

Harvatek Corporation
Parent Company Only 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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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"), which parent company only balance sheets as of December 31, 2023, and 2022, parent company only statements of comprehensive income, parent company only statements of changes in equity, and parent company only statements of cash flows individual, and the notes to the parent company only financial statements individual statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023, and 2022, and its financial performance and its 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 parent company only financial statements section of our report. We are independent of the Company 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 parent company only financial statements of the Company for the year ended December 31, 2023. These matters were addressed in the context of our audit of the parent company only 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 Company's parent company only 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\$1,853,666 thousand. 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 Company 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 parent company only financial statements of the Company were audited by another auditor, who issued an unqualified audit report including an Other Matters paragraph on March 8, 2023.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements.

Management is responsible for the preparation and fair presentation of the parent company only 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 parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements.

Our objectives are to obtain reasonable assurance about whether the parent company only 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 parent company only 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 parent company only 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 Company'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 Company'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 parent company only 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 Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure, and content of the parent company only financial statements, including the disclosures, and whether the parent company only 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 the invested company adopting the equity method to express an opinion on the parent company only 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 parent company only 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. 1110348898

March 25, 2024

Harvatek Corporation
PARENT COMPANY ONLY 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 26)	\$ 585,315	16	\$ 1,145,339	30	2130	Current contract liabilities (Note 4, 21)	\$ 73,575	2	\$ 69,001	2
1136	Financial assets at amortized cost (Note 4, 9 and 26)	601,632	16	73,063	2	2170	Account payables (Note 26)	218,904	6	223,074	6
1170	Net accounts receivable(Note 4, 5, 10, 21, and 26)	354,654	9	386,389	10	2180	Accounts payable - related parties (Notes 26 and 27)	13,075	-	15,810	-
1180	Accounts receivable - related parties, net (Note 4, 21, 26, 29 and 31)	16,746	-	3,582	-	2200	Other Payables (Note 18, 26, and 27)	170,702	5	205,157	5
1200	Other receivables(Note 10 and 26)	11,187	-	13,210	-	2280	Lease liabilities-current (Note 14)	3,852	-	4,436	-
1210	Other receivables - related parties (Note 10, 26, 27 and 31)	25,279	1	19,923	1	2230	Current tax liabilities (Note 4 and 23)	14,467	-	18,467	1
130X	Inventories(Note 4 and 11)	296,053	8	372,651	10	2250	Liability Reserves	2,325	-	2,439	-
1410	Prepayments(Note 17)	9,870	-	44,699	1	2300	Other current liabilities (Note 18)	4,256	-	14,988	-
1482	Cost to fulfill contracts - current(Note 21)	452	-	10,790	-	21XX	Total current liabilities	501,156	13	553,372	14
11XX	Total current assets	1,901,188	50	2,069,646	54		NON-CURRENT LIABILITIES				
	NONCURRENT ASSETS					2540	Long-term notes payable - related parties (Notes 26 and 27)	78,057	2	-	-
1510	Non-current financial assets at fair value through profit or loss(Note 4, 7, and 26)	91,405	3	80,725	2	2570	Deferred income tax liabilities (Notes 4 and 23)	2,284	-	962	-
1517	Non-current financial assets at fair value Through other comprehensive income(Note 4, 8, and 26)	455,219	12	387,516	10	2580	Lease Liabilities - Non-current (Note 14)	43,993	1	46,906	1
1535	Financial assets measured at amortized cost (Notes 4, 9, 26, and 28)	8,286	-	8,222	-	2640	Net Defined Benefit Liabilities (Notes 4 and 19)	17,915	1	18,803	1
1550	Investments accounted for using equity method (Note 4 and 12)	497,620	13	480,189	13	2670	Guarantee deposits (Note 26)	3,540	-	3,540	-
1600	Property, plant, and equipment (Note 4, 13 and 30)	608,573	16	514,343	13	25XX	Total noncurrent liabilities	145,789	4	70,211	2
1755	Right-of-use assets (Note 14)	47,772	1	50,216	1	2XXX	Total liabilities	646,945	17	623,583	16
1760	Investment properties, net(Note 4 , 15)	64,022	2	66,497	2		EQUITY (Note 4 and 20)				
1780	Intangible assets (Notes 4 and 16)	3,059	-	2,745	-		Capital				
1840	Deferred tax assets (Note 4 and 23)	40,228	1	51,039	1	3110	Ordinary share	2,060,698	55	2,060,698	54
1915	Prepaid equipment expenses	27,677	1	134,573	4	3200	Capital surplus	489,514	13	496,303	13
1940	Long-term receivables - installment payments from related parties (Notes 26 and 27)	17,679	1	-	-	3310	Retained earnings				
1990	Other non-current assets (Notes 4, 17)	4,167	-	1,490	-	3350	Legal reserve	138,410	4	100,393	3
15XX	Total non-current assets	1,865,707	50	1,777,555	46	3350	Unappropriated earnings	201,042	5	443,633	11
						3400	Other equity	235,807	6	123,911	3
						3500	Treasury stock	(5,521)	-	(1,320)	-
						3XXX	Total equity	3,119,950	83	3,223,618	84
1XXX	TOTAL	\$ 3,766,895	100	\$ 3,847,201	100		TOTAL	\$ 3,766,895	100	\$ 3,847,201	100

The accompanying notes are an integral part of the parent company only 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
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023, AND 2022

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

CODE		2023		2022	
		Amount	%	Amount	%
4000	NET OPERATING REVENUE (Note 4, 21, and 29)	\$ 1,853,666	100	\$ 2,261,524	100
5000	OPERATING COSTS (Note 4, 11, 22 and 29)	<u>1,405,076</u>	<u>76</u>	<u>1,636,481</u>	<u>72</u>
5900	GROSS PROFIT	448,590	24	625,043	28
5910	Unrealized sales profit with subsidiaries and affiliated enterprises (Note 4)	(<u>5,438</u>)	-	(<u>654</u>)	-
5950	Realized gross profit from operations	<u>443,152</u>	<u>24</u>	<u>624,389</u>	<u>28</u>
	OPERATING EXPENSES (Note 4, 22 and 29)				
6100	Selling and marketing expenses	136,223	7	154,588	7
6200	General and administrative expenses	84,987	5	106,287	5
6300	Research and development expenses	138,433	7	134,198	6
6450	expected credit impairment loss (profit)	<u>135</u>	-	(<u>45,675</u>)	(<u>2</u>)
6000	Total operating expenses	<u>359,778</u>	<u>19</u>	<u>349,398</u>	<u>16</u>
6900	NET OPERATING PROFIT	<u>83,374</u>	<u>5</u>	<u>274,991</u>	<u>12</u>
	NON-OPERATING INCOME AND EXPENSES				
7100	Interest income (Note 22)	22,343	1	14,613	1
7010	Other income (Note 22, 29)	35,944	2	47,143	2
7020	Other gains and losses (Note 22)	5,247	-	50,034	2
7050	Finance costs (Note 4, 22)	(<u>1,925</u>)	-	(<u>1,195</u>)	-
7070	Share of profit (loss) of associates and joint ventures accounted for using equity method, net (Note 4, 12)	(<u>17,542</u>)	(<u>1</u>)	<u>61,565</u>	<u>3</u>
7000	Total non-operating income and expenses	<u>44,067</u>	<u>2</u>	<u>172,160</u>	<u>8</u>

