>	<u>\$ 7,999</u>	<u>\$ 8,729</u>	<u>\$ 9,526</u>	<u>\$ 11,586</u>

December 31, 2022

	On-demand or payable within 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Total
<u>Non-derivativ e financial liabilities</u>						
Interest-free liabilities	\$ 350,010	\$ 100,089	\$ 52,437	\$ -	\$ -	\$ 502,536
Lease liabilities	755	1,480	4,344	13,365	40,845	60,789
Floating rate instruments	-	-	15,872	-	-	35,713
	<u>\$ 350,765</u>	<u>\$ 101,569</u>	<u>\$ 72,653</u>	<u>\$ 13,365</u>	<u>\$ 40,845</u>	<u>\$ 579,197</u>

Further information regarding the maturity analysis of the financial liabilities is as follows:

	Within 1 year	1-5 years	5-10 years	10-15 years	15-20 years	Over 20 years
Lease liabilities	\$ 6,579	\$ 13,365	\$ 9,346	\$ 8,578	\$ 9,361	\$ 13,560

(2) Financing limit

	December 31, 2023	December 31, 2022
Unsecured bank loan limit		
– Amount utilized	\$ 15,584	\$ 15,872
– Amount not utilized	<u>803,550</u>	<u>863,500</u>
	<u>\$819,134</u>	<u>\$879,372</u>

30. TRANSACTIONS WITH RELATED PARTIES

Transactions, account balances, income, and expenses between the Group (which are related parties of the Group) are eliminated in full upon consolidation, hence not disclosed in these notes. Except as disclosed in other notes, transactions between the consolidated company and other related parties are as follows:

(1) Names of related parties and their relationships

Names of related parties	Relationship with the Company
YoungTek Electronics Corporation	Other related party
IN & OUT Bio Beauty Corp.	Other related party
Cyans visual creative Co., Ltd.	Associate

(2) Operating revenue

Accounting item	Type of related party	2023	2022
Operating revenue	Other related party		
	YoungTek Electronics Corporation	\$ 3,900	\$ 2,935
	Associate		
	Cyans visual creative Co., Ltd.	<u>61,951</u>	<u>9,524</u>
		<u>\$ 65,851</u>	<u>\$ 12,459</u>

The sales price of goods sold to the above-mentioned related parties is negotiated by both parties with reference to market prices. The payment policy is equivalent to that of regular customers, with a payment period of 120 days from the end of the month. Sales to Cyans visual creative Co., Ltd. are installment sales, and the difference between the current selling price of the product and the total sales contract amount represents unrealized interest income, which is recognized as realized interest income over time.

(3) Receivable to related parties

<u>Accounting item</u>	<u>Type of related party</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts receivable	Other related party		
-net related parties	YoungTek Electronics Corporation Associate	\$ -	\$ 445
	Cyans visual creative Co., Ltd.	<u>13,646</u>	<u>-</u>
		<u>\$ 13,646</u>	<u>\$ 445</u>

The receivables from related parties circulating outside are not guaranteed and no provision for bad debts has been made.

(4) Other receivable to related parties

<u>Accounting item</u>	<u>Type of related party</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Other accounts receivable	Other related party		
- related parties	YoungTek Electronics Corporation	<u>\$ -</u>	<u>\$ 2,258</u>

(5) Long-term receivables from related parties for installment payments

<u>Accounting item</u>	<u>Type of related party</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Long-term receivables	Associate		
- related parties	Cyans visual creative Co., Ltd.	<u>\$ 17,679</u>	<u>\$ -</u>

(6) Payables to related parties

<u>Accounting item</u>	<u>Type of related party</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Payables - net related parties	Other related party		
	YoungTek Electronics Corporation	\$ 12,034	\$ 12,547
Payable for equipment - net related parties	Other related party		
	YoungTek Electronics Corporation	<u>-</u>	<u>1,082</u>
		<u>\$ 12,034</u>	<u>\$ 13,629</u>

(7) Long-term payables to related parties

<u>Accounting item</u>	<u>Type of related party</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Long-term payables -	Other related party		

net related parties	YoungTek Electronics Corporation	\$ <u>78,057</u>	\$ <u>-</u>
(8) Prepaid equipment payments			
<u>Type/Name of related party</u>		<u>December 31, 2023</u>	<u>December 31, 2022</u>
Other related party			
YoungTek Electronics Corporation		\$ <u>1,140</u>	\$ <u>74,135</u>
(9) Payments made on behalf			
<u>Type/Name of related party</u>		<u>December 31, 2023</u>	<u>December 31, 2022</u>
Other related party			
YoungTek Electronics Corporation		\$ <u>1,275</u>	\$ <u>-</u>
(10) Acquisition of property, plant, and equipment			
		<u>Purchase price</u>	
<u>Type/Name of related party</u>		<u>December 31, 2023</u>	<u>December 31, 2022</u>
Other related party			
YoungTek Electronics Corporation		\$ <u>158,309</u>	\$ <u>24,788</u>