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CODE		2023		2022	
		Amount	%	Amount	%
7900	PROFIT BEFORE INCOME TAX	\$ 127,441	7	\$ 447,151	20
7950	INCOME TAX EXPENSE (Note 4 and 20)	<u>20,352</u>	<u>1</u>	<u>71,926</u>	<u>3</u>
8200	NET PROFIT FOR THE YEAR	<u>107,089</u>	<u>6</u>	<u>375,225</u>	<u>17</u>
	OTHER COMPREHENSIVE INCOME (LOSS)				
8310	Items not reclassified to profit or loss:				
8311	Remeasurement of defined benefit plans	(445)	-	6,178	-
8316	Unrealized gains and losses on equity instruments measured at fair value through other comprehensive income	120,967	6	(192,888)	(8)
8349	Income taxes related to items not reclassified	89	-	(1,236)	-
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences in translation of financial statements of foreign operations (Notes 4 and 20)	(<u>95</u>)	<u>-</u>	<u>5,900</u>	<u>-</u>
8300	Other comprehensive income for the year (net of tax)	<u>120,516</u>	<u>6</u>	(<u>182,046</u>)	(<u>8</u>)
8500	TOTAL COMPREHENSIVE INCOME	<u>\$ 227,605</u>	<u>12</u>	<u>\$ 193,179</u>	<u>9</u>
	EARNINGS PER SHARE (Note 24)				
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 parent company only 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
PARENT COMPANY ONLY 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		Capital		Capital surplus	Retained earnings		Other equity		Treasury stock	Total
		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
	Appropriation of 2021 earnings									
B1	Legal Reserve	-	-	-	37,320	(37,320)	-	-	-	-
B5	Shareholder's Stock Dividend	-	-	-	-	(309,105)	-	-	-	(309,105)
	Other changes in capital surplus									
C3	From donations	-	-	53	-	-	-	-	-	53
D1	2022 Net profit	-	-	-	-	375,225	-	-	-	375,225
D3	2022 Other comprehensive income	-	-	-	-	4,942	5,900	(192,888)	-	(182,046)
D5	2022 Total comprehensive income	-	-	-	-	380,167	5,900	(192,888)	-	193,179
M1	Insurance of dividends to subsidiaries to adjust capital surplus	-	-	114	-	-	-	-	-	114
M7	Changes in equities of subsidiaries	-	-	1,602	-	-	-	-	-	1,602
Z1	Balance on December 31, 2022	206,070	2,060,698	496,303	100,393	443,633	(15)	123,926	(1,320)	3,223,618
	Appropriation of 2022 earnings									
B1	Legal Reserve	-	-	-	38,017	(38,017)	-	-	-	-
B5	Shareholder's Stock Dividend	-	-	-	-	(309,105)	-	-	-	(309,105)
D1	2023 Net profit	-	-	-	-	107,089	-	-	-	107,089
D3	2023 Other comprehensive income	-	-	-	-	(356)	(95)	120,967	-	120,516
D5	2023 Total comprehensive income	-	-	-	-	106,733	(95)	120,967	-	227,605
L3	Repurchase of treasury stock	-	-	-	-	-	-	-	(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
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)
Z1	Balance on December 31, 2023	206,070	\$ 2,060,698	\$ 489,514	\$ 138,410	\$ 201,042	(\$ 110)	\$ 235,917	(\$ 5,521)	\$ 3,119,950

The accompanying notes are an integral part of the parent company only 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
**PARENT COMPANY ONLY 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	\$ 127,441	\$ 447,151
A20000	Adjustments for:		
A20100	Depreciation expenses	123,072	103,766
A20200	Amortization expenses	4,264	7,705
A20300	Reversal of expected credit losses (profit)	135	(45,675)
A20400	Gain from financial assets at fair value through profit or loss	(10,900)	1,634
A20900	Interest expenses	1,925	1,195
A21200	Interest income	(22,343)	(14,613)
A21300	Dividend income	(17,811)	(18,525)
A22400	Share of profit of subsidiary recognized using equity method.	17,542	(61,565)
A22500	Losses (gains) on disposal of property, plant, and equipment	(1,954)	(1,403)
A22600	Costs transferred from property, plant, and equipment to expenses	-	7,442
A23100	Gain on disposal of investments	-	(130)
A23800	Reversal of impairment loss on inventory	(32,663)	(15,563)
A23900	Unrealized sales profit	5,438	654
A24100	Unrealized foreign exchange (gain) loss	(27,902)	500
A29900	Lease modification loss	72	-
A30000	Changes in operating assets and liabilities		
A31150	Accounts and notes receivable	35,671	222,138
A31160	Accounts receivable - related parties	(12,496)	4,607
A31180	Other receivables	428	(1,470)
A31190	Other receivables - related parties	(5,225)	112
A31200	Inventory	109,261	92,597
A31230	Prepayments	34,765	(38,862)
A31280	Contract costs	10,338	(2,346)
A32125	Contract liabilities	4,574	22,026
A32150	Accounts and notes payable	(1,661)	(136,094)
A32160	Accounts payable - related parties	(2,716)	(15,048)
A32180	Other payables	(35,242)	2,219
A32200	Provision for liabilities	(114)	-
A32230	Other current liabilities	(10,731)	4,547
A32240	Net defined benefit liabilities	(1,333)	(1,372)
A33000	Cash generated from operations	291,835	565,627
A33100	Interest received	23,949	14,422
A33300	Interest paid	(1,088)	(1,139)
A33500	Income tax paid	(12,130)	(94,807)
AAAA	Net cash generated from operating activities	<u>302,566</u>	<u>484,103</u>

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(Continued)

<u>C O D E</u>		<u>2023</u>	<u>2022</u>
	CASH FLOWS FROM INVESTING ACTIVITIES		
B00010	Acquisitions of financial assets measured at fair value through other comprehensive income	\$ -	(\$ 738)
B00020	Disposals of financial assets measured at fair value through other comprehensive income	45,630	-
B00040	Acquisitions of financial assets measured at amortized cost	(528,569)	(73,063)
B00100	Acquisitions of financial assets measured at fair value through profit or loss	(80,000)	(60,000)
B00200	Disposals of financial assets measured at fair value through profit or loss	80,220	60,803
B01800	Acquisitions of long-term equity investments under the equity method	(50,000)	(29,000)
B02300	Disposal of subsidiaries	-	7
B02400	Decrease in capital return from investees under the equity method	-	217,356
B02700	Acquisitions of property, plant, and equipment	(105,148)	(168,168)
B02800	Disposals of property, plant, and equipment	2,457	4,210
B03700	Increase in refundable deposits	(1,543)	(293)
B04500	Acquisitions of intangible assets	(4,578)	(4,925)
B04600	Disposals of intangible assets	-	60
B06500	Decrease in other financial assets	-	6,560
B06700	Increase in other non-current assets	(18,813)	(1,909)
B07600	Receipt of dividends	<u>19,694</u>	<u>27,286</u>
BBBB	Net cash used in investing activities	<u>(640,650)</u>	<u>(21,814)</u>
	CASH FLOWS FROM FINANCING ACTIVITIES		
C00200	Decrease in short-term borrowings	-	(194,190)
C04020	Repayment of lease principal	(5,469)	(3,034)
C04300	Increase in other non-current liabilities	78,057	-
C04500	Payment of cash dividends	(309,105)	(309,105)
C04900	Cost of repurchasing treasury stock	(5,521)	-
C09900	Donations received	-	53
CCCC	Net cash used in financing activities	<u>(242,038)</u>	<u>(506,276)</u>
DDDD	EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>20,098</u>	<u>-</u>
EEEE	NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	(560,024)	(43,987)
E00100	CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,145,339</u>	<u>1,189,326</u>
E00200	CASH AND CASH EQUIVALENTS AT THE ENDING OF THE YEAR	<u>\$ 585,315</u>	<u>\$ 1,145,339</u>

The accompanying notes are an integral part of the parent company only 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
**NOTES TO PARENT COMPANY ONLY 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 Company") was established on March 21, 1995, and primarily engaged in the research, development, design, manufacturing, testing, and import-export trade of light-emitting diode packaging.

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

The parent company only financial statement is presented in New Taiwan Dollars (TWD), which is the functional currency of the Company.

2. APPROVAL DATE AND PROCEDURES OF THE CONSOLIDATED FINANCIAL STATEMENTS

The parent company only 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 the Company's accounting policies.

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

Interpretations (the "New IFRSs")	Effective Date Announced by IASB(Note 1)
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 parent company only financial report, the amendments to other standards and interpretations for the evaluation of the Company 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 Company 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 parent company only financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company’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 parent company only financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(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 parent company only 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.

When preparing the parent company only financial statements, the Company accounts for its investments in subsidiaries using the equity method. To reconcile the profit or loss, other comprehensive income, and equity of the current year of the parent company only financial statements with those of the Company's consolidated financial statements that are attributable to the Company's owners, certain accounting differences between the parent company only basis and the consolidated basis are adjusted in "Investment Accounted for Using Equity Method," "Share of Profit of Subsidiary Recognized Using Equity Method," "Share of Other Comprehensive Income of Subsidiary Recognized Using Equity Method," and related equity items.

(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) Foreign currency

In preparing the financial statements of the Company, transactions in currencies other than the Company'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 parent company only financial statements, assets and liabilities of foreign operations (including subsidiaries and affiliated entities operating in countries or using currencies different from the Company) 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.

(5) 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.

(6) Investment in Subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is controlled by the Company.

Under the equity method, investments in a subsidiary are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of the equity of its subsidiaries.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are equity transactions. The Company recognizes directly in equity any difference between the carrying amount of such investments and the fair value of the consideration paid or received.

When the Company's share of losses of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

Any excess of the cost of an acquisition over the Company's share of the net

fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of the acquisition is recognized immediately in profit or loss. When the Company acquires a subsidiary that does not constitute a business, the Company appropriately allocates the cost of acquisition to the Company's share of the amounts of the identifiable assets acquired (including intangible assets) and liabilities assumed, and the transaction does not give rise to goodwill nor gains.

The Company assesses its investments for any impairment by comparing the respective carrying amounts with the estimated recoverable amounts as assessed based on the entire financial statements of its investee companies. The impairment loss is recognized when the carrying amount of any such investment exceeds the recoverable amount. If the recoverable amount of an investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

Profits or losses resulting from downstream transactions are eliminated in full only in the Company's parent company only financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the Company's parent company only financial statements to the extent of interests in the subsidiaries that are not related to the Company.

(7) Investments in associates

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

The Company accounts for investments in associates using the equity method.

Under the equity method, investments in associates are initially recognized at cost, and subsequently adjusted for the Company's share of the associates' profit or loss and other comprehensive income, as well as for any dividends received. Additionally, changes in the equity of associates are recognized based on the Company's ownership percentage.

If the cost of investment exceeds the Company's share of the associates' identifiable net assets at the acquisition date, the excess is recognized as goodwill, which is included in the carrying amount of the investment and not subject to amortization. Conversely, if the Company's share of the associates' identifiable net assets at the acquisition date exceeds the cost of investment, the excess is recognized in profit or loss for the period.

When associates issue new shares and the Company does not subscribe to them in proportion to its ownership interest, resulting in changes in the ownership interest and consequently the net equity of the investment, such changes are adjusted against

the capital surplus - changes in equity of associates recognized under the equity method and the investment accounted for using the equity method. If the Company does not subscribe to or acquire shares leading to a decrease in the ownership interest in the associate, any amounts recognized in other comprehensive income related to the associate are reclassified based on the reduction in ownership proportion. This adjustment, if necessary, is debited to the capital surplus. If the balance in the capital surplus resulting from the investment accounted for using the equity method is insufficient, the difference is debited to retained earnings.

When the Company's share of losses of an associate equals or exceeds its interest in the associate's equity (including the carrying amount of the investment in associates under the equity method and any other long-term interests that are part of the Company's net investment in the associate), further losses are not recognized. Additional losses and liabilities are recognized only to the extent of legal or constructive obligations or payments already made on behalf of the associate.

For impairment assessment, the Company compares the carrying amount of the investment (including goodwill) with its recoverable amount. Any impairment loss recognized is included in the carrying amount of the investment. Any reversal of impairment losses is recognized to the extent that the recoverable amount of the investment increases subsequently.

When the Company ceases to use the equity method for an investment, the investment in the former associate is remeasured at fair value, with any difference between the fair value and the carrying amount of the investment at the date of discontinuation, along with the proceeds from disposal, recognized in profit or loss for the period. Additionally, any amounts recognized in other comprehensive income related to the former associate are accounted for on the same basis as if the associate had directly disposed of the assets or liabilities.

Profits and losses resulting from transactions between the Company and its associates are recognized in the parent company only financial statements only to the extent that they do not relate to the Company'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 Company 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) 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 Company 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.

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

The Company 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.

(12) Financial instruments

Financial assets and financial liabilities are recognized in the parent company only balance sheet when the Company 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 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 Company are classified as financial assets at FVTPL, financial assets not measured at amortized cost, and debt instrument investment at FVTOCI.

A. Financial asset at FVTPL

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 26.

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 Company 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 Company 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 Company 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 Company'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 Company 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 Company 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 Company are classified as equity in accordance with the definition of equity instruments.

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

The repurchase of the Company's equity instruments are 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 Company'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.

(13) 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 Company's obligation, at the time the related goods are recognized as revenue.

(14) 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.

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 Company recognizes revenue and accounts receivable.

2. Labor revenue

The service provided by the Company 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 Company 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 Company 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 Company 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 Company 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 Company 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 Company recognizes a liability provision in accordance with IAS 37.

The Company 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 Company 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.

(15) Leases

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

The Company as lessor

Leases that transfer substantially all the risks and rewards incidental to ownership of an asset to the lessee are classified as finance leases, while all other leases are classified as operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. The initial direct costs incurred due to obtaining operating leases are added to the carrying amount of the leased asset and recognized as expenses on a straight-line basis over the lease term.

The Company 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 parent company only 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 parent company only balance sheet.

(16) Government grants

Government grants are only recognized when there is reasonable assurance that the Company will comply with the conditions attached to the grants and that the grants will be received.

Government grants related to income are recognized in profit or loss on a systematic basis over the periods that the related costs, which the grants are intended to compensate, are incurred.

If government grants are intended to compensate for expenses or losses already incurred, or if they are provided to provide immediate financial support to the Company without future related costs, they are recognized in profit or loss when they become receivable.

(17) 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 rereasurement) 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.

(18) 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 Company 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 or for tax deductions related to the purchase of machinery and equipment.

For temporary differences related to investments in subsidiaries and associated companies, deferred tax liabilities are recognized, except when the Company 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 Company 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 Company 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 Company 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 Company 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 AND CASH EQUIVALENTS

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Inventory cash and working fund	\$ 128	\$ 122
Bank checks and current deposits	294,434	409,920
Cash equivalents (investments with original maturities of three months or less)		
Repurchase agreements	200,971	-
Bank fixed deposits	<u>89,782</u>	<u>735,297</u>
	<u>\$ 585,315</u>	<u>\$ 1,145,339</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>Non-current</u>		
Domestic investment		
Listed stocks	\$130,633	\$132,652
Unlisted stocks	<u>324,586</u>	<u>254,864</u>
	<u>\$455,219</u>	<u>\$387,516</u>

- (1) The Company 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 Company chooses to designate these investments as measured at fair value through other comprehensive income.

- (2) In the fiscal years 2023 and 2022, the Company recognized dividend income of NT\$10,453 thousand and NT\$11,482 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>\$601,632</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 28.

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	\$355,050	\$400,709
Less: Loss allowance	(396)	(14,320)
	<u>\$354,654</u>	<u>\$386,389</u>
<u>Accounts receivables - related parties</u>		
Measured at amortized cost		
Total carrying amount	\$ 16,746	\$ 3,582
Less: Loss allowance	-	-
	<u>\$ 16,746</u>	<u>\$ 3,582</u>
<u>Other receivables</u>		
Measured at amortized cost		
Receivable tax refunds	\$ 6,900	\$ 7,850
Others	4,291	5,360
Less: Loss allowance	(4)	-
	<u>\$ 11,187</u>	<u>\$ 13,210</u>
<u>Other receivables - related parties</u>		
Measured at amortized cost		
Total carrying amount	\$ 25,279	\$ 19,923
Less: Loss allowance	-	-
	<u>\$ 25,279</u>	<u>\$ 19,923</u>

Accounts receivables

The Company's average credit period for sales of goods ranges from 30 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 Company 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 Company 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 Company directly writes off the relevant accounts receivable. However, the Company continues its collection efforts, and any amounts recovered through the collection are recognized in the income statement.

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

December 31, 2023

	<u>Not past due</u>	<u>Past due 1-4 months</u>	<u>Past due 5-12 months</u>	<u>Past due more than 1 year</u>	<u>Total</u>
Total carrying amount	\$ 369,116	\$ 1,860	\$ 723	\$ 97	\$ 371,796
Loss allowance (Expected credit losses over the remaining period)	-	(82)	(217)	(97)	(396)
Amortized cost	<u>\$ 369,116</u>	<u>\$ 1,778</u>	<u>\$ 506</u>	<u>\$ -</u>	<u>\$ 371,400</u>

December 31, 2022

	<u>Not past due</u>	<u>Past due 1-4 months</u>	<u>Past due 5-12 months</u>	<u>Past due more than 1 year</u>	<u>Total</u>
Total carrying amount	\$ 385,904	\$ 4,342	\$ 14,045	\$ -	\$ 404,291
Loss allowance (Expected credit losses over the remaining period)	-	(275)	(14,045)	-	(14,320)
Amortized cost	<u>\$ 385,904</u>	<u>\$ 4,067</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 389,971</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	\$ 93,899
Finished goods	195,169	237,434
Work in progress	23,709	21,023
Materials	<u>20,206</u>	<u>20,295</u>
	<u>\$296,053</u>	<u>\$372,651</u>

Sales costs related to inventory for the years 2023 and 2022 are NT\$ 1,405,076 thousand and NT\$ 1,636,481 thousand, respectively. The cost of goods sold includes inventory impairment losses and gains from obsolescence reversals of NT\$ 32,663 thousand and NT\$ 15,563 thousand, respectively.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Investment in subsidiaries	\$491,269	\$461,546
Investment in associates	8,206	22,104
Less: Unrealized deferred credit items	(1,855)	(3,461)
	<u>\$497,620</u>	<u>\$480,189</u>

(1) Investment in subsidiaries

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
HONOR LIGHT LIMITED	\$198,882	\$201,810
Hong-Cheng Investment Co., Ltd.	173,817	157,147
Consentek Corporation	59,660	54,422

(Continued)

(Continued)

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Harvatek International (USA) Corp.	\$ 31,259	\$ 30,772
iReach Corporation	17,763	-
Starlight Display Corporation	7,981	14,127
Syntek Corporation Limited	1,907	3,028
Harvatek (Hong Kong) Trading Limited	-	240
	<u>\$491,269</u>	<u>\$461,546</u>

<u>Name of subsidiaries</u>	<u>Ownership equity and percentage of voting rights</u>	
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
HONOR LIGHT LIMITED	100%	100%
Hong-Cheng Investment Co., Ltd.	41.60%	41.60%
Consentek Corporation	61.22%	61.22%
Harvatek International (USA) Corp.	100%	100%
iReach Corporation (Note 1)	10.32%	-
Starlight Display Corporation (Note 2)	66.50%	66.50%
Syntek Corporation Limited	70%	70%
Harvatek (Hong Kong) Trading Limited	80%	80%

Note 1 : The Company holds a comprehensive ownership interest of 51.94% in iReach Corporation, with a majority of seats on the board of directors, thus exerting control over the Company. Therefore, it is classified as a subsidiary.