The Group entered into a contract with YoungTek Electronics in July 2022 to purchase a batch of needle-fixing machines totaling NT\$155,000 thousand (exclusive of tax). According to the contract, the payment is scheduled to be made in installments. Before acceptance, 50% of the equipment payment was prepaid. The remaining 50% acceptance payment amounts to a total of NT\$81,375 thousand (including tax). As per the contract, the Company issued a three-year promissory note due on March 31, 2026, for the remaining balance. The Company discounts the long-term payable notes payable using the incremental borrowing rate for the same period. As of December 31, 2023, the long-term notes payable to related parties amounted to NT\$78,057 thousand, with interest expense amortized at NT\$1,087 thousand.

(11) Disposal of property, plant, and equipment				
		<u>Disposal proceeds</u>		<u>Gain (loss) on disposal</u>
<u>Type/Name of related party</u>		<u>2023</u>	<u>2022</u>	<u>2023</u>
Other related party				<u>2022</u>
YoungTek Electronics Corporation		\$ <u>1,640</u>	\$ <u>-</u>	\$ <u>400</u>
				\$ <u>-</u>

(12) Acquisition of intangible assets			
		<u>Purchase price</u>	
<u>Type/Name of related party</u>		<u>2023</u>	<u>2022</u>

Other related party		
YoungTek Electronics Corporation	<u>\$ 600</u>	<u>\$ -</u>

(13) Lease agreement

Since November 2019, the Group has leased office space and a factory to YoungTek Electronics Corporation. The lease term is from November 1, 2019, to October 31, 2024. The rental income for the years 2023 and 2022 was both NT\$10,800 thousand. The leasing price offered to YoungTek Electronics Corporation by the company is determined based on market rates for similar properties, with a monthly rent of NT\$900 thousand, payable monthly.

Additionally, starting from August 2020, the Group has leased out some of its factory space to YoungTek Electronics Corporation. The monthly rent for each contract period is NT\$32 thousand, payable monthly. The rental income for the years 2023 and 2022 was both NT\$768 thousand. The leasing price is determined based on market rates for similar properties.

(14) Loans to related parties

<u>Type/name of related party</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Associate		
Cyans visual creative Co., Ltd.	<u>\$ 10,000</u>	<u>\$ -</u>

Interest income

<u>Type/name of related party</u>	<u>2023</u>	<u>2022</u>
Associate		
Cyans visual creative Co., Ltd.	<u>\$ 80</u>	<u>\$ -</u>

(15) Other

The transactions between the Group and indirectly held subsidiary companies are summarized as follows:

<u>Accounting item</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Manufacturing costs - Processing fees	<u>\$ 26,348</u>	<u>\$ 47,186</u>
Manufacturing expenses - Material costs	<u>\$ 1,452</u>	<u>\$ -</u>
Manufacturing expenses - Repair expenses	<u>\$ 600</u>	<u>\$ -</u>
Manufacturing expenses - Testing and experimental costs	<u>\$ 313</u>	<u>\$ 2,557</u>
Selling expenses - Miscellaneous expenses	<u>\$ 11</u>	<u>\$ 2</u>
Non-operating income - Income from samples	<u>\$ -</u>	<u>\$ 165</u>
Non-operating income - Other income	<u>\$ -</u>	<u>\$ 4,947</u>

The transactions between the Group and its associates are summarized as follows:

<u>Accounting item</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Non-operating income - rental income	<u>\$ 24</u>	<u>\$ 6</u>

(16) Remuneration of key management personnel

	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 41,749	\$ 44,060
Retirement benefits	<u>1,289</u>	<u>1,238</u>
	<u>\$ 43,038</u>	<u>\$ 45,298</u>

The remuneration of key management personnel is determined by the remuneration committee based on individual performance and market trends.

31. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets are provided as collateral for financing loans and as security for customs duties on imported raw materials:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Pledged time deposits (financial assets measured at amortized cost)	<u>\$ 8,286</u>	<u>\$ 8,222</u>

32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

The Company has signed a white light patent licensing agreement with OSRAM, a German company, under which it is obligated to pay licensing fees and royalties calculated based on the agreed percentage of future net sales of licensed products.

33. SIGNIFICANT SUBSEQUENT EVENTS:

The following information is expressed in foreign currencies other than the functional currency of the Group. The disclosed exchange rates represent the rates at which these foreign currencies are translated into functional currency. Significant foreign currency assets and liabilities are as follows:

December 31, 2023

(In thousands of respective foreign currencies)

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Carrying amount</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
US dollar	\$ 28,596	30.71	\$ 878,183
Chinese yuan	3,778	4.329	16,355
Euro	378	34.01	12,854
Hong Kong dollar	918	3.934	3,611
<u>Financial liabilities</u>			
<u>Monetary items</u>			
US dollar	4,972	30.71	152,690
Chinese yuan	228	4.329	987

December 31, 2022

(In thousands of respective foreign currencies)

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Carrying amount</u>
--	-------------------------	----------------------	------------------------

Financial assets

Monetary items

US dollar	\$	15,346	30.66	\$	471,120
Chinese yuan		20,372	4.409		89,820
Euro		564	32.74		18,475
Hong Kong dollar		645	3.941		2,542

Financial liabilities

Monetary items

US dollar		5,119	30.66		157,153
Chinese yuan		476	4.409		2,100
Euro		6	32.74		205

In the fiscal years 2023 and 2022, the Group realized and unrealized gains (losses) from foreign currency exchange of NT\$(6,849) thousand and NT\$81,530 thousand, respectively. Due to the variety of functional currencies involved in foreign currency transactions, it is not feasible to disclose the exchange gains or losses separately for each significant foreign currency.

34. SEPARATELY DISCLOSED ITEMS

(1) Information about significant transactions:

1. Financing provided to others: Table 1.
2. Endorsements/guarantees provided: None.
3. Information on year-end holdings of securities (excluding investments in subsidiaries, associates, and jointly controlled entities): Table 2.
4. Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None.
5. Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None.
6. Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
7. Total purchases from or sales to 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. Trading in derivative instruments: None.
10. Information on investees: Table 3.

(2) Information on investees: Table 4.

(3) Information on investments in mainland China:

1. Details of mainland China invested companies including their names, primary business activities, paid-in capital, investment methods, cash inflows and outflows, shareholding percentages, investment gains or losses, end-of-period investment book value, repatriated investment gains or losses, and investment limits for investments in mainland China: Table 5.
2. Significant transactions with mainland China invested companies, whether directly or indirectly through third-party regions,

including prices, payment terms, and unrealized gains or losses:
None.

- (4) Information on major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and the percentage of ownership of each shareholder: Table 6.

35. SEGMENT INFORMATION

- (1) The Group's business and revenue mainly derive from products related to light-emitting diodes (LEDs). The Group's management oversees the overall operational results to formulate decisions regarding the allocation of group resources and evaluates the overall performance of the Group. Therefore, it is considered a single operating segment.

The accounting policies adopted by this segment are consistent with those described in Note 4 regarding significant accounting policies, with no significant discrepancies.

- (2) Primary Products and Revenue

	<u>2023</u>	<u>2022</u>
<u>Primary Products</u>		
Light-emitting diodes	\$ 2,005,681	\$ 2,442,285
Engineering revenue	<u>27,417</u>	<u>27,424</u>
	<u>\$ 2,033,098</u>	<u>\$ 2,469,709</u>
 Customer Contract Revenue		
Sales revenue from goods	\$ 2,005,681	\$ 2,442,285
Engineering revenue	<u>27,417</u>	<u>27,424</u>
	<u>\$ 2,033,098</u>	<u>\$ 2,469,709</u>

(3) Region Information

Revenue from external customers:

	<u>2023</u>	<u>2022</u>
<u>Primary Geographic</u>		
<u>Markets</u>		
Taiwan	\$ 635,586	\$ 728,826
Mainland China	898,261	1,106,831
Asia	273,388	404,575
Other	<u>225,863</u>	<u>229,477</u>
	<u>\$ 2,033,098</u>	<u>\$ 2,469,709</u>

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

Non-current assets:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Taiwan	\$842,998	\$844,053
Mainland China (Hong Kong)	3,599	6,603
Other	<u>16,170</u>	<u>16,984</u>
Total	<u>\$862,767</u>	<u>\$867,640</u>

Non-current assets do not include investments accounted for using the equity method, financial instruments, and deferred tax assets.