Note 2 : In August 2022, Starlight Display Corporation conducted a cash capital increase. The Company subscribed to NT\$ 9,000 thousand in cash but did not participate in the cash capital increase according to its shareholding ratio, resulting in our ownership decreasing from 80% to 66.50%. However, this did not affect our control over the company.

The profit or loss and other comprehensive income attributable to equity-method investees for the year 2023 were recognized based on the audited financial statements of each subsidiary for the corresponding period.

(2) Investment in associates

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Individually immaterial associates		
Hong-Ruei Investment Co., Ltd.	\$ 2,146	\$ 2,203
Cyans visual creative Co., Ltd.	6,060	19,901
	<u>\$ 8,206</u>	<u>\$ 22,104</u>

Name	Nature of business	Primary business location	Ownership shares and percentage of voting rights	
			December 31, 2023	December 31, 2022
Hong-Ruei Investment Co., Ltd.	Investment	Taiwan	35%	35%
Cyans visual creative Co., Ltd.	Design, sales, and leasing	Taiwan	40%	40%

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

	2023	2022
The Company's share		
Continuing operations unit's net loss for the year	(\$ 8,256)	(\$ 142)
Other comprehensive income	-	-
Total comprehensive income	(\$ 8,256)	(\$ 142)

13. PROPERTY, PLANT, AND EQUIPMENT

	Land and improvement	Building structure	Machinery and equipment	Testing equipment	Transportation equipment	Other equipment	Leasehold improvement	Total
<u>Cost</u>								
2023.1.1 balance	\$ 89,698	\$ 498,615	\$ 2,268,444	\$ 46,211	\$ 2,773	\$ 206,852	\$ 52,540	\$ 3,165,133
Additions	-	1,056	200,870	1,700	-	9,600	-	213,226
Reclassifications	-	-	45,000	-	-	-	-	45,000
Disposals	-	(167)	(28,709)	(306)	-	(2,873)	-	(32,055)
2023.12.31 balance	89,698	499,504	2,485,605	47,605	2,773	213,579	52,540	3,391,304
<u>Accumulated depreciation and impairment</u>								
2023.1.1 balance	1,131	262,991	2,098,575	41,700	2,159	192,105	52,129	2,650,790
Additions	-	10,244	93,398	2,795	254	10,134	265	117,090
Reclassifications	-	-	45,000	-	-	-	-	45,000
Disposals	-	(167)	(26,803)	(306)	-	(2,873)	-	(30,149)
2023.12.31 balance	1,131	273,068	2,210,170	44,189	2,413	199,366	52,394	2,782,731
2023.12.31 net	\$ 88,567	\$ 226,436	\$ 2,275,435	\$ 3,416	\$ 360	\$ 14,213	\$ 146	\$ 608,573
<u>Cost</u>								
2022.1.1 balance	\$ 89,698	\$ 500,887	\$ 2,239,535	\$ 50,813	\$ 2,011	\$ 218,069	\$ 52,540	\$ 3,153,553
Additions	-	5,480	61,139	1,698	762	8,793	-	77,872
Reclassifications(Not)	-	(7,752)	-	-	-	-	-	(7,752)
Disposals	-	-	(32,230)	(6,300)	-	(20,010)	-	(58,540)
2022.12.31 balance	89,698	498,615	2,268,444	46,211	2,773	206,852	52,540	3,165,133
<u>Accumulated depreciation and impairment</u>								
2022.1.1 balance	1,131	253,279	2,058,194	44,597	2,011	200,446	51,845	2,611,503
Additions	-	10,022	72,611	3,403	148	11,669	284	98,137
Reclassifications(Not)	-	(310)	-	-	-	-	-	(310)
Disposals	-	-	(32,230)	(6,300)	-	(20,010)	-	(58,540)
2022.12.31 balance	1,131	262,991	2,098,575	41,700	2,159	192,105	52,129	2,650,790
2022.12.31 net	\$ 88,567	\$ 235,624	\$ 1,698,869	\$ 4,511	\$ 614	\$ 14,747	\$ 411	\$ 514,343

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	4 to 12 years
Leasehold improvement	3 to 6 years

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

14. 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
Machinery equipment	3,165	4,255
Transportation equipment	<u>892</u>	<u>536</u>
	<u>\$ 47,772</u>	<u>\$ 50,216</u>
	<u>2023</u>	<u>2022</u>
Additions to right-of-use assets	<u>\$ 1,135</u>	<u>\$ 3,929</u>
Depreciation expense of right-of-use assets		
Land	\$ 1,711	\$ 1,711
Machinery equipment	1,018	546
Transportation equipment	<u>778</u>	<u>898</u>
	<u>\$ 3,507</u>	<u>\$ 3,155</u>

Apart from recognizing depreciation expenses, there were no significant subleasing or impairment events for the Company'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>\$ 3,852</u>	<u>\$ 4,436</u>
Noncurrent	<u>\$ 43,993</u>	<u>\$ 46,906</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%

(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) Lease liabilities

	<u>2023</u>	<u>2022</u>
Short-term lease expenses	<u>\$ 105</u>	<u>\$ 114</u>
Low-value asset lease expenses	<u>\$ 359</u>	<u>\$ 390</u>
Total cash outflow for leases	<u>(\$ 6,771)</u>	<u>(\$ 4,406)</u>

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

15. INVESTMENT PROPERTIES

Investment properties are properties owned by the Company for investment purposes. The Company has signed commercial property leases for its investment properties, with lease terms ranging from 2019 to 2024.

	<u>Building</u>
<u>Cost</u>	
2023.1.1 and 2023.12.31 balance	<u>\$ 74,250</u>
<u>Accumulated depreciation and impairment</u>	
2023.1.1 balance	7,753
Depreciation expense	<u>2,475</u>
2023.12.31 balance	<u>10,228</u>
2023.12.31 net	<u>\$ 64,022</u>
<u>Cost</u>	
2022.1.1 and 2022.12.31 balance	<u>\$ 74,250</u>
<u>Accumulated depreciation and impairment</u>	
2022.1.1 balance	5,279
Depreciation expense	<u>2,474</u>
2022.12.31 balance	<u>7,753</u>
2022.12.31 net	<u>\$ 66,497</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>\$ 74,388</u>	<u>\$ 74,790</u>
Rental income from operating leases for investment properties:		
	<u>2023</u>	<u>2022</u>
Rental income from investment properties	<u>\$ 11,568</u>	<u>\$ 11,568</u>

16. INTANGIBLE ASSETS

	<u>Software</u>
<u>Cost</u>	
2023.1.1 balance	\$102,902
Additions	<u>4,578</u>
2023.12.31 balance	<u>\$107,480</u>
<u>Accumulated depreciation and impairment</u>	
2023.1.1 balance	\$100,157
Amortization expenses	<u>4,264</u>
2023.12.31 balance	<u>\$104,421</u>
2023.12.31 net	<u>\$ 3,059</u>
<u>Cost</u>	
2022.1.1 balance	\$ 98,037
Additions	4,925
Disposals	(<u>60</u>)
2022.12.31 balance	<u>\$102,902</u>
<u>Accumulated depreciation</u>	
2022.1.1 balance	\$ 95,274
Amortization expenses	<u>4,883</u>
2022.12.31 balance	<u>\$100,157</u>
2022.12.31 net	<u>\$ 2,745</u>

17. OTHER ASSETS

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Current</u>		

Prepayments		
Prepaid expenses	\$ 5,243	\$ 5,778
Prepaid purchases	3,399	36,582
Prepaid insurance premiums	989	2,321
Deferred tax assets	<u>239</u>	<u>18</u>
Total	<u>\$ 9,870</u>	<u>\$ 44,699</u>

(Continued)

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Noncurrent</u>		
Refundable deposit	\$ 2,556	\$ 1,013
Other	<u>1,611</u>	<u>477</u>
	<u>\$ 4,167</u>	<u>\$ 1,490</u>

18. OTHER LIABILITIES

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Current</u>		
Other accounts payable		
Accrued salaries	\$ 51,802	\$ 42,597
Accrued employee bonuses	49,200	73,450
Accrued director and supervisor remuneration	1,330	4,550
Other	<u>68,370</u>	<u>84,560</u>
	<u>\$170,702</u>	<u>\$205,157</u>
Other liabilities		
Amounts due to others	\$ 4,256	\$ 9,131
Other advances received	<u>-</u>	<u>5,857</u>
	<u>\$ 4,256</u>	<u>\$ 14,988</u>

19. RETIREMENT BENEFIT PLANS

(1) Defined contribution plan

The retirement pension system applicable to the Company 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 retirement pension costs recognized by the Company for the fiscal years 2023 and 2022 were NT\$ 18,117 thousand and NT\$ 18,327 thousand, respectively.

(2) Defined benefit plans

The Company 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 Company 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	\$ 48,351	(\$ 21,998)	\$ 26,353
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	(509)	-	(509)
Actuarial gain - financial assumption adjustments	(5,073)	-	(5,073)
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>
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	222	-	222

adjustments			
Actuarial gain - financial assumption adjustments	620	-	620
Remeasurement of defined benefit assets	-	(65)	(65)
Recognized in other comprehensive income	511	(65)	446
Employer contributions	-	(1,724)	(1,724)
2023.12.31 balance	<u>\$ 45,507</u>	<u>(\$ 27,592)</u>	<u>\$ 17,915</u>

The Company 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 Company'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%	3.00%

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 0.50%	(<u>\$ 2,972</u>)	(<u>\$ 3,035</u>)
Decrease by 0.50%	<u>\$ 3,256</u>	<u>\$ 3,336</u>
Salary growth rate		
Increase by 0.50%	<u>\$ 3,183</u>	<u>\$ 3,265</u>
Decrease by 0.50%	(<u>\$ 2,928</u>)	(<u>\$ 3,004</u>)

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	<u>\$ 38,776</u>	<u>\$ 1,711</u>
Average expected remaining service period for the defined benefit obligation	14 years	14 years

20. 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>206,070</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 Company'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 22(7) for information on the estimation basis and recognized amount of the compensation to employees, directors, and supervisors.

The Company's dividend policy takes into account current and future development plans, the investment environment, capital requirements, and domestic and international competition, as well as the interests of shareholders. Dividends may be distributed to shareholders in cash or 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 Company incurs no loss, the Company may distribute its legal reserve in excess of 25% of the paid-in capital in the form of new shares or cash in proportion to the shareholders' original shares.

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	\$ 38,017	\$ 37,320
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	(\$ 110)	(\$ 15)
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

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

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

December 31, 2022

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

During the fiscal year 2023, the subsidiary of the Company sold 76 thousand shares of the company's stock it held. The Company 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 Company'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 Company's cash capital increase and lacking voting rights. Otherwise, the subsidiary enjoys the same rights as ordinary shareholders.

21. REVENUE

(1) Revenue from contracts with customers

	<u>2023</u>	<u>2022</u>
Revenue from contracts with customers		
Merchandise sales revenue	\$ 1,826,249	\$ 2,234,101
Engineering revenue	<u>27,417</u>	<u>27,423</u>
	<u>\$ 1,853,666</u>	<u>\$ 2,261,524</u>

(2) Contract balances

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
Accounts receivable (Note 10)	<u>\$ 354,654</u>	<u>\$ 386,389</u>	<u>\$ 562,197</u>
Accounts receivable - related parties	<u>\$ 16,746</u>	<u>\$ 3,582</u>	<u>\$ 8,189</u>
Contract liabilities			
Merchandise sales	\$ 71,962	\$ 61,303	\$ 36,036
Engineering revenue	<u>1,613</u>	<u>7,698</u>	<u>10,939</u>
	<u>\$ 73,575</u>	<u>\$ 69,001</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>\$ 69,001</u>	<u>\$ 46,975</u>

The main changes in contract liabilities primarily arise from the timing difference between satisfying performance obligations and the timing of customer payments.

(3) Contract cost-related assets

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Contract fulfillment costs - current	<u>\$ 452</u>	<u>\$ 10,790</u>
(4) Segmentation of customer contract revenue		
	<u>2023</u>	<u>2022</u>
<u>Primary regional markets</u>		
China	\$ 900,175	\$ 1,085,709
Taiwan	474,146	542,669
Asia	273,140	404,575
Others	<u>206,205</u>	<u>228,571</u>
	<u>\$ 1,853,666</u>	<u>\$ 2,261,524</u>
<u>Primary products</u>		
Light-emitting diodes	\$ 1,826,249	\$ 2,234,101
Engineering revenue	<u>27,417</u>	<u>27,423</u>
	<u>\$ 1,853,666</u>	<u>\$ 2,261,524</u>
22. <u>CONTINUING OPERATIONS NET PROFIT (LOSS)</u>		
(1) Interest income		
	<u>2023</u>	<u>2022</u>
Interest income	<u>\$ 22,343</u>	<u>\$ 14,613</u>
(2) Other income		
	<u>2023</u>	<u>2022</u>
Dividend income	\$ 17,811	\$ 18,525
Rental income	11,921	11,928
Other	<u>6,212</u>	<u>16,690</u>
	<u>\$ 35,944</u>	<u>\$ 47,143</u>
(3) Other profit (loss)		
	<u>2023</u>	<u>2022</u>
Through profit or loss on financial instruments measured at fair value	\$ 10,900	(\$ 1,634)
Gain (loss) on disposal of property, plant, and equipment	1,954	1,403
Net foreign exchange gain (loss)	(7,556)	50,135
Gain on disposal of investments	-	130
Other	<u>(51)</u>	<u>-</u>
	<u>\$ 5,247</u>	<u>\$ 50,034</u>
(4) Financial costs		
	<u>2023</u>	<u>2022</u>

Interest on bank borrowings	\$ 1,087	\$ 327
Interest on lease liabilities	<u>838</u>	<u>868</u>
	<u>\$ 1,925</u>	<u>\$ 1,195</u>

(5) Depreciation and amortization

	<u>2023</u>	<u>2022</u>
Depreciation expense aggregated by function		
Operating cost	\$108,021	\$ 79,193
Operating expenses	<u>15,051</u>	<u>24,573</u>
	<u>\$123,072</u>	<u>\$103,766</u>
Amortization expense of intangible assets aggregated by function		
Operating cost	\$ 143	\$ 280
Operating expenses	<u>4,121</u>	<u>4,603</u>
	<u>\$ 4,264</u>	<u>\$ 4,883</u>

(6) Employee benefits expense

	<u>2023</u>	<u>2022</u>
Retirement benefit(Note 19)		
Defined contribution plans	\$ 18,118	\$ 18,327
Defined benefit plans	<u>390</u>	<u>339</u>
	18,508	18,666
Other employee benefits	<u>403,953</u>	<u>470,627</u>
Total employee benefits expense	<u>\$422,461</u>	<u>\$489,293</u>
Aggregated by function		
Operating cost	\$276,824	\$309,823
Operating expenses	<u>145,637</u>	<u>179,470</u>
	<u>\$422,461</u>	<u>\$489,293</u>

(7) Employee compensation and director and supervisor remuneration

The Company 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 Company'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	\$ 47,882	\$140,391
Total foreign exchange loss	(<u>55,438</u>)	(<u>90,256</u>)
Net (loss) profit	(<u>\$ 7,556</u>)	<u>\$ 50,135</u>

23. CONTINUING OPERATIONS INCOME TAX

(1) Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	<u>2023</u>	<u>2022</u>
Current tax		
In respect of the current year	\$ 16,376	\$ 59,536
Adjustment of income tax from previous fiscal years in the current period	(8,246)	(5,580)
Deferred tax		
In respect of the current year	<u>12,222</u>	<u>17,970</u>
Income tax expense recognized in profit or loss	<u>\$ 20,352</u>	<u>\$ 71,926</u>

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>\$127,441</u>	<u>\$447,151</u>
Income tax calculated at statutory tax rate on profit before tax	\$ 25,488	\$ 89,430
Expenses not deductible for tax purposes	(605)	(6,091)
Income tax effect of deferred tax assets (liabilities)	3,715	(5,833)
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>\$ 20,352</u>	<u>\$ 71,926</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>\$ 14,467</u>	<u>\$ 18,467</u>

(4) Deferred tax assets and liabilities

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

2023

	Balance at January 1	Recognized in Profit or Loss	Recognized in other comprehensive income	Balance at December 31
<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>12,423</u>	<u>(2,231)</u>	<u>89</u>	<u>10,281</u>
	<u>\$ 51,039</u>	<u>(\$ 10,900)</u>	<u>\$ 89</u>	<u>\$ 40,228</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Other	<u>(\$ 962)</u>	<u>(\$ 1,322)</u>	<u>\$ -</u>	<u>(\$ 2,284)</u>

2022

	Balance at January 1	Recognized in Profit or Loss	Recognized in other comprehensive income	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>26,685</u>	<u>(13,026)</u>	<u>(1,236)</u>	<u>12,423</u>
	<u>\$ 69,967</u>	<u>(\$ 17,692)</u>	<u>(\$ 1,236)</u>	<u>\$ 51,039</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Other	<u>(\$ 684)</u>	<u>(\$ 278)</u>	<u>\$ -</u>	<u>(\$ 962)</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.