(4) Information on important customers:

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

	<u>2023</u>		<u>2022</u>	
	<u>Amount</u>	<u>Percentage (%)</u>	<u>Amount</u>	<u>Percentage (%)</u>
Customer A	\$ 411,191	20	\$ 580,453	24
Customer B	NA(Note)	-	279,408	11

Note: Income does not exceed 10% of consolidated gross operating income.

Harvatek Corporation And Subsidiaries
Loaning funds to others
2023

Table 1

Unit: Unless otherwise specified, all amounts are in NTD thousands

No. (Note 1)	Financing company	Borrower	Financial statements account	Related party	Max balance in the period	Ending balance	Amount actually drawn	Interest range	Financing nature (Note 3)	Transaction amount (Note 6)	Reasons for short-term financing	Allowance for bad debt	Collateral		Financing limits for each borrowing company (Note 4)	Financing company's total financing amount limit (Note 5)	Remark
													Name	Value			
0	Harvatek Corporation	Harvatek(Guangzhou) Co., LTD	Other receivables	Y	\$ 35,568	\$ 15,152	\$ 15,152	Note 2	2	\$ -	Working capital	\$ -	—	\$ -	\$ 623,990	\$1,247,980	—
0	Harvatek Corporation	Cyans visual creative Co., Ltd.	Other receivables	Y	10,000	10,000	10,000	Note 2	2	-	Working capital	-	—	-	623,990	1,247,980	—

Note 1: Explanation of the serial number column:

- (1) Issuers should fill in 0.
- (2) Invested companies should be sequentially numbered starting from 1 according to company type.

Note 2: Calculated based on the average loan interest rate of the Company's main banks.

Note 3: The nature of fund lending should be classified as follows:

- (1) For entities with business dealings.
- (2) For entities requiring short-term financing.

Note 4: The fund limit for individual entities should not exceed 20% of the Company's net worth.

Note 5: The total fund lending limit should not exceed 40% of the consolidated Company's net worth.

Note 6: Business dealings amount refers to the lending amount and the business dealings between the lending company and the borrowing entity in the most recent fiscal year.

Harvatek Corporation And Subsidiaries
MARKETABLE SECURITIES HELD
December 31, 2023

Table 2

Unit: Unless otherwise specified, all amounts are in NTD thousands

Held Company Name	Type	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2023				Remark
					Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
Harvatek Corporation	Stock	CT Micro International Corp.	No	Financial assets at fair value through profit or loss - noncurrent	47,982,980	\$ 91,405	-	\$ 91,405	
	Stock	Chun-Hsin Venture Capital Co., Ltd.	Corporate director	Financial assets at fair value through profit or loss - noncurrent	3,000,000	4,440	5.61%	4,440	
	Stock	Hsieh-Yung Investment Co., Ltd.	No	Financial assets at fair value through profit or loss - noncurrent	32,506,937	299,714	1.52%	299,714	
	Stock	Starchips Technology Inc.	No	Financial assets at fair value through profit or loss - noncurrent	52,777	17	0.88%	17	
	Stock	Lediamond Opto Corporation	No	Financial assets at fair value through profit or loss - noncurrent	750,000	10,785	11.54%	10,785	
	Stock	Bigbest Solution Inc.	No	Financial assets at fair value through profit or loss - noncurrent	3,000,000	9,630	4.29%	9,630	
	Stock	Ever Supreme Bio Technology Co., Ltd.	No	Financial assets at fair value through profit or loss - noncurrent	241,922	47,296	0.33%	47,296	
	Stock	Edison Opto Corporation	No	Financial assets at fair value through profit or loss - noncurrent	3,415,453	83,337	2.38%	83,337	
Hong-Cheng Investment Co., Ltd.	Stock	YoungTek Electronics Corporation	Other related party of the Harvetek	Financial assets at fair value through profit or loss - current	2,800,200	175,013	2.18%	175,013	
	Stock	Sissca Co., Ltd.	No	Financial assets at fair value through profit or loss - noncurrent	1,292,121	10,130	5.95%	10,130	
Consentek Corporation	Stock	Oepic Semiconductors Inc.	No	Financial assets at fair value through profit or loss - noncurrent	452,830	-	10.72%	-	

Harvatek Corporation And Subsidiaries
Intercompany relationships and significant intercompany transactions
2023