24. EARNINGS PER SHARE

	<u>2023</u>	<u>2022</u>
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:

Net profit for the current fiscal year

	<u>2023</u>	<u>2022</u>
Net profit used to calculate basic and diluted earnings per share	<u>\$107,089</u>	<u>\$375,255</u>

Shares

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>

25. CAPITAL RISKS MANAGEMENT

The Company's objective in capital management is to ensure the Company'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 Company'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 Company adopts a prudent risk management strategy.

26. 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	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 91,405</u>	<u>\$ 91,405</u>

Financial assets measured at

<u>fair value through other comprehensive income</u>				
Equity instrument investments				
– Listed (OTC) stocks	\$ 130,633	\$ -	\$ -	\$ 130,633
– Unlisted (OTC) stocks	<u>-</u>	<u>-</u>	<u>324,586</u>	<u>324,586</u>
	<u>\$ 130,633</u>	<u>\$ -</u>	<u>\$ 324,586</u>	<u>\$ 455,219</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	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 80,725</u>	<u>\$ 80,725</u>
<u>Financial assets measured at fair value through other comprehensive income</u>				
Equity instrument investments				
– Listed (OTC) stocks	\$ 132,652	\$ -	\$ -	\$ 132,652
– Unlisted (OTC) stocks	<u>-</u>	<u>-</u>	<u>254,864</u>	<u>254,864</u>
	<u>\$ 132,652</u>	<u>\$ -</u>	<u>\$ 254,864</u>	<u>\$ 387,516</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>

<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	\$254,864	\$382,670
Recognized in other comprehensive profit or loss	<u>69,722</u>	<u>(127,806)</u>
Ending balance	<u>\$324,586</u>	<u>\$254,864</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.

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<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 fair value through other comprehensive income -		
Non-current		
Equity instrument investments	455,219	387,516
Financial assets measured at amortized cost (Note 1)	1,623,334	1,650,741
<u>Financial liabilities</u>		
At amortized cost (Note 2)	484,278	447,581

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 Company'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 Company 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 Company are reviewed by management in accordance with relevant regulations and internal control systems.

During the execution of financial plans, the Company adheres to relevant financial operating procedures.

1. Market risk

The Company'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 Company 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 Company'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 company does not hedge them.

Sensitivity analysis

The Company 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 1% against the relevant foreign currencies. Conversely, when the New Taiwan Dollar depreciates by 1% 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 Company when reporting exchange rate risk to management.

	<u>Impact of US Dollar</u>		<u>Impact of Chinese Yuan</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Profit before tax	<u>(\$ 2,684)</u>	<u>(\$ 2,895)</u>	<u>(\$ 119)</u>	<u>(\$ 928)</u>

(2) Interest rate risk

As the Company borrows funds at both fixed and floating interest rates, it is exposed to interest rate risk. The Company 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	\$900,671	\$816,582
Financial liabilities	47,845	51,342

Cash flow interest rate risk		
Financial assets	294,434	409,920

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\$2,790 thousand and NT\$4,099 thousand, respectively.

(3) Other price risks

The Company 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 Company'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 Company's pre-tax other comprehensive income for fiscal years 2023 and 2022 will increase/decrease by NT\$4,552 thousand and NT\$3,875 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 Company due to the counterparty's default on contractual obligations. The Company'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 Company 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 Company, historical transaction records, and current economic conditions. The Company 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 Company

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 65% and 64%, 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 Company's finance department. As the Company'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 Company 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 Company 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
Non-interest loan liabilities	\$ 402,681	\$ -	\$ -	\$ -	\$ -	\$ 402,681
Non-interest loan liabilities	485	703	2,665	6,152	37,840	47,845
	<u>\$ 403,166</u>	<u>\$ 703</u>	<u>\$ 2,665</u>	<u>\$ 6,152</u>	<u>\$ 37,840</u>	<u>\$ 450,526</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>\$ 3,853</u>	<u>\$ 6,152</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
Non-interest loan liabilities	\$ 444,401	\$ -	\$ -	\$ -	\$ -	\$ 444,401
Non-interest loan liabilities	<u>565</u>	<u>1,099</u>	<u>2,772</u>	<u>7,547</u>	<u>39,359</u>	<u>51,342</u>
	<u>\$ 444,966</u>	<u>\$ 1,099</u>	<u>\$ 2,772</u>	<u>\$ 7,547</u>	<u>\$ 39,359</u>	<u>\$ 495,743</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>\$ 4,436</u>	<u>\$ 7,547</u>	<u>\$ 7,860</u>	<u>\$ 8,578</u>	<u>\$ 9,361</u>	<u>\$ 13,590</u>

27. TRANSACTIONS WITH RELATED PARTIES

Apart from transactions disclosed in other notes, the Company's transactions with related parties are as follows:

(1) Names of related parties and their relationships

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Syntek Corporation Limited	Subsidiary
Consentek Corporation	Subsidiary
Harvatek (Hong Kong) Trading Limited	Subsidiary
Harvatek International (USA) Corp.	Subsidiary
Starlight Display Corporation	Subsidiary
iReach Corporation	Subsidiary
Harvatek(Guangzhou) Co., LTD	Subsidiary held indirectly
Guang Zhou Giuhong Yi trading company, Limited	Subsidiary held indirectly
YoungTek Electronics Corporation	Other related party
IN & OUT Bio Beauty Corp.	Other related party
Cyans visual creative Co., Ltd.	Associate

(2) Operating revenue

<u>Accounting item</u>	<u>Type of related party</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Operating revenue	Associate		
	Cyans visual creative Co., Ltd.	\$ 61,951	\$ 9,524
	Subsidiary		

Harvatek International (USA) Corp.	10,682	20,329
iReach Corporation	20	-
Other related party		
YoungTek Electronics Corporation	3,900	2,935
Subsidiary held indirectly		
Harvatek(Guangzhou) Co., LTD	<u>1,563</u>	<u>6,252</u>
	<u>\$ 78,116</u>	<u>\$ 39,040</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) Purchase

<u>Type/name of related party</u>	<u>2023</u>	<u>2022</u>
Subsidiary held indirectly		
Harvatek(Guangzhou) Co., LTD	<u>\$ 7,508</u>	<u>\$ 11,108</u>

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

(4) 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	Associate		
- net related parties	Cyans visual creative Co., Ltd.	\$ 13,635	\$ -
	Subsidiary		
	Harvatek International (USA) Corp.	2,637	2,426
	iReach Corporation	20	80
	Subsidiary held indirectly		
	Harvatek(Guangzhou) Co., LTD	454	631
	Other related party		
	YoungTek Electronics Corporation	<u>-</u>	<u>445</u>

\$ 16,746 \$ 3,582

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

(5) 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	Subsidiary		
- related parties	iReach Corporation	\$ 103	\$ -
	Other related party		
	YoungTek Electronics Corporation	<u>-</u>	<u>2,258</u>
		<u>\$ 103</u>	<u>\$ 2,258</u>

(6) 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>

(7) 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	\$ 13,629
	Subsidiary held indirectly		
	Harvatek(Guangzhou) Co., LTD	1,041	1,079
	Guang Zhou Giuhong Yi trading company, Limited	-	667
	Subsidiary		
	Harvatek International (USA) Corp.	<u>-</u>	<u>435</u>
		<u>\$ 13,075</u>	<u>\$ 15,810</u>
Other payables	Subsidiary held indirectly		
	Guang Zhou Giuhong Yi trading company, Limited	\$ 987	\$ -

		Subsidiary		
		Harvatek	<u>219</u>	<u>-</u>
		International (USA) Corp.		
			<u>\$ 1,206</u>	<u>\$ -</u>
 (8) 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 - net related parties	Other related party			
	YoungTek Electronics Corporation		<u>\$ 78,057</u>	<u>\$ -</u>
 (9) 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>
 (10) 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>
 (11) Acquisition of property, plant, and equipment				
			<u>Purchase price</u>	
	<u>Type/Name of related party</u>		<u>2023</u>	<u>2022</u>
	Other related party			
	YoungTek Electronics Corporation		<u>\$158,309</u>	<u>\$ 24,788</u>

The Company 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.

(12) Disposal of property, plant, and equipment

<u>Type/Name of related party</u>	<u>Disposal proceeds</u>		<u>Gain (loss) on disposal</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>

Subsidiary Syntek Corporation Limited	\$ <u> -</u>	\$ <u> 4,210</u>	\$ <u> 1,403</u>	\$ <u> 1,403</u>
Other related party YoungTek Electronics Corporation	\$ <u> 1,640</u>	\$ <u> -</u>	\$ <u> 400</u>	\$ <u> -</u>

(13) Acquisition of intangible assets

<u>Type/Name of related party</u>	取	得	價	款
	<u>2023</u>		<u>2022</u>	
Other related party YoungTek Electronics Corporation		\$ <u> 600</u>		\$ <u> -</u>

(14) Lease agreement

Since November 2019, the Company 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 Company 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.

(15) Loans to related parties

<u>Type/name of related party</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Subsidiary held indirectly		
Harvatek(Guangzhou) Co., LTD	\$ 15,176	\$ 17,665
Associate		
Cyans visual creative Co., Ltd.	<u>10,000</u>	<u>-</u>
	<u>\$ 25,176</u>	<u>\$ 17,665</u>

Interest income

<u>Type/name of related party</u>	<u>2023</u>	<u>2022</u>
Subsidiary held indirectly		
Harvatek(Guangzhou) Co., LTD	\$ 344	\$ 397
Associate		
Cyans visual creative Co., Ltd.	<u>80</u>	<u>-</u>
	<u>\$ 424</u>	<u>\$ 397</u>

(16) Other

The transactions between the Company, its subsidiaries, and indirectly held subsidiary companies are summarized as follows:

<u>Accounting item</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Sales expenses - service fees	<u>\$ 16,711</u>	<u>\$ 9,781</u>
Sales expenses - commission expenses	<u>\$ 9,274</u>	<u>\$ 10,577</u>
Manufacturing costs - processing fees	<u>\$ 237</u>	<u>\$ -</u>
Manufacturing costs - testing expenses	<u>\$ 56</u>	<u>\$ -</u>
Manufacturing costs - sample fees	<u>\$ 4</u>	<u>\$ 297</u>
Non-operating income - other income	<u>\$ 685</u>	<u>\$ 241</u>
Non-operating income - rental income	<u>\$ 168</u>	<u>\$ 168</u>

The transactions between the company and other related parties are summarized as follows:

<u>Accounting item</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Manufacturing costs - material fees	<u>\$ 1,452</u>	<u>\$ -</u>
Manufacturing costs - repair expenses	<u>\$ 600</u>	<u>\$ -</u>
Manufacturing costs - testing expenses	<u>\$ 313</u>	<u>\$ 2,557</u>
Manufacturing costs - processing fees	<u>\$ 26,348</u>	<u>\$ 47,186</u>
Sales expenses - other expenses	<u>\$ 11</u>	<u>\$ 2</u>
Non-operating income - sample income	<u>\$ -</u>	<u>\$ 165</u>
Non-operating income - other income	<u>\$ -</u>	<u>\$ 4,947</u>

The transactions between the company 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>

(17) Remuneration of key management personnel

	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 20,527	\$ 23,233
Retirement benefits	<u>527</u>	<u>482</u>
	<u>\$ 21,054</u>	<u>\$ 23,715</u>

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

28. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets are provided as collateral for customs-imported raw materials and leased land from the Science Park Bureau:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Financial assets measured at amortized cost (Note 9)	<u>\$ 8,286</u>	<u>\$ 8,222</u>

29. 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.

30. SIGNIFICANT SUBSEQUENT EVENTS:

The following information is expressed in foreign currencies other than the functional currency of the company. 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	\$ 12,243	30.71	\$ 375,978
Chinese yuan	265	4.329	1,147
Euro	378	34.01	12,854
Hong Kong dollar	641	3.934	2,523
<u>Financial liabilities</u>			
<u>Monetary items</u>			
US dollar	3,504	30.71	107,605
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>
<u>Financial assets</u>			
<u>Monetary items</u>			
US dollar	\$ 14,550	30.70	\$ 446,683
Chinese yuan	21,199	4.409	93,464
Euro	508	32.74	16,628
Hong Kong dollar	569	3.941	2,242
<u>Financial liabilities</u>			
<u>Monetary items</u>			
US dollar	5,132	30.70	157,542
Chinese yuan	151	4.409	667
Euro	3	32.74	85
Japanese yen	2,197	0.2406	511

In the fiscal years 2023 and 2022, the Company realized and unrealized gains (losses) from foreign currency exchange of NT\$(7,556) thousand and NT\$50,135 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.

31. 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.

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 22	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: 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 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).

§DETAILED LIST OF SIGNIFICANT ACCOUNTING ITEMS§

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Harvatek Corporation

December 31, 2023

Statement 1

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

Item	Description	Amount
Cash		
Cash on hand and petty cash		\$ 128
Bank deposits		
Cheque deposits and current deposits		279,020
Foreign currency current deposits	Including USD 62 thousand, @30.71, HKD 449, @3.93, and EUR 326 thousand, @34.01	15,414
Cash equivalents - with repurchase agreements		200,971
Fixed deposits	Maturing before March 2024	<u>89,782</u>
		<u>\$ 585,315</u>

Harvatek Corporation
Statement of financial assets measured at fair value through profit or loss - current
December 31, 2023

Statement 2

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

Name	Description	Beginning balance		Increase in current period		Decrease in current period		Gain on fair value through profit of loss financial assets	Ending balance		Remark
		Shares(thousand)	Amount	Shares(thousand)	Amount	Shares(thousand)	Amount		Shares(thousand)	Amount	
Noncurrent assets											
Fund	Yuanta De- Bao Money Market Fund	-	\$ -	1,639	\$ 20,000	(1,639)	(\$ 20,053)	\$ 53	-	\$ -	
Fund	Taishin Ta-Chong Money Market Fund	-	-	1,386	20,000	(1,386)	(20,057)	57	-	-	
Fund	Taishin 1699 Money Market Fund	-	-	1,453	20,000	(1,453)	(20,060)	60	-	-	
Fund	Union Money Market Fund	-	-	1,491	20,000	(1,491)	(20,050)	50	-	-	
Domestic equity investments	CT Micro International Corp. (Preferred stock)	47,983	<u>80,725</u>	-	<u>-</u>	-	<u>-</u>	<u>10,680</u>	47,983	<u>91,405</u>	
			<u>\$ 80,725</u>		<u>\$ 80,000</u>		<u>(\$ 80,220)</u>	<u>\$ 10,900</u>		<u>\$ 91,405</u>	

Harvatek Corporation
Statement of changes in financial assets measured at fair value through profit or loss
December 31, 2023

Statement 3

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

Name	Description	Shares(thousand)	Beginning balance		Increase in current period		Decrease in current period Amount	Gain on fair value through profit of loss		Ending balance Amount
			Amount	Shares(thousand)	Amount	Shares(thousand)		financial assets	Shares(thousand)	
Domestic listed (OTC) stocks										
Ever Supreme Bio Technology Co., Ltd.	220	\$ 48,510	22	\$ -	-	\$ -	(\$ 1,214)	242	\$ 47,296	Note 1 and 3
Edison Opto Corporation	5,376	84,142	-	-	(1,961)	(45,601)	44,796	3,415	83,337	Note 3
Domestic unlisted (OTC) stocks										
Hsieh-Yung Investment Co., Ltd.	33,409	227,181	-	-	(902)	-	72,533	32,507	299,714	Note 2 and 3
Starchips Technology Inc.	53	117	-	-	-	-	(100)	53	17	Note 3
Chun-Hsin Venture Capital Co., Ltd.	3,000	4,710	-	-	-	-	(270)	3,000	4,440	Note 3
Lediamond Opto Corporation	750	1,732	-	-	-	-	9,053	750	10,785	Note 3
Gingy Technology Inc.	19	4	-	-	(19)	(29)	25	-	-	Note 3
Bigbest Solution Inc.	3,000	<u>21,120</u>	-	-	-	-	<u>(11,490)</u>	3,000	<u>9,630</u>	Note 3
		<u>\$ 387,516</u>		<u>\$ -</u>		<u>(\$ 45,630)</u>	<u>\$ 113,333</u>		<u>\$ 455,219</u>	

Note 1: The increase in the number of shares this year is due to the distribution of stock dividends from capital surplus.

Note 2: The decrease in the number of shares this year is to offset losses through capital reduction.

Note 3: The aforementioned financial assets are not provided as collateral or guarantees.

Harvatek Corporation
Statement of accounts receivable
December 31, 2023

Statement 4

Unit: NTD thousand

<u>Name of the case</u>	<u>Amount</u>
Non-related parties	
Client A	\$162,606
Client B	26,268
Client C	19,398
Other (Note)	<u>146,778</u>
	355,050
Less: Allowance for bad debts	(<u> 396</u>)
	<u><u>\$354,654</u></u>

Note: The balances of each account do not exceed 5% of the balance of this account.