Table 3

Unit: Unless otherwise specified, all amounts are in NTD thousands

No. (Note 1)	Name of the trading party	Trading counterparty	Name of relations (Note 2)	Intercompany Transaction			Percentage of consolidated net revenue or total assets (Note 3)
				Account	Amount	Transaction terms	
0	Harvatek Corporation	Harvatek(Guangzhou) Co., LTD	1	Other receivables	\$ 15,177	—	0.38%
				Purchases	7,508	—	0.37%
				Sales revenue	1,563	—	0.08%
				Accounts payable	1,041	—	0.03%
				Manufacturing expenses	483	—	0.02%
				Accounts receivable	454	—	0.01%
				Interest income	344	—	0.02%
				Cost of goods sold	237	—	0.01%
		Harvatek International (USA) Corp.	1	Sales revenue	10,682	—	0.53%
				Accounts receivable	2,637	—	0.07%
				Commission expenses	815	—	0.04%
				Other payables - commission	219	—	0.01%
		Guang Zhou Giuhong Yi trading company, Limited	1	Commission expenses	8,459	—	0.42%
				Other payables - commission	987	—	0.02%
		Consentek Corporation	1	Rental income	24	—	-
		Syntek Corporation Limited	1	Rental income	120	—	0.01%
		Starlight Display Corporation	1	Other income	36	—	-
				Service expenses	16,711	—	0.82%
				Other income	338	—	0.02%
		iReach Corporation	1	Rental income	24	—	-
Miscellaneous income	312			—	0.02%		
Other receivables	103			—	-		
Sales revenue	20			—	-		
Accounts receivable	20			—	-		
1	Consentek Corporation	iReach Corporation	3	Other income	1,008	—	0.05%
				Other receivables	88	—	-

(Continued)

(Continued)

Note 1: 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 2: There are three types of relationships with counterparties, indicating the type suffices:

(1) Parent company to subsidiary.

(2) Parent company to sub-subsidiary.

(3) Subsidiary to subsidiary.

(4) Subsidiary to parent company.

Note 3: For the calculation of transaction amount as a percentage of consolidated net revenue or total assets, in the case of balance sheet accounts, ending balances are divided by consolidated total assets; in the case of income statement accounts, the cumulative amount in the period is divided by consolidated net revenue.

Harvatek Corporation And Subsidiaries
Information on Investees, Geographical Area, etc.
2023

Table 4

Unit: Unless otherwise specified, all amounts are in NTD/USD/HKD/EURO thousands

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Shares Held as at the End of the Period			Net Income (Loss) of the Investee	Share of Profit/Loss of Investee	Remark
				End of the current period	End of the prior year	Number of shares	Ratio	Carrying amount			
Harvatek Corporation	Hong-Cheng Investment Co., Ltd.	Taiwan	Investment	\$ 150,000	\$ 150,000	3,132,500	41.6%	\$ 173,817	\$ 16,118	\$ 6,705	
	Harvatek(Hong Kong) Trading Limited	Hong Kong	Investment	18,259 (HKD 4,800,000)	18,259 (HKD 4,800,000)	4,800,000	80%	-	(303)	(242)	
	Hong-Ruei Investment Co., Ltd.	Taiwan	Investment	27,450	27,450	414,000	35.29%	2,146	(165)	(57)	
	Harvatek International (USA) Corp.	U.S	Sales of electronic components	83,574 (USD 2,600,000)	83,574 (USD 2,600,000)	1,000,000	100%	31,259	483	483	
	HONOR LIGHT LIMITED	Samoa	Investment	370,975 (USD12,446,236)	370,975 (USD 12,446,236)	12,446,236	100%	198,430	(2,828)	(2,828)	
	Syntek Corporation Limited	Taiwan	Manufacturing and sales of electronic components	7,000	7,000	700,000	70%	504	(1,601)	(1,120)	
	Consentek Corporation	Taiwan	Manufacturing and sales of electronic components	55,050	55,050	7,878,613	61.22%	59,660	(8,979)	(5,497)	
	Starlight Display Corporation	Taiwan	Manufacturing and sales of electronic components	21,000	21,000	2,100,000	66.5%	7,981	(9,242)	(6,146)	
	Cyans visual creative Co., Ltd.	Taiwan	Design, sales, and leasing industry	20,000	20,000	2,000,000	40%	6,060	(20,499)	(8,200)	
	iReach Corporation	Taiwan	Manufacturing and sales of electronic components	50,000	-	25,000	10.32%	17,763	(15,323)	(640)	
Hong-Cheng Investment Co., Ltd.	Harvatek(Hong Kong) Trading Limited	Hong Kong	Investment	1,142 (HKD 300,000)	1,142 (HKD 300,000)	300,000	5%	-	(303)	Note 2	
	Consentek Corporation	Taiwan	Manufacturing and sales of electronic components	26,600	26,600	3,357,047	31.33%	30,534	(8,979)	Note 2	
HONOR LIGHT LIMITED	Harvatek (HK) Limited	Hong Kong	Investment	68,491 (USD 2,348,000)	68,491 (USD 2,348,000)	2,348,000	100%	29,039	1,287	Note 2	
	Harvatek Europe GmbH	Germany	Sales of electronic components	512 (EUR 12,750)	512 (EUR 12,750)	12,750	51%	829	(175)	Note 2	
Consentek Corporation	iReach Corporation	Taiwan	Manufacturing and sales of electronic components	59,999	59,999	10,909,000	45.05%	95,076	(15,323)	Note 2	