Harvatek Corporation
Statement of inventories
December 31, 2023

Statement 5

Unit: NTD thousand

Item	Amount	
	Cost	Net realizable value
Raw materials	\$ 77,175	\$102,543
Finished goods	195,169	331,397
Work in progress	<u>23,709</u>	<u>23,709</u>
	<u>\$296,053</u>	<u>\$457,649</u>

Harvatek Corporation
Statement of changes in investments accounted for using the equity method
January 1 to December 31, 2023

Statement 6

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

Names	Beginning balance		Additions		Capital	Recognized	Measured at fair	Accumulated	Unrealized	Dividend	Deferred	Ending balance				
	Shares	Amount	Shares	Amount	Surplus	by the	value financial	translation	gross profit on			Income	credits	Shares	(%)	Amount
Equity method investments																
Harvatek Internation (USA) Corp.	1,000	\$ 30,772	-	\$ -	\$ -	\$ 483	\$ -	\$ 4	\$ -	\$ -	\$ -	1,000	100	\$ 31,259	\$ 31,259	
HONOR LIGHT LIMITED	12,447	201,156	-	-	-	(2,828)	-	(101)	203	-	-	12,447	100	198,430	198,430	
Hong-Ruei Investment Co., Ltd.	414	2,203	-	-	-	(57)	-	-	-	-	-	414	35.29	2,146	2,146	
Harvatek(Hong Kong) Trading Limited	4,800	240	-	-	-	(242)	-	2	-	-	-	4,800	80	-	-	
Hong-Cheng Investment Co., Ltd.	2,500	157,147	-	-	4,214	6,705	7,634	-	-	(1,883)	-	2,500	41.6	173,817	173,817	
Syntek Corporation Limited	700	221	-	-	-	(1,120)	-	-	-	-	1,403	700	70	504	504	
Consentek Corporation	6,559	54,422	-	-	10,735	(5,497)	-	-	-	-	-	6,559	61.22	59,660	59,660	
Starlight Display Corporation	2,100	14,127	-	-	-	(6,146)	-	-	-	-	-	2,100	66.50	7,981	7,981	
Cyans visual creative Co., Ltd.	2,000	19,901	-	-	-	(8,200)	-	-	(5,641)	-	-	2,000	40	6,060	6,060	
iReach Corporation	-	-	25,000	50,000	(31,597)	(640)	-	-	-	-	-	25,000	10.32	17,763	17,763	
		<u>\$ 480,189</u>		<u>\$ 50,000</u>	<u>(\$ 16,648)</u>	<u>(\$ 17,542)</u>	<u>\$ 7,634</u>	<u>(\$ 95)</u>	<u>(\$ 5,438)</u>	<u>(\$ 1,883)</u>	<u>\$ 1,403</u>			<u>\$ 497,620</u>	<u>\$ 497,620</u>	

Note: Investment gains or losses and net equity are calculated based on the audited financial statements of the investee company for the same period.

Harvatek Corporation

Statement of changes in right-of-use assets and accumulated depreciation
on right-of-use assets

January 1 to December 31, 2023

Statement 7

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

Name	Land	Machinery equipment	Transportation Equipment	Total
<u>Cost</u>				
2023.1.1 balance	\$ 51,513	\$ 6,109	\$ 1,897	\$ 59,519
Addition	-	-	1,135	1,135
Disposal	<u>-</u>	<u>(2,180)</u>	<u>(1,109)</u>	<u>(3,289)</u>
2023.12.31 balance	<u>51,513</u>	<u>3,929</u>	<u>1,923</u>	<u>57,365</u>
<u>Accumulated depreciation</u>				
2023.1.1 balance	6,088	1,854	1,361	9,303
Depreciation	1,710	1,018	779	3,507
Disposal	<u>-</u>	<u>(2,108)</u>	<u>(1,109)</u>	<u>(3,217)</u>
2023.12.31 balance	<u>7,798</u>	<u>764</u>	<u>1,031</u>	<u>9,593</u>
2023.12.31 net	<u>\$ 43,715</u>	<u>\$ 3,165</u>	<u>\$ 892</u>	<u>\$ 47,772</u>

Harvatek Corporation
Statement of accounts and notes payable
December 31, 2023

Statement 8

Unit: NTD thousand

<u>Supplier name</u>	<u>Amount</u>
Non-related parties	
Supplier A	\$ 41,166
Supplier B	34,488
Supplier C	31,319
Supplier D	24,542
Supplier E	19,614
Supplier F	14,988
Other(Note)	<u>52,787</u>
	<u>\$218,904</u>

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

Harvatek Corporation
Statement of lease liabilities
December 31, 2023

Statement 9

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

<u>Item</u>	<u>Lease term</u>	<u>Discount rate</u>	<u>Amount</u>
Land	30~50 years	1.55%~1.75%	\$ 45,352
Machinery equipment	2~5 years	0.75%~1.25%	1,644
Transportation equipment	2~3 years	0.63%~2.88%	<u>849</u>
Total			47,845
Less: lease liabilities - current			(<u>3,852</u>)
Lease liabilities - non-current			<u>\$ 43,993</u>

Harvatek Corporation
Statement of operating revenue
January 1 to December 31, 2023

Statement 10

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

Item	Number	Amount
Sales revenue	2,925,748	\$ 1,828,456
Engineering revenue	8	27,417
Sales return and allowance	6,950	(<u>2,207</u>)
Net operating revenue		<u>\$ 1,853,666</u>

Harvatek Corporation
Statement of operating costs
January 1 to December 31, 2023

Statement 11

Unit: NTD thousand

Item	Amount
Cost of self-manufactured goods	
Direct materials	
Opening inventory	\$ 114,194
Add: material purchased	653,001
Less: ending inventory	(77,175)
Sale of materials	(749)
Other	(24,286)
Material consumed	664,985
Direct labor cost	111,328
Manufacturing expenses	<u>461,718</u>
Cost of manufacturing	<u>1,238,031</u>
Add: works in process at the start of the period	21,023
Other	280
Less: works in process at the end of the period	(<u>23,709</u>)
Cost of finished goods	1,235,625
Add: beginning finished goods	237,434
Purchase of current period	71,113
Less: ending finished goods	(195,169)
Other	(<u>18,787</u>)
Cost of self-manufactured goods	<u>1,330,216</u>
Other operating costs	
Loss of inventory obsolete	1,956
Sale of material	749
Sale of scrap and waste	(5,035)
Other	<u>77,190</u>
Subtotal of other operating costs	<u>74,860</u>
Total cost of sales	<u><u>\$ 1,405,076</u></u>

Harvatek Corporation
Statement of operating expenses
January 1 to December 31, 2023

Statement 12

Unit: NTD thousand

Item	Sale expense	Manage expense	Research expense
Salaries	\$ 36,261	\$ 36,741	\$ 51,219
Labor expenses	18,264	10,673	564
Depreciation expenses	1,183	6,622	7,246
Lease expenses	67	398	-
Amortization expenses	-	3,162	972
Other(Note)	<u>80,448</u>	<u>27,391</u>	<u>78,432</u>
Total	<u>\$ 136,223</u>	<u>\$ 84,987</u>	<u>\$ 138,433</u>

Note: None of the balance of other items exceeds 5% of the amount in this account.

Harvatek Corporation

Summary statement of current period employee benefits, depreciation, depletion, and
amortization expenses by function

FOR THE YEARS ENDED DECEMBER 31, 2023, AND 2022

Statement 13

Unit: NTD thousand

	2023			2022		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Labor expenses						
Salary expenses	\$ 226,717	\$ 122,891	\$ 349,608	\$ 258,110	\$ 154,419	\$ 412,529
Board compensation	-	1,330	1,330	-	4,649	4,649
Labor and health insurance expenses	26,714	11,378	38,092	27,236	10,667	37,903
Pension expenses	12,383	6,125	18,508	12,830	5,836	18,666
Other employee benefit expenses	<u>11,010</u>	<u>3,913</u>	<u>14,923</u>	<u>11,647</u>	<u>3,899</u>	<u>15,546</u>
Total	<u>\$ 276,824</u>	<u>\$ 145,637</u>	<u>\$ 422,461</u>	<u>\$ 309,823</u>	<u>\$ 179,470</u>	<u>\$ 489,293</u>
Depreciation expenses	<u>\$ 108,021</u>	<u>\$ 15,051</u>	<u>\$ 123,072</u>	<u>\$ 79,193</u>	<u>\$ 24,573</u>	<u>\$ 103,766</u>
Amortization expenses	<u>\$ 143</u>	<u>\$ 4,121</u>	<u>\$ 4,264</u>	<u>\$ 3,131</u>	<u>\$ 4,574</u>	<u>\$ 7,705</u>

Note:

- The average number of employees for the current year and the previous year were 520 and 544, respectively, with the number of non-executive directors who are not employees being 4 for both years.
- Companies whose stocks are listed on stock exchanges or traded on the over-the-counter market should disclose the following information:
 - The average employee benefits expense for the current year was NTD 816 thousand. The average employee benefits expense for the previous year was NTD 897 thousand.
 - The average employee salary expense for the current year was NTD 677 thousand, while for the previous year, it was NTD 764 thousand.
 - The percentage change in the average employee salary expense was (9)%.
 - Due to the establishment of an audit committee, the remuneration, fees, and expenses of supervisors are not disclosed.
 - According to the Company's articles of association, if the Company makes a profit for the year, it shall allocate not less than six percent as employee compensation, to be distributed by the board of directors in the form of stocks or cash to employees of controlling or subsidiary companies who meet certain conditions. The Company may allocate an amount not exceeding one percent as director's remuneration, as decided by the board of directors. However, if the Company has accumulated losses, it shall reserve an amount for offsetting losses before allocating employee compensation and director's remuneration according to the aforementioned proportions.