Note 1: Figures in this table are presented in NTD. For foreign-currency transactions, the USD, HKD, and EURO were translated into NTD using exchange rates of 30.71, 3.934, and 34.01 at the date of the financial statements, except for the historical exchange rates. The exchange rates of the USD, HKD, and EURO for profit and loss were translated into NTD based on the average exchange rates of 31.155, 3.980, and 33.70.

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

Harvatek Corporation And Subsidiaries
Information on investment in mainland China
2023

Table 5

Unit: Unless otherwise specified, all amounts are in NTD thousands

Name of investee in China	Main business and products	Paid-in capital	Method of investment	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 1)	Carrying amount at the end of the period	Accumulated inward remittance of investment gains at the end of the period	Remark
					Outflow	Inflow							
Guang Zhou Giuhong Yi trading company, Limited Harvatek(Guangzhou) Co., LTD	Sales of electronic components 售	CNY 500	Note 2	\$ 2,549 (USD 83 thousand)	\$ -	\$ -	\$ 2,549 (USD 83 thousand)	\$ 47	100%	\$ 47	\$ 4,270	\$ -	-
	Manufacturing and sales of electronic components	CNY 20,000	Note 2	94,587 (USD 3,080 thousand)	-	-	94,587 (USD 3,080 thousand)	831	100%	831	(4,732)	-	-
Yangzhou YoungTek Electronics Ltd.	Manufacturing and sales of electronic components	CNY 67,887	Note 2	122,840 (USD 4,000 thousand)	-	-	122,840 (USD 4,000 thousand)	(14,019)	40%	(5,608)	157,139	-	-

Cumulative amount of investment from Taiwan to Mainland China as of the end of the current period	Approved investment amount by the Investment Commission of the Ministry of Economic Affairs	Investment limit to Mainland China as regulated by the Investment Commission of the Ministry of Economic Affairs (Note 3)
\$219,976 (USD 7,163 thousand)	\$219,976 (USD 7,163 thousand) Approved amount USD thousand	\$1,871,970

Note 1: Calculated based on the audited financial statements by the auditors for the same period.

Note 2: The total investment amount is NTD 219,976 thousand (USD 7,163 thousand), of which NTD 219,976 thousand (USD 7,163 thousand) is invested indirectly in mainland China through third-party intermediaries.

Note 3: Calculated based on the investment limits specified in the amended Principles for Reviewing Investment or Technical Cooperation in Mainland China by the Investment Commission on August 29, 2008.

Note 4: Calculated based on the exchange rate as of December 31, 2023.

Harvatek Corporation
INFORMATION ON MAJOR SHAREHOLDERS
December 31, 2023

Table 6

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
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 main shareholder information in this table is compiled by the Taiwan Depository & Clearing Corporation (TDCC) based on the shareholding data of shareholders holding 5% or more of the total issued shares of the company, including both common and preferred shares, as of the last business day of the quarter, excluding treasury shares. The number of shares recorded in the consolidated financial statements of the company may differ from the actual number of shares delivered without physical registration, due to differences in calculation methods or other factors.

Note 2: If the shareholder's holdings are entrusted to a trustee, the data disclosed is based on the individual accounts opened by the trustee. Regarding shareholders who hold more than 10% of the shares and are required to report internal shareholding under securities laws and regulations, their holdings include both their shares and shares entrusted to a trustee, as well as shares for which they have the authority to make decisions on the use of trust property. For information on internal shareholding reporting by insiders, please refer to the Market Observation Post System (MOPS